

HOUSE FINANCE COMMITTEE

May 17, 2021

1:34 p.m.

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CALL TO ORDER

Vice-Chair Ortiz called the House Finance Committee meeting to order at 1:34 p.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

Tally Teal, Staff, Representative Kelly Merrick; Alexei Painter, Director, Legislative Finance Division; Neil Steininger, Director, Office of Management and Budget, Office of the Governor.

PRESENT VIA TELECONFERENCE

Cliff Groh, Self, Anchorage; Queen Parker, Self, Sterling; Terri Lyons, Self, Wasilla; Cammy Taylor, Self, Anchorage; Cris Eichenlaub, Self, Wasilla; Bert Houghtaling, Self, Big Lake; Jean Holt, Self, Palmer; Alex McDonald, Self, Fairbanks; Charles McKee, Self, Anchorage; Phillip DeLand, Self, Anchorage.

SUMMARY

HB 70            APPROP: CAP; REAPPROP; SUPP; AMEND

HB 70 was HEARD and HELD in committee for further consideration.

HB 202           PERMANENT FUND DIVIDEND; ROYALTIES

HB 202 was HEARD and HELD in committee for further consideration.

#hb202

HOUSE BILL NO. 202

"An Act relating to the Alaska permanent fund; relating to dividends for state residents; relating to the use of certain state income; and providing for an effective date."

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AT EASE

[1:36:31 PM](#)

RECONVENED

REPRESENTATIVE KELLY MERRICK, SPONSOR, introduced the legislation. She read from the following prepared remarks:

Good afternoon, vice chair Ortiz, co-chair Foster, and members of the House Finance Committee. For the record, Representative Kelly Merrick, District 14 in Eagle River.

Before the committee is House Bill 202, "An Act relating to the Alaska Permanent fund; relating to dividends for state residents; relating to certain state income."

This is a conversation that is necessary as part of our budgeting process and long overdue in paying a sustainable dividend into the future.

As this committee is very aware, the state has struggled to pay for both required services and the dividend using the 43-year-old formula. Since FY17, with the actions of former Governor Walker, the dividend has been an ad hoc draw.

The 2016 legislature recognized this problem, and restructured our budget around the POMV framework that meets our constitutional obligations for services and provides a type of spending cap.

Legislators have since had difficult decisions to make, as part of our responsibility to make our state fiscally sustainable in the long-term. There are three areas we can change to solve our financial problems: our spending, our revenues, and the PFD.

The operating budget has been cut year after year, and while I still support a smaller budget, we have recognized that the big, easy, change-making cuts are gone. The capital budget has been cut by more than 90%.

When we protect the POMV, we maintain fiscal stability and a low-tax environment for both families and businesses. Many don't support additional or increased taxes, and my district is one of them. That leaves the PFD.

Mr. Vice Chair, and members of the committee, we have all heard our constituents say, "Follow the law, or change the law." This bill changes the law.

While the foundation of the permanent fund is oil money and other resource development, the dividend is no longer based on Alaska's natural resources. Instead, it's based on investments by the Permanent Fund Corporation.

This bill goes back to the intent of the dividend, and ties it directly to resource development, by setting aside a portion of the royalties received by the state for payout. Specifically, 30% of the royalties currently going to the General Fund would be paid to Alaskans *before* the general fund receives its cut of royalties outside the POMV.

There's been growing recognition in the last few years that following the 1982 dividend statute does not make our state fiscally sustainable and requires violating the POMV spending cap. HB 202 addresses these problems by repealing the current formula and replacing it with one that is simpler and sustainable.

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That's the big picture, and that's the tough decision, Mr. Co-chair. I don't think there's one person in this building who wants to hand out a small dividend, *especially* after the last year of business closures and unemployment. But putting Alaska on a stable financial track is just as important.

With that, I'll have my staff, Tally Teal, go over the bill in more detail.

Vice-Chair Ortiz acted as chair for part of the meeting. He noted that Representative LeBon and Representative Rasmussen had joined the meeting.

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TALLY TEAL, STAFF, REPRESENTATIVE KELLY MERRICK, highlighted the two main sections of the bill beginning with Section 1. She explained that Section 1 removed language related to the income available for distribution of the Permanent Fund Dividend (PFD). She pointed to Section 7, which defined the new PFD formula in HB 202 that designated 30 percent of all mineral lease royalties received by the state during that fiscal year for distribution of dividends. She noted that the language "may appropriate" in Section 7 rather than "shall" was more suitable based on the 2018 Wielechowski case. She elucidated that the court decided that the dividend was subject to appropriation and the permissive language was more appropriate.

