

HOUSE FINANCE COMMITTEE
February 3, 2009
8:33 a.m.

8:33:05 AM

CALL TO ORDER

Co-Chair Stoltze called the House Finance Committee meeting to order at 8:33 a.m.

MEMBERS PRESENT

Representative Mike Hawker, Co-Chair
Representative Bill Stoltze, Co-Chair
Representative Bill Thomas, Jr., Vice-Chair
Representative Allan Austerman
Representative Harry Crawford
Representative Anna Fairclough
Representative Les Gara
Representative Reggie Joule
Representative Mike Kelly
Representative Woodie Salmon

MEMBERS ABSENT

Representative Richard Foster

ALSO PRESENT

Randall Ruaro, Special Assistant, Office of the Governor;
Representative Beth Kerttula

PRESENT VIA TELECONFERENCE

John Katz, Director, State/Federal Relations and Special Counsel, Washington, D.C.

SUMMARY

HJR 11 Relating to the federal stimulus package.

CSHJR 11(FIN) was REPORTED out of Committee with a "do pass" recommendation and with a new zero fiscal note by the Legislature.

8:33:41 AM

HOUSE JOINT RESOLUTION NO. 11

Relating to the federal stimulus package.

RANDALL RUARO, SPECIAL ASSISTANT, OFFICE OF THE GOVERNOR, provided insight into the procedural posture of the economic

stimulus bill. He related that the U.S. House has passed a version of the economic stimulus bill, which is significantly different than the version currently being debated in the U.S. Senate. The version passed out of the Senate will have to be reconciled with the House version through a conference committee process. That version will have to be passed by a majority vote in both bodies. It is expected that the bill will be on President Obama's desk by February 16.

[8:35:54 AM](#)

Mr. Ruaro explained that the Governor's office has been proceeding on two tracks with the economic stimulus bill. The first track has been to follow the bill's language in both the House and Senate and provide comment to the Alaska delegation. The bill contains no earmarks and is mainly formula driven with competitive loan programs and grant programs. He gave examples of comments made to the Alaska delegation. There are strict time constraints in the House version, and it is felt that the time constraints should be extended to 180 days. Comments were also provided on the scope of formulas, some of which need to be adjusted to meet Alaska's needs.

Mr. Ruaro highlighted the second track which consists of working with state agencies to get them ready to receive funds from the stimulus program and meet federal requirements for spending the funds. The bill adds on new procurement requirements and time restrictions. The administration has also been working with the legislature and individual legislators on specific parts of the bill. He gave an example of meeting with Senator Kookesh about funds for roads on Indian reservations.

[8:38:50 AM](#)

JOHN KATZ, DIRECTOR, STATE/FEDERAL RELATIONS AND SPECIAL COUNSEL, WASHINGTON, D.C., testified via teleconference, and concurred with Mr. Ruaro's comments.

Representative Gara commented that there are no longer earmarks contained within the stimulus bill, however, there are projects with time constraints that may not work in rural areas. He wondered if the 180 day extension will work in the more remote areas of Alaska. He referred to the \$300 million major maintenance list and said that many of those projects are off the road system.

Mr. Katz said that issue has been raised with the Alaska delegation who share similar concerns. He thought the 180 days would be sufficient. The final deadline has yet to be determined. He said that Alaska's two senators are closely watching the amendment process.

[8:41:25 AM](#)

Representative Gara asked if day 180 is the day construction will begin. Mr. Katz defined it as when funds would be obligated by whatever deadline Congress ultimately specifies. There could be a problem if the deadline refers to an award of federal funds for a particular project, which would create significant issues. The tendency at the moment is toward a formulation that would look like obligating funds. The state Department of Transportation and Public Facilities is gearing up to accept these funds and is well aware of the requirements.

