HOUSE FINANCE COMMITTEE
THIRD SPECIAL SESSION
August 25, 2021
10:12 a.m.

10:12:37 AM

[Note: continuation of recessed meeting from the previous day. See separate minutes dated 8/24/21 1:00 p.m. for detail.]

CALL TO ORDER

Co-Chair Foster called the House Finance Committee meeting to order at 10:12 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 (via teleconference)
Representative Steve Thompson
Representative Adam Wool

MEMBERS ABSENT

None

ALSO PRESENT

Alexei Painter, Director, Legislative Finance Division; Ken Alper, Staff, Representative Adam Wool; Neil Steininger, Director, Office of Management and Budget, Office of the Governor.

PRESENT VIA TELECONFERENCE

Megan Wallace, Director, Legislative Legal Services, Alaska State Legislature.

SUMMARY

HB 3003 APPROP: OPERATING; PERM FUND; EDUCATION

CSHB 3003(FIN) was REPORTED out of committee with three "do pass" recommendations and seven "no recommendation" recommendations.

Co-Chair Foster indicated the meeting was a continuation of the meeting from the prior day.

#hb3003
HOUSE BILL NO. 3003

"An Act making an appropriation from the general fund to the Department of Education and Early Development for the payment of educational programs; making an appropriation from the earnings reserve account for the payment of permanent fund dividends; making an appropriation from the earnings reserve account to the budget reserve fund; and providing for an effective date."

10:13:35 AM

Co-Chair Foster relayed the committee would continue to hear amendments to the bill. [Note: amendments began the previous day. See separate document dated 8/24/21 for detail.]

^AMENDMENTS

10:13:38 AM

Representative LeBon MOVED to RECIND action on Amendment 1. [Note: Amendment 1 was adopted on 8/24/21. See separate minutes for detail.] He relayed he planned to offer a conceptual amendment to Amendment 1.

Representative Wool OBJECTED for discussion.

Representative LeBon explained that he wanted to reconsider the vote on the funding source for the oil and gas tax credits. He detailed that the previously adopted amendment split the funding source between undesignated general fund (UGF) at $54 million and Alaska Industrial Development and Export Authority (AIDEA) receipts at $60 million. He wanted to reconsider the funding sources in a conceptual amendment.

Co-Chair Foster asked for clarification about the recission process and whether the motion was debatable.

Representative Edgmon stated that it was debatable, but the subject should be confined to the motion to rescind and not the substance of the amendment.

Representative Wool remarked that Representative LeBon had not specified what he would propose changing the fund source to.

Representative LeBon replied that his proposal would be to change the funding source entirely to UGF for the total $114 million.

Representative Wool MAINTAINED the OBJECTION.

A roll call vote was taken on the motion.

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

The MOTION PASSED (8/3). There being NO further OBJECTION, the previous action on Amendment 1 was RESCINDED.

Representative LeBon MOVED to ADOPT conceptual Amendment 4 to Amendment 1. The amendment would change the fund sources to UGF for the total $114 million. He explained that the proposal would eliminate the AIDEA fund source of $60 million.

Representative Josephson commended Representative LeBon on his historical policy position with a conservative view of budgeting and placing importance on his fiduciary role. He stated the committee had heard testimony the previous day that the funds would have to come from monies brought in since July 1, which could imperil the General Fund's capacity to cover other obligations. He asked for comment from Representative LeBon.

Representative LeBon replied that he would speak in broad terms on the impact for AIDEA and on UGF. He added that Alexei Painter [with the Legislative Finance Division] was in the audience and available to answer questions on the impact to UGF funding. He explained his position that AIDEA was a valuable entity for the State of Alaska and operated as the state's bank. He stressed that AIDEA needed a strong capital position. He stated that pulling $60 million from the AIDEA receipts was a drain on the agency's capital. He thought it was important to be cautious. He shared that he had spoken with an AIDEA official after the committee's action on the amendment the previous evening. He reported the official had expressed serious concern about the size of the drawdown.

Representative LeBon reminded committee members that AIDEA paid an annual dividend to the state. He believed the most recent dividend had been about $17 million. He suggested against viewing AIDEA as a big cash cow to draw a large amount from, which could potentially impair its ability to function as an authority on behalf of the state. He recommended a measured draw, perhaps over the remaining five years of the [oil and gas tax credits] obligation. He suggested $20 million per year for five years as an example. He stated that AIDEA could be a participant in the payment of the obligation if the legislature directed the funding source for future oil and gas tax payments.

