

HOUSE FINANCE COMMITTEE  
April 17, 2009  
4:54 p.m.

4:54:51 PM

CALL TO ORDER

Co-Chair Stoltze called the House Finance Committee meeting to order at 4:54 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; John Bitney, Staff, Speaker John Harris; Eddy Jeans, Director, School Finances and Facilities, Department of Education and Early Development; Frank Richards, Deputy Commissioner, Highways & Public Facilities, Department of Transportation and Public Facilities; David Teal, Director, Legislative Finance Division; Karen Rehfeld, Director, Office of Management and Budget, Office of the Governor; Representative Nancy Dahlstrom, Sponsor; Jesse Cross, Staff, Senator Johnny Ellis; Senator Kevin Meyer, Sponsor; Jennifer Yuhas, Legislative Liaison, Department of Fish and Game

PRESENT VIA TELECONFERENCE

Ron Pollock, Anchorage Community Development Authority; Pat Gamble, President, CEO, Alaska Railroad Corporation; Andy Szczesny, Owner, Alaska Fish and Float; Monte Roberts, Kenai River Professional Guide Association, Soldotna; Robert Jaynes, Self; Charles Swanton, Director, Division of Sport Fish, Department of Fish and Game.

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."

HCS CSSB 75 (FIN) was REPORTED out of Committee with a "do pass" recommendation.

CSSB 177(FIN)

"An Act relating to an exception for professional fishing guide services in the Kenai River Special Management Area; relating to the licensing and regulation of sport fishing operators and sport fishing guides and licensing and registration of sport fishing vessels; and providing for an effective date."

HCS CSSB 177 (FIN) was REPORTED out of Committee with a "do pass" recommendation and with a new fiscal note by the Department of Fish and Game.

SB 165 "An Act authorizing the transfer of two parcels of land from the Alaska Railroad Corporation to the Municipality of Anchorage; and providing for an effective date."

SB 165 was REPORTED out of Committee with a "do pass" recommendation and with zero fiscal note #1 by the Department of Commerce, Community and Economic Development.

[4:55:36 PM](#)

#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."

Co-Chair Hawker MOVED to adopt Version U of CSSB 75 (FIN) as the working draft before the committee. There being NO OBJECTION, it was so ordered.

[4:56:33 PM](#)

Co-Chair Stoltze reported that the bill had been previously heard in public testimony.

AT-EASE: [4:57:21 PM](#)

RECONVENED: [5:00:46 PM](#)

Co-Chair Stoltze requested that Mr. Armstrong report the changes.

[5:01:16 PM](#)

JAMES ARMSTRONG, STAFF, CO-CHAIR STOLTZE, stated that there were 10 changes to the CS. The first change was found on Page 2, Line 27. This was an intent language request made by Vice-Chair Thomas and Representative Austerman.

Vice-Chair Thomas related that the change reflects the reviewed Alaska Energy Authority (AEA) grants in the budget.

[5:02:22 PM](#)

Mr. Armstrong reported that contingent language concerning the Port of Anchorage had been removed from the bill. The modification to the language could be found on Page 30, lines 25 through 27. The new language states that the site for the M/V Susitna landing will be determined by a recommendation from the U.S. Army Corps of Engineers.

Co-Chair Stoltze commented that the issue was contentious. The vessel was being constructed in Ketchikan and the change in the bill was intended to encourage the parties on the Anchorage side to facilitate a solution.

[5:03:50 PM](#)

Mr. Armstrong explained that the change on page 43, Line 24, was a title change.

Representative Gara asked about the Alaska Wildlife Conservation Center. Co-Chair Hawker explained that it was a facility at the turn-off to the Portage Glacier on the Seward Highway. Representative Gara thought that the center was a private entity. Co-Chair Hawker replied that the center was a 501(c) 3, and was working intimately with the Department of Environmental Conservation (DEC), and is where Wood Bison are housed.

Representative Foster inquired about the number of grants listed on Page 43. He wondered if the Alaska Wildlife Conservation Center paid for its peripheral expenses. Co-Chair Hawker related that the facility was one of the first major stops for cruise ship tour busses. Annually 250,000 to 300,000 cruise passengers pass through the area. The funds provide an economic base to sustain facilities once they have been established.

Representative Gara wondered why the facility would need extra funding in addition to the tourist dollars it generated. Co-Chair Hawker replied that the funds would go

toward capital expansion to provide services for cruise ship passengers.

[5:07:04 PM](#)

Co-Chair Stoltze pointed out to the committee that the non-profit category contained many worthy projects. He felt that funding for non-profits as not unusual, especially organizations involved in conservation and research. Co-Chair Hawker added that this facility was deeply committed to the housing of Wood Bison and was receiving no compensation for doing so.

Mr. Armstrong offered to provide more information to Representative Gara concerning the issue.