[8:42:36 AM](#)

Representative Joule pointed out that most of the requests are coming from municipalities and other entities besides the state. He wondered if the language was sufficient to identify the source of the requests. Mr. Katz said he has problems with the last "whereas" clause. It requires that the list be submitted to Congress. He proposed another clause that indicates that the Governor and legislature are working together to prepare for the receipt of the funds. It is at the state level where decisions will be made.

Mr. Katz said that within the area of infrastructure, requirements will be imposed. Within federal parameters, the legislature and the Governor will decide how to use the funds. They should be dealt with within the context of the normal appropriation process for the next fiscal year. Both Senator Begich and Senator Murkowski have formulated lists based on the input by communities and nonprofits. They have asked for finalized forms by February 17. He opined that the list issue is more relevant to Alaska for the immediate future. For the longer term it will come up again in the context of the next fiscal year.

[8:46:34 AM](#)

Representative Fairclough asked for information about federal funds regarding education and Alaska, which is already forward funding. Mr. Katz emphasized that the issue concerning states that forward fund for education is a priority issue that needs to be resolved. States that have not decreased funding would actually be penalized under the House bill. The Senate is working on changing that so that Alaska is not penalized and would receive its proportionate share of allocated funds. The problem exists in the House version of the bill and that unintended problem has now been recognized. He expressed hope that the problem will be resolved in the conference committee next week.

[8:48:22 AM](#)

Representative Fairclough questioned whether the stimulus package is good for America or not. She noted support "on both sides of the isle". She asked if the federal stimulus package is an issue for debate, or whether it is a certainty. Mr. Katz replied that "the train has left the station" with respect to the wisdom of an economic stimulus package in some form. There are a few members in the House and Senate that would argue that no economic stimulus of this kind is necessary. The debate is now over the proper balance between infrastructure spending, taxes, and normal appropriation process programs. It is still a tremendous work in progress. In the Senate, the Democratic leadership has indicated that they are open to amendments. The Republicans maintain that they are not stalling and have genuine concerns. Amendments throughout the week will be an attempt at a balance between infrastructure spending, tax reduction for individuals and businesses, and a social net that would deal with things like unemployment, insurance, health care, and education.

Co-Chair Stoltze commented on the merits of a debate regarding the stimulus package.

[8:51:15 AM](#)

Representative Gara noted that Alaska is just getting up to speed on the stimulus plan. He said there is a fear that some of these programs would generate funding for new programs that would be hard to end. Mr. Katz said that for the most part there are not new programs, but an extension or enhancement of existing programs. There are some new requirements that might pertain into the future. The debate is, on one side, that there is an immediate need for a safety net due to the economic crisis and this is a response to that need. Others believe that there are some requirements that would create an expectation that programs would continue to exist into the future without federal funding for them.

Representative Gara mentioned an unemployment program extension that would not require a financial obligation. He requested examples of programs that would need to be cut off if funding was lacking. Mr. Katz highlighted the increase in Medicaid and trigger mechanisms for states with high unemployment, where the federal government would increase its share of the federal Medicaid match by 4.9 percent for the period of the bill. States would be expected to adhere to certain Medicaid benefits after the 4.9 percent is no longer available. Others have argued that certain aspects of the education funding would also fit into that category. In particular, Title I funds for IDEA would be enhanced and then states might be left to their own devices. Also, health information technology broad band would fall into the

category. Those who adhere to that argument feel that, aside from infrastructure and tax relief, other aspects of the bill should be dealt with in the normal appropriations process.

[8:56:43 AM](#)

Representative Gara spoke of enhanced funding and suggested a requirement that accepting the money today would not require continuous funding. He wondered if that decision would be up to the states. Mr. Katz thought that regarding Medicaid, the states would have the option to opt into the enhanced program. He said each category would have to be examined. In some categories there is a requirement that some programmatic changes exist into the future, and in other areas, states would have the option to curtail the program.

Co-Chair Stoltze asked what percentage of the bill are capital infrastructure funds, tax reductions, and social program funds. Mr. Katz offered to provide those numbers. The Senate ratios are changing, but the House numbers are available.

