

JOINT
HOUSE & SENATE FINANCE COMMITTEES
January 24, 2008
1:09 P.M.

CALL TO ORDER

Co-Chair Chenault called the Joint House & Senate Finance Committees meeting to order at [1:09:58 PM](#).

HOUSE 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.

SENATE MEMBERS PRESENT

Senator Lyman Hoffman, Co-Chair
Senator Bert Stedman, Co-Chair
Senator Fred Dyson
Senator Kim Elton
Senator Charlie Huggins
Senator Donald Olson
Senator Joe Thomas

MEMBERS ABSENT

Representative Richard Foster

ALSO PRESENT

David Teal, Director, Legislative Finance Division; Karen Rehfeld, Director, Office of Management and Budget

SUMMARY

^FY2009 BUDGET DISCUSSION AND FOLLOW-UP

[1:11:23 PM](#)

KAREN REHFELD, DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET, OFFICE OF THE GOVERNOR, spoke to reconciliation of the fiscal budget summary presentation, December 10th. She commented there had been disagreement on those numbers and requested that David Teal, Director, Legislative Finance Division, provide an overview of the spreadsheet prepared by that Division. (Copy on File). She mentioned areas of difference.

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DAVID TEAL, DIRECTOR, LEGISLATIVE FINANCE DIVISION, referenced the three versions of the budget scenario before the Committee. He agreed that progress had been made during discussions with OMB. He referenced Page 1 [Common Format]. The differences for FY08 indicate the Public Education Fund as an adjustment to the authorization, no longer showing it as revenue. When the Legislature left in July 2007, there was a \$530 million dollar deficit [Line 33]. The second change in the summary is the Energy Fund, previously classified as a supplemental spending appropriation. Now it is clear that it is set-up to be an endowment and moved to transfers. Everything listed below Line 51 has been categorized as a transfer, which are appropriations with no dollars leaving the State.

Senator Elton said it was difficult to lump the Constitutional Budget Reserve (CBR) in with the transportation, energy and public education endowment fund needs. He asked why the CBR had been placed in that category. Mr. Teal explained that no dollars would actually be leaving the State Treasury.

Senator Elton maintained that the CBR is a savings account, not a transfer account. Mr. Teal noted that that entire group had been labeled "transfers" but agreed it is fair to call it a savings account.

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Senator Elton stated for the record that the Legislature has encouraged Alaskans to think of the CBR as a "rainy day account" and that he was not prepared to change that.

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Representative Gara asked if the \$530 million dollar deficit included monies used for education & the savings accounts. He asked if the State had spent money for services greater than received. Mr. Teal explained that the original summary counted dollars that "sat" in the Public Education Fund as revenue; however, it was never legislative intent to spend that money. Classifying those dollars as revenue would indicate that it is available to spend. The summary attempts to highlight the actual cash flow.

Revenue from FY08 was expected to be \$3.5 billion dollars as indicated on Line 6, Page 1. The Legislature spent \$4.1 billion dollars as indicated on Line 32, Page 1. Mr. Teal added that fortunately, additional funds came in the amount of \$3.2 billion dollars. The total revenue received was actually \$6.7 billion dollars, now providing a surplus of \$2.6 billion dollars indicated on Line 38. The Legislature is now facing deliberation on how to dispose of that \$2.6 billion dollars. There no longer is a deficit.

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Representative Gara asked if that amount was intended to include expenditures for public education. Mr. Teal said no. What is counted as expenditure is the amount from the Public Education Fund that was actually spent in FY08 as indicated on Line 11, and in the amount of \$973 million dollars. More dollars were placed into that fund. However, what is shown as funding is the actual amount distributed to the schools.

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Mr. Teal addressed FY09 consideration, explaining that LFD had worked with the Administration to reformat the numbers. The major changed items from the original summary not included as either capital or operating expenditures by OMB are:

- New legislation, Line 14 in the amount of \$155 million dollars;
- Amendments to the operating budget, Line 15 in the amount of \$41 million dollars;
- Oil and gas investment credits, Line 22 in the amount of \$200 million dollars; and

- Capital amendments, Line 30 in the amount of \$10.5 million dollar.

Mr. Teal noted that OMB & LFD are now in agreement that those numbers should be classified as FY09 expenditures. Disagreement exists in the changes column as OMB has indicated an increase of \$39 million dollars; however, when adding the totals, it provides different numbers.

