

HOUSE FINANCE COMMITTEE
February 24, 2010
1:36 p.m.

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CALL TO ORDER

Co-Chair Hawker called the House Finance Committee meeting to order at 1:36 p.m.

MEMBERS PRESENT

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

MEMBERS ABSENT

None.

ALSO PRESENT

Daniel T. Seamount, Jr., Commissioner, Alaska Oil and Gas Conservation Commission, Department of Administration; Bob Swenson, Project Manager, Alaska In-State Gas Pipeline Coordinator; Leta Simons, Director, Division of Support Services, Department of Natural Resources; David Stone, Deputy Commissioner, Department of Labor and Workforce Development; Guy Bell, Assistant Commissioner, Department of Labor and Workforce Development; Pat Galvin, Commissioner, Department of Revenue.

PRESENT VIA TELECONFERENCE

Cathy Foerster, Commissioner, Alaska Oil and Gas Conservation Commission, Department of Administration.

SUMMARY

HB 300 APPROP: OPERATING BUDGET/LOANS/FUNDS

HB 302 APPROP: MENTAL HEALTH BUDGET

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#hb302

HOUSE BILL NO. 300

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

HOUSE BILL NO. 302

"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 discussed housekeeping. He indicated that he was expecting a high level overview on what funds the departments had available for spending at the beginning of FY2010; what the money was spent on in FY2010, what was still available, and what the agency was requesting for the next fiscal year. He requested that a clear, written definition of an "encumbered expense" be provided at a later date.

Representative Kelly requested that the speaker tie together expenditures with statutory law as the committee examined the various expenditures.

Co-Chair Hawker restated that when asking for an appropriation item, the committee was requesting a description of where that appropriation was sourced, and why it had been originally appropriated.

DANIEL T. SEAMOUNT, JR., COMMISSIONER, ALASKA OIL AND GAS CONSERVATION COMMISSION, DEPARTMENT OF ADMINISTRATION, explained that the commission was requesting an addition to the budget to fund the 3 commissioners, 2 geologists, 5

engineers, 6 inspectors, and support staff that comprised the commission.

Co-Chair Hawker pointed out to the committee the handout provided by the Alaska Oil and Gas Conservation Commission (AOGCC), titled "AOGCC Gas Studies FY2010 Progress and Future Work" (copy on file). He noted the AOGCC appropriations that were listed in the "Historical Summary Gasline Related Appropriations FY2004-FY2010". The appropriations were located on Page 1, Line 3, and Page 3, Line 28.

Mr. Seamount continued. He stated the funds would be used to embark upon studies to mitigate oil losses due to gas production in the major fields on the North Slope. He referred to handouts; "AOGCC Gas Studies FY2010 Progress and Future Work"(copy on file), and "AOGCC Funding History".

Co-Chair Hawker highlighted the FY2010 expenditure of \$121,985 to the law firm Gaffney, Cline & Associates. He asked what services they were providing.

Mr. Seamount responded that the commission had a limited number of engineers to cover the amount of work that needed in to be done in all of Alaska's oil and gas fields. The firm was an internationally recognized petroleum consulting firm, specializing in engineering, geology, and geophysics. The contract was to assist AOGCC with the review and analysis of the unit at Point Thomson. The firm was assisting the commission in ensuring that the models being used were accurate and could be used to determine the impacts on oil production via gas production.

CATHY FOERSTER, COMMISSIONER, ALASKA OIL AND GAS CONSERVATION COMMISSION, DEPARTMENT OF ADMINISTRATION (via teleconference), added that given the firms worldwide experience, the findings could validate some of the assumptions Exxon was making i.e.; how wells would behave in particular situations, and well spacing. The experience of the firm would be beneficial in determining whether or not Exxon was creating a good development plan.

Co-Chair Hawker summarized that the commission was using the firm as part of the regulatory authority in evaluating the utility of information made available from industry

when making regulatory decisions. Ms. Forester replied in the affirmative.

Co-Chair Hawker mentioned that the same consulting firm had done work for the Department of Natural Resources (DNR), and The Department of Revenue (DOR), and that other agencies had used the same consultants to politically motivate the legislature. He wondered if there was potential for a conflict of interest.

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Ms. Forester felt that there was no conflict of interest for several reasons: the consultants that the commission employed were reservoir engineers, geologists, and geophysicist, and a major consulting firm of this kind was very careful to avoid conflicts of interest. The firm had always checked with the commission when they felt a conflict might be apparent.

