

HOUSE FINANCE COMMITTEE
April 13, 2009
1:39 p.m.

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CALL TO ORDER

Co-Chair Stoltze called the House Finance Committee meeting to order at 1:39 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

James Armstrong, Staff, Co-Chair Stoltze; Karen Rehfeld, Director, Office of Management and Budget, Office of the Governor

PRESENT VIA TELECONFERENCE

None

SUMMARY

CSSB 75(FIN)

"An Act making and amending appropriations, including capital appropriations, supplemental appropriations, and appropriations to capitalize funds; and providing for an effective date."

CSSB 75 (FIN) was heard and HELD in Committee for further consideration.

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#sb75
CS FOR SENATE BILL NO. 75(FIN)

"An Act making and amending appropriations, including capital appropriations, supplemental appropriations, and appropriations to capitalize funds; and providing for an effective date."

JAMES ARMSTRONG, STAFF, CO-CHAIR STOLTZE, explained the changes in the proposed Committee Substitute, Version T. Section 1 is the governor's budget proposal, which switches appropriations to general funds or other funds. It reduces deferred maintenance requests by 60 percent, removes two large Information Technology (IT) projects from the Department of Administration and the Department of Revenue, and reduces the Alaska Housing Finance Corporation request by 59 percent. It removes additionally requested funds for the Village Safe Water Program, reduces the Department of Transportation's (DOT) General Fund match pot by \$15 million, and adds back the Alaska Manufacturing Extension Program. It removes \$36 million in receipt authority for two new UAF facilities and adds \$9.9 million to the Court System for three projects. It spends \$45 million in additional Cruise Ship Funds, as shown on page 42 of the bill.

Co-Chair Stoltze requested more details on the criteria used for Cruise Ship Funds.

Mr. Armstrong clarified that after discussions with the Department of Law it was discovered that there was an unexpected \$50 million more in Cruise Ship Funds. When the program was started it was front loaded, but none of that money was spent. Last year the governor vetoed about \$18 million in projects. Statewide projects related to helping cruise ship passengers and which could be funded by this account, were then sought.

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Representative Gara asked which version of the bill Mr. Armstrong was referring to. Mr. Armstrong clarified that it was the Senate version, SB 75.

Representative Gara asked if the projects were statewide. Mr. Armstrong replied that they were and further explained that projects were identified that might fit cruise ship passengers' needs. He gave as an example the Egan Center in Anchorage. Co-Chair Stoltze added that legal advice was followed.

Co-Chair Hawker characterized the projects as being able to withstand court challenges.

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Mr. Armstrong continued to explain that Section 6 was the DOT stimulus section. It removed all of DOT's contingent road projects that don't qualify for stimulus funds. Four of five of the governor's largest priorities were also removed. The only new project was \$3.5 million for the Whittier Shot Gun Cove Road. The Senate moved all of the contingent projects into the funded projects category. It totals roughly \$247 million of stimulus and regular DOT program authority.

Mr. Armstrong related that Section 10 contains the capital projects that were removed from the supplemental budget. Section 14 E is a \$25 million placeholder for the Renewable Energy Fund Grant. Sections 19-34 are legislative reappropriation requests.

Mr. Armstrong concluded that the proposed budget spends \$500 million less than the governor's request: \$209 million is general funds and \$177 million is other state funds, and \$117 million is federal funds.

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Representative Austerman inquired whether there was any cruise ship tax money left "on the table" that could be spent this year. Mr. Armstrong replied that there was roughly \$4 million left.

Representative Gara asked if all new projects not included in the governor's budget were funded by the cruise ship tax money. Mr. Armstrong reported that the Court System requests for roughly \$10 million were added by the Senate Finance Committee. Representative Gara asked if the Court System requests and the \$45 million in cruise ship funded projects were the only new projects. Mr. Armstrong explained that the governor proposed to spend \$40 million and the legislature added \$45 million for new projects chosen from a list submitted by legislators. Representative Gara summarized that the amount increased from \$40 million to \$85 million.

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Co-Chair Stoltze noted a danger of not spending cruise ship money as advised by Legislative Legal.

Vice-Chair Thomas asked if there were any funds for harbors. Mr. Armstrong said he did not look at that category specifically. He referred Vice-Chair Thomas to the Legislative Finance web page for that information.

Co-Chair Hawker referenced page 43 of the bill to highlight money going from the passenger vessel services

infrastructure - commercial vessel passenger tax account - toward various ports.

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Co-Chair Hawker MOVED to adopt CSSB 75 (FIN), 26-GS1003\T, the version passed out of the Senate, as the working document before the Committee. There being NO OBJECTION, it was so ordered.

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Representative Salmon requested information about Section 23 on page 68. He expressed concern about the amount re-appropriated for his district.

Co-Chair Stoltze commented on how the re-appropriation process is supposed to work with members from both the House and the Senate reaching concurrence.

Representative Salmon stressed the importance of his district's needs.

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Representative Gara inquired about the process of today's meeting. Co-Chair Stoltze replied that public testimony would be taken.

Mr. Armstrong related that regarding re-appropriations, it is incumbent on all of the legislative offices to review the items.

Mr. Armstrong noted, in response to Vice-Chair Thomas's concern, that the Harbor Program with the Corps of Engineers was reduced by \$1.15 million in general funds.

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Representative Gara voiced concern about port-related projects funded by cruise ship funds. He took issue with how the projects were ranked and he wondered what other funding sources were available, especially to the Port of Anchorage Project.

Co-Chair Hawker disagreed that cruise ship tax expenditures must be associated with ports. He suggested that the best test is whether they would provide value for cruise ship passengers.

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KAREN REHFELD, DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET, OFFICE OF THE GOVERNOR, pointed out that the Senate CS

removed some of the governor's projects. The governor recognizes that there are projects that are not in the bill due to the current economy. There are some items that merit further dialogue, especially those that could leverage federal dollars. She listed several federal highway and energy projects. There are also resource development priorities: Dalton Highway Project, in-state gasline, DOR reservoir studies, and access to western Alaska.

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Vice-Chair Thomas asked if the projects required general fund money. Ms. Rehfeld said they did; however, one project under the Alaska Energy Authority would be funded from the Alaska Capital Income Funds. The Dalton project is in the stimulus package.

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Co-Chair Hawker reported that his outtake from the governor's press conference was an endorsement for continued frugal budgeting and to further reduce the budget. He questioned the request to increase the budget. He wondered if there was a list of offsets or further reductions. Ms. Rehfeld did not have a list of deletions. She believed that it was the intent of the legislature not to jeopardize match and leverage fund sources.

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RECONVENED: [2:02:26 PM](#)

Co-Chair Stoltze noted there would be another opportunity for public testimony.

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ADJOURNMENT

The meeting was adjourned at 2:04 PM.