

SENATE FINANCE COMMITTEE
February 19, 2021
9:02 a.m.

[9:02:11 AM](#)

CALL TO ORDER

Co-Chair Stedman called the Senate Finance Committee meeting to order at 9:02 a.m.

MEMBERS PRESENT

Senator Click Bishop, Co-Chair
Senator Bert Stedman, Co-Chair
Senator Lyman Hoffman
Senator Bill Wielechowski
Senator David Wilson

MEMBERS ABSENT

Senator Donny Olson
Senator Natasha von Imhof

ALSO PRESENT

Caroline Schultz, Policy Analyst, Office of Management and Budget, Office of the Governor.

PRESENT VIA TELECONFERENCE

Neil Steininger, Director, Office of Management and Budget, Office of the Governor.

SUMMARY

^GOVERNOR'S FY22 BUDGET AMENDMENTS

[9:02:35 AM](#)

Co-Chair Stedman relayed that the committee would consider amendments to the governor's proposed budget.

[9:03:24 AM](#)

CAROLINE SCHULTZ, POLICY ANALYST, OFFICE OF MANAGEMENT AND BUDGET, OFFICE OF THE GOVERNOR, discussed the presentation

entitled "Senate Finance Budget Amendments Overview" (copy on file). She reminded that it was statutorily required for the governor to submit amendments to the budget on the 30th day of the legislative session. She wanted to focus on the amendments that had been sent over earlier in the week.

Ms. Schultz drew attention to slide 2, "Amendment Summary," which showed a table with totals for amendments to the FY 22 operating budget, as well as to the FY 21 and FY 22 capital budgets. The slide functioned as a summary.

Ms. Schultz turned to slide 3, "Agency Operating Amendment Summary - By Department," which showed a table with proposed amendments by department. She highlighted the first column with the FY 22 supplemental items that had already been proposed. The second column showed amendments to the supplemental items. She pointed out that the slide showed Unrestricted General Funds (UGF) only.

Ms. Schultz continued to address slide 3. The third column showed total supplemental items proposed for all departments. Additional columns showed the FY 22 governors proposed budget, amendments recently proposed, and the total FY 22 budget inclusive of amendments.

[9:06:08 AM](#)

Ms. Schultz displayed slide 4, "Amended Fiscal Summary," which showed an updated version of the fiscal summary by the Office of Management and Budget (OMB), which included amendments proposed earlier in the week.

Co-Chair Stedman thought it was nice to note that the administration and legislature had done a good job in not having a large supplemental to consider.

Ms. Schultz addressed a packet of spreadsheets (copy on file). She spoke to Spreadsheet 1, "FY2021 Supplemental Governor Amended" which showed supplemental amendments for the operating and capital budgets. She detailed that the first four items were increases for the Department of Labor and Workforce Development (DOL). There was originally a decrement proposed in the supplemental budget, and the amendments posed a smaller decrement to Technical Vocational Education Program (TVEP) funding.

Ms. Schultz listed that item 7 replaced commercial passenger vessel environmental compliance fees for UGF for shellfish testing. The item had been in the FY 22 governor's proposal and was also proposed as an amendment to the FY 21 supplemental budget.

Co-Chair Stedman asked to review each page and then take questions when the page was complete.

Ms. Schultz noted that the final items on the slide were supplemental capital items that were repeal and reappropriations of expired capital projects, to the General Fund and to the Alaska Capital Income Fund. She pointed out that line 10 erroneously listed the Department of Revenue (DOR) rather than the Department of Transportation and Public Facilities (DOT).

[9:09:10 AM](#)

Senator Hoffman asked why all UGF was not reappropriated to the Alaska Capital Income Fund rather than a portion to the General Fund.

Ms. Schultz did not know the answer to Senator Hoffman's question and offered to provide the information at a later time.

Co-Chair Bishop looked at line 10 and asked about which department should be indicated.

Co-Chair Stedman reminded that the Capital Income Fund was a fund that accumulated money that was later expended for deferred maintenance in the capital budget.