Mr. Ruaro gave an example of transit funding. Communities may be able to buy some new buses, but they would have to be run on new routes, which means ongoing maintenance and operations costs. Co-Chair Stoltze asked if that example was the tip of the iceberg. Mr. Ruaro said was just one example.

[8:59:36 AM](#)

Representative Kelly said he understands that the promise of infrastructure building ended up being less than 10 percent at the end. He requested the data as soon as possible. Mr. Katz said there was currently an attempt on the Senate floor to increase the infrastructure part of the bill.

Representative Fairclough asked about renewable energy project incentives in the bill. Mr. Katz said there was a lot of focus on renewable energy in the bill. The expectation is that a lot of that funding would go through the Department of Energy. It is one of the President's philosophies to make a transition from conventional fuels to renewable energy, so there is considerable funding for projects and research.

[9:01:49 AM](#)

Vice-Chair Thomas asked how local hire would be assured for these new projects. Mr. Ruaro thought that currently projects must meet federal Title 23 requirements, as well as Disadvantaged Business Enterprise (DBE) requirements. Vice-

Chair Thomas recalled past jobs that did not emphasize local hire.

Vice-Chair Thomas asked if the Department of Transportation and Public Facilities is considering any construction of harbors. Mr. Ruaro thought that harbor projects must come through the transit category of funding because there is not an existing formula as there is for roads. He thought the House side had a broader definition that would allow port projects and ferry terminals to qualify.

Co-Chair Stoltze pointed out that there is an ongoing debate about the definition of local hire.

[9:04:58 AM](#)

Co-Chair Stoltze opened the meeting to public testimony. Seeing none, the meeting was closed to public testimony.

Representative Gara referred the Committee to a website - NCS.org - regarding the categories of the bill. He recalled 40 percent going to highways, school construction, weatherization, and energy.

[9:07:09 AM](#)

Co-Chair Hawker MOVED to ADOPT Amendment 1:

Page 2, line 1 through line 3

DELETE all language

INSERT "WHEREAS to accomplish this purpose, the federal government is relying on existing formulas and grant programs to allocate funds to the state, President Obama and the Congressional leadership of both parties having indicated that no specific projects will be included in the economic stimulus package;"

Co-Chair Stoltze OBJECTED.

Co-Chair Hawker explained that the language in Amendment 1 was provided by Mr. Katz. It removes the paragraph that referred to submitting a project package to the government and states that this will be a formulaic program and not an earmark program.

Mr. Ruaro said the language was accurately described by Co-Chair Hawker.

[9:08:43 AM](#)

Co-Chair Stoltze WITHDREW his OBJECTION. There being NO further OBJECTION, Amendment 1 was adopted.

Representative Crawford said he decided not to offer an amendment because he has determined that the bill would benefit the domestic steel industry.

[9:09:56 AM](#)

Representative Gara MOVED to ADOPT Conceptual Amendment 2, to add "job training," before "school construction" on page 1, line 14.

Co-Chair Hawker OBJECTED.

Representative Gara expressed gratitude for the nonpartisan manner in which the resolution has been written. He voiced concern about the need to build job training facilities for the gas pipeline. He wanted to emphasize job training in the bill.

Co-Chair Hawker spoke to his objection. He agreed that the effort has been made to make the resolution a generic endorsement of the stimulus package. He thought that job training should not be a particular focus. The programs listed are formulaic programs being considered for funding in Congress. Job training has not been specifically targeted.

[9:12:40 AM](#)

Representative Crawford spoke in favor of Conceptual Amendment 2. He argued that education has been specifically targeted in the bill and job training is just as worthwhile.

Representative Austerman thought the core of the stimulus package was creating jobs. He spoke of the problem in Alaska of not having a trained work force. He spoke in favor of the amendment.

Representative Gara withdrew Conceptual Amendment 2 and offered a New Conceptual Amendment 2 in order to include the words "job training," in the appropriate place - before energy on page 2, line 9.