Mr. Armstrong reported on page 53, Line 17, which corrects the House District numbers for certain projects.

[5:08:46 PM](#)

Mr. Armstrong announced that the following items were language sections. Section 13, intent language, and language in Sections 20 and 21, which deal with in-state gas, have been removed from the work draft.

Mr. Armstrong turned to Section 36, Page 77, Line 31, through Page 38, which reflects a request by Representative Kelly for a late reappropriation title change.

Representative Kelly reported that the request from his borough was to reappropriate funds for the improvement of Pioneer Park parking and access. The net change would be zero.

Co-Chair Stoltze informed the committee that following the reappropriation process procedures, there has been coordination with the other body in the reappropriation process.

[5:10:50 PM](#)

Mr. Armstrong reported the last change on page 80, Lines 1 through 4, which was a drafting error. The technical change was made.

Representative Gara had a question about the gas line language in Section 13, which was removed from the bill.

[5:12:38 PM](#)

Co-Chair Hawker thought that language that had previously been in the bill was more appropriately found in the operating budget. He felt that a solution to the questions

that had been raised in the supplemental budget process would be reflected in the operating budget.

[5:13:40 PM](#)

Co-Chair Stoltze MOVED to adopt Amendment 1:

Page 78, line 29, through page 79, line 2:  
Delete all material  
Reletter the following subsections accordingly.  
Page 79, line 4:  
Delete "and (c)"  
Page 797, line 7, following "for"  
Insert "purchase, restoration, and display of historical art and artifacts in conjunction with statehood celebrations, energy-related issues, and"  
Page 84, line 1:  
Delete "37(d),"

Co-Chair Hawker OBJECTED.

JOHN BITNEY, STAFF, SPEAKER JOHN HARRIS, explained that the language in the bill would be simplified with the removal of Line 29, Subsection C. The purpose for the purchase of the art would be moved to Subsection D, which would give Legislative Council broader discretion for the use for the funds.

Co-Chair Hawker WITHDREW his objection. There being NO OBJECTION, the amendment was ADOPTED.

[5:15:16 PM](#)

Representative Foster hoped to see future appropriations for Native Art that would benefit other areas of the state. He felt that a limited number of people in the state would have the opportunity to travel to Juneau to see historical art.

Co-Chair Hawker clarified that the language that referred to the capital city is no longer in the bill. The language now recognized that the state has an interest in acquiring historical art and artifacts in conjunction with the statehood celebration.

[5:17:48 PM](#)

Representative Salmon MOVED to adopt Amendment 3:

Page 63, line 1:  
Delete "sec. 21"  
Insert "sec. 22"  
  
Page 67, following line 11:  
Insert a new bill section to read:

**\*\* Sec. 19.** DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT. The sum of \$183,000 is appropriated from the general fund to the Department of Education and Early Development for payment as a grant under AS 37.05.316 to the Tanana City School District for debt repayment for the fiscal year ending June 30, 2009."

Renumber the following bill sections accordingly.

Page 82, line 4:  
Delete "sec. 42(a)(2)"  
Insert "sec. 43(a)(2)"

Page 84, line 20:  
Delete "Section 43"  
Insert "Section 44"

Page 84, lines 25 - 27:  
Delete "22(b), 23(b), 23(c), 24(b), 25(d) - (f), 26(b) - (e), 26(g) - (i), 30, 34(c), 34(e), 34(f), 37(a), 38, 39, 40(a)(1), 40(a)(2), 40(a)(4), 40(c), 40(d), and 41 - 43"  
Insert "23(b), 24(b), 24(c), 25(b), 26(d) - (f), 27(b) - (e), 27(g) - (i), 31, 35(c), 35(e), 35(f), 38(a), 39, 40, 41(a)(1), 41(a)(2), 41(a)(4), 41(c), 41(d), and 42 - 44"

Page 84, line 30:  
Delete "19 - 21, 45, 46(a), and 46(b)"  
Insert "19 - 22, 46, 47(a), and 47(b)"

Page 85, line 1:  
Delete "22 - 41"  
Insert "23 - 42"

Page 85, line 2:  
Delete "secs. 49 and 50"  
Insert "secs. 50 and 51"

Co-Chair Stoltze objected.

Representative Salmon said that the amendment corrects a debt incurred by the Tanana City School District in 2008. He explained that the district was a single site school district and that Tanana was a first class city supported by a three percent sales tax. The city fell into debt for the following reasons; the unexpected hike in the cost of fuel, the high cost of electricity, the high cost of transportation, a doubling of health insurance costs, and a school district advance of \$105,000 to pay for fuel.

[5:20:00 PM](#)

Co-Chair Stoltze asked about the number on Line 8.

Representative Salmon clarified it was for \$150,000.