Ms. Schultz addressed Spreadsheet 2, "FY2022 Operating Governor Amended," which listed operating budget amendments for the coming fiscal year budget. Item 1 related to Executive Order 119 and proposed to add a new department technology officer for the new Department of Family and Community Services, to be added to the Department of Administration (DOA) Office of Information Technology. The second item was a technical adjustment to correct a sort order issue with the way the budget was written. Item 3 proposed to add \$10,000 to Department of Corrections (DOC) to increase the medication assisted treatment program using newly available federal funds. She explained that Item 4 was a minor adjustment of a \$3.4 thousand reduction for

Department of Education and Early Development (DEED) matching funds that were not needed.

Co-Chair Stedman thought Item 4 was inconsequential and appreciated OMB bringing it before the committee.

Ms. Schultz continued to address the proposed amendments on Spreadsheet 2. She detailed that Item 5 was a technical item that paired with an item in the governor's FY 22 budget release. The reduction was coupled with a fund source change in the Alaska Student Loan Corporation (ASLC). Item 6 was a technical adjustment that changed an appropriation from the language section to the numbers section. Item 7 was a more significant correction. She discussed the Spill Prevention and Response (SPAR) Fund, which was being unsustainably spent. The department had proposed a \$700,000 reduction to achieve a more sustainable draw to the fund, and there was a proposed \$200,000 add-back to leave a net reduction of \$500,000. Item 8 would add more authority to the Department of Fish and Game (DFG) Commercial Fisheries for Exxon Valdez Oil Spill Settlement (EVOSS) funds.

[9:13:12 AM](#)

Senator Wilson asked about Item 7 and asked if the administration was planning to propose legislation to fix the shortfall.

Ms. Schultz stated that the administration had not proposed any legislation to increase SPAR Fund collections.

Co-Chair Stedman asked for more explanation on Item 5, to include discussion of the scholarship fund.

Ms. Schultz recalled that ASLC used to manage the Washington, Wyoming, Alaska, Montana, and Idaho (WWAMI) program using program receipts. There had been sufficient receipt collection through the loan servicing. As the loan program had been reduced the cost was no longer de minimis. The FY 22 governor's budget had proposed switching managing WWAMI from student loan receipts to the Higher Education Fund. The item on the spreadsheet represented the associated reduction in ASLC's funding from the Alaska Commission on Postsecondary Education. She noted that the item was a technical fix and she would be happy to provide a flow chart for clarity if needed.

Co-Chair Stedman asked if the change would increase the financial strain on the Higher Education Fund.

Ms. Schultz answered in the affirmative.

Ms. Schultz addressed Item 9, which was a technical fix to remove some language in the numbers section for DFG. Item 10 and Item 11, also in DFG, were both increases in federal authority associated with increased federal funds for conservation, wildlife grants, and Dingell-Johnson Funds. She continued that item 12 was also related to Executive Order 119, and would add an administrative services director to OMB for the new department. Item 13 was an increase of about \$700,000 UGF for the Division of Elections to replace Help America Vote Act funds. The funds had been used to support printing ballots and other materials in indigenous languages. She explained that the federal government had repurposed the grants to use for election security, which the state believed to be a worthwhile endeavor.

Ms. Schultz relayed that item 14 was a technical adjustment. In the FY 22 governor's budget there was a proposed decrement to eliminate two building plan review positions, and the amount had been off by \$15,000. Item 15 was an increase to the Alaska State Trooper Academy. In the FY 18 budget, some Statutory Designated Program Receipts were added to the academy budget, hoping that the academy would be able to collect from municipalities and other organizations that sent recruits to the academy. The authority had not worked out. Item 16 would add federal receipt authority for the crime lab.

[9:17:21 AM](#)

Co-Chair Bishop considered Item 15 and asked if the UGF increment was because other law enforcement agencies used the Sitka Police Academy as a training ground. He asked if Ms. Schultz had asserted that attendees had not paid a sufficient portion and funds were needed to backfill.

Ms. Schultz thought it would be best for the Department of Public Safety to fully address the question. She knew it had been a goal of the legislature and the administration to help the academy collect more receipts, but there had been challenges in doing so in the previous few years.

Co-Chair Stedman asked Ms. Schultz to get back to the committee with more information, including help from the department regarding municipalities. He thought the legislature was expecting municipalities to carry more of the financial load of training municipal police, and the funds had not materialized.

Ms. Schultz agreed.

