

SENATE FINANCE COMMITTEE

May 5, 2021

9:03 a.m.

9:03:16 AM

CALL TO ORDER

Co-Chair Bishop called the Senate Finance Committee meeting to order at 9:03 a.m.

MEMBERS PRESENT

Senator Click Bishop, Co-Chair
Senator Bert Stedman, Co-Chair
Senator Lyman Hoffman
Senator Donny Olson
Senator Natasha von Imhof (via teleconference)
Senator Bill Wielechowski
Senator David Wilson

MEMBERS ABSENT

None

ALSO PRESENT

Representative Louise Stutes, Sponsor; Representative Dan Ortiz, Sponsor; Neil Steininger, Director, Office of Management and Budget, Office of the Governor; Pete Ecklund, Staff, Senator Bert Stedman; Alexei Painter, Director, Legislative Finance Division.

PRESENT VIA TELECONFERENCE

Katrina Hoffman, Self, Cordova; Kim Aspelund, Self, Anchorage; Mike Webber, Self, Cordova.

SUMMARY

SB 49 APPROP: OPERATING BUDGET/LOANS/FUNDS

SB 49 was HEARD and HELD in committee for further consideration.

SB 51 APPROP: MENTAL HEALTH BUDGET

SB 51 was HEARD and HELD in committee for further consideration.

HB 27 NAMING IRENE WEBBER BRIDGE

HB 27 was REPORTED out of committee with a "do pass" recommendation and with one previously published fiscal impact note: FN 1(DOT).

HB 69 APPROP: OPERATING BUDGET/LOANS/FUNDS

HB 69 was SCHEDULED but not HEARD.

HB 71 APPROP: MENTAL HEALTH BUDGET

HB 71 was SCHEDULED but not HEARD.

HB 169am APPROP: EDUCATION; PUPIL TRANSPORTATION

HB 169am was HEARD and HELD in committee for further consideration.

PRESENTATION: OMB MAY 3, 2021 AMENDMENTS OP/CAP/SUP

#hb27

HOUSE BILL NO. 27

"An Act naming the irene Webber Bridge."

[9:03:47 AM](#)

Co-Chair Bishop noted that it was the second hearing for HB 27.

[9:04:03 AM](#)

REPRESENTATIVE LOUISE STUTES, SPONSOR, discussed HB 27. She explained that irene Webber had an incredible impact on the community of Cordova, and the proposed naming of the bridge was exciting for the whole community. She discussed Ms. Webber's history of recovery and involvement in running and marathons. She emphasized the importance of the bill to the community.

[9:05:57 AM](#)

KATRINA HOFFMAN, SELF, CORDOVA (via teleconference), spoke in favor of the bill. She was irene Webber's daughter-in-law. She discussed the legacy of Ms. Webber and the community events she had created such as the Cancer Walk and Wild Salmon Run. She discussed Ms. Webber's contribution to the community of Cordova. She described that the bridge was adjacent to community recreation areas that residents frequented for skiing, four-wheeling, and barbecuing. She described the area. She encouraged the committee to pass the bill.

[9:08:07 AM](#)

KIM ASPELUND, SELF, ANCHORAGE (via teleconference), testified in support of the bill. She was the daughter of irene Webber. She discussed Ms. Webber's volunteer work. She relayed that Ms. Webber had helped others in the community overcome alcohol abuse. She described how Ms. Webber was inspirational to others. She discussed Ms. Webber's dedication to herself and the community. She thanked the committee and asked for members to support the bill.

[9:11:19 AM](#)

MIKE WEBBER, SELF, CORDOVA (via teleconference), spoke in support of the bill. He discussed his mother's qualities and history in commercial fishing. He spoke about his mother running on the beach and inspiring others. He thought the proposed naming of the bridge would be a powerful statement. He relayed that his mother was a leader in the community and discussed her kindness to others. He discussed the community of Cordova, and the Salmon Run event which his mother had started.

[9:15:21 AM](#)

Co-Chair Bishop OPENED and CLOSED public testimony.

Co-Chair Bishop addressed a previously published fiscal impact note from the Department of Transportation and Public Facilities, OMB Component 2068 with \$10,200 in unrestricted general funds.

Co-Chair Stedman MOVED to report HB 27 out of Committee with individual recommendations and the accompanying fiscal note. There being NO OBJECTION, it was so ordered.

HB 27 was REPORTED out of committee with a "do pass" recommendation and with one previously published fiscal impact note: FN 1(DOT).

[9:16:18 AM](#)

AT EASE

[9:18:03 AM](#)

RECONVENED

Co-Chair Bishop handed the gavel to Co-Chair Stedman.

#hb169

HOUSE BILL NO. 169 am

"An Act making appropriations for public education and transportation of students; and providing for an effective date."

[9:18:07 AM](#)

Co-Chair Stedman asked the sponsor to address the committee.

