

HOUSE FINANCE COMMITTEE
April 7, 2009
8:35 a.m.

8:35:51 AM

CALL TO ORDER

Co-Chair Stoltze called the House Finance Committee meeting to order at 8:35 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 Mike Kelly
Representative Reggie Joule
Representative Woodie Salmon

MEMBERS ABSENT

Representative Richard Foster

ALSO PRESENT

Representative Jay Ramras, Sponsor; McHugh Pierre, Liaison, Department of Military and Veterans Affairs; David Teal, Director, Legislative Finance Division

PRESENT VIA TELECONFERENCE

None

SUMMARY

HB 114 "An Act relating to availability of state transportation facilities and state-owned or state-operated transportation modes for delivering compassionate aid during a disaster emergency."

CSHB 114 (TRA) was REPORTED out of Committee with a "do pass" recommendation and with zero fiscal notes by the Department of Military and Veterans Affairs, the Department of Commerce, the Department of Community and Economic Development, the Department of Transportation and Public Facilities, and the Department of Fish and Game.

HB 199 "An Act making supplemental appropriations and capital appropriations; amending appropriations; and providing for an effective date."

CSHB 199 (FIN) was REPORTED out of Committee with a "do pass" recommendation.

HB 113 "An Act making supplemental appropriations, capital appropriations, and other appropriations; amending appropriations; making appropriations to capitalize funds; making appropriations under art. IX, sec. 17(c), Constitution of the State of Alaska, from the constitutional budget reserve fund; and providing for an effective date."

CSHB 113 (FIN) was REPORTED out of Committee with a "do pass" recommendation.

[8:36:12 AM](#)

hb114

HOUSE BILL NO. 114

"An Act relating to availability of state transportation facilities and state-owned or state-operated transportation modes for delivering compassionate aid during a disaster emergency."

REPRESENTATIVE JAY RAMRAS, SPONSOR, explained the history of the bill. The proposed legislation arose in January when his office was approached for help with transportation for a relief effort to the western villages of Alaska. The relief was organized by faith based and community non-profit groups in Fairbanks and across the state. The groups raised money, but over 50 percent of the money would have gone toward transportation of the food. He related that HB 114 would allow the governor to use state transportation modes in times of need without declaring a disaster.

MCHUGH PIERRE, LIAISON, DEPARTMENT OF MILITARY AND VETERANS AFFAIRS, explained that the department responds to disasters and is the lead on the bill. The administration does support the bill. The fiscal notes show that the agencies have planned for contingency efforts and are available to support in times of need.

[8:39:08 AM](#)

Co-Chair Stoltze noted that the bill appears to protect public safety and health. It has four zero fiscal notes.

Co-Chair Hawker MOVED to REPORT CSHB 114 (FIN) out of Committee with individual recommendations and the

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

CSHB 114 (FIN) was REPORTED out of Committee with a "do pass" recommendation and with zero fiscal notes by the Military and Veterans Affairs, the Department of Commerce, Community and Economic Development, the Department of Transportation and Public Facilities, and the Department of Fish and Game.

[8:41:18 AM](#)

hb199

HOUSE BILL NO. 199

"An Act making supplemental appropriations and capital appropriations; amending appropriations; and providing for an effective date."

Co-Chair Hawker assumed the gavel.

Co-Chair Hawker informed the Committee that they would be working off of a new Committee Substitute, the S Version.

[8:42:33 AM](#)

Co-Chair Stoltze MOVED to ADOPT the CS for HB 199, labeled 26-GH1260\S, Kane, 4/6/09. There being NO OBJECTION, it was so ordered.

Co-Chair Hawker explained that the non-transportation stimulus fund bill accepts all federal stimulus funding pending approval by the governor.

[8:44:03 AM](#)

Co-Chair Hawker explained the revisions to the CS for HB 199, Version S:

Revisions to CS for HB 199 Version \E: Non-Transportation Stimulus Funds Incorporated in the New CS for HB 199 Version \S

- 1) Language changes needed to ensure funding will be available in FY09 and FY10 for operating appropriations - added in Lapse Section 15 (b).
- 2) Over Authorization of Stimulus Funding for the University Research Vessel was removed from the language section. The total amount of federal stimulus funding currently available for this project is \$116.0 million and is authorized in the CS. The \$80million fund source change from Federal to Federal Stimulus for

the prior year appropriation Section 2. ch. 159, SLA 2004, page 54, line 8 (FY05 Capital Budget) has been removed. The \$80million in Federal authorization remains.

