

SENATE FINANCE COMMITTEE
March 3, 2008
9:17 a.m.

CALL TO ORDER

Co-Chair Stedman called the Senate Finance Committee meeting to order at [9:17:34 AM](#).

MEMBERS PRESENT

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

MEMBERS ABSENT

None

ALSO PRESENT

Grier Hopkins, Staff, Senator Thomas

PRESENT VIA TELECONFERENCE

Chris Maisch, Director and State Forester, Division of Forestry; Martha Freeman, Forestry Resources Program Manager, Department of Forestry; Jerry McCutcheon, Anchorage

SUMMARY

SB 229 "An Act relating to the Tanana Valley State Forest and to assignment of certain forest land to the Minto Flats State Game Refuge; and providing for an effective date."

SB 229 was REPORTED from Committee with a "do pass" recommendation and previously published fiscal notes from the Department of Natural Resources and the Department of Administration.

SB 256 "An Act making supplemental appropriations, capital appropriations, reappropriations, and other appropriations; amending certain appropriations; ratifying certain expenditures; making appropriations to capitalize funds; and providing for an effective date."

CSSC 256 (FIN) was REPORTED out of Committee with the accompanying fiscal note.

[9:17:44 AM](#)

SENATE BILL NO. 229

"An Act relating to the Tanana Valley State Forest and to assignment of certain forest land to the Minto Flats State Game Refuge; and providing for an effective date."

Co-Chair Stedman related that the purpose today was to hear the bill and allow public testimony.

[9:18:53 AM](#)

SENATOR JOE THOMAS, SPONSOR, read the sponsor statement.

Senate Bill 229 amends the boundaries of the Tanana Valley State Forest (TVSF) to correct errors in legal descriptions, reflect updated land status, and to better match the management intent for the Forest. This is done by adding and deleting boundary references to the legal descriptions in statute. These changes result in a net increase to the state forest of approximately 40,000 acres. SB 229 also moves approximately 4,300 acres from the state forest to the Minto Flats State Game Refuge.

In 1983, the Legislature created the 1.8 million-acre⁴ Tanana Valley State forest that stretches from Manley to Tok. The forest is open to mining, gravel extraction, oil and gas leasing, and grazing. The Department of Natural Resources manages the state forests for a sustained yield of these resources, with the primary purpose of timber management (AS 41.17.200). The Bonanza Creek Experimental Forest, a 12,400-acre area dedicate^{3d} to forestry research, is also located within the state forest.

State forests provide fish and wildlife habitat, clean water, opportunities for recreation and tourism, and minerals. In addition to the management of these resources, the Tanana Valley State Forest offers many recreational opportunities including hunt⁶ⁱⁿ, fishing, trapping, camping, hiking, dog mushing, cross-country skiing, wildlife viewing, snow machining, gold panning, boating and berry-picking.

In 1996, the division updated the Tanana Valley State Forest Management Plan and established a citizens' advisory committee. The 12-member citizen's advisory committee, representing a variety of state forest users, actively participates in forest planning in the Tanana Basin. This entity has endorsed the

recommendations on management of the forest and has carefully crafted the changes in a manner that resulted in support from all affected land users and owners.

SB 229 is supported by the Alaska State forest Association, the Fairbanks Economic Development Corporation, hunting and recreation groups as well as all surrounding land owners.

Please join me in amending the Tanana Valley State Forest to better align with its original intent and support the passage of Senate Bill 229.

[9:21:28 AM](#)

Co-Chair Stedman requested an explanation of the map (copy on file).

[9:21:46 AM](#)

Senator Thomas related that the Division of Forestry would be better able to provide the map explanation.

[9:22:13 AM](#)

Senator Dyson noted that Fiscal Note #1 reflects 100,000 acres being added and approximately 66,000 acres being deleted. He was curious as to what is being deleted and why.

[9:22:50 AM](#)

Senator Thomas mentioned that the Division of Forestry would be better at explaining the deletions and additions.

