

32nd ALASKA STATE LEGISLATURE
FIRST SESSION
SPECIAL SESSION
CONFERENCE COMMITTEE ON HB 69 and HB 71
June 13, 2021
11:42 a.m.

11:42:32 AM

CALL TO ORDER

Chair Foster called the Conference Committee meeting on HB 69 and HB 71 to order at 11:42 a.m.

MEMBERS PRESENT:

House:

Representative Neal Foster, Chair
Representative Kelly Merrick
Representative Bart LeBon

Senate:

Senator Bert Stedman, Vice-Chair
Senator Click Bishop
Senator Donny Olson

MEMBERS ABSENT

None

ALSO PRESENT:

Alexei Painter, Director, Legislative Finance Division

SUMMARY

HB 69 APPROP: OPERATING BUDGET/LOANS/FUNDS

HB 69 was HEARD and HELD in committee for further consideration.

HB 71 APPROP: MENTAL HEALTH BUDGET

HB 71 was HEARD and HELD in committee for further consideration.

#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."

SCS CSHB 69(FIN) AM S

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

and

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."

SENATE CS FOR CS FOR HOUSE BILL NO. 71(FIN)

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

11:42:57 AM

Chair Foster invited Alexei Painter, Director of the Legislative Finance Division to join the committee at the table. He noted that the committee would be addressing open items in HB 69 and HB 71 based on the motion sheets distributed to members and dated June 13th (copy on file) on the departments of:

FY 21 SUPPLEMENTAL OPERATING BUDGET

DEPARTMENT OF PUBLIC SAFETY

FUND TRANSFERS

FY 21 SUPPLEMENTAL CAPITAL BUDGET

DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC
DEVELOPMENT

DEPARTMENT OF FISH AND GAME

DEPARTMENT OF HEALTH AND SOCIAL SERVICES

DEPARTMENT OF NATURAL RESOURCES

DEPARTMENT OF REVENUE

EXECUTIVE BRANCH WIDE UNALLOCATED APPROPRIATIONS

FY 22 CAPITAL BUDGET

DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC
DEVELOPMENT

DEPARTMENT OF NATURAL RESOURCES

DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES

FY 22 OPERATING BUDGET

DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC
DEVELOPMENT

DEPARTMENT OF ENVIRONMENTAL CONSERVATION

DEPARTMENT OF HEALTH AND SOCIAL SERVICES

DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT

DEPARTMENT OF PUBLIC SAFETY

FUND CAPITALIZATION

PERMANENT FUND

FUND TRANSFERS

Chair Foster relayed that the committee would begin with FY 22 Operating Budget items for the Department of Environmental Conservation, Department of Health and Social Services, and Department of Public Safety.

FY 22 OPERATING BUDGET: DEPARTMENT OF ENVIRONMENTAL
CONSERVATION

[11:43:36 AM](#)

Vice-Chair Stedman MOVED that the Committee adopt the following within the Department of Environmental Conservation budget:

Item 1	Senate	All Items
Item 2	House	

Representative LeBon OBJECTED. He spoke to item 2 regarding detailed remediation plans for contaminated sites and site identification. He discussed that there were commercial and residential sites with contamination. He expected the focus would be on commercial sites. He highlighted residential properties that may have a heating oil tank leak that was not considered material versus a former gas station commercial property that would be material. He stated that the number of potential sites totaled in the thousands. He believed the effort should focus on commercial sites first. He WITHDREW his OBJECTION.

There being NO further OBJECTION, items 1 and 2 within the Department of Environmental Conservation FY 22 operating budget were ADOPTED.

FY 22 OPERATING BUDGET: DEPARTMENT OF HEALTH AND SOCIAL SERVICES:

[11:45:17 AM](#)

Vice-Chair Stedman MOVED that the Committee adopt the following within the Department of Health and Social Services FY 22 operating budget:

Item 35 Senate
Item 36 Senate Modify, minus \$10 million.

There being NO OBJECTION, items 35 and 36 within the Department of Health and Social Services FY 22 operating budget were ADOPTED.

[11:45:44 AM](#)

Representative LeBon MOVED that the Committee adopt the following within the Department of Health and Social Services FY 22 operating budget:

Item 46 House
Item 47 House

Vice-Chair Stedman OBJECTED.

