

HOUSE FINANCE COMMITTEE
May 13, 2007
11:15 p.m.

CALL TO ORDER

Co-Chair Meyer called the House Finance Committee meeting to order at [11:15:26 PM](#).

MEMBERS PRESENT

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

MEMBERS ABSENT

None

ALSO PRESENT

Representative Paul Seaton; Representative Gabrielle LeDoux; Pete Ecklund, Staff, Representative Kevin Meyer; David Teal, Director, Legislative Finance Division; Karen Rehfeld, Director, Office of Management and Budget

PRESENT VIA TELECONFERENCE

SUMMARY

#sb53

CS SB 53(FIN)

An Act making and amending appropriations, including capital appropriations, supplemental appropriations, and appropriations to capitalize funds; ratifying certain expenditures; and providing for an effective date.

HCS CS SB 53 (FIN) was

CS FOR SENATE BILL NO. 53(FIN)

An Act making and amending appropriations, including capital appropriations, supplemental appropriations, and appropriations to capitalize funds; ratifying

certain expenditures; and providing for an effective date.

Vice-Chair Stoltze MOVED to ADOPT work draft version #25-GS1014\R, Kane, 5/13/07, as the version of the bill before the Committee.

PETE ECKLUND, STAFF, REPRESENTATIVE KEVIN MEYER, provided members with a spreadsheet outlining project differences in the numbered sections (copy on file). He observed that a few late reappropriations were added. He reviewed changes made to the language section.

Page 154: \$2 million was added to the University of Alaska for increased retirement costs; and

Page 168: \$24 million was added to pay 25 percent of the district cost factors as a grant; and \$10.5 million as a grant for the school improvement grant program.

Co-Chair Meyer observed that the House operating budget contained identical amounts for education spending and explained that 50 percent of the district cost factors as contained in the ISER study would be implemented at \$48 million. A total of \$21 million would be appropriated to school improvement grants to offset district cost factors.

Page 171: Section 50(d) is a new reappropriation of \$2 million for the Department of Transportation and Public Facilities for a right away on Illinois-Barnnet Street design in Fairbanks. There is an additional \$10 million in federal authority.

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Page 175: Section 55 is a \$48.1 million grant for municipal energy system, which uses the methodology in SB 172 for distribution.

Mr. Ecklund explained that population figures have been updated by the Department of Commerce, Community and Economic Development.

Co-Chair Meyer noted that the appropriation is referred to as municipal assistance, but it could be called revenue sharing or energy assistance, and incorporates provisions of SB 72. Representative Joule pointed out that it would be a one year appropriation.

Mr. Ecklund continued to point out changes in the committee substitute.

Page 184: Section 56 (a) clarifies that FY07 surpluses would be swept into the Alaska Capital Income Fund. Subsection (b) clarifies that in the case of a FY07 deficit, funds would come from the Alaska Housing Capital Corporation.

Page 184: Section 57 contains a \$50 million appropriation to the Constitutional Budget Reserve Fund, which was also in the previous version. Representative Gara clarified that the Constitutional Budget Reserve was not addressed outside of Section 57 and that there were no withdraws from the Fund.

Representative Nelson asked about withdrawals from the Amerada Hess Fund. Mr. Ecklund observed that the operating budget contained an appropriation from the earnings of the Amerada Hess Fund to the Capital Income Fund.

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Representative Nelson asked if there were anything in the capital budget from the Amerada Hess Account. Mr. Ecklund clarified that there were no [direct] Amerada Hess expenditures in the capital budget. There is spending from the Alaska Capital Income Fund.

Representative Gara further explained that \$28 million was taken from the Amerada Hess Account and added to the Capital Income Fund. The capital budget expends the Capital Income Fund, which includes the Permanent Fund Amerada Hess money.

Mr. Ecklund affirmed and added that other interest earnings of approximately \$9 million were included in the Capital Income Fund.

In response to further questions, Mr. Ecklund explained that the Alaska Capital Income Fund was created 2 years previously. The interest earnings from the Amerada Hess sub-account were deposited into the Alaska Capital Income Fund. Deposits into the Alaska Capital Income Fund are not limited; any funds can be deposited to the Fund.

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Co-Chair Meyer noted that the Capital Income Fund is generally used for projects such as roads. The appropriation does include some projects for nonprofits.

Mr. Ecklund noted that there was a recipient change in the Railbelt Energy Fund appropriation. The city of Seward was added and the interest earnings were appropriated to the Copper Valley Electric Association.

Mr. Ecklund observed that \$84.930 million in additional general funds were added to the Senate version: \$12.9 million in federal funds, \$45.408 million in other funds. General funds were \$531.207 million.