[9:23:20 AM](#)

GRIER HOPKINS, STAFF, SENATOR THOMAS, offered that two representatives from the Division of Forestry were online and ready to speak on the subject.

[9:24:16 AM](#)

CHRIS MAISCH, DIRECTOR AND STATE FORESTER, DIVISION OF FORESTRY (Testified via teleconference), referred to the enclosed map (copy on file). He pointed out, in the upper left side of the map at the Minto Wildlife Refuge, three parcels in orange as proposed deletions from the Tanana State Forest to be transferred into the Minto Wildlife Refuge. He explained that as wetlands they are better managed by the wildlife refuge. He indicated that in the extreme left (orange half-circle) there is an oxbow of the Tolovana River which has good quality timber but being isolated from the rest of the state forest, it better suited to be put in the refuge. On the extreme east side of the

refuge there a light green-colored parcel is a proposed addition into the Tanana State Forest. The Dunbar Trail goes through this area and continues into the Refuge requiring some access management coordination.

[9:26:47 AM](#)

Mr. Maisch indicated a yellow portion, 4B, will be removed from the Tanana State Forest. It is mostly recreational making it difficult to manage for commercial forestry uses. Mr. Maisch described in the middle of the map, the Big Delta area, there are light green parcels. These parcels, south of 7A and 7B and north of Fort Greely will be additions into the Tanana State Forest. Mr. Maisch indicated that a small parcel on the Good Pasture River drainage, part of a research natural area will also be added to the Tanana State Forest. Near Dot Lake (between 10D and 12B) a number of parcels scattered around the area are intermixed with native corporation lands and the Tanana State Forest. This change will clean up the boundaries and make them more consistent with the ownership in the area. Mr. Maisch pointed out that in the regions close to Tok, near 13A and 13B, in the Tanana State Forest just north of the Tanana River, are all productive forest lands. Mr. Maisch indicated that to the north of these regions, in yellow, 12A, 13A, 13B, are proposed deletions to the Tanana State Forest. These parcels are more appropriately managed as general use state lands since they do not have any large concentration of productive forests. Mr. Maisch continued that north of these regions, in yellow (12A) and light green the land would be transposed to correct an earlier legal drafting error. Mr. Maisch concluded by saying one of the reasons the Division of Forestry would like to see the state forest additions is they have been working with alternative energy plans, particularly bio-energy and wood fuel. He mentioned that projects in Tok, Delta, and several smaller villages in the area are looking at wood boiler systems for space heating needs in village and community schools. Mr. Maisch stressed that having a near-by working forest to provide sustainable wood to those communities is very important.

[9:31:34 AM](#)

Co-Chair Stedman questioned if there was anyone who wished to speak to the bill. Mr. Hopkins indicated that there had been no objection from any of the surrounding communities in regard to the changes in this bill. Co-Chair Stedman inquired as to the public process used in determining the additions and deletions. Mr. Hopkins referred to the Division of Forestry online.

[9:32:47 AM](#)

MARTHA FREEMAN, FORESTRY RESOURCES PROGRAM MANAGER, DEPARTMENT OF FORESTRY (Testified via teleconference), explained the public process by stating that the main review for this project began when updating the Tanana Valley Forestry Management Plan, which culminated in an update in 2001. As part of the preparation for that update, the package of proposed additions and deletions went out as a public draft. The participants in discussion included a citizens' advisory committee, an inter-agency planning team, and public meetings throughout the Tanana Valley area. Ms. Freeman noted that when public comments were received, there had been a few parcels that generated objections or controversy, so these parcels were deleted from this plan. She informed the committee that the final package for this bill had no objections remaining after this public process. Ms. Maisch informed the committee that as some time had passed since the original public feedback, the division questioned special interest groups and landowners to make sure there were no new problem since the original meetings. The division also checked on the present land status to locate any possible land changes. When changes were found, some parcels were deleted, primarily concerning land transferred to the University.