Vice-Chair Ortiz noted that Representative Johnson and Representative Thompson had joined the meeting.

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Ms. Teal referenced a handout depicting a flowchart in members' bill packets from Co-Chair Merrick's office titled "HB 202" (copy on file). She pointed to the statutory definition of natural resource income that was collectively referred to as royalties. The lines underneath the definition pointed to the distribution of the royalties. She elaborated that 25 percent of all royalty income would be deposited into the Permanent Fund (PF) corpus plus an additional 25 percent from "new fields" from oil leases

signed after December 1, 1979, that also included the Percent of Market Value (POMV) payout. She emphasized that the formula reflected current law and was unchanged in HB 202. She turned to the second line that indicated 30 percent of all income went to dividends and the third line showed that the remainder was deposited into the General Fund (GF). She turned to a second handout from the Legislative Finance Division (LFD) showing a model [pertaining to HB 202] containing various graphs with projections (copy on file). She highlighted that on the bottom left chart the reserve balances continued to grow through FY 2030. The middle right graph showed that the value of the PF continued to grow into the future. She continued that the top right graph depicted a significantly smaller PFD under HB 202 than the current statutory formula but grew over time. The top left graph showed a sustainably balanced budget. She concluded that that the legislation would create a reasonable, sustainable, and stable fiscal environment.

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Vice-Chair Ortiz OPENED public testimony.

CLIFF GROH, SELF, ANCHORAGE (via teleconference), shared that he had been involved in creating the Permanent Fund Dividend in 1982. He believed that the state needed a comprehensive strategy to address the "deep structural deficit" that looked beyond the next fiscal year. The comprehensive plan should include a revised PFD formula, protection of the PFD from overspending, and new revenues to help pay for public services. He commended the sponsor for introducing legislation that recognized the need for a sustainable PFD formula. However, he believed the bill went too far balancing the budget on the backs of PFDs in order to avoid collecting taxes from high earning individuals that included non-residents. He referenced the upcoming special session called by the governor and hoped the legislature and governor engage in tradeoffs that produced a "fair and sustainable dividend formula" and legislation generating new revenues.

Representative Rasmussen had heard many people mention that the [lower] dividend placed a burden on the backs of children. She asked about the level of funding for kindergarten through twelfth grade (K-12) education and felt that education spending was a direct benefit for

children and families in the state. Mr. Groh answered that the state had a constitutional requirement to fund K-12 education. He indicated that LFD had shown that the K-12 budget had been cut over the last 8 years. He supported a strong and healthy K-12 education system and universal Pre-K. He was concerned that cutting the PFD to avoid taxes on high earners was not the correct approach. He advocated for a revised PFD formula and additional revenues.

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QUEEN PARKER, SELF, STERLING (via teleconference), spoke against the bill. She wanted her statutory PFD. She agreed with all of those who opposed the bill.

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TERRI LYONS, SELF, WASILLA (via teleconference), testified against the bill. She believed the legislature did not care and would not follow the law. She thought that the legislature looked after special interests first. She supported Governor Dunleavy's plan for a 50/50 split [between paying for government expenditures and the dividend].

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AT EASE

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RECONVENED

CAMMY TAYLOR, SELF, ANCHORAGE (via teleconference), testified in support of the bill and supported protecting the principal of the Permanent Fund. She shared that she was a resident of the state prior to the PFD program and while income tax was still collected. She believed that HB 202 was sustainable and would protect both the PF corpus and the POMV draw. She urged support for the bill.

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CRIS EICHENLAUB, SELF, WASILLA (via teleconference), testified against the bill. He believed the state was grossly mismanaging its resources. He did not support digging into the pockets of the people to support more government. He stated that the PFD was last on the legislature's agenda and thought it should be first. He

emphasized that the people of Alaska owned the resources. He felt that the POMV model would deplete the fund. He supported the "earnings model" that had worked for 42 years until the legislature had "overspent" on the budget. He opposed the bill.