Representative Fairclough thought the amendment was written off of the old version of the bill, which resulted in a page differential. She suggested making the amendment a Conceptual Amendment.

Representative Salmon agreed to make it a Conceptual Amendment.

[5:21:09 PM](#)

EDDY JEANS, DIRECTOR, SCHOOL FINANCES AND FACILITIES, DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT, related that the Tanana School District was \$200,000 over budget. In addition, enrollment was down. The school's superintendent indicated that they were making reductions to the 2009 budget. An increase in enrollment was anticipated for the 2009 school year, which would help the city with increases in the public school funding formula.

Co-Chair Stoltze asked about possible stimulus funds. Mr. Jeans reported that there was a possibility that the city would be receiving some stimulus state stabilization funding. Categorical funds that will be received through the stimulus package total \$65,000.

[5:22:52 PM](#)

Representative Gara summarized the budget issues in Tanana. He felt that the \$150,000 request was, when compared to other appropriations passed by the committee, equivalent to "spare change".

[5:25:02 PM](#)

Vice-Chair Thomas asked who the Tanana debt was specifically owed to. Mr. Jeans responded that there were a variety of invoices. He believed that the city had overextended the budget, and failed to make the budget adjustments necessary based on the revenue being collected. Vice-Chair Thomas asked if this was the only school district in Alaska that was in this position. Mr. Jeans understood that it was.

Representative Salmon reported that the three items that contributed to the debt were: high fuel, health insurance, and teacher contracts.

[5:26:36 PM](#)

Representative Kelly wondered if there was a mechanism for acquiring a loan for the city. Mr. Jeans replied that the department was currently working with the Department of Commerce and Economic Development (DCED) to craft an energy loan to aid with fuel costs. Representative Kelly suggested combining services in the district with the Yukon Koyukuk area. Mr. Jeans replied that Tanana had indicated that they did not want to combine services.

Co-Chair Stoltze asked Mr. Jeans if he had testified before the other body on the issue. Mr. Jeans said he had not.

Co-Chair Stoltze MAINTAINED his objection.

Representative Kelly encouraged Mr. Jeans to continue to work on finding funding sources. Co-Chair Stoltze stated that there had been numerous discussions on the issue. Mr. Jeans reported that the Department of Education and Early Development (DEED) was bound by law to assist the district in balancing the budget.

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Representative Foster reported that the 30 schools in his district had made their budgets over the years. He felt that if special consideration was going to be made for the Tanana district, the same should be done for all districts.

Representative Gara requested clarification that this was the only school with deficit spending. Mr. Jeans clarified that the expenditures pattern had exceeded income revenue. The department had not been aware of the problem until December 2008. When the budget was reviewed in July 2008, the numbers had aligned, but when the financial statement was issued in November 2008, it revealed that the district had overspent in 2007. The debt has compounded since that time.

Representative Gara pointed out that he represented a charter school in his district. He said that exceptions had been made for charter school funding. He thought that the amount that was being requested to help Tanana was insignificant. He reiterated his support for the amendment.

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Representative Crawford wondered how being \$150,000 short would affect the district. Mr. Jeans related that the school has not had the funds to pay several bills. The department has requested that the superintendent submit next year's budget early in order to identify areas where reductions can be made. He pointed out to the committee that the charter school bill was to fix an inequity in the public school funding formula. In the case of Tanana, the problem stems

from a decline in enrollment and the lack of resource management as enrollment declined.

Representative Crawford asked if the school would be shut down early due to lack of funding. Mr. Jeans thought that additional staffing reductions would be required. He stressed that the department would be working with the school district over the next 2 years to balance the budget.

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Representative Salmon observed that the Title 1 money is not guaranteed. If it could be guaranteed it would help the school district. He opined that smaller school districts with high overhead face unique challenges. Co-Chair Stoltze related that the issue was complicated and that the intention was not to set a precedent.

Representative Foster asked if Tanana was a single site school. Mr. Jeans replied that Tanana was a first class city, single site school district. Representative Foster understood that the district had a lot of staff for a small population base. Mr. Jeans countered that the staff was minimal, but that there was a superintendent on contract.

[5:39:01 PM](#)

Representative Gara asked how many teachers were employed by the district. Mr. Jeans said he did not know.

Representative Salmon thought there were 4 or 5 teachers and a position that was a combination of a principal and a superintendent.

Co-Chair Hawker recognized that the department was obligated to assist the district in resolving the issue. He thought that aiding the district in working out its financial problems, rather than granting a "bailout", would result in a healthier school overall.

[5:40:33 PM](#)

Vice-Chair Thomas wanted assurances that the department would work for a successful outcome for the Tanana School District. He expressed difficulty in voting on the amendment because it was "close to home".

Mr. Jeans said he could not assure the committee that Tanana would receive the federal energy loan. However, by law, the department was bound to work to get the district's budget back in balance.

