

HOUSE FINANCE COMMITTEE
April 10, 2008
9:02 A.M.

CALL TO ORDER

Co-Chair Meyer called the House Finance Committee meeting to order at [9:02:43 AM](#).

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

Suzanne Armstrong, Staff, Representative Kevin Meyer; Darwin Peterson, Staff, Senator Bert Steadman; Ginny Austerman, Staff, Senator Donny Olson; Ginger Blaisdell, Staff, Senator Lyda Green

PRESENT VIA TELECONFERENCE

Bill Griffith, Facilities Program Manager, Division of Water, Department of Environmental Conservation, Anchorage

SUMMARY

CS SB 119(RLS)

An Act relating to grant programs to support libraries.

HCS SB 119(FIN) was reported out of Committee with a "do pass" recommendation and with indeterminate note #3 by the Department of Education and Early Development and indeterminate note #4 by the Senate Rules Committee.

#SB120

CS SB 120(FIN)

An Act relating to disclosure of certain information from the records of the Department of

Labor and Workforce Development and limiting the use of the disclosed information, and to the calculation and payment of unemployment compensation benefits; and providing for an effective date.

CS SB 120(FIN) was SCHEDULED but not HEARD.

#SB218

CS SB 218(FIN)

An Act relating to use of child safety seats and seat belts.

CS SB 218(FIN) was SCHEDULED but not HEARD.

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SB 259

An Act repealing certain provisions relating to applications for medical assistance coverage; making certain provisions of ch. 96, SLA 2006, retroactive; providing for an effective date by repealing an effective date section in ch. 96, SLA 2006; providing for an effective date for certain sections of ch. 96, SLA 2006; and providing for an effective date.

SB 259 was SCHEDULED but not HEARD.

SB 303

An Act relating to certain grants awarded by the Department of Environmental Conservation.

HCS SB 303(FIN) was reported out of Committee with a "do pass" recommendation and with a new zero note by the House Finance Committee.

[9:04:51 AM](#)

#SB119

CS FOR SENATE BILL NO. 119(RLS)

An Act relating to grant programs to support libraries.

Co-Chair Chenault MOVED to ADOPT work draft #25-LS0749\W, Mischel, 4/8/08 as the version of the bill before the Committee. There being NO OBJECTION, it was adopted.

[9:06:49 AM](#)

SUZANNE ARMSTRONG, STAFF, REPRESENTATIVE KEVIN MEYER, explained that the changes to the work draft occur on Page 2, Section 2, which deals with the library major expansion matching grant program. The changes are as follows:

- Subsection (d), Lines 4 - 8, provides that the Department in developing regulations to implement the matching grant program will establish regulations for the consideration of a community

that does not currently have a public library. The public library must be publically owned and operated by the community and can not be a public school library.

- On Page 2, Line 14, the \$10,000 dollar eligibility cap was removed.

Co-Chair Meyer clarified that every community would be eligible for the grants and preference would be made for those that do not currently have a library.

Representative Kelly asked the smallest qualifying area. Ms. Armstrong responded that in order for a community to be eligible, the library must be publically owned & operated by a community and that it can not be a public school library. With no population cap, it is assumed that a community must have a public library or consider constructing a public library owned by the local government and providing 50% matching funds.

[9:08:54 AM](#)

Vice-Chair Stoltze asked about "library" spaces that are not actually libraries but offer lending book services and if they could apply.

[9:09:45 AM](#)

DARWIN PETERSON, STAFF, SENATOR BERT STEADMAN, referenced AS 14.56.400, which describes what a public library is.

A public library established under this section shall provide the following services free of charge to the residences of the municipality or community:

- o Establish and maintain a collection of books & materials for loaning;
- o Provide access to inner library loan services;
- o Provide reading or educational programming for children; and
- o Provide reference information.

Vice-Chair Stoltze questioned if they must meet all criteria to qualify. Mr. Peterson stated they would have to provide all criteria and would need to be publically owned and operated.

[9:12:09 AM](#)

Representative Gara asked about the original preference for the smaller communities and where that language was located. Ms. Armstrong pointed out Page 2, the new subsection (d), Lines 4-8, discusses the eligibility standards establishing an eligibility priority for applications submitted by communities that do not currently have a public library. She pointed out concern that if all libraries in all communities would be eligible, the smaller communities could fall lower on the list.