Co-Chair Stedman pointed out that COVID-19 funds were being used for Item 10 and Item 11. He the legislature would be addressing the areas in which COVID-19 funds were supplanting other funds.

Ms. Schultz moved to page 3 and addressed Item 17, which would add \$194,000 in UGF to DOR to help in managing risks within financial and information systems. The item was in the FY 22 governor's budget as well. Item 18 was a small correction in numbers. Item 19 was in DOT. She clarified that all of the DOT items relating to reduction in Motor Fuels Tax and Aviation Fuel Tax were related due to a shortfall in collections. The items proposed to delete additional unrealizable receipt authority for both funds for all of the regions. The reductions were proposed to be offset with increases using COVID-19 funding.

Ms. Schultz explained that Item 19 and Item 20 were related to deleting uncollectable authority. Item 20 proposed to add \$620,000 in federal COVID-19 funds to reopen the Silvertip maintenance station. Item 21 was for increased rural airport paint striping. Item 24 was also an increase with federal funds to give the Dalton Highway maintenance crew a two week on/two week off schedule. Item 25 would reopen the Chitina and Birch Lake maintenance stations. Item 26 pertained to more rural airport paint striping in the Northern region.

[9:21:27 AM](#)

Co-Chair Bishop commented that it was the fourth year in a row where motor fuels tax receipts kept declining. He estimated that over the previous three years there was \$3.4 million in lost revenue.

Co-Chair Stedman discussed Item 20 and the Silvertip Maintenance Station, as well as Item 25. He was curious as

to why the items were not combined and asked if COVID-19 funds were being used to backfill the items. He asked if there was consideration given to funding in the long term, or if the projects were targeted for elimination.

Ms. Schultz stated that the items were not combined due to different DOT regions. She affirmed that DOT was working to identify ways to keep the maintenance stations open, which had been identified as priority areas for public safety.

Co-Chair Stedman asked about Item 24, relating to Coronavirus Aid, Relief, and Economic Security (CARES) Act funds and the Dalton Highway.

Ms. Schultz explained that the highway maintenance crew on the Dalton Highway switched to a two-week-on/two-week-off schedule to mitigate the risk of COVID-19. The item proposed a continuation of schedule into FY 22.

Co-Chair Stedman reminded that it was important to take time to look at the physical structure and maintenance of the Dalton Highway, and ensure that the road corridor was functioning. He noted that there had been a substantial increase in truck traffic over the past several years.

Ms. Schultz moved to page 4 of Spreadsheet 2. Item 27 and Item 28 would delete uncollectable authority and increase airport maintenance using federal CARES Act funds in the Southcoast Region. Item 29 and Item 30 were technical corrections relating to cost-of-living adjustments. Item 31 was a recommendation from the legislative task force for therapeutic courts and proposed a \$480,000 UGF increase to the judicial system for the program. Item 34 was a technical update that revised language in the language section for the natural gas pipeline project. Item 35 would extend the COVID-19 grants within the Department of Commerce, Community and Economic Development. She reminded that the COVID-19 relief funds had been extended through the rest of the year, and the administration wanted to ensure that the funds could be expended. Item 36 would update the correct amount for the Alaska Industrial Development and Export Authority's (AIDEA) dividend.

Co-Chair Stedman asked for Ms. Schultz to repeat the information on Item 35.

Ms. Schultz explained that AIDEA paid a dividend to the state each year as required by statute. When the governor's budget was originally submitted, the correct number had not been available.

[9:26:20 AM](#)

Senator Hoffman looked at Item 27 and Item 28. He observed that Item 28 referenced the "Southcoast Region," which he had not heard before. He asked why the region was listed and noted that it included communities he represented as well as others.

Ms. Schultz was not deeply familiar with how DOT subdivided areas of the state for regional maintenance. She agreed to get back to the committee with a map of the regions and the reasoning for the division.

Senator Hoffman stated he was familiar with all state regions.

Co-Chair Stedman recalled that several years previously, DOT had decided to expand the Southcoast Region and change the Coastal Region that included the Aleutian Chain, the Pribilof Islands, and Kodiak. He thought the current three regions of Central, Northern, and Southcoast had been in existence for several years, but the geographical regions had not been considered by the committee. He asked Ms. Schultz to get back to the committee with a geographical printout of the regions.

Ms. Schultz noted that Cordova was included in the Northern Region.