Co-Chair Hawker did not maintain his OBJECTION to the motion. New Conceptual Amendment 2 was adopted.

Co-Chair Stoltze noted a zero fiscal note by the Legislature.

[9:16:20 AM](#)

Representative Kelly referred to page 1, line 6, of the resolution. He thought there was debate over the clarity of that line. He suggested eliminating that line. Co-Chair Hawker argued that "current price" does not prejudice a high

or low price and has the ability to encompass both circumstances. Representative Kelly said he would have difficulty supporting HJR 11. He thought it would be penalizing the future generation.

[9:18:20 AM](#)

Representative Austerman returned to the question about Medicaid and unemployment unfunded mandates and voiced a concern. Co-Chair Stoltze asked if an indeterminate fiscal note was needed.

Co-Chair Hawker explained that the fiscal note applies to the legislation before the Committee, a strongly worded letter to Congress. There is no fiscal consequence to this resolution.

Co-Chair Stoltze noted the concern by Representative Austerman.

[9:20:03 AM](#)

Representative Gara said there was some truth to the obligation to the state if the Medicaid component is included in the stimulus package. The federal match has decreased in recent years. He pointed out that this proposal would return the funding to the level experienced three years ago, which was a 54 percent federal match. He maintained that that part is intended to relieve the states and does not concern him.

Co-Chair Hawker MOVED to REPORT HJR 11 out of Committee, as amended, with individual recommendations and the accompanying fiscal note.

Vice-Chair Thomas OBJECTED.

Vice-Chair Thomas suggested that "buying American" should apply to Alaska salmon.

[9:22:28 AM](#)

Representative Austerman said he has a problem with the direction the nation is going regarding spending. He called today a "sobering point". He disagreed with the philosophy of spending and preferred trying to balance the budget on a constant basis.

Co-Chair Hawker also shared concerns about the federal stimulus package. He stated that the federal government is going to pass this legislation and Alaska has to be prepared. Nothing in the legislation binds the state - it is just another form of a federal receipt and the

legislature has the exclusive prerogative to accept or reject the funding.

[9:25:22 AM](#)

Representative Kelly commented that some would prefer to not receive this stimulus package. He agreed with the Governor's take on it. He maintained that the more the state is dependant on federal funds, the less creative it becomes and the less wisely it governs. He spoke of the decreases in federal funding and how it affects the state. He questioned how the state would backfill the loss of federal funds, a 60 percent drop in revenue. He favored only infrastructure support. He did not want the stimulus package to be a burden to future generations.

[9:28:47 AM](#)

Representative Salmon said that the district he is from has been in a slump since statehood. His area has experienced hard economic times, unlike urban areas. If this stimulus package will help the rural areas, he said he is in favor of it. The villages have a different perspective of the economic stimulus package. He emphasized the despair in the villages during hard economic times and the inequity between areas throughout the state.

[9:31:28 AM](#)

Representative Joule said he understands the angst over the bill. He questioned the alternative if a stimulus package is not provided.

Co-Chair Stoltze empathized with the economic problems in parts of the state. He thought there were deep divisions over the method of providing economic stimulus. He spoke of a goal to improve the country.

[9:32:45 AM](#)

Vice-Chair Thomas commented on the Governor's hiring freeze and the need to reevaluate job recruitment.

Representative Salmon disagreed with recruiting from the Lower 48.

Representative Kelly OBJECTED to the motion to move the bill from Committee.

A roll call vote was taken on the motion.

IN FAVOR: Austerman, Crawford, Fairclough, Gara, Joule, Salmon, Thomas, Hawker, Stoltze

OPPOSED: Kelly

Representative Foster was absent from the vote.

The MOTION PASSED (9-1).

CSHJR 11(FIN) was REPORTED out of Committee with a "do pass" recommendation and with a new zero fiscal note by the Legislature.

Representative Fairclough announced a meeting on the economic stimulus at noon today.

ADJOURNMENT

The meeting was adjourned at 9:36 AM.