Representative Gara understood that the small community preference was being reduced. The larger communities will be able to have major expansion proposals; however, a small community is more likely to need repair and not to expand. He pointed out that the way the bill is written, the entity can only apply for a grant for construction or major expansion. He asked about language to cover major repairs. Mr. Peterson advised that in order to qualify for major expansion, the community would need to provide 20% of those funds.

[9:15:05 AM](#)

Representative Gara repeated his query regarding major repairs. Mr. Peterson explained that the sponsor does not intend to broaden the program. He thought that the Capital budget should be the place to address issues such as roof repairs.

[9:16:30 AM](#)

GINNY AUSTERMAN, STAFF, SENATOR DONNY OLSON, provided background that the bill, which began as a school library grant collection to address items not normally covered. She pointed out that Senator Olson does support the additional changes.

[9:17:18 AM](#)

Representative Kelly discussed his concerns:

- Shifts occurring to the broadening use of internet services; and the
- Shrinking community sizes.

He wanted to know that the communities actually applying for the grants are thriving.

[9:19:07 AM](#)

Ms. Armstrong pointed out that there are eligibility requirements and that the local government must provide

matching funds as well as private donors. Those proposals would be submitted with the application and the Department of Commerce, Community and Economic Development would make the determination.

[9:19:44 AM](#)

Representative Joule asked if the sponsor supports the work draft. Ms. Austerman said he does.

Representative Joule was disappointed that the community size had been eliminated.

[9:21:10 AM](#)

Co-Chair Chenault requested testimony on the two indeterminate fiscal notes. Mr. Peterson explained that the Department had originally requested a new position to manage the program and that request was zeroed out; the note before the Committee indicates that intent. The regulations will be promulgated during the interim and the libraries will submit their applications and be ranked. The Legislature will then have the opportunity to appropriate the funds if they so choose.

Representative Thomas referenced Page 3, Line 23, the use of "may", while on Page 3, Line 5 uses "shall". He pointed out that "shall" was used consistently throughout the bill except the referenced on Page 3. He advised that it should be consistent throughout the bill. Ms. Austerman agreed that was reasonable. Ms. Armstrong pointed out there are two distinct programs within the bill, both of which the Department would be considering.

[9:24:51 AM](#)

Vice-Chair Stoltze recalled previous legislation highlighting the size of a municipality being 10,000 or less, however, the work draft expands small community size. He thought it would be difficult for certain populations qualifying and that there were inequities being addressed. He applauded the work done in the work draft.

[9:27:10 AM](#)

Representative Thomas MOVED to ADOPT conceptual Amendment 1, Page 3, Line 23, deleting "may" and inserting "shall". There being NO OBJECTION, it was adopted.

[9:28:08 AM](#)

Vice-Chair Stoltze MOVED to REPORT HCS SB 119(FIN) out of Committee with individual recommendations and with the

accompanying fiscal notes. There being NO OBJECTION, it was so ordered.

HCS SB 119(FIN) was reported out of Committee with a "do pass" recommendation and with indeterminate note #3 by the Department of Education and Early Development and indeterminate note #4 by the Senate Rules Committee.

[9:28:46 AM](#)

#SB303

SENATE BILL NO. 303

An Act relating to certain grants awarded by the Department of Environmental Conservation.

GINGER BLAISDELL, STAFF, SENATOR LYDA GREEN, addressed the impact of the bill by changing the population criteria for certain match requirements on water and sewer projects, increasing the municipality size from 5,000 to 10,000. The changes would impact positively eight communities. There are only three communities above the 10,000 mark - Anchorage, Fairbanks & Juneau.

She noted that the cost for construction projects has significantly especially for costs associated with steel and concrete. Some projects have become unattainable because of these costs. The bill provides a higher State matching rate, which provides communities opportunity for improved water and sewer systems.

Co-Chair Meyer questioned why the three largest communities had been excluded.

[9:32:39 AM](#)

Ms. Blaisdell agreed every community has been impacted by high construction costs, yet, the hope is that the denser populated areas could absorb costs easier.