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Ms. Rehfeld expressed that there are two key differences in the current discussion from the December 10th fiscal summary presentation, which are the treatment of the tax credit and the issue of supplemental funding. When Governor Palin initially announced the budget plan, she included some proposed additional fiscal expenditures for FY08. Those requests will now be included in the supplemental bill.

Ms. Rehfeld reported that OMB had presented both FY08 and FY09 on the same document, to be used as a comparison point. She acknowledged the new starting point. It was known there would be supplemental funding needed specifically for the Senior Benefits Program and oil tax credits. OMB placed that credit below the line because it was considered both an investment and a credit, being somewhat neutral revenue. The amount indicated on Line 32, Page 1, is \$459.6 billion dollars, prepared by the Legislative Finance Division (LFD) as compared to the number from the Administration's summary with the difference being \$150 million dollars, represented by the tax credit. There is no agreement on how to address the tax credit, although, suggested it be revenue neutral. Compared to the OMB summary, the number was a \$150 million dollars tax credit, not including supplemental placeholder in the amount of \$50 million dollars.

Ms. Rehfeld maintained that the Governor's intent was clear in the December 10th presentation regarding the proposed budget, including additional expenditures not before the Committee.

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Senator Stedman delineated his concerns regarding the credit issues indicated on the top line; he thought they should be gross revenue but are shown as net. Line 22,

Page 1, indicates the oil and gas investment credits for the small producers. He reiterated that gross revenue had been understated and offset by the 20% capital tax credit taken. He recommended that number be adjusted for greater transparency.

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Ms. Rehfeld advised that there has been on-going conversation with Department of Revenue to make certain that the treatment of those numbers remain consistent and be either net or gross.

Mr. Teal explained the two issues:

- The first issue is the credits taken by the majors, used as the tax is turned in. What LFD indicates as revenue is actually the net of the major's credits as deducted from their tax payment. He hoped that the Department of Revenue would further explain the numbers.
- The second issue is the investment credits for the non-majors. They do not owe tax and it is not considered revenue that has an off-set. When a credit is paid, it is not a refund of taxes paid but rather an appropriation reimbursing them for the investments made.

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Senator Stedman commented that cross referencing the numbers was confusing. He stated that for the State to offer a transparent plan, the numbers must be clear. Mr. Teal reiterated that OMB would be speaking with the Department of Revenue to address that concern. The situation exists now because the need to show the credits is new. Under a gross tax system, the credits were indicated as revenue; there were no tax credits, hence the number was simple. With the State now offering a net profits tax, the Department of Revenue will need to change their forecast procedure. He recommended that the Legislature make the request to the Department rather than LFD.

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Mr. Teal referenced Page 1, indicating that the agency operating appropriations increased by 13% total, with an 11% increase in agency budgets and a 22% increase in the statewide portion of the operating budget.

He asked what the Legislature really wants to control - either the entire budget or to focus only on the agency operations. It has been presented as "operating with two splits".

Ms. Rehfeld suggested addressing the issues on a statewide basis. From the public's perspective, it might be difficult to judge what is in an agency request versus the operating budget. She did appreciate the "grouping" recommendation.

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Senator Elton asked if the Administration would support moving Revenue Sharing out of the Capital Budget. Ms. Rehfeld advised that the appropriation would be moved to the Capital Budget in the Governor's budget proposal.

Co-Chair Chenault referenced the statewide formula programs; he worried about moving each into their own category. He anticipated that the public will miss the formula funding projects that continue to grow. He urged that "real" numbers are simple to understand. By breaking down State spending into the three categories of General Funds, Capital Funds and "other funds", allows more room for confusion of the actual costs. He reiterated that Alaskan's want to know how much revenue the State actually has and how much of that is being spent.

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Co-Chair Hoffman questioned the on-going disagreements regarding the supplemental funding requests. He maintained that classification of expenditures should reflect accurate costs. Ms. Rehfeld countered that the Administration did identify the proposed supplemental expenditures in their FY08 budget numbers; hence, the 12/10/07 presentation appears different. She pointed out that the LFD numbers do not include those items. She reiterated that the Governor's package was comprehensive. Mr. Teal indicated that information is addressed on Page 2 of the handout.

Co-Chair Hoffman believed that costs for the supplemental funding requests would exceed the \$50 million dollar amount included in the Governor's proposal. Ms. Rehfeld acknowledged that the numbers are difficult to predict; she admitted that the amount was probably conservative.