Representative LeBon stated he could talk about projects AIDEA had on the docket and things the agency was doing to benefit the state. He elaborated that AIDEA had hundreds of millions of dollars on the table for funding investments and projects. The agency provided participation funding with banks on projects. Additionally, he stated that AIDEA had been a partner with Alaska small businesses over the last 18 months in a material way to help the state work its way through the COVID-19 economic crisis. He expounded that AIDEA was doing modifications and working with borrowers to get them through a very difficult time. He pointed out that the work was at AIDEA's expense. He thought AIDEA was reducing interest rates, doing loan forbearances (forgiving payments), and taking actions to help Alaskan small businesses. He remarked that the actions could be at the detriment of the agency's financial footing, but it was measured and well thought out. He emphasized that a $60 million draw all at once was not measured or well thought out.

Representative LeBon hoped that Representative Josephson's comment about him being a fiscal conservative also reflected that he supported private sector development and AIDEA's partnership with Alaska banks and small businesses. He noted the majority of lending through AIDEA with banks was for small businesses. He stated that banks partnered with AIDEA, but not at an equal level. He stated the split was typically 90/10 or 75/25, with AIDEA acting as the major financing partner. He underscored the importance of supporting AIDEA and allowing the agency to do its work. He wanted to let AIDEA stand on its own two feet with the capital to do so. He stated it was important for the state's economic future.

10:23:28 AM

Representative Josephson remarked that the statements made by Representative LeBon were well said but did not really answer his previous question. He reminded committee members that the amount Amendment 1 would take from AIDEA receipts was less than 20 percent of the agency's current total receipts. He highlighted that the administration had been willing to take 3.5 times that sum two years back. He stated Amendment 1 would take much less.

10:24:38 AM

Co-Chair Foster asked Mr. Painter for the balance of the General Fund if the conceptual amendment were to pass.

ALEXEI PAINTER, DIRECTOR, LEGISLATIVE FINANCE DIVISION, responded that in addition to Amendments 2 and 4 that also added to the General Fund, based on the current surplus in the spring forecast, he estimated there would be about $300,000 remaining. He remarked that the spring forecast had a margin of error. He elaborated that if oil was $64 per barrel, there would be hundreds of millions remaining, whereas if oil was $59 per barrel it would need to be addressed in a supplemental. He stated it was very unusual for the legislature not to have deficit filling language from some fund or another. He remarked that the current situation was unusual where they were potentially budgeting extremely close to projected revenues.

10:25:54 AM

Vice-Chair Ortiz commended Representative LeBon for his comments and logic behind the proposed conceptual amendment; however, with the recent statement that the draw would take the fund balance down to $300,000, he believed it put the state in a precarious situation. He could not support the conceptual amendment.

Co-Chair Foster considered a scenario where the General Fund balance was down to $300,000. He noted there was no backstop language in the budget. He explained that in other times with the three-quarter vote there was deficit filling language specifying that if the oil forecast did not come in as expected and some additional funds were needed it had been possible to perhaps tap into the Constitutional Budget Reserve (CBR). He asked what would happen in the current situation without that ability.

Mr. Painter replied that the first line of defense would be a supplemental appropriation in January or later when it would be possible to address a potential shortfall. He explained that if the legislature opted against a supplemental and there was still a projected deficit towards the end of the year without deficit filling language, the governor could impound appropriations to keep the General Fund from going negative. He assumed the legislature would take action well in advance of that given there would be fall and spring revenue forecast updates before the end of the fiscal year.

10:27:57 AM

Representative Wool appreciated Representative LeBon's statements about AIDEA being the state bank; however, he did not believe the agency was beyond reproach. He believed it had made many recent and past errors. He remarked that the agency was going to get rid of the Mustang property through foreclosure and $70 million had been invested. He thought some of the agency's actions such as excluding the public from certain inputs of different points deserved a closer look. He did not think a responsible bank would make loans down to its last $300,000 dollars at the equivalent of $0.50 per person in Alaska. He highlighted there had been some heartburn over a $400,000 amendment the previous day, which the co-chair had stated was .003 percent of the General Fund requirement of the oil tax credits. He thought they were now going to .0015 of that percentage. He remarked that some people did not want to increase any pressure on the budget and $400,000 was too much; however, he noted that somehow $60 million was not. He pointed out it was the equivalent of $100 per person in a PFD calculation. He thought the whole thing was very irresponsible. He agreed the state should pay the oil tax credits. He highlighted that the committee had passed an oil tax credit payment involving AIDEA funding and he had not heard an uproar at the time. He understood the Senate had reversed the action. He did not support draining the General Fund to pay the oil tax credits.