Co-Chair Stedman discussed Item 34 and highlighted that the amendment proposed to divert federal funds from the Alaska Gasline Development Corporation (AGDC) into a separate area called the Alaska Liquified Natural Gas Project Fund. He did not think the committee had reviewed the matter. He thought the committee should consider the topic and possible actions.

[9:30:04 AM](#)

Senator Hoffman referenced Item 29 and Item 30. He had been under the impression that the cost of living allowance (COLA) was 3 percent and under. He thought the item

proposed to raise the cola from 3 percent to 7 percent. He suggested that during a time of such low interest rates, the change seemed exorbitant. He wondered if there was any backup to justify the proposed 7 percent COLA.

Ms. Schultz agreed to provide more information and backup on how the bargaining agreements and terms were established.

Co-Chair Bishop wondered if the salaries and benefits in question were paid from Airport Improvement Program receipts.

Ms. Schultz agreed to provide the information.

Ms. Schultz turned to page 5 of Spreadsheet 2. She addressed Item 37, which would provide an increase to the Division of Elections for redistricting. She reminded that that redistricting happened every 10 years and the division would be printing new materials, and the proposed increase would be for FY 22 and FY 23. Item 38 was an extension of the Revised Program Legislative (RPL) which was recently approved by the Legislative Budget and Audit Committee. The amendment would correct the amount in the RPL for rental assistance, which had been part of the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA) funds. The funding was made available to assist renters, and the appropriation proposed to correct and extend the funding amount. She noted that Item 39 was included in the list as a mistake.

Ms. Schultz addressed Item 40, which proposed new language in the budget. She reminded that medical students in the WWAMI program were obligated to repay student loans at an accelerated if they did not practice medical care in the state. The language would allow the loan repayment to go back into the Higher Education Investment Fund rather than reverting to the General Fund. Item 41 and Item 42 were related and would reverse a one-time item and adding it back in for the Legislative Redistricting Board. She recalled that the item was added the previous year and the item proposed to bring the funding into the following year. She continued that Item 45 was the beginning of the human resources consolidation transfers related to Administrative Order 305, and would move 40 positions to DOA. Item 46 pertained to technical adjustments within the departments

to move the fund around appropriately to finance the interagency receipt authority.

[9:34:25 AM](#)

Senator Hoffman referenced Item 38 and the Federal Housing and Homeless Stimulus. He appreciated the funds going towards the program. He noted that the item description indicated the programs were extended to June 30, 2022, and June 30, 2023; but there was an application deadline of March 10. He wondered why the date was chosen and why the application deadline was not open-ended for those that might not have the information. He commented on the difficulty of communications in the state during the time of COVID-19. He asked about the intent to address the same needs if the vast majority of the funds were expended.

Ms. Schultz agreed to provide the information.

Senator Wilson commented on Item 40 and was glad the funds would go back to the Higher Education Fund. He asked if the estimate was only for the upcoming year. He wondered how many students had not met the obligation of the WWAMI program.

Ms. Schultz agreed to provide the information.

Co-Chair Bishop dovetailed on Senator Hoffman's remarks about Item 38 and asked about extending the dates for rental assistance funding. He noted that there was not currently a disaster declaration in place, and asked Ms. Schultz to look into whether the authority could be carried forward without the declaration.

Ms. Schultz stated that the extension of the state disaster declaration did not impact the federal appropriation, nor the state's ability to receive or expend the funds. She would double check the dates of the proposed extension and provide the committee with more information.

Ms. Schultz addressed page 6 of Spreadsheet 2. She explained that the last items related to the central services consolidation efforts. Item 47 transferred a procurement position from the Department of Law to DOA for consolidation, and the item was a cleanup from FY 22 efforts. Item 48 was the financial fund source change associated with Item 47. She continued that Item 49 related

to facilities and leasing consolidation in DOT. She explained that the administration would revert budget authority back into departments with a tie-in to the leasing. She discussed reasoning for change.

[9:39:19 AM](#)

AT EASE

[9:40:23 AM](#)

RECONVENED

Ms. Schultz addressed Spreadsheet 3, "FY2022 Operating Governor Amended - Department of Health/Department of Family and Community Services." She explained that the packet was related to amendments for the Department of Health and Social Services (DHSS), which under Executive Order 119 was under consideration to become the Department of Health and the Department of Family and Community Services. She relayed that the committee heard extensively from the department on the proposed executive order the previous day. She offered to highlight items in the packet that were not related to the executive order.