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Representative Hawker applauded the current dialogue, attempting to make the numbers more comparable. He questioned the 9% decrease in the K-12 education funding. He realized Line 14 addresses the issue, but requested further testimony for the record.

Mr. Teal instructed that the 9% decrease is a result of a FY08 showing the total cost of K-12 education; the FY09 budget highlights what current law specifies is paid to the schools. In FY08, the formula had been enhanced by \$48 million dollars for district cost factors and \$21 million dollars for school improvement grants. Each was a one time item for FY08 and outside the Public Education Fund.

In current FY09 law, school improvement and district cost funding factors were not included. Line 14, FY09 legislative funding proposed \$155 million dollars of which, \$141 million of those dollars would implement the task force recommendations to restore the \$50 million dollars for district cost factor consideration. School improvement grants are replaced by increases to the Base Student Allocation (BSA) in the amount of \$200 million dollars; intensive need increases totals another \$141 million dollars, which would be added to the \$885 million. The recommended dollars to be spent on K-12 education do not include:

- The direct appropriations to the Teachers Retirement System/Public Employees Retirement System (TRS/PERS) retirement systems made on the behalf of the school districts, in the amount of \$206 million dollars; or
- The school debt reimbursement.

Mr. Teal indicated that the number listed on Line 11 was "vastly understated". He added that the amount proposed on Line 14 still does not provide the real numbers spent on education.

Representative Hawker appreciated the inclusion of the footnotes, which better clarifies that language for the layperson. He added that the Administration's 12/10/07 presentation was complicated for most anyone to understand.

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Ms. Rehfeld compared the numbers presented on 12/10/07 by the Administration versus the numbers currently on the table in the amount of \$478.7 billion dollars. In the 12/10/07 report, each of those numbers are also indicated in the report before Committee members including revenue sharing, education and new legislation funding precisely laid out. She agreed it was confusing.

Representative Hawker interjected that the Administration had capitalized on "holding the line on the budget", highlighting a 1% increase to the operating budget, an indication that is not accurate or honest, not conforming to reality. He stressed that it is not fair to structure a presentation so that the average person does not understand the details. He maintained that the format proposed by LFD is more clear and reasonable. Ms. Rehfeld responded that the focus had been the bottom line number of 4%, the difference between the tax credit and the supplemental.

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Senator Stedman echoed concerns voiced by Representative Hawker that the numbers provided by the Administration were a disservice to the public. He pointed out that the operating budget has substantially grown and that the numbers should accurately reflect the State's position.

Senator Stedman encouraged cleaning-up the funding source issues. The media has locked into concerns surrounding the General Fund. He concurred that the overhead costs should include federal funds. The Senate intends to "clean-up" the incongruities for the public's clarity.

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Co-Chair Meyer noted concern with the inclusion of "other funds" throughout the operating budget. Those are funds typically used in the capital budget. He recommended the focus be on the operating budget. In order for the process

to be more clear, dividends should be placed back into the capital budget.

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Representative Kelly added concern with the placement and identification numbers to the public, which have glossed over the seriousness of the operating budget increases. The proposed funding is not sustainable. He emphasized the need for real numbers given to the public; he maintained that education funding remains a genuine statewide problem, reiterating the situation is critical for Alaska.

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Mr. Teal continued with the overview. He agreed that the fiscal summary is confusing, advising that it is a budget document, which requires year's of experience to understand. The handout does attempt to compare it in an appropriate & understandable manner. He added that OMB agrees with the budget for FY09, as presented.

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Mr. Teal delineated the changes where OMB attempted to build in a supplemental. The disagreement originates because LFD uses the July fiscal summary as the base, using the statistics of where the Legislature left the budget at the end of session and using that as the starting point. LFD compared the FY09 operating budget proposal to that base. OMB uses the base as of the December 10th, presentation, which builds in additional spending. The Legislature has not yet accomplished that and are some of the options currently being faced by the Legislature. Mr. Teal recommended that the base used be the one in place in July.

Mr. Teal explained that if the Governor anticipates building the supplemental into the FY08 base, the action will increase the amount of FY08 spending. Providing the FY09 number should indicate a difference between FY08 and FY09, and would then appear smaller.

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Mr. Teal advised that highlighted Line 45 had been zeroed out and placed into Line 22, putting it back into the FY08

base. The argument is that the Legislature passed the credits and they must be paid, building it back into the base. Sometimes, those actions result in large supplemental funding requests.

