

ALASKA STATE LEGISLATURE
HOUSE SPECIAL COMMITTEE ON WAYS AND MEANS

Anchorage, Alaska

September 2, 2021

1:04 p.m.

MEMBERS PRESENT

Representative Ivy Spohnholz, Chair
Representative Adam Wool (via teleconference)
Representative Andy Josephson
Representative Calvin Schrage
Representative Andi Story
Representative Mike Prax
Representative David Eastman

MEMBERS ABSENT

All members present

COMMITTEE CALENDAR

HOUSE BILL NO. 3004

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

- HEARD & HELD

PREVIOUS COMMITTEE ACTION

BILL: HB3004

SHORT TITLE: APPROP: REVERSE OPERATING APPROP. VETOES

SPONSOR(s): WAYS & MEANS

08/20/21	(H)	READ THE FIRST TIME - REFERRALS
08/20/21	(H)	W&M, FIN
08/23/21	(H)	W&M AT 11:00 AM DAVIS 106
08/23/21	(H)	Heard & Held
08/23/21	(H)	MINUTE(W&M)
08/31/21	(H)	W&M AT 10:00 AM DAVIS 106
08/31/21	(H)	-- MEETING CANCELED --
09/02/21	(H)	W&M AT 1:00 PM ANCH LIO DENALI Rm

WITNESS REGISTER

ALEXEI PAINTER, Director
Legislative Finance Division
Juneau, Alaska

POSITION STATEMENT: Presented the proposed committee substitute, Version I, for HB 3004 and four corresponding reports.

ACTION NARRATIVE

[1:04:11 PM](#)

CHAIR IVY SPOHNHOLZ called the House Special Committee on Ways and Means meeting to order at 1:04 p.m. Representatives Story, Eastman, Josephson, Schrage, Wool (via teleconference), and Spohnholz were present at the call to order. Representative Prax arrived as the meeting was in progress.

HB 3004-APPROP: REVERSE OPERATING APPROP. VETOES

[1:04:32 PM](#)

CHAIR SPOHNHOLZ announced that the only order of business would be HOUSE BILL NO. 3004, "An Act making appropriations for the operating and loan program expenses of state government and for certain programs; capitalizing funds; making capital appropriations and 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."

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REPRESENTATIVE WOOL moved to adopt the proposed committee substitute (CS) for HB 3004, Version 32-LS1142\I, Marx, 9/1/21, as a working document. There being no objection, Version I was before the committee.

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CHAIR SPOHNHOLZ explained that HB 3004 contains all the items the legislature had intended to fund in HB 69 [during the regular session of the 2021-2022 Thirty-Second Alaska State Legislature]. She explained that passage of HB 3003 made some

of the items in HB 3004 superlative; Version I removes those items. She said Alexei Painter would explain Version I.

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The committee took a consecutive series of at-eases from 1:06 p.m. to 1:15 p.m. to address technical issues.

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ALEXEI PAINTER, Director, Legislative Finance Division, presented the proposed committee substitute, Version I, for HB 3004 and four corresponding reports [included in the committee packet]. He said Report 1 is a summary of the bill with all fund sources. The first column shows the operating items effective in fiscal year 2022 (FY 22); the second column shows the operating supplementals; the third column shows the total operating items; the fourth column shows capital items; the fifth column shows capital supplementals; the sixth column shows the capital total; and the seventh column shows the bill total. He said the bill contains \$495.7 million of appropriations, split up between \$163 million on the operating side and \$332 million on the capital side. The appropriations consist primarily of "add-backs" for vetoed items by the governor, as well as a couple "replacing items" directly funded by the constitutional budget reserve (CBR) that were removed from HB 69 when that bill failed. He echoed Chair Spohnholz' statement that Version I removes the duplicate items that were in HB 3003. He said he would be showing transaction changes that reflect what the changes are between the two bill versions.

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MR. PAINTER said Report 2 is the same as Report 1 but is restricted to the general fund (GF) thus illuminating the unrestricted general fund (UGF). He noted that \$153.7 million of operating expenses in HB 3004 are UGF, while \$107.8 are capital [expenses], for a total of \$261.5 million UGF for the entire bill. He drew attention to Report 3, which shows the items removed from Version I because of HB 3003: \$400,000 for Alaska Legal Services; \$1.25 million for public health nursing; a correction of the over appropriation of the public school trust fund; and oil and gas tax credits. He said the entire amount had been funded by the CBR in HB 69, and the original version of HB 3004 sought to replace the amount with the same fund source; however, with HB 3003, "some of the funding that

was from the general fund did go out, so this item has been completely removed from this version of the bill."