Representative Rasmussen asked if the royalty split was increased from 50 to 70 percent whether it would be agreeable. Mr. Eichenlaub replied that he supported the "non-POMV model." He pondered what would happen if the fund had a 40 percent loss like in 2008. He opined that they [legislature] were putting "all the state's eggs in one basket." He felt that a POMV model was unsustainable.

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Representative Rasmussen shared many of the concerns. She believed a stronger spending cap was needed and she believed it should be in the constitution. She believed that the general feeling from Alaskans was that the PFD was their share of oil revenues. She believed that if the PFD was more tied to mineral royalties as in HB 202, it would incentivize more production. She asked Mr. Eichenlaub if he thought the bill would be more supported if the majority of exclusively the resource wealth was paid to Alaskans versus government. Mr. Eichenlaub stressed that the people of Alaska owned all the resources. He believed the people needed to be paid first. He spoke to the reason government could not be trusted. He thought that the legislature needed to show some constraint.

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Representative Wool believed that the reason for a POMV model was because oil revenue dropped from \$10 billion to under \$1 billion. He reminded the testifier that the PF had averaged 8 percent in earnings over the last 40 years. He emphasized that Alaska was not a business it was a state.

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Vice-Chair Ortiz noted that Representative Carpenter and Representative Edgmon joined the meeting.

BERT HOUGHTALING, SELF, BIG LAKE (via teleconference), testified against the bill. He felt that statements like the legislature "had cut the budget to the max" was grossly

misrepresentative of the situation. He believed that the state's healthcare and education costs were the highest in the nation and would not be the case if more was cut. He believed in taxing the one percent instead of cutting the PFD. He opined that a statutory PFD would lift people out of poverty and that a lower PFD was a tax on children.

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JEAN HOLT, SELF, PALMER (via teleconference), spoke against the bill. She believed the bill was wrong. She thought that the bill was being fast tracked and would eliminate Alaskans' fair share of the state's mineral wealth. She supported the governor's PFD bills and asked legislators to vote no in HB 202.

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ALEX MCDONALD, SELF, FAIRBANKS (via teleconference), opposed the bill. He remarked that the state's population had not changed significantly, but the budget had increased. He believed that the legislature had mismanaged the state's money and the budget was bloated. He remarked that the people knew how to spend their money better than government.

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CHARLES MCKEE, SELF, ANCHORAGE (via teleconference), spoke against the bill. He referenced a May 4, Alaska Daily News article about foster youth finding out their money was being "pocketed by state agencies." He mentioned his personal lawsuit against the state and associated remarks that were unrelated to HB 202.

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PHILLIP DELAND, SELF, ANCHORAGE (via teleconference), opposed the legislation. He shared that he had lived in Anchorage his whole life and had graduated from the University of Alaska. He believed that the PFD was established to compensate citizens for ceding their mineral rights to the state. He stated that the people did not have the rights to minerals on their own property. He stressed that the PFD was not the state's money but belonged to the people as a share of their mineral resources. He emphasized that the Permanent Fund did not belong to the legislature

and its role was to manage the resource for the citizenry. He believed the law should be followed and wanted full PFD payouts. He felt that the recent lower PFDs reflected an "unlawful capping" of the dividend and was "confiscation" of money that belonged to Alaskans.

Representative Rasmussen shared that she had also been born and raised in Anchorage. Currently the state was constitutionally mandated to pay 25 percent of oil revenues to the fund's corpus. She asked if he would be more supportive of a higher percentage of royalties dedicated to dividends. Mr. DeLand did not support changing the PFD formula. He supported following the law and not capping the payout. He stated that "he could really use that money." He did not believe it was the state's decision to confiscate funds from people's PFDs in recent years. He supported the way payments were currently working. He thought there was enough money in the Permanent Fund to pay out statutory dividend. He listed ways people used the PFD funds and were dependent on the dividend.

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Representative Rasmussen agreed that a sustainable plan was needed. She shared that a member of the committee had proposed a full dividend during the budget process, but staff had pointed out that paying a full dividend without major cuts and taxes would drain the fund within a few years. The balance the committee was working towards ensured there would be a PFD for many generations and continued resource development.

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RECONVENED

Vice-Chair Ortiz CLOSED public testimony.

Representative LeBon thanked Co-Chair Merrick for bringing forward an option for the committee and legislature to consider. He hoped that the legislature could reconcile its differences and acknowledged that a resolution would not please everyone.

