

HOUSE FINANCE COMMITTEE
March 27, 2023
9:05 a.m.

9:05:19 AM

CALL TO ORDER

Co-Chair Johnson called the House Finance Committee meeting to order at 9:05 a.m.

MEMBERS PRESENT

Representative Bryce Edgmon, Co-Chair
Representative Neal Foster, Co-Chair
Representative DeLena Johnson, Co-Chair
Representative Julie Coulombe
Representative Mike Cronk
Representative Alyse Galvin
Representative Sara Hannan
Representative Andy Josephson
Representative Dan Ortiz
Representative Will Stapp
Representative Frank Tomaszewski

MEMBERS ABSENT

None

ALSO PRESENT

Alexei Painter, Director, Legislative Finance Division;
Remond Henderson, Staff, Representative DeLena Johnson.

SUMMARY

HB 39 APPROP: OPERATING BUDGET/LOANS/FUND; SUPP

HB 39 was HEARD and HELD in committee for further consideration.

HB 41 APPROP: MENTAL HEALTH BUDGET

HB 41 was HEARD and HELD in committee for further consideration.

Co-Chair Johnson reviewed the meeting agenda. The committee would hear proposed operating budget amendments.

#hb39

#hb41

HOUSE BILL NO. 39

"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."

HOUSE BILL NO. 41

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

[9:07:04 AM](#)

^AMENDMENTS

[9:07:09 AM](#)

Co-Chair Johnson directed members to Language Amendment Packet 1 (copy on file).

Representative Stapp MOVED to ADOPT Amendment L 1, 33-GH1347\B.3 (Marx, 3/23/23) (copy on file):

Agency: Health
Appropriation: Senior and Disabilities Svcs
Allocation: Senior/Disabilities Svcs Admin

Transaction Details
Title: Development of Cost Allocation Assessment Tool (FY24-FY26)
Section: Language
Type: MultiYr

Funding
1002 Fed Rcpts 698.5

1003 GF/Match 420.5

Explanation

This amendment proposal increases funding for the Senior Disabilities Services Admin allocation, to allow the division to create a Cost Allocation Assessment Tool.

The Assessment Tool would provide better predictability of budget needs, more flexibility and enhanced beneficiary choice and self-direction. Successful implementation of this tool would allow the division to work towards the elimination of the IDD waitlist.

Representative Josephson OBJECTED for discussion.

Representative Stapp explained that the amendment and its counterpart Amendment L 2 would look at providing a multiyear appropriation to assist the Division of Senior and Disabilities Services administration with developing an assessment tool that would help the division use resources more efficiently and better reflect its beneficiaries' needs and choices regarding the IDD [intellectual and developmental disabilities] waitlist. He believed it would be the first step in allowing the division to start the process of eliminating the waitlist. He detailed that the legislature had passed HB 281 in 2022, which provided intent language for the Department of Health (DOH) specifying the legislature's intent for the department to develop a five-year plan in collaboration with stakeholders to eradicate the waitlist for the IDD waiver and to prevent the waitlist from other home and community based waivers. Additionally, the department would submit a plan to the finance co-chairs and the Legislative Finance Division (LFD) by December 20, 2022. The report had effectively stated that an essential piece of the plan would be the creation of the assessment tool [addressed in the Amendment L 1]. The language was amended because it was a multiyear appropriation; therefore, requiring a language amendment. The multiyear appropriation gave the department time to use and spend the funds in order to leverage federal funding.

Representative Stapp explained that the amendment provided \$420,500 in general funds to senior and disabilities services to hire staff and develop the tool. The amendment would also provide \$698,500 in federal receipts. However,

he WITHDREW the AMENDMENT given the nature of the state's current fiscal situation and decline in the spring revenue forecast. [Note: the amendment was offered and adopted the following day. See minutes dated 3/28/23 9:00 a.m. for detail.]

[9:10:15 AM](#)

AT EASE

[9:10:56 AM](#)

RECONVENED

Representative Stapp WITHDREW Amendment L 2, 33-GH1347\B.4 (Marx, 3/23/23) (copy on file). [Note: the amendment was offered and adopted the following day. See minutes dated 3/28/23 9:00 a.m. for detail.]

[9:11:30 AM](#)

Representative Ortiz MOVED to ADOPT Amendment L 3, 33-GH1347\B.6 (Marx, 3/23/23):

Page 66, lines 20 - 21:

Delete "Alaska marine highway system fund (AS 19.65.060)"

Insert "general fund"

Representative Cronk OBJECTED.

Representative Ortiz explained that the amendment was a fund source change for Alaska Marine Highway System (AMHS) backfill language in the event the state did not receive all federal receipts appropriated in HB 39. The calendar year budget for AMHS vessel operations currently included \$83 million in federal receipt authority. The amount was in addition to approximately \$21 million undesignated general funds (UGF) and \$10 million designated general funds (DGF). He noted there were still ongoing discussions about how much federal funding the state would receive. Under the current operating budget bill, if the state did not receive \$83 million in federal receipts, the department was directed to draw down the AMHS fund. He read from a prepared statement:

Last year, the governor signed into law an act that would keep the AMHS fund from being swept. The intent of this is to allow receipt money to grow in the fund

so we can use it at a future date. For example, the current \$1 billion or so of federal dollars available for ferry capital and operating expenses is a five-year appropriation, so if this federal appropriation is not renewed, we will be relying fully on our own means again. The problem then is, if we draw on this fund now, we're negating the intent of that legislation; therefore, I'm proposing we switch the language to direct the department to use UGF instead of AHMS fund money if there's any shortfall in federal receipts.