- 3) Fund Source Language: (page 18, line 20)
Delete: Federal Economic Stimulus
Add: Federal Stimulus: ARRA 2009
- 4) Updated Education Temporary Emergency Food Assistance number in DEED: add \$3.5 of federal stimulus funding, bringing the total allocation to \$389.5.
(In numbers, section 1)
- 5) Language section: directing \$20.7 million to the Capital Income Fund was deleted and new language directing funding:

Section 13:
from OFFICE OF THE GOVERNOR to Community Revenue Sharing on a per capita basis to entities that are eligible to receive Community Revenue Sharing under AS 29.60.850 in FY09.

Co-Chair Hawker noted that a proposed Conceptual Amendment 2 will clean up the language in Section 13.

[8:47:46 AM](#)

Co-Chair Hawker discussed the relationship of the Federal Matching Assistance Percentage (FMAP), the federal share of Medicaid programs, to the federal stimulus money. There was an increase in the FMAP rate in the supplemental budget for FY 09 and the base FMAP increment was included in the FY 10 operating budget. There is a potential for obtaining a higher FMAP increment than has already been incorporated in those budgets. If Alaska's unemployment rate exceeds 7.5 percent over a certain base period, the state is eligible for more money. It appears as if the state's unemployment rate will exceed that amount shortly. Conceptual Amendment 1 is an open appropriation that says if the state reaches the benchmark and the FMAP is increased, the state requests more money for FY 09 and FY 10.

[8:49:54 AM](#)

Co-Chair Stoltze added that there is an assumption that most communities would use the additional \$20.7 million for education. Co-Chair Hawker concurred. The federal stimulus money can be used for anything; however, any extra money will probably go toward education. Co-Chair Stoltze commented that new programs act to save old programs in some cases.

[8:51:07 AM](#)

Representative Gara requested an at-ease.

AT-EASE: [8:51:26 AM](#)

RECONVENED: [8:55:03 AM](#)

Co-Chair Hawker MOVED to ADOPT Conceptual Amendment 1:

New Section - Conditional Language

DEPARTMENT OF HEALTH AND SOCIAL SERVICES. An appropriation is made from federal economic stimulus funding for the Federal Matching Assistance Percentage (FMAP) for Medicaid programs in the amount to be received for FY09 and FY10 contingent upon state unemployment rates increasing. General fund appropriations for the same periods will be reduced in the amount offset by the additional federal stimulus funding received.

EXPLANATION:

The Medicaid FMAP rate will likely increase again once the Unemployment Rate figures come out for March on April 17th.

Alaska's FMAP rate will increase by another 2.44% if our unemployment rate is above 7.5% (seasonally adjusted) for three consecutive months. Since January's Unemployment rate is 7.8% and February is 8.0%, it is probably that March will be at or higher than 7.5%.

This could impact both FY09 and FY10 Medicaid budgets. The impact to FY09 could be relatively small depending on whether we can claim retroactive to Oct. 1st 2008 (the law is not clear on this point); It is clear that we can claim the state 4th quarter and all of FY10 at the higher rate of an additional 2.44% (FY09 likely \$5 million? and FY10 approx. \$20 million).

Co-Chair Stoltze OBJECTED.

Co-Chair Hawker explained the change to FMAP funding as a result of an unemployment rate increase.

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

[8:57:07 AM](#)

Co-Chair Hawker MOVED to ADOPT Conceptual Amendment 2:

Page 18, Line 23, following "2009)"
Add: to be transferred

Page 18, Line 25, following "29.60.879"
Add: during the fiscal year ended June 30, 2009

Page 18, Line 26, following "P.L. 111-5"
Delete: for the fiscal year ending June 30, 2011

Page 19, Line 3, following "Sec.1"
Add: and 13

Co-Chair Stoltze OBJECTED.