Co-Chair Merrick clarified that the aforementioned $400,000 was .003 percent of the total $114 million.

10:30:45 AM

Representative Edgmon stated that the conceptual amendment introduced an entirely different dynamic and conversation in his view. He remarked that the legislature had not had a full on conversation about oil tax credits. He elaborated that earlier in the budget process the committee had voted to advance $114 million to be funded with AIDEA and UGF funds. He did not recall any substantive pushback and noted that most of the committee had supported the action. He stated the picture had changed and there was clearly a scarcity of UGF dollars.

Representative Edgmon mentioned a report issued based on HB 247 that passed the legislature in 2016 and required the Department of Revenue (DOR) to report annually to the legislature on the expenditures of tax credits in aggregate (due to confidentiality provisions). He shared that he had been a recipient of the report as Speaker of the House in 2020. Given the scarcity of UGF dollars, he thought it was worth pondering whether the legislature was using UGF money to make good on debt. He noted the money would not be going toward exploration, drilling, or future oil for the state. He thought it should be part of the conversation as well.

Co-Chair Foster stated that typically the budget included back stop deficit filling language, but it was not included in the current year. He referenced Mr. Painter's statement that the legislature could do a supplemental or take action or the governor could impound [appropriations]. He wondered if any of the funds were in peril. He cited the PCE Fund and Higher Education Investment Fund as examples of funds the legislature could use to backfill. He asked if it would be an option.

Mr. Painter responded that without a reverse sweep, the only funds with a significant balance were the PCE Fund, the ERA, and the CBR. He relayed that the legislature could designate any of the funds as backstop. He stated that traditionally the CBR had been used. He noted that in FY 15 in the supplemental, when oil prices had been dropping rapidly, there had been a series of funds as backstops. He elaborated that beyond the Statutory Budget Reserve (SBR), which was the deficit filler that year, the legislature had also designated the Higher Education Investment Fund as a potential backstop in case oil prices kept falling. He noted the funds from the Higher Education Investment Fund had not been used. The legislature could use any fund it wanted, but without a reverse sweep there were not many other than the aforementioned three.

Co-Chair Foster asked Mr. Painter to repeat the funds in addition to PCE.

Mr. Painter replied, "The ERA or the CBR."

10:34:39 AM

Representative LeBon asked about the projected remaining General Fund balance of $300,000 mentioned by Mr. Painter. He asked for verification the number was based on projected oil prices and throughput numbers from the spring forecast.

Mr. Painter responded in the affirmative.

Representative LeBon asked what the oil price was projected to be during the forecast period.

Mr. Painter answered that the oil price projection was $61 per barrel in FY 22.

Representative LeBon asked what the price had averaged during the period.

Mr. Painter replied that he did not know what the average had been, but it had been above the forecast. He believed the average was likely around $70, but it had ranged from the upper $60s to low $70s in the current fiscal year.

Representative LeBon believed the most recent price listing was about $70. He asked what the forecast had been on average throughput. He asked how it had changed up or down.

Mr. Painter responded that the through put forecast had been 469,000 barrels per day. He informed members it was difficult to project throughput throughout the year due to seasonal maintenance. He relayed that production thus far had been significantly below [the projection], but that was expected during the summer. He believed the Department of Natural Resources would have a better idea of the annualized number when it updated its forecast in December. He explained that it was very difficult to extrapolate from summer maintenance work.

Representative LeBon understood the number was hard to predict due to the seasonality impact on throughput. He remarked that it was not possible to know exactly what may lie ahead and he knew there was financial risk. However, he believed the average price of oil had been materially above the projected amount. He asked for the current approximate balance of the CBR.

Mr. Painter thought the question was difficult to answer because of the status of the sweep and whether or not the SBR would be swept. He continued that the projection prior to assuming a reverse sweep and before any expenditures in the bill would be about $1 billion at the end of FY 22. The current bill would spend $400 million from the CBR or from the General Fund that would lapse. The conceptual Amendment 4 would spend another $500 million, which would leave about $500 million at the end of the year.