Representative Ortiz noted he had received word from the department earlier in the day that there was only \$23.4 million currently in the AMHS fund. He explained that if the federal funding was not received, the AMHS did not have sufficient funding to cover the need.

[9:14:33 AM](#)

Representative Josephson asked what the circumstance would be where the state did not receive the federal funding.

Representative Ortiz responded that he was not privy to the conversations between the Department of Transportation and Public Facilities (DOT) and the federal government to know what would cause the funding to not be available. He knew the details had not yet been worked out in terms of the matching fund source and other. He explained that until the details were worked out, there remained a potential the federal funds would not all be available, which would cause AMHS to run out of funds fairly quickly and negatively impact the summer season.

Representative Cronk MAINTAINED the OBJECTION.

A roll call vote was taken on the motion.

IN FAVOR: Galvin, Hannan, Josephson, Ortiz

OPPOSED: Stapp, Tomaszewski, Coulombe, Cronk, Edgmon, Foster, Johnson

The MOTION FAILED (4/7).

[9:16:59 AM](#)

Representative Ortiz MOVED to ADOPT Amendment L 4, 33-GH1347\B.7 (Marx, 3/23/23) (copy on file):

Page 75, lines 13 - 17:

Delete all material and insert:

"(s) The sum of \$21,350,000 is appropriated from the general fund to the oil and gas tax credit fund (AS 43.55.028)."

Representative Cronk OBJECTED.

Representative Ortiz explained that the amendment would cut oil and gas tax credit obligations in the FY 24 fiscal cycle. The budget currently specified the state was estimated to spend a little over \$42 million UGF to purchase oil and gas tax credits. He stated that because of the recent decline in projected revenue, the legislature would be looking for resources to fund the budget. The amendment would make additional funding available for appropriations in other areas by reducing oil and gas tax credit payments by \$21,350,000.

Representative Stapp MOVED to ADOPT conceptual Amendment 1. He shared Representative Ortiz's concerns regarding fiscal liability; however, the oil and gas tax credits were debts owed by the state. The conceptual amendment would add \$7 million to the decrement of \$21,350,00, resulting in a decrement of \$14,350,000.

9:19:05 AM

AT EASE

9:19:14 AM

RECONVENED

Co-Chair Foster supported the conceptual amendment. He remarked that \$42 million had been the original anticipated number, but the updated oil price forecast put the oil tax credits at about \$27 million or \$28 million. The conceptual amendment would be about half of the original estimate.

9:20:11 AM

AT EASE

9:24:11 AM

RECONVENED

Representative Stapp clarified conceptual Amendment 1 to Amendment L 4. The conceptual amendment would effectively make the total sum of the payment \$28,350,000.

There being NO OBJECTION, conceptual Amendment 1 to Amendment L 4 was ADOPTED.

9:25:00 AM

Representative Stapp WITHDREW the OBJECTION to the amendment. There being NO further OBJECTION, Amendment L 4 was ADOPTED as amended.

Representative Hannan MOVED to ADOPT Amendment L 5, 33-GH1347\B.8 (Marx, 3/23/23) (copy on file):

Page 58, line 9:
Delete "\$1,763,043,926"
Insert "\$881,521,963"

Page 58, line 12:
Delete "\$1,763,043,926"
Insert "\$2,644,565,889"

Representative Stapp OBJECTED.

Representative Hannan explained the amendment. She stated that with the spring revenue forecast, LFD had presented to the other body that allocating 50 percent of the percent of market value (POMV) to the Permanent Fund Dividend (PFD) would overdraw the state's budget and create an overdraw of the POMV by a minimum of 1.6 percent by FY 32 (more than \$1 billion). She elaborated that the Earnings Reserve Account (ERA) would be so depleted it could be exhausted within a couple of years of that. The amendment would shift the current 50/50 split to a 75/25 split [between government services and the PFD]. She reported that LFD modeling showed the 75/25 split to be sustainable over time and deficits would not occur in the operating budget until 2029. She noted the deficits were comparably modest, requiring only a relatively small Constitutional Budget Reserve (CBR)/Statutory Budget Reserve (SBR) withdrawal. Additionally, it would not result in an overdraw of the ERA. She noted that members had received handouts showing a comparison of the 50/50 and 75/25 presented to the other body the previous Friday afternoon (copy on file). She

believed the change was prudent to having a sustainable budget and PFD.