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Representative Gara understood that the district would be force to let go of two teachers. Mr. Jeans clarified that one teacher had already been cut from the budget. The Energy loan discussion had been recent. Representative Gara wondered if the district had sought out all possible grants. Mr. Jeans said all available departmental funds had been allocated. In July, the district requested an advance payment on current year funds to help pay fuel costs.

Representative Gara reiterated that the amount being requested was reasonable.

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Representative Salmon reported that contingency language could be added to the amendment. He said that the district had four choices; move to a larger school district, obtain a bridge loan, hope for federal stimulus dollars, or acquire the grant money stipulated in the amendment.

Co-Chair Stoltze MAINTAINED his objection.

A roll call vote was taken on the motion.

IN FAVOR: Gara, Salmon, Crawford

OPPOSED: Fairclough, Foster, Joule, Kelly, Thomas,  
Austerman, Hawker, Stoltze

The MOTION FAILED (3-8).

AT-EASE: [5:46:11 PM](#)

RECONVENED: [5:51:24 PM](#)

Representative Fairclough MOVED to adopt Amendment 4:

Page 53, after line 115

Insert:

"It is the intent of the legislature that the Department of Transportation and Public Facilities install a new drainage culvert at MP 14.4 of the Glenn Highway, if feasible and within the project scope, budget and schedule, prior to paving this section of the highway."

Explanation: This amendment allows construction and installation of a culvert to alleviate long standing drainage and flooding issues along the Glenn Highway and in the Eagle Glen Subdivision.

Co-Chair Stoltze OBJECTED for discussion.

Representative Fairclough explained that the Glen Highway project was to be funded with stimulus dollars and could be

found on Page 53, Line 14 of the bill. She continued that the Anchorage Legislature Priority Book listed the project in Chapter 8, Page 14. She stated that a major highway corridor was opening in her district which would require the installation of a culvert under the roadway. She requested that it be added to the existing language that the Department of Transportation (DOT) position the culvert in such a way as to fix a drainage problem in her district. The project would require no new funds, but was time sensitive.

[5:53:07 PM](#)

Representative Gara asked about the cost of the culvert project. Representative Fairclough replied that the roadbed would already be under construction and that money would be saved by joining the two projects.

Representative Gara thought that if minor adjustments could be made to the bill to help Representative Fairclough's district, the same consideration should have been extended to help the Tanana School District.

[5:53:55 PM](#)

Co-Chair Stoltze asked for the representative from DOT to speak for the department.

FRANK RICHARDS, DEPUTY COMMISSIONER, HIGHWAYS & PUBLIC FACILITIES, DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES, explained how the culvert project was advancing. He agreed to look at the drainage issue and move the project forward within the timeframe. Representative Fairclough added that the funding was non-existent for similar projects throughout the state, and that this was an opportunity for DOT to help the district in the time available. She said that if DOT cannot fix the drainage issue, while working in the initial project timeframe, the district would seek funding for the project at another time.

Representative Foster asked why DOT had not initially taken the initiative to fix the problem as part of the project. Mr. Richards explained that the original design of the project was to address the rutting problems along the Glen Highway, and was not intended address drainage issues. Furthermore, the expeditious nature of the stimulus funds resulted in a project put out quickly to capture the funds, and put Alaskans to work. Representative Foster maintained amazement that the issue of a single culvert was being presented to the committee.

[5:56:39 PM](#)

Representative Fairclough explained that DOT was not aware of the requested fix until the session was underway. The

project has been the number one priority for her delegation for three years. The Municipality of Anchorage in conjunction with DOT has been working on a plan to address the drainage issue. She stated that a plan had not been drafted until February 2009, and that DOT had just been notified of the request.

Co-Chair Stoltze added that it was an area wide project. The intent was to finish the project within the parameters of the appropriation. Representative Fairclough relayed that regardless of federal stimulus dollars, her community has recognized the need for the drainage problem to be addressed.

Co-Chair Stoltze wondered if there was talk of litigation with DOT. Representative Fairclough reported that there are two flooding issues in her community. In urban Alaska, as development moves forward, drainage patterns change and additional housing causes less ground surface availability for water to absorb. As the community has become more urban the problem has increased. Some homeowners have threatened to take drainage issues to the court. The drainage issue has troubled the community for the last 22 years. When the Glen Highway project was announced it seemed reasonable to request that the drainage problems be addressed.

[6:00:34 PM](#)

Vice-Chair Thomas spoke of a personal experience with flooding due to construction. He wondered if a study would be required by DOT to see if the culvert would affect other communities. Representative Fairclough said it would require permits, and may not be possible inside of the Glen Highway Project. Representative Fairclough commented that it was a rainwater drainage issue and did not involve a body of water.

Co-Chair Stoltze WITHDREW his objection.

Representative Salmon OBJECTED.

