

HOUSE FINANCE COMMITTEE
May 6, 2024
9:09 a.m.

9:09:36 AM

CALL TO ORDER

Co-Chair Foster called the House Finance Committee meeting to order at 8:55 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

Representative Ashley Carrick, Sponsor; Kris Curtis, Legislative Auditor, Department of Administration; Representative Ben Carpenter, Sponsor; Kendra Broussard, Staff, Representative Ben Carpenter; Donna Arduin, Staff, Representative Ben Carpenter.

PRESENT VIA TELECONFERENCE

Kelly Howell, Chief of Staff, Office of the Lieutenant Governor.

SUMMARY

CSHB 55 (L&C)

EXTEND WORKFORCE INVEST BOARD ALLOCATIONS

CSHB 55(L&C) was REPORTED out of committee with five "do pass" recommendations and two "no recommendation" recommendations, and with one previously published fiscal impact note from the Department of Labor and Workforce Development, three new fiscal impact notes from the Department of Labor and Workforce Development, one new fiscal impact note from the University of Alaska, and one new zero fiscal impact note from the Department of Labor and Workforce Development.

HB 159 REGISTER INTERIOR DESIGNERS

HB 159 was SCHEDULED but not HEARD.

HB 190 ALASKA SUNSET COMMISSION

HB 190 was HEARD and HELD in committee for further consideration.

SB 187 APPROP: CAP; REAPPROP; SUPP

SB 187 was SCHEDULED but not HEARD.

Co-Chair Foster reviewed the meeting agenda.

#hb55

CS for HOUSE BILL NO. 55 (L&C)

"An Act relating to allocations of funding for the Alaska Workforce Investment Board; and providing for an effective date."

[9:10:44 AM](#)

REPRESENTATIVE ASHLEY CARRICK, SPONSOR, offered a brief recap of the bill. She explained that the bill would extend the Technical Vocational Education Program (TVEP) allocations for one more year. The ten recipients of the program administered technical and vocational education to approximately 8,000 Alaskans per year. The distribution was typically between about \$10 million and \$12 million and the proposed distribution for the coming fiscal year would be around \$13 million.

[9:12:11 AM](#)

Representative Josephson MOVED to ADOPT Amendment 1 to CSHB 55(L&C), 33-LS0360\H.1, A. Radford, 4/30/24 (copy on file):

Page 1, line 6:

Delete "2025"

Insert "2026"

Representative Stapp OBJECTED.

Representative Josephson explained the amendment. He understood that the TVEP program had existed for over 20 years and there had been some discussion of improperly dedicated funds, but he did not think the allocation was improper. He relayed that the funds could always be reappropriated in other ways or for other purposes. There was a broad consensus that the program needed to move to competitive grants. The sponsor noted a willingness to accept an amendment that would sunset the program in 2026 to give more time for the recipients to make other financial arrangements if the recipients did not win grants back under a new program. He was offering the amendment to extend the sunset to 2026.

[9:13:41 AM](#)

Representative Stapp was not in support of the amendment. There had been concerning testimony regarding the audit of the TVEP program and he thought he thought 2025 was an appropriate sunset date. He thought there were other programs that needed an extended sunset and would impact more people than TVEP.

Representative Hannan was in support of the amendment. The awardees had been following parameters that had been put into statute by the legislature. The audit highlighted that there was a conflict in statute and it needed to be changed. She thought a two-year extension was appropriate because it would take time to fix the conflict. She hoped that the legislature could change the sunset date extension once again in a year and enact a new statute, but she was not certain that it could be accomplished in one year. She was in favor of a two-year extension but hoped it would only be one year before a new competitive grant program was established.

Representative Galvin commented that she agreed that the issues needed to be dealt with urgently and understood the reality of how much time it took to get things done in the legislature. She was hopeful that it would finish in a year but did not want to lose opportunities for building the workforce.

