

HOUSE FINANCE COMMITTEE
March 14, 2007
1:46 p.m.

CALL TO ORDER

Co-Chair Meyer called the House Finance Committee meeting to order at [1:46:17 PM](#).

MEMBERS PRESENT

Representative Mike Chenault, Co-Chair
Representative Kevin Meyer, Co-Chair
Representative Bill Stoltze, Vice-Chair
Representative Harry Crawford
Representative Les Gara
Representative Mike Hawker
Representative Reggie Joule
Representative Mike Kelly
Representative Mary Nelson
Representative Bill Thomas, Jr.

MEMBERS ABSENT

Representative Richard Foster

ALSO PRESENT

Marie Darlin, AARP; John Krenheider, Senior Analyst, Office of Management and Budget; John Boucher, Senior Analyst, Office of Budget and Management; Representative Beth Kerttula

PRESENT VIA TELECONFERENCE

None

SUMMARY

HB 125 "An Act relating to budget planning and a long-range fiscal plan for the State of Alaska."

CSHB 125 (FIN) was REPORTED out of Committee with a "do pass" recommendation and with indeterminate fiscal note # 1 by the Department of Revenue and with fiscal note #2 by the Governor's Office.

HB 77 "An Act relating to marriage brokers and advertisers and to dating and social referral services."

CSHB 77 (L & C) was heard and HELD in Committee for further consideration.

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HOUSE BILL NO. 125

"An Act relating to budget planning and a long-range fiscal plan for the State of Alaska."

Representative Hawker, sponsor, spoke of the need for a statewide, long-range fiscal plan of which the gas pipeline is a large part. He recalled constituents wondering why there is no fiscal plan. He emphasized that an on-going planning process is really what is needed. He referred to the Executive Budget Act (EBA), which contains duties of the governor. One of the duties is to submit a six-year financial plan. HB 125 changes the EBA so that the governor is required to prepare an annual fiscal plan.

Representative Hawker explained that HB 125 has two sections, the first states that a fiscal plan shall be submitted that contains estimates of significant sources and uses of funds for the next 10 years. The second part of the bill reconciles those revenue projections with the uses of funds. HB 125 was developed by the House Ways and Means Committee.

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Representative Hawker pointed to the wording in Section 1 - "must" versus "may". The distinction between the two is very important. The fiscal plan must identify significant sources and uses of funds, must balance sources and uses of funds, and must include projected balances of significant funds. He emphasized that the bill is de-politicized, an academic exercise from which political discussion can grow.

Representative Hawker addressed policy calls such as in subparagraph 4, page 2, which begins with "may". These are items that are encouraged, but not required. The intent was to avoid placing these issues into the work product required of the governor. He explained that much of the remainder of the bill is to clarify language to conform to the EBA.

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Representative Hawker pointed out that when a new executive takes office, he or she would not be required to put forth a long-range plan during the first year. He reported a lengthy discussion in the House Ways and Means Committee about the legislature's role in responding to the fiscal plan. He related that this bill is a first step in establishing a formalized fiscal planning process. There was an attempt to keep the bill simple and not overburden committees, especially in light of the pending 90 day session. He referred to page 6 of the bill, legislative review, which simply states that the legislature shall

consider the governor's proposed fiscal plan. The presiding officer in each house may refer the fiscal plan to one or more committees. He termed the bill a welcome step forward in establishing policy.

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Co-Chair Meyer inquired about fiscal note #2 from the Office of the Governor which requests \$102,600 for additional staff in OMB to work on the fiscal plan. He wondered if each department's budget analyst could do a part of the long-range analysis and turn it in to OMB. He suggested that once the plan was in place it could be modified on a yearly basis.

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Representative Hawker reported that he attempted to utilize existing resources so as to not require a new fiscal note. He opined that in order to implement the bill as it was intended, the information could be readily obtained using current resources. He summarized that the state can not afford to not implement this plan.

Co-Chair Meyer asked if there has ever been a fiscal plan developed as required in statute. Representative Hawker thought it had not been done in recent years. Co-Chair Meyer could not recall there ever being a fiscal plan.

Representative Hawker opined that establishing the initial template would require the most work.

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Representative Stoltze inquired about the use of the word "must". Representative Hawker reported that legislative legal chose that wording for the bill. He related that it separated the mandatory section from the permissive section of the bill. Representative Stoltze asked if governmental agencies or corporate entity assets would be included within the fiscal plan. Representative Hawker said not in the context raised. The desire was to make it a universal model of state operations. He referred to item (A) in the permissive section of the bill, page 2, line 14, which deals with such entities. There is nothing that precludes or excludes consideration of special-purpose entities. The intent is to have the process be as comprehensive as the executive would choose to make it.