Representative Edgmon echoed the comments by Representative LeBon. He appreciated that Co-Chair Merrick had brought the issue forward to consider. He shared that he had been born and raised in Alaska. He wanted the PFD to be around forever. He stressed that 72 percent of the governor's budget was funded using PF earnings. He reported that Alaska was the only state in the nation and entity in Western Civilization funding its government through an endowment. He stressed the importance of protecting the endowment.

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Representative Wool favored the bill and tying the PFD to the performance of oil. He pointed to the FY 22 to FY 28 projections of \$333 million to \$477 million that would pay a PFD and would not be deposited into the GF. He asked if there was enough surplus in the GF for the out years. He favored a bill like the one proposed if it was sustainable and if the state could absorb the reduction to the general fund.

Co-Chair Merrick replied that Angela Rodell, Executive Director, Alaska Permanent Fund Corporation (APFC) had spoken to the issue - the royalties were a small amount in comparison to the remainder going to a fund with billions of dollars. She offered that what made the plan unique was that 100 percent of the POMV would be used for state services and would not be competing with the PFD. She thought that many people were having a hard time with the current situation where state services were competing for funding. She liked the plan because the PFD was directly tied to oil and mineral development in the state. She addressed some of the comments by callers. She emphasized that the plan paid the PFD first, before government services and separated it from the POMV draw. She addressed comments regarding Alaskans' share of the mineral rights and emphasized that the bill utilized Alaska's share of the mineral rights. She shared that she was also born and raised in Alaska and had used her PFD money to go to college, which she otherwise could not afford. She wanted her kids to be able to have money to go to college with PFDs. She stressed that the plan was about a sustainable PFD. She voiced that the other "high dollar" dividend plans depleted the dividend in a few years. She reminded the committee that PFDs were sent to every resident and was not needs based. She stated that many times Alaskans who relied

on their PFDs also needed state services. The state could not afford to provide for Alaskans in need and pay a huge dividend.

HB 202 was HEARD and HELD in committee for further consideration.

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#hb70

HOUSE BILL NO. 70

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

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Co-Chair Merrick relayed that the committee heard an overview of HB 70 on May 4, 2021. She shared that she had been working closely with Senator Click Bishop's office to craft the capital budget.

Co-Chair Foster MOVED to ADOPT the proposed committee substitute for HB 70, Work Draft 32-GH1507\G (Dunmire, 5/17/21).

Co-Chair Merrick OBJECTED for discussion.

Co-Chair Merrick explained that the budget was significantly different than the governor's proposed FY 22 capital budget.

Representative Josephson asked if the changes included the governor's amendments.

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TALLY TEAL, STAFF, REPRESENTATIVE KELLY MERRICK, answered that she would point out when she was comparing the

Committee Substitute (CS) to the governor's amended or original budget.

Co-Chair Merrick relayed that the meeting was a general overview and would not focus on individual projects.

Ms. Teal pointed to four reports from the Legislative Finance Division in members' packets (copy on file). The reports were labeled 1 through 4. She began with the first report [report 1] showing the unrestricted general fund (UGF) expenditures by capital budget agency summary - governor structure compared to the CS. She indicated that the CS spent roughly \$325 million in UGF compared to \$120 million in the governor's original budget. She explained that the governor had used 2 non-traditional funding sources in the original budget that the legislature rejected. The governor proposed using \$86 million of Alaska Housing Finance Corporation (AHFC) bonds for aviation and highway matching funds for the Department of Transportation and Public Facilities. In addition, he proposed using approximately \$18 million of the Village Safe Water matching funds from the Department of Environmental Conservation (DEC) totaling \$104 million in AHFC bonds. She furthered that there had been \$10.5 million appropriated from the rural Power Cost Equalization (PCE) funds for rural fuel projects. Without the non-traditional sources, the governor's proposed UGF spend was about \$224 million. She indicated that the governor proposed a \$350 million general obligation (GO) bond package in HB 93 [HB 93-G.O. Bonds: State Infrastructure Projects] for capital projects. Many projects in the GO bond bill had been moved to the capital budget.