Representative Tomaszewski stated that he was in opposition to the amendment. He suggested not kicking the can down the road. He wondered if the House Finance Committee would be facing the same problems in two years and would be making the same decision to extend it another year or two years.

[9:18:02 AM](#)

Representative Cronk agreed and did not think it should be extended. He thought that it was time to get it done.

Representative Carrick commented that the amendment would strike a balance between the original bill and the results of the audit. The results of the audit were not released until December of 2023 which gave the legislature little time to react and put forward a sponsor substitute. She was concerned that if the legislature made no changes in the current year, the same problem would occur in the future and there would not be enough time to make the necessary changes. She had worked hard to find consensus around the bill and she was committed to continue her work. There were many ways the program could be structured and many ways to administer a competitive grant program.

[9:20:37 AM](#)

KRIS CURTIS, LEGISLATIVE AUDITOR, DEPARTMENT OF ADMINISTRATION, emphasized that the policy decision was completely under the purview of the legislature. She stood behind the conclusions of the audit and the Department of Administration (DOA) was not recommending there be a direct payment to specific training providers. She did not think direct payment was the right way to effectively manage TVEP or met the needs of Alaska and it would be incredibly difficult to switch mechanisms. She thought the Alaska Workforce Investment Board (AWIB) could provide more details and she understood that the board already had in place a grant program that was administered effectively.

Representative Galvin thought that changing the date did not seem like it would be sufficient. She asked why the process seemed to be time intensive.

Representative Carrick responded that the board did not currently have the staff to also administer TVEP as a competitive program. The underlying statute for TVEP provided for a competitive process, but it did not provide the level of structure to effectively bring in new recipients. She explained that AWIB needed more structure and more staff. The program would be set up for significant challenges if the program was sunsetted in the current year.

Co-Chair Edgmon commented that there were seemingly compelling points on both sides of the issue. He thought that the audit was not ordinary and seemed like a letter of concern to management. He asked why the board could not take action for the next legislative session and redo the one-year extension. He supported the two-year extension but also thought it seemed like too much.

Ms. Curtis responded that she presented the audit to AWIB and the board was fully aware of the content and the conclusions of the audit.

Co-Chair Edgmon understood that it was not Ms. Curtis' role to tell the legislature how to make a policy decision or make recommendations to the legislature but he wondered if she could tell him if it was within the realm of possibility that the board could fix the issue in one year.

Ms. Curtis responded in the affirmative.

[9:24:36 AM](#)

Representative Carrick responded that she agreed and it was also a legislative problem. Both entities needed to do the work together to fix the problem.

Representative Tomaszewski noted that Ms. Curtis had two recommendations. He understood that the first recommendation was to repeal the program and start over with a fairer grant application program. The other recommendation was to resolve the underpayments for seven of the recipients. He asked if any action had been taken to address the underpayments.

Ms. Curtis replied that she understood that no action had yet been taken.

Representative Stapp thanked Ms. Curtis for her hard work. He thought it was ironic that all of the problems with TVEP were also experienced by the state's correspondence school program for homeschooling. He thought it was not long ago that legislators did not want to extend the homeschool program for one year. The committee was debating about whether to give the TVEP program a two-year extension because it could be minorly disruptive to 10 grant recipients, while the extension for homeschooling would be disruptive to 22,000 students. He thought the same political pressure would exist in two years and the program needed structural changes. He asked if Ms. Curtis would agree that the program needed structural changes.

Ms. Curtis responded in the affirmative. The audit directed the recommendation to the legislature for consideration.

Representative Josephson commented that the allocation for the correspondence program was not the same as the TVEP allocation because correspondence was a constitutional issue and TVEP was not.

Representative Stapp MAINTAINED the OBJECTION.

[9:27:27 AM](#)

A roll call vote was taken on the motion.

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

The motion FAILED (5/6).

[9:28:20 AM](#)

Co-Chair Johnson MOVED to report CSHB 55(L&C) out of committee with individual recommendations and the accompanying fiscal notes. There being NO OBJECTION, it was so ordered.