Co-Chair Hawker summarized that Conceptual Amendment 2 refers to Section 13, which relates to the education stimulus money. It clarifies the intent for the money to flow to the governor's office and then to the Department of Commerce, Community and Economic Development for the per capita revenue sharing grant program. He emphasized the words "to be transferred" in the amendment. He explained line 25 and the statutory reference for revenue sharing established in the previous legislature. The clarification addresses the communities that qualify during 2009. He highlighted the deletion on page 18 and the addition of "and 13" on page 19, which ensures that the revenue sharing appropriation is distributed in FY 10 for those who qualified in FY 09.

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

[9:00:35 AM](#)

Representative Gara commented that the appropriations may be accepted without the governor's requesting of the funds. He thought the federal education money, for example, fell into this category.

Co-Chair Hawker clarified that this is an appropriation bill, which is not contingent upon any act of the governor's. The legislature can appropriate, but not compel the executive to apply for or spend the funds. The education component is the exception. The legislature was empowered in a previous bill to authorize receipt of that money, around the executive. Now the money must be appropriated in this bill.

[9:03:31 AM](#)

Representative Gara understood that the legislature could accept the funds, which may or may not be spent by the governor. He thought that the legislature did not have to

wait for the governor to apply for the funds, according to federal law. Co-Chair Hawker maintained that the executive must apply for the various amounts of money. Appropriation does not trigger the release of the money. Representative Gara concluded that the legislature was appropriating the stimulus funds and then asking the governor to apply for them. Co-Chair Hawker agreed.

[9:05:12 AM](#)

Representative Fairclough said there was discussion at a federal level of a bypass mechanism. Co-Chair Hawker agreed that the issue had been raised, but at the moment, nothing has moved.

AT-EASE: [9:06:28 AM](#)

RECONVENE: [9:11:42 AM](#)

Representative Gara MOVED to ADOPT Conceptual Amendment 3:

Page 16, Line 30

Delete "does not intend to replace"

Insert after "legislature" "makes no representation that it will replace"

There being NO OBJECTION, it was so ordered.

[9:12:53 AM](#)

Representative Gara questioned page 17, lines 8 and 9, as it relates to spending the federal education money. He wondered if the funds could be used to hire teachers. Co-Chair Hawker reported that it was intent language and it would allow school districts to spend money according to the federal stimulus guidelines. The intent of the language was not to leave schools in a more precarious position after the money was invested. Representative Gara agreed.

[9:14:25 AM](#)

Co-Chair Stoltze MOVED to REPORT CSHB 199 (FIN), as amended, out of Committee with individual recommendations.

Representative Fairclough OBJECTED. She referred to a town hall meeting with constituents who were concerned with indebting future generations with these funds. She said she understood their concern. She hoped that the legislation was moving forward with the intent to benefit Alaskans who will have to continue to pay for this in the future.

Co-Chair Hawker replied that he shared those concerns at the onset of the stimulus package process. He pointed out that if Alaska does not use the funding, it will be redistributed

to other states. He noted that Alaska could refuse on principal. He maintained that it would be responsible of Alaska to accept the funds.

[9:17:33 AM](#)

Representative Fairclough WITHDREW her objection. There being NO OBJECTION, it was so ordered.

CSHB 199 (FIN) was REPORTED out of Committee with a "do pass" recommendation.

[9:18:48 AM](#)

hb113

HOUSE BILL NO. 113

"An Act making supplemental appropriations, capital appropriations, and other appropriations; amending appropriations; making appropriations to capitalize funds; making appropriations under art. IX, sec. 17(c), Constitution of the State of Alaska, from the constitutional budget reserve fund; and providing for an effective date."

Co-Chair Stoltze MOVED to ADOPT the working draft for HB 113, labeled 26-GH1005\P, Kane, 4/6/09.

Co-Chair Hawker OBJECTED for discussion purposes.

[9:19:48 AM](#)

Co-Chair Hawker requested information regarding the decisions made to date on the bill.

DAVID TEAL, DIRECTOR, LEGISLATIVE FINANCE DIVISION, explained that the Office of Management and Budget (OMB) went through their supplemental items and House and Senate staff reviewed the bill in detail with Legislative Finance staff. At that point a color code system was used to decide on individual items. He pointed out that the bill is the fast track supplemental. An assumption is that supplemental appropriations can be put into the capital bill, so a rejection during the process simply means there was not full agreement. The four Senate and House Finance co-chairs then reviewed the bill.