Representative LeBon highlighted that the purpose of his questions was to show that perhaps the state's financial position was not as dire as the $300,000 left in the General Fund as previously indicated. He pointed out that it did not take into account any designated funds or other monies within the state's coffers.

10:38:11 AM

Vice-Chair Ortiz asked Representative LeBon if he would be amenable changing the proposed conceptual amendment to pay $54 million in UGF towards the credits.

Representative LeBon answered that he did not want to reduce the payment. He explained that funding the credits at about 50 percent would extend the repayment period years in the future. He highlighted that the committee had been told the previous day there were about five years left to satisfy the unpaid tax credits. He wanted to hold to the obligation the state accepted when it offered the tax credits by paying the credits in a timely manner. He pointed out that the repayment period had already been stretched out. He recalled the state had missed several years of payments.

Representative Wool asked Mr. Painter if he could predict the price of oil in the following year. He also asked about the possibility that the resurgence in COVID-19 would impact air and other travel. He wondered if there would be another oil glut and perhaps a price drop into the negative range. He recalled when the pipeline had been turned off for a period of time due to negative oil prices.

Mr. Painter responded that he could not predict the price of oil.

Representative Wool thanked Mr. Painter for his honesty. He stated that no one could predict oil prices. He remarked that while the price of oil may be great at present, no one knew what it would be six months in the future. He did not think the conceptual amendment was fiscally responsible.

10:41:11 AM

Representative Josephson referenced Mr. Painter's testimony that under a circumstance where the state was broke, he thought the legislature would pass a supplemental budget in early in the next session. He disagreed. He had seen the government almost shut down on the 28th of June and he had no idea whether it would stay open. He believed the legislature was pretty broken. He stated the sponsor of the conceptual amendment noted the state had the CBR. He underscored that there had only been 22 or 23 votes in support of accessing the CBR. He stressed there was no evidence the legislature could access the CBR. He remarked that the maker of the motion had also indicated there were designated general funds. He pointed out that those funds were swept. He wanted the record to reflect that he had supported paying the $114 million from the CBR.

Co-Chair Foster referenced a comment made by Representative Wool about there being a tradeoff with the PFD. He shared that his constituents wanted a full PFD. He opposed spending another $60 million in general funds that could have gone toward a larger PFD.

10:42:43 AM
AT EASE

11:09:50 AM
RECONVENED

Co-Chair Foster invited Representative Wool to make any comments about the handout he had distributed.

Representative Wool explained that the document [a letter to the Senate president and House Speaker from the Department of Revenue dated January 29, 2020, showing oil and gas tax credits purchased in 2019 (copy on file)] showed how the last $100 million in tax credits were dispersed and who the recipients were. He detailed that the $114 million would go to the same recipients in the same proportion. He asked his staff to provide a more detailed explanation.

11:10:57 AM

KEN ALPER, STAFF, REPRESENTATIVE ADAM WOOL, referenced the annual report required per the tax credit reform bill HB 247 passed in 2016. He detailed that the annual report included a list showing which companies received credits and in what amount. The document provided included the report from calendar year 2019. He informed the committee that the last appropriation had been passed in the 2018 session for FY 19 and the money had been distributed in January 2019. He stated that the report showed where the $100 million appropriation in addition to some leftover money that must have been in the tax credit fund because the total paid was $101 million. He explained that based on regulation the oldest tax credits were paid first pro rata within a year. He pointed to the end of the report and elaborated that slightly over $290 million open tax credits remained that were issued, and payment was requested in 2016. The next $290 million appropriated by the legislature would go to the same recipients shown on the report. Over $400 million in additional credits were issued and requested in 2017, 2018, and beyond; there was no public information about those credits, they were confidential.

Mr. Alper explained it was possible to determine with some accuracy where the next $290 million would go based on the last $100 million. He referenced a statement by Representative Edgmon the previous day that Repsol would receive $27 million. He detailed the number was based on looking at the $23 million the company received that was shown on the report and expanding the total credit payment upward from $100 million to $114 million.

11:13:08 AM

Representative Thompson had heard Mustang was going into bankruptcy. He remarked that Mustang owed AIDEA money. He wondered what would happen with the payment for Mustang. He asked if the funds would go to AIDEA or if it would be held up in bankruptcy.