A roll call vote was taken on the motion.

IN FAVOR: Representative Merrick, Senator Olson,
Representative LeBon
OPPOSED: Senator Bishop, Senator Stedman, Representative
Foster

The MOTION to adopt items 46 and 47 - House- FAILED (3/3).

[11:46:57 AM](#)

Vice-Chair Stedman MOVED that the Committee adopt the following within the Department of Health and Social Services FY 22 operating budget:

Item 46 Senate
Item 47 Senate

There being NO OBJECTION, items 46 and 47 - Senate - within the Department of Health and Social Services FY 22 operating budget were ADOPTED.

[11:47:17 AM](#)

Representative Lebon MOVED that the Committee adopt the following within the Department of Health and Social Services FY 22 operating budget:

Item 44 House

Chair Foster OBJECTED. Chair Foster explained that the proposal was to accept the House cut of \$350,000 versus the Senate cut of \$163,000.

Senator Olson asked for the current location in the motion sheets.

Chair Foster clarified that the committee was currently considering item 44. He explained that the item was a decrement to abortions and the proposal would accept the larger cut of \$350,000 passed by the House. He noted his objection to the item.

[11:49:00 AM](#)

AT EASE

[11:49:26 AM](#)

RECONVENED

Chair Foster MAINTAINED his OBJECTION to item 44.

A roll call vote was taken on the motion.

IN FAVOR: Senator Stedman, Representative Merrick, Senator Bishop, Representative LeBon, Senator Olson
OPPOSED: Representative Foster

The MOTION PASSED (5/1). There being NO further OBJECTION, item 44 within the Department of Health and Social Services FY 22 operating budget was ADOPTED.

[11:50:17 AM](#)

Vice-Chair Stedman MOVED that the Committee adopt the following within the Department of Health and Social Services FY 22 operating budget:

Item 45 Senate

Chair Foster OBJECTED. He explained the item was conditional language regarding abortions. He read the first sentence of the conditional language passed by the Senate: "No money appropriated in this appropriation may be expended for an abortion that is not a mandatory service..." He MAINTAINED his OBJECTION.

A roll call vote was taken on the motion.

IN FAVOR: Senator Olson, Representative LeBon, Senator Stedman, Senator Bishop, Representative Merrick
OPPOSED: Representative Foster

The MOTION PASSED (5/1). There being NO further OBJECTION, item 45 within the Department of Health and Social Services FY 22 operating budget was ADOPTED.

[11:51:44 AM](#)

FY 22 OPERATING BUDGET: DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT:

[11:51:50 AM](#)

Vice-Chair Stedman MOVED that the Committee adopt the following within the Department of Labor and Workforce Development FY 22 operating budget:

Item 4 House
Item 5 House

There being NO OBJECTION, items 4 and 5 within the Department of Labor and Workforce Development FY 22 operating budget were ADOPTED.

FY 22 OPERATING BUDGET: DEPARTMENT OF PUBLIC SAFETY:

11:52:15 AM

Vice-Chair Stedman MOVED that the Committee adopt the following within the Department of Public Safety FY 22 operating budget:

Item 9 Senate

Representative LeBon OBJECTED. He read the last sentence of the intent language passed by the House:

"It is the intent of the legislature that the Department of Public Safety submit a report detailing options for boroughs with over 100,000 population and sufficient tax base to assume financial responsibility for the state-provided public safety services they receive."

Representative LeBon supported the language passed by the House. He believed the state needed to look at some method within organized boroughs to assist in supporting public safety with troopers or some other form. He relayed that his district, House District 1, was located in the center of Fairbanks within the city limits. He detailed that his constituents paid for public safety provided by the Fairbanks Police Department. He believed all organized parts of the state should share in the responsibility. He WITHDREW his OBJECTION.

There being NO further OBJECTION, item 9 within the Department of Public Safety FY 22 budget was ADOPTED.

Chair Foster relayed his intent to recess the meeting until a later time.

Vice-Chair Stedman asked if there would be time for lunch during the recess.

Chair Foster agreed. He explained that the goal was to meet again soon to give time for Legislative Legal Services to draft the final bill, which would take between eight to ten hours.

Vice-Chair Stedman requested a break of 45 minutes to an hour.

Chair Foster agreed.