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Ms. Teal turned to report 2 showing the capital budget agency summary - governor structure all funding sources. She pointed to column 4 comparing the governor's amended budget to the House CS and reported that \$101 million of the GO bond funding was removed and \$620 million was an increase in federal receipt authority but was not "new" funding. She explained that the committee had heard a presentation on the Statewide Transportation Improvement Program (STIP) and reminded the committee of the two methods the state could provide funding for STIP projects. She elaborated that one option was to give one lump sum appropriation; it did not provide legislative oversight of

how the funding was spent. The other option was to break the appropriations into allocations to show what projects the department planned on funding with the STIP. Prior STIP funding had been done both ways and the CS version chose to use allocations with some "modifications." The method added two accounts: a project acceleration fund and a project contingency fund. They were separate pots of money that allowed for administrative flexibility while setting a "more realistic" amount for each of the appropriations. She stressed that the funding was structured differently and was not an increase for the Department of Transportation and Public Facilities (DOT).

Vice-Chair Ortiz asked about the project acceleration fund. Ms. Teal answered that it was in the numbers section. She restated that the reason the federal authority total was higher was due to the new funding structure.

Representative Thompson asked if there was a listing showing which items were different than the original bill. Ms. Teal replied in the affirmative and noted that the information was in report 3. She turned to report 3 containing the Capital Budget project detail by agency - governor structure. She noted that the documents were available online. She explained that column 1 showed the governor's amended budget, column 2 was the Senate version CS, column 3 reflected the House CS, column 4 compared the governor's budget to the House CS, and column 5 compared the House CS to the Senate CS. She highlighted a few projects. She pointed to the West Susitna Road Access Project on page 1, that was originally in the GO bond bill and was funded at the governor's request in the amount of \$8.5 million. She moved to page 2 and reported that the Alaska Travel Industry Association (ATIA) was originally funded at \$5 million but the funding was eliminated in the CS because of funding from the American Rescue Plan Act (ARPA) dedicated to tourism. She referred to the \$1 million appropriation for the Matanuska-Susitna Arctic Winter Games and noted that it was not in the governor's request but was included in the CS.

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Representative Wool asked if the Voice of the Arctic appropriation on page 2 was in the governor's original request. Ms. Teal replied that the increment had been in the governor's amended budget.

Ms. Teal turned to page 6 and cited two Department of Fish and Game (DFG) projects that had not been funded in the capital budget process the previous year. The projects had been included in HB 69 [HB 69-Approp: Operating Budget/Loans/Funds] [the operating budget] and were not included in the current CS.

Vice-Chair Ortiz asked what specific projects she was referring to that were not included. Ms. Teal answered that the projects were the Pacific Salmon Treaty Chinook Fishery Mitigation and the Wildlife Management, Research and Hunting Access projects.

Representative Josephson cited the Wildlife Management, Research and Hunting Access project on page 6. He asked whether it had been included in the current year's operating budget. Ms. Teal answered in the affirmative and reminded the committee that supplemental capital items were included in the operating budget.

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Ms. Teal turned to page 8 and pointed to the Statewide Deferred Maintenance, Renovation, and Repair project and noted that the appropriation was slightly lower than the governor's request due to the amount available in the Alaska Capital Income Fund. She moved to page 9, referencing the Fairbanks Youth Facility that had been a GO bond project. She noted the facility was not funded by UGF. She thought that LFD would be best to speak to the specifics. She understood that through a bond refinancing \$18 million became available for a capital project, therefore, the governor chose to appropriate the funds for the youth facility.

Representative Rasmussen looked at the 1167 fund source and asked what fund it was.

ALEXEI PAINTER, DIRECTOR, LEGISLATIVE FINANCE DIVISION, explained that tobacco bonds had originally been sold from the proceeds of a lawsuit two decades earlier, which capitalized the Northern Tobacco Security Corporation, a subsidiary of the Alaska Housing Finance Corporation (AHFC). The tobacco corporation needed to refinance its debt, or it could become insolvent in the coming years due to the decline in tobacco sales. He elucidated that to obtain a better rate on the refinancing of the tax exempt

bond the proceeds could be appropriated to a qualified capital project under Internal Revenue Service (IRS) rules. The proceeds were estimated to be \$18 million. The governor had selected the youth facility because it cost \$18 million, which was a criterion for obtaining the refinancing.

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Representative Josephson had further questions about the wildlife access research and hunting project on page 6. He asked about the \$10 million. Mr. Painter deferred to the Office of Management and Budget (OMB) for the answer.

