

HOUSE FINANCE COMMITTEE

March 10, 2009

2:43 p.m.

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CALL TO ORDER

Co-Chair Hawker called the House Finance Committee meeting to order at 2:43 p.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 Richard Foster  
Representative Les Gara  
Representative Reggie Joule  
Representative Mike Kelly  
Representative Woodie Salmon

MEMBERS ABSENT

None

ALSO PRESENT

Karen Rehfeld, Director, Office of Management and Budget, Office of the Governor; Leta Simons, Director, Division of Support Services, Department of Natural Resources; Guy Bell, Assistant Commissioner and Director, Division of Administrative Services, Department of Labor and Workforce Development; Craig Tillery, Deputy Attorney General, Department of Law; Tina Kobayashi, Senior Assistant Attorney General

PRESENT VIA TELECONFERENCE

Cathy Foerster, Engineering Commissioner, Oil & Gas Commission, Department of Administration; Marty Rutherford, Deputy Commissioner, Department of Natural Resources; Pat Galvin, Commissioner, Department of Revenue

SUMMARY

HB 81 "An Act making appropriations for the operating and loan program expenses of state government, for certain programs, and to capitalize funds; making supplemental appropriations; and making appropriations under art. IX, sec. 17(c),

Constitution of the State of Alaska; and providing for an effective date."

CSHB 81 was REPORTED out of Committee with a "do pass" recommendation.

HB 83 "An Act making appropriations for the operating and capital expenses of the state's integrated comprehensive mental health program; and providing for an effective date."

CSHB 83 was REPORTED out of Committee with a "do pass" recommendation.

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#hb81

#hb83

HOUSE BILL NO. 81

"An Act making appropriations for the operating and loan program expenses of state government, for certain programs, and to capitalize funds; making supplemental appropriations; and making appropriations under art. IX, sec. 17(c), Constitution of the State of Alaska; and providing for an effective date."

HOUSE BILL NO. 83

"An Act making appropriations for the operating and capital expenses of the state's integrated comprehensive mental health program; and providing for an effective date."

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Co-Chair Hawker introduced the agenda to take up the final amendments to the operating budget on oil and gas and litigation-related matters. The amendments originate from a request by the administration. The Office of Management and Budget has been requested to clarify what is being asked for by the Governor. The oil and gas and litigation matters have involved a multitude of appropriations over the years. There has been an effort to pull together an aggregation of the Governor's requests. Many of the items were in the Governor's supplemental FY 2009 request; some were in the FY 2010 budget request, and some were significant requests for funding for continued litigation work in the Department of Law's regular operating budget. Co-Chair Hawker mentioned that the Budget Subcommittee deferred decisions to the House Finance Committee to discuss, in the form of amendments, at his request.

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Co-Chair Hawker explained the spreadsheet before the Committee entitled, "Open Items FY 2010 Oil & Gas Related Items" (copy on file). The grid box list identifies by number each of the requests before the Committee. This is backed up by a more detailed list of the operating budget amendments (copies on file). Co-Chair Hawker noted that Karen Rehfeld would be answering specific questions for the Committee in regards to the list. Some amendments may be listed as withdrawn or not offered with the intent of "taking them back to the supplemental budget."

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KAREN REHFELD, DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET, OFFICE OF THE GOVERNOR, reminded the Committee that in FY 2009 the legislature pulled out specific appropriations related to oil and gas and put them under the Office of the Governor. In the FY 2010 budget, a section specifically in the operating budget for gasline related appropriation requests was brought forward. There was also a separate section in the capital budget for those requests. Ms. Rehfeld said that this was important because in a state where over 85 percent of its revenue derives from oil and gas production, and a third of the economy is dependent on oil and gas production, it is very important for everyone to be engaged in the oil and gas business. The state has the responsibility to manage its resources and its fiduciary interests, as well as safeguard impacts on the environment. At the request of Co-Chair Hawker, the departments put together a summary of oil and gas appropriations from FY 2004 on, both operating and capital, to give the Committee a full perspective for the FY 2010 budget.

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Ms. Rehfeld noted requests for five departments in Section 16 related to the gasline: Departments of Fish & Game, Labor, Law, Natural Resources, and Revenue. One of the requests under the Department of Law has been withdrawn. The amended Section 16 totals \$4,702,700. Also included in the supplemental bill are three items requesting an extension of a lapse date on an existing appropriation; Alaska Oil and Gas Conservation Commission (\$1,450,600), Department of Labor (\$100,000 in general funds), and Department of Natural Resources (\$2,965,800).

Ms. Rehfeld reported that after discussions with Co-Chair Hawker and Legislative Finance, the Governor submitted budget amendments for the FY 2010 budget. The purpose was to allow the subcommittees and House Finance Committee to discuss this information. Also, the Governor offered in the regular budget amendments before the Committee on February 18, 2009, several items specific to the Department of Law, one for BP Corrosion (\$3.5 million), and one for ongoing

work on the Trans Alaska Pipeline (\$1.9 million). There is a request from the Department of Law for a little over \$5 million and a new request for ongoing work on the AIGA appropriation approved during the special session last summer. The total amount requested is about \$22.4 million.

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Ms. Rehfeld introduced staff from various departments to answer questions. She explained that the first item on the spreadsheet was an appropriation for the Alaska Oil & Gas Conservation Commission for a lapse extension of \$1,450,600 for reservoir depletion studies. It is an ongoing appropriation to continue work into the next fiscal year.

CATHY FOERSTER, ENGINEERING COMMISSIONER, ALASKA OIL & GAS CONSERVATION COMMISSION, DEPARTMENT OF ADMINISTRATION, testifying via teleconference, introduced herself.

Co-Chair Hawker thought the money from FY 2005 was being used on an ongoing basis for reservoir depletion studies. He wondered what the original \$2.2 million in funds was used for, and what is intended with the remaining \$1.4 million.

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Ms. Foerster replied that the money was used to complete a Prudhoe Bay reservoir study and to start the Point Thomson study. She indicated that the Prudhoe Bay study was complete and a report had been submitted to the legislature. The Point Thomson study has started and stopped several times due to conflicts between Exxon and the Department of Natural Resources. The anticipated completion of that study is FY 2010. Part of the money may be used to update the Prudhoe Bay study.

Co-Chair Hawker maintained that the remaining money is adequate for the project and not in excess. Ms. Forester anticipated using all of the money and hoped to have the study completed by the end of FY 2010.

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Co-Chair Hawker reiterated that the money request is to extend a lapsing appropriation. He indicated that Amendment O&G 1 would be deferred from this discussion to the FY 2009 Supplemental Budget.

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Representative Fairclough questioned if Co-Chair Hawker had specified the FY 2004 date forward in the request. Co-Chair Hawker replied that the Office of Management and Budget had

been asked to recap a cumulative history of oil and gas expenditures from FY 2004.