[11:54:38 AM](#)

RECESSED

[5:10:39 PM](#)

RECONVENED

Chair Foster shared that the committee would hear all remaining budget items. He listed the departments and appropriations. He relayed the committee would first hear the FY 21 Supplemental Operating Budget items.

^FY 21 SUPPLEMENTAL OPERATING BUDGET: DEPARTMENT OF PUBLIC SAFETY

[5:12:01 PM](#)

Vice-Chair Stedman MOVED that the Committee adopt the following within the Department of Public Safety FY 21 supplemental operating budget:

Item 2 Senate

There being NO OBJECTION, item 2 within the Department of Public Safety FY 21 supplemental operating budget was ADOPTED.

^FY 21 SUPPLEMENTAL OPERATING BUDGET: FUND TRANSFERS

[5:12:24 PM](#)

Vice-Chair Stedman MOVED that the Committee adopt the following within the Fund Transfers FY 21 supplemental operating budget:

Item 1	Senate	Modify, estimate to \$85.7 million.
Item 2	Senate	

There being NO OBJECTION, items 1 and 2 within the Fund Transfers FY 21 supplemental operating budget were ADOPTED.

Chair Foster relayed that the committee would next hear the FY 21 Supplemental Capital Budget items.

^FY 21 SUPPLEMENTAL CAPITAL BUDGET: DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT

[5:12:50 PM](#)

Vice-Chair Stedman MOVED that the Committee adopt the following within the Department of Commerce, Community and Economic Development FY 21 supplemental capital budget:

Item 1	Senate	
Item 2	Senate	Modify, minus \$190 million.
Item 3	Senate	
Item 4	Senate	Modify, minus \$30 million.
Item 5	House	Modify, minus \$10 million.
Item 6	Senate	Modify, minus \$3 million.
Item 7	House	
Item 8	Senate	
Item 9	Senate	
Item 10	House	Modify, fund source swap from 1269 (CSLFRF) to 1243 (SBR). Change effective date to July 1, 2021.

There being NO OBJECTION, items 1 through 10 within the Department of Commerce, Community and Economic Development FY 21 supplemental capital budget were ADOPTED.

^FY 21 SUPPLEMENTAL CAPITAL BUDGET: DEPARTMENT OF FISH AND GAME

[5:14:13 PM](#)

Vice-Chair Stedman MOVED that the Committee adopt the following within the Department of Fish and Game FY 21 supplemental capital budget:

Item 2	Senate	Modify, minus \$14 million.
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There being NO OBJECTION, item 2 within the Department of Fish and Game FY 21 supplemental capital budget was ADOPTED.

^FY 21 SUPPLEMENTAL CAPITAL BUDGET: DEPARTMENT OF HEALTH AND SOCIAL SERVICES

[5:14:34 PM](#)

Vice-Chair Stedman MOVED that the Committee adopt the following within the Department of Health and Social Services FY 21 supplemental capital budget:

Item 1 Senate

There being NO OBJECTION, item 1 within the Department of Health and Social Services FY 21 supplemental capital budget was ADOPTED.

^FY 21 SUPPLEMENTAL CAPITAL BUDGET: DEPARTMENT OF NATURAL RESOURCES

[5:14:53 PM](#)

Vice-Chair Stedman MOVED to ADOPT the following within the Department of Natural Resources FY 21 supplemental capital budget:

Item 1 Senate Both Items

Representative LeBon OBJECTED for discussion. He asked for further clarification about where the Alaska landslide hazards existed.

Mr. Painter replied that he did not have the information on hand.

Representative LeBon wondered whether there were any landslide hazards in his district that he was unaware of. He did not believe there were. He WITHDREW his OBJECTION.

There being NO further OBJECTION, item 1 within the Department of Natural Resources FY 21 supplemental capital budget was ADOPTED.

^FY 21 SUPPLEMENTAL CAPITAL BUDGET: DEPARTMENT OF REVENUE

[5:15:43 PM](#)

Vice-Chair Stedman MOVED that the Committee adopt the following within the Department of Revenue FY 21 supplemental capital budget:

Item 1 Senate

There being NO OBJECTION, item 1 within Department of Revenue the FY 21 supplemental capital budget was ADOPTED.