[9:35:08 AM](#)

Senator Olson wondered if there had been any objections from the native corporations. Ms. Freeman responded there had been no objection from the native communities on the reorganization. She mentioned one concern of the native communities was access areas in the Minto region, but the reorganization does not change the access to these lands.

[9:35:52 AM](#)

JERRY MCCUTCHEON, ANCHORAGE, (Testified via teleconference), questioned if this plan followed the best use of Mat-Su area in taking down all the timber. He recommended that the land remain intact and not be logged.

[9:38:35 AM](#)

Co-Chair Stedman pointed out for the record the pulp mill in Sitka did not ship round logs to Japan. He explained that round logs are shipped off of private land, including native land, and the Mental Health Trust lands.

[9:39:26 AM](#)

Senator Thomas MOVED to REPORT SB 229 from Committee with individual recommendations and the accompanying fiscal notes. There being NO OBJECTION, it was so ordered.

SB 229 was REPORTED from Committee with a "do pass" recommendation and previously published fiscal notes from the Department of Natural Resources and the Department of Administration.

AT EASE: [9:40:30 AM](#)
RECONVENED: [10:49:24 AM](#)

SENATE BILL NO. 256

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

Co-Chair Hoffman reconvened the meeting back to order to address the CS 256/O before the committee.

TIM GRUSSENDORF, STAFF, SENATE FINANCE COMMITTEE, presented an overview of changes to the FY 08 Supplemental requests. He indicated that the first four changes came at the request of the Governor.

Section 1-3 AA GGU Labor and Workforce Development
Occupational Safety and Health

Reverse the fund source change for this component in the GGU supplemental, sections 1-3. Current projections indicate that the program will be able to absorb the increase without the fund source change due to unexpected vacancies.

\$0.0

Section 1-3 AA GGU Transportation Central
Region Highways and Aviation

Reverse the fund source change for this component in the GGU supplemental, sections 1-3. Current revenue projections for FY08 are sufficient to fund \$300 in this allocation.

\$0.0

Section 1-3 AA GGU Transportation Northern
Region Highways and Aviation

Reverse the fund source change for this component in the GGU supplemental, sections 1-3. This fund source conversion is no longer needed in FY08 due to position vacancies.

\$0.0

Mr. Grussendorf reported that the above three can absorb these increases, without the fund source change, due to unexpected vacancies.

Section 1-3 AA Statewide SU Supervisory Unit

The tentative Supervisory Unit agreement calls for a wage increase of 5.5% and a health insurance increase of \$16 from \$835 per month to \$851 per month.

\$10,441.0

Mr. Grussendorf explained that \$6.3 million has been added in and is expected to be ratified on March 12, 2008. There is language in Section 1 that says if the agreement is not ratified on March 12, this funding will not be there.

Section Commerce Revenue Sharing
New 2/29

\$180 million for revenue sharing

\$180,000.0

Mr. Grussendorf noted that there has been an addition of \$30 million, from \$150 million to \$180 million.

Section Fund Capitalization
New 2/29 Statutory Budget Reserve

Appropriate \$1 billion of the FY08 surplus to the Statutory Budget Reserve

\$1,000,000.0

Section Fund Capitalization
New 2/29 Constitutional Budget Reserve

Appropriate \$2.6 billion of the FY08 surplus to the CBR

\$2,600,000.0

Section Fund Capitalization
New 3/2 CBR Intent Language

It is the intent of the legislature that the Department of Revenue invest the assets of the constitutional budget reserve fund (art. IX, sec. 17, Constitution of the State of Alaska), in a manner maximizing the long term earnings of the fund while meeting the minimum liquidity requirements of the state.

\$0.0

Section Fund Capitalization
New 3/2 CBR Intent Language

Add CBR Intent language clarifying that the
CBR deposit is a repayment to the CBR.
\$0.0

Mr. Grussendorf commented that the two Fund Capitalizations added CBR intent language that made it clear that the legislature wanted to invest this money and it is a repayment to the CBR by the Legislature, repaying half of the states debt.