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Representative Fairclough asked if there were any lapsed funds in oil and gas prior to FY 2004 not being discussed during this meeting. Ms. Rehfeld did not believe so but offered to report the answer to the Committee at a later date.

Ms. Rehfeld referred to Amendment O&G 2 on the supplemental sheet from the Department of Fish and Game for pre-application work for projects specific to Denali, ANGDA, ESTAR, and TransCanada, authorizing and funding two habitat biologists. It is funded through RSA's from the Department of Natural Resources.

Co-Chair Hawker asked why people were needed in state to do pre-application work and why funding levels were being leveled from one department to another. Ms. Rehfeld suggested that there were several different ways to structure an appropriation. Co-Chair Hawker requested more information from the Department of Natural Resources on why these positions were important.

LETA SIMONS, DIRECTOR, DIVISION OF SUPPORT SERVICES, DEPARTMENT OF NATURAL RESOURCES, stated that the request was a reimbursable services agreement (RSA) from the state pipeline coordinator's office, which does right-of-way work and bills industry for the work by the Department of Natural Resources. The Department of Natural Resources bills the industry and then the RSA is written to the Department of Fish and Game, so industry is paying for these positions.

Representative Austerman asked if the state pipeline coordinator's office is funded through general funds. Ms. Simons responded that it is primarily funded by industry through statutory designated program receipts.

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Co-Chair Hawker asked what work these positions would be doing.

MARTY RUTHERFORD, DEPUTY COMMISSIONER, DEPARTMENT OF NATURAL RESOURCES, via teleconference, reported that the requested positions would work in the field helping the companies make determinations on the permitting process and ensuring that permits reflect the appropriate stipulations and protect the environment.

Representative Austerman expressed concern for a more open disclosure of the budget process. He questioned the way the

request was funded. He indicated his frustration about not completely knowing where the money was going versus putting the money into the general funds.

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Co-Chair Hawker MOVED to ADOPT Amendment O&G 2.

DEPARTMENT: Fish and Game  
APPROPRIATION: Habitat  
ALLOCATION: Habitat

ADD: \$180,000 Inter-agency Receipts (1007)

EXPLANATION: The amendment will fund two Habitat Biologists who will perform pre-application work for Denali, ANGDA, ENSTAR and TransCanada including initial planning, design review, field inspections, and pre-construction permitting. Funding is through RSA's from Natural Resources.

There being NO OBJECTION, it was so ordered.

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Ms. Rehfeld offered that Amendment O&G 3 had been requested in the FY 2009 Supplemental Budget as a lapse extension of an appropriation from FY 2008. It was for developing a comprehensive training program to provide a prepared workforce for the gas line.

Co-Chair Hawker asked if the appropriation carries forward \$100,000 in general funds, with \$325,000 expected to be available for lapse.

Ms. Rehfeld answered that the estimate carried into the next fiscal year would be the \$100,000 requested.

Co-Chair Hawker thought that was only a portion of the anticipated lapse.

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GUY BELL, ASSISTANT COMMISSIONER, DIVISION OF ADMINISTRATIVE SERVICES, DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT, agreed that the anticipated lapse would be \$325,000. The requested amount of \$100,000 would be for continuing the training program development, and the remaining \$225,000 would lapse to the general fund.

Co-Chair Hawker deferred Amendment O&G 3 to the Supplemental Budget.

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Ms. Rehfeld commented that Amendment O&G 4 for \$145,000 in Section 16, subpart 2a, is for continuing efforts on the comprehensive training program to provide a prepared Alaska workforce for the Alaska Gas Pipeline.

Mr. Bell explained the two components to the request. The first is the development, completion, and maintenance of a web-based catalog of training programs in the state, which will be completed in September 2009 for \$50,000. After 2010, costs should go down to a lesser maintenance level. The second component is for the development and dissemination of regional workforce data. At this time there is one full-time staff person to provide the data at the statewide, regional, and local levels.

Co-Chair Hawker commented that the legislature has looked at this item and determined that it may not be the same project as in Amendment O&G 3, but it is related to training and workforce development in the state. Because there was an extra \$225,000 lapse authority in FY 2009, the intent of the Committee is to have the requested \$145,000 be put into the Supplemental Budget to further utilize the FY 2009 money. Co-Chair Hawker asked if this would cause a problem. Mr. Bell replied that it would not.

Co-Chair Hawker deferred Amendment O&G 4 to the Supplemental Budget.

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Mr. Bell explained that Amendment O&G 5 is for the business services component in the Department of Labor in the amount of \$585,000 to continue the training program for apprenticeship development through the regional training centers, private employers, and the University of Alaska. Mr. Bell felt the Department had achieved a tremendous momentum thanks to legislative investment. This year the full balance is expected to be used on training programs, although very little has been spent to date. The training will be occurring in late March through June 2009. Mr. Bell felt confident that the goals set for FY 2009 and FY 2010 would be met.

Co-Chair Hawker observed that when the money was originally appropriated, the development of the apprentice programs was meant to proceed in a regionally diverse and trade diverse manner. He asked if there had been success in diversifying around the state.

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Mr. Bell agreed that a diverse portfolio of occupations had been developed including, non-destructive tester,

electricians, core drillers, truck mechanics, surveyors, and welders. He also revealed that many relationships had been developed throughout the state, particularly in the mining industry.

Representative Gara agreed that thousands of jobs would be needed when there is a pipeline and the goal would be to have them filled by Alaskans. He wondered how to balance "under training" and training people too early.

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Mr. Bell agreed it was a good question. The present focus of training programs is on industry job needs for today, and later on it will be for future jobs, such as the for the pipeline. The goal is to have a job for each person trained. At a later date, as the pipeline approaches, the state will need to accelerate training for those jobs, as well as backfilling jobs for those leaving to work on the pipeline. These are challenges that need to be addressed.

Representative Gara commented that he was not worried about over training, but was more concerned about under training. He wondered if he should be concerned.

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Mr. Bell indicated that many steps have been taken to expand training opportunities such as the legislative investment in the Alaska Vocational Technical Center, the University of Alaska, and the pipeline training center in Fairbanks. He cautioned that it was important not to over train new workers before they are needed.

Vice-Chair Thomas asked for a report regarding where the individuals for training come from and where they work after being trained.

Mr. Bell replied that he would get the detailed information for the Committee. A comprehensive training report is published annually by the Research and Analysis Section of Labor and Workforce Development. It looks at every publically-funded training program by course, the number of trainees, the pre and post training wages, as well as unemployment claims.

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Vice-Chair Thomas expressed concern about training too many workers; he wondered what the Department was going to do about supplying support service individuals, such as doctors, dentists, teachers, and retirement counselors.