Mr. Teal referenced Senior Care. The Legislature did convene in Special Session and increased FY08 costs by \$18.5 million dollars, which happened after July, 2007. The amount moves from supplemental Line 42 to the formula line programs on Line 12, an action which changed the comparison. He reiterated the argument to include supplemental FY08 spending in the base and at that time, the FY09 supplemental could be built into the FY09 spending plan. No one knows what the FY09 supplemental will be, but to assume that \$50 million dollars be used as a "placeholder" is not an accurate estimate. A proper base of comparison is what the Legislature did last year and adjusting that for vetoes. A correct FY09 budget would be the Governor's request before inclusion of the supplemental funding request.

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Representative Crawford thanked Representative Hawker for clarifying the issues and requested a more simple explanation of hidden costs.

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Representative Hawker addressed the difficulty of providing supplemental activity information. He emphasized the need to move the \$18.5 million dollars into the FY08 operating budget management plan in order to be able to accurately evaluate the budget proposal. To compare the two budgets with the FY09 budget and including that item with the FY08 budget not indicating that spending is confusing. During Special Session, a bill was passed with the understanding that the amount would be included and would not be considered supplemental funding. The 1st chart attached, illustrates the amount without the dollars and shows an increase in the formula programs. He agreed that 19% is a much smaller amount than 23%, but that is the more accurate number.

Representative Hawker recalled many previous years of large supplemental requests, creating an inaccurate account of

the budget. He encouraged more genuine supplemental activity restraint.

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Ms. Rehfield reported that the Department of Corrections budget has been a challenge. She listed several concerns with inmate health care and staffing, acknowledging that some improvements are being made.

Representative Hawker requested an opinion by LFD in the "truth in budgeting". Mr. Teal advised that in order to attain a "true supplemental" requires funding a budget at the level required. He recalled a time when Senator Green made the decision to eliminate supplemental budgets except for unforeseen overruns. Supplemental budget funding decreased that year.

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Senator Stedman recommended that cross-year funding mechanisms be eliminated, which he believed contributes to distortion in budget spending. He applauded discussions on a new process being put in place to clean up the process.

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Senator Hoffman suggested that the confusion surrounding the budget rests with the Legislature. He recalled a process in the past in which moving funds looked like a budget reduction. He maintained that in the past, the Legislature has made the process more complicated. He echoed sentiments of moving forward with more clear intent.

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Representative Gara addressed the State's obligations:

- Save money during times of high oil prices;
- Study what works and continue with that; and
- Investigate items that do not work and change the way they are done.

Representative Gara commented that the presentation has been both helpful and frustrating. He agreed that it is not helpful to use inaccurate numbers. He referenced Page 1, pointing to the 11% increase to General Fund funding

while adding in the "other" funds, adjusting the number \$1.2 to \$1.364 billion dollars, approximately a 15% increase.

Mr. Teal consulted that General Funds are not the only important funds to consider. The Legislature must consider all State funding. He referenced sources of other funds such as the student loan proceeds, a return of dollars to the General Fund capital. There is no good answer for why each item is not classified as General Fund revenue. Many of those funds have been reclassified as other funds; the process has slowed the appearance of the general fund budget decline. For the public, the press and during the subcommittee process, the focus tends to be on the affect to the General Fund.

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Representative Gara emphasized that regardless of how the funds are segregated, it is all State spending. He asked Ms. Rehfeld if the Administration was still at about an 8% increase. Ms. Rehfeld said yes. Mr. Teal interjected that when there is an 8% change, there must be a base. The issue is how to come an agreement on the common base when comparing those numbers. Senior Care is a good example, which was funded without a fiscal note.

Representative Hawker maintained that the conversation has been essential and observed that the word "fund" has a few different meanings. The complexity & confusion illustrate a point, clearly stated in the constitutional foundation that there shall not be dedicated funds. Many issues exist because the Legislature has found ways to get around that language. He urged that the budget process remain close to the use of a single pot of dollars, leading to greater honesty in budgeting.

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Senator Elton related that the Governor plans spending in different ways; pointing to the Renewable Energy Fund & the Transportation Fund. It might be called "smart spending" but it remains spending and using of State dollars. He indicated confusion with the use of "transfers" to the Public Education Fund, the Renewable Energy Fund & the Transportation Fund. He maintained that the "lump"

spending in with the Constitutional Budget Reserve (CBR), distracts from the source.