CSHB 55(L&C) was REPORTED out of committee with five "do pass" recommendations and two "no recommendation"

recommendations, and with one previously published fiscal impact note from the Department of Labor and Workforce Development, three new fiscal impact notes from the Department of Labor and Workforce Development, one new fiscal impact note from the University of Alaska, and one new zero fiscal impact note from the Department of Labor and Workforce Development.

[9:29:04 AM](#)

AT EASE

[9:53:02 AM](#)

RECONVENED

#hb190

HOUSE BILL NO. 190

"An Act establishing a violation for hindering the Alaska Sunset Commission; relating to the duties of the legislature; establishing the Alaska Sunset Commission to review and make recommendations on discontinuation of or changes to state entities; relating to the powers and duties of the Alaska Sunset Commission; and providing for an effective date."

[9:53:44 AM](#)

REPRESENTATIVE BEN CARPENTER, SPONSOR, introduced himself.

KENDRA BROUSSARD, STAFF, REPRESENTATIVE BEN CARPENTER, introduced herself.

Representative Carpenter introduced the PowerPoint presentation "HB 190 Alaska Sunset Commission" dated May 6, 2024 (copy on file). He opined that the commission should be important to all legislators. He assumed that all established legislators had been impacted by the Alaska Sunset Commission (ASC). He had not seen much movement in the process improvement area of state government and he had heard from various agencies that there needed to be policy changes if the legislature wanted the agencies to become more efficient and less costly. The commission combined several efforts that had been occurring within the legislature. The commission was not a new concept and there were similar commissions in other states, such as Texas. He noted that he had modeled ASC after the Texas Sunset

Commission. Other states also had similar commissions, such as Florida, Minnesota, California, and Illinois.

Representative Carpenter relayed that his goal was process improvement. He explained that Texas created its commission underneath the lieutenant governor for administrative purposes and hired seven members to serve on the commission. The members were appointed by the governor and the legislature and served five-year terms on a staggered schedule. The members were statutorily required to have experience in management, budget process improvement, organizational improvement, and policy improvement. He explained that the commission would hire additional staff who had similar expertise and would have the authority to retain legal counsel and other consultants as necessary. The commission was tasked with conducting a one-year review of each administration, department, and entity within the government. He noted that the review would likely be time-consuming. The commission would do a deep dive and provide recommendations to the legislature.

[9:57:30 AM](#)

Representative Carpenter explained that ACS would provide a report to the legislature and to the governor that would include recommendations and any necessary legislation to improve the state government. If the legislation that was put forward was ignored by the legislature, then the entity would sunset the following year. He thought the consequence was necessary to ensure that legislators were invested in the reports. He relayed that the legislative audit team produced performance reports in the past that had a similar goal as the performance reports proposed in the bill, but the reports were no longer produced. The performance reports had been largely ignored by the legislature in the past. There was no requirement for committees to take action on the reports and time and money were wasted.

Representative Carpenter added that the state also had executive branch initiatives that focused on improving the state government, but he did not think that the initiatives were detailed enough. He relayed that ASC had a fiscal note of about \$1.2 million due to the cost of hiring staff. He explained that page 6 of the bill listed the criteria that ACS would review. The commission would determine to what extent the missions established under statute were being carried out and whether performance measurements were being

met. The commission would evaluate the following criteria: was there an alternative method of delivery of service that would better meet requirements, was each entity organized in a manner that was conducive to process improvement, to what extent could each process improvement benefit each entity, how efficient was each of the entities, was there an overlap in service, and to what extent was each entity making it difficult for individuals to do business within the state. He thought the questions would help the commission identify whether the money that was appropriated to the state government was being spent wisely and whether the public was receiving enough communication from the government. He did not think the legislature had the capacity to do a deep dive into all of the state's organizations during the legislative session and understand what needed to change. He thought an independent analysis was necessary. He turned to his staff to give the presentation.