Section 14(b) Health and Social Services
Front Line Social Workers

Unanticipated one-time telephone purchase and installation costs related to new Anchorage lease. Move is planned for early March, 2008.
\$320.6

Section 7-9 Health and Social Services
Behavioral Health Medicaid Services

Projected excess authorization based on expenditures through January 2008.
(\$6,963.1)

Section 7-9 Health and Social Services
Medicaid Services

Projected excess authorization based on expenditures through January 2008.
(\$46,548.5)

Section 7-9 Health and Social Services
Adult Public Assistance

Projected excess authorization due to decrease in average payments since recipients have higher incomes.
(\$700.0)

Section 7-9 Health and Social Services Senior and
Disabilities Medicaid Services

Projected excess authorization based on expenditures through January 2008.
(\$1,654.4)

Mr. Grussendorf noted that the Health and Social Services reductions made by the Governor were projected excess authorization based on expenditures through January 2008. The legislature agreed to take on these reductions.

Section 7-9 Law
Oil, Gas and Mining

This amendment reduces the original supplemental request for from \$1,750,000 to \$1,250,000. The Department of Natural Resources contract for financial analysis of the TransCanada proposal came in less than anticipated, at \$2.5 million rather than \$3.0 million.

(\$500.0)

Mr. Grussendorf indicated that the Department of Law and the Governor submitted this reduction of \$500,000 and the Legislature agreed to make the deduction

Section 7-9 Public Safety
Modified AST Detachments

Increased trooper move costs \$425.0, dispatch contracts with Kodiak and Wasilla (MatCom) \$420.3, lease costs \$60.6, fuel/utility costs \$236.2, vehicle costs \$610.9, and facilities maintenance costs \$25.5. FY09 increments are: trooper move travel \$425.0; lease \$60.6; fuel/utility \$164.9; and vehicle \$113.9. Removed lease and maintenance costs increases from supplemental request--Total reduction is \$86.1.

\$1,692.4

Section 7-9 Public Safety
Modified Alaska Wildlife Troopers

Increased fuel/utility \$70.8, vehicle \$288.6 and facilities maintenance \$17.1 costs. FY09 increments are: fuel/utility \$38.6; vehicle \$145.3. Removed facilities maintenance costs increases from supplemental request--Total reduction is \$17.1.

\$359.4

[10:56:03 AM](#)

Section 7-9 Public Safety
Modified AK Wildlife Troopers Aircraft Enforcement

Increased fuel/utility \$95.2 and lease \$80.2. FY09 increments are: fuel/utility \$151.1 and lease, \$80.2. Removed lease costs increases from supplemental request--Total reduction is \$80.2

\$95.2

Section 7-9 Public Safety
AK Wildlife Troopers Marine Enforcement

Increased fuel/utility costs. FY09 increment is \$66.0.

\$41.6

Section 7-9 Public Safety
Training Academy

Increased fuel/utility \$5.2 and vehicle \$11.6 costs. FY09 increment for fuel/utility costs is \$8.2.

\$16.8

Section 7-9 Public Safety
Administrative Services

Increased fuel/utility \$2.6, lease \$9.2, and vehicle \$2.2 costs. FY09 increment is \$9.2 for office lease costs.
Removed lease costs increases from supplemental request--Total reduction is \$9.2

\$4.8

Section 7-9 Public Safety
Laboratory Services

Increased fuel/utility \$15.5 and vehicle \$8.9 costs. FY09 increments are: fuel/utility \$21.0 and vehicle \$4.3.

\$24.4

Section 7-9 Public Safety
Fire Service Training

Increased fuel/utility \$8.3 and vehicle \$9.4 costs. FY09 fuel/utility cost increment is \$9.6.

