

HOUSE FINANCE COMMITTEE  
March 10, 2008  
4:12 P.M.

CALL TO ORDER

Co-Chair Chenault called the House Finance Committee meeting to order at [4:12:37 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 Mike Kelly  
Representative Mary Nelson  
Representative Bill Thomas Jr.

MEMBERS ABSENT

Representative John Harris  
Representative Reggie Joule

ALSO PRESENT

Representative Craig Johnson; Representative Jay Ramras; Melanie Lesh, Legislative Liaison, Department of Natural Resources; Sharon Kelly, Staff, Representative Mike Chenault; Karen Rehfeld, Director, Office of Management and Budget

PRESENT VIA TELECONFERENCE

Dave Trantham, Bethel; R. Thor Williams, Bethel

SUMMARY

HB 330 An Act relating to management of noxious weeds and invasive plants; establishing the Noxious Weed and Invasive Plant Board; and establishing the noxious weed and invasive plant management fund.

CS HB 330 (RES) was reported out of Committee with a "no recommendation" and with zero note #1 by the Department of Fish and Game, zero note #2 by Department of Fish and Game & a new fiscal note by the Department of Natural Resources.

CSSB 256(FIN) am(efd fld)

An Act making supplemental appropriations, capital appropriations, reappropriations, and other appropriations; making an appropriation to the senior benefits payment program; amending certain appropriations; ratifying certain expenditures; and making appropriations to capitalize funds.

CS SB 256 (FIN) was HEARD and HELD in Committee for further consideration.

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#HB330

HOUSE BILL NO. 330

An Act relating to management of noxious weeds and invasive plants; establishing the Noxious Weed and Invasive Plant Board; and establishing the noxious weed and invasive plant management fund.

Co-Chair Meyer asked if Vice-Chair Stoltze was satisfied with the answers he had received from the Department. Vice-Chair Stoltze said yes.

Co-Chair Meyer pointed out the four fiscal notes from (1) Department of Environmental Conservation, (2) Department of Fish and Game and (1) Department of Natural Resources included in the packet. He said each department was available for questions.

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Co-Chair Chenault inquired about the new fiscal note submitted by the Department of Natural Resources.

MELANIE LESH, LEGISLATIVE LIAISON, DEPARTMENT OF NATURAL RESOURCES, offered to answer questions.

Co-Chair Chenault questioned the funding request for the new position. Ms. Lesh explained that in FY11 year-end, the position ceases to exist.

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REPRESENTATIVE CRAIG JOHNSON, SPONSOR, clarified that the position was determined to sunset so as to achieve "action". The position was not designed to be existing forever. He anticipated satisfaction by 2011 obtaining federal funds.

Vice-Chair Stoltze asked what responsibilities would be associated with the requested position. Ms. Lesh addressed the new position for project coordinator within the Division of Agriculture, Department of Natural Resources, which will focus on developing the State's invasive species plan. The Natural Resources Conservation District Board (NRCDB) will be the umbrella agency for the conservation districts. The Department is currently in the process of creating this position within their Division of Personnel.

Vice-Chair Stoltze worried about creating any new boards or positions. Ms. Lesh noted that the Board had met in Juneau Saturday, 3/8/08; the board has basically been inactive for the past couple years.

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Representative Johnson addressed concerns of Vice-Chair Stoltze, discussing that the position will be responsible for obtaining federal funds through grant writing projects. He anticipated a lot of motivation as the funding for their position will be on the line, the reason for an accelerated sunset. If the necessary results have not been achieved by 2011, the project will need to be revisited.

Vice-Chair Stoltze appreciated that the scope had been limited with an action plan in place. He observed the serious economical & environmental consequences, which could possibility affect the statewide fishing industry.

Vice-Chair Stoltze MOVED to REPORT CS HB 330(RES) out of Committee with individual recommendations and with the accompanying fiscal notes. There being NO OBEJCTION, it was so ordered.

CS HB 330 (RES) was reported out of Committee with a "no recommendation" and with zero note #1 by the Department of Fish and Game, zero note #2 by Department of Fish and Game & a new fiscal note by the Department of Natural Resources.

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#SB256

CS FOR SENATE BILL NO. 256 (FIN) am(efd fld)

An Act making supplemental appropriations, capital appropriations, reappropriations, and other appropriations; making an appropriation to the senior benefits payment program; amending certain appropriations; ratifying certain expenditures; and making appropriations to capitalize funds.

Co-Chair Chenault highlighted his intended action for SB 256.

