

SENATE FINANCE COMMITTEE
January 27, 2009
9:05 a.m.

CALL TO ORDER

Co-Chair Stedman called the Senate Finance Committee meeting to order at [9:05:07 AM](#).

MEMBERS PRESENT

Senator Lyman Hoffman, Co-Chair
Senator Bert Stedman, Co-Chair
Senator Charlie Huggins, Vice-Chair
Senator Johnny Ellis
Senator Kim Elton
Senator Donny Olson
Senator Joe Thomas

MEMBERS ABSENT

None

ALSO PRESENT

Karen Rehfeld, Director, Office of Management and Budget; Randall Ruaro, Deputy Chief of Staff, Office of the Governor; Luke Hopkins, Assembly Member, Fairbanks North Star Borough and Vice Chair, Metropolitan Planning Organization; Chris Hladick, City Manager, City of Unalaska; Kathie Wasserman, Executive Director, Alaska Municipal League.

PRESENT VIA TELECONFERENCE

Al Dwyer, Mayor, City of Petersburg; Rick Gifford, Manager, Kodiak Island Borough; Rick Koch, City Manager, Kenai; Rick Gifford, Manager, Kodiak Island Borough; Linda Freed, Manager, City of Kodiak; Jim Hornaday, Mayor, City of Homer; John Handeland, City of Nome; Bob Weinstein, Mayor, City of Ketchikan; Eugene Smith, Mayor, City of Kotzebue; Elaine Price, City Project Manager, City of Coffman Cove; Lynn Woods, Deputy Mayor, Matanuska-Susitna Borough; Mathew Clamen, Mayor, Anchorage; Bruce Botelho, Mayor, City and Borough of Juneau; Terry Serle, Mayor, Fairbanks; Paul Day, City Administrator, City of Sand Point; Bill Allen, City Manager, City of Palmer; Gary Hennigh, City Administrator, City of King Cove; Kevin Lyon, Public Works Director, Kenai Peninsula Borough; Thelma Nicholie, City of Hughes; Sue Jeffrey, Assembly Member, Kodiak Island Borough; Rich Underkofler, City Manager, City of Petersburg; Justin Thorenston, Public Works Supervisor, City of Thorne Bay; Jerry McCutcheon, Self, Anchorage.

SUMMARY

SR 3 "Relating to the federal stimulus package."

SR 3 was HEARD and HELD in committee for further consideration.

[9:05:48 AM](#)

Co-Chair Stedman asked committee members to introduce their staff.

[9:09:43 AM](#)

Co-Chair Stedman pointed out that the current Senate Finance Committee members represented the state well both geographically and philosophically. He briefly discussed the economic situation in the state.

#SR3

SENATE RESOLUTION 3

Relating to the federal stimulus package.

[9:13:07 AM](#)

Co-Chair Stedman introduced the resolution.

[9:14:01 AM](#)

Co-Chair Hoffman MOVED to ADOPT the resolution. There being NO OBJECTION, it was so ordered.

[9:14:28 AM](#)

JAY LIVELY, STAFF, SENATOR LYMAN HOFFMAN, provided an overview of the resolution. The purpose of the federal stimulus package is to provide working families with continued employment and income in order to stimulate the economy. The second purpose of the package is to complete projects in a timely manner that will make the economy more efficient and effective in the long run.

Mr. Lively pointed out that the recession in the U.S. economy was affecting Alaska's economy. The projected potential job loss in the state could be in the 700 to the 3400 range. Economists have noted that this is the first time in 22 years that the Alaska economy was forecast to lose jobs.

[9:17:14 AM](#)

Mr. Lively discussed the effect of lower prices for oil and other commodities. Lower prices cause job loss, a decline in gross state product, and fewer tourists.

Mr. Lively noted that the stimulus package is still being deliberated in Congress. The number that has been discussed regarding money that will go to the states is \$550 billion; the package itself is \$8 billion, the first \$3 billion of which is projected as tax relief. Each state's share of the \$550 billion is considerable. A per capita distribution would exceed \$1 billion for Alaska. Congress and the president's administration have discussed broad economic areas that may be included in the package, including Medicaid, food stamps, unemployment insurance, COBRA, infrastructure projects such as highways, airports, school construction, education, energy and weatherization projects, and broadband and telecommunications changes. Broad sectors of the economy could be impacted by the stimulus package.