Mr. Bell discussed a focus to increase resident hire by offering more trained Alaskans. He reported that about \$1.7 billion leaves the state in non-resident hires. He noted that the Division was working closely with the Alaska Workforce Investment Board and the University of Alaska on developing a long-term health care plan. The teaching profession has not yet been addressed.

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Vice-Chair Thomas agreed with local resident hire, and he expressed interest in a debt retirement program for students coming home to find work.

Co-Chair Hawker MOVED to ADOPT Amendment O&G 5:

DEPARTMENT: Labor and Workforce Development  
APPROPRIATION: Workforce Development  
ALLOCATION: Business Services

ADD: \$505,000 General Funds (1004) Inc OTI

EXPLANATION: Provide training and related instruction to at least 70 apprentices at Regional Training Centers for AGIA-related occupations.

Fund cooperative training agreements with business and industry for registered apprentices and structured on-the-job training for approximately 125 workers.

Current status: \$322.0 of FY09 funding has been obligated to date and other grant agreements are in the negotiation process. Most training is expected to occur March through June.

An anticipated lapse of \$80,000 of the original request is to be addressed in the supplemental bill.

Co-Chair Stoltze OBJECTED.

Co-Chair Hawker pointed out that the request was for \$585,000, but he offered the amendment to the FY 2010 budget for \$505,000. The remaining \$80,000 would be picked up from lapse funds coming forward from FY 2009.

Co-Chair Stoltze WITHDREW his OBJECTION. There being NO OBJECTION, it was so ordered.

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Ms. Rehfeld moved on to Amendment O&G 6 which is also under the Department of Labor and Workforce Development. The

request was for \$130,000 under Section 16 in the FY 2010 budget.

Mr. Bell explained that the funding would be for an educational specialist position in the Alaska Workforce Investment Board. Funding was received in FY 2009 and a lengthy recruitment proceeded. The job has been offered and accepted by the current head of the Northwest Alaska Career and Technical Center in Nome. He is under contractual obligation to the Barrow School District through June 2009, after which time he will be working at his new position in Anchorage.

Co-Chair Hawker noted that the money appropriated this year would have an \$85,000 lapse component in the current budget, so the amended amount would be \$45,000 in general funds.

Co-Chair Hawker MOVED to ADOPT Amendment O&G 6:

DEPARTMENT: Labor and Workforce Development  
APPROPRIATION: Workforce Development  
ALLOCATION: Workforce Investment Board

ADD: \$45,000 General Funds (1004)

EXPLANATION: The current head of the Northwest Alaska Career and Technical Center has been selected to this Education Specialist Position, which will oversee the education components of the gasline strategic training plan, including better training program and industry coordination, curriculum sharing, and articulation.

\$85,000 of original request to be addressed in the supplemental bill.

There being NO OBJECTION, it was so ordered.

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Ms. Rehfeld turned to the Department of Law - Amendment O&G 7.

CRAIG TILLERY, DEPUTY ATTORNEY GENERAL, DEPARTMENT OF LAW, reported that he had indicated to the legislature last year the possibility of litigation with British Petroleum Exploration Alaska due to the oil spill in 2006 from the North Slope oil transit lines and the subsequent shut-down of those lines due to extensive corrosion. Mr. Tillery noted that the State of Alaska has been involved in the investigation and has asked for \$25 million over a number of years. The legislature appropriated \$4.7 million, but as a result of delays, gathering and analysis of documents, and analysis of the legal case, the investigation has not

proceeded as quickly as anticipated. The Department has expended \$2.8 million, leaving \$1.9 million at the end of the fiscal year. For next year, the Department will use \$1.9 million and, in addition, is asking for \$3.5 million in new monies.

Co-Chair Hawker questioned if the \$1.9 million was really obligated or if it was being extended as a lapse fund.

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Mr. Tillery clarified that the money is not obligated yet, but will be obligated by the end of the year. The Department took what would have been a larger FY 2010 request and reduced it to account for the money being available in FY 2010.

Co-Chair Hawker asked Ms. Rehfeld how she arrived at a lapse request in the original supplemental budget.

Ms. Rehfeld replied that there are several different ways to structure appropriations. The initial review and request was for an extension of the lapse state because it was unknown if the Department of Law would be able to have that money obligated by the end of the year or how it would transpire. When the Department of Law indicated they would be able to have the funds obligated and adjust the money for FY 2010, it was brought before the Committee in that manner.

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Co-Chair Hawker questioned what sort of financial commitment the legislature should be prepared to make and inquired about the time frame. He wondered what the chances were for a favorable outcome.

Mr. Tillery originally estimated the amount to be about \$25 million over five years, but he observed it was an inexact science. The original assumption was that more documents would be available. As litigation proceeds, more documents may appear. He judged there was no need to back off the \$25 million estimate or the 5-year date. He agreed that the expectation of a likely recovery is hard to determine, but British Petroleum Alaska Extension has already admitted its negligence in federal court.

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Representative Austerman asked for clarification that in FY 2010 the expected spending would be \$5.4 million. Mr. Tillery agreed that was correct. Co-Chair Hawker reiterated that as the \$1.9 million is obligated, there will not be a lapse extension for that money, and \$3.5 million is being asked for in new funds.

Representative Gara asked how much work is being done by in-house counsel. Mr. Tillery replied that most of the work is being prepared by outside counsel. The money is also being used for other experts and for document management. Representative Gara stressed that outside counsel billing rates are very high, in excess of \$200 an hour, and he believed that the attorney general's office should have a standing litigation staff for research and briefing work so the state could save outside counsel costs.

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Representative Gara asked if there was room for a staffing request at this point. Mr. Tillery remarked that he did an analysis of the case presented last year to the legislature. If it had been done with less outside counsel and more in-house staff, 25 percent could have been saved over the course of the litigation. Representative Gara asked for the hourly rates for outside counsel. Mr. Tillery replied that the rates are \$375 per hour for partner-level counsel and \$250 for associates.

Representative Austerman asked if this was the second year of litigation of the 5-year projection. Mr. Tillery replied that FY 2009 is the first fiscal year, but the litigation has not begun yet as no formal complaint has been filed.

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Representative Kelly countered Representative Gara's suggestion of hiring more in-house staff. He did not want more in-house legal staff hired, but preferred using outside legal staff.

Co-Chair Hawker signified that the state made a commitment to pursue this course in the prior legislative session and the legislature needed to make a strong stand that the state was prepared to go all the way.