^FY 21 SUPPLEMENTAL CAPITAL BUDGET: EXECUTIVE BRANCH WIDE UNALLOCATED APPROPRIATIONS

[5:16:01 PM](#)

Vice-Chair Stedman MOVED that the Committee adopt the following within the Executive Branch Wide Unallocated Appropriations FY 21 supplemental capital budget:

Item 1 House

There being NO OBJECTION, item 1 within Executive Branch Wide Unallocated Appropriations the FY 21 supplemental capital budget was ADOPTED.

Chair Foster relayed that the committee would next hear the FY 22 Capital Budget items.

^FY 22 CAPITAL BUDGET: DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT

[5:16:40 PM](#)

Vice-Chair Stedman MOVED that the Committee adopt the following within the Department of Commerce, Community and Economic Development FY 22 capital budget:

Item 12 Senate Modify, fund source swap from 1269 (CSLFRF) to 1004 (UGF).

Item 14 Senate Modify, fund source swap from 1269 (CSLFRF) to 1004 (UGF).

There being NO OBJECTION, items 12 and 14 within Department of Commerce, Community and Economic Development FY 22 capital budget were ADOPTED.

^FY 22 CAPITAL BUDGET: DEPARTMENT OF NATURAL RESOURCES

[5:17:30 PM](#)

Vice-Chair Stedman MOVED that the Committee adopt the following within the Department of Natural Resources FY 22 capital budget related to the long trail project:

Items 27 - 36 Senate Modify, fund source swap
from 1269 (CSLFRF) to
1004 (UGF).

There being NO OBJECTION, items 27 through 36 within Department of Natural Resources FY 22 capital budget were ADOPTED.

^FY 22 CAPITAL BUDGET: DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES

[5:18:13 PM](#)

Vice-Chair Stedman MOVED that the Committee adopt the following within the Department of Transportation and Public Facilities FY 22 capital budget:

Item 10 Senate

There being NO OBJECTION, item 10 within Department of Transportation and Public Facilities FY 22 capital budget was ADOPTED.

Senator Olson requested to return to the Department of Natural Resources budget to ask questions related to the long trail project [items 27 through 36]. He asked why the project had been broken up into numerous segments.

Mr. Painter replied that the numerous segments reflected the amendment structure that had passed in the Senate. He did not have information on why the amendment had been written the way it had.

Senator Olson asked if the governor would have the ability to veto any segment of the trail.

Mr. Painter confirmed that the governor could veto one of the segments because they were separate allocations within one large project.

Chair Foster asked if Senator Olson was looking for information on the fund source change.

Senator Olson stated his primary concern was the potential veto of a specific section of the long trail. He wondered how to maintain the full length of the trail. He stated his understanding that the governor could veto a segment of the trail.

Mr. Painter agreed. He clarified that the project would not construct the entire trail. The funding was for improvements within the future route. He explained that several hundred miles of new trail would still be needed. The project increments in the budget primarily reflected connections between existing trails. He elaborated that even if all of the items were funded, there would not be a complete Fairbanks to Seward trail. He detailed that even if there were only some aspects completed, it would not necessarily defeat the purpose of the project.

Vice-Chair Stedman asked whether the breakout had been included prior to the fund source change when the committee had adopted the Department of Natural Resources budget.

Mr. Painter confirmed the breakout existed prior to the fund source changes.

Vice-Chair Stedman asked what process the committee would have had to undergo in order to consolidate the items into one appropriation.

[5:21:44 PM](#)

Mr. Painter replied that he was not certain the conference committee could take the action under limited powers of free conference. He thought existing powers may be required. He stated that the items would be within the same appropriation; therefore, he believed the committee could make a structure change. He advised that the action would require making a motion to consolidate the items into a single item. He noted that the governor would still have the ability to veto an amount and specify that the veto was directed at a particular part of the project.

Senator Olson stated that he did not believe it had been the intent of the maker of the amendment to cut the project

up into segments that could be subject to veto. He reasoned that the committee was dealing with what it had and would continue on.

Vice-Chair Stedman agreed.

Chair Foster relayed that the committee would address the FY 22 Operating Budget items.

^FY 22 OPERATING BUDGET: DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT

[5:22:42 PM](#)

Vice-Chair Stedman MOVED that the Committee adopt the following within the Department of Commerce, Community and Economic Development FY 22 operating budget:

Item 4 Senate Modify, minus \$10 million.

