

SENATE FINANCE COMMITTEE

May 18, 2021

9:51 a.m.

9:51:31 AM

CALL TO ORDER

Co-Chair Bishop called the Senate Finance Committee meeting to order at 9:51 a.m.

MEMBERS PRESENT

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

MEMBERS ABSENT

None

ALSO PRESENT

Pete Ecklund, Staff, Senator Bert Stedman;

PRESENT VIA TELECONFERENCE

SUMMARY

CSHB 41 (FIN)

SHELLFISH PROJECTS; HATCHERIES; FEES

CSHB 41 (FIN) was HEARD and HELD in committee for further consideration.

CSHB 69 (FIN) am(brf sup maj fld) (efd fld)

APPROP: OPERATING BUDGET/LOANS/FUNDS

CSHB 69 (FIN) am(brf sup maj fld) (efd fld) was HEARD and HELD in committee for further consideration.

CSHB 71(FIN) am

APPROP: MENTAL HEALTH BUDGET

CSHB 71(FIN) am was HEARD and HELD in committee for further consideration.

HB 182 EXTEND FISHERY RESOURCE LAND. TAX CREDIT

HB 182 was REPORTED out of committee with a "do pass" recommendation and with one previously published fiscal impact note: FN 1(REV).

#hb182

HOUSE BILL NO. 182

"An Act extending the fishery resource landing tax credit for certain taxpayers that harvest fishery resources under the provisions of a community development quota; providing for an effective date by amending the effective date of secs. 16 and 23, ch. 61, SLA 2014; and providing for an effective date."

[9:52:33 AM](#)

Co-Chair Bishop discussed housekeeping.

Co-Chair Bishop discussed a fiscal note from the Department of Revenue, OMB Component 2476. He read from the analysis on page 2 of the fiscal note:

Prior to December 31, 2020, Fisheries Resource Landing Tax (FRLT) taxpayers that harvested fisheries resources under a community development quota (CDQ) and that made contributions during the tax year to Alaska nonprofit corporations that are dedicated to fisheries industry-related education, research, and/or work were allowed to claim a credit of 100 percent of the contribution amount, up to 45.45 percent of the taxpayer's tax liability on fishery resources harvested under a CDQ. However, the CDQ Credit sunset on December 31, 2020. This bill extends the sunset date of the CDQ credit to December 31, 2030, and provides for an immediate effective date. The bill is retroactive to December 30, 2020.

Senator Hoffman MOVED to report HB 182 out of Committee with individual recommendations and the accompanying fiscal note. There being NO OBJECTION, it was so ordered.

HB 182 was REPORTED out of committee with a "do pass" recommendation and with one previously published fiscal impact note: FN 1(REV).

#hb41

CS FOR HOUSE BILL NO. 41(FIN)

"An Act relating to management of enhanced stocks of shellfish; authorizing certain nonprofit organizations to engage in shellfish enhancement projects; relating to application fees for salmon hatchery permits and shellfish enhancement project permits; relating to the marketing of aquatic farm products by the Alaska Seafood Marketing Institute; and providing for an effective date."

[9:54:41 AM](#)

Co-Chair Bishop noted that he had formed a subcommittee to work on the bill over the interim. The committee included Senator Hoffman and Senator Wilson.

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

[9:55:17 AM](#)

AT EASE

[9:58:38 AM](#)

RECONVENED

#hb69

#hb71

CS FOR HOUSE BILL NO. 69(FIN) am(brf sup maj fld)(efd fld)

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

CS FOR HOUSE BILL NO. 71(FIN) am

"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."

[9:58:40 AM](#)

Co-Chair Stedman discussed housekeeping. He noted that the committee would adopt the current work versions and reconvene at 1PM for the amendment process.

Co-Chair Bishop MOVED to ADOPT proposed committee substitute for CSHB 69(FIN), Work Draft 32-GH1509\L (Marx, 5/17/21).

Co-Chair Stedman OBJECTED for discussion.

[10:00:13 AM](#)

PETE ECKLUND, STAFF, SENATOR BERT STEDMAN, gave a high-level overview using his written remarks (copy on file):

Mr. Chairman, last week this committee adopted the 2nd Committee Substitute for the operating budget, Version F of HB 69.

The CS you have in front of you, Version L, is what we refer to as CS 3.

Before I explain the changes from CS 2 to CS 3, just a reminder of what was in CS 2.

CS 2, Version F of HB 69, adopted last week, contained FY22 operating items and FY21 supplemental operating and capital items.