[9:20:38 AM](#)

Mr. Lively reported that the purpose of the resolution is to recognize that the economic downturn will cause hardship in the state and that no part of Alaska's economy will escape the recession. The resolution encourages benefit packages to ensure that Alaskans will capture their share of the funds.

[9:22:20 AM](#)

Co-Chair Stedman acknowledged the seriousness of the economic downturn and stated that the committee would do what it could to minimize the impact.

KAREN REHFELD, DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET (OMB), reported that OMB has been working closely with the congressional delegation to understand the elements of the stimulus package. The package apparently will be formula driven. Alaska will be eligible to receive a broad range of programs and grants. There will be a high level of oversight and accountability for the funds and some critical timing challenges.

Ms. Rehfeld stressed that all departments have been asked to devote resources to understanding how to implement the package once it passes. She expected that a supplemental bill would be brought before the committee to address authorization issues in order to receive and expend funds in a timely manner. She thought the strong capital budgets of the past three years would help keep jobs in Alaska.

[9:25:50 AM](#)

Co-Chair Stedman queried the evolution of the process. Ms. Rehfeld described early speculation about the package.

Indications from Washington, D.C., made it clear that Alaska should identify areas that would be of national interest. The administration presented gasline infrastructure projects, such as the Dalton Highway project, to the delegation. It became clear that Congress and the new administration would not include earmarked projects in order to fairly allocate funds across states.

[9:28:03 AM](#)

Co-Chair Hoffman asked for a definition of an earmarked project. Ms. Rehfeld described the evolving understanding of earmarked projects at the state level, but did not know if that same understanding applied at the federal level. She stated there was not an intention to include earmarked projects in the federal package.

Co-Chair Hoffman asked if the gasline projects submitted to the delegation were considered earmarked. Ms. Rehfeld answered that the projects were submitted because they would be of interest nationally and also because they had been publicly vetted.

Co-Chair Hoffman reflected on prior conversations concerning the stimulus package. He questioned what would be required to expedite getting projects going in communities. He thought the legislature should have an understanding of what an earmarked project is.

[9:32:52 AM](#)

Senator Elton questioned the meaning of "formula driven." He asked if the gasline projects would continue to be promoted. Ms. Rehfeld responded that there would not be opportunity for the gasline projects in the stimulus package. However, the administration will continue to work for funding for the projects through the legislature. The congressional delegation understands that the projects are a priority.

Senator Elton did not understand whether the gasline projects would be part of an economic stimulus package. Ms. Rehfeld answered that she anticipated funding for certain formula programs, including the federal highway funds. There will be specific requirements for projects to qualify, such as being bid ready. If the Dalton Highway project fits those criteria, a bill would come before the legislature for authorization to receive and spend the federal funds.

[9:35:37 AM](#)

Senator Elton referred to a previous statement that the state has devoted significant resources to understanding the stimulus package. He asked if resources were being used to work with the congressional delegation and the federal

administration to shape the package. He wondered if the state was evolving along with the situation in Washington, D.C., in relation to how much the state would be asking for.

Ms. Rehfeld stated that the departments had been asked to review and prioritize the various proposals on the table. This information has been communicated through the district office as quickly as possible. The package is moving quickly; the administration is trying to keep up with the various versions and new challenges.

RANDALL RUARO, DEPUTY CHIEF OF STAFF, OFFICE OF THE GOVERNOR, stated that the administration was trying to be proactive and have agencies provide input as soon as they can. The bills are long and complex.

[9:38:27 AM](#)

Senator Elton asked if expectations have grown beyond the \$139 million amount for the four projects delineated by the governor's office. Co-Chair Stedman added the Kodiak rocket launch to the base amount.

Mr. Ruaro offered that currently, in terms of highway projects, the Senate amount would be roughly \$140 million coming to Alaska; on the House side the amount is roughly \$240 [million] through the formulas currently in place. Those numbers could change quickly; the state is trying to track changes and provide input.

Co-Chair Stedman asked for further information. Mr. Ruaro clarified that expectations are driven by both versions of the bill and there is currently a split. The Senate amount is \$140 million and the House version amount is \$240 million; it is not clear which version will prevail.

Senator Elton wanted to broaden the conversation to include the total value of the economic stimulus package to Alaska. Mr. Ruaro pointed out that there was significant difference between different versions of the bill regarding the total value. A number of the programs are loan programs rather than grant or formula funds. There are roughly 120 different formula and loan programs in each bill; the administration has not run and compared the numbers for each side.