NEIL STEININGER, DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET, OFFICE OF THE GOVERNOR, stated his understanding of the question related to the project for \$10 million on page 6. He replied that the funding was either the Dingle Johnson or Pittman Robertson federal funding for wildlife and hunting access projects. He reported that the project was not related to the navigability or statehood defense project. The project was the annual recurring capital program through DFG that built out hunting access projects. Due to a truncated session in the prior year, the department had not received the funds and it was included in the supplemental. The administration moved some of the wildlife management activity funds into the operating budget because of the characteristics of the appropriation.

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Representative Josephson reasoned that the transaction appeared typical and perfunctory and was not "unique."

Representative Wool asked about the Fairbanks Youth Facility capital upgrade to an existing facility. He asked which youth facility it was. Mr. Steininger answered that it was the Juvenile Justice facility in Fairbanks.

Vice-Chair Ortiz asked about the \$10 million for wildlife hunting access. He asked if there was a breakdown of the \$10 million expenditure. Mr. Steininger answered that DFG posted the solicitations for the spending after the appropriation was made. He relayed that currently historical allocations were available.

Representative Rasmussen stated it was her understanding that the project funding utilized federal receipts and not UGF. Mr. Steininger answered in the affirmative and added that receipts from hunting licenses (Fish and Game Fund) were used as matching funds.

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Ms. Teal moved to page 9, under the Department of Health and Social Services and cited the Palmer Pioneer Home and Veteran's Home roof replacement increment. She indicated that the project was originally in the GO Bond bill and was included in the CS. She moved to page 11 and directed attention to the \$12.5 million line item for the Alaska Vocational Technical Center (AVTEC), which was originally in the GO Bond legislation. She communicated that the appropriation was originally \$19.5 million but it was discovered that the reduced amount was sufficient. She advanced to page 12 and referenced the Prosecutor Recruitment and Housing to Address Sexual Assault and Sexual Abuse of a Minor Case Backlog project. The project had originally been a supplemental request and was included in the CS. She moved to the Department of Natural Resources (DNR) on page 15. She listed the following 4 projects: Wildland Firefighting Aircraft Replacement, Wildland Fire Engine Replacement, Statewide Firebreak Construction Program, and the Statewide Park Sanitation and Facility Upgrades. She relayed that they were all initially in the GO Bond package. She pointed to one new project; the Snowmobile Trail Development Program and Grants, which was not included in the governor's original request but was included in the CS.

Co-Chair Merrick believed that it was called the Snow Tracks Program. Ms. Teal affirmed the statement.

Ms. Teal referenced the last two DNR projects; Alaska Wildlife Troopers Marine Enforcement Repair and Replacement and Boating Upgrades, Haul Outs, and Vessel Replacement and noted that they were originally GO Bond projects.

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Ms. Teal turned the Department of Transportation and Public Facilities (DOT) projects, which accounted for the bulk of the numbers section.

Co-Chair Merrick asked members to contact her office with specific questions regarding DOT.

Representative Josephson looked at page 15 and asked about the Arctic Strategic Transportation and Resource Project (ASTAR) project. He wondered whether it was a permanent appropriation item.

Mr. Steininger answered that the ASTAR project had been appropriated in phases over recent years. It was not permanent but was a recurring project requiring additional distinct funding.

Representative Edgmon asked about projects that were not included. He asked why the Alaska Travel Industry Association (ATIA) project had been removed. He understood that the ARPA funding was different than the original appropriation for marketing. Ms. Teal stated it was her understanding that the ARPA funds would cover the same expenses. She added that the original funding was the vehicle rental tax and with the tourism downturn the receipts were likely insufficient.

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Mr. Painter interjected that the administration directed \$5 million in Coronavirus Aid, Relief, and Economic Security (CARES) Act funding to ATIA for marketing Alaska as a COVID safe tourism destination. The House added \$10 million to ATIA from ARPA funding as well. The funding may not be for traditional tourism marketing but \$15 million had been directed to ATIA.

Ms. Teal pointed to page 38 related to two University of Alaska (UA) projects and noted that they were originally GO bond projects [UAA Building Energy Performance Upgrades and Bartlett and Moore Hall Modernization: Restrooms and Sanitation Infrastructure]. She underlined that the Courts Statewide Deferred Maintenance item on page 39 was also a GO bond project. She commented that her remarks on the numbers section, Section 1 of the CS was complete. She briefly described Section 2 as a summary of funding in Section 1 by agency and Section 3 as listing statewide funding by fund source.