[10:01:55 AM](#)

Ms. Broussard began the presentation on slide 2:

The Sunset shines a light on state agencies and programs to see if they are still relevant in a changing world. If the answer is yes, the Sunset recommends improvements to make them more effective and efficient. If the answer is no, the sunset recommends abolishing the agency or transferring its functions to another agency with related functions.

Ms. Broussard continued on slide 3:

The Commission would be administratively housed under the Lt. Governor. Commissioners will be appointed by the Governor, Speaker, and Senate President.

The Commission shall be proficient in financial management, business operations, budgeting economics, process improvement or government efficiency.

The Commission may hire staff and consultants with similar proficiencies to conduct a review of each entity of a Department

HB 190 would Require the Commission to hold public hearings; at least one on the road system for each entity reviewed.

The Commission drafts legislation that must be acted upon or the entity will sunset.

Ms. Broussard advanced to slide 4:

Sunset Staff Evaluation

Each year, the Commission will review one state department and each of its entities: divisions and corporations. Sunset staff will perform extensive research and analysis to evaluate the need for, performance for, and improvements to the entity under review.

Sunset Commission Staff

- o Reviews the agency's self-evaluation report
- o Receives input from interested parties
- o Evaluates entity and identifies problems
- o Develops recommendations
- o Publishes staff reports

Sunset Commission Deliberation

The Sunset Commission conducts a public hearing to take testimony on the staff report and the agency overall. The Sunset Commission conducts a second meeting to vote on which changes to recommend to the Legislature.

[10:03:53 AM](#)

Representative Carpenter added that in the past, the performance reviews had a limited perspective. Under the proposed bill, the agencies would provide a self-assessment to the commission. The commission could choose to evaluate an agency in more detail and a public process would occur and result in recommendations from the commission. He offered assurance that it would be a public process with statutory buy-ins from the administration to help an entity evaluate itself and improve.

Ms. Broussard continued on slide 5:

Public Hearings

- o Sunset staff presents its reports and recommendations
- o The agency presents its response
- o The Sunset Commission will hear public testimony and receive written comments
- o The Sunset Commission will meet again to consider and vote on recommendations
- o Public Input is published on the website
- o The Sunset bills will go through the normal legislative process

Legislative Action

- o The Sunset bill on an entity is drafted and submitted through the Rules Committee
- o The Legislature will consider the Sunset Commission's recommendations and make its final decisions
- o The Senate and the House conduct committee hearings and debate/Amend the bill
- o Bill passes or fails adoption
- o If the Legislature fails to adopt or act on a bill, the entity sunsets at the end of the following fiscal year.

Ms. Broussard advanced to slide 6:

The sunset process is a key legislative oversight tool that significantly streamlined and improved Texas government since it was created by the Texas Legislature in 1977. Sunset promotes a culture of continuous improvement in state government by providing objective, nonpartisan public forum for evaluating the need for state agencies and their effectiveness, efficiency, and responsiveness to the public.

Ms. Broussard continued on slide 7:

The Sunset Commission reviewed 21 entities for the 88th Legislative Session in Texas, resulting in 235 recommendations to streamline state government while enhancing services to our citizens. Generally, the recommendations eliminate unnecessary regulations, and improve accountability, align agencies' procedures with best practices, and strengthen effective delivery of services to Texans.

[10:06:39 AM](#)

Representative Carpenter noted that he chose not to invite testifiers for the bill due to time constraints, but members could watch past bill hearings in the House State Affairs Committee to hear invited testimony on the bill.

Ms. Broussard continued on slide 8:

The Texas Sunset process has led to major policy changes in almost every area of state government. Sunset recommendations also have eliminated duplication among agencies and programs, increased public participation, helped with government accountability, and improved the quality and efficiency of government services.