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SHARON KELLY, STAFF, REPRESENTATIVE MIKE CHENAULT, provided a sectional analysis of the \V.a version of CS SB 256 (FIN) am(efd fld). She indicated that no spreadsheet is available yet.

Ms. Kelly advised that the total general funds amount to \$4.385 billion dollars; federal funds decreased by \$13.284 million dollars and other funds are decreased by \$43.166 million dollars.

Sections 1-3, Pages 1-30, address salary contract funding appropriations, including transactions for the general government unit (GGU) & the supervisory unit. The indicated amounts include the adjustments.

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Representative Hawker asked for an explanation of GGU. Ms. Kelly informed it represents the general government unit, which is one of the State's bargaining groups.

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Ms. Kelly noted Sections 4-6, Pages 31-41, system wide adjustments between the Administration and the other

departments. It was requested by the Office of the Governor.

Sections 7-9, Pages 42-49, contain all regular supplemental appropriation requests. She interjected that this is the first year, one bill contains all those requests. In the past, there has been both a fast & a slow track supplemental. The version before the Committee includes all fast track items and the majority of the slow track items. The following sections address the agency items:

DEPARTMENT OF ADMINISTRATION

Office of Public Advocacy (OPA)	\$2.4 million
Public Defender Agency	\$820 thousand

DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT

Qualified Trade Association (QTA)	adjustment
To the Independent Traveler	\$800 thousand
Alaska Energy Authority (AEA)	\$1.2 million
For PCE fund	
Banking and Securities	\$95 thousand
Insurance Operations	\$140 thousand
Regulatory Commission of Alaska (RCA)	\$500 thousand

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DEPARTMENT OF CORRECTIONS

Correctional Academy	\$145.4 thousand
Institution Director's Office	\$1.852 million
Inmate Health Care	\$2.427 million

DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT

Ms. Kelly pointed out the three transactions that adjust the Teacher's Retirement System (TRS) relating to fund source adjustments from last year:

Student & School Achievement	0
Head Start Grants	0
Mt. Edgecombe Boarding School	0

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DEPARTMENT OF HEALTH AND SOCIAL SERVICES

Behavioral Health Medicaid Services reduction  
-\$6.963  
million

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Representative Gara referenced Page 43, Line 28; he asked if cutting services means that fewer patients are served. Ms. Kelly explained that the amendments were provided by the Office of the Governor and reduce authorization to reflect current Medicaid projections. She anticipated that the Department will determine how much could be spent and will make the appropriate adjustments.

Foster Care Base Rate	\$1.456 million
Foster Care Special Need	\$699 thousand
Medicaid Services/Health Care Services Reduction	Medicaid -\$46.548
million	
Juvenile Justice	
Nome Youth Facility	\$150 thousand
Johnson Youth Center	\$250
thousand	
Probation Services	\$221 thousand
Public Assistance decrement	
Adult Public Assistance	-\$700 thousand
Women, Infants & Children	\$852.3
thousand	
Certification & licensing	\$945
thousand	
Senior & Disabilities decrement	-\$1.654 million

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DEPARTMENT OF LAW

Oil, Gas and Mining/Civil Division \$1.250 million

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DEPARTMENT OF NATURAL RESOURCES

Resource Development/Oil & Gas thousand	\$85
Fire Suppression thousand	\$109.2
Parks & Recreation management/	fund source change 0

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DEPARTMENT OF PUBLIC SAFETY

Fire Prevention Operations	\$13.1 thousand
Fire Service Training	\$17.7 thousand
Alaska State Trooper projects total million	\$2.908
Council on Domestic Violence and Sexual Ass.	\$230 thousand
Statewide Support component totals	\$50.3 thousand

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DEPARTMENT OF REVENUE

Taxation & Treasury	\$15 thousand
Alaska Housing Finance Corporation	\$1.262 million
Alaska Permanent Fund Corporation	\$6 million

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DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES

Administration & Support total component thousand	\$65
State Equipment Fleet	\$326 thousand
Alaska Marine Highway System	\$1.880 million

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ALASKA COURT SYSTEM

Judicial Council	\$63 thousand
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Ms. Kelly referenced Sections 10-12, Pages 50-53. Those sections address capital projects including capital numbers and the capital language. The capital numbers include the \$68 million dollar replacement to the General Fund for the

master lease line of credit. That fund source has no funding available - \$10 million for the build-out and support projects, \$41 million for statewide administrative replacement systems/phase 2, financials, procurement systems and \$17 million dollars for the telephone systems.

Co-Chair Chenault asked if that request had been submitted by the Governor. Ms. Kelly thought it had been brought forward by the Senate.

#### DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT

Ms. Kelly pointed out the \$300 thousand dollar request for organizational grants and \$49.4 thousand dollars for prescription drug monitoring.

#### DEPARTMENT OF NATURAL RESOURCES

Ms. Kelly noted the \$117.1 thousand dollars indicated for the Eagle River Nature Center planning and design component.

#### ALASKA COURT SYSTEM

Ms. Kelly said the Fairbanks Supreme Court Justice Chambers recommended the proposed allocation for \$629.7 thousand dollars.

#### DEPARTMENT OF CORRECTIONS

Ms. Kelly addressed Sections 10-12, Pages 50-53, \$2.5 million dollars directed to the Point Mackenzie Correctional Facility center pre-construction cost reimbursement and \$2 million dollars for the Kodiak Jail expansion.

#### DEPARTMENT OF REVENUE

Ms. Kelly continued enumerating requests: the Alaska Housing Energy Efficiency Program for the amount of \$200 million dollars and the Alaska Housing Home Energy Rating Rebate program for \$100 million dollars.

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#### DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES

Susitna Valley High School beacon system thousand	\$180
Petersburg Airport runway safety system	\$4.35 million
Unalaska airport analysis million	\$1.5
Kipknock Airport reconstruction	\$9 million
Haines Ferry Terminal	\$3 million
Ketchikan extension completion thousand	\$750

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Ms. Kelly referenced the Language Sections 16-32, Pages 77-89, which include are the following items:

DEPARTMENT OF CORRECTIONS

Population management community jails	\$45 thousand
Out of State contractual	\$50 thousand
Fund source change from federal receipts To General Fund for federal prisoners	
Parole Board unpaid invoice	\$400 hundred

DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT

School Performance incentives	\$1.4 million
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DEPARTMENT OF ENVIRONMENTAL CONSERVATION

Ocean Ranger program implementation million	\$2.8
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OFFICE OF THE GOVERNOR

Expenses for upcoming State election thousand	\$584.2
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DEPARTMENT OF HEALTH AND SOCIAL SERVICES

One time phone purchase for Anchorage thousand	\$320.6
Senior Benefits payment program million	\$18.492

DEPARTMENT OF LAW

Sexual Assault/Domestic Violence earmark thousand	\$127.8
3 <sup>rd</sup> Judicial District (ASADV) earmark thousand	\$399.2
4 <sup>th</sup> Judicial District (ASADV) earmark	\$410 thousand

Civil Division:

Judgments and Settlements thousand	\$588
Human Service and Child Protection	\$500 thousand
Administration and Support	\$3.1 thousand

DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES

Central Region Support Services	\$500 thousand
Increase of cost of maintenance/Anchorage	\$97 thousand

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DEBT SERVICE

Reductions to Atwood Parking Garage Debt million	\$2.9
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GENERAL OBLIGATION BONDS (GO)

Rebate liability due to IRS GO series 2003	\$4.5 million
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FUND CAPITALIZATION

Contribution to the CBR	\$2.6 billion
Power Cost Equalization (PCE) million	\$1.2
Statutory Budget Reserve	\$1 billion

SPECIAL APPROPRIATIONS

White Stone community Revenue Sharing Program million	\$34.3 thousand \$180
Grants to PERS employers excess contributions	\$13.2 million

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Oil and Gas Tax Credit Fund

\$125 million

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Co-Chair Chenault pointed out that Section 13 had not been mentioned and that information from that will be presented at the next meeting, addressing capital projects. A work draft is currently being prepared.

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KAREN REHFELD, DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET (OMB), offered to answer questions of the Committee.

Representative Gara inquired when excluding the capital projects, how does the proposed budget compare to the general fund reduction in the fast and slow track supplemental combinations from the past couple years. Ms. Rehfeld did not have access at this time to those numbers. She commented that each year carries its own unique challenges. She referenced the key area in the proposed budget, which is tax credit in the amount of \$125 million dollars. That number is significant & that plus the Senior Benefits changes the amount. Last year, in the fast track supplemental, there were different items, making it difficult to compare.

Representative Gara discussed the overall cost of the bill and asked about backing out capital projects. Co-Chair Chenault did not yet know the numbers but imagined they could be "backed out". Ms. Rehfeld interjected that the total bill amounts to \$4.3 billion dollars including capital projects, approximately \$51.5 million dollars.

Representative Gara observed the cost of a \$4.3 billion dollar budget. Ms. Rehfeld corrected, the Capital Budget Reserve (CBR) deposit was \$2.6 billion dollars and \$1 billion dollars would be moved into the Statutory Budget Reserves.