\$17.7

Section 7-9 Public Safety
Fire Prevention Operations

RSS shortfall from building plan review fees. Division would like to make this into a straight GF operation since revenues vary drastically. Included in the FY09 budget at the same level of \$220.0 Additional travel of \$50.0 for building life safety inspections and to provide inspections in rural locations. Funded in FY09 at \$105.0. Increased fuel/utility \$8.3 and vehicle \$4.8 costs. FY09 fuel/utility cost increment is

\$4.5.
Removed funding replacing RSS shortfall from building plan review fees--Total reduction is \$268.2

\$13.1

Section 7-9 Public Safety
Rural Trooper Housing

Rural housing costs of \$244.2 due to unrealized SDPR including leases without rent contribution at Selawik and for Bethel commons. Increased fuel and utility costs of \$92.7. FY09 fuel/utility cost increment is \$147.1.

\$92.7

Section 7-9 Public Safety
Alcoholic Beverage Control Board

Increased vehicle costs. FY09 increment is \$1.9.

\$4.3

Mr. Grussendorf commented that in the Public Safety Department, the supplementals were modified to increase in fuel/utility increment amounts, but removed many other funding requests.

Section 7-9 Public Safety
Judicial Services - Anchorage

Amendment reduces amount of supplemental request from \$620.3 to \$477.6 since the Court Service Officer positions won't be filled until March.

(\$142.7)

Mr. Grussendorf indicated that the General Fund was reduced by the request of the Governor.

Section 15(j) Transportation
Surface Transportation Program

Correct the total for Sec. 1, Ch. 61, SLA 2001, Page 35, line 19 from \$485,506,000 to \$485,506,482 based on the allocation requested in HB343, Sec. 15(k).

\$0.5

Mr. Grussendorf explained the change was due to a technical error, based on the allocation in HB343.

[10:59:26 AM](#)

Section Transportation
New 3/3 Capital

Restored Vetoed Capital Projects \$1,471.6

Mr. Grussendorf explained that the legislature was removing the \$50 million place-holder and inserted the vetoed capital projects for \$51, 479,000. The projects are in the new CS.

Section Transportation
Airport Improvement Program - Appropriation

The FY08 Airport Improvement Program
appropriation increases by \$4,350.0 due to
the allocation change below: Sec 4, Ch 30,
SLA 2007, Pg 105, Ln 27
\$0.0

Section Transportation
Airport Improvement Program - Allocation

New: Petersburg: Airport Runway Safety Area
The project is expected to be advertised in
April. The project will involve runway work
that will result in the airport being closed
for a few weeks and the timing for this work
is critical to minimize the impact of the
construction closure on the community and the
airlines. Funding this project in the
supplemental will enable the department to
move forward as soon as Airport Improvement
Program discretionary funds are available.
\$0.0

Mr. Grussendorf commented that the Governor requested to have this in the fast track due to timing for the Petersburg airport runway and safety areas.

Co-Chair Stedman MOVED to ADOPT Committee Substitute SC 256(FIN)\0 as the working document before this committee.

There being NO OBJECTION, work draft CSSB 256(FIN)\0 was adopted.

AT EASE: [11:00:36 AM](#)
RECONVENED: [11:01:23 AM](#)

Co-Chair Stedman MOVED to ADOPT Amendment #1:

Page 77, lines 8-12:
Delete all material

Page 77, line 13:

Re-letter subsection "(c)", subsection "(b)"

Page 77, following line 24:

Insert a new bill section to read:

"*Sec. 18. DEPARTMENT OF REVENUE. The amount necessary to pay the first five ports of call their share of the tax collected under AS 43.52.220 during calendar year 2007 is appropriated from the commercial vessel passenger tax account (AS 43.52.230(a)) to the Department of Revenue for payments under the provisions as AS 43.52.230(b), during the fiscal year ending June 30, 2008."

Co-Chair Hoffman OBJECTED for discussion purposes.

Co-Chair Stedman explained that Amendment #1 was a technical change due to the fact that the Commercial Vessel Passenger Tax account is not under the Department of Environmental Conservation but collected by the Department of Revenue. He continued that the Port of Call payments are made by the Department of Revenue not the Department of Environmental Conservation.