[9:18:34 AM](#)

REPRESENTATIVE DAN ORTIZ, SPONSOR, explained that HB 169 was an appropriation bill for the foundation formula and pupil transportation for 2022 and 2023. The bill was a separate appropriation bill from the regular operating budget, in order to pass funding for education early in the session for FY 22 and provide forward-funding for FY 23. He referenced the long legislative history of the members, and thought they were familiar with the ongoing problem of delayed funding for school districts. He described the challenge of school districts that often had to send out layoff notices to teachers because of uncertainty with funding levels and the need to comply with contracts. He recalled receiving such a notice early in his own teaching career.

Representative Ortiz continued his opening remarks. He asserted that HB 169 reflected an attempt to help alleviate the problem as described. He identified that education and student success was a high priority for the legislature and the state. He asserted that HB 169 reflected the

legislature's commitment to education, students, and teachers and would help alleviate one issue related to the growing problem of not being able to retain teachers.

Senator Wielechowski thanked the sponsor for bringing the bill forward, which he thought was a huge step forward in the way education was funded. He hoped the state would engage in the method more often. He asked if the sponsor knew when layoff notices were sent to teachers in the state.

Representative Ortiz thought that the layoff date varied around the state. He thought some districts began layoffs in the middle of April, and others at a later time depending upon the budget cycle of the district. He understood that the Juneau School District had an earlier layoff date.

[9:23:12 AM](#)

Co-Chair Stedman asked if the sponsor could recall if the legislature had ever lowered the Base Student Allocation (BSA) amount and asked if the bill contained the targeted BSA amount.

Representative Ortiz could not recall the legislature having ever lowered the BSA. He mentioned the constitutional obligation to provide an adequate education for all students in the state, including a financial commitment for the state to bear the responsibility. He considered that since there was no question of having the obligation, the legislature might as well provide the funding earlier.

Co-Chair Stedman asked for more detail regarding the timing of the proposed appropriation and where the funds would come from. He asked if there had been litigation over the issue.

Representative Ortiz was not aware of any litigation. He thought no one could argue that the bill proposed to tie the hands of a future legislature, as the current body would be the legislature for FY 23. He did not think there would be a threat of a lawsuit going forward.

Co-Chair Stedman set the bill aside. He assured the viewing public that there would be further information coming from

the committee regarding maintenance of effort and the federal assistance funding coming for schools. He referenced data sheets that were being assembled. He thought there would be dialogue over the following year as to how to track the funds.

HB 169 was HEARD and HELD in committee for further consideration.

^PRESENTATION: OMB MAY 3, 2021 AMENDMENTS OP/CAP/SUP

9:27:09 AM

NEIL STEININGER, DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET, OFFICE OF THE GOVERNOR, addressed four amendment packages differentiated by operating, capital, supplemental operating, and supplemental capital (copy on file). He addressed the FY 22 operating governor amend package, which had a memo followed by a summary spreadsheet with three items.

Mr. Steininger addressed Line 1, which was an adjustment to the cost-of-living adjustment (COLA) for court service officers and deputy fire marshals. Upon further review, it was noted that the two percent adjustment for the second year of the contract was applied to an incorrect base salary. The total was \$317,000, \$300,200 of which was Unrestricted General Funds (UGF). The item accommodated a four percent salary adjustment made in the first year, and a two percent adjustment was made to the base salary.

Mr. Steininger addressed Line 2, concerning an upward adjustment to the investment management fees for the Alaska Permanent Fund Corporation (APFC), due to higher returns and a larger than expected account balance. He detailed that management fees were scaled as a percent of assets under management. The \$60 million item was an estimate, and if the fees came in lower than \$60 million the money would be put back into the fund.

9:29:47 AM

Mr. Steininger spoke to Line 3, which was for three temporary positions for the Department of Transportation and Public Facilities (DOT). As the department had been working through the complexities of the guidance and rules surrounding the federal relief from the Federal Aviation

Administration (FAA), Federal Transit Authority (FTA), and the Federal Highway Administration (FHWA) in all 3 primary COVID-19 funding acts, there was about 9 pots of money with differing rules that necessitated additional accounting staff.

Co-Chair Stedman observed that the item description listed three long-term non-permanent (LTNP) positions. He asked for greater detail.

Mr. Steininger explained that in the classification system for state employees there was permanent full-time employees, and non-permanent employees were split into short-term and long-term positions. The short-term non-permanent positions were limited to 90 or 120 days depending upon the bargaining contract. The long-term non-permanent positions were those requiring more than 90 or 120 days.

Co-Chair Bishop asked if the department had the position control numbers (PCNs) available, or if a classification study would be needed. He asked if the positions would go away after the funds were expended.

Mr. Steininger stated that the proposed amendment would create three new PCNs and were labeled as long-term non-permanent position to ensure that the employees understood the positions would go away once the need and federal funding expired.

Senator Wielechowski asked if there were any other collective bargaining agreements that were currently being negotiated that might necessitate a supplemental request.

Mr. Steininger answered affirmatively. There were two tentative agreements that he had received that morning, and there would be further amendments related to the bargaining units. He thought there was a third agreement outstanding. He affirmed that OMB would come back before the committee with more information when it was available.

Co-Chair Stedman asked if the further amendments would be within the next seven days.

Mr. Steininger stated that OMB was working on formal backup in order to transmit the information to the legislature in the next 24 to 48 hours.