Ms. Broussard continued on slide 9:

Streamlining Texas Government

- o 42 entities and programs have been abolished
- o 52 entities and programs have been abolished and transferred or consolidated

Saving Taxpayer money

- o \$1 billion in state and federal savings and revenue gains
- o Return of \$18 for every \$1 appropriated to the Sunset Commission since 1985

Providing Effective Oversight

- o 570 reviews of state agencies and programs conducted
- o 80 percent of Sunset recommendations to the Legislature have become state law since 2001

Ms. Broussard continued to slide 10 and explained that Alaska had 16 departments with 180 entities housed underneath the departments.

[10:08:02 AM](#)

Co-Chair Foster OPENED public testimony.

Co-Chair Foster CLOSED public testimony.

[10:08:47 AM](#)

Co-Chair Foster asked Representative Carpenter how to find invited testimony that had occurred in a previous committee.

Representative Carpenter explained that House State Affairs met on March 12, 2024, to discuss the bill.

Representative Stapp remarked that he liked the bill. He particularly appreciated that an entity would sunset if no action was taken on the recommendations for improvement. He asked if a bill would need to be enacted into law in order for the sunset provision to be triggered. He wondered what would happen if the legislature passed a bill but it was vetoed.

Representative Carpenter responded that the legislature must act substantially on the proposed legislation. He assumed that the definition of "substantial" could be left open to a court challenge, but the language of the bill stated that there needed to be substantial action taken. Recommendations could be provided to the legislature and to the executive branch; however, the recommendations were not the criteria by which an entity would be sunsetted, but the proposed legislation before the body would be the criteria. If there was no proposed legislation, there would be no threat of sunset for the particular entity.

Representative Stapp remarked that "public agency" needed to be defined. He saw entities like the University of Alaska (UA) and the Alaska Railroad Corporation (ARRC) listed as examples in the bill, but many other state-owned corporations were not listed. He was uncertain whether the entities that were not listed were covered under existing statute or whether the language of the bill only referred to the listed entities.

Representative Carpenter responded that there was a reason and his staff would provide the answer.

[10:11:36 AM](#)

DONNA ARDUIN, STAFF, REPRESENTATIVE BEN CARPENTER, asked for the question to be repeated.

Representative Stapp relayed that section 6, page 3 of the bill defined public agency, and it specifically stated that

UA and ARRC were included. He asked if other state-owned corporations were already defined in statute, or if the corporations were simply not listed.

Ms. Arduin responded that section 6 said that a public agency referred to a political subdivision, department, institution, board, commission, division, authority, public corporation, council, committee, or other instrumentality of the state or municipality. A public agency included UA, ARRC, and ASC. The section simply changed the definition of public agency, which included corporations, to include the ASC as a public entity.

[10:13:19 AM](#)

KELLY HOWELL, CHIEF OF STAFF, OFFICE OF THE LIEUTENANT GOVERNOR (via teleconference), reviewed the previously published fiscal impact (FN1) from the Office of the Governor with the control code rAWgv. The cost estimates were associated with creating, supporting, and maintaining the seven-member commission, and included the frequency and location of commission meetings, the number and type of professional staff and or consultants the commission deemed necessary to perform its duties, the scope of work required for each state entity review, and the number of reviews conducted each year. Given the duties of the commission, it was estimated that a professional staff of at least five would be needed, including one administrative assistant, one accountant, two auditors, and an attorney. The annual personal services costs were estimated to be \$790,000 annually, which included salary and benefits.

Ms. Howell continued that at least one commission meeting per year would be face-to-face but other meetings could be held virtually. An average travel cost of \$1,000 per member was estimated for the three non-state members to participate in an in-person meeting and \$20,000 was estimated for commission staff to travel to conduct the work required for the entity review, for an estimated annual cost of \$23,000. The contractual services costs included meeting facilities, office space rental, state enterprise productivity rates, equipment rental, and recording services with an estimated annual cost of \$120,000, and also included on the contractual line was \$200,000 annually for consultant services. Commodities or supplies costs included office and meeting supplies and office equipment for the commission staff at \$3,500 each

for a total first-year cost of \$17,500 and total second and subsequent year costs estimated at \$7,500. The fiscal note included a total unrestricted general fund (UGF) cost of \$1,150,500 for FY 25 and \$1,140,500 for FY 26 and beyond.