There being NO OBJECTION, item 4 within the Department of Commerce, Community and Economic Development FY 22 operating budget was ADOPTED.

[5:23:09 PM](#)

AT EASE

[5:24:13 PM](#)

RECONVENED

^FY 22 OPERATING BUDGET: FUND CAPITALIZATION

[5:24:32 PM](#)

Chair Foster relayed that item 1 in Fund Capitalization would remain open and would be addressed in an amendment later in the meeting.

^FY 22 OPERATING BUDGET: PERMANENT FUND

[5:24:48 PM](#)

Vice-Chair Stedman MOVED to ADOPT the following within the Permanent Fund FY 22 operating budget:

Item 1 Senate Modify, per Amendment 1

Vice-Chair Stedman MOVED to ADOPT Amendment 1, 32-GH1509\A.10 (Marx, 6/13/21) (copy on file) pertaining to item 1.

Chair Foster OBJECTED for discussion.

5:25:23 PM
AT EASE

5:25:57 PM
RECONVENED

Vice-Chair Stedman explained Amendment 1. Amendment number 1 provided for an approximate \$1,100 dollar dividend without overdrawing the Permanent Fund Earnings Reserve Account (ERA). The total cost of the amendment was \$739 million: \$371 million from the General Fund, \$320 million from the Statutory Budget Reserve (SBR) fund, and \$48 million from the Constitutional Budget Reserve (CBR) fund.

5:26:49 PM

Chair Foster relayed that he would maintain his objection. He reasoned that if there was ever a time to pay a full PFD, it was the present. He supported the full Senate number and would vote against the motion.

Senator Olson spoke in opposition to the amendment. He stated there were a number of legislators representing regions of Alaska where constituents were fully dependent on the money from the PFD. He remarked that the idea that the PFD was in statute made it difficult to see the amendment go through with a lower amount. He thought the reduced PFD would be a disservice to the state's economy.

Vice-Chair Stedman supported the amendment. He stated that although an \$1,100 PFD was substantially lower than the statutory PFD of approximately \$3,200 and the 50/50 PFD of about \$2,300 passed by the Senate, the \$1,100 put the state up against the maximum draw rate from the ERA. He furthered that not overdrawing the Permanent Fund, including the PFD and all other expenditures, took the state's cash balance down to the minimum level of a little under \$500 million in the CBR.

Representative LeBon spoke in support of the \$1,100 PFD in the amendment. He emphasized the importance of protecting

of the Permanent Fund, which the amendment accomplished. He stated that not overdrawing the ERA and respecting the 5 percent draw rate were additional considerations. He believed the amendment reflected a reasonable effort to achieve a good PFD amount. He highlighted that the average PFD over time was around \$1,100 give or take. He believed it would require the legislature to develop a long-term PFD formula. He believed it was time for the legislature to take action on the formula. He noted that several different bills had been proposed on the subject. He remarked that it needed to be the legislature's intention to accomplish the goal before the 32nd legislature completed its work.

Senator Olson congratulated the maker of the amendment on what he characterized as an "ingenious" way of combining the SBR, CBR, and general funds to try to make it happen.

Chair Foster MAINTAINED his OBJECTION. He clarified that the amendment would take the Senate position for an \$1,100 PFD.

A roll call vote was taken on the motion.

IN FAVOR: Senator Bishop, Representative Merrick,
Representative LeBon, Senator Stedman
OPPOSED: Senator Olson, Representative Foster

The MOTION PASSED (4/2). There being NO further OBJECTION, item 1 and Amendment 1 within the Permanent Fund FY 22 operating budget were ADOPTED.

[5:32:03 PM](#)
AT EASE

[5:32:24 PM](#)
RECONVENED

Chair Foster clarified that the committee was continuing on with items within the Permanent Fund section of the budget.

Vice-Chair Stedman MOVED that the Committee adopt the following within the Permanent Fund FY 22 operating budget:

Item 2	Senate
Item 3	House
Item 4	Senate

There being NO OBJECTION, items 2 through 4 within Permanent Fund FY 22 operating budget were ADOPTED.