Senator Wielechowski about Item 2 pertaining to APFC management fees. He asked about the fee rate.

Mr. Steininger had to the defer the question back to APFC. He believed the fees varied according to the management entity.

Co-Chair Stedman thought the fees would be tied to the asset base. He suggested that as the Permanent Fund advanced in value the fees would go up.

[9:33:47 AM](#)

Senator Wilson asked about the two forthcoming amendments and the bargaining unit that Mr. Steininger referenced.

Mr. Steininger thought the supervisory unit and the Correctional Officers Association would be ready in the next 24 to 48 hours, his office was putting together the technical records so that the Legislative Finance Division (LFD) could put the adjustments in the right components. He recalled that the remaining contract was labor, trades, and crafts.

Co-Chair Stedman clarified that the committee had expressed interest in having the OMB formalize amendments so that paperwork was in order and the committee would take action on the amendments were presented.

Mr. Steininger addressed a memo and spreadsheet with capital budget amendments (copy on file). He discussed Item 1 on the spreadsheet, relating to FTA. He explained that the item was not related to federal COVID-relief funding but was an adjustment to the normal federal transit administration grant. The increase was due to the FTA apportionment rising over the previous years and communities being able to submit applications through DOT. The increase was for \$25.26 million from a base of \$10 million and would be a pass-through to community transit organizations.

Mr. Steininger discussed Item 2, related to federal COVID-relief funds. A portion of the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA) funding through DOT would be passed through to the Anchorage Metropolitan Area Transit Solutions Organization. The act

required that the monies be passed through to Anchorage, and the pass-through had been omitted from earlier appropriation vehicles. The funding was in the amount of \$11.3 million.

Senator Olson considered the proposed DOT funding listed in item 1 and item 2. He asked if any of the funding had to do with the Knik Arm Bridge and Toll Authority (KABATA) project.

Mr. Steininger did not believe either of the items would deal with the KABATA issue but would confirm with the department and get back to the committee.

[9:37:13 AM](#)

Mr. Steininger addressed a spreadsheet with supplemental operating amendments (copy on file). He addressed Item 1, which would be an increase to federal authority for the Mt. Edgecumbe Boarding School to accommodate COVID-19 relief. The item was related to the relief funding managed by the Department of Education and Early Development that got spread to different school districts. For Mt. Edgecumbe to collect the funds it needed federal authority within its budget in the amount of \$5.3 million.

Mr. Steininger addressed Item 2, which was \$410,000 of judgement settlements and claims. He directed attention to the list of judgement settlements and claims against the state.

Mr. Steininger spoke to Item 3, which was a reappropriation to the Marine Highway System Fund. He noted that there would be a corresponding decrease in the supplemental capital budget. The item was a reappropriation of the aviation match for FY 21. The aviation match had been waived in FY 21 as part of one of the federal relief packages, and the Marine Highway System Fund was posting a \$5.5 million deficit at the close of the current fiscal year. The item utilized the reduced need for match in the aviation program to backfill the need in the Marine Highway System Fund.

Mr. Steininger addressed FY 2021 Supplemental Capital Budget Amendments. Item 1 corresponded with the transfer to the Marine Highway System Fund and reflected the reduction in the capital budget for aviation state match of \$5.5

million. Item 2 was \$11 million from the Coronavirus Aid, Relief, and Economic Security (CARES) Act funding for rural airport deferred maintenance. The item covered deferred maintenance at airports owned by the state. Item 3 was authority for the Alaska International Airport System to use some of its COVID-19 relief to pay down debt service. He explained that the relief funds received by the airport system could be deposited into its International Airport System Fund as general revenue, however in order to use it outside day to day operations an additional appropriation was needed.

Mr. Steininger addressed Item 4, another reappropriation of the aviation state match. The \$1 million would be reappropriated to an emergency weather event capital project for the department to be able to respond to emergency weather events that required funding above and beyond the amount available in normal maintenance operating budgets. He used the example of extreme freeze events and avalanches, after which the funds could be used without having to come forward with individual supplemental items for every weather event.

[9:41:16 AM](#)

Senator Wilson asked how much estimated debt service would be paid with the federal COVID-19 relief funds.

Mr. Steininger specified that the item proposed to use \$30 million in debt service for the Alaska International Airport System. He believed the system had been able to use other federal receipt authority at the close of the previous year to pay down debt service. He agreed to provide more detail at a later time.

Senator Wilson asked if there were other departments that would be using federal CARES Act funding to pay down debt service.

Co-Chair Stedman asked if Mr. Steininger could provide the information at a later time.

Mr. Steininger was not aware of any other departments paying down debt service with federal CARES Act funding. He knew there was a proposal in the other body to use some of the American Rescue Plan Act (ARPA) funding to pay down the state's annual debt service as a replacement for general

funds. He agreed to look to see if there were any other areas with debt service not in the main area of the operating budget.

Co-Chair Bishop asked about Item 2 pertaining to CARES Act funding and rural airport deferred maintenance. He asked about the inclusion of capital expenses for equipment.

Mr. Steininger explained that most of the funding had limitations on purchasing equipment, but the maintenance work was generally eligible. He thought was nuance involved since there was multiple pots of money and multiple sets of rules. He would work with the department to see if there was allowability in one or more pots of money for purchase of equipment.