The new CS in front of you, Version L (which we refer to as CS 3), also contains those same operating and supplemental items, but has added American Rescue Plan Act (ARPA) funds, a few operating and supplemental changes, plus has added the capital budget, SB 50 Version D, that this committee went over yesterday afternoon.

I will highlight the changes in a minute, but first would like to go over the structure of the bill so

members and the public know which sections of the bill to look at when they are trying to locate an appropriation item.

Structure of the Bill

The bill has been divided into sections and grouping to attempt to make it easier to understand for members and the public.

The Numbers Section

Sections 1-3 are the regular operating budget, which contains the recommendations from all of the finance subcommittees (See pages 2-49)

Sections 4-6 are the numbers section operating supplemental items. {See pages 50-55.)

Sections 7-9 are the numbers section for FY22 capital items (see pages 56-86)

Sections 10-12 are the numbers section for capital supplemental items. (See pages 87-95)

The Language Sections

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 13 -49 of the language section are the bulk of those varying language supplemental items for FY21 I just referred to.

Most of the remaining sections {50-73) are mainly more 'normal' or 'usual' FY22 language appropriations.

[10:03:38 AM](#)

Mr. Ecklund continued to read from his prepared remarks:

The Substance of the bill

There are many reports that describe in varying degrees of detail the funding laid out in the CS

before you. For anyone interested, there will be even more detailed reports posted on legislative finance's website after this hearing.

Mr. Chairman, I will go over verbally at a high-level the dollars and fund sources appropriated in this bill. I will list out in a minute all of the reports you have in front of you and may reference them, but I do not intend for members to try and look at each of the reports while I am speaking, that would just lead to confusion. I am also going to use round numbers.

[10:04:05 AM](#)

Mr. Ecklund offered a high-level overview of the dollars and fund sources appropriated in the bill:

Totals

FY22 Operating totals:

All Funds - \$10.23 billion

UGF - \$4.51 billion

Federal funds - \$3.28 billion

FY21 Operating supplemental totals:

All Funds - \$1.28 billion

UGF - \$66.6 million

Federal funds - \$1.1 billion

FY22 Capital totals:

All Funds - 2.33 billion

UGF - 274.7 million

Federal funds - \$1.9 billion

FY21 Capital supplemental totals:

All Funds - 639.5 million

UGF - \$15.7 million

Federal funds - \$577.6 million

FY22 Operating and Capital totals:

All Funds - \$12.56 billion

UGF - \$4.78 billion

Federal funds - \$5.18 billion

Mr. Ecklund referenced a packet of 5 reports and spreadsheets that detailed the dollars and funds sources associated with the bill version (copy on file).

Mr. Ecklund continued to read from his written remarks:

Changes to the Operating

FY22

- Fish and Game - Commercial Fisheries - Statewide Fisheries Management \$800.0 UGF one time increment.
 - This is to cover the negative account balance projected as a result of several years of deficit spending against the CFEC fund.

Language Section

- AMHS 18-Month Plan
 - Reduce AMHS UGF from \$66 million to \$61 million (a negative \$5 million)

Mr. Ecklund drew attention to page 2 of the packet, entitled "ARPA," which showed all of the appropriations using the ARPA CSLRF funds. He shared that there was \$500 million in ARPA funds available to spend in FY22, and the bill appropriated \$1 billion with the caveat that decisions would be made in Conference Committee which adjust the dollar amount.

[10:07:59 AM](#)

Mr. Ecklund continued to read from his written remarks:

ARPA ADDITIONS: 'CSLRF' or 'flexible fund uses

Me. Ecklund highlighted a couple of the significant uses:

- Fund Transfers - new subsection \$500 million of UGF revenue replacement
 - The sum of \$500,000,000 in federal receipts received from the American Rescue Plan Act: Title IX, Committee on Finance, Subtitle M, Coronavirus State and Local Fiscal Recovery Funds, Section 9901, is appropriated to the general fund **for general fund revenue replacement.**

- Health and Social Services - Public Health - Emergency Programs \$30,000.0 ARP CSLRFR one time increment
 - This is to cover a full year of FY22 COVID-19 health related costs.
- Grants to tourism and other businesses to offset revenue loss - \$280 million.

Capital Budget, SB 50 Version D added

We have added the substance of SB 50, version D of the capital budget that the committee reviewed yesterday.

[10:09:07 AM](#)

Senator Wielechowski understood the total ARPA spend was \$1 billion.