Co-Chair Hawker asked if there were written conflict of interest rules. Mr. Seamount did not believe so.

Co-Chair Hawker warned that in order to maintain credibility the commission should wary of conflicts of interest.

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Representative Austerman cited the "AOGCC Gas Studies FY2010 Progress and Future Work" handout. He noted that the commission received \$1.2 million in 2005 and \$2.2 million in 2007. The expenditures for FY2010 were \$121,985.00; \$228,363.64 which was currently encumbered. He asked if the work done in 2010, plus the encumbered amount, totaled what was remaining from the original \$3.4 million, or had all the \$3.4 million had been spent and the request was for an additional \$1.1 million.

Co-Chair Hawker referred to page 3, line 28, as a reference to the question.

Mr. Seamount replied that the original operating appropriation was for \$2.2 million; \$121,985.00 had been spent and \$228,363.64 was encumbered, which left \$1,150,900 as the appropriation request.

Co-Chair Hawker clarified that at the end of FY2010, the AOGCCs funding would lapse. The commission would then seek reappropriation of the funding. He asked if the commission would be spending the entire \$150 million in the coming fiscal year.

Mr. Seamount replied that it was uncertain. It appeared that activity was beginning to happen, and that industry was becoming more cooperative. More would be spent than in the past, however, the commission would work to spend as little as possible. He warned that if the funds were not appropriated, any gasline project would be delayed.

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Ms. Forester added that the commission had a lot of work left to do. Work that had been completed had taken time because of the volatile relationship with Exxon. It had been a challenge to predict the rate at which the Point Thomson analysis would be completed. Currently, two new wells were being drilled at Point Thomson which would be brought on-line as a gas cycling pilot. Data gathered from drilling, and producing, the wells would need to be incorporated in the analysis. In Prudhoe Bay more oil was being produced and mitigation measures were being tested in preparation for a gas off-take. As the data was collected the commission needed to be prepared to incorporate the data into a revision of its studies, and eventually gas off-take hearing would need to be held for both areas, as well as a pool rules determination for Point Thompson. The commission would need contract experts available to testify at the hearings to ensure that the public had a complete understanding and so that the record was accurate.

Co-Chair Hawker cited Page 1, Line 3, of the historical summary. He said that in 2008, the commission received a reservoir depletion study appropriation for \$1.5 million, none of which had been spent to date. He wondered why the funding had not been used.

Ms. Forester thought that was a question best answered by the Department of Administration (DOA), as the department had been managing the commission's money.

Mr. Seamount interjected that the funds not only included the Prudhoe Bay and Point Thomson fields, but other oil

fields that would be under consideration for adding to the pipeline, and other future exploration discoveries.

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Co-Chair Hawker asked if the commission exhausted the Point Thomson money, would the appropriation language of the \$1.5 million be sufficient to avoid accusations of interfering with the forward development of a gas project. Mr. Seamount did not believe that \$1.5 million would be enough for the commission to do all the work that it needed to do, and that the total operating, plus capital, might not be enough. If the commission were to conduct its own study the request would be significantly higher. He added that the commission hoped that it would not have to conduct its own study. Many experts had already begun the study, a lot of information had been gathered, and it would be time consuming to go through the process again.

Co-Chair Hawker asked what the constraints were on the \$1.5 million that had been sitting unused since 2008. Mr. Seamount replied that the funds could be used for the Point Thomson and Prudhoe Bay field studies.

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Representative Gara wanted assurances that the field study process would be successful. He understood that the AOGCC's main mission was to use oil and gas efficiently. He wondered if the AOGCC had to stick to the academic rule, which was the maximum use in theory, or go by the reality of not putting something in the pipe by a certain time and killing the project. Mr. Seamount believed that by not producing the gas, billions of barrels of oil equivalent would be wasted. He believed that the gas was a resource that would always be useful.

Representative Gara voiced concern with the ongoing field studies. He wondered if the point would be reached where the academic view trumped the reality of the situation. He hoped that AOGCC could provide a more reliable answer in the future.

Co-Chair Hawker interjected that he did not understand the question Representative Gara was attempting to ask. He requested that the question be put in writing and submitted to the agency for a formal response.

Representative Gara said that he did not want to find out 8 years from now that the state cannot go ahead with a gas pipeline because in theory more oil could be drawn from the field, when in fact, the window for moving ahead with the gas pipeline was going to pass. Mr. Seamount replied that there was more energy equivalent in the gas that was left than in the oil that was left. He felt if the oil could not be produced out of the production of the gas the project was a waste.