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Co-Chair Meyer MOVED to ADOPT Amendment 1A: decrease Section 18(b) from "\$600,000" to "\$300,000". Representative Gara OBJECTED.

Mr. Ecklund explained that the amendment would be net zero with the addition of Amendment 1 (b). The Alaska Maid Dairy would receive reduced funds. Representative Gara asked for further information regarding the reduction, which Mr. Ecklund noted came from the Office of the Governor.

Vice-Chair Stoltze observed that the remaining funds would help with transition of the Dairy.

KAREN REHFELD, DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET noted that the funding would help a private entity to restructure the dairy.

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Representative Gara WITHDREW his OBJECTION. He noted that the Dairy is a state operation, which is losing money.

There being NO OBJECTION, Amendment 1(a) was adopted.

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Representative Thomas MOVED to ADOPT Amendment 1 (b): appropriate \$300 thousand to the Alaska Laborers Training School for the purchase of a D3 Rock Drill. Co-Chair Meyer OBJECTED.

Representative Thomas explained that the amendment would move the D3 Rock Drill purchase from the AGIA budget to the capital budget. Ms. Rehfeld further explained that the Department of Labor and Workforce Development had a \$6.5 million fiscal note for AGIA. The capital budget contains \$3 million for the pipeline training facility and \$300 thousand for the D3 Rock Drill purchase. She noted that the remaining portion of the fiscal note needed further discussion.

There being NO OBJECTION, Amendment 1(b) was adopted.

Representative Crawford MOVED to ADOPT Amendment 2: relating to transmission lines connecting Fire Island Wind Farm to Anchorage (copy on file.) Co-Chair Meyer OBJECTED.

Representative Crawford explained that one of his goals in running for the legislature was to move the state toward a new paradigm for generating power in Alaska's Railbelt. He noted that the Railbelt Energy Fund was created to support renewable energy sources. He observed that projects have been delayed and continued to outline potential alternative energy projects. He expressed concern with reductions from the Railbelt Energy Fund.

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Representative Crawford WITHDREW Amendment 2. Co-Chair Meyer noted that funds could still be used for the Fire Island project.

[11:40:31 PM](#)

Representative Joule WITHDREW Amendment 3.

Representative Joule WITHDREW Amendment 4.

[11:41:02 PM](#)

Representative Gara MOVED to ADOPT Amendment 5: \$630 thousand for Head Start grants. Co-Chair Meyer OBJECTED.

Representative Gara maintained that even with the increase in education spending, the net affect is that less will be spent on pre-K education in FY 08 than in FY 07. He noted that Alaska is one of nine or eleven states that do not have a statewide early education system outside of Head Start. The appropriation would inflation proof the Head Start Program, which has been flat funded for the past 5 years. There are more children on the waiting list every year. He maintained that early education works and those children from poor income families who receive pre-K education have higher rates of employment and higher education, and lower rates of incarceration and drug abuse. The amendment would prevent more layoffs in the Head Start program. He stressed that the amendment should be ahead of many of the other projects in the capital budget.

Co-Chair Meyer countered that the item should be placed in the operating budget.

Ms. Rehfeld agreed that there is an effort to expand the preschool programs across the state. There is a small increment in the operating budget. She stressed the need to involve communities differently and to improve quality and provide opportunities to more communities. Co-Chair Meyer pointed out that the current Head Start general fund contribution is close to \$6 million dollars. Ms. Rehfeld stated that federal funds go directly to the grantee. Representative Gara maintained that the amount has stayed

the same, while costs have increased and noted that there are large waiting lists. He urged expanding pre-K education statewide.

[11:47:30 PM](#)

A roll call vote was taken on the motion.

IN FAVOR: Joule, Nelson, Crawford, Gara
OPPOSED: Kelly, Stoltze, Thomas, Foster, Hawker, Chenault,
Meyer

The MOTION FAILED (4-7).

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Representative Joule MOVED to ADOPT Amendment 6: \$8 million for low income energy assistance. Co-Chair Meyer OBJECTED.

Representative Joule explained that the amendment would add \$8 million general fund dollars to the Department of Health and Social Services for statewide energy assistance. He noted the high cost of fuel and the statewide application.

Co-Chair Chenault commented that the program is currently federally funded.

Representative Hawker affirmed that the program is fully federally funded. The federal government has provided funds when they were inadequate. He felt that it was inappropriate to start a state program.

Representative Nelson noted that it is a federal program, but emphasized that 31 other states have matched federal funds. She noted that 16 percent of the recipients came from Anchorage, 12 percent from Wasilla/Palmer, and 10 percent from Fairbanks. She compared purchasing power and noted the decline. There were additional funds last year, however, each household only received an additional 20 - 40 gallons. She maintained that people in the villages were hit hard by high oil prices.