Mr. Ecklund clarified that the bill authorized the expenditure of \$1 billion.

Senator Wielechowski queried the rationale for the spending authority.

Mr. Ecklund stated that since the House version of the bill had passed, there had been further guidance from the Treasury Division. He relayed that the bulk of revenue replacement that could be done was for FY22, and beyond. He said that the bill proposed \$500 million in revenue replacement in FY22. He reiterated that the \$1 billion number would decrease to no more than \$500 million in conference committee.

Co-Chair Stedman noted that his office had been working with the Office of Management and Budget and the Legislative Finance Division on the federal guidance issues and restrictions. He said that the proposed CS gave authorization to expend the full \$1 billion but the number would be brought down in conference committee to \$500 million or less. The co-chairs were working collaboratively with the administration. He asserted that the configuration allowed for maximum flexibility.

[10:12:02 AM](#)

Senator Wielechowski understood that, after conference committee, the actual total that would be spent in FY22 would be \$500 million.

Co-Chair Stedman replied in the affirmative.

Senator Wielechowski asked whether there was more detail available regarding the \$280 million for tourism and other business grants.

Mr. Ecklund explained that more details would be revealed in Conference Committee.

Co-Chair Stedman added that the dollar amount would not be \$280 million in the final conference committee report.

Senator Wielechowski spoke of the ending of unemployment benefits (UI) and felt that it was unfair to give funds to business owners and not to out of work Alaskans. He said he would be crafting an amendment to address the matter.

[10:14:28 AM](#)

Co-Chair Stedman stated he would work with Senator Wielechowski on the amendment for later in the afternoon's Senate floor session.

[10:14:45 AM](#)

Senator von Imhof noted that the ARPA funding specifically called out tourism, leisure, and hospitality. She agreed with Senator Wielechowski that members wanted to see more detail but contended that there were some details already known. She spoke about the effects of the pandemic on the tourism and hospitality industry in the state.

Senator Wielechowski clarified that he did not think those industries should not receive funds. He noted that the governor had just turned down \$150 million in federal funds to extend UI benefits. He argued that the pandemic was still ongoing for all Alaskans and giving funds to one group while cutting off funding to another seemed inequitable.

[10:16:20 AM](#)

Senator Hoffman felt that the committee should consider food security grants. He was concerned that when considering the total spending picture, Alaskans needed to feel like there was food security. He would support a larger number and would consider an amendment to that affect. He knew Alaskans were concerned about food security.

Co-Chair Stedman said that the issue would be considered in the conference committee process.

[10:18:47 AM](#)

Senator Olson considered page 3 of Mr. Ecklunds remarks. He noted that adding the UGF and Federal funds under the FY22 Operating and Capital totals was equal to \$9.6 billion and wondered where the additional \$2.5 billion came from.

Mr. Ecklund affirmed that the additional funds came from 'other funds' and designated general funds (DGF) and had been were left out for brevity. He had highlighted

[10:19:59 AM](#)

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

Co-Chair Stedman discussed housekeeping.

[10:20:43 AM](#)

Co-Chair Bishop MOVED to ADOPT proposed committee substitute for CSHB 71 (FIN), Work Draft 32-GH1508\N.

Co-Chair Stedman OBJECTED for discussion.

Mr. Ecklund addressed the SCS for CSHB 71(FIN). He stated that the only difference between the current and previous bill versions was the correction to a salary adjustment in the Alaska Psychiatric Institute (API).

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

Senator Wielechowski asked for more detail on the API funding changes.

Mr. Ecklund did not recall the exact numbers but thought the number was approximately \$60 thousand.

Co-Chair Stedman interjected that the information could be retrieved and given to Senator Wielechowski.

Senator Olson assumed that the \$60 thousand was an increase in the amount.

Mr. Ecklund replied in the affirmative.

Senator Olson understood the figure was reflected on Page 3, line 22.

10:22:37 AM
AT EASE

10:23:20 AM
RECONVENED

Co-Chair Stedman asked Mr. Ecklund to address the questions about the Mental Health Budget and the API funding.

Mr. Ecklund noted that the item could be found on Page 3, line 22. He related that the total salary adjustment amount was \$84,100, \$23,000 in general fund mental health funds.

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

Co-Chair Stedman he relayed that both budget bills were still open for amendments which would be presented to the committee during the 1PM meeting.

Co-Chair Stedman discussed further housekeeping.

ADJOURNMENT
10:27:08 AM

The meeting was adjourned at 10:27 a.m.