^FY 22 OPERATING BUDGET: FUND TRANSFERS

5:33:04 PM

Vice-Chair Stedman MOVED that the Committee adopt the following within the Fund Transfers FY 22 operating budget:

Item 1	House	
Item 2	House	
Item 3	Senate	Modify, minus \$250 million.

There being NO OBJECTION, items 1 through 3 within Fund Transfers FY 22 operating budget were ADOPTED.

5:33:32 PM

AT EASE

5:34:53 PM

RECONVENED

Vice-Chair Stedman made comments pertaining to the PFD. He remarked that the committee had just discussed the PFD and the state's other savings components being nearly liquidated (with the exception of the Permanent Fund and ERA). He shared that the House and Senate conference committee members had collectively agreed to transfer \$4 billion from the ERA to the constitutionally protected fund principal in order to ensure the amount would be protected in perpetuity for future generations no matter what the legislature did moving forward. He explained that the amount would be additive to the symbolic check [posted on the wall of the Senate Finance Committee room] behind his seat reflecting the transfer of \$4.9 billion into the Permanent Fund principal a couple of years earlier.

Vice-Chair Stedman elaborated that once the transfer was complete, the current and previous legislatures would have transferred almost 10 percent of the total value of the Permanent Fund to the principal of the fund. He highlighted that the contribution was significant and reflected collective work by both bodies. He was looking forward to similar discussion the next year with regard to making another contribution moving forward through robust markets to protect the principal for future Alaskans.

5:37:12 PM

Chair Foster stated there were amendments for the committee's consideration. He noted that before the amendments could be moved the committee needed to rescind its action on a previous item.

5:37:37 PM

AT EASE

5:37:47 PM

RECONVENED

Vice-Chair Stedman MOVED to RESCIND action on Debt Service Item 17 related to school bond debt reimbursement. There being NO OBJECTION, it was so ordered.

Vice-Chair Stedman MOVED to ADOPT Amendment 2, 32-GH1509\S.A.13 (Marx, 6/13/21) (copy on file).

Chair Foster OBJECTED for discussion.

Vice-Chair Stedman explained that the amendment made several appropriations:

1. Lines 5 through 15 replaces Debt Service item 17. As occurs in the Senate's budget, this amendment funds School Debt Reimbursement at 100 percent of the statutory formula
 - a. but replaces \$54.74 million UGF with
 - i. \$4.15 million from the Statutory Budget Reserve
 - ii. \$48 million 594 thousand and 460 dollars (\$48,594,460) from the CBR
2. Page 1, Lines 16 through 23 appropriates \$114 million from the CBR to the oil and gas tax credit fund
3. CBR Language
 - a. Page 2 lines 4 through 24 contain the following CBR language
 - i. Subsection (a) appropriates the CBR Reverse Sweep
 - ii. Subsection b contains the CBR deficit filling language

iii. Subsection (c) clarifies that subsections a and b are appropriated per constitutional restrictions.

Chair Foster WITHDREW his OBJECTION.

There being NO OBJECTION, it was so ordered.

Chair Foster stated that the action closed out reopened item Debt Service 17 and Fund Capitalization item 1.

5:40:45 PM

Representative LeBon asked for verification that the oil and gas tax credits were funded at \$114 million from the CBR.

Chair Foster responded affirmatively.

5:41:14 PM

Vice-Chair Stedman MOVED to ADOPT Amendment 3 (copy on file).

Chair Foster OBJECTED for discussion.

Vice-Chair Stedman explained Amendment 3:

There are two fund source swapping reports in front of you which make up amendment 3. The first packet deals with capital projects and swaps out hollow federal receipt authority and instead uses Unrestricted General Funds (the Statutory Budget Reserve Fund). Also included is swapping out Unrestricted General Fund in a project and instead using Federal Highway Administration (FHWA) Coronavirus Response and Relief Supplemental Appropriation Act (CRRSA) federal instead. There is a technical correction to adjust the amount of the Alaska Housing Finance Corporation (AHFC) dividend so that fund source is not overspent. The second packet deals with the operating budget and has 250 million of UGF revenue replacement using American Rescue Plan Act (ARPA) funds. There is also 17.5 million of FHWA CRRSA used in place of Unrestricted General Funds. 800 thousand of Statutory Designated Program Receipt authority was also swapped out for UGF.

Chair Foster WITHDREW his OBJECTION.