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Ms. Teal reported that the language section of the budget began in Section 4, on page 33 of the CS. She highlighted that Sections 7 through Section 10 were reappropriations from agencies to the Alaska Capital Income Fund.

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AT EASE

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RECONVENED

Mr. Painter clarified that in Section 4 the typical revised program receipt language [Revised Program Legislative (RPL)] referencing AS 37.05.146(a), (b), and (c) was typical. He noted that in subsection (e) on page 33 the language was unusual. He explained that it prohibited increasing receipts received by the Alaska Gasline Development Corporation (AGDC) and was included in the Senate version of the bill. He elaborated that (e) (1) on page 33, the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA) funds for DOT were excluded from the RPL process. He turned to page 34, Section 2 that listed the Coronavirus State and Local Fiscal Recovery Funds, in ARPA as excluded from the RPL process. In addition, he read the following that was excluded from the RPL process:

(3) funds appropriated by the 117<sup>th</sup> Congress

- (A) for infrastructure, jobs, or part of the American Jobs Plan, as proposed by the President of the United States, or a similar bill or plan;
- (B) related to novel coronavirus disease (Covid-19) or economic recovery; or
- (C) for natural gas pipeline expenditures.

Mr. Painter noted that subsection (f) stated that the exclusions did not apply to prior authorizations made in January 2021.

Representative Josephson asked if any federal funding received after session ended and before the coming special session on August 2, 2021, could not be expended until August 2. Mr. Painter answered that the funds could also be appropriated in the coming special session beginning on May 20, 2021.

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Ms. Teal turned to Section 5, on page 34 of the bill. She offered that the language was standard language that was omitted in the prior year. Section 6 was standard language related to the Natural Petroleum Reserve-Alaska (NPRA) impact grants. She reiterated the prior information regarding Section 7 through Section 10. She moved to Section 11 and commented that the item had been an operating item that was moved to the capital budget. She pointed out that Section 12 through Section 14 returned to reappropriations to the Capital Income Fund. She communicated that Section 15 through Section 23 on pages 42 through page 46 included reappropriations within districts from lapsing grant funds from the Department of Commerce, Community and Economic Development (DCCED). She turned to page 46, Sections 24 through Section 26 and noted they contained lapsing language and effective dates.

Co-Chair Merrick asked if there was anything to highlight on report 4.

Ms. Teal identified report 4 that included the reappropriations within district [Section 15 through Section 23] and noted they matched the language in the Senate CS version.

Representative Josephson cited report 1 that showed a UGF spend of \$324.6 million. He asked what it did to the surplus of a similar amount. Mr. Painter answered that the House's operating budget included some fund changes using ARPA dollars for debt service that was discovered to be unallowable. The surplus had included fund changes that could not occur. However, the same amount of revenue replacement might be applied to other areas of the budget. He remembered that the amount of surplus was enough for a

\$500 PFD assuming the capital budget was closer to the governor's version. The CS version was \$150 million higher so the surplus would be that much less. However, how the ARPA funds could be spent was a moving target therefore, it was difficult to compare the House's budget to a surplus.

Co-Chair Merrick reminded the committee that unique funding sources were used originally in the capital budget that once removed, inflated the House CS.

Representative Wool deduced that the House CS compared to the Senate CS and was \$155 million higher. In addition, the House CS versus governor's version was \$200 million higher and the ARPA funding added \$200 million to the House budget. He noted that the Senate operating budget numbers were currently unknown, therefore the residual amount was unknown. Mr. Painter was not prepared to speak about a fiscal summary on the fly.

[4:38:45 PM](#)

Vice-Chair Ortiz referenced Mr. Painter's mention of the recently released ARPA guidelines. He asked if the committee would hear a summary about how the guidelines changed in relation to the budgeting process. Mr. Painter answered that the new information was improved, and he believed the committee would hear from Mr. Steininger on the updates.

Co-Chair Merrick WITHDREW her OBJECTION to the adoption of the CS.

There being NO OBJECTION, Work Draft 32-GH1507|G was ADOPTED.

HB 70 was HEARD and HELD in committee for further consideration.

Co-Chair Merrick reviewed the schedule for the following morning.

#  
ADJOURNMENT

[4:40:23 PM](#)

The meeting was adjourned at 4:40 p.m.