[9:44:34 AM](#)

Senator Olson considered aviation funds being reappropriated to the Alaska Marine Highway System (AMHS) and extreme weather events. He asked where the funding was originally allocated.

Mr. Steininger explained that in the previous year's capital budget there had been \$8.8 million in one appropriation intended for matching the airport improvement program. Part of it was proposed to be reappropriated, and the remaining amount was being reserved for potential costs that were not federally reimbursable. Originally the funds were UGF intended to match the airport improvement program, but the change in FAA rules allowed for the state (in that one year) to not require match for the program, and the need went away.

Senator Olson asked if there was any other fund source that could be used.

Mr. Steininger asked if Senator Olson referenced the Marine Highway System Fund or weather events.

Senator Olson answered "yes."

Mr. Steininger informed that the state could use a straightforward UGF appropriation rather than a reappropriation, or other Designated General Fund (DGF) sources that had available balances, however using the

reappropriation as proposed was a place where there was not necessarily a competing need.

Senator Wielechowski asked if the proposed reappropriations of aviation funds would be a loss for the Airport Improvement Program.

Mr. Steininger stated that the match was waived for the Airport Improvement Program and the FAA had provided significant additional amounts of relief that could be applied to airport maintenance improvement needs throughout the state. Through the federal relief funding, the total amount available for airport needs had grown significantly, but there was no longer a need for general fund match. He summarized that the airports were not necessarily harmed by the use of the matching funds as there was other FAA money coming in that could backfill the amount.

[9:47:52 AM](#)

Senator Olson asked if the funding switch would slow down any projects.

Mr. Steininger relayed that the projects funded through the projects funded through the FY 21 Airport Improvement Project would use federal funds that were still available for use. He understood that the change would not slow down any of the projects.

Senator Olson considered the \$410,000 UGF in judgements, settlements, and claims referenced in Item 2 of the supplemental operating amendments. He wondered about any other judgements, settlements, and claims were present in the regular operating budget.

Mr. Steininger offered to provide a full list of the judgements, settlements and claims inclusive of new items. He explained that there were not any in the FY 22 operating budget, and generally the way the state managed judgements and settlements was in a supplemental budget after the item occurred, so the items were primarily always supplemental needs. he offered to provide a full list by case and amount.

Senator Olson asked how much the state paid in total, which he thought was more than \$410,000.

Mr. Steininger did not know the exact number but estimated that the amount was in the several million dollar range.

Co-Chair Stedman asked for Mr. Steininger to provide the information to the committee at a later time.

Senator Wielechowski requested a list of management fees listed in Item 2 in the operating budget amendments. He thought the amount seemed huge on top of other fees the state was already paying.

Mr. Steininger stated he would work with APFC to get the information. He cited that the increase in management fees was a result of market returns increasing the value of the fund. He agreed to provide the information.

Co-Chair Stedman relayed that the committee would reconvene at one o'clock in the afternoon to consider proposed committee substitutes for SB 49 and SB 51, and to hear a presentation about recurring revenue and recurring expenditures. The committee would be engaging in budget discussions over the following two weeks, and would build upon the afternoon presentation as different monies and transactions were layered in. The committee was also waiting for the other body to transmit the companion operating budget bill, which he suspected would not be done for several days. He asserted that the Senate would try and advance the process and minimize the number of days it would take to put the final budgets together after receiving the version from the House. He referenced the constitutional deadline on the 19th of May and was unsure if the deadline would be met.

[9:53:24 AM](#)

RECESSED

[1:04:50 PM](#)

RECONVENED

#sb49

#sb51

SENATE BILL NO. 49

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

supplemental appropriations; making appropriations under art. IX, sec. 17(c), Constitution of the State of Alaska, from the constitutional budget reserve fund; and providing for an effective date."

SENATE BILL NO. 51

"An Act making appropriations for the operating and capital expenses of the state's integrated comprehensive mental health program; making supplemental appropriations; and providing for an effective date."

1:05:21 PM

Co-Chair Stedman discussed the afternoon portion of the agenda. The committee would consider adoption of a committee substitute (CS) for SB 49 and SB 51 and would hear a fiscal update from LFD. He explained that the committee had been working on a base budget with fund source exchanges, COVID-19 relief funds, and transfers from other fiscal years excluded. The committee would consider the base budget with recurring revenues and recurring expenditures. The CS would include all subcommittee work, and he would look to members for amendments and other concerns to be submitted to his office by Friday.

Senator Hoffman MOVED to ADOPT proposed committee substitute for SB 49, Work Draft 32-GS1509\N (Marx, 5/4/21).

Co-Chair Stedman OBJECTED for discussion.

1:07:27 PM

PETE ECKLUND, STAFF, SENATOR BERT STEDMAN, spoke to the proposed CS. He discussed the structure of the bill, which had been divided into sections and groupings for purposes clarity. There was multiple numbers sections. He detailed that Section 1 through Section 3 were the regular operating budget, which contained the recommendations from all the Senate Finance budget subcommittees. Section 2 and Section 3 were all the funding source roll-ups of all the appropriations made in Section 1. He continued that Section 4 through Section 6 were the number sections operating and supplemental items, and Section 5 and Section 6 were the

funding source roll-ups for all the supplemental operating items listed in Section 4.