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Mr. Teal informed that LFD does publish budget reports addressing total State funds. Those reports combine information on General Fund and non-duplicated other funds in order to provide greater clarity in actual State spending.

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Mr. Teal stated that Page 3 of the handout represents the legislative view of the Governor's plan [it is not the Governor's plan]. Changes were made to keep the definitions consistent.

- \$6 million dollars of capital projects were moved into the operating budget, considered to be operating items.
- There was \$35 million dollars of corporate dividends moved from debt service to customary use in the capital budget.
- Also, included are the student loan dividends, directed into non-formula operations and moved to the capital budget.
- \$9.6 million dollars was moved from an appropriation to the Department of Law from the Capital Income Fund placing General Funds into the operating and spending capital income fund in that space.

Mr. Teal pointed out that there is no net impact; he urged further consideration of the true costs of doing business. Following a legislative education funding mechanism for K-12, education would then be funded one year in advance; the Governor proposed \$1 billion dollars education funding for FY09. The anticipated need for FY10 for education is \$1.1 billion dollars. To reflect true costs, requires bumping the Governor's proposed up to \$1.1 billion dollars.

He continued, retirement costs are at approximately \$40 billion dollars, in which the Governor proposed putting \$450 million in for FY08 and reducing contributions in FY09. The true costs of doing business in FY09 would require adding the \$40 million back in, requiring a cost increase of \$148 million dollars. He mentioned the

understated fuel costs for FY09. The restatement of the Legislature's view spends more money and means that the \$150 million dollar deposit to the CBR would not happen.

Mr. Teal advised that the above mentioned view is appropriate if legislators want to look at the true cost of doing business in FY09.

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Ms. Rehfeld pointed out that the Governor's interest was to provide a comprehensive plan including the amounts necessary for public education, should her proposed three year plan be implemented. She indicated the Administration's appreciation addressing how to save the surplus for future short falls. She added that the Governor intends to look closely at forthcoming amendments.

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Senator Stedman requested guidance when addressing the capital account and that relationship to revenue sharing. He hoped to avoid similar vetoes, which occurred last year. Ms. Rehfeld noted the difficulty the Governor had in determining last year's capital budget, a process which must include work within the State agencies and their budgets. The Administration attempted to stick with core service issues & priority areas such as education & the water and sewer infrastructure. The Governor does not have the ability to evaluate one community's project need over another. Ms. Rehfeld was optimistic that last year's problems would be avoided.

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Senator Stedman asked about the Administration's definition of "earmarks". Ms. Rehfeld explained that technically, earmarks have not been defined. The State does have the option of using federal criteria for earmarks, to determine community and State priorities, if local matching funds exist.

Senator Stedman asked if a Department of Transportation and Public Facilities project in a village district would be defined as an earmark. Ms. Rehfeld responded that through the Department's process, the federal highway system works

down through the transportation plan need list to determine if a project should be included.

Senator Stedman reiterated the question. Ms. Rehfeld addressed the priorities used for ranking the projects. Senator Stedman asked if the current process for requesting city projects was a waste of time. Ms. Rehfeld replied that it was never a "waste of time" and that there was priority projects as proposed by the Legislature included in the Capital Budget.

Senator Stedman inquired the allocation percentages of the Administration's projects versus those of the Legislature funding in the Capital Budget. Ms. Rehfeld stated that dollar amount has not been identified. Senator Stedman requested further information on the percentage amounts allocated. Ms. Rehfeld added, the Governor recognizes a need for revenue sharing.

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Senator Dyson commented on earmarks, while noting concerns with the inclusion of intent language throughout the budget. He maintained that case law shows that the Legislature has the right to determine how money is appropriated and discussed previous evaluation of missions and measures. Senator Dyson addressed obfuscation and who the perpetrators to the State are. He applauded the work done by Ms. Rehfeld and Mr. Teal.

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Co-Chair Meyer commented that Page 3 provides pertinent information for the Legislature. He noted that the indication is a 15% increase in the operating budget and a 12% overall increase, comparing that to the Governor's proposed 4% increase.

Co-Chair Meyer requested that guidelines be provided to the Legislature for preparing the capital budget in order to prevent future vetoes such as last year's. He hoped future miscommunications could be prevented.

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Ms. Rehfeld agreed.

Senator Elton reiterated his understanding of the review process used for community projects. Ms. Rehfeld gave examples of statewide programs, whereby, the communities could apply for projects. She suggested sticking to the core areas the Governor has outlined. Senator Elton understood the process; however, pointed out that there are many projects that do not fit "neatly" into categories. It does not seem fair to veto those requests. He emphasized the importance of having a review process in writing.