Co-Chair Hawker MOVED to ADOPT Amendment O&G 7:

DEPARTMENT: Law  
APPROPRIATION: BP Corrosion  
ALLOCATION: BP Corrosion  
  
ADD: \$3,500,000 Inc OTI  
  
FUNDING SOURCE: General Funds - 1004

EXPLANATION:  
The Department of Law (DOL) requests an appropriation for FY10 in the amount of \$3.5 million to continue the

pursuit of claims for penalties and lost revenues for the 2006 Prudhoe Bay pipeline spills and production shutdowns. DOL believes that it is unlikely that an agreement can be reached to resolve the claims and anticipates the need to file a court case later this year or risk certain claims being time barred; hence this request for an appropriation to fund the anticipated litigation in FY10.

Due to delays in obtaining documents and information from British Petroleum Exploration Alaska (BPXA), the investigation was only recently completed. Based upon information gathered to date, DOL anticipates making a recommendation to seek recovery of the state's revenue losses, as well as civil penalties and damages under the state's environmental statutes.

In March and August of 2006, crude oil leaked from Oil Transit Lines (OTLs) operated by BPXA at Prudhoe Bay. In its Plea Agreement with the United States executed in October 2007, BPXA acknowledged that it "acted negligently by failing to adequately inspect and clean the OTLs." The company is "required to operate the OTLs as a reasonable operator." BPXA "did not expend sufficient resources to address the complex issues of corrosion in the OTLs." "BPXA failed to clean the OTLs with a piece of equipment called a maintenance (or cleaning) pig and inspect the pipe for corrosion activity with a smart pig." These admissions are borne out by our investigation.

BPXA's documents substantiate that these failings resulted in shutdowns and reduced production of tens of millions of barrels of crude oil in 2006-08. The loss of revenue in royalties and taxes to the state for those years potentially amounts to hundreds of millions of dollars.

This is a complex matter with many documents. It is anticipated that the FY10 litigation activities will cost an additional \$3.5 million for costs of counsel, document management, experts, and litigation costs. DOL anticipates the litigation will last at least three to four years and that appropriations will be needed in future years.

This issue is independent of gasline appropriations.

There being NO OBJECTION, it was so ordered.

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Ms. Rehfeld introduced the Department of Law's request in Amendment O&G 8 for ongoing work, not specifically related

to the gasoline appropriations, but the continuation of work funded outside of the base for the past year.

TINA KOBAYASHI, CHIEF ASSISTANT ATTORNEY GENERAL, SUPERVISOR OF THE OIL, GAS & MINING SECTION, DEPARTMENT OF LAW, explained that this request represents the state, particularly the Department of Natural Resources, and the Department of Revenue, on cases and litigation involving the state's proprietary interests in oil and gas and mining resources. The Department of Law also represents the state on royalty disputes, lease and unit issues, including the Point Thomson litigation, tariff matters, property tax cases, production tax cases, and corporate income tax litigation involving oil and gas companies. This request reflects the ongoing litigation that began earlier and will continue.

Co-Chair Hawker asked for Ms. Kobayashi's comments on opposing points of view concerning having larger in-house staff versus hiring outside counsel for regularly reoccurring cases. He questioned the amount of the request as it related to a possible need to expand staff.

Ms. Kobayashi replied that the hourly billing rate for outside counsel is significantly higher than the cost of in-house counsel. She indicated that for specialty counsel the fees can range from \$200 to more than \$600 an hour. She remarked that part of the problem is that some of work is so specialized that high rates for outside expertise are necessary. If it were possible to train and retain that sort of in-house expertise it would be more efficient. Part of the problem is that when people are trained in-house and gather additional expertise, they often move on to higher paying positions in the private sector. She added that the Department of Law develops a relationship with outside firms that aid the state.

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Co-Chair Hawker concurred that she was talking about unique positions that are occasionally used, albeit recurring requests. He believed it was necessary to increase the base level of attorneys who have the desire to be competent; qualified attorneys for the state of Alaska in these disciplines.

Ms. Kobayashi agreed that if more qualified attorneys were available, more in-house work could be done.

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Representative Gara believed the state spends more money on attorneys than needed. Some of the staff at the attorney general's office is underpaid, yet the state ends up

spending more money in the long run. He suggested that a lot of the legal research and brief work could be done in-house while hiring outside legal staff for some of the trial work. He also believed private outside staff could supervise the Alaskan in-house staff doing much of the day-to-day work. He remarked that often there are those who do not like to hire staff as it does not look fiscally conservative, but he concluded that it would be fiscally conservative in the long run.

Co-Chair Hawker believed the conversation was relevant and should be talked about at a later date.

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Co-Chair Hawker MOVED to ADOPT Amendment O&G 8:

DEPARTMENT: Law  
APPROPRIATION: Civil Division  
ALLOCATION: Oil, Gas and Mining

ADD: \$5,109,200 Inc OTI

FUNDING SOURCE: General Funds - 1004

EXPLANATION:

The Department of Law's Oil, Gas and Mining section continues to play a major role in the State's top priority project related to the construction of a gas pipeline and bringing natural gas to market. In addition, the Department of Law has a number of other major projects underway that will continue to require outside counsel and experts beyond the funding included in the base operating budget. The most noteworthy are Pt. Thomson litigation, ongoing proceedings before the Federal Energy Regulatory Commission (FERC) on TransAlaska Pipeline Service (TAPS) tariffs issues; and two major corporate income tax matters.

This issue is independent of gasline appropriations.

There being NO OBJECTION, it was so ordered.

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Ms. Rehfeld referred to Amendment O&G 9.

Ms. Kobayashi remarked that when originally arriving at the anticipated budget for litigation, it was thought that the TAPS Strategic Reconfiguration would be spread out over a number of fiscal years, but TAPS carriers are requesting

that the discovery and litigation schedule be compressed into a smaller fiscal year. Therefore, the requested \$1.9 million will be needed in the next fiscal year.

Co-Chair Hawker inquired if this was the first year that the money has been requested. Ms. Kobayashi remarked that it had been generally included in the \$5.1 million, but is now an addition as it was believed the cost would arise in the next fiscal year. The Department must react to litigation as new situations appear. It was not anticipated that the compressed schedule would be requested.

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Co-Chair Hawker requested some background on the litigation. He wondered what put this situation on the Department's radar screen. Ms. Kobayashi replied that the Department had been in discussion with the carriers and was aware that they were undertaking reconfiguration of TAPS. In 2005, the Department protested, for the first time, the inclusion of some of the costs in the tariff. The Department protested that there had been cost overruns and that the carriers had been imprudent in their planning and expenditures for the reconfiguration project. They had additional costs in 2006, 2007, and 2008, and anticipated additional costs in 2009. Each year the Department has protested the inclusion of those cost overruns. Due to other TAPS litigation, this controversy was stayed by the Federal Energy Regulatory Commission (FERC) and the Regulatory Commission of Alaska (RCA). The Department is currently in front of FERC discussing scheduling.

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Co-Chair Hawker asked what the consequence would be of not funding this \$1.9 million request.