Mr. Ecklund added that Section 7 through Section 9 was the numbers section for capital supplemental items. Sections 8 and 9 were the funding source 'roll ups' of all of the supplemental capital items listed in section 7.

Mr. Ecklund read from a prepared statement:

The Language Section

The bulk of supplemental language items have been grouped together at the beginning of the language section. These varying supplemental language appropriations could be for either operating or capital items, as well as direct or 'inflexible' ARPA, CRRSAA, CARES or from other federal acts that require appropriation to be accepted.

Sections 10 - 27 of the language section are the bulk of those varying language supplemental items for FY21 I just referred to

The remaining sections (28-59) are mainly more 'normal' or 'usual' FY22 language appropriations

[1:09:45 PM](#)

Mr. Ecklund continued his remarks about the proposed CS for SB 49. He addressed the substance of the bill. He noted that there were many reports that described the funding laid out in the CS in varying degrees of detail. He noted that there would be even more detailed reports posted on LFD's website after the hearing.

Mr. Ecklund highlighted that one change incorporated in the CS was the many transactions approved to accommodate the Governor's request to consolidate human resources and procurement into the Department of Administration. He highlighted that it was the reason that members might notice small differences between their subcommittee recommendation and what was contained in the draft CS.

Mr. Ecklund gave a high-level overview of the dollars and fund sources appropriated in the bill. He affirmed that he would list all of the reports in front of members and may

reference them but did not intend for members to look at the reports each time. He noted he would use round numbers for clarity.

Mr. Ecklund addressed the budget totals:

Totals

FY22 Operating totals

All Funds	10.78 billion
UGF	4.56 billion
General funds	5.42 billion

FY21 Operating supplemental totals

All funds	1.27 billion
UGF	77.2 million
General funds	76.1 million (neg DGF sup of just over 1 M)

FY21 Capital supplemental totals

All funds	168.7 million
UGF	10.2 million
General funds	30.8 million

Mr. Ecklund noted that there was a typo on member's sheets and that the capital supplemental total should be for FY 21 rather than FY 22.

Mr. Ecklund addressed a packet of reports with a cover sheet entitled "CS1 Reports Master Sheet" (copy on file). The reports went into detail listing the fund sources and dollars in the CS. He noted that there were three spreadsheets in the packet, which OMB had presented the previous Friday. The spreadsheets covered operating and capital governor supplemental requests as well as federal direct or 'inflexible' grant funds. He noted that there was an added a Senate column that denoted whether a request had been included in the CS. Further, there was a column labeled 'lang', which stood for 'language'. He clarified that a 'Y' in that column denoted that an item, if included, could be found in the language section; while an 'N' in the column instructed that if that item was included, it could be found in the supplemental numbers section.

[1:13:46 PM](#)

Mr. Ecklund highlighted language items of note in the bill:

Sec 14 (f) the Administration requested extension of an 'estimated to be \$9 million federal' appropriation related to CARES act funding from last year, we are partially granting that request. There is approximately \$331 million of Coronavirus Relief Funds (CRF) associated with the estimated to be appropriation that we are not rolling forward to next fiscal year

Sec 20 amends the current year 'Federal and Other Program Receipts' or RPL language, to restrict designated program and federal receipt authority from being added to the Alaska Gasline Development Corporation and for natural gas pipeline expenditures.

It also restricts the RPL process from being used for the 'flexible' CRRSAA DOTPF funds and the flexible ARPA funds. This section further restricts the RPL process from being used for any future funds appropriated by the 117th Congress for infrastructure, jobs, or as part of the American Jobs Plan and federal funds related to economic recovery.

Sec 21 (a) supplemental fund cap of \$21,315,700 of UGF to the Community Assistance Fund to bring the balance of the fund to \$90 million dollars so the FY22 payout to communities will be \$30 million

(b) \$30 million UGF to the Disaster Relief Fund, the Administration had asked for a re-appropriation for this, we are using UGF

(c) \$6.7 million re-appropriation of FY21 FAA match that is no needed for match, to the Alaska Marine Highway fund to bring the AMHS fund balance up to zero at the end of FY21

Sec 27 NPRA Impact Grant Program, updated the FY21 estimate available and listed out the projects that are to receive funding in FY21

Sec 31 Updated the Alaska Industrial and Development and Export Authorities (AIDEA) dividend to the correct amount, \$17,305,000

Sec 32 (e) \$2 billion transfer from the Permanent Fund Earnings Reserve to the Corpus: leaving 9 billion 652 million of spendable realized earnings in the ERA on June 30th (based on March 31st statement)

Sec 35 Carry forward language allowing FY21 federal funds from man-day billings to be carried forward into FY22 for the Anchorage Correctional Complex

Sec 37 Deleted: former section 13 (e), the request to carry forward \$35 million of Medicaid lapse for FY22 expenses

Sec 38 Deleted: former section 14 (f) open ended federal authority to the Dept of Labor for employment and training services

Sec 40 Deleted: former section 16 (e) re-appropriation request of \$5 million in lapsing fire suppression funds to DNR for fire break activities - will be addressed in the capital budget.