There being NO further OBJECTION, Amendment 3 was ADOPTED.

5:43:16 PM

Vice-Chair Stedman MOVED that the Committee adopt the Senate effective dates for supplemental items.

There being NO OBJECTION, it was so ordered.

Chair Foster asked Mr. Painter to walk the committee members through the implications of a CBR/reverse sweep.

5:44:09 PM

AT EASE

5:45:35 PM

RECONVENED

Mr. Painter referenced a document titled "Impact of CBR Vote Failure on HB69/71," dated 6/13/21 distributed by LFD (copy on file). He explained that the document outlined how a failure of the CBR vote would impact the budget. He noted there were several items that were linked beyond the normal amounts. He detailed that without the reverse sweep vote the Power Cost Equalization (PCE) program, the community assistance program (\$12.4 million in the budget went from PCE to community assistance), the Alaska Performance Scholarship, and the Alaska Education Grant would be unfunded. There were other funds with smaller impacts that would have partial underfunding including the Tobacco Use and Education Program Fund, Alcohol and Other Substance Abuse Fund, Spill Prevention and Response Fund, and some of the appropriations from the Alaska Capital Income Fund would be unable to occur.

Mr. Painter explained that fund source change actions taken by the conference committee resulted in additional consequences if the [reverse sweep] vote failed. He detailed that school debt reimbursement was funded with a mix of fund sources from Amendment 2. He elaborated that 37 percent was funded with the School Fund, a designated general fund (DGF) that was not impacted by the sweep. Additionally, \$51.8 million came from the CBR and \$0.9

million came from the SBR. He corrected that the numbers were actually slightly higher.

Mr. Painter relayed that oil and gas tax credits in the amount of \$114 million would not flow out if the CBR direct language in the amendment was not agreed to. He explained that the \$1,100 PFD was comprised of funding from the General Fund, CBR, and SBR. He expounded that a failure to pass the CBR direct amount and the SBR direct amount was not achievable due to the failure of the reverse sweep, the PFD would be approximately \$525 per person (using the \$371 million UGF appropriation).

Mr. Painter reported there were \$86.5 million in capital budget items funded with the SBR. He explained that because the SBR was sweepable, the funds would not go out if the reverse sweep failed. The list included, but was not limited to, \$10 million for the Alaska Travel Industry Association, \$9 million for the Houston Middle School, \$8.5 million for West Susitna Access, and other projects in the Department of Natural Resources, Department of Public Safety, Pioneer Homes, and so forth.

Mr. Painter clarified that with or without the CBR vote, the budget would be balanced because the direct items equaled the deficit amount. He explained that the post transfer surplus, with or without the CBR vote, was estimated to be \$700,000. With the CBR vote, an estimated \$453.9 million would remain in the CBR at the end of FY 22.

[5:49:19 PM](#)

Representative LeBon asked if there was a number for the Alaska Performance Scholarship and Alaska Education Grant.

Mr. Painter believed the combined number was currently about \$19 million.

Vice-Chair Stedman asked how students would be notified if they would not receive their scholarships.

Mr. Painter replied that the last time the legislature had not agreed to the reverse sweep, letters to students and PCE recipients had gone out in the first week of July notifying them that until the reverse sweep was adopted, the funds would not be distributed.

[5:50:26 PM](#)

Chair Foster stated there were backup documents for capital projects funded by the American Rescue Plan Act in members' packets. He relayed that after the closure of the meeting, there was a letter for members to sign, clarifying that the excluded salary adjustments were not rejected and would be addressed in future budgets. He noted the item reflected a late submission to the conference committee. He clarified that the committee did not want anyone to perceive it as a sign of a rejection of the salary adjustments.

Vice-Chair Stedman MOVED to REPORT CCSHB 69 and CCSHB 71 out of committee with individual recommendations and that authorization be given to the Legislative Finance Division and Legislative Legal Services to make any necessary technical and/or conforming changes.

There being NO OBJECTION, CCSHB 69 and CCSHB 71 were REPORTED out of committee.

Chair Foster thanked the members and the finance committees and staff.

Vice-Chair Stedman MOVED to ADJOURN. There being NO OBJECTION, it was so ordered.

ADJOURNMENT

[5:52:25 PM](#)

The meeting was adjourned at 5:52 p.m.