[9:27:20 AM](#)

Representative Stapp was opposed to the amendment. He stated the budget included \$135 million in ongoing operating budget increments. He opined that in order for Alaska to get its fiscal house in order, everyone had to give something. He elaborated that the statutory PFD had been reduced with the hopes of finding an equitable solution to the amount of revenues and expenses. He stated that one-time money was cheaper than "forever" money and he did not believe it was a long-term fiscal solution to reduce one-time appropriations and add forever appropriations into the budget, especially given inconsistency in long-term revenue projections. He remarked that it may even make the proposed appropriation unviable in the next fiscal year.

Representative Cronk opposed the amendment. He stated that his district was rural. He highlighted there were no fish on the Yukon River and residents were spending more money on food. Additionally, the district had the highest fuel cost in the state at \$15 to \$18 per gallon with some places being 80 cents per kilowatt hour. He underscored that the PFD was the most vital chunk of funding the state could provide to individuals, especially in rural Alaska. He stated that every time the PFD was cut without having a fiscal plan in place, it harmed rural Alaska.

Co-Chair Foster opposed the amendment. He echoed comments made by Representative Cronk in terms of the impact on rural Alaska. He recognized that the state was facing difficult fiscal times, but residents were also faced with difficult times, and he did not want to take their PFDs. He thought the legislature owed it to the people of the state to help support them in terms of inflation and higher energy costs.

[9:30:01 AM](#)

Representative Ortiz supported the amendment. He remarked that legislators all had people in their districts who found the PFD to be very important to their ability to move forward from year to year. He stated the PFD would continue to be important to people in the bush in the future. He

stressed a 50/50 PFD was not sustainable. He highlighted that both caucuses had spoken about the priority to be fiscally responsible. The amendment created a sustainable path with PFDs for future generations. He emphasized it was the right thing to do.

[9:31:53 AM](#)

Representative Galvin supported the amendment. She highlighted that the state would soon be in the red if they stuck with a 50/50 plan. She remarked that the plan under the amendment [75/25] appeared to be more fiscally conservative. She understood it was a difficult decision to make, particularly in light of individuals who desperately needed the money to pay their bills. She believed a \$1,350 PFD was responsible. She had surveyed her constituents and estimated that 90 percent supported being fiscally conservative. The individuals indicated they did not care about a \$2,000 or \$3,000 PFD; they cared about public safety and thriving schools. Her constituents indicated the need to be fiscally conservative and cognizant of maintaining the Permanent Fund for the state's future. A couple of her constituents mentioned Power Cost Equalization (PCE) as a fiscally important thing to offer to residents in rural Alaska who needed more opportunity to be warm. She spoke to the importance of funding renewable energy opportunities and to help Alaskans remain in their communities in the short term as well.

Representative Josephson requested to ask Mr. Painter a question.

Co-Chair Johnson noted that Mr. Painter was in the audience.

Representative Josephson referred to Representative Stapp's mention of a \$135 million permanent increment in the operating budget. He asked if Mr. Painter was familiar with the number.

ALEXEI PAINTER, DIRECTOR, LEGISLATIVE FINANCE DIVISION, believed the figure reflected a total of all the amendments in the three packets [currently under consideration], not including supplementals.

[9:36:22 AM](#)

AT EASE

9:40:39 AM

RECONVENED

Representative Josephson stated it was his 11th year in the building. He discussed that former governor Walker had been elected in 2014 and in June of 2015 he had called the top minds from industry, scholarship, and everywhere to the University of Alaska Fairbanks campus. The only part of a fiscal plan the legislature implemented was SB 26 in 2018. He acknowledged that the House Ways and Means Committee had a sales tax bill and Senator Bill Wielechowski had an oil tax bill, but it was almost April, and he did not believe any of the proposals would pass. He stressed that the governor had vetoed a \$1 million e-cigarette increase and had repeatedly said he would refer all taxes to the public for a vote in 2024. He stated "this is the world we're in, we don't want to raise revenue. That's bad." He spoke to the need to be responsible and conservative to balance the budget. He stated there was a couple of billion in the CBR, which was "a kick the can for sure." He found no other alternative than to vote for what he referred to as a perfectly good amendment.

Representative Tomaszewski opposed the amendment. He stated the amendment was nothing more than increasing state spending. He remarked that if the state was given more money, it would be spent. He pointed out that over the years the legislature had gone down the road of calling for a sustainable PFD while increasing spending at alarming rates. He stated it was a regressive tax against Alaskans. He underscored that the proposal was not sustainable. He reasoned that continuing down the path would mean no PFD [in the future]. He asked where new revenue would come from for new state spending. He believed it would come in the form of other taxes to support an ever increasing state government. He stressed they needed a real fiscal plan. He noted there were many working on it. He hoped legislators could join together and work hard for a fiscal plan. He emphasized his opposition to the amendment.

9:44:52 AM

Co-Chair Edgmon did not view it as a regressive tax or irresponsible. He viewed it as an eventuality. He stated he had been very frank with his constituents that there were tradeoffs involved in a bigger PFD. He believed 75/25 PFD

was too generous in terms of being able to sustain spending. He stated that Alaska was in the midst of a quiet crisis, the state was losing people and did not have enough childcare, workers, or teachers. He rebutted the statements that rural Alaska would go under without large PFDs. He cited the importance of regional and village corporation dividends that had been increasing and could help make the gap. He highlighted the lack of teachers in the bush. Additionally, the Power Cost Equalization (PCE) was a "sitting duck." He believed it called for a larger discussion and he hoped the legislature got to that point. He did not see it materializing in the current session. He stated it was "bad on us" for not making the topic a higher priority. He believed it deserved a larger discussion in a separate bill or perhaps a special session. He would not support the amendment at present.