Ms. Kobayashi replied that the Department would have a hard time with this litigation. She remarked that in such cases it takes a lot of discovery, document handling, assistance from outside counsel, and the use of expert witnesses. If this item is not funded, it would be hard to put forward the case.

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Co-Chair Stoltze recollected that \$5 million would be spent on this case. Ms. Kobayashi agreed that that amount would take the case all the way through the court of appeals.

Co-Chair Stoltze asked if another half million to \$1 million might be needed after the hearing process. Ms. Kobayashi agreed that was correct. Co-Chair Stoltze inquired if the

stakes were hundreds of millions of dollars. Ms. Kobayashi agreed.

Co-Chair Hawker asked for clarification if the hundreds of millions of dollars were in consequence to the state's treasury or just the change in the values of the tariffs. Ms. Kobayashi replied that the hundreds of millions of dollars was the impact on the possible future royalty and production tax.

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Co-Chair Hawker MOVED to ADOPT Amendment O&G 9:

DEPARTMENT: Law  
APPROPRIATION: Civil Division  
ALLOCATION: Oil, Gas and Mining

ADD: \$1,900,000 Inc OTI

FUNDING SOURCE: General Funds - 1004

EXPLANATION: The Department of Law is requesting \$1,900.0 to cover preparation and other related costs associated with the TAPS Strategic Reconfiguration. The State is protesting imprudent capital expenditures on the TAPS Strategic Reconfiguration project that are included in rates from 2005 forward.

This issue is independent of gasline appropriations.

There being NO OBJECTION, it was so ordered.

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Ms. Rehfeld moved on to Amendment O&G 10. This request was for the Department of Natural Resources as a lapse extension in the FY 2009 Supplemental Bill for ongoing work related to gasline development.

Ms. Simons remarked that the original appropriation was for \$3.9 million, beginning in FY 2005. It was used in FY 2005, FY 2006, FY 2007, and FY 2008 to do preliminary work under the previous administration. With the change in strategy and the new AIGA license approval, the Department is ready to move forward again with spending on this appropriation to do the same kind of work involving right-of-way permitting.

Co-Chair Hawker believed it commenced in FY 2004, not FY 2005. He emphasized that it had been out there for a long time and wondered if the money would be used quickly or if it was being stashed in the budget.

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MARTY RUTHERFORD, DEPUTY COMMISSIONER, DEPARTMENT OF NATURAL RESOURCES, agreed with Co-Chair Hawker that this case has been on the books for along time. The work done in FY 2005 and FY 2006 was associated with TransCanada's application associated with the Stranded Gas Development Act, for some right-of-way work on the Glennallen to Palmer route, work for right-of-way applications for both an oil pipeline and a gas pipeline from Point Thomson to Prudhoe Bay, and a highway project for Dalton Highway east to the Anwar area. Legal work was also associated with some of these issues. Then there was a long time where nothing much occurred, but now there is a great deal of activity for a potential right-of-way from the North Slope south to Delta and into the Cook Inlet. Under consideration are various project right-of-ways, pinch points, material supplies for the pipeline, access roads, and facility locations. Ms. Rutherford agreed that the money had been on the books a long time, but she believed more would be spent in the near future to good state purpose.

Co-Chair Hawker acknowledged that there has been a rethinking of many of the projects. He wondered if the money would be prejudiced toward any one project over another. Ms. Rutherford replied that it would not. She noted that it was important to see a project move forward for the benefit of the state of Alaska to take gas to the market and see gas available for Alaskan needs.

Co-Chair Hawker wanted confirmation that a project not be told that the legislature did not provide enough money to follow up on permits. Ms. Rutherford assured Co-Chair Hawker that this would not happen. The only advantages that the AIGA licenses have are specific to the inducements provided as part of the legislation. Co-Chair Hawker impressed that it was important that the money for permitting and application processing be available as needed for any project.

[4:06:52 PM](#)

Representative Kelly inquired how much of the money would be spent in FY 2010. Co-Chair Hawker interjected that the number was for a \$2.9 million lapse extension. Ms. Rutherford replied that she was uncertain since the bottom line is directly related to the speed at which some of the applicants are moving their projects forward and to the degree in which material sites can be found and have contractors analyze them. Only \$1 million of \$3.9 has been spent so far, but she believed spending would accelerate in the future.

Representative Kelly referred to Amendments O&G 10, 11, 12, 13, and the millions involved, and wanted a good estimate on

what would be spent in the coming year. He related the importance of the Committee's understanding how much money would be spent in FY 2010.

[4:10:16 PM](#)

Ms. Simons declared that a lot being done is staging and it is difficult to know from one month to the next how much will be spent, but the Department knows when projects come up short at the wrong time of the year because they can be delayed significantly. Representative Kelly stressed the need to reduce the budget since in FY 2009 and FY 2010 the state will be \$2.6 billion short. It is necessary to be as precise as possible when giving out funds.

Co-Chair Hawker reminded the Committee that this item request did not show up in the FY 2010 budget, but as a lapse extension request that showed up in the FY 2009 supplemental budget. He noted that as the Committee moves the amendments, the intent is that they will be incorporated into the numbers section for the coming year.

Co-Chair Hawker deferred Amendment O&G 10 to be incorporated into the FY 2009 supplemental budget.

[4:13:39 PM](#)

Co-Chair Hawker remarked that items numbers O&G 11, 12, and 13 are state coordinator gas pipeline issues. Amendment O&G 11 is a request from the Department for base funding for three positions. Amendment O&G 12 is a request for \$3.2 million for a state coordinator for gas pipeline work, and originally was a lapse extension request. There are three components: \$391,000, \$3.2 million originally in the capital budget, and a \$2.7 million lapse extension.

Co-Chair Hawker requested an explanation of the State Coordinator - Gas Pipeline positions. He pointed out that the request is for over \$6 million. He wondered how the money would be spent.

[4:15:45 PM](#)

Ms. Rehfeld suggested that each department respond to the question.

Ms. Simons explained that there are three positions in the State Coordinator - Gas Pipeline office being requested. The requests for \$3.2 million in general funds and \$2.7 million lapse extension are directly related. The \$391,700 was a FY 2009 one-time request for three positions for AGIA, which is being requested again. The State Coordinator - Gas Pipeline was hired in January and is ready to fill the positions.

Co-Chair Hawker asked if the position was held by Mr. Myers. Ms. Simons said that was correct. Co-Chair Hawker asked how much of the FY 2009 request was left. Ms. Simons reported that all monies left in personal services will lapse. Co-Chair Hawker asked how much that was. Ms. Simons replied that she would have to check. Co-Chair Hawker asked if the amount being lapsed was included in the \$2.7 million. Ms. Simons offered to find out.