In response to Representative Gara, Ms. Rehfeld explained that the non-general fund component legislation consists of federal funds, other funds and decrements to the federal funds based on changes to the Medicaid program. She anticipated that the Legislative Finance Division (LFD) would provide a spreadsheet.

Representative Gara clarified that the supplemental includes \$67.9 million dollars in other funds. Ms. Rehfeld reflected that the bill's total is \$4.329 billion dollars, including all funds. There is a negative number decrement in other funds in the amount of \$43 million dollars, including a decrement of \$13.2 million federal dollars. There have been adjustments made to other funding sources and federal funds. Ms. Rehfeld pointed out there remains approximately \$85 million general fund dollars, which has been broken down between Section 13, oil and gas tax credit and revenue sharing.

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Co-Chair Chenault indicated that a spreadsheet would be provided at the next meeting.

Representative Hawker asked how the Administration felt about the fund source change to the master lease credit financing. Ms. Rehfeld understood that the Administration would support that change.

Representative Hawker commented that the use of master lease funds is less desirable than general funds. Ms. Rehfeld reminded members that the budget is only a planning tool and that circumstances change and adjustments must be made.

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Representative Gara asked for an explanation to reductions made on Pages 43 & 44, to behavioral health services, Medicaid health care services and senior disability services. Ms. Rehfeld responded, the Department determines their numbers & projections based on past experience. Given the information through January 2008, there were remaining funds available from the FY08 allocation. The rest is what is remaining in the supplemental bill proposal.

Representative Gara asked if service levels would be changed through the reductions. Ms. Rehfeld explained that the component represents the outcome from some of the cost containment measures & recommended that the Department address specific concerns.

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Representative Gara questioned what the cost containment includes. He hoped it would not be cuts to services. He wanted to know real cost savings versus providing less service to fewer people. Ms. Rehfeld offered to provide additional information.

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Representative Hawker asked the Administration's position on the Alaska Housing Energy Program and the Weatherization Efficiency Program. Ms. Rehfeld replied the Administration has not yet taken a position on those proposals but that Alaska Housing Finance Corporation (AHFC) has interest in those programs. She did not know the dollar amount.

Representative Hawker wanted to see more clarity in the bill, which appears to be an appropriation into actual programs. He asked if the Administration would support language in the bill making it clear that the appropriation includes all the necessary costs to support the programs. Ms. Rehfeld had not yet discussed those concerns with AHFC, determining on-going costs.

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DAVE TRANTHAM, SENIOR CITIZEN, BETHEL (Testified via teleconference), voiced support for SB 256, indicating his concern with any changes to the proposed revenue sharing component as listed on Page 80. He wanted to guarantee funds for a three year period.

Co-Chair Meyer explained that language was taken from Senator Lyman Hoffman's Revenue Sharing bill passed out of Committee. It covers a three year period for the amount of \$60 million dollars, a minimum for each year. The fund is replenished if the price of oil increase above \$60 dollars per barrel. Twenty percent (20%) of the amount above the \$60 dollars is deposited into the Revenue Sharing account each year. As long as the price of oil stays high, the fund will always have money for appropriations.

Mr. Trantham referenced the contribution to the Budget Reserve Fund in the amount of \$1 billion dollars as indicated on Pages 80 & 88 and the deposit into the CBR

fund for \$2.6 billion dollars. He asked if long-term earnings from investments would always be the same.

Co-Chair Chenault said he could attempt to get that information. There are different accounts within the CBR, one of which draws a lower interest on short-term investments. The majority of the CBR is invested in long term investments. Mr. Trantham reiterated his support for the bill.

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R. THOR WILLIAMS, BETHEL (Testified via teleconference), noted his support for the bill, especially appropriations to revenue sharing and retirement funding, which helps address long-term debt in his area, identifying the Public Employees Retirement System (PERS) issues. He added his support for Section 33, repaying the CBR.

Representative Gara corrected comments made by Co-Chair Meyer to Mr. Trantham. He advised that revenue sharing caps out at \$60 million dollars per year and it is not a minimum amount. He questioned if the newly drafted version would max out at the end of three years. Co-Chair Meyer explained that the manner in which the fund is set up, it will always be one third of whatever is in that fund. Representative Gara understood that it was written so that it would never exceed the \$180 million dollar level. Co-Chair Meyer said that was not correct.

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Representative Kelly maintained that the proposed supplemental funding request is too large. Co-Chair Chenault agreed, however, pointed out that the majority of it goes to savings.

CS SB 256 (STA) was HELD in Committee for further consideration.

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#### ADJOURNMENT

The meeting was adjourned at 5:10 PM