[9:47:04 AM](#)

Representative Coulombe supported remarks by Representative Tomaszewski. Her largest problem with taking more from the PFD was the absence of a fiscal plan. She believed it would result in the growth of government and did not solve any problems in the long-term. She thought the 50/50 split was a good compromise. She stated it could help in the short-term and put pressure on the legislature to develop a fiscal plan.

Representative Hannan provided wrap up on Amendment L 5. She recognized that the amendment alone was not a fiscal plan. She wished the legislature had active discussions about revenue occurring. She noted that even when the legislature began discussing revenue, it would take two years for new revenue to begin. She stated that the operating budget put the state at a substantial deficit with a 50/50 PFD. The proposal would result in a draw from the CBR and would put the ERA at risk. She thought the most fiscally prudent thing to do was to fund an operating budget that allowed licensing to continue, public safety to be protected, and public schools to function. She emphasized that because there were not other options for revenue, it was necessary to look at how savings were used. She believed a reduction from a 50/50 to a 75/25 split was the most responsible action at present. She urged members' support.

[9:49:17 AM](#)

Representative Stapp MAINTAINED the OBJECTION.

A roll call vote was taken on the motion.

IN FAVOR: Hannan, Josephson, Ortiz, Galvin

OPPOSED: Stapp, Tomaszewski, Coulombe, Cronk, Foster, Edgmon, Johnson

The MOTION to adopt Amendment L 5 FAILED (4/7).

[9:50:09 AM](#)

Representative Galvin WITHDREW Amendment L 6, 33-GH1347\B.12 (Marx, 3/24/23) (copy on file).

Representative Cronk MOVED to ADOPT Amendment Sup 1, 33-GH1347\B.9 (Marx, 3/24/23) (copy on file):

Page 55, following line 8:

Insert a new subsection to read:

"(e) Section 65(e), ch. 11, SLA 2022, is amended to read:

(e) In addition to the amounts appropriated in sec. I. ch. 11, SLA 2022, [OF THIS ACT] for the purpose of providing boarding stipends to districts under AS 14.16.200, the sum of \$2,133,950 is appropriated from the general fund to the Department of Education and Early Development for that purpose for the fiscal years [YEAR] ending June 30, 2023, and June 30, 2024."

Co-Chair Foster OBJECTED for discussion.

Representative Cronk explained that the amendment allowed the remaining funds transferred into the extended residential schools program to extend into FY 24. He detailed that a senator had added \$4.2 million for the purpose of providing additional boarding stipends to regional boarding schools. He explained that half of the funding had been vetoed, but the amendment would allow the remaining funds to be used in FY 24.

[9:52:19 AM](#)

AT EASE

[9:52:51 AM](#)

RECONVENED

Co-Chair Foster supported the amendment. He relayed that the amendment did not add any new money; it merely extended the ability for residential schools to use the money.

Representative Galvin supported the amendment. She believed it was important for families to have choices and she understood it was important for rural communities to have the travel funds and other for people to access the boarding school opportunities.

Representative Hannan asked for verification that the program provided stipends to boarding schools in Mt. Edgecumbe, Galena, and Bethel. She asked if she was missing any other schools.

[9:54:16 AM](#)

AT EASE

[9:54:40 AM](#)

RECONVENED

Representative Cronk answered that his list included Galena, Nenana, Kuskokwim, Kotzebue, Nome, and Chugach.

Co-Chair Foster WITHDREW the OBJECTION.

There being NO further OBJECTION, Amendment Sup 1 was ADOPTED.

[9:55:14 AM](#)

Co-Chair Johnson MOVED to ADOPT Amendment Sup 2, 33-GH1347\B.5 (Marx, 3/23/23):

Page 83, following line 4:

Insert a new bill section to read:

"* Sec. 39. Section 65(d), ch. 11, SLA 2022, is repealed."

Re-number the following bill sections accordingly.

Page 83, line 13:

Delete "and 32(d) - (g)"

Insert "32(d) - (g), and 39" 10

Page 83, line 14:

Delete "and 32(d) - (g)"

Insert "32(d) - (g), and 39"

Page 83, line 16:

Delete "and 33 - 40"

Insert "33 - 38, 40, and 41"

Page 83, line 18:

Delete "and 33 - 40"

Insert "33 - 38, 40, and 41"

Page 83, line 19:

Delete "Section 40"

Insert "Section 41"

Page 83, line 20:

Delete "and 32(d) - (g)"

Insert "32(d) - (g), and 39"

Page 83, line 22:

Delete "secs. 41 - 43"

1Insert "42 - 44"

Co-Chair Foster OBJECTED for discussion.