Mr. Alper responded that he did not know specifics related to the bankruptcy case. He listed various lines of the report associated with the Mustang project including Mustang Operations Center 1, MEP Alaska, Caracol Petroleum, and TP North Slope Development. He detailed that AIDEA had lent the money backed by the tax credit payments. He stated his understanding that the tax credit payments that came into Mustang would be going towards interest payments. He could not speak in detail about what actually took place due to confidentiality. He expected subsequent payments would fall into a similar category.

Representative Josephson referenced the taxpayer Caelus shown in the tax credit report. He remarked that Caelus sold its interest to a successor. He asked if dollars given as credits would go to the successor.

Mr. Alper replied that the report showed three different Caelus entities. He noted one of the entities referenced Smith Bay, which had been an exploration project in the offshore waters of NPRA. He did not believe the assets had been sold and he did not know whether there were any current further development plans. He explained that to the extent Caelus sold its portion of the Oooguruk field in the North Slope to its partner, the outcome of the credits would be within the private sale transaction. He added that many of the credits had been assigned to a financing entity where the state would be making direct payments to someone who lent money to the underlying oil company. He recalled from his work at the Department of Revenue that about half of the outstanding credits had actually been assigned to a financial entity.

11:15:58 AM

Vice-Chair Ortiz looked at the payouts going to approximately 25 entities shown on the report. He stated that many of the entities did not appear to be oil companies. He asked for a general description of what the groups were (e.g., Jan D. O'Neill and John Searls).

Mr. Alper discussed companies that earned a cashable tax credit of some form where credit was issued and payment was requested during calendar year 2016. He detailed that some of the entities were exploring for oil, and some were developing an oil field and the credit would have been a carried forward net operating loss (NOL). He stated that many were in the latter category. He highlighted a couple of the larger payments in the report, including one for Bluecrest Energy, the operator of the Cosmopolitan project off of Homer, and another for Cornucopia/Furie with an offshore platform in Cook Inlet, which he believed had gone from bankruptcy and he did not know the current status. He mentioned Repsol, which had been exploring for what became the Pikka project; the entity was now partnered with Oil Search. Many of the smaller names showing much lower credit amounts including O'Neill and Searls were small inholdings withing the Point Thomson unit.

Representative Edgmon asked how many of the recipients shown on the report were still solvent and active in Alaska. He thought there was some sense that a large portion of the $114 million could be going to secondary financial markets. He used Carnegie Bank in New York and the Bank of San Francisco as examples. He asked if his understanding was accurate.

Mr. Alper recalled that about half were assigned. He elaborated that the secondary market, where a holder of a credit could sell the credit to another company, was fairly limited. He stated that the only real plausible buyers would be a major oil company (i.e., Conoco, Hilcorp, Exxon) in Alaska that could use the credit to offset its tax obligations. He explained that assignment occurred at the front end of the process. He elaborated that AS 43.55.029 passed in 2012 or 2013 that allowed companies, upon getting the loan from a third-party, to assign the credit from the third-party to the entity. He mentioned that in 2018 legislation had been introduced which would have allowed the purchase of a bond to pay off the credits; the courts had ruled against the plan. He relayed that ING and Bank of America had both testified in support of the legislation in the hopes of getting paid. He stated the two entities were probably the two most prominent assignees.

Representative Edgmon stated he was a proponent of making good on the $726 million indicated on the report. He had heard Mr. Painter say that with the price of oil, the amount could be $740 million ultimately. He clarified that whatever the number ended up being, he was in favor of paying the amount owed. He discussed the current situation with oil prices at $61 in the spring forecast (likely higher in reality) and a potential increase in production. He stated he was an even stronger proponent of doing what was possible to ensure the companies the state owed money were up on the slope doing work to get more oil in the pipeline. In terms of paying credits owed, he thought it was important to prioritize entities that were doing the work on the slope and bringing in more oil versus companies that were no longer in Alaska due to bankruptcy or leaving the state for other reasons. He believed companies in the latter category should be paid later on.

Representative Edgmon remarked that for all of the oil tax credits there was a proviso subject-to-appropriation by the legislature. There was an understanding the obligation was a commitment from the State of Alaska but there was also the subject-to-appropriation disclaimer that accompanied all of the tax credits.