Representative Gara understood that the appropriation was for \$25 million to resurface miles 12 to 27 on the Glen Highway. He wondered if funding the culvert project would interfere with the resurfacing funding. Mr. Richards replied that the initial project was for resurfacing, to take care of rutting challenges along the highway. Efforts over the next few weeks, as the project is put out to bid, will be to examine what permitting issues would need to be overcome in order to put the culvert request into the original project. Representative Gara cautioned that by including the culvert project in the bill, the general funds allocated for the resurfacing project could be exhausted before the project is completed. He warned that the amendment could be seen as a

year in advance general fund appropriation request. Co-Chair Stoltze echoed the concern. He clarified that the amendment was meant to provide guidance should the opportunity to install the culvert present itself.

Representative Fairclough restated the intent of the amendment. She added that if the details of the project cannot be worked out quickly, the project would be off of the table. Co-Chair Stoltze noted that the original project in the bill is a state highway resurfacing project.

Representative Gara felt that the intent language read that the culvert was the priority. He requested that the amendment be rewritten to reflect the stated intent, which is that the resurfacing be completed before the culvert is put in.

AT-EASE: [6:06:14 PM](#)

RECONVENED: [6:07:27 PM](#)

Representative Foster thanked Mr. Richards for his work over the years.

Mr. Armstrong thought he had a technical amendment to the amendment. He suggested:

After "Highway" on Line 2  
Insert:  
"if feasible and within the project's scope,  
schedule, and budget,"

[6:08:18 PM](#)

There being NO OBJECTION, the technical amendment to Amendment 4 was adopted.

Representative Salmon MAINTAINED his objection to Amendment 4.

A roll call vote was taken on the motion.

IN FAVOR: Fairclough, Foster, Gara, Joule, Kelly, Thomas,  
Crawford, Hawker, Stoltze

OPPOSED: Salmon

Representative Austerman was absent from the vote.

The MOTION PASSED (9-1).

AT-EASE: [6:10:37 PM](#)

RECONVENED: [6:20:02 PM](#)

Representative Gara requested information concerning the ramifications of the provision on page 83, Lines 22 through 24. He understood that the provision would allow \$2 million to be taken out of the Constitutional Budget Reserve (CBR), and put it into the general fund, whether or not it was needed to balance the budget.

DAVID TEAL, DIRECTOR, LEGISLATIVE FINANCE DIVISION, explained that 17 (b), Article 9, of the Alaska State Constitution states that if the amount available for an appropriation in FY 2010 was less than the amount appropriated in FY 2009, a majority vote can be taken to draw from the CBR for up to the 2009 appropriation. The level of general fund spending in 2009 was \$7.1 billion, which included savings and deposits to public education funds. This set the first limit at \$7.1 billion, which would be reduced by the amount available for appropriation, and would include the unrestricted general fund revenue stream of \$3.5 billion. Reserves available for appropriation could then be added. The accounts from which the reserves would be drawn, which total \$1 billion, include; the Statutory Budget Reserve Account, the Alaska Housing Savings Account, the Rail Belt Energy Fund, and the Power Cost Equalization Endowment. Subsequently, the earnings reserve account from the Permanent Fund is considered available for appropriation. That balance is \$1 billion. The \$3.5 billion in revenue when combined with the \$2 billion in reserves would make \$5.5 billion available for appropriation. The reserve amount available for 2010 could not be predicted, but constitution stipulated that there is an amount that can be withdrawn. Mr. Teal said that it could take 6 months after the close of the fiscal year to determine what the amount would be. He believed that the amount would not exceed \$ 2 million, and could be zero. He stressed that the factors involved were numerous which made the calculation a challenge.

[6:27:14 PM](#)

Representative Gara understood that the funds would be taken out of the CBR and put in the general fund, whether there was a budget shortfall or not. Mr. Teal said that was correct. He added that it would depend on the amount available, not on the amount appropriated. The calculation would not be not determined on how much was spent, but by factors which have yet to be determined.

[6:29:14 PM](#)

Representative Gara interpreted that the provision would allow the taking of \$1.6 to \$2 billion dollars out of the CBR, regardless of a deficit. Mr. Teal replied in the affirmative. Representative Gara summarized that the money

would not be spent on education or revenue sharing, but would be taken out of the CBR and put in the general fund. Mr. Teal said that was correct.

Representative Gara moved on to possible litigation issues. It was unknown if funds appropriated or available for appropriation would be drawn from general funds, federal funds, other funds, or a combination. Mr. Teal agreed. Representative Gara pointed out that the issue had not been litigated before, and that no precedent had been set. Mr. Teal shared that 17 (b), has never been applied.

Representative Gara asked if the administration supported the provision.

[6:30:44 PM](#)

KAREN REHFELD, DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET, OFFICE OF THE GOVERNOR, responded that the administration has been looking closely at the issue. She could not say if the governor supported the language.

