

HOUSE FINANCE COMMITTEE
March 9, 2010
10:54 a.m.

[10:54:29 AM](#)

CALL TO ORDER

Co-Chair Hawker called the House Finance Committee meeting to order at 10:54 a.m.

MEMBERS PRESENT

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

MEMBERS ABSENT

Representative Allan Austerman

ALSO PRESENT

Representative Chenault

SUMMARY

HB 300 APPROP: OPERATING BUDGET/LOANS/FUNDS

CSHB 300 (FIN) was MOVED out of Committee with a "do pass" recommendation.

HB 302 APPROP: MENTAL HEALTH BUDGET

CSHB 302 (FIN) was MOVED out of Committee with a "do pass" recommendation.

#hb300
#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."

[10:56:23 AM](#)

Co-Chair Hawker MOVED to ADOPT Amendment 32a (26-GH2823\M.11, Bailey, 3/8/10, with hand-written changed numbers: page 1, lines 10, 12, and 14; page 2, lines 2, 4, 7, and 9 [copy on file] as listed below):

Offered by: Representatives Hawker, Doogan, Thomas

Page 65, following line 3:

Insert a new bill section to read:

"*Sec. 19. GAS PIPELINE DEVELOPMENT. (a) The following amounts are appropriated from the general fund to increase the appropriation in sec. 1 of this Act to the named department, appropriation, and allocation in the amounts stated for work associated with development of a natural gas pipeline for the fiscal year ending June 30, 2011:

DEPARTMENT, APPROPRIATION, AND ALLOCATION	AMOUNT
(1) Law Civil division, oil, gas, and mining	\$750,000
(2) Natural Resources Resource development, gas pipeline implementation	1,265,250
(3) Revenue Administration and support, natural gas commercialization	465,000

Taxation and treasury, 150,000
tax division

(b) The following amounts are appropriated from the general fund to increase the appropriations in sec. 1 of this Act to the named department, appropriation, and allocation for work associated with the development of a natural gas pipeline for the fiscal year ending June 30, 2011:

DEPARTMENT, APPROPRIATION, AND ALLOCATION	AMOUNT
(1) Law	
Civil division, oil, gas, and mining	\$1,750,000
(2) Natural Resources	
Resource development, gas pipeline implementation	2,952,250
(3) Revenue	
Administration and support, natural gas commercialization	1,085,000

(c) The appropriations made in (b) of this section are contingent on a person submitting to the Federal Energy Regulatory Commission a "precedent agreement" for shipping natural gas on a North Slope natural gas pipeline.

Renumber the following bill sections accordingly.

Page 80, line 28:

Delete "25, 26, and 28"

Insert "26, 27, and 29"

Page 81, following line 2:

Insert a new bill section to read:

"*Sec. 38. CONTINGENCY. The appropriation made in sec. 19(b) of this Act is contingent as set out in sec. 19(c) of this Act."

Renumber the following bill sections accordingly.

Page 81, line 3:

Delete "Sections 34 and 36"

Insert "Sections 35 and 37"

Page 81, line 4:
Delete "sec. 37"
Insert "sec. 39"

Co-Chair Stoltze OBJECTED.

Co-Chair Hawker explained that Amendment 32a was the gasline amendment. He detailed that in the budget's initial CS, the various issues connected with the gasline were set aside in order to be considered together. He noted that Amendment 32a represented a substantial reduction "at this time" from the governor's initial requests.

Co-Chair Hawker continued that the first page of the amendment addressed issues related to on-going gasline development requests and would offer 30 percent of the administration's initial request for FY 11, with the balance (70 percent) contingent upon completion of a successful open season. He added that the amendment was offered because of the amount of money that had been committed in the past without [accountability]. Investigation had revealed accumulated money that was sitting in encumbrances and non-lapsed accounts. He compared the process of tightening legislative control to the process that had been used with Medicaid. He also wanted balance so that the legislature could not be accused of blocking the Alaska Gasline Inducement Act (AGIA) process.

Co-Chair Hawker emphasized that the core of the amendment would balance the funds so that 30 percent would be given up front and 70 percent on delivery. He maintained that the largest issue was in-state gas. The administration had requested \$6.5 million to continue in-state gas efforts begun the previous year.

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Co-Chair Hawker acknowledged that there was a "disconnect" between what had already commenced and the present status. The previous year, the money was appropriated at the request of [Governor Sarah Palin] to move an in-state gasline forward separate from the Department of Natural Resources (DNR) AGIA process. He pointed to questions in the legislature about the [Parnell] administration's commitment to moving the project forward successfully.