Co-Chair Johnson explained that the amendment pertained to a duplicate appropriation. The amendment would repeal \$1,647,500 of UGF multiyear language appropriation to expand the Washington, Wyoming, Alaska, Montana, and Idaho (WWAMI) class size from 20 to 30 students. The governor was also proposing an amendment for the same amount in the FY 24 budget rendering the appropriation from FY 23 unnecessary. She stated it was a cleanup amendment that made no change to the WWAMI expansion.

[9:56:36 AM](#)

Representative Josephson asked to hear from Mr. Steininger on the record.

Co-Chair Johnson offered to have Mr. Painter speak to the amendment.

Mr. Painter stated that the prior session, the legislature made a multiyear appropriation of \$1.65 million. He reported that the governor's FY 24 budget included the same amount coming from the Higher Education Fund. He explained

that additional students would not enter the [WWAMI] program until FY 25; therefore, the appropriation addressed by the amendment was not necessary and would lapse to the general fund at the end of FY 24 if no action was taken.

Co-Chair Foster WITHDREW the OBJECTION.

There being NO further OBJECTION, Amendment Sup 2 was ADOPTED.

9:58:30 AM

AT EASE

9:59:54 AM

RECONVENED

Representative Josephson MOVED to ADOPT Amendment Sup 3, 33-GH1347\B.11 (Marx, 3/24/23):

Page 55, line 10:

Delete "secs. 19(c)"

Insert "secs. 20(c)" 4

Page 55, following line 16:

Insert a new bill section to read:

"* Sec. to. SUPPLEMENTAL UNIVERSITY OF ALASKA. The sum of \$3,000,000 is reappropriated from the unexpended and unobligated balance of the appropriation made in sec. 74, ch. 11, SLA 2022, page 185, lines 20 - 21 (University of Alaska, heavy oil recovery method research and development - \$5,000,000) to the University of Alaska for the Pilgrim Hot Springs geothermal prospect project for the fiscal years ending June 30, 2023, and June 30, 2024."

Renumber the following bill sections accordingly.

Page 83, lines 5 - 6:

Delete "secs. 10, 16(a), (b), (c)(1), and (d), 19(c) - (e), 26(a), 29(b) and (c), 31, 32(a) - (k) and (n) - (p), and 33(a) - (c)"

Insert "secs. 11, 17(a), (b), (c)(1), and (d), 20(c) - (e), 27(a), 30(b) and (c), 32, 33(a) - (k) and (n) - (p), and 34(a) - (c)"

Page 83, lines 13 - 18:

Delete all material and insert:

"(b) If secs. 7 - 12, 23(b), 31(d), and 33(d) - (g) of this Act take effect after June 30, 2023, secs. 7 - 12, 23(b), 31(d), and 33(d) - (g) of this Act are retroactive to June 30, 2023.

(c) If secs. 1-3, 13-22, 23(a) and (c) - (t), 24-26, 27(a), 28-30, 31(a) - (c), (e), and (f), 32, 33(a) - (c) and (h) - (p), and 34 - 41 of this Act take effect after July 1, 2023, secs. 1 - 3, 13 - 22, 23(a) and (c) - (t), 24 - 26, 27(a), 28 - 30, 31(a) - (c), (e), and (t), 32, 33(a) - (c) and (h) - (p), and 34 - 41 of this Act are retroactive to July 1, 2023."

Page 83, line 19:

Delete "Section 40"

Insert "Section 41"

Page 83, line 20:

Delete "Sections 7 - 11, 22(b), 30(d), and 32(d) - (g)"

Insert "Sections 7 - 12, 23(b), 31(d), and 33(d) - (g)"

Page 83, line 21:

Delete "26(b)"

Insert "27(b)"

Page 83, line 22:

Delete "secs. 41 - 43"

Insert "secs. 42 - 44"

Representative Stapp OBJECTED.

Representative Josephson explained the amendment. He stated he had a history of deferring to the university because he believed in its mission. The legislature had made a multiyear appropriation of \$5 million for heavy oil recovery with a focus on developing the Ugnu play located deep underneath Prudhoe and Kuparuk. He stated the oil was highly viscous, expensive to reach, and did damage to the environment. He had contributed to some of the damage of balancing the pros and cons when he had voted for Willow. He stated there was some national uproar about Willow, but he had looked at the state's treasury and his job as a state legislator and had to balance the positives and negatives.

Representative Josephson explained that the amendment would reappropriate funds from the heavy oil recovery research program to Pilgrim Hot Springs geothermal prospect. He had vetted the amendment intensely and strongly believed the funds were unspent. The amendment would be a nod to the state's future, which he stated would have to be renewables and things like geothermal prospects rather than things akin to the Alberta tar sands project.

Co-Chair Foster opposed the amendment. He relayed that Pilgrim was near his hometown of Nome. He did not recall the university asking for the funding and he did not believe the university had a plan at Pilgrim or workers in place. The last time the university had worked at Pilgrim he had been told the water was not hot enough for commercial purposes. Additionally, he wondered whether the new landowners (a conglomeration of tribal and Native organizations in the area) had been consulted on whether they wanted the research done there. He suspected they may be interested if the water was commercially viable, but he did not believe they had been consulted.