Representative Gara asked if Ms. Rehfeld agreed with Mr. Teal about the difficulty in interpreting the language and the possible litigation issues. Ms. Rehfeld replied in the affirmative. Representative Gara asked would the administration support taking out constitutional savings funds even if it were not necessary to balance the budget. Ms. Rehfeld replied that the goal was to have a balanced budget and that the CBR would not be used if it was unnecessary.

[6:32:28 PM](#)

Co-Chair Hawker said the provision was an insurance policy should the economy falter. The parameters for the amount appropriated and the amount available to appropriate are wide. The width would increase should the economy take a downturn. He felt that the task of calculating the amount available was possible.

Representative Gara understood the provision had been an insurance policy to carry the state through the summer of 2009 because of the dramatic drop in oil prices. He voiced concern that the vote today would take the \$2 billion out in June of 2010.

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Mr. Teal responded that it was unknown when money would be withdrawn from the CBR. If there is a deficit, the money would be withdrawn to fill the deficit. He agreed with Co-Chair Hawker that it was an insurance policy. Should the

price of oil fall, and the amount available for expenditure decline, 17 (b) would fill that deficit.

Representative Gara reasoned that the amount available for appropriation for the fiscal year should be determined before the calculation could be made. Mr. Teal explained that under 17 (b), the state is allowed to pull money out if there was a deficit. If oil prices are too low to support the budget that has been created, the appropriated money would come from CBR before June 30.

[6:36:58 PM](#)

Representative Gara quoted from the bill "if the amount available for appropriation for a fiscal year". He argued that "fiscal year" applied to 2010, and stressed that the revenue for that year would not be calculated until June 1, 2010. He wondered how the insurance policy amount could be calculated before the appropriated amount was determined. Mr. Teal felt that was a valid argument.

Co-Chair Stoltze asked Ms. Rehfeld if she felt that the provision was necessary. Ms. Rehfeld thought it was a good idea.

Representative Gara maintained that the language in the bill gave authority to take money out of the CBR even if there was a surplus, and thought the provision should be rewritten to say, "only as much as is needed to balance the budget." Co-Chair Stoltze said that it was a provision out of the constitution and a rewrite would change the intent of the voters.

Mr. Teal said the amount appropriated for FY 2010 was irrelevant to the calculation. The language in the constitution states "the amount available for appropriation.", so the same amount would be drawn whether there was a surplus or a deficit.

[6:39:43 PM](#)

Representative Gara pointed out that the constitution states, "an appropriation may be made, and it may not exceed", he interpreted that the amount needed to balance the budget could be appropriated, not the full \$2 billion. Mr. Teal replied that the legislature has the power to determine the size of appropriations. Representative Gara recommended that the language in the bill should limit an appropriation from the CBR to the amount needed to balance the budget.

[6:40:30 PM](#)

Representative Kelly observed that the budget year had been challenging. He noted that the committee has encouraged budget discipline, minimal general fund usage, and the maximum usage of formula and federal funds. He voiced concern for federal funds being left unused and the lack of receipt authority for bonding. He spoke specifically of the Dalton Highway Project. He did not understand why the federal funds for that project had not been taken advantage of, particularly at a time when in-state jobs were few. He intended to support the budget, but stressed deep concern about the Dalton Highway funds.

[6:44:08 PM](#)

Representative Kelly spoke of the University of Alaska request for \$15.3 million for receipt authority. He was disturbed that the item had been denied. He expressed frustration that the Life and Health Sciences Center, which has perpetually been the number 1 request from the Board of Regents, has been consistently omitted. He reiterated that he would support the bill despite his frustration.

[6:46:34 PM](#)

Representative Gara wondered what would be done with the \$26.3 million in federal funds that was left on the table, and how much of a state match would be required to leverage the funds. He asked for clarification on the university receipts issue highlighted by Representative Kelly. Representative Kelly said that strictly federal funds were the issue concerning the Dalton Highway project, and reiterated the University bonding request for \$15.3 million for the first phase of the energy center.

Representative Gara questioned the funding for the Dalton Highway project. He wondered if the \$26.3 million was laying in wait, or if it had been used elsewhere in the budget, and would a state match be required.

[6:48:43 PM](#)

Mr. Armstrong informed the committee that \$22.7 million in FY 2009 STIP funds did not make it into the governor's request.

Mr. Richards added that the project had originally been on the request for the economic stimulus package, which was 100 percent federal receipt authority. The request now was to have the project funded under the FY 2010 budget, which would receive legislative authority to proceed with the project, and a match requirement of 91 to 9 percent split.