Senator Huggins stated that a written definition of earmarks would be helpful.

[9:41:51 AM](#)

Senator Huggins requested more information about a memo prepared by the OMB dated January 15, 2009 ("State of Alaska Federal Economic Stimulus Package, Questions and Answers," Copy on File). Ms. Rehfeld replied that the memo was

prepared specifically in response to a question from the Alaska Budget Report.

Senator Huggins quoted Question 5 of the memo:

Communities and organizations seeking funding for projects should submit their requests directly to Alaska's Congressional Delegation...

Senator Huggins stated that, by his definition, this would start the earmark process. He asked if that technique were encouraged. Ms. Rehfeld believed that communities and organizations would try to seek federal or state earmark dollars through a regular appropriation process, outside the economic stimulus package.

Senator Huggins pointed out that legislators were a subgroup of constituents and that the process [related to the stimulus package] does not yet involve the legislature. He highly encouraged the Senate Finance Committee to develop an interface with the administration in order to represent constituents. He maintained that he knew his constituents and what they need better than the administration did.

Senator Huggins referred to a November meeting in Anchorage by the Department of Transportation (DOT/PF) where different governmental entities were invited to talk about infrastructure projects related to the pipeline. A list was generated and put forward as a starting base because of the work done. He warned against focusing solely on pipeline infrastructure, saying that the stimulus package is not a pipeline preparatory package but meant to help the state as a whole.

Ms. Rehfeld stated that many communities were asking if they could submit projects to the administration to be passed on to the delegation. She thought it was appropriate that communities submit directly to the delegation and also provide the information to their legislators and to the administration.

[9:46:19 AM](#)

Co-Chair Stedman referred to work with DOT/PF. He reported that a presentation was planned, along with pipeline information. He did not want the focus to be so narrow as to cause infrastructure issues in the state.

Senator Thomas surmised there were many projects ready to go. The Anchorage economic summit found that although there would be job loss in Alaska as a result of the national recession, they thought government would mitigate the severity. He stressed the importance of equitable distribution of both the federal stimulus package and state

funds. He urged cooperation between the legislature and the administration to get the proposals put together.

Co-Chair Hoffman thought energy projects could stimulate the economy as well as provide long-term energy relief to Alaskans and that energy projects were more important than transportation projects in Alaska. He asked about job-ready projects and emphasized the challenges in Alaska because of a shorter construction season.

[9:51:26 AM](#)

Ms. Rehfeld assured the committee that the administration had flagged the short construction season and transportation challenges in the economic stimulus package. In terms of job-ready projects, she pointed out that there were specific timelines in the bill.

Mr. Ruaro added that language in Congress was developing, although the House and Senate used different terms. One side has been using the word "obligated," which he interpreted to mean allocated to a project within in certain timeframe. The other side has been using the word "awarded," which indicates requiring the project to have actually gone through the bid process and awarded. The administration is tracking the language. He stated that the administration had communicated concerns about he construction season to the delegation.

Senator Huggins referred to a geothermal project in Unalaska and encouraged communication with them; they are frustrated by inactivity related to the project. He asked if the administration had been communicating with communities like Unalaska. Ms. Rehfeld answered that she had met with Unalaska in the past to discuss their projects. More recently, the Alaska Energy Authority has been working with all Alaskan communities and should have more information.

[9:54:09 AM](#)

Co-Chair Stedman requested the list of projects related to energy and transportation that were shovel-ready. Ms. Rehfeld reported that legislation would be brought forward to authorize receipts from the package. Co-Chair Stedman emphasized that the committee needed to see what projects were ready to go, regardless of federal action.

[9:55:25 AM](#)

Co-Chair Stedman opened public testimony.

AL DWYER, MAYOR, CITY OF PETERSBURG (testified via teleconference), stated that Petersburg had projects ready for the economic stimulus fund.

Co-Chair Stedman reminded the committee that the cities of Wrangell and Petersburg went to their congressional delegation and obtained earmarks out of the last transportation bill.

Mr. Dwyer listed various proposed projects:

- Fire and Emergency Medical Services Facility: \$6.7 million needed; the city has \$2.9 million
- Petersburg Indian Association Vocational Education Business Center: \$4 million needed
- Medical Center Clinic Expansion: \$0.5 million needed
- Elementary School Traffic Safety Improvements: \$340,000 needed
- North Harbor Dredging: \$1.5 million needed

Mr. Dwyer added that the projects have been vetted by the community and are shovel-ready.