11:22:38 AM

Mr. Alper briefly discussed the governing regulations. He explained that the 2016 credits were pro rata. He believed that the legislature could theoretically make an appropriation to purchase the credits of a specific company, but barring any such action, the money appropriated would be governed by the regulations. He informed the committee there was a different regulation for the 2017 and later certificates as specified under HB 247, which created a priority for percentage of resident hire. There was another filter within the 2017 and subsequent credits specifying that companies operating in Alaska and with a higher percent Alaska resident hire would get some form of priority in the newer regulations; however, it could not be applied retroactively to the 2016 credits in the system. He explained that the concept of making sure the money went to those most effectively needing it in Alaska would govern after the next $290 million was paid and the 2017 credits began.

11:23:52 AM

Representative LeBon recalled discussions the committee had two years previous on the role a bank may play in assisting any of the companies through a short-term working capital line of credit. He stated there may have been different ways to do it, but the banks would secure the obligation with the credits. He stated that even if the business went bankrupt, the security interest of the bank to provide financing to the entity did not go away unless the bankruptcy court ruled that the secured creditor was not entitled to payment, which would be unusual. He explained that if there was a secured instrument in place, the entitlement of payment had to wait for the state to take action to fund the tax credits; the clock was ongoing and did not end. He suspected that the banks were still hopeful payments would be forthcoming.

Representative Rasmussen thought Repsol was one of the larger recipients. She highlighted that the company was on the cusp of making a $3 billion investment decision that would produce just under 100,000 barrels per day by 2025. She stressed it was major revenue for the state and [the payment] provided stability for industry showing Alaska was a good state to enter into business contracts with. She hoped the committee would take it into consideration. She remarked there were major decisions being made around the legislature's policy decision on the funding.

Representative LeBon WITHDREW conceptual Amendment 4.

Representative LeBon MOVED to ADOPT conceptual Amendment 5. He explained that the amendment would change the $60 million funding source [for payment toward oil tax credits] from AIDEA receipts to the CBR.

Vice-Chair Ortiz OBJECTED for discussion.

Representative LeBon remarked that a draw on the CBR required a three-quarter vote. He stated that when HB 3003 reached the floor and if the House agreed to split funding with $54 million UGF and $60 million from the CBR, it would take bipartisan collective work to reach the three-quarter vote. He proposed that the item would stand alone on the CBR reverse sweep vote.

Representative Edgmon spoke in favor of conceptual Amendment 5 to Amendment 1.

Representative Josephson spoke in support of the amendment, although he believed Representative LeBon's last statement was aspirational.

Representative Edgmon clarified there would be a specific separate three-quarter vote on the floor regarding the CBR funding source.

11:29:27 AM

Representative Rasmussen asked how the bill funding would be impacted if the item passed on the floor and the final bill failed to achieve 30 votes in the House and 16 in the Senate. She asked if the one specific item could be funded with the CBR.

Representative Edgmon stated his understanding that it would be just the single provision involving conceptual Amendment 5 to Amendment 1. He stated that the final bill would still be subject to the simple majority rule of 21 for passage [in the House].

Representative LeBon understood that if the three-quarter CBR vote failed, the $54 million would remain funded with UGF.

Co-Chair Foster remarked that the bill had started out as primarily setting the PFD. He stated that the PFD had been reduced from $2,350 to $1,100. He thought it would be one thing if that was the only change that occurred. However, the payment of oil credits had been introduced into the bill. He did not believe it would be lost on individuals, especially those who had testified the previous day, that the bill did not pay a statutory PFD, but it did pay statutory oil credits to oil companies. Consequently, he could not support the amendment.

Vice-Chair Ortiz MAINTAINED the OBJECTION.

A roll call vote was taken on the motion.

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

The MOTION PASSED (9/2). There being NO further OBJECTION, conceptual Amendment 5 to Amendment 1 was ADOPTED.

Co-Chair Foster addressed the original amendment.

Vice-Chair Ortiz MAINTAINED the OBJECTION to Amendment 1 as amended. He asked to hear a synopsis of Amendment 1 in its current form.

Representative LeBon summarized that Amendment 1 as amended would fund the oil and gas tax credits with $54 million UGF and $60 million from the CBR (subject to a successful three-quarter CBR vote). He added that the amendment was a benefit to the [oil and gas] industry and private industry including AIDEA. He believed the action was a statement of support to industry, private development, and the economic future of the state. He stated the amendment was bigger than just oil and gas tax credits.

A roll call vote was taken on the motion to adopt Amendment 1 as amended.