Co-Chair Stedman assumed the committee wanted consider the items described, and asked Ms. Schultz to identify any items of significance that dealt with the executive order.

Ms. Schultz drew attention to Item 7, which was not related to the executive order, and would increase the match for adoption and guardian maintenance of effort. The increase was due to increased requirements in adoption and more GF match was needed.

[9:42:14 AM](#)

Senator Hoffman asked about the amount of the match.

Ms. Schultz agreed to provide the information at a later time.

Ms. Schultz highlighted Item 14, which signified a \$2 million increase for the Adult Public Assistance Program, which had to do with an increase to the maintenance of effort. She recalled that there had been an ongoing issue with the component related to federal authorities identifying a mistake in the way the benefits were calculated. There had been previous adjustments and she

thought Item 14 would be the final correction for the calculation error. Item 15 related to Item 16 and Item 17 on the following page and was carry forward for the Department of Health. The carry-forward language would allow the department to continue into the coming fiscal year with \$60 million UGF in spending authority that had been appropriated by the legislature for COVID-19 response. All the remaining items included in the packet were technical items that related to Executive Order 119.

Ms. Schultz noted that many of the technical amendments related to shifting existing components within DHSS to transfer out to the new departments proposed in the executive order.

Senator Wielechowski asked about the total net increase or decrease from the executive order.

Ms. Schultz pointed to page 5, which showed the totals from amendment changes, which were inclusive of items that did not specific to the executive order. The un-related items totaled \$5.5 million UGF and about \$8.5 million in all funds. She stated she would get back to the committee with the exact number related to the executive order.

Senator Hoffman asked about the transfers on page 3 from DHSS to the proposed Department of Health and Department of Family and Community Services. He mentioned Item 49 and Item 50. He asked if it was the intent of the administration that the services related to the transfers mentioned by Ms. Schultz would remain in the various areas of the state.

Ms. Schultz affirmed that it was the intent of the administration that locations and services delivered across the state would remain in the same areas. She thought the goal of the executive order and creation of a new department was improved service delivery.

Senator Hoffman asked for the point in writing from the administration.

Ms. Schultz agreed to ask for the information.

Co-Chair Stedman asked to have the matter addressed to the committee. He understood that the matter was an accounting

issue, rather than a transfer. Co-Chair Stedman asked that members bring any questions to his office.

[9:47:45 AM](#)

Ms. Schultz addressed Spreadsheet 4, "FY2022 Capital Governor Amended." She spoke to Item 1, which proposed a \$2.7 million increase to the Alaska Housing Finance Corporation's (AHFC) Homeless Assistance Program. The increase was partly in response to the COVID-19 pandemic, and there was about \$160 million in funding made available by the federal government for direct relief to landlords and utility companies. Because the funding had specific rules for appropriation, it did not necessarily address all of the potential homelessness mitigation efforts.

Ms. Schultz spoke to Item 4 and Item 5, which were corrections to the UGF match for the Village Safewater Programs between the funding for the new projects and ongoing project maintenance. The items shifted the matching funds for federal authority. She clarified that instead of UGF, the items were using Other Funds and funded by AHFC bond receipts. Item 6 was a reduction in authority in the Wildlife Management Research Hunting Access grants that DFG used in its capital budget. She pointed out that while there appeared to be a reduction in capital authority, the amount was offset by an increase in the operating budget after the department moved the research aspect of the program from capital to operating expenditures in the FY 22 governor's budget.

Ms. Schultz explained that Item 7 was the implementation of Ballot Measure 2 (approved by voters) in the Division of Elections. It signified an \$800,000 increase to get the new information to voters to execute ranked choice voters.

Co-Chair Stedman quipped that saying "okay" did not indicate agreement with a proposal.

Ms. Schultz addressed Item 8, a Department of Natural Resources (DNR) capital project to establish and information database and dashboard to help the department manage natural disasters with data driven decisions. Item 9 was an increase in statutory designated program receipts for the Dam Safety Program in DNR. Item 10 was related to Item 11 on the next page and concerned budget authority for the Exxon Valdez Oil Spill (EVOS) Trustees Council to

purchase a parcel on the Kenai River to build a larger parking lot.