Representative Gara said he would submit the question in writing to the commission.

Ms. Forester interjected that the commission was supposed to prevent the waste of both oil and gas. If to preserve a half a billion barrels of oil, four billion barrels of equivalent gas had to be wasted, the plan was a failure.

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Co-Chair Hawker summarized that the legislature was being asked by the commission for continued authority to use the \$1.1 million that would be lapsing soon, and the commission was hoping to move it forward one year. At the same time, there were still the other million and a half that had been appropriated that had yet to be used.

BOB SWENSON, PROJECT MANAGER, ALASKA IN-STATE GAS PIPELINE COORDINATOR, referred to the pamphlet, "Alaska In-State Gas Pipeline Project, Budget Summary, February, 18, 2010", copy on file), which he presented as background information for further discussion.

Co-Chair Hawker pointed out to the committee that the appropriation being discussed could be found on Page 4, Lines 37 and 37 of the historical summary sheet.

Mr. Swenson continued. He shared that Page 5 of the budget summary outlined the tasks that had been ongoing since FY2010, and what would be happening in FY2011. Page 6 provided the breakdown of the FY2010 expenditures and what the balance was as of January 15, 2010. The work completed to date included the route alternative analysis of the Parks Richardson Highway routes and associated comparative pipeline cost estimates, and environmental surveys of the alternative routes. The initial project description was

required for the initial application for both the right-of-way and the Environmental Impact Statement (EIS) process. Another cost was for the commercial group scoping for the upstream and downstream issues associated with the in-state gas pipeline. Initial review of the ENSTAR capital cost estimate was influenced by data that the original bullet-line partners; Anadarko and ENSTAR had complied. This included orthoimagery and Light Detection and Ranging (LIDAR). Money had been encumbered, with the Bureau of Land Management and the Corps of Engineers, to cover the cost of the applications. Work that was currently underway, and would continue into FY2011, was the cost estimations associated with the pipeline and facilities. There were 16 separate facility scenarios being evaluated. The scenarios had variations of the configuration of the gas handling facilities, the compressor stations, and the through-put of 250 million cubic feet to 1 billion cubic feet per day. All the facility cost estimations and configurations would be provided at the end of the fiscal year in a complete report. He stated that the work had just recently begun and referred to Page 6, which illustrated that as of January 15, 2010, \$2,214,968 had been spent, leaving 6 million. Other work currently being done included; updating of the pipeline cost estimates, development of facilities, continuing preparation of a detailed project description, continued engineering and support of the EIS process and the right-of-way process, developing the data package for economic analysis, facility scenarios, commercial group market analysis, and cost of transport.

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Mr. Swenson explained that the \$3.9 million in encumbrances was for the different contracts that were still out. The personal services, travel, and commodities listed on Page 6, were associated with his office. The request in the FY2011 budget was for \$6.5 million to continue with cost estimation. Page 13 detailed the activities planned for 2011:

1. Completion of environmental and permitting for United States Army Corps of Engineers (USACE) and state and federal right-of-way approvals.
2. Engineering data acquisition for detailed engineering design of the project.

3. Refinement of Cost of Services estimates and Tariff modeling.
4. Prepare complete project documentation of in-state pipeline asset for consideration by private pipeline developer.

Mr. Swenson asserted that the state did not plan to build the pipeline. The state planned to reduce the risk associated with building the pipeline by identifying the permit ability of the pipeline through the EIS and ROW process. Additionally, the state would spend money to sanction the project and sell the acquired data package to the third-party pipeline company, who would ultimately strike the deal with producers on the North Slope and the consumers in Cook Inlet.

Co-Chair Hawker asked about the two components of the appropriation that was made in the current fiscal year on Lines 36 and 37, \$4,322,000 and \$3,967,000, respectively. The \$4,322,000 was a cash appropriation and had been easy track, the specific intent for the funds had been in the 2009 supplemental budget. The appropriation from 2009 included the provision that any funds left over from a 2008 Department of Natural Resources grant would roll into the project. It was estimated at budget close-out last year that the amount would be \$2.7 million, however, the rollover had been approximately \$4 million. The funding for the project had a lapse date of February 28, 2010, which meant that the funding would expire in 4 days. He said that \$1.8 million of the aggregate had been expended, and all of the balance appeared as encumbered. If the funding lapsed in February the project would stop. He expressed concern that the project had encumbered all the funding it had received, which meant that it could spend infinitely. He questioned the use of encumbrance for personnel service costs and travel.