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

The MOTION to PASSED (10/1). There being NO further OBJECTION, Amendment 1 as amended was ADOPTED.

11:35:30 AM

Representative Josephson MOVED to ADOPT Amendment 5 (copy on file):

DEPARTMENT: Department of Environmental Conservation
APPROPRIATION: Spill Prevention and Response
ALLOCATION: Spill Prevention and Response

FUND CHANGE: $2,999.0 Unrestricted General Funds, 1004 ($2,999.0) Oil/Hazardous Release Prevention & Response Fund (1052)

EXPLANATION: Using UGF to offset the impact of funds being unavailable due to the sweep of the Oil/Hazardous Release Prevention & Response Fund (1052). Without the reverse sweep, DEC will only have what was collected in surcharges during FY 2021, resulting in a shortfall of $2,999.0 (approximately $3 million).

Co-Chair Foster OBJECTED for discussion.

Representative Josephson shared that he had been the liaison to the Prince William Sound Regional Citizens Advisory Council for years. He stated that if a liaison from the legislature did not listen to the group it was representing, the person would be derelict in their duty. He explained that the advisory council was one of the agency's watchdogs. He elaborated that the agency's employees were paid poorly and there was a 30 percent turnover. He believed there was some evidence the commissioner of Department of Environmental Conservation (DEC) was somewhat indifferent about the situation. He expounded that the commissioner seemed to have been fine that the governor had vetoed funding for five unfilled positions. He shared that he would want his commissioner to speak up and say that 22 positions had already been lost and the agency could not withstand the loss of another five positions.

Representative Josephson underscored the positions being eliminated included two engineering support positions, leaving only three engineers to cover the entire state. He stressed the agency was suffering greatly. He referenced debate over the reason for designated general funds (DGF). He stated it was logical for the petroleum industry to participate in the cost associated with spills because many were petroleum related. He pointed out that the funds had been swept. He shared that he had great evidence from the DEC public affairs officer and commissioner that the agency would be short about $3 million. He explained that his motion would say, just like with the tax credits and Alaska Legal Services, the problem could be addressed one band aid at a time. He stressed the importance of maintaining vigilance with oil spills. He furthered there were 2,300 places of concern (not all oil spills) in the state. He underscored there were inadequate resources to take care of and remediate those places. Additionally, there was a 1990 federal law that created the Prince William Sound Regional Citizens Advisory Council. He reported that the council was required to be vigilant. He was offering the motion to remind and notify his colleagues and the public of the problem. He asked how to pay salaries when an agency had nine-twelfths of the needed funding. He wondered if employees would receive a 25 percent cut in salary. He was the council's liaison and cared passionately about the subject. He highlighted that politics was the art of the possible.

Representative Josephson WITHDREW Amendment 5.

11:40:15 AM

Representative Josephson MOVED to ADOPT Amendment 6 (copy on file):

> FY21 Supplemental
>
> DEPARTMENT: Department of Public Safety
> APPROPRIATION: State Troopers
> ALLOCATION: Alaska Bureau of Judicial Services
>
> ADD: $261,000, unrestricted general fund, 1004
>
> DEPARTMENT: Department of Public Safety
> APPROPRIATION: Fire and Life Safety
> ALLOCATION: Fire and Life Safety
>
> ADD: $39,000, unrestricted general fund, 1004
>
> EXPLANATION: Supplemental FY 21 appropriation for retroactive negotiated pay increase for Department of Public Safety Court Service Officers and Deputy Fire Marshalls.
>
> See attached language amendment from Legislative Legal [labeled 32-GH3353\A.5 (Marx, 8/20/21]:
>
>> Page 1, line 2, following "programs;":
>> Insert "making supplemental appropriations for salary and benefit adjustments;"

Page 1, lines 4 - 5:
Delete "budget reserve fund"
Insert "constitutional budget reserve fund (art. IX, sec. 17, Constitution of the State of Alaska)"

Page 5, before line 1:
Insert a new bill section to read:
"* Sec. 4. SUPPLEMENTAL SALARY AND BENEFIT ADJUSTMENTS. (a) The amount necessary, estimated to be $261,000, to implement the monetary terms of the Public Safety Employees Association collective bargaining agreement, representing the regularly commissioned public safety officers unit, for members in the Court Services Officer job class series is appropriated from the general fund to the Department of Public Safety, Alaska State Trooper Detachments, for that purpose for the fiscal year ending June 30, 2021.
(b) The amount necessary, estimated to be $39,000, to implement the monetary terms of the Public Safety Employees Association collective bargaining agreement, representing the regularly commissioned public safety officers unit, for members in the Deputy Fire Marshall job class series is appropriated from the general fund to the Department of Public Safety, Fire and Life Safety, for that purpose for the fiscal year ending June 30, 2021."