Co-Chair Hawker referred to separate legislation addressing the issue in depth. He emphasized that "at this time" he was not comfortable making a definitive commitment to the operating budget of any amount for in-state gas until the legislature and administration had had time to dialogue and come to an agreement about the route forward. He believed an in-state gas appropriation would be brought forward in either a later version of the operating budget or in the capital budget. He reiterated that there was no hidden agenda; the legislature wanted to be in alignment with the administration before committing the public's treasury to the process.

Co-Chair Hawker continued that the conversation on further AGIA appropriations was on-going; he wanted to provide money that would get through by the beginning of the next legislative session, when there would have been either a successful open season or the conversation would be revisited. He underlined that the amendment did not intend to obstruct either in-state gas or the AGIA process. He wanted the public to be assured that the legislature was being diligent.

[11:02:34 AM](#)

Representative Gara MOVED to ADOPT Conceptual Amendment 1 to Amendment 32a:

Page 2: Delete lines 9 through 11 and lines 21 through 22, and make conforming amendments.

Co-Chair Hawker OBJECTED. He detailed that the language delineated in the conceptual amendment was the removal of the "trigger point" for the conditional appropriation (the completion of a successful open season) and removal of the further contingency language.

Representative Gara asserted that voting "no" on Amendment 32a would mean he was voting against any funding for the gasline, which was not his intention. He stated that he would rather vote for how he thought the amendment should be written.

Representative Gara explained that the sections he wanted to delete stipulated that the bulk of the money for the gasline would not come in unless there was a precedent agreement. He was most concerned about funding for the big

gasline, which he believed was important to the future of the state.

Representative Gara argued that there would be no precedent agreement in the current year. He explained that a precedent agreement meant that a shipper would commit a certain amount of gas with no conditions. Amendment 32a would mean that DNR would not get 70 percent of the funds it needs to move forward with the gasline. He thought the question was whether DNR needed the funds to move forward; he believed it did. He did not think the oil companies would move ahead with a gasline without being pushed.

Representative Gara pointed out that there would be conditional offers by entities on May 1 [2010] agreeing to put gas in a line if the state does some things for them. The state would need to analyze the offers, including the tax breaks requested, the field geology necessary, and the things DNR and the Department of Revenue (DOR) want to do with the funds. He did not believe the state would be able to negotiate without the funds. He shared some of the concerns put forth in Amendment 32a; the administration had not let the legislature know how much money was needed to push the gasline forward.

Representative Gara wanted a strong negotiating team to push the gasline forward, including the best consultants and analysts. He believed DNR need the money to succeed in the project. He strongly supported the gasline and believed it could go ahead, but timing was important. He did not want to miss the summer's field season because of too little money appropriated. He referred to work that needed to be done soon, such as surveys of faults existing between Fairbanks and the North Slope. He wanted the information before TransCanada made its proposal.

[11:08:04 AM](#)

Representative Gara expressed concerns about delaying the project another year. He stressed the need to know the exact amount of money the administration wanted. He did not think 30 percent was the amount needed; he hoped the amount would be forthcoming.

Co-Chair Hawker disagreed with Representative Gara's language that the the intent of the industry was to shortchange the people of Alaska. He pointed to poling

numbers showing only 37 percent confidence that the AGIA project would move forward. He agreed that the administration should address both the legislature and the public. He maintained that the point of Amendment 32a was to set a beginning point for a conversation that would take place over the remaining 30 days of the legislative session. He pointed out that passing Conceptual Amendment 1 to Amendment 32a would eliminate all contingencies. He asked whether Representative Gara wanted to continue or withdraw the amendment to the the amendment.

Representative Gara stated that ideally an amendment would require the administration to give annual/monthly detailed reporting on expenditures. He understood that there was not support for the idea.

Representative Gara MAINTAINED the amendment to the amendment because he wanted to be on record supporting funding for the pipeline effort. He believed that voting for Amendment 32a would put him on record as opposing funding for the pipeline effort.

Co-Chair Hawker stated that he did not want the media or anyone to capitalize on the amendment to Amendment 32a as representing anyone being against the development of AGIA. He maintained that Amendment 32a would set a benchmark for continued conversation during the current legislative process.

Co-Chair Hawker MAINTAINED his OBJECTION to Conceptual Amendment 1 to Amendment 32a.

A roll call vote was taken on the motion.

IN FAVOR: Foster, Gara

OPPOSED: Thomas, Doogan, Fairclough, Joule, Kelly, Salmon, Stoltze, Hawker

Representative Austerman was absent from the vote.