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Mr. Seamount replied that the amount of money that had been appropriated had not been enough to complete the job. He added that the personal service and travel costs were

comprised of his wages and those of his assistant through the end of the year.

LETA SIMONS, DIRECTOR, DIVISION OF SUPPORT SERVICES, DEPARTMENT OF NATURAL RESOURCES, stated that the Reimbursable Services Agreement (RSA) from the Office of the Governor and the Department of Natural Resources had been looked at for funding for the project manager position. It had been important that only the actual expected expenditures and obligations through the end of February 28 be encumbered. Several offices working together established a spreadsheet determining that the appropriate amount would be \$6.8 million. The department had advised the governor's office that an amendment for the RSA should be included in the appropriation in order to reduce the total to the \$6.8 million. The \$3.9 million that appeared on the budget overview were task orders that were out, and were legitimate encumbrances. The intent of the amendment was to reconcile the funds and list the correct encumbrance number on the RSA.

Co-Chair Hawker asked if the intention was to encumber the personal service cost and travel. Ms. Simons replied no. Co-Chair Hawker wondered what was going to happen to the position of project manager when the appropriation lapsed. Ms. Simons answered that the actual project manager position was under DNR and had been budgeted for in FY2010. The department still had the ability to pay the position salary.

Co-Chair Hawker understood that the technical complications would not impede the progress of the project. Ms. Simons replied yes, and reiterated that the encumbrances in the overview were legitimate.

Co-Chair Hawker asked about the \$2,493.7 million in encumbrance found on Line 36. He said that the added encumbrance numbers on Lines 36 and 37 totaled \$6,460.7 million. Ms. Simons replied that the amount was correct. She explained that the amendment would reduce the total to \$6.8 million total RSA, which included all expenditures and encumbrances through February 28, 2010.

Co-Chair Hawker expressed unease with the lack of detail concerning what exactly the encumbrances were for, and if the encumbrances were in accord with the accounting

policies and laws of the state. Ms. Simons said that she would provide the information to the committee.

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Representative Doogan requested the information as well. He asked if the amount of money being requested was expected to fund the completion of a gasline project that would be compliant with AGIA, and provide gas for South Central Alaska.

Mr. Swenson replied yes. He expounded that one of the first issues with the bullet line to Gubik with Anadarko and ENSTAR, was still a viable option. The stream of gas that could come from the North Slope was also being examined. The project was in full compliance with AGIA, and was a backup plan in case the process fell through. Mr. Swenson the said that the intent of the work was to craft a permit package, cost estimates for the entire route, and the cost of facilities and services. The hope was to pass the entire project on and then pay back both ENSTAR, and the state for the expended funds.

Representative Doogan wondered about funding the project when there were no assurances that it would be economically successful. Mr. Swenson replied that the package that was being created included 16 different options, which would all be vetted for economic viability before going into the permit process. He believed time was of the essence to supply natural gas to South Central Alaska.

Representative Doogan voiced apprehension to committing the funding for a project when it was unknown if corporations could even afford to participate.

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Co-Chair Hawker interjected that the funding that was in the operating budget currently in effect had been requested by the Palin Administration, not the existing administration.

Representative Gara shared that the former in-state gas pipeline czar stated repeatedly that if a big line were to be built it would provide cheaper in-state gas for consumers than a small line. Mr. Seamount said that that was correct.

Representative Gara expressed frustration with the popular misconception that in-state gas would be cheap. He believed that the state needed to reconcile that the big gasline would not be built in time to alleviate pressing energy problems in the state. The former oil czar had committed to evaluating whether or not the in-state gasline made sense. He wondered why the state was working on acquiring right-of-way for a pipeline that might lead to more expensive gas for consumers, rather than working toward the larger pipeline.

Mr. Swenson pointed out to the committee that if there was a spur-line in the distance of the pipe, a diameter distance in cost was associated with it, and travel to the North Slope considerably increased that cost. He stated that it would make sense to build an additional line to the Prudhoe Bay area, because of the area's abundant natural resources. He expressed belief in AIGA as good plan to get gas to the Cook Inlet region. However, he stressed the importance that the state should maximize its resources. If it turned out that everything worked smoothly with AGIA, the state would have the initial right-of-way and EIS work done, and if the package sold to another entity that was getting access to gas elsewhere, it would make sense to maximize the recovery of state resources.