[9:21:56 AM](#)

Co-Chair Hawker related that appropriation bills can be confusing. Legislative Finance has produced a spreadsheet entitled "FY 2009 Supplemental Requests" (copy on file).

Mr. Teal referred to the spreadsheet to explain the Analysis of the Governor's Supplemental Request. He noted a \$59 million reduction in operating costs and a \$3.2 million increase in capital projects.

Mr. Teal detailed the unallocated operating reductions, which were due to the governor's restricting the money. That adds another \$11.5 million to the budget, making the total general fund impact \$70 million - operating. With the \$3 million positive in capital, the impact on the deficit is a reduction of \$67 million.

Mr. Teal reported that the unallocated reductions were all pulled from the bill. Co-Chair Hawker commented that unallocated reductions are not good policy as a matter of course and constitutionally suspect.

[9:24:41 AM](#)

Mr. Teal referred to item 21 under Operating Lapse Extensions, items that came before the committee during the operating budget. Co-Chair Hawker added that there was a thorough discussion about these lapses, which included legal advice. Mr. Teal explained that because they make money available during the 2010 budget process, they needed to be reviewed as part of that budget process. Items 21-29 were extended and items 28 and 29 were new. Some items were not included, either because they belonged in the operating budget, or because OMB pulled them. Item 41 is the first of the specific operating reductions, all of which were included.

[9:26:15 AM](#)

Co-Chair Hawker summarized that these were reductions recommended by OMB. Mr. Teal related that everything in the supplemental was at the governor's request.

Mr. Teal pointed out that item 61 begins a list of items not included. Co-Chair Hawker noted that a decision was made not to accept the governor's desire to reduce Village Public Safety Officer (VPSO) contracts this year. Instead the funding will remain available in FY 09. Item 65 shows the rejection of a reduction, leaving the full \$450 million intact.

Mr. Teal related that in the operating bill, on the Senate side, there was a \$450 million transfer from the Oil and Gas Tax Credit Fund to the general fund, reducing the FY 09 deficit.

[9:27:54 AM](#)

Mr. Teal addressed the operating request items. Items 69-164 were accepted. Co-Chair Hawker reported that these were closely examined for essential expenditures.

Mr. Teal noted that beginning with 164 a number of items were removed, some at the request of OMB. He reminded the committee that these rejected items could go into the supplemental bill. Co-Chair Hawker reported that the bill goes to the Floor, to the Senate, and then to the House for a concurrence vote.

[9:29:49 AM](#)

Mr. Teal turned to Capital Projects, beginning with item 186.

Representative Gara asked if the items not requested were in the original bill, but not included in this version of the bill. Mr. Teal said that was correct.

Representative Gara inquired about the \$12 million amount for Medicaid services, items 168 and 169. He wondered why neither one was in the supplemental. Mr. Teal explained that it was an amendment of the governor's received on March 13, which showed an updated projection that the funds would not be needed. Mr. Teal explained that much of the orange column was in the original bill and then OMB removed it. For example, items 173-177 all deal with Anchorage snow haul and were removed.

[9:32:06 AM](#)

Mr. Teal addressed Capital Projects or re-appropriations, repeals of older appropriations no longer needed and re-spending of that money. Those decisions were separated into "scooping the old money" and "spending the money freed up". In every case, all of the money no longer needed for capital projects was accepted. In many cases that money was put into the capital income fund and spent from that fund rather than tie the spending decision back to the decision to scoop from a particular project.

[9:33:31 AM](#)

Mr. Teal continued by describing Capital Projects - Items for Consideration, beginning with item 213. It begins with items in the fast track. A few of these projects were in the capital budget and the governor requested that they be moved to the fast track. Item 215 funds the Kalskag High School replacement; Item 216 corrects an error for school funding major maintenance. There are several scope changes. A few of the more complicated re-appropriations were left alone, such as item 223, which deals with the Alaska Railroad Corporation.