[1:18:13 PM](#)

Mr. Ecklund continued to highlight notable language items:

Sec 41 (b-j) this is the 18-month Marine Highway Funding plan. The total AMHS budget for one year is proposed to be the same level the Legislature passed last year, \$123.5 million. The proposal uses a mix of CRRSAA FTA and FHWA federal funds (53,093,700), UGF (\$66 million) and other funds (\$4.4 million) to support Marine Highway operations for the next calendar year. This one-time 18-month plan uses one-time federal funds to move the funding of the System onto a calendar year basis.

Moving to calendar year funding will allow managers to get the ferry schedule out to the public in July or August for the following calendar year. Having a reliable schedule out in advance has shown to increase system revenues by over \$5 million dollars.

Sec 41 (k) \$10,525,400 dollars of federal CRRSAA and ARPA FTA funds for Coordinated Transportation Grants

Sec 41 (l) \$6 million of federal CRRSAA grants to the Inter-Island Ferry Authority to replace their depleted reserves and allow them to continue operation

Sec 44 debt and other obligations - Deleted the former section 20, relating to allowing the Department of Revenue to issue Revenue Anticipation Notes

Sec 44 (L) full funding for school bond debt reimbursement

\$83,543,960

\$52,744,460 UGF

\$30,799,500 School Fund

Sec 45 (c) Same RPL restrictions as FY21, but for FY22

Sec 46 (g) \$12,394,800 in FY22 from the PCE formula payment to the Community Assistance Fund

Sec 46 (h) \$17,605,200 in FY22 from the general fund to the community assistance fund to bring the FY22 balance of the C.A. Fund to \$90 million so there can be a \$30 million dollar payout to communities in FY23.

Sec 46 (k) \$34,238,00 from the general fund to the Regional Educational Attendance Area (REAA) Fund (full funding)

Deleted: former section 22 (u) \$50 million in program receipt authority for AGDC for deposit into the Alaska liquefied natural gas project fund

Deleted: former section 22 (v) open ended federal receipt authority for AGDC

Sec 46 (u) Oil and gas tax credits: not to exceed \$114 million from the general fund.

Sec 46 (v) \$100 thousand from general fund program receipts collected by DMV to the abandoned motor vehicle fund for removing abandoned vehicles from highways.

Sec 47 (L) Fund transfers: authorizes repayment of WWAMI loans to the Alaska Commission on Postsecondary Education to be deposited into the Higher Education Fund, \$504,044

Sec 47 (m) change the estimate to a zero balance of the large passenger vessel gaming tax account deposit into the general fund.

Sec 52 (a) Statutory Budget Reserve: The unencumbered balance of the Unrestricted General Fund available for lapse on June 30, 2021 are appropriated to the SBR (estimated to be \$100 million)

Sec 52 (b) the sum of \$325 million is appropriated from the general fund to the SBR (an FY21 appropriation)

Deleted the Constitutional Budget Reserve sections

Effective Dates: Made supplementals effective April 15th for agency supplemental funding needs and June 30th, for lapse and reappropriation provisions

[1:23:43 PM](#)

Senator Wielechowski asked about Section 31 and the Alaska Industrial Development and Export Authority (AIDEA) dividend, which referred to the "correct amount." He asked if there was a statutory formula for the dividend.

Mr. Ecklund affirmed that there was a statutory formula for the AIDEA dividend.

Senator Wielechowski asked if the formula was for a range or a set number.

Mr. Ecklund could not recall the formula but thought the amount would approximate half of the earnings.

Co-Chair Stedman thought the committee could ask the question of LFD.

Senator Hoffman thought the general public should be aware that although the Permanent Fund Dividend (PFD) was not addressed in the CS, it was the intent of the Senate to fund a PFD. He asked if his assumption was correct.

Co-Chair Stedman affirmed that Senator Hoffman was correct. He stated that the topic of the PFD had yet to be taken up by the committee. The committee's intent was to work on the topic over the following two weeks. he informed that the proposed \$2 billion transfer from the corpus was a placeholder. The committee would discuss and further review the Earnings Reserve Account (ERA) with input from all members as to whether to increase or decrease the amount. He recalled that the previous legislature had put \$4.9 billion in as a transfer.

[1:26:14 PM](#)

Senator Olson asked how \$2 billion was decided upon as a placeholder.

Co-Chair Stedman relayed that he had grabbed the number as a starting point after consideration of inflation-proofing numbers. He stated that a data sheet would be available to the members when the topic was up for consideration. He thought it would be nice if members had time to consider the issue.

Senator Olson asked about Section 41, and the AMHS moving to an 18-month funding plan. He wondered why the department would not go to a six-month funding plan.

Co-Chair Stedman explained that the bill proposed to add six months of one-time funding to the AMHS appropriation, and later adjustments could be made with COVID-19 relief funds. The following year would return to a 12-month cycle with 6 months of lead time.