[4:18:51 PM](#)

Co-Chair Hawker asked how the \$3.2 million would be spent. Ms. Simons explained that it was the leftover funding from FY 2009 for AGIA implementation. She reported that during special session the Department of Natural Resources requested \$15 million for AIGA implementation, spread over five years. The first year request was for \$5.5 million, the second year request was for \$3.2 million, and the rest was spread out for remaining years. The \$5.5 million amount was a one-time operating increment which will lapse at the end of June 30. A portion of that money has been expended and the Department would like the rest available for FY 2010, along with the \$3.2 million. The money will be used for managing the TransCanada license: for a project monitor, for evaluating royalty inducement regulations, for proposals for economic modeling, and for a commercial advisor.

[4:21:25 PM](#)

Co-Chair Hawker thought it seemed odd that of \$5.5 million, only \$190,000 was spent. Ms. Simons explained that the Department received the appropriation in August and it takes time to write contracts and spend the money. Also, not all positions have been filled yet. The Department feels as if it is moving quickly on this matter.

Co-Chair Hawker noted that the coordinator was hired. He wondered if the other two positions were filled. Ms. Simons described the three positions: two natural resource specialists and a pipeline engineer. There were also three positions in the Governor's office - the State Coordinator, Gas Pipeline and Inter-Governmental Coordinator. Co-Chair Hawker asked if they were filled at the moment. Ms. Simons said they were not filled at the moment, but were close to being filled. Co-Chair Hawker requested job descriptions.

[4:24:06 PM](#)

Ms. Rutherford clarified the tasks expected of each job. The natural resource specialist will be focusing on regulations, permitting, coordination, and legal issues. The pipeline engineer will be working to ensure that the proposed project is developed and constructed according to

federal and state standards. The fourth position is a land manager. Dr. Mark Myers is the fifth position and is the state coordinator. She commented that the positions would be highly challenged to handle the pending work load.

Co-Chair Hawker summarized that when looking at the request for general funds, and not considering the statutory program receipts, the Department was asking for carry-over authority of \$2.7 million, as well as for \$3.2 million in new authority. He asked how much of that total the Department anticipates spending in the coming year. Ms. Rutherford explained that contracts with monitoring oversight will progress as the AGIA project progresses. The same is true for the economic modeling and commercial advisor, although they may not go beyond two years. The royalty regulations should be wrapped up by December of next year. They are a significant factor in the open season. There will be a need for outside expertise.

Ms. Rutherford expected all of the \$200,000 would be used; however, \$300,000 of the \$2.7 may not be used. Conformance with the license provision, royalty inducements, and the contractors' duties will continue and will use the bulk of the request. She pointed out that the Department is required to use the state procurement process now that the license has been issued. She maintained that it has been a slow start due to understaffing.

[4:27:58 PM](#)

Co-Chair Hawker asked if \$2.7 million was on top of \$3.2 million. He summarized what he thought he had heard. Ms. Rutherford clarified that the \$15 million spread had never really been combined. She clarified that the \$3.2 was a combination of factors. Within the \$5.5 million this year and \$3.2 next year was \$300,000 for this fiscal year and \$200,000 for FY 2010 for support to the pipeline coordinator's office.

Co-Chair Hawker surmised that there was a great deal of confusion about the appropriations. He reiterated his understanding of the requests and observed that information was lacking. He voiced concern about off-budget agencies and the loss of accountability.

[4:31:24 PM](#)

Ms. Rehfeld emphasized that it is not the intention of an agency to be off-budget. She suggested a number of ways of dealing with the appropriations, such as putting the funds in a multi-year operating appropriation that appears before the subcommittee on an annual basis or in a capital project request. She voiced appreciation for the discussion and recognized the need for more clarification.

Ms. Rutherford added that the \$15 million is almost all contractual service money and is viewed as a capital project where the monies can be extended because they are used for outside contracts. The \$391,700 amount is for an operating item; staffing and travel for commodities contractual services.

[4:33:56 PM](#)

Co-Chair Hawker pointed out that the pipeline coordinator's office is an ongoing position and he suggested putting it in the operating budget which comes before the legislature every year.

Ms. Rutherford clarified that the \$391,700 is associated with the AGIA inducement position. There is currently a discussion about whether or not the Denali Project coordinator could also coordinate the AGIA effort. It is a requirement to have an AIGA coordinator for the project. Once the license responsibility is done, that function goes away, and there may or may not be a project at that time.

[4:36:40 PM](#)

Co-Chair Hawker commented that the larger numbers cause concern.

Representative Austerman commented that he agrees with getting a handle on the request. He suggested lapsing the \$2.7 million and giving the Department the \$3.2 million. Then the Department can make a more informed request in the supplemental budget.

Co-Chair Hawker wished to go forward with the decision after taking an at-ease.

Representative Gara agreed that it is hard to predict how much money will be used for AIGA. He was concerned that the supplemental budget may not pass any faster than the operating budget.

[4:39:08 PM](#)

Representative Kelly thought the discussion was helpful due to the multiple years and multiple projects. The availability of the "top players" has been scarce during this process and would have proved helpful.

[4:40:40 PM](#) AT EASE

[5:07:48 PM](#) RECONVENED

Co-Chair Hawker reviewed the components of Amendments O&G 11 and 12.

Co-Chair Hawker commented that the state coordinator position is an operating budget item. He stated his intent to incorporate the amendments into the FY 2010 budget.

[5:11:11 PM](#)

Co-Chair Hawker MOVED to ADOPT Amendment O&G 11:

DEPARTMENT: Natural Resources  
APPROPRIATION: Resource Development  
ALLOCATION: State Coordinator - Gas Pipeline

ADD: \$3,591,700 General Fund (1004) Inc OTI

EXPLANATION: This amendment includes funding for three positions that will assist with the review and coordination of all state and federal permits and processes, to ensure that all state and federal environmental requirements have been completed, and assist with title work for natural gas transportation projects in Alaska, including AGIA implementation.

A \$3.2 million FY 2010 capital project request for this purpose will be deleted from the capital budget. An anticipated lapsing balance of \$2.7 million GF of an operating appropriation for this purpose will be addressed as a supplemental request.

Co-Chair Stoltze OBJECTED.

Co-Chair Hawker MOVED to AMEND Amendment O&G 11 to change \$3,591,700 million in general funds, a one-time increment, to \$3.2 million. This is money that was formerly in the capital budget. The amount of \$391,700 will be shown as a regular increment as it was originally submitted to the legislature in the Section 16 breakdown.

Representative Austerman asked for clarification, which Co-Chair Hawker provided.

Co-Chair Stoltze WITHDREW his OBJECTION.

There being NO OBJECTION, it was so ordered.

Representative Kelly asked that technical amendments be included in the budget. Co-Chair Hawker assured that would happen.