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MR. PAINTER stated that HB 3004 had a "placeholder" permanent fund dividend (PFD) of \$500 million, but it was removed in Version I because there was a placeholder PFD in HB 3003. Mr. Painter noted that there was one change to the capital side of the bill, shown on the first page of Report 4, which was a fund source change on the Alaska Travel Industry Association (ATIA). He explained that the \$10 million appropriation had been out of the statutory budget reserve (SBR) fund in HB 69; the fund sources "were moved around in HB 3003." He said that \$10 million is spoken for by the PFD appropriation; therefore, it was moved to the GF. He said other than that the rest of the pages of the report show there are no other changes to "the capital side" between [the original HB 3004 and Version I].

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MR. PAINTER, in response to Representative Wool, confirmed that none of the items in Version I were reflected in the enacted HB 69.

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MR. PAINTER, in response to Representative Josephson, acknowledged that the reverse sweep restores the balances of the funds. In response to a follow-up question, he confirmed that "by reversing the sweep, ... there would be no need to do fund changes."

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MR. PAINTER, in response to Representative Wool, stated that the reverse sweep numbers are not included in the report but are estimated to be \$900 million to \$1 billion, primarily split between the higher education fund, at about \$400 million, the SBR, which is about \$330 million, and other smaller funds. He directed attention to the UGF spending in Report 2, shown in the bottom-right of the page as \$261.5 million; however, he noted that \$21.3 million of that is the supplemental. He said the impact of that on the FY 22 budget would be about \$240 million. In response to a follow-up question, he explained that [Version I] would create a budget deficit, which then would be handled through Section 15(b). He said in general when there are

deficits, the budget is structured to have "filling language" related to the CBR. This year was unusual in that items were directly funded out of other savings accounts in order to make the budget roughly balanced without deficit language when the legislature passed it. In response to another follow-up question from Representative Wool, he confirmed that the amount that would be needed for "filling" if Version I passed would be in the range of \$200 million.

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REPRESENTATIVE JOSEPHSON asked where that money was going to come from had the governor not vetoed the budget.

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MR. PAINTER answered that the fund sources were different in the conference committee's version of HB 69; the entire amount of oil and gas tax credits, as well as the PFD, came from the CBR, as opposed to being split between the CBR and general fund as they were in HB 3003. He added there was a small deficit of \$10 million that would have come from the CBR.

REPRESENTATIVE JOSEPHSON asked for confirmation that the conference committee version [of HB 69] would have required "less of a supermajority to fund these elements."

MR. PAINTER replied that in 2019, the legislature had adjourned without a supermajority vote and with no reverse sweep or "deficit-filling language." He offered his understanding that House Bill 2001 had contained the veto restorations, reverse sweep language, and CBR access.

REPRESENTATIVE JOSEPHSON asked for confirmation that it is problematic that the CBR is the sole source under the proposed legislation.

MR. PAINTER declined to comment on "the political problems caused by any particular thing," but confirmed that because there was little majority access funding after HB 3003, most of the funding under the proposed legislation would require a three-quarters [approval] of the legislature.

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REPRESENTATIVE STORY expressed concern about the higher education investment fund, and she inquired about its status.

MR. PAINTER replied that the funds appropriated out of that fund were enacted under HB 69, and the governor has said they will be funded for this year. He indicated that HB 3004 does not specifically reference that fund, but "it would be included in that language under [Section] 15(a) of this bill."

REPRESENTATIVE STORY stressed the importance of that happening.

[1:34:42 PM](#)

CHAIR SPOHNHOLZ asked how much federal funding is associated with the appropriations under HB 3004.

MR. PAINTER answered that in Report 1, the federal receipt total is \$220 million, and it is for two items in the capital budget of the Department of Transportation & Public Facilities (DOT&PF), both vetoes for the Service Transportation program. In response to a follow-up question, he offered further information about what that money was funding.

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MR. PAINTER, in response to a question from Representative Josephson about why federal dollars were vetoed, offered further context about the process of allocating for projects and contingencies and intending flexibility for DOT&PF.

REPRESENTATIVE JOSEPHSON remarked that he would not like this veto if he were commissioner.

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CHAIR SPOHNHOLZ agreed with Representative Josephson's comment that from DOT&PF's perspective, having flexibility "seems like a good thing, and she commended Representative Story's comment regarding the Higher Education Fund. She pointed out that the capital projects would help improve quality of life, and she noted there is "a laundry list" of services that would be helped under [HB 3004, Version I], highlighting services for seniors.

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REPRESENTATIVE JOSEPHSON said he has faith in Chair Spohnholz, and he offered his support regarding the consideration of the proposed legislation.

[HB 3004 was held over.]

1:43:24 PM

ADJOURNMENT

There being no further business before the committee, the House Special Committee on Ways and Means meeting was adjourned at 1:43 p.m.