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Representative Gara understood that the overarching answer was unknown. He cautioned that people could end up paying twice as much for gas coming from a small pipeline in Anchorage and Fairbanks, while the cheaper gas flows right by them in the big pipeline. He probed the two other temporary solutions; subsidizing the higher cost production of Cook Inlet gas until the big line was built, or building a pipeline from Cook Inlet up to Fairbanks.

Mr. Swenson said the administration was working with various agencies and organizations to combine efforts going into the spur routes, as well as the stand alone routes. He stated that a range of options in various combinations was being explored. The fiduciary request would fund the project that would bring all the components concerning the natural gas pipeline together in order to determine a plan of action.

Representative Gara asked if ideas were being assessed, and the subsidizing of Cook Inlet gas would be the cheapest option, why was a cost analysis being performed.

Mr. Swenson believed that the reason that the permits were initiated prior to the cost analysis was because of timing. There was trepidation about the amount of available resource in Cook Inlet.

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Co-Chair Hawker asked if the intent language that accompanied the appropriation gave the administration specific directions concerning a smaller gasline.

Mr. Swenson replied no. If a corporation wanted to go ahead with the small line, the right-of-way and cost estimation studies could be used for the project.

Co-Chair Hawker clarified that the administration acknowledged that there was specific legislative intent that constrained its activities. Mr. Swenson replied in the affirmative. He added that there was the possibility the AGIA could fail, which would make the research development project more important.

Co-Chair Hawker queried the three potential numbers being examined by the administration of the amount of gas that could be delivered; 1/4 billion, 1/2 billion, and 1 billion per day. Mr. Swenson replied that there was a fourth option of 750 million per day.

Co-Chair Hawker said that under AGIA, anything over 1/2 billion would trigger treble damages. He wondered how it would be reconciled if the most economical option was in violation of AGIA. Mr. Swenson clarified that the four options were a holdover from the Gobik option. Because it was a small line the economics were inherently challenged.

Co-Chair Hawker understood that the artificial constraint established by the legislature on the 1/2 billion per day triggering treble damages might not have been in best interest of the successful completion of a stand-alone line. Mr. Swenson reiterated that the stand-alone line was a back-up plan and might not present any conflict at all.

Co-Chair Hawker thought there could be a problem with statutory regulations.

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Representative Salmon asked how far along the state was in the development of an in-state gasline. Mr. Swenson answered that the state was farther along now than in the past. Because of the decline of resources in Cook Inlet, the necessity had grown for the examination of the energy supply within the inlet and the Rail belt region. Access to development of the natural gas on the North Slope was imminent. The state's position on AGIA process was farther along towards the development of North Slope resources than ever before. He argued that the stand alone pipeline was also farther along than in the past.

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Representative Kelly asked how the scheduling was coming along. Mr. Swenson replied that scheduling was a big concern. The administration was examining what the breadth of schedules might be, but was pushing for fast track scheduling. One possible option looks at a 2014-2015 time frame, with access to dry gas. The gas in Prudhoe Bay was dirtier and would require a significant amount of conditioning. Incorporating the Prudhoe Bay facility into a pipeline of this nature would require numerous sea-lifts, which would extend the completion date. The recent release of federal regulation from the Environmental Protection Agency (EPA) on carbon dioxide could also inhibit progress.

Representative Kelly asked if the administrative team was on schedule. Mr. Swenson replied that they were ahead of schedule. Cost estimations and facilities design were being finalized with the initial facilities design completed by May 1, 2011.

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Representative Salmon understood that there were many components to a project of this size. He asked what the perfect combination of variables would be needed in order to guarantee a gasline. Mr. Swenson replied that there were three important tenants; the cost of the construction of the pipeline and facilities, identifying the resource on the North Slope, and working with the producers.

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Representative Doogan listed several energy sources in the state. He hoped that the state was not wasting time and money on an energy project that would ultimately be a failure.

Co-Chair Hawker said that a defined route needed to be picked and pursued.

Mr. Swenson responded that the confusion concerning the gasline was understandable. He assured the committee that his mandate was to coordinate the gasline efforts. He noted that Alaska had more options than most other states for energy development. He thought that the emphasis should be on gathering the correct data in order to have informed conversations about how to move forward in the future.

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Representative Kelly stated that the gas line between the two largest communities in the state could be started soon and without regret.

Mr. Swenson believed that the Alaska Natural Gas Development Authority (ANGDA) was looking at that line as the stand alone Beluga to Fairbanks route, and were performing economic projections. A pre-build in the scenario would be difficult to "pencil out on the back of an envelope", given the market capacity in the Fairbanks region. He believed economic projections were challenging.