Representative Gara asked if there was a way to fund the project without displacing another. Mr. Richards said if the

project were to be funded by stimulus dollars, another project would be displaced. Representative Gara asked if federal money would be left on the table if the project was not executed. Mr. Richards said that the 2010 STIP was in development and would include new projects that had been nominated and national highway system projects, like the Dalton Highway. He reminded that committee of efforts to fund the project in the past.

[6:51:09 PM](#)

Representative Gara clarified that federal dollars were not being left unspent, but they were being spent on other projects. Co-Chair Stoltze added that the funds were used to fund other STIP priorities. Mr. Richards said that the department would use the federal highway receipts that it receives on projects that the legislature has given authority to spend them on.

Representative Kelly asked if the department was seeking receipt authority for funds. He assumed that the department would take advantage of the federal funds to fund the Dalton project, if given authority by the legislature. Mr. Richards replied that that was correct.

[6:52:44 PM](#)

Co-Chair Hawker commented on the amount of aggregate federal receipt authority appropriated to the department in the past. He asked how much of that receipt authority does the department have; how much cash is available, and how much authority does the department have to spend that cash. Mr. Richards guessed that the monetary number was large.

Representative Gara concluded that there were varying opinions about how the money would be allocated. He said he supported an expansion of the Anchorage Port, but wanted accountability for money spent. He thought during a tight budget year, more money should be spent on education, and not \$10 million on the port. He maintained his concern that the budget allows for \$2 million of the CBR account to be spent, even if it is not needed. He felt that the public would not want money out of the CBR spent unnecessarily. He praised the committee for being prudent during the process. He thought that some of the funds could be spent on more important issues such as, education, homelessness, and crime prevention.

[6:57:13 PM](#)

Vice-Chair Thomas spoke to Representative Gara's sentiments. He said that capital money does a great deal for his district. He expressed satisfaction with the budget.

Representative Foster recalled his early years in the legislature, and the smaller budgets of the 1990's. He opined that no matter how much money was available it would still not be enough to satisfy everyone. He thought that the process of creating the budget was an opportunity for Alaskans to appreciate. He pointed out that the budget amount always rises and has tripled in size within the last five years.

[6:58:59 PM](#)

Representative Gara agreed with Vice-Chair Thomas and Representative Foster. He mentioned his support for rural projects and his belief that rural projects created opportunity.

Co-Chair Hawker MOVED to report HCS CSSB 75 (FIN) from Committee. There being NO OBJECTION, it was so ordered.

HCS CSSB 75 (FIN) was REPORTED out of Committee with a "do pass" recommendation.

Co-Chair Hawker MOVED to authorize legal to make technical and conforming changes during the drafting process. There being NO OBJECTION, it was so ordered.

AT-EASE: [7:02:54 PM](#)

RECONVENED: [7:04:44 PM](#)

[7:04:49 PM](#)

#sb165  
SENATE BILL NO. 165

"An Act authorizing the transfer of two parcels of land from the Alaska Railroad Corporation to the Municipality of Anchorage; and providing for an effective date."

[7:05:08 PM](#)

REPRESENTATIVE NANCY DAHLSTROM, SPONSOR, stated that the land swap would benefit Government Hill Elementary School by fixing a 22 year-old safety issue. The land would allow for a safer entrance to the school. She relayed that the railroad and the community were in full agreement regarding the issue.

[7:06:14 PM](#)

JESSE CROSS-CALL, STAFF, SENATOR JOHNNY ELLIS, stated that Page 1, Line 6, described the land that would be transferred to the Municipality of Anchorage. The first parcel of land

was 1.93 acres, and is railroad land that will be developed into residential sub-divisions. The second parcel of land was less than 1/5th of an acre. This was the parcel that would enable the fix of the dangerous elementary school entrance.

[7:08:34 PM](#)

Page 2, Line 6 of the bill described the purpose of the transfer; for the development on East Government Hill, and the safer school entrance on West Government Hill. In exchange for the two plots of land the municipality would relinquish a small parcel of land to the railroad for a parking lot. There is a \$40,000 discrepancy in the land being exchanged between the municipality and the railroad, which the municipality believes will not be a future concern.

[7:10:16 PM](#)

Co-Chair Stoltze opened public testimony.

RON POLLOCK, ANCHORAGE COMMUNITY DEVELOPMENT AUTHORITY testified via teleconference. He urged support for the bill and offered to answer questions.

PAT GAMBLE, PRESIDENT, CEO, ALASKA RAILROAD CORPORATION testified via teleconference. He testified that the project would be beneficial for the city and he gave his strong support for the bill.

[7:11:55 PM](#)

Co-Chair Stoltze implored Mr. Gamble to respond to economic development issues concerning the Mat-Su area, and to be careful of the comments that he made in public forums. Mr. Gamble replied that he understood the message.

Co-Chair Stoltze closed public testimony.

[7:13:13 PM](#)

Representative Fairclough wondered about the connection on the land route coming off the bridge at Point Mackenzie. She asked if any of the properties under discussion were located in the area. Representative Dahlstrom replied no.