Co-Chair Stedman asked if the proposal was a normal use of EVOS funds.

Ms. Schultz explained that that the trustees used the funds to purchase land to preserve and protect wildlands and wildlife areas as well as to increase access to the land. The area in question was a popular boat launch on the Kenai River and the expansion would protect the area.

Senator Hoffman recalled that in the past, if the property was outside a borough, it became controversial if private property was taken off the tax rolls of a municipality. He wondered if the issue had been raised with regard to the potential EVOS property acquisition.

Ms. Schultz was not aware of such a concern but would follow up with the appropriate parties and provide any relevant information to the committee.

[9:53:42 AM](#)

Ms. Schultz reiterated that Item 11 on page 2 was related to the Kenai River parcel purchase from Item 10. She continued that Item 12 was an increase for maintenance capital improvements on tunnels on the road and railroad between Portage and Whittier using tunnel receipts. Item 16 through Item 19 were reappropriations of capital projects. Item 16 was a reappropriation from DOA to DOT. She reminded that the administration was endeavoring to consolidate facilities leasing and facilities improvements within DOT, and the item just moved the authority between the departments. She continued that Item 17 and Item 18 pertained to existing capital projects within DHSS that needed to be reappropriated in light of the proposed departmental renaming and reorganization. Item 19 pertained to reappropriation of capital projects that had been housed in the governor's office to the Department of Health.

Senator Wielechowski asked about a detailed breakdown of costs for Executive Order 119, to include expenses from changing facilities and new furniture.

Ms. Schultz agreed to provide the information. She noted that there were items listed on the spreadsheet within

packet 3 that highlighted increments related to the executive order. She agreed to provide a consolidated response to the committee.

Co-Chair Stedman thought a breakdown would be helpful, including a breakdown of salaries and employees.

Senator Wilson looked at Item 7 on page 1, which pertained to the Ballot Measure 2. He asked if there were funds for the Alaska Public Offices Commission (APOC) to implement the changes as well.

Ms. Schultz stated that the administration had not been able to incorporate APOC funds for the amendment release being considered.

Co-Chair Stedman asked for Senator Wilson to restate the question.

Senator Wilson noted that Item 7 had money for the Division of Elections to implement Ballot Measure 2, but there was no money for APOC to implement the changes.

Ms. Schultz stated that the summary of Ballot Measure 2 had a cost associated with APOC. The increment was not in the amendment packet, due to a timing issue. She continued that while amendments were due by the 30th day of session, it was customary to send amendments after the fact. If it was the will of the co-chairs, further amendments would follow.

Co-Chair Stedman appreciated Senator Wilson pointing out the issue. He explained that typically the committee considered amendments beyond the deadline as there was often oversights or new information to consider.

[9:58:54 AM](#)

Co-Chair Bishop asked if Ms. Schultz could provide a ballpark estimate of funding needs from APOC.

Co-Chair Stedman asked Ms. Schultz to give the committee a heads up on potential changes forthcoming.

Ms. Schultz stated it would be unusual for OMB to provide a ball-park figure for a forthcoming amendment. She thought the cost estimate from APOC was publicly available data in the ballot pamphlet.

Co-Chair Stedman stated he would work on the issue. He noted that all amendments did not have to come from the administration.

Senator Wilson asked what would happen if the legislature failed to accept the amendment for APOC.

Ms. Schultz deferred the question to the Division of Elections. She thought the director would be able to go into detail. She offered to provide the division's response to the committee.

Ms. Schultz commented that her presentation was concluded. She noted that the OMB director was available by phone to make a final comment.

NEIL STEININGER, DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET, OFFICE OF THE GOVERNOR (via teleconference), did not have any final comments. He thanked Ms. Schultz for filling in for him at the meeting.

Co-Chair Stedman discussed the agenda for the next week. He noted that the committee would still meet five days a week. Co-Chair Bishop would chair meetings concerning capital budget needs and deferred maintenance issues around the state. He mentioned being prepared for the possibility of a massive federal capital improvement program.

#

ADJOURNMENT

[10:02:56 AM](#)

The meeting was adjourned at 10:02 a.m.