[10:03:30 AM](#)

Representative Stapp spoke against the amendment. He stated the heavy oil research program at the University of Alaska Fairbanks was producing many tangible results. He reminded committee members that Alaska was effectively a resource development state and any type of investment the state made in research increased the state's ability to ensure it had the revenue generated from the program to ensure Alaska had a bright future through continued resource development. He viewed the amendment as an attempt to kill the "golden goose."

Representative Galvin declared a conflict of interest. She thought her family stood to benefit from the studies. She relayed that her family is an oil and gas family. She asked to be recused from the vote due to her family potentially benefiting from the study.

Co-Chair Foster OBJECTED.

Co-Chair Edgmon stated that Representative Galvin's family would not individually benefit from the study. He explained that if the amendment went through, collectively everyone on the committee would benefit. He noted that

Representative Galvin's declaration of a conflict of interest was on the record, and it was appropriate to require her to vote.

Co-Chair Johnson confirmed that Representative Galvin would be required to vote.

Representative Cronk opposed the amendment. He stated that oil revenue currently brought in about \$3.5 billion. He underscored that without replacing the revenue, there would be no PFD and the state would be drawing on the ERA.

Representative Tomaszewski opposed the amendment. He believed UAF was doing a great job with the heavy oil research. He opposed taking away the funding or the university.

Representative Stapp MAINTAINED the OBJECTION.

Representative Josephson provided wrap up on the amendment. He relayed that one of the top leaders in the climate action/advocacy groups vetted the amendment; therefore, he trusted that the Pilgrim Hot Springs was the proper place to receive the money. He referenced Representative Stapp's mention of tangible results. He stated the problem was there would be tangible results. He thought the state needed to pivot away from the specific type of project. He took Representative Cronk's point, but highlighted that in FY 16, the state received \$1.2 billion from severance tax royalties. He stressed they were trying to build a fiscal policy around something that was incredibly volatile, which would only continue. He asked for members' support.

[10:08:20 AM](#)

A roll call vote was taken on the motion to adopt Amendment Sup 3.

IN FAVOR: Josephson, Ortiz, Hannan

OPPOSED: Stapp, Tomaszewski, Coulombe, Cronk, Galvin, Edgmon, Foster, Johnson

The MOTION to adopt Amendment Sup 3 FAILED (3/8).

[10:09:09 AM](#)

Co-Chair Johnson invited her staff to explain the amendment.

Co-Chair Johnson MOVED to ADOPT Sup 4, 33-GH1347\B.13 (Marx, 3/25/23) (copy on file) [note: due to the length of the amendment it has not been included in the minutes. See copy on file for detail].

Co-Chair Foster OBJECTED for discussion.

REMOND HENDERSON, STAFF, REPRESENTATIVE DELENA JOHNSON, explained that Amendment Sup 4 would roll the supplemental bill HB 54 into the operating budget excluding all capital items and fast track supplemental items. He noted the fast track supplemental had passed the House and was currently in the other body. There were also several technical changes made by LFD and the Office of the Governor. There was an attached report included after page 19 of the amendment prepared by LFD. He offered to review the document if the committee desired.

Representative Ortiz requested additional detail. He stated it was the first the committee had seen of the proposal. He believed it merited additional explanation.

Mr. Henderson explained that the supplemental bill had been presented to the Office of Management and Budget (OMB) in full detail previously. The amendment incorporated the supplemental into the operating bill. He deferred the question for additional detail.

Co-Chair Johnson asked to hear from Mr. Painter.

Mr. Painter explained that the amendment began with the numbers section and was followed by the language section. He referenced an attached report comparing the differences in the amendment and the governor's operating supplementals that were not included in the fast track.

Mr. Henderson noted that the report was attached following page 19 of the amendment (copy on file).

Mr. Painter relayed that the three-page report showed the differences between the governor's supplementals excluding the fast track and items for the supplemental effective date that were already included in the operating bill.

Co-Chair Johnson noted that fast track supplemental and capital items were not included in the amendment to avoid duplication.

[10:14:03 AM](#)

Representative Ortiz pointed to a document after page 19 of the amendment labeled "Amendment offered in the House."

Co-Chair Johnson clarified that page 19 was last page of the drafted amendment. There was a report following the amendment.

Representative Ortiz requested a brief at ease to find the document being referenced.

[10:14:47 AM](#)

AT EASE

[10:20:36 AM](#)

RECONVENED

Co-Chair Johnson noted the request by Representative Ortiz to speak to the differences between the supplemental and Amendment Sup 4. She asked for an explanation.

Mr. Henderson addressed page 1 of the Sup 4 backup document (copy on file). The first item was \$44.9 [million] and the amendment changed the WWAMI funding for contractual increases from UGF to Higher Education Funds.

Representative Ortiz asked for verification that the original supplemental funded the item with UGF and the amendment changed the fund source to the Higher Education Fund.

Mr. Henderson agreed.

Representative Galvin asked, "Is this a precedent? Has this ever happened before in this way?"

Mr. Henderson answered it had been stated earlier there was an increment in the FY 24 budget by the governor that changed the WWAMI program funding source to the Higher Education Fund. The amendment was consistent with the governor's action.