Mr. Teal noted that items 231-279 are capital requests that can be left to the supplemental slow track, as 2010 projects, or rejected.

Mr. Teal addressed the Ratifications items 284-291, all of which were accepted. Co-Chair Hawker explained the dollar amounts of ratifications are listed in whole dollars, not thousands.

[9:36:52 AM](#)

Representative Gara asked how a ratification differs from an obligation. Mr. Teal explained that a ratification is money that was spent without authorization. Often they are errors. The way they are fixed is the money is appropriated after the fact. Representative Gara asked where the money comes from. Mr. Teal said the money comes from within the accounting system.

Co-Chair Hawker added that a frequent occurrence is that there are past items, such as unpaid bills, that are legitimate obligations incurred in good faith. Mr. Teal gave an example of a late foster care bill.

AT-EASE: [9:40:43 AM](#)

RECONVENED: [9:48:24 AM](#)

Co-Chair Hawker MOVED to ADOPT Conceptual Amendment 1:

Page 2, Line 3, following "beginning"
Delete: July 1, 2009 and ending June 30, 2010
Add: July 1, 2008 and ending June 30, 2009

Co-Chair Stoltze OBJECTED.

Co-Chair Hawker explained that there was a date shift error that needs to be corrected.

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

[9:49:44 AM](#)

Representative Gara asked what the total financial impact of the bill was now that the legislature has backed out the governor's savings. Co-Chair Hawker asked if Representative Gara was referring to the unallocated reductions. Representative Gara said yes. Mr. Teal agreed that the unallocated reductions were no longer in the bill and the money would be saved.

Representative Gara asked what the total general fund expenditure was. Mr. Teal stated that it was \$59,059,700 million.

Representative Gara asked about the \$70 million reduction. Mr. Teal explained that the total general fund impact on the deficit is \$70 million, if the total amount of the unallocated savings - \$11.6 million - is added to the \$59 million. In response to a question by Representative Gara, Mr. Teal corrected that \$59 million is a reduction in expenditures. Representative Gara asked what the total amount of expenditure in the supplemental budget was. Mr. Teal offered to find out.

[9:52:37 AM](#)

Co-Chair Hawker clarified that the bill has a net negative result of \$67 million in general funds. Representative Gara concluded that it was a \$67 net reduction. Mr. Teal agreed.

Representative Gara asked about page 30, line 191, a lapse of \$39 million that was appropriated to Ready to Read - Ready to Learn work group. He wondered why the funds could not be left in. Mr. Teal related that it was at the request of the governor, who said the funds were no longer needed. The agency, through OMB, said the funds were no longer required. Co-Chair Hawker clarified that these were unexpended funds from completed capital projects.

Representative Gara suggested if the funds were left, the workgroup could use them. Co-Chair Hawker reiterated that it was a capital investment and the spending authority has been completed.

Mr. Teal added that it would depend on the scope of the project and whether it could be modified. He suggested going to the agency or OMB for the lapse information.

Representative Gara turned to item 195, \$1 million for Pioneers Home Safety upgrades. Co-Chair Hawker corrected that it was for \$1,000.

Representative Austerman recalled a \$1.5 billion shortfall in FY 09. He wondered what that number was today. Co-Chair Hawker stated that it was reduced to approximately \$1 billion from \$1.5 billion.

Mr. Teal agreed. There was a \$1.5 billion deficit at the beginning of the process in FY 09. In the operating bill, there was a \$450 million transfer from the oil and gas tax credit fund, combined with the current bill's approximately \$70 million, the result would be a \$1 billion deficit.

Co-Chair Hawker cautioned about using the word "deficit" because money was parked in the reserve funds. He used the word "shortfall" due to money in the savings accounts.

Representative Austerman agreed and wanted to make sure this was clarified. It is a shortfall, not a deficit.

Co-Chair Hawker thanked Representative Austerman for the clarification.

[9:58:47 AM](#)

Co-Chair Stoltze MOVED to REPORT CSHB 113, as amended, from Committee with individual recommendations. There being NO OBJECTION, it was so ordered.

CSHB 113 (FIN) was REPORTED out of Committee with a "do pass" recommendation.

ADJOURNMENT

The meeting was adjourned at 10:00 AM.