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Representative Crawford spoke in support of HB 125. He wondered how this legislation would change the governor's and legislature's behavior, in light of not knowing oil

price projections. Representative Hawker observed that Representative Crawford's comments have landed on the two foundational purposes of the bill. There is agreement for needing an on-going process to develop a fiscal plan. The plan will be the vehicle that leads to policy debates. He predicted that a refinement of the plan would develop over time.

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Representative Joule complimented Representative Hawker on the bill. He asked about the permissive language on page 6, lines 29 - 31. Representative Hawker replied that there were numerous discussions about this. The conclusion was that this legislation should be undemanding, noninvasive, and not require mandatory committee hearings. It is up to the presiding officer of each house to refer the fiscal plan to one or more committees. Representative Joule pointed out that history has shown no action toward forming a fiscal plan and he voiced concern that there would be no attention paid to the plan in the future. He agreed that a proposed fiscal plan probably would be referred to committees. Representative Hawker said he shared Representative Joule's concern and thought it might warrant separate legislation.

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Representative Gara voiced appreciation for the bill. He referred to page 2, line 19, as a potential new revenue source which would use the income of the permanent fund as a percent of market value (POMV) fund. He inquired if that was the only new revenue source identified in the bill.

Representative Hawker noted that all language in subsection (4) was at the request of Representative Gruenberg. Representative Hawker thought that item (C) was not identifying a new revenue source, but rather is a policy that would protect current revenue sources.

Representative Gara referred to line 20 as asking the governor to take a look at using the income of the permanent fund. Representative Hawker emphasized that there is nothing in the bill that endorses or indicts POMV. Protecting the permanent fund is a critical component of future state fiscal policy. There is no specific new revenue proposed. He quoted (D) as open for discussion regarding any new source of revenue.

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Representative Gara agreed that the governor should look at potential areas of revenue and spending cuts. Representative Hawker referred to the "must" section, which provides a means for the governor to propose a method to

balance the budget. He emphasized the intent to avoid "politics", so the bill does not say that the governor must raise taxes or identify specific tax sources. It creates a structural framework.

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Representative Kelly spoke in support of the bill. He related a personal story. He questioned the expectations of the bill and if it would be effective in the future. He opined that the bill seems to be optional and may or may not be used. He surmised that it could be risky for a governor to carry out the bill. He added that HJR 5, a spending plan, would compliment this bill.

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Representative Hawker spoke to "expectations", an appropriate word for HB 125. He stated that the wording in the bill is powerful, practical, workable, and requires compliance - it is an adequate burden on the executive branch. The effectiveness depends on the legislature's endorsement.

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Representative Joule referred to page 2, line 15, "develop the state's natural resources". He suggested adding "responsibly" to the idea. Representative Hawker reported that the intent is to identify constitutional responsibilities. He agreed with adding the language.

Representative Gara thought the fiscal planning document was important and he hoped people would read it. He said a concern is that oil should also be looked at as a major source of revenue.

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MARIE DARLIN, AARP, reported that AARP has submitted a letter of support for this legislation. She read, "AARP believes that the state should provide localities with the funding they need to meet their obligations. Passing responsibilities down to lower levels of government should be undertaken primarily to place services closer to the people being served and to maximize administrative efficiencies, not as a way to reduce costs." She reported that AARP does not support placing unfunded mandates on local governments. She concluded, "Hopefully, HB 125 will help our elected officials and our citizens have a more accurate reading of Alaska's fiscal status and what to expect in the future." She suggested trying to educate people to read the document in the future.

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JOHN KREINHEDER, SENIOR ANALYST, OFFICE OF MANAGEMENT AND BUDGET, responded to questions regarding fiscal note #2. He acknowledged the desire to have the functions done by existing staff, but pointed out that OMB staff has been reduced and that two more positions are being reduced. He noted that the legislation would require a formal fiscal plan with a date certain. The intent would be to do more than look at expenditures, which would require more effort and time. He noted that it cost over \$200,000 to provide a study on the costs of Medicaid.

JOHN BOUCHER, SENIOR ANALYST, OFFICE OF MANAGEMENT AND BUDGET, agreed with comments by Mr. Kreinheder.

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In response to a question by Representative Joule, Mr. Boucher stated that to be properly equipped the plan must be flexible. He observed that there are many issues that would have a significant impact on the plan.

Co-Chair Meyer agreed and pointed to the cruise ship initiative.

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Co-Chair Meyer questioned if the sponsor would support adding "but not limited to", on page 2, line 9. Representative Hawker stated that he would support the language.