Representative Kelly expressed hopes that there would be enough money and opportunity to build a successful line. He expressed frustration that the smaller pipeline was not moving forward more quickly.

Representative Joule asked whether an in-state gas line was more economical in the long run than simply importing gas. Mr. Swenson did not know.

Representative Joule felt that the question would be of primary concern before spending a considerable amount of state dollars.

Mr. Swenson replied that the state would make a significant amount of revenue from the development of the resources.

Long-term prices and infrastructure development should be considered as well.

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Representative Joule thought that in the end, people would care about the price of the gas, and not who owns the line.

Co-Chair Hawker noted that Page 1, Line 6 of the historical summary, illustrated that the Department of Labor and Workforce Development (DOL) was halfway through a multi-year grant on the Alaska Works Partnership. Pages 5 and 6 list a number of smaller grant awards with the unspent balances of approximately \$1 million.

DAVID STONE, DEPUTY COMMISSIONER, DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT, referred the committee to Guy Bell for further details.

Co-Chair Hawker reiterated that the department had received appropriations in the past and had been a large component of the gasline strategy. He pointed out to the committee that DOL had \$3 million left of a \$6 million appropriation for the Alaska Pipeline Works Partnership, and numerous other appropriations winding down, yet the department was not asking for more funds. He wondered why the legislature did not need to make any further investment in DOL this year.

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GUY BELL, ASSISTANT COMMISSIONER, DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT, responded regarding statutory basis mandate in AGIA; that DOL develop a job training program for Alaskans in pipeline related job opportunities. The commissioner convened a steering committee comprised of high-level individuals within the industry including representatives from the Alyeska Pipeline Company, TransCanada Alaska, British Petroleum, Exxon, Price Construction, and a number of private individuals. The steering committee had been influential in developing the training program that the department was responsible for implementing. Strategies had been presented which would increase opportunities for Alaskans in gasline related occupations, with an emphasis on the immediate availability of jobs.

Mr. Bell referred to information detailing the appropriations that had been received to date, and the expenditures including; capital appropriations, fiscal year 2009 operating appropriations, and fiscal year 2010 appropriations.

Mr. Bell cited the one-page narrative titled "Gasline Funding History"(copy on file). In fiscal year 2011, the department had no requests in the gasline appropriation section of the budget bill. However, the department had incorporated in the FY2011 budget request some of the items that had been included in FY2009 and 2010. That was done by locating money within the agency budget, and moving general fund dollars within that budget, to continue the training program. The re-allocation of the money being was being reviewed by the House Finance Sub-Committee and the department was awaiting the results.

Co-Chair Hawker noted the department's core missions had been internalized into the operating budget, and not viewed as an increment in addition to the regular operating budget. Mr. Bell said that transfers had been made within the operating budget without requesting an increase in funding. Because the money had been moved from one program to another they were identified in the budget as incremental increases.

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Co-Chair Hawker said that the department had received \$6 million in 2008, and had spent \$860,000, with \$2 million encumbered. He wondered why the money had not been spent as of yet. Mr. Bell replied that the funds had been a capital appropriation; \$3 million in federal authority, and \$3 million state funds. The federal dollars were based on a federal authorization bill that had passed through congress, but was a contingent appropriation. The pipeline training center had not yet received any funds. The department was working with the governor's office in Washington D.C. and with the congressional delegation, to work for the release of the funds. Some of the activity at the training center, specifically the construction of the central training facility, had been delayed because the federal funding had not been forthcoming. The center was operational and there were further plans for a central training center and housing.

Co-Chair Hawker asked if the unspent balance were the federal funds that had yet to be received. Mr. Bell replied no. He stated that the total unspent balance was the sum of the \$3 million plus the encumbered amount of \$2.1 million.

Co-Chair Hawker reworded his question. Was the \$3 million unencumbered balance all federal dollars. Mr. Bell replied yes.

Co-Chair Hawker queried the probability of the department receiving the federal \$3 million. Mr. Bell said that the department was hopeful. A problem was the contingent language surrounding the funds. The department was working to convince the delegation that the authorization language needed to be changed.

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Co-Chair Hawker asked if a new federal pipeline coordinator would be helpful. Mr. Bell replied yes.

Co-Chair Hawker discussed housekeeping.

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ADJOURNMENT

The meeting was adjourned at 3:33 PM