Senator Wilson asked about the proposed deletion of the CBR section and asked if there would need to be a three-quarters vote to enact the proposed budget.

Co-Chair Stedman stated there was currently no need for the three-quarters vote, but as the budget process continued the provision would have to be put back in.

Senator Wielechowski asked about Section 44 (1), which proposed full funding for school bond deb reimbursement. He asked if the funding was typical and normally drew from the School Fund.

Mr. Ecklund answered in the affirmative, and that the number used in the CS was the amount available that was unspent in other parts of the budget.

Senator Hoffman asked about Section 46(u) pertaining to oil and gas tax credits. He knew that the item had been discussed by the committee as well as both bodies. He noted that the language for funding the credits used the word "may," which had been pointed out many times by Senator Wielechowski; while the language for funding the PFD used the word "shall." He felt a little uncomfortable in funding the credits without knowing what the support was for different level of funding.

Co-Chair Stedman thought the original submission was for \$60 million and there had been an amendment from the administration that had been added. He thought the item was open for discussion by the committee.

Senator Hoffman asked about discretionary capital funds.

Co-Chair Stedman noted that the committee was considering the operating budget.

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AT EASE

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RECONVENED

Senator von Imhof asked about Section 52(a) relating to the Statutory Budget Reserve (SBR) Fund, and the sum of \$325 million. She asked for explanation of the section.

Co-Chair Stedman noted that the issue might warrant discussion or changes by the committee. He explained that that at the end of the fiscal year, the excess revenue in the General Fund was swept into the CBR. The action would "front-run" the balance available to sweep to the CBR (which took a three-quarter vote to access) and put it in the SBR, which only took a majority vote to access. He considered that the action would make the funds more accessible, while the funding amounts in the state's accounts would be the same. He anticipated the committee would discuss the matter and had the option of making changes. He noted that LFD would discuss projected account balances shortly.

Senator Hoffman referenced Section 32(e), which addressed the transfer of \$2 billion from the ERA to the corpus of the Permanent Fund. He asked how the proposal was brought forward to be included in the budget.

Co-Chair Stedman thought the state needed to make sure it was inflation-proofing the Permanent Fund, and even though there was a substantial appropriation the previous year, the proposed appropriation would be an additional amount into the constitutionally protected portion of the fund. He reiterated that the amount was just a starting point for the committee to consider. He acknowledged that the committee may consider not doing the appropriation at all, or changing the amount. He thought the committee needed to consider a presentation on the Permanent Fund, including the corpus and the ERA. He reminded that the PFD came out of the ERA. He estimated that there was about \$10 billion unencumbered in the ERA, and perhaps \$17 billion including encumbered funds.

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Co-Chair Stedman WITHDREW his OBJECTION. There being NO further OBJECTION, it was so ordered. The CS for SB 49 was ADOPTED.

Co-Chair Stedman encouraged members to contact his office with concerns or proposed amendments by midday Friday, and work with committee aides to resolve issues.

Senator Wilson MOVED to ADOPT proposed committee substitute for SB 51, Work Draft 32-GS1508\G (Marx, 5/4/21).

Co-Chair Stedman OBJECTED for discussion.

Mr. Ecklund explained that the dollars appropriated in the mental health bill were accounted for in the operating budget reports. He noted that the other body would remove the capital projects listed in the bill, and the Senate would do the opposite, so all items were conferenceable. He highlighted that there were six proposed capital projects in the mental health budget bill, and the other body removed five of the projects. The Senate proposed to fund deferred maintenance and accessibility improvements for \$500,000.

Co-Chair Stedman WITHDREW his OBJECTION. There being NO OBJECTION, it was so ordered.

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ALEXEI PAINTER, DIRECTOR, LEGISLATIVE FINANCE DIVISION, addressed an earlier question by Senator Wielechowski about the AIDEA dividend. He specified that the AIDEA dividend could be anywhere between 25 percent and 50 percent of net income, and the proposed \$17.3 million represented the full 50 percent.

Mr. Painter discussed a presentation entitled "Fiscal Update with Senate Committee Substitute" (copy on file).

Mr. Painter turned to slide 2, "Fiscal Summary Based on Senate Committee Substitute," which showed a table of a fiscal summary of SB 49. He detailed that the table went back to FY 20 and showed the final budget and supplementals for that year. The information for FY 21 included the enacted budget and the supplementals included in the bill. Information for FY 22 only included the appropriations listed in the bill. The numbers for supplementals referenced by Mr. Ecklund were on line 9 and line 12, which resulted in a total deficit for FY 21 of just over \$600 million. He explained that if the operating appropriations in the bill for FY 22 on line 6 were the only appropriations, there would be a \$172.4 million pre-transfer surplus. After transfers there would be a surplus of \$157.8 million.

Co-Chair Stedman asked if there was an expectation that the capital budget would go against the \$157.8 million.

Mr. Painter explained that the next slide showed more information.