[5:14:23 PM](#)

Co-Chair Hawker remarked that Amendment O&G 12 would be deferred to the supplemental budget.

Ms. Rehfeld discussed Amendment O&G 13 - \$2.5 million for Statutory Program Receipts for the Pipeline Coordinator. This is multi-agency work related to AIGA, the Denali Project, ANGDA, and ENSTAR right-of-way.

Co-Chair Hawker asked for delineation between the Pipeline Coordinator in Amendment O&G 13 and the State Coordinator Gas-Pipeline discussed in the previous two amendments. Ms. Simons described the State Coordinator-Gas Pipeline as a new component formed to deal with AGIA and the gas pipeline. The State Pipeline Coordinator's Office (SPCO) is part of the joint pipeline office which exists to coordinate right-of-way permitting and oversight of common carrier pipelines, the biggest of which is TAPS.

Co-Chair Hawker asked Ms. Simons to explain what Statutory Designated Program Receipts (SDPR) are and how they differ from a general fund appropriation. Ms. Simons indicated that a SDPR is a request for authorization to receive funding from a third party outside of state government, so anyone making an application for a right-of-way would pay for the work to be done. This gives the Department authority to collect that money.

Co-Chair Hawker asked if it was an adequate amount of money. Ms. Simons declared it would be sufficient.

[5:18:19 PM](#)

Co-Chair Hawker MOVED to ADOPT Amendment O&G 13:

DEPARTMENT:	Natural Resources
APPROPRIATION:	Resource Development
ALLOCATION:	Pipeline Coordinator

ADD: \$2,500,000 Statutory Designated Program Receipts (1108)

EXPLANATION: To fund work required for multi-agency coordination and review of AGIA, Denali, ANGDA and ENSTAR right-of-way pre-application work. Under AS 38.35, the pre-applicant, applicant or lessee is required to reimburse the State for these efforts. Authorization is needed to receive funds to do work for applicants.

There being NO OBJECTION, it was so ordered.

[5:19:12 PM](#)

Ms. Rehfeld described Amendment O&G 14 as a Department of Revenue request. It was one of the original Section 16 items.

Co-Chair Hawker asked why the amendment is a unique request.

PAT GALVIN, COMMISSIONER, DEPARTMENT OF REVENUE, via teleconference, replied that Amendment O&G 14 was needed to do analysis of the state's fiscal system as the open season approaches. This analysis would be above and beyond normal operations

Co-Chair Hawker inquired if the money would be prejudiced toward any AIGA implementation or if it could be used for another project line.

Commissioner Galvin explained that the actual language says it is to be used for gas commercialization, so it does not have to be limited to the AIGA project. It could be transferable.

[5:22:24 PM](#)

Representative Gara pointed out that \$2.5 million is a round number and wondered how accurate it was. He wondered if the same amount of work could be done for less. Commissioner Galvin explained that the amount for FY 2010 was \$771,000 and there is a good chance it may not all be spent.

Co-Chair Hawker recalled that the amount of money spent on such projects since 2004 was \$183 million. He was concerned whether the state was getting value for the money.

Representative Fairclough asked how the funds for a \$3 million capital appropriation were used. Commissioner Galvin thought they might be part of a multi-year justification. For the current fiscal year, the Department contracted with Gaffney Cline & Associates to analyze the state's fiscal system as it relates to the interaction of oil and gas. The Department has also continued to fund work that Goldman Sachs has been doing in analyzing the financing of the project and the various roles that state and federal government should play. A lot of the funds are being used for contractual work on the AIGA application and evaluation.

[5:26:26 PM](#)

Co-Chair Hawker added that the \$3 million was a 2007 multiple-year operating appropriation, of which, as of January 15, \$650,000 was unencumbered. He asked if that balance would be utilized in FY 2009.

Commissioner Galvin replied that he did not know, but offered to find out. He thought there was only about

\$200,000 left. Co-Chair Hawker assumed that the money would be spent.

Co-Chair Hawker concluded that he had discomfort with the number, but no basis to challenge it.

Representative Joule asked when the work would be completed. Commissioner Galvin thought it would be done by next legislative session. If not, the Department would request a supplemental.

[5:29:34 PM](#)

Co-Chair Hawker MOVED to ADOPT Amendment O&G #14:

DEPARTMENT: Revenue  
APPROPRIATION: Administration and Support  
ALLOCATION: Natural Gas Commercialization

ADD: \$771,000 General Funds (1004) Inc OTI

EXPLANATION: This funding is needed to respond in FY2010 to issues associated with the holding of open seasons in the fall of FY2010 by the major gas line projects. The administration has stated that when economic information becomes available, they will analyze the economics underpinning proposed major gas line projects prior to an open season and assess the need for changes in the state's fiscal system. The work will be on a tight time frame as any changes ideally should be in place prior to or during the open season and will require the assistance of contractors. The need for economic evaluations is critical in moving gas line projects along as quickly as possible. DOR has the ability to contract with the appropriate financial institutions to facilitate the evaluations. This funding has typically been managed through the Commissioner's Office appropriation.

There being NO OBJECTION, it was so ordered.

[5:29:54 PM](#)

Representative Austerman questioned if OMB could put together a yearly report for all money received and how it was used. This could be discussed in subcommittees in the future, instead of at this kind of meeting at the end of session. Co-Chair Hawker suggested that a capstone report would be great.

Representative Austerman thought such a report would provide a better understanding of the entire budget. Co-Chair

Hawker suggested that it would show how the \$183 million already allocated was spent.

[5:31:59 PM](#)

Ms. Rehfeld offered that a process is needed for discussing cross-departmental items. Co-Chair Hawker pointed out that this discussion has been helpful and very productive. Ms. Rehfeld appreciated the work of the Committee.

[5:34:52 PM](#)

Representative Gara MOVED to ADOPT Amendment 33:

DEPARTMENT: Health and Social Services  
APPROPRIATION: Behavioral Health  
ALLOCATION: Behavioral Health Grants

ADD: \$210,000 General Fund/Mental Health  
(1037)

ADD INTENT: It is the interest of the legislature that at least \$210,000 be expended to service individuals on waiting lists for Heroin addiction treatment at facilities that have a waiting list. The funding is to be utilized in addition to any other behavioral health grants that a heroin addiction treatment facility may qualify for, and it shall not prevent such a facility from qualifying for any additional behavioral health grant funds.

EXPLANATION: The funding is intended to expand the capacity of Heroin treatment facilities for individuals that are on a waiting list. This supplemental funding is to be targeted to Heroin addiction treatment facilities that have a waiting list and not prevent those facilities from qualifying for other behavioral health grant funds.

Co-Chair Hawker OBJECTED.