Mr. Henderson highlighted a fund source change on page 2 for Southeast regional fisheries management from UGF to fee structured. The agency was working with a source of funds with the Pacific Marine Fisheries Commission to pay for deferred maintenance. He added there was a possibility the item should be funded in the capital budget.

[10:23:28 AM](#)

Representative Josephson asked for verification that the amendment put a deferred maintenance item in the operating budget.

Mr. Painter replied that the governor "was appropriating that." He explained that the amendment did not put forward the item. He clarified that the item would not be a fund change, "it would just be not adding general funds to supplement the existing funding, which the governor is proposing to do."

Mr. Henderson turned to page 3 of the backup document. He explained that the governor had a supplemental in FY 23 in the same amount. The amendment would extend the item to multiyear in order to enable the funds to be expended through FY 24.

Representative Galvin looked at \$130,000 [pertaining to the Southeast Region fisheries management] on page 2. She did not see the item included under commercial fisheries in the other section.

Mr. Painter replied that the report showed the increment in the governor's column and not the House column; therefore, it was not included in the bill.

[10:25:24 AM](#)

Mr. Henderson asked Mr. Painter to explain the item on page 4.

Mr. Painter explained that the items on page 4 had been put forward in the governor's original supplemental bill and the governor had subsequently reversed them as an amended item. He detailed that rather than including them and reversing them, they were not included in the amendment. The items showed as being in the governor's budget, but it was a net zero.

Representative Josephson asked for an explanation of the Alaska Housing Finance Corporation (AHFC) component [on page 4 of the backup document].

Mr. Painter replied that the governor's original supplemental budget contained an error and reflected the item as a numbers item for \$127 million. The item should have been a language item carrying forward prior funds. The language item the governor put forward in his amendments was included in Amendment Sup 4. He clarified that the mistaken number was not necessary and was not included in the current amendment.

Representative Stapp looked at a decrement of \$208,300 for the Department of Military and Veterans Affairs (DMVA). He noted that the final column indicated the funds were being added instead of reduced. He asked if it was an error.

Co-Chair Johnson wanted to get through the report and return to questions afterwards.

[10:27:39 AM](#)

Mr. Henderson spoke to the change on page 5 where \$18,416,000 was removed [from AMHS]. The amount of federal funding that would be received during the 2023 calendar year was not yet known. Additionally, the FY 22 expenditures were not yet known and there could be some carry forward funding available for use in FY 23. The item had been removed at present, but it could be added by the other body and taken up in conference committee if additional clarification was received pertaining to the federal funding.

Representative Ortiz surmised the effect of the item was to potentially remove funds from federal receipts to the Marine Highway Fund. He asked for verification it would be another tap on the Marine Highway Fund if it was carried out.

Mr. Painter replied that the governor's item would be. He stated, "this is not included." He stated that the federal receipts were not realizable based on the "application federal government." The governor proposed to replace federal funding with Marine Highway funds. He clarified that the amendment did not address AMHS fund sources.

10:29:28 AM

AT EASE

10:42:35 AM

RECONVENED

Co-Chair Johnson requested an explanation of page 6 of the handout [pertaining to Amendment Sup 4].

Mr. Henderson showed the removal of \$2.8 million UGF [pertaining to the Clean Air Protection Fund]. He explained the item had previously been funded with COVID-19 funds. He detailed that an established fee schedule had been halted due to COVID. The department had reestablished the fee schedule and planned to start collecting funds from permittees during FY 24 to capitalize the [Clean Air Protection] fund.

Representative Josephson asked if the item was related to cruise ships. Additionally, he assumed the increment protected clean air and asked if it would be funded at \$2.8 million.

Mr. Painter responded that the item did not pertain to cruise ships. The funding pertained to air quality permits for permittees. He explained that the fund was required for the state to have primacy over the Air Quality Program. An updated fee schedule had been rolled out in 2020, but when the COVID pandemic hit, the schedule had been suspended. There was currently a -\$2.8 million balance in the fund. The item in the governor's budget would bring the balance to \$0. The effect of not adding the item would mean the negative balance would have to be made up with increased fees in future years.

10:45:31 AM

Co-Chair Johnson believed Representative Ortiz may have a conceptual amendment.

10:46:06 AM

AT EASE

10:47:08 AM

RECONVENED

Co-Chair Johnson remarked that they were running overtime.

Representative Ortiz understood but stressed that what happened to AMHS was important and he believed it merited the time.

Representative Ortiz requested to hear from Mr. Steininger.

[10:47:50 AM](#)

AT EASE

[10:50:07 AM](#)

RECONVENED

Representative Ortiz MOVED to ADOPT conceptual Amendment 1 to Amendment Sup 4. The amendment would replace \$18,416,300 in federal receipts with the same amount coming from the Marine Highway Fund. The result would include the item in the budget moving forward.

Co-Chair Foster stated his understanding that the conceptual amendment would move the \$18 million in federal receipts to the Marine Highway Fund (DGF). He thought Representative Ortiz had intended to use a UGF fund source. He asked for clarification.