Representative Gara noted that Alaska has the highest fuel cost in the country. He spoke in support of the amendment.

A roll call vote was taken on the motion.

IN FAVOR: Joule, Nelson, Crawford, Gara
OPPOSED: Kelly, Stoltze, Thomas, Foster, Hawker, Chenault,
Meyer

The MOTION FAILED (4-7).

Representative Joule WITHDREW Amendments 7 and 8.

[11:54:39 PM](#)

Co-Chair Meyer MOVED to ADOPT Amendment 9: rename recipient as Federation of Community Councils, Inc, - Airport Heights Community Patrol - Supplies and Fuel. Chair Chenault OBJECTED.

Mr. Ecklund explained that Amendment 9 was a technical amendment. Chair Chenault WITHDREW his OBJECTION. There being NO OBJECTION, it was so ordered.

Representative Nelson MOVED to ADOPT Amendment 10: Add \$325 million to the Power Cost Equalization (PCE) Fund in the Department of Commerce, Community and Economic Development Alaska Energy Authority for increased PCE operating costs in the fiscal year ending June 30, 2007. Co-Chair Meyer OBJECTED.

Representative Kelly noted that the appropriation would be a supplemental and explained that without the amendment payments would be prorated in June from 89 to 69 percent due to the almost doubling of fuel costs.

Co-Chair Chenault noted that \$182 to \$183 million was placed in the PCE Fund. He observed that another \$12 million is being added for the current year. An additional \$8 - \$9 million will be needed in future years to keep the percentage rate stable. He expressed concern that the Fund will not reach its intended purpose if withdrawals continue.

Ms. Rehfeld acknowledged the shortfall for FY 07. She observed that the Governor is committed to fully funding PCE. However, the Governor is also sensitive to preserving the Fund for future costs.

[11:58:32 PM](#)

A roll call vote was taken on the motion.

IN FAVOR: Joule, Nelson, Crawford, Gara
OPPOSED: Kelly, Stoltze, Thomas, Foster, Hawker, Chenault,
Meyer

The MOTION FAILED (4-7).

Co-Chair Meyer MOVED to allow the Legislative Finance Division to make technical corrections and other conforming amendments. Mr. Ecklund observed that at least one change would probably occur and pointed out that the title would change in Section 56.

Representative Kelly expressed concern that there were direct appropriations to tribal entities and questioned

their appropriateness. Mr. Ecklund responded that he had not received any memorandums from the Legislative Finance Division indicating concern.

There being NO OBJECTION, it was so ordered.

[12:03:21 AM](#)

Representative Gara commented on state spending for projects that might be used for religious purposes and pointed to an appropriation for Bingle Camp Ministries. Mr. Ecklund noted that Bingle Camp Ministries is a non-profit. Co-Chair Meyer observed that the Department of Commerce, Community and Economic Development ensures that the separation between church and state is maintained.

Representative Gara spoke to the \$1.5 million for the Anchorage Sports complex and questioned what percentage is used for religious congregation purposes. Co-Chair Meyer noted that the University of Anchorage and school district also use the complex.

Co-Chair Chenault explained that there is a project to produce blueberries for pharmaceuticals purposes. The intent is to encourage economical development. Representative Thomas referred to the Kake blueberry industry.

Representative Gara observed that House Democrats were not given an extra \$500 thousand for each of their districts. He maintained that if they had, he would have preferred that his \$500 thousand be spent on the statewide Head Start program.

Co-Chair Meyer noted that the capital budget is considerably less than the previous year's, but still meets the state's infrastructure needs. He pointed out that the FY 08 capital budget is unique in that education funding was included for the next year.

[12:10:03 AM](#)

Co-Chair Meyer noted that the capital budget includes: \$50 million to fund: 50 percent of the ISER cost differentials, \$21 million for School Improvement grants, \$170 million for a direct TRS appropriation, \$26 million for a direct PERS appropriation, and \$77 million for a TRS employer adjustment. There is \$345 million new money for education.

Representative Joule expressed appreciation for some items. He spoke to changes in municipal assistance and education.

Co-Chair Meyer noted that revenue sharing legislation (SB 172) has been around for a while. He acknowledged that the

minority should have been contacted regarding changes to education funding.

[12:13:56 AM](#)

Representative Foster MOVED to report HCS CSSB 53 (FIN) out of Committee. There being NO OBJECTION, it was so ordered.

#

ADJOURNMENT

The meeting was adjourned at 12:15 AM