Co-Chair Hoffman WITHDREW his OBJECTION.

Senator Olson asked for the names of five ports listed on page 77, Section 16, line 8.

Co-Chair Stedman listed the ports as Ketchikan, Juneau, Skagway, Sitka and other major ports.

There being no further OBJECTION Amendment #1 was ADOPTED.

[11:03:20 AM](#)

Senator Thomas explained the changes to Amendment #2. The amendment changes page 83, line 3, removing \$5 million and inserting \$25 million. This would even-up the situation with the hatcheries, making an opportunity for a long-term fix.

Co-Chair Hoffman MOVED to ADOPT Amendment #2:

Page 83m Line 3

Delete \$5,000,000

Insert: \$25,000,000

There being NO OBJECTION, it was so ordered.

Senator Dyson MOVED to ADOPT Amendment #3:

Delete Line 28, Page 56 through Line 2, Page 57.

Co-Chair Hoffman OBJECTED for discussion purposes.

Senator Dyson believed that Line 28 on page 56 through Line 2 on Page 57 be deleted as it is more appropriate in the capital budget but not the supplemental budget.

Co-Chair Hoffman MAINTAINED his OBJECTION.

Co-Chair Hoffman believed that the \$300 million will address about eighty percent of the homes in the State of Alaska. He anticipated that it will cover approximately forty-five thousand homes eligible for this program. He stressed that it did not make sense to have the amount of savings, estimated at \$2.6 billion, and not address the energy needs of Alaskans.

Co-Chair Stedman remarked that there is actually \$3.6 billion available along with another possible \$1.5 to \$2 billion in revenue to be collected between January and June, 2008, due to the price of oil. He agreed that if there was this substantial amount to be put into savings, then aggressive steps should be taken to lower the energy demands throughout the state. Senator Dyson believed that although he agreed with the idea of supplementing the energy needs, he thought it would be inappropriate to put it into the supplemental budget.

A roll call vote was taken on the motion.

IN FAVOR: Dyson

OPPOSED: Elton, Huggins, Olson, Thomas, Hoffman, Stedman

The MOTION FAILED (1-6).

Senator Dyson MOVED to ADOPT Amendment #4.

Page 51

Delete Lines 7 through 11.

Page 52

Delete Lines 15 through 17

Page 52, Amend Line 21 as follows:

*****Total Budget***** \$1,096,330 [\$51,096,330]

Page 53, Amend Lines 5 & 6 as follows:

1004 Unrestricted General Fund Receipts
\$68,929,700[118,929,700]

Total General Funds \$18,929,700[\$118,929,700]

Co-Chair Hoffman OBJECTED for discussion purposes.

Senator Dyson reiterated his previous argument that he approved all the appropriations made in the capital budget but he did not believe the included items belonged in the supplemental budget. He commented that this was a betrayal of the public process.

Co-Chair Hoffman MAINTAINED his OBJECTION.

A roll call vote was taken on the motion.

IN FAVOR: Dyson

OPPOSED: Elton, Huggins, Olson, Thomas, Hoffman, Stedman

The MOTION FAILED (1-6).

Karen Rehfeld, Director, Office of Management and Budget thanked the committee for their consideration of the amendments and looked forward to continuing to work through the process.

[11:10:46 AM](#)

Co-Chair Stedman MOVED to REPORT SB 256 out of Committee with individual recommendations and the accompanying fiscal note.

Senator Dyson OBJECTED.

A roll call vote was taken on the motion.

IN FAVOR: Elton, Huggins, Olson, Thomas, Hoffman, Stedman

OPPOSED: Dyson

The MOTION PASSED (6-1).

CSSB 256 (FIN) was REPORTED out of Committee with the accompanying fiscal note and individual recommendations.

AT EASE: [11:11:34 AM](#)

RECONVENED: [11:11:47 AM](#)

ADJOURNMENT

The meeting was adjourned at 11:11 AM.