[10:51:21 AM](#)

AT EASE

[10:51:40 AM](#)

RECONVENED

Co-Chair Johnson asked to hear from Mr. Painter.

Mr. Painter clarified that Amendment Sup 4 did not have any fund change related to the AMHS. The conceptual amendment would add a fund change for AMHS. There was currently nothing in the original amendment dealing with the item.

Co-Chair Foster asked what the [conceptual] amendment would do.

Mr. Painter explained the conceptual amendment would add a fund source change from federal receipts to the Marine Highway Fund. The conceptual amendment would add the item to Amendment Sup 4.

Representative Stapp OBJECTED. He asked if it was a funding source change to federal receipts or the Marine Highway Fund.

Mr. Painter clarified that the fund source change would be from federal receipts to the Marine Highway Fund.

Representative Stapp thought the committee had just discussed not taking money out of the Marine Highway Fund, yet the conceptual amendment would take money from the fund.

Representative Ortiz confirmed that he had concerns about the Marine Highway Fund based on the fund's balance; however, currently the federal receipts were not happening. The funds were intended to go towards AMHS operations and the fact the funds were not happening was problematic for AMHS operations. He would support an amendment proposing to use UGF rather than the Marine Highway Fund. He explained that the conceptual amendment would at least mean the money would be there for operations.

[10:54:52 AM](#)

Co-Chair Edgmon thought the original amendment proposed to do what Representative Ortiz's conceptual amendment was aiming to do.

Mr. Painter clarified that the governor had proposed the fund source change, but it was not included in Amendment Sup 4. The conceptual amendment would add the fund source change to the original amendment.

Co-Chair Edgmon requested an at ease.

[10:55:54 AM](#)

AT EASE

[10:59:09 AM](#)

RECONVENED

Representative Ortiz provided a wrap up on conceptual Amendment 1 to Amendment Sup 4. His intent was to try to ensure the resources were available in order for AMHS to operate its schedule. He underscored the importance of AMHS to his constituents. The ferry system operated as a highway

in Southeast Alaska and enabled communities to get things from point A to point B.

Representative Stapp MAINTAINED the OBJECTION.

A roll call vote was taken on the motion.

IN FAVOR: Ortiz, Galvin, Hannan, Josephson, Edgmon, Johnson
OPPOSED: Stapp, Tomaszewski, Coulombe, Cronk, Foster

The MOTION PASSED (6/5).

[Note: vote rescinded and retaken following an at ease.]

11:02:05 AM
AT EASE

11:03:06 AM
RECONVENED

A roll call vote was taken on the motion to allow Co-Chair Johnson to rescind her vote on conceptual amendment 1 to Amendment Sup 4.

IN FAVOR: Stapp, Tomaszewski, Coulombe, Cronk, Galvin, Hannan, Josephson, Ortiz, Edgmon, Foster, Johnson
OPPOSED:

The MOTION PASSED (11/0).

A roll call vote was taken on the motion to adopt conceptual Amendment 1 to Amendment Sup 4.

IN FAVOR: Galvin, Hannan, Josephson, Ortiz, Edgmon
OPPOSED: Tomaszewski, Coulombe, Cronk, Stapp, Foster, Johnson

The MOTION to adopt conceptual Amendment 1 to Amendment Sup 4 FAILED (5/6).

Representative Hannan asked if Amendment Sup 4 was incorporated into the bill if it meant the bills would need to be revised because the page numbers would change.

Co-Chair Johnson answered there would be conforming changes made to include the amendment in the operating budget. She asked Mr. Painter to respond.

Mr. Painter responded that the last motion [when the bills were reported from committee] would be to give Legislative Legal Services and LFD the ability to make technical and conforming changes. He explained that renumbering in order to add items was one of those changes.

Representative Hannan asked if any of the other amendments submitted would have to be redone if Amendment Sup 4 were incorporated into the bill.

Co-Chair Johnson answered in the negative. She clarified that the amendment numbering had not changed.

[11:06:38 AM](#)

Co-Chair Johnson asked if there was any further discussion on Amendment Sup 4.

Representative Hannan was concerned that Amendment Sup 4 did not address the predicted cost overrun for AMHS. She detailed that the AMHS funding cycle had shifted from a fiscal year to a calendar year schedule. She thought the hollow federal receipt authority would result in a cost overrun and potential ferry shutdown early on in the summer season. She did not support the amendment without addressing the ability for the AMHS to function for the remainder of 2023.

A roll call vote was taken on the motion to adopt Amendment Sup 4.

IN FAVOR: Stapp, Tomaszewski, Coulombe, Cronk, Josephson, Foster, Edgmon, Johnson
OPPOSED: Ortiz, Galvin, Hannan

The MOTION PASSED (8/3). There being NO further OBJECTION, Amendment Sup 4 was ADOPTED.

HB 39 was HEARD and HELD in committee for further consideration.

HB 41 was HEARD and HELD in committee for further consideration.

Co-Chair Johnson reviewed the schedule for the afternoon meeting.

ADJOURNMENT

11:10:00 AM

The meeting was adjourned at 11:09 a.m.