Representative Hawker MOVED to ADOPT Amendment 1:

Page 3, lines 12-17,
Delete all material
Insert "(1) assist the governor in meeting the requirements of AS 37.07.020 [THE PREPARATION AND EXPLANATION OF THE PROPOSED COMPREHENSIVE PROGRAM AND FINANCIAL PLAN], including the coordination and analysis of state agency goals and objectives, plans, and budget requests;

Page 5, line 1, following "financial plans"
Insert "prepared in accordance with AS 37.07.050"

Page 5, line 29, following "facility"
Delete "scheduled for the first three years of the plan"

Page 7, lines 12-17
Delete all material

Insert "(a) [THE GOVERNOR SHALL, AT THE TIME THE GOVERNOR SUBMITS THE PROPOSED COMPREHENSIVE OPERATING AND CAPITAL IMPROVEMENTS PROGRAM, AND FINANCIAL PLAN UNDER AS 37.07.060(B)] At the time the governor submits the report required under AS 37.07.060(b), the governor shall submit to the legislature a separate appropriation bill limited to appropriations for the state's integrated comprehensive mental health program."

Co-Chair Meyer OBJECTED for discussion purposes.

Representative Hawker explained that Amendment 1 would clarify the Executive Budget Act, which he indicated was archaic. The first part of the amendment addresses the responsibilities of the Office of Budget and Management. The first responsibility would be to assist in meeting the responsibilities placed on the Governor. The amendment clarifies that page 5, line 1, refers to agency financial plans. The amendment also deletes language relating to the Department of Transportation and Public Facilities, which contradicts the STIP. A reference to AS 37.07.060(b) was also added to clarify that the Mental Health Program bill would be submitted on the same schedule.

Co-Chair Meyer WITHDREW his OBJECTION.

There being NO OBJECTION, Amendment 1 was adopted.

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Representative Gara MOVED to ADOPT Amendment 2:

Page 2 line 31 insert:

"(5) must identify whether total state, federal and local oil or gas tax rates are lower than the average charged around the world, whether company profit margins from those resources are higher than the average generated around the world, and whether changes in oil or gas laws are needed to promote production, exploration and maximum long term revenue from these resources."

Renumber accordingly.

Co-Chair Meyer OBJECTED.

Representative Hawker spoke against the amendment.

Representative Gara explained that the amendment would address oil and gas revenue. It would not require the state to change the status quo, but would require an assessment of oil or gas taxes. He stressed that the intent of the

amendment is informational and would enhance policy discussions.

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Co-Chair Meyer summarized that the intent of the amendment is to promote production and questioned if the sponsor would support adding a provision to allow a lowering of the tax rate if the world average were higher. He also pointed out that consultants charge as much as \$500 an hour.

Co-Chair Chenault agreed and added that a determination should also be made regarding prices in other areas of the continental United States.

Representative Gara agreed to both suggestions.

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Co-Chair Meyer emphasized the fiscal cost in hiring consultants and suggested that the advice would mirror the desire of the requestor.

Representative Hawker spoke against the amendment. He objected to the use of "must". He explained that the "must" components of the bill were crafted carefully with consensus within the Ways and Means Committee. He noted that the permissive sections were targeted toward constitutionally mandated undertakings.

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Representative Joule questioned if there was anything that would prohibit the governor from pursuing the intent of the amendment. Representative Hawker responded that the intent was to not provide prohibitions, but to be inclusive.

Representative Stoltze agreed with Co-Chair Meyer's comments. Representative Hawker concurred.

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Representative Crawford spoke in favor of Amendment 2, which includes more oil revenue information.

Co-Chair Meyer pointed out that nothing prohibits the governor from including this information.

Representative Gara related last year's statistics regarding government take on oil revenue. He suggested a variety of changes to address the concerns mentioned. He thought the numbers would remain stable over the years.

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Co-Chair Meyer argued that the price of oil is not stable. He maintained that it would have to be looked at yearly.

Representative Hawker suggested not including policy calls within the process of fiscal planning. Representative Gara thought it would be worth paying consultants.

Co-Chair Meyer MAINTAINED his objection.

A roll call vote was taken on the motion to adopt Amendment 2.

IN FAVOR: Gara, Joule, Nelson, Crawford

OPPOSED: Hawker, Kelly, Stoltze, Thomas, Chenault, Meyer

The MOTION FAILED 4-6.

Co-Chair Meyer MOVED to ADOPT Conceptual Amendment 3 to add the words "included, but not limited to" after "accounts," on page 2, line 9.