Vice-Chair Stoltze countered the reasoning, pointed out an infrastructure project ongoing in Palmer. Ms. Blaisdell agreed.

[9:34:02 AM](#)

Representative Thomas questioned how the 15,000 number had been determined. Ms. Blaisdell said 10,000 was a good cut off point; she did not know why a higher number had not been considered.

Vice-Chair Stoltze observed that 10,000 is a consistent number for determining a small community and is used over and over in the State. Co-Chair Meyer was more comfortable

with the 5,000 resident number because that group has a tax base. Co-Chair Meyer observed that SB 303 is another revenue sharing bill. Ms. Blaisdell agreed it helps with municipal revenue.

Representative Kelly interpreted that it is a "weighted" revenue sharing bill.

[9:36:12 AM](#)

Co-Chair Meyer referenced Page 1, Line 14, recommending changing 50% to 60%. Ms. Blasdell responded that would be acceptable. She recommended that if that change was made, then Page 2, Lines 1-5 should be deleted, following "persons".

Representative Gara referenced the \$3.7 million dollars fiscal note asking why it was projected to end in FY09. When the grant ends, would the Department then cover the remaining costs. Ms. Blasdell explained that the way the municipal matching grant program works for water and sewer projects is that the communities send in extensive applications and then those are ranked by Department of Environmental Conservation and the highest priority is determined. The determination regarding whether a project is included or not is determined by the appropriation cap.

Currently, the Governor's Office has requested \$26 million General Fund matching dollars for those projects. The proposed fiscal notes assume that the same projects, which would have been matched under the \$26 million dollar amount, would have a higher match rate and would provide the additional cost for the impacted programs. The zero indication for FY10 resulted because the Department has not considered any applications yet.

[9:39:10 AM](#)

Representative Gara asked if the State currently only spends \$26 million dollars on grant programs. Ms. Blaisdell replied that was correct for the General Fund dollars only and that there are also federal clean water funds.

Representative Gara attempted to determine if the request was a "reshuffling of the spending dollars".

BILL GRIFFITH, FACILITIES PROGRAM MANAGER, DIVISION OF WATER, DEPARTMENT OF ENVIRONMENTAL CONSERVATION testified via teleconference, advised that the fiscal effect of the bill would be that the Department would need more General Funds to provide grants for the same number of projects. Each year, the Department provides a new priority list including the grant requests made that year. Funds would need to be allocated by the Legislature each year to fund the projects.

Representative Gara worried about the proposed expense associated with the projects. He indicated concerns for communities that currently have no water and/or sewer. He mentioned the need to make changes for communities currently using "honey-buckets". He asked what portion goes to those communities. Mr. Griffith replied those projects are funded through the Village Safe Water Program, federal funds, 75% federal funds and 25% State match dollars. That is a separate program and separate budget request. The municipal matching grant projects are 100% State funding.

[9:42:44 AM](#)

Representative Gara inquired the current amount the State spends on the Village Safe Water projects and if there is a back log for those projects. Mr. Griffith responded that each year, the Department attempts to capture all the available federal funds for such projects and requests the necessary State dollars to capture those fund matches.

Representative Gara reiterated concern for areas of the State that do not have flush toilets and asked if those projects would be fully funded. Mr. Griffith did not have the numbers available; typically, the Department requests the same or more than the State portion. The funding for the Village Safe Water projects this year was around \$30 million dollars. He advised that the Department captures three times that amount in federal funds.

Representative Gara inquired if there was a project backlog. Mr. Griffith replied there is a backlog and that currently, there is an unfunded need for both the Village Safe Water projects & the municipal matching grant projects. The Department is never able to fully fund all the requests each year.

[9:45:19 AM](#)

Vice-Chair Stoltze pointed out that last year, a total spending of \$120 million dollars was provided to Alaska. He pointed out that there are people in his district that do not have safe drinking water and have failed septic tank issues. The problems are not regional and placing infrastructure near regional hospitals is important. He suggested the needs were being presented from a one-sided point of view and that there are areas in urban Alaska that also have serious concerns.