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Mr. Painter spoke to slide 3, "Fiscal Summary with Capital Budget Placeholder," which showed a table using the governor's amended capital budget of \$62.2 million and added UGF in place of the AHFC bonds. He relayed that the bonds were in a bill that had not advanced very far in the legislative process and were not relied upon for the calculations. Adding the two amounts together would result in a capital budget of \$166.2 million of UGF, which was

highlighted in red on line 10. He summarized that there would be a post-transfer deficit of \$8.4 million with using the placeholder, and the amount could end up higher or lower. He noted that the numerics did not reflect the PFD.

Co-Chair Stedman asked if Mr. Painter was indicating that the state's recurring revenue equaled its recurring expenses if the legislature paid all the oil tax credits and did not pay a PFD.

Mr. Painter answered in the affirmative.

Co-Chair Stedman reminded that there was an estimation for the price of oil.

Mr. Painter agreed. He thought as oil prices went up and down, the state could end up with a surplus or deficit, and it was difficult to project.

Mr. Painter discussed slide 4, Use of Lapsing Funds in Senate CS":

- According to OMB, \$100.7 million of FY21 UGF appropriations are expected to lapse:
 - \$90.0 million in Medicaid (reduction from previous \$100.0 million)
 - \$4 million in Department of Corrections
 - \$5.7 million in Department of Education
 - \$1.0 million in other agencies
 - Senate CS directs this to the Statutory Budget Reserve

- \$75 million CBR direct appropriation for COVID 19 relief is also set to lapse to CBR as CARES Act made it unnecessary
 - Governor requested reappropriating \$30 million of this to the Disaster Relief Fund and carrying forward the remaining \$45 million to FY22 this would require a $\frac{3}{4}$ vote of the legislature
 - Senate CS allows full amount to lapse to the Constitutional Budget Reserve

- Direct appropriations from the CBR in FY21 coupled with increased oil prices leads to post transfer surplus in FY21 estimated to be \$367.5 million after supplemental appropriations

- Senate CS includes \$325.0 million appropriation from general fund to SBR in FY21, essentially redirecting this money from the CBR to the SBR"

Mr. Painter noted that in the CS for SB 49, the \$100.7 million was directed towards the SBR. In the governor's budget, \$35 million of the amount was reappropriated for FY 22, and in the other body the budget reflected about \$87 million of Medicaid lapsing funds were directed towards the FY 22 budget as well.

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Mr. Painter continued to address slide 4. He recalled that the previous year the legislature had funded about one quarter (about \$980 million) of the budget directly from the CBR. There was a balanced budget after the transfer, however higher revenue led to a projected \$367.5 million post-transfer surplus for FY 21. He explained that the CS redirected \$325 million of the surplus to the SBR. Instead of the funds entirely lapsing back to the CBR, a portion would go to the SBR.

Senator Wilson wondered why it was necessary to have a three-quarters vote for an appropriation from the CBR, but not necessary to divert the funds to the SBR.

Mr. Painter explained that because the funds were not being appropriated from the CBR, the three-quarters vote was not needed. However, at the end of the year the sweep provision would capture the funds because the SBR was a "sweepable" account. To keep the funds out of the CBR would require a reverse-sweep three-quarters vote on July 1.

Co-Chair Stedman thought the reverse sweep could occur on August 1 or September 1, whenever the legislature got to doing a reverse sweep.

Mr. Painter referenced slide 5, "Projected Reserve Balances in Senate Committee Substitute with Capital Budget Placeholder," which showed a table entitled 'CBR Balance' and a table entitled 'SBR Balance.' The starting balance of the CBR available for appropriation was projected to be about \$1.4 billion for FY 21. He highlighted that about \$980 of direct appropriations that came out of the CBR, while the \$75 million from the COVID-19 appropriation and the post-transfer surplus went back in, and the SBR

transfer came out. All the transactions roughly netted an ending balance of \$615 million. Based on the placeholder capital budget, in FY 22 there would be some deposits and earnings, a small post-transfer deficit, and an ending balance of \$657 million.

Mr. Painter addressed the SBR balance table shown on slide 5. He identified that the SBR would receive the \$325 million appropriation, then the \$1.7 million of lapsing appropriations for an ending balance of \$425.7 million and a combined \$1 billion in reserves. Without the SBR appropriations, the CBR balance at the end of FY 21 would be approximately \$1 billion based on the CS.

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Co-Chair Stedman thought the committee would need the assistance of LFD and perhaps the Alaska Permanent Fund Corporation (APFC) to get an estimate and breakdown of the ERA. He also thought assistance in understanding the amount of the statutory dividend for FY 22. He wanted LFD to return and present a wholistic picture for members to consider. He referenced Senator Hoffman's earlier question about the inter-tangling of appropriations and political relationships. He thought it would be nice for LFD to present some history of contributions into the corpus of the Permanent Fund in order to understand the effects of contributions.

Co-Chair Stedman asked the members to communicate with his office regarding any data requests for LFD.

Co-Chair Stedman asked for Mr. Painter to look at a hypothetical oil price of \$70/bbl for FY 22. He considered state revenues if oil prices were strong.

SB 49 was HEARD and HELD in committee for further consideration.

SB 51 was HEARD and HELD in committee for further consideration.

Co-Chair Stedman discussed the agenda for the following day.

ADJOURNMENT

1:55:27 PM

The meeting was adjourned at 1:55 p.m.