The MOTION FAILED (8/2). Conceptual Amendment 1 to Amendment 32a was not adopted.

[11:12:45 AM](#)

Co-Chair Hawker returned to discussion of Amendment 32a.

Representative Doogan stated his understanding of Amendment 32a for the record, particularly with regard to the precedent agreement section. He believed there were two places where the legislature might decide to give only so much money unless certain things happened. The first related to the open season and an entity that was willing to put gas in the pipeline pursuant to listed conditions being met. The second was related to the precedent agreement, which would be an entity contracting to put gas in the pipeline under certain terms.

Representative Doogan stated that he would be more comfortable with the first option, except for the fact that anything an entity brings to the open season is privileged. For example, if Exxon Mobile Corporation came to the open season and agreed to do certain things, they could say the terms of the negotiation between themselves and TransCanada were private at that point. The state would have difficulty knowing what it was giving more money for.

Representative Doogan thought the state would be at a disadvantage with the precedent agreement. He was concerned that the state would be at the mercy of the "least pleasant" entity making an offer. He could not see any way around the situation. He assumed that the administration and other interested parties would be able to figure out a way to let the rest of Alaskans know who "gummed up the works" and why, at which time the state could possibly act.

Representative Doogan informed the committee that he supported Amendment 32a. He did not feel that the administration had given good reason for spending all the money. He did not think testimony received in committee allayed fears regarding how much money would be given. He questioned the administration's dedication to the project and its willingness to fight for the project.

[11:17:19 AM](#)

Representative Kelly voiced support for the amendment. He referred to previous discussion in the DNR subcommittee and the decision to bring the issue to the full committee. He agreed with concerns about the way the process was moving forward. However, he thought the course set by the legislature for AGIA was the best course available. He acknowledged changes that had come about. He believed the

people of Alaska supported the course that had been set, and that the administration intended to do the same.

Representative Kelly spoke to requirements set out for the in-state gasline, including the monthly report. He believed the project was on track; he expected a report in April and July regarding significant deliverables.

Representative Kelly strongly preferred to stay to the course set; he wanted any change to be in the open. He argued that there would be sufficient opportunity to address needed changes in the upcoming supplemental, operating, and capital budgets. He hoped the administration would communicate with the legislature to come up with a course of action that all could agree on. He pointed out that the legislature would meet soon after the open season, providing another opportunity to address the issue.

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Representative Gara wanted to clear misconceptions about the gasline. He thought that people saw the open season as the day on which the gasline deal would die if companies did not come forward. He asserted that May 1 was not the end of the process, but the beginning.

Representative Gara believed that the period beginning May 1, 2010 and the year following could be an exciting time in Alaska history, with more promise than any other period since the Trans Alaska Pipeline was constructed. On May 1, the major oil companies would begin their negotiations, and he wanted the state to be ready. He did not agree with the misperception that the state would have to lose the pipeline project if Exxon Mobile decided not to sell gas on May 1. He hoped that the administration would help.

Co-Chair Hawker noted that an administration official had testified before the committee that the state had to be vigilant to have a viable project moving forward. He stated that the intent of Amendment 32a was to encourage frugal caution both in the long and the short terms. He wanted the administration to make their request clearer and more convincing in the short term, and in the long term to make sure a viable project is pursued, in light of the changing world.

[11:24:27 AM](#)

Co-Chair Stoltze WITHDREW his OBJECTION. There being NO further OBJECTION, Amendment 32a was ADOPTED.

Co-Chair Stoltze MOVED that CSHB 300 (FIN) as amended be reported out of Committee with individual recommendations and that authorization be given to the Legislative Finance Division and the Legislative Legal Services to make any necessary technical and/or conforming amendments.

Representative Gara OBJECTED for DISCUSSION. He stated his appreciation of the committee for the budget process.

Representative Gara WITHDREW his OBJECTION. There being NO further OBJECTION, it was so ordered.

CSHB 300 (FIN) was MOVED out of Committee with a "do pass" recommendation.

Co-Chair Stoltze MOVED that CSHB 302 (FIN) as amended be reported out of Committee with individual recommendations and that authorization be given to the Legislative Finance Division and the Legislative Legal Services to make any necessary technical and/or conforming amendments. There being NO OBJECTION, it was so ordered.

CSHB 302 (FIN) was MOVED out of Committee with a "do pass" recommendation.

[11:27:51 AM](#)

Co-Chair Hawker appreciated the committee for the work done and manner in which it was done.

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ADJOURNMENT

The meeting was adjourned at 11:28 AM.