[9:47:49 AM](#)

Representative Hawker echoed similar sentiments. He commented on the allocation and rationing of the State's capital investment and the consideration of how well managed

the money is spent and how extensive the projects are. The Village Safe Water projects has experienced financial mismanagement over the years. The Department has undertaken a significant effort to remedy the situation. He warned that it is important to know all the facts that are involved in making allocation choices.

Co-Chair Meyer questioned how the program would be affected if the percentage was changed from 50% to 60%. Mr. Griffith responded that the Department was working on a fiscal note indicating those changes and acknowledged it will require additional funds.

Representative Gara wanted to see "honey-buckets" disappear in Alaska. Any community that is still using them has serious needs. He stressed that mismanagement of the program should not result in people being deprived of proper water and sewer.

Representative Gara did not agree with spending more money on the larger municipality size from 5,000 to 10,000 and then 50,000 to 60,000 for Anchorage. He worried about the smallest communities with fewer than 1,000 receiving the 85% match. He believed that the amendment would help the mid and big size communities but would leave the small communities without funding dollars. He urged that all community size numbers be adjusted.

[9:51:05 AM](#)

Representative Nelson addressed the Village Safe Water Program concerns. She noted that she had worked for a contractor in that program. She emphasized that many of the villages have had their concerns addressed. The ones currently on the list are the ones that are the most challenging and expensive. She acknowledged there are unmet village needs, while pointing out how expensive those projects will be. She reiterated the challenges.

[9:53:01 AM](#)

Representative Kelly requested a list of the statewide locations that have more than 50 people still on the "honey-bucket" system. He appreciated the progress the State has made. He worried about the lower limit and encouraged focusing on the areas with a population density. He reminded members that the bill is about revenue sharing and that he intended to vote against it.

[9:55:00 AM](#)

Co-Chair Meyer acknowledged the increase to steel and pipe costs and realized there is a need and demand in his own area.

Co-Chair Meyer MOVED to ADOPT Amendment 1 to Page 1, Line 14, deleting "50" and inserting "60". There being NO OBJECTION, it was adopted.

Co-Chair Meyer MOVED to ADOPT Amendment 2 to Page 2, deleting all language on Line 1 to the end of the bill from "however, if a municipality.." There being NO OBJECTION, it was deleted.

Representative Gara MOVED to ADOPT Amendment 3, Page 1, Line 11, deleting "1,000" and inserting "2,000". Representative Hawker OBJECTED.

[9:56:26 AM](#)

Representative Hawker asked which communities would be affected by that change. Representative Gara did not know but wanted to make sure that all statewide communities were taken care of.

Vice-Chair Stoltze pointed out that technically, Line 13 would also need to be changed.

Representative Nelson interjected that she only knew one village over 1,000, Hooper Bay. Representative Hawker listed the other areas affected by that change: Wrangell, North Pole, Houston, Hooper Bay, Craig and Delta Junction.

[9:57:21 AM](#)

In response to Representative Kelly, Mr. Griffith explained that communities would be able to participate in either one. In order to be eligible for the Village Safe Water, all second class cities would be if they were over 1,000 residents. The municipal matching grants are distributed to the first class cities with a population of over 600.

Representative Kelly believed that information clarifies that that the scale should not be adjusted; he spoke against the amendment.

Representative Gara WITHDREW Amendment 3.

[9:59:43 AM](#)

Representative Kelly agreed that when the State grows into that situation, the idea should be revisited.

Representative Nelson asked the position of Hooper Bay on the Village Safe Water list. Mr. Griffith interjected that the Department currently has a large, aggressive project to pipe water and sewer system into that area. Funding is

available for that project from the three year priority list to keep the project going for the next 2-4 years.

Representative Nelson asked if Amendment 3 would have been beneficial for that community. Mr. Griffith responded that the amendment would not have affected that project. Hooper Bay is eligible under the Village Safe Water program for 100% grants.

[10:02:07 AM](#)

Vice-Chair Stoltze MOVED to REPORT HCS SB 303(FIN) out of Committee with individual recommendations and with the accompanying zero note. There being NO OBJECTION, it was so ordered.

HCS SB 303(FIN) was reported out of Committee with a "do pass" recommendation and with a new zero note by the House Finance Committee.

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ADJOURNMENT

The meeting was adjourned at 10:02 A.M.