Representative Hawker OBJECTED for discussion purposes. He suggested "including, but not limited to".

Co-Chair Meyer agreed to that friendly amendment.

There being NO OBJECTION, it was so ordered.

Representative Joule moved Conceptual Amendment 4, on line 15, to add "responsibly" before "develop".

There being NO OBJECTION, it was so ordered.

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Co-Chair Meyer spoke against the added cost in fiscal note #2. He suggested splitting the \$102,600 between two years for contract work on initiatives and for analyzing a fiscal plan.

Representative Hawker and Vice-Chair Stoltz objected to that idea.

Representative Hawker agreed with OMB's comment that "we get what we pay for". He suggested a one-time FY 08 increment. Co-Chair Meyer wondered if the head count would be kept in. Representative Hawker suggested authorizing a contract for professional services. Co-Chair Meyer agreed that the first fiscal plan would be the hardest to draw up.

Mr. Krenheider voiced concern about having a contractual position. He said that the suggestion to change to FY 08 funding would work. He questioned if it is a good

idea to contract out the development of state policy. Representative Kelly suggested shifting other work to a contract person and using existing personnel to work on the fiscal plan. Mr. Krenheider thought that would work.

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Co-Chair Meyer asked if \$102,600 should be kept for a contract person. Representative Hawker replied that the amount requested is fair.

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Co-Chair Meyer moved to keep \$102,600 for contractual services and zero out years 2009-2013, with zero full-time positions.

Representative Stoltze objected to the contractual part. He thought the goal was important and the position should be filled by an experienced person. The governor should have latitude to hire and choose this person. Co-Chair Meyer commented that this item could be revisited after one year.

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Representative Joule thought the request was important enough to expend the money for the position. He spoke against the Co-Chair Meyer's suggestion.

Representative Kelly thought that most of the information already exists and this bill brings it all together. He spoke against hiring a new person because the information is already available.

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Representative Thomas echoed Representative Joule's comments. He wanted to see OMB have a person who is accountable. He spoke in favor of leaving the fiscal note alone.

Co-Chair Meyer said he is being cautious. He withdrew his motion to change the fiscal note.

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Representative Stoltze MOVED to REPORT CSHB 125 (FIN) out of committee with individual recommendations and the accompanying fiscal notes. There being NO OBJECTION, it was so ordered.

CSHB 125 (FIN) was REPORTED out of Committee with a "do pass" recommendation and with indeterminate fiscal note # 1

by the Department of Revenue and with fiscal note #2 by the Governor's Office.

[3:42:14 PM](#)

HOUSE BILL NO. 77

"An Act relating to marriage brokers and advertisers and to dating and social referral services."

REPRESENTATIVE BETH KERTTULA, sponsor, explained that HB 77 requires that marriage brokers provide information to foreign nationals who are seeking to marry Americans. The purpose is to overcome domestic violence issues related to such marriages. Representative Kerttula reported that she is working with the Department of Public Safety, the Department of Law, and the Department of Commerce, Community and Economic Development on this bill and a new CS is forthcoming.

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Representative Stoltze noted problems on both sides of such marriages. He spoke of potential for fraud. He wondered if information should be required of the potential recruit.

Representative Kerttula said she knows of no fraud or abuse cases like that, however, there are many documented cases of domestic violence toward foreign nationals. She spoke of limited jurisdiction, language issues, and lack of knowledge about culture. Representative Stoltze maintained that there are victims on both sides.

Representative Kerttula thought there might be a need to look into that. Representative Stoltze spoke to traditional matchmaking from various cultures. Representative Kerttula reported that this bill addresses businesses and corporations rather than religious traditions. Representative Stoltze voiced concern about sanctioning questionable matchmaking. Representative Kerttula wanted to limit the bill to corporate issues.

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Co-Chair Chenault asked about fiscal note #1 from the Department of Public Safety. He asked about a requirement of educating each potential bride in their native language. Representative Kerttula thought it would be written information, the cost of which would be borne by the client. She related that lawsuits regarding false information have been based on contract law. She noted an attempt to get to zero fiscal impact notes.

Co-Chair Chenault asked about obtaining fingerprints. Representative Kerttula reported working satisfactorily with

DPS on that matter. Co-Chair Chenault asked about the definition of "clients". Representative Kerttula replied that clients are the Americans who go to the marriage broker; mostly men. Co-Chair Chenault wondered if background information would be requested from the foreign nationals. Representative Kerttula explained jurisdictional reach problems.

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HB 77 was heard and HELD in Committee for further consideration.

ADJOURNMENT

The meeting was adjourned at 3:53 PM.