[7:13:50 PM](#)

Co-Chair Stoltze pointed out the zero fiscal note.

Representative Foster MOVED to report SB 165 out of committee with individual recommendations and the

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

SB 165 was REPORTED out of Committee with a "do pass" recommendation and with zero fiscal note #1 by the Department of Commerce, Community and Economic Development.

[7:15:00 PM](#)

#sb177

CS FOR SENATE BILL NO. 177(FIN)

"An Act relating to an exception for professional fishing guide services in the Kenai River Special Management Area; relating to the licensing and regulation of sport fishing operators and sport fishing guides and licensing and registration of sport fishing vessels; and providing for an effective date."

[7:15:07 PM](#)

SENATOR KEVIN MEYER, SPONSOR, stated that the bill would continue the licensing and regulation of sport fishing operators and guides through the next five years. He said that in order to protect the guides and the clients, minimum standards were needed. The program began in 2004, and provided information pertaining to the number of guides in the field, what kind of fish were being caught, and what kind of activity was occurring in the guided industry. It also provided basic standards for guides in the areas of cardiopulmonary resuscitation (CPR), first aid, and liability insurance. He shared that the program has increased the level of professionalism, which has helped to raise the standards in the industry throughout the state. The bill was modified to include a waiver for in-season replacement of guides on the Kenai River. This would allow the quick replacement of a guide should one be lost mid-season. The replacement guide would be required to meet the minimum requirements of licensing, first aid, and drug testing.

[7:16:25 PM](#)

Senator Meyer relayed that the replacement would be required to attend the Kenai River Guide Academy should they wish to continue guiding the following season. He felt that the program has benefited the sport fishing industry throughout the state.

Representative Foster asked if there were any extenuating subsistence issues. Senator Meyer replied no.

Co-Chair Stoltze asked Senator Meyer if he supported the legislation encompassed in the proposed CS. Senator Meyer

responded that the change in the CS would change the effective date of the bill.

Co-Chair Hawker MOVED to adopt the CSSB 177 (FIN), Version 26LS0832\ S.

There being NO OBJECTION, it was so ordered.

ANDY SZCZESNY, OWNER, ALASKA FISH AND FLOAT, KENAI, testified in support of the bill.

[7:20:07 PM](#)

MONTE ROBERTS, KENAI RIVER PROFESSIONAL GUIDE ASSOCIATION, SOLDOTNA, testified via teleconference. He testified in support of the bill. He believed that the CS would keep members of the industry, in emergency situations, from going out of business.

[7:21:34 PM](#)

ROBER L. JAYNES, SELF, VALDEZ, testified via teleconference. He testified that he had some problems with the bill in its current form. He expressed concern for untrained guides operating on the Kenai, at any time. He shared that he was not opposed to the licensing per se, but felt that fee involved was too high. He stated that the data collection system posed problems. He related that his licensing fees pay for the data collection, but that the data currently collected was from charter operators only.

[7:24:58 PM](#)

Representative Foster questioned the fiscal note. He wondered what the cost would be to the state.

Co-Chair Stoltze closed public testimony.

[7:25:54 PM](#)

CHARLES SWANTON, DIRECTOR, DIVISION OF SPORT FISH, DEPARTMENT OF FISH AND GAME, replied that the division of funds was 50/50, between the fees collected from the guides and the operators, versus licensed anglers. He clarified that \$256,000 was collected by the fee program, and \$200,000 was from fishing licenses.

Vice-Chair Thomas commented that there was a surplus of \$3 million put into the Fish and Game budget and could that be considered a contribution toward the sport fish management.

Co-Chair Hawker stated that the only change in the new CS from the previous version and the version to which the fiscal note was written was that the time period until the statutes would be repealed has been shortened, from January 1, 2015 until January 1, 2011. He wondered if that would necessitate a new fiscal note.

[7:27:30 PM](#)

Mr. Swanton replied that a new fiscal note would not be needed.

[7:28:37 PM](#)

Co-Chair Hawker exhibited surprise and requested clarification.

JENNIFER YUHAS, LEGISLATIVE LIAISON, DEPARTMENT OF FISH AND GAME, offered to provide a new fiscal note, showing no subsidy for the following years, should the Committee adopt the new CS.

[7:29:05 PM](#)

Representative Foster MOVED to report CSSB 177 (FIN) out of Committee with individual recommendations and with a new fiscal note.

HCS CSSB 177 (FIN) was REPORTED out of Committee with a "do pass" recommendation and with a new fiscal note by the Department of Fish and Game.

[7:30:32 PM](#)

RECESSED: [7:31:18 PM](#)

RECONVENED: 9:02 PM

ADJOURNMENT

The meeting was adjourned at 9:02 PM.