Ms. Rehfeld explained it would be difficult to review a project if it had not come through a State run program evaluation team. After the budgets are passed, then the Administration must review all accompanying documentation associated with that request.

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Representative Gara echoed sentiments expressed by Senator Elton. He stated the Administration does damage to the State governing through "sound bites". He commented the Governor will have a difficult time passing the budget since she created an expectation that it is not genuine and honest. He requested more information on the real numbers.

Ms. Rehfeld countered that the concern exists on an impression of the budget presented on December 10th, which is not accurate. She maintained that the presentation was clear, however, there is confusion on how those differences were handled.

Representative Gara pointed out that the Administration had highlighted the 4% increase in the General Fund fully aware that the increase was actually 8%. He acknowledged temptation to use the smaller number, but such action does not help the budget process.

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Senator Hoffman referenced the Statewide Transportation Improvement Program (STIP) projects and planning associated with those projects. He worried about eliminating projects that are resting on the threshold. It is wasteful use of energy, particularly when all criteria has been met. He admitted that there was a project in his district that falls into such a category and asked reconsideration of it.

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Representative Thomas stressed that most capital projects are necessary funding needs and that the Legislature must stick together when those vetoes come up. He pointed out that his district had made requests for matching grants for water and sewer issues, which were vetoed.

Representative Joule pointed out that capital requests originate from legislators understanding the needs of each of their districts. Legislators need to agree on a process for coming to agreement with the Executive Branch on those requests.

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Senator Stedman commented on the health, life and safety criteria used by the Governor for justification to determine last year's vetoes. The obligation of legislators is beyond the constitutional mandates. He urged greater flexibility and balance within each department and community involvement to lift the standard of living, especially for children and seniors. It is the obligation of each elected official to address those inequities. He warned that hoarding dollars is criminal and that the capital budget should drive the economy.

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Senator Dyson did not think that the Legislature should relinquish responsibility to delegate funds whether through the capital or operating budget. He reiterated that the Legislature should determine how the capital dollars are spent, not the Governor.

Representative Kelly appreciated the discussion. He encouraged that the future of Alaska be sustainable and hoped that a shift in the base could occur at this time. He inquired which page of the handout addresses such options.

Mr. Teal explained that there is not much difference between the three sheets - the difference being whether public education is funded for one or three years. The Governor's plan to put three years ahead for education does not drain the entire fund; however, if there is sufficient

revenue, money would continue to be placed into the Public Education Fund.

Representative Kelly commented that there is a big difference between a prepaid expense, savings and forward funding education. He urged that Sheet 3 be adopted. The goal of forward funding education for one year should be supported. He stressed that current oil prices are not sustainable.

Representative Kelly concluded his testimony addressing the PERS/TRS liability. He urged that a 25-year amortization be used to make the public aware of the situation.

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Mr. Teal clarified that pre-funding education does not make any difference. Having a three year balance does not change the amount of money that flows out. The formula essentially never goes down. The school districts want to know how much more they will get each year, which provides them certainty. He stressed that it is not a balance of funds.

Ms. Rehfeld emphasized the Governor's intention was always to continue prefunding the next year education budget.

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Representative Crawford pointed out a portion of the capital budget vetoed last year to the Fire Island project. He questioned what the Governor's intent now was with that project. Ms. Rehfeld did not have any details, but knew that Alaska Energy Authority (AEA) & Alaska Industrial Development Export Authority (AIDEA) were working on a proposal. She did not think the work would be completed this session; it is not included in the current budget.

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Representative Hawker referenced Sheet 3, hoping that it did not include endorsement of any new dedicated funds. He hoped there was genuine communication occurring at this meeting between OMB and LFD. He acknowledged that the numbers proposed in the December 10th budget outline were accurate; however, the issue remains that the associated publicity was not honest. It is important to illustrate

what is savings and what is not. The intent should be to get on track for fair & accurate budget presentations without distorting reality.

Ms. Rehfeld acknowledged that progress has been made, yet disagreed with the characterization made by Representative Hawker.

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Senator Stedman stated that the Senate intends to make the system more transparent. The Senate Finance Committee will work earnestly with the Office of Management and Budget & Legislative Finance Division, attempting to make the system more accurate.

#

ADJOURNMENT

The meeting was adjourned at 3:34 P.M.