Renumber the following bill sections accordingly.

Page 5, line 8:
Delete "APPROPRIATION"
Insert "APPROPRIATIONS"
Delete "sec. 4"
Insert "sec. 5"

Page 5, line 9:
Delete "a fund"
Insert "funds"

Page 5, line 10:
Delete "The appropriations made in sec. 4 of this Act are retroactive to July 1, 2021."
Insert "(a) Section 4 of this Act is retroactive to July 1, 2020.

(b) Section 5 of this Act is retroactive to July 1, 2021."

Co-Chair Foster OBJECTED for discussion.

Representative Josephson explained the amendment. He stated two main buckets of concern had been discussed by the committee including swept buckets and vetoed buckets. He noted the amendment topic did not fit into either category. He appreciated the time and effort put in by the legislative [fiscal policy] working group, but he believed some obligations were not reflected in its presentation. The amendment item was $299,000. He elaborated that the state was under contract to pay deputy fire marshals and court services officers. He described the individuals as quasi-troopers who were responsible for keeping judges, juries, and court personnel safe. The positions were also responsible for transporting prisoners and other things. He highlighted that deputy fire marshals were instrumentally involved in work on the Two Rivers-Pleasant Valley fires located in Representative Mike Cronk's district. He noted the amendment was supported by the [Department of Public Safety] commissioner. He shared that the commissioner had come to the committee to communicate the department's need for the funding. He stated that presumably the governor would not veto the funding, although he added that the governor sometimes vetoed things he had asked for.

Representative Josephson WITHDREW Amendment 6.

Co-Chair Foster added that many different contracts had been approved the previous year, but the specific item had gotten caught up in the COVID situation. He thought it was something that was supposed to have been approved along with all of the other contracts. He stated that perhaps it was something the legislature could address the following session in the fast track supplemental or supplemental budgets.

11:42:31 AM

Co-Chair Foster MOVED to ADOPT Amendment 7, 32-GH3353\A.9 (Marx, 8/24/21) (copy on file):

Page 5, lines 10-11:
Delete all material and insert:

"*Sec.6. RETROACTIVITY. This Act is retroactive to July 1, 2021."

Vice-Chair Ortiz OBJECTED for discussion.

Co-Chair Foster explained that the amendment was technical. He detailed that the governor had introduced a bill and had acknowledged several issues needed fixing. He asked for further detail from Legislative Legal Services.

11:43:15 AM

MEGAN WALLACE, DIRECTOR, LEGISLATIVE LEGAL SERVICES, ALASKA STATE LEGISLATURE (via teleconference), explained the technical amendment. She detailed that the appropriations or fund source changes indicated in Section 1 of the legislation should have also been made retroactive to July 1 upon passage of the immediate effective date. The change would not substantively impact the bill, but it made the bill more consistent with the intent and the manner in which Legal Services would typically draft an appropriation for FY 22.

Co-Chair Foster invited Mr. Steininger to comment on the governor's bill.

11:44:27 AM

NEIL STEININGER, DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET, OFFICE OF THE GOVERNOR, reported it was his understanding the amendment changed the retroactivity clause to include the entirety of the bill. He noted the original bill included only Section 4 in the clause, but a more correct drafting would include the entire bill. The administration agreed with the statements made by Ms. Wallace.

Vice-Chair Ortiz WITHDREW the OBJECTION.

There being NO further OBJECTION, Amendment 7 was ADOPTED.

11:45:30 AM

Co-Chair Merrick MOVED to report CSHB 3003(FIN) out of Committee with individual recommendations with authorization to the Legislative Finance Division and Legislative Legal Services to make any necessary technical and/or conforming changes.

There being NO OBJECTION, it was so ordered.

CSHB 3003(FIN) was REPORTED out of committee with three "do pass" recommendations and seven "no recommendation" recommendations.

Co-Chair Foster indicated there was nothing else to come before the committee.

#
ADJOURNMENT

11:46:47 AM

The meeting was adjourned at 11:46 a.m.