[10:16:26 AM](#)

Representative Ortiz asked if the inefficiency could be due to the legislature not having enough time to enact significant reforms. He suggested that perhaps politics becomes a barrier to reform, but he thought that barrier was likely applicable to every legislature.

Representative Carpenter responded that he did not think the two were mutually exclusive. He thought both time and politics could be a barrier to significant reform. He thought the question at hand was whether the legislature was willing to prioritize process reform. The legislature was not the only entity within state government that could use process improvement. He thought the executive branch could engage in process improvement as well and often accomplished improvements. He had worked in bureaucratic organizations and it took an extraordinary event or direction to step back from the day-to-day duties and look at the job from a holistic point of view. He thought it took courage for leadership to state that it wanted to prioritize employees' time and improve the efficiency of daily tasks. He reiterated that the barriers included time, money, and willingness to improve.

Representative Ortiz asked if it would be possible to have consistent and objective non-partisan forums for evaluation within a political institution. He noted that a process might be considered efficient to one person but might feel inefficient to someone else. He asked if there was evidence that the commission would bring about substantive change.

[10:21:01 AM](#)

Representative Carpenter responded that he was fairly certain that Texas has similar political conversations as Alaska because it was also an oil state. He encouraged Representative Ortiz to listen to the aforementioned invited testimony [in House State Affairs]. He relayed that Texas had a proven track record of successfully addressing systemic process improvement related change within the government. He understood that Texas had been able to save

almost \$1 billion in revenue as a direct result of process improvement efforts. There was initial uncertainty on where to house ASC but after deliberation, he settled on housing the commission under the lieutenant governor because reviewing regulations was already a responsibility of the lieutenant governor. He also aimed to ensure there was a balance between the executive branch and legislative branch, as well as a balance between the two legislative bodies. The members of the commission would be appointed by both the legislature and the executive branch to minimize political interference while knowing that politics could not be completely removed.

Representative Ortiz asked if an agency had been abolished in other states due to the implementation of a sunset commission.

Representative Carpenter responded that slide 9 showed that 52 entities and programs had been abolished, transferred, or consolidated in Texas.

[10:24:03 AM](#)

Co-Chair Foster noted that the committee had time constraints and would likely need to return to the topic in the afternoon.

Representative Galvin was concerned about the cost detailed in the fiscal note. She thought there needed to be more trust in the government and she was hesitant because ASC felt like another layer of government. She asked why there needed to be a large commission and more staff when the state already had excellent auditors.

Representative Carpenter responded that the state's auditor conducted financial audits and not process improvement audits. The commission would be looking at process improvement.

Representative Galvin asked for more information on process improvement. She saw on slide 9 that there had been much consolidation and removal of programs in Texas. She hoped that the programs were becoming more efficient based on the commission.

Representative Carpenter responded that Representative Galvin was correct. An audit might identify a particular

program that was statutorily required but underfunded, and a recommendation to the legislature might be to properly fund the program. Additionally, an entity could be performing services that were not statutorily required and the commission could start a conversation about whether the entity should continue to receive funding. He noted that "mission creep" was common in government and the commission would illuminate the mission creep.

[10:29:17 AM](#)

Co-Chair Foster relayed his intention to return to the conversation if there was time later in the day.

Co-Chair Foster set an amendment deadline for HB 190 for Thursday, May 9 at 5:00 p.m.

HB 190 was HEARD and HELD in committee for further consideration.

[The meeting was recessed but never reconvened.]

ADJOURNMENT

[10:29:54 AM](#)

The meeting was adjourned at 10:29 a.m.