Representative Gara pointed out that there are two heroin addiction treatment centers in the state, in Anchorage and in Fairbanks. The treatment uses is a drug called methadone which has a good effectiveness rate. The centers are funded by behavioral health grants. Both centers have substantial waiting lists, and the behavioral health grants, as funded, are not adequate as they are distributed among the various state treatment centers for alcoholism and substance abuse.

Representative Gara related that the funds target waiting lists. Federal law requires that pregnant women be treated first. Some who are desperate for treatment cannot get treatment, which can lead to felonies by both users and dealers. By not eradicating waiting lists, more drug dealing occurs on the streets. For \$210,000 people who want to kick their heroin addiction can be treated, the amount of crime can be reduced, and law enforcement costs can be saved. He maintained that funding this request is smart, humane, and would save money. He shared a story of a client on the waiting list. He discussed behavioral grants that were not fully funded.

[5:41:34 PM](#)

Co-Chair Hawker voiced concern about setting a precedent for "cherry picking" in the human services area at short notice. He agreed that the request had merit; however, it was not circulated to the Committee during the budget cycle. There is \$70 million designated to the behavioral health category already. He cautioned against circumventing the grant request process and he questioned what law enforcement's experience with the clinics has been.

Co-Chair Hawker stated that he was sympathetic to the legislature's and the Governor's commitment not to expand programs. He wanted assurance from the administration that an amendment such as this one would survive a veto and would be received positively by the other body.

[5:46:23 PM](#)

Representative Crawford reported that he was familiar with the center for drug problems in Anchorage, as his wife was the program nurse. He was familiar with many people who work there. He believed support for the center was in the Governor's original request, but had been reduced. He recalled that, at times, the waiting list had been reduced to almost zero. He pointed out that the request provides just a portion of the match; addicts also pay for the program according to a sliding scale. There are also other grants awarded to the center. He maintained that this request would help save lives and money, in the long run. He emphasized that he was very much in favor of the amendment.

[5:49:51 PM](#)

Representative Austerman stated that he cannot support Amendment 33 or Amendment 34, regarding the Center for the Blind. He maintained that there are many programs not being funded to the full extent needed; however, this meeting was not the right place or time to bring the requests before the

Committee. He appreciated Representative Gara's intention, but preferred to work within the existing budget process.

Representative Joule thought the amendment presupposes how the Department would spend the \$1 million. He spoke in opposition to the amendment, saying he would rather hear from the Department how the money allocated would be used. He spoke of personal experience on boards of treatment centers.

[5:52:35 PM](#)

Representative Kelly commented that the government is not the only place to turn to for this sort of financial help. He suggested the program try and get money from local churches and other community organizations.

Co-Chair Stoltze shared that he has had to make tough choices and show restraint for issues regarding his own district. Co-Chair Hawker agreed that he would also have liked to request more money for specific items such as state troopers, but the process did not allow it.

[5:55:17 PM](#)

Vice-Chair Thomas interjected that he wanted to go on record as not encouraging drug dealing. He voiced support for the committee chair.

Representative Gara suggested it would be important to know what law enforcement and health and human services have to say about the quality of care provided at the treatment centers. He offered to research their views. Representative Gara reported that he was attempting to be efficient by proposing the smaller amount, due to less money being available for the treatment centers. He thought there would be support by the other body.

Representative Gara thought that asking for funds for the two centers, rather than just for the one in his district, may have negatively affected the chances of receiving funding. He suggested that the amendments might be more appropriate for a one-time funding in the capital budget.

Representative Gara WITHDREW Amendment 33.

[5:59:47 PM](#)

Representative Fairclough announced that the PFD application deadline is on March 31. Part of the fund is going to a Pick, Click, and Give campaign, thanks to the Rasmuson Foundation, United Way, and Vice-Chair Thomas. There are programs that are not receiving funding that could benefit by this program.

[6:01:29 PM](#)

Representative Gara MOVED to ADOPT Amendment 34:

DEPARTMENT: Department of Labor and Workforce  
Development  
APPROPRIATION: Division of Vocational Rehabilitation  
ALLOCATION: Independent Living  
  
ADD: \$70.0 General Funds (1004)

EXPLANATION:  
Outreach to Visually-Impaired in Rural Communities

This increment would allow The Center for the Blind and Visually Impaired to reach out to provide life skill and services to visually impaired Alaskans in those small communities, where no or few services are offered. The Increment was recommended by the Division and no forwarded to the Legislature by the Governor.

Co-Chair Hawker OBJECTED.

Representative Gara explained the increment for The Center for the Blind and Visually Impaired, which would provide training for the visually impaired outside urban centers. The request was requested by the Division, but not accepted by the Governor.

[6:03:07 PM](#)

Co-Chair Hawker acknowledged the numerous legitimate needs in the communities of Alaska. He reiterated the need to follow the budget process. The proper process is important so as not to put committee members, especially those from rural communities, in an uncomfortable position.

[6:04:44 PM](#)

Representative Gara wanted to raise the issue, but not put anyone on the record or call for a vote. He believed it was important to keep learning new things as the session progresses. He announced that most of the service organizations do not have professional lobbyists to guide them through the legislative process.

Representative Gara WITHDREW Amendment 34.

[6:06:40 PM](#)

Vice-Chair Thomas withdrew Amendment 5A from the previous day's discussion. It involved having the Alaska tourism

industry take a position that may negatively affect the communities he represents.

Representative Kelly reported on a letter he received, which indicated that people are listening to these meetings. He appreciated Vice-Chair Thomas's flexibility.

6:09:39 PM

Representative Austerman reported that he was a participant in sending a letter to the tourism industry concerning the halibut issue, requesting that they look at the biological issues as well as the economic issues. There has been no response from the industry. Vice-Chair Thomas thought there was a response now.

Co-Chair Stoltze spoke in support of Amendment 5B and of the good things the tourism industry is doing.

6:12:09 PM

Co-Chair Hawker thanked everyone for their contribution to the discussion. He believed that the amendment process was clear and the bill could move out of Committee at this time.

Co-Chair Stoltze MOVED to report CSHB 81 (FIN), as amended, out of Committee with individual recommendations, and that authorization be given to the Legislative Finance Division and to Legislative Legal Services Division to make any necessary technical and/or conforming amendments. There being NO OBJECTION, it was so ordered.

CSHB 81 was REPORTED out of Committee with a do pass recommendation.

Co-Chair Stoltze MOVED to report CSHB 83 (FIN), as amended, out of Committee with individual recommendations, and that authorization be given to Legislative Finance and the Legislative Legal Services to make any necessary technical and/or conforming amendments. There being NO OBJECTION, it was so ordered.

CSHB 83 was REPORTED out of Committee with a do pass recommendation.

#

ADJOURNMENT

The meeting was adjourned at 6:15 PM.