[10:01:15 AM](#)

AT EASE

[10:01:53 AM](#)

RECONVENED

RICK KOCH, CITY MANAGER, CITY OF KENAI (testified via teleconference), informed the committee that Kenai had been involved in the process with the congressional delegation since December. He reported that Kenai has an appropriate project. The Corps of Engineers has been working for a number of years on a bluff erosion project. There has been approximately \$2 million in federal appropriations to bring the bluff erosion stabilization project through the design and environmental documentation phases. In addition, there is a corresponding item in the governor's state budget for the current year which the city hoped would be the stimulus for getting the remainder of the project funded. He expressed concerns about the resolution regarding timing.

RICK GIFFORD, MANAGER, KODIAK ISLAND BOROUGH (testified via teleconference), stated concerns about decreased revenue due to poor fishing and fish prices that would affect the borough's ability to fund education. He listed shovel-ready projects, including road construction and repair as well as a Department of Fish and Game fisheries research facility. He emphasized the importance of fisheries research to the economic base of the Kodiak community. Another project is for a vocational-technology building for schools.

[10:07:55 AM](#)

LINDA FREED, MANAGER, CITY OF KODIAK (testified via teleconference), identified four projects important to the

city of Kodiak and the region that the local government and the community are committed to, and that are ready to go:

- Additional water treatment facility to meet federal standards: \$6 million needed; the city has committed \$3 million. The project is designed and ready to go to bid.
- Travel lift project, including a heavy-lift dock: \$2.5 million needed; the city has committed \$16 million, along with supplemental funding from state and federal governments. The project would provide diversification in the local economy and bring 15 to 20 full-time jobs in ship repair. The project has gone out to bid; a portion has been awarded.
- New police station for the city: \$3 million needed; the city has committed \$17 million, along with some state assistance for the jail portion of the project. The project has gone out to bid.
- Upgrading old sewer and water lines: \$1 million needed; \$3.5 million has been secured.

[10:11:51 AM](#)

Co-Chair Stedman suggested submitting lists of projects to the committee. He encouraged focusing on one or two projects with long-term benefits.

JIM HORNADAY, MAYOR, CITY OF HOMER (testified via teleconference), described struggles in Homer related to the economic situation. Utility bills have gone up 100 percent in one month, which has caused extreme hardship to citizens. He emphasized the importance of the projects for the local economy. The projects could be shovel-ready in six months, have been vetted by the community, and are focused on alternative energy and basic infrastructure such as water, sewer and roads. A partial list includes:

- Town center infrastructure development: \$2 million needed
- Deep water dock expansion: \$20 million needed
- Harbor float replacement: \$3 million needed
- Homer intersection improvement: \$10 million needed
- New city hall: \$8 million needed
- Waterline turbine electric projects: \$500 million needed
- Water and sewer projects: \$12 million needed

[10:15:30 AM](#)

JOHN HANDELAND, UTILITY MANAGER, CITY OF NOME (testified via teleconference), described difficulties due to a mine

closure and rising fuel costs. He stated that the city submitted six projects fitting the criteria of the resolution to the congressional delegation. The top priority project is for the completion of a new regional hospital in Nome. Construction has begun; the foundation is in place and materials have been ordered. The project, as an Indian health facility, fits within federal guidelines and would provide for improved energy and long-term employment as well. He reported that the mayor would submit the details in person.

[10:19:12 AM](#)

BOB WEINSTEIN, MAYOR, CITY OF KETCHIKAN (testified via teleconference), stated concerns about disparity between what the state is saying and doing and what members of Congress are saying and doing with respect to the federal economic stimulus package. He referred to a newspaper article about other states that are compiling comprehensive lists of priorities for projects.

Mr. Weinstein disagreed with the governor regarding earmarks. He opined that Alaska will have a considerable delay in getting projects underway. He stated that the Ketchikan projects submitted were construction-ready. He urged consideration of an amendment to the resolution that requests the administration to develop a state-wide comprehensive list of projects in various categories, such as transportation, bridge and road repair, water and sewer upgrades, and so on, so that if federal money is awarded in excess of the amount requested, the projects are already identified and ready to go.

[10:23:33 AM](#)

EUGENE SMITH, MAYOR, CITY OF KOTZEBUE (testified via teleconference), pointed out that members of his region were paying \$15 per gallon for fuel. He discussed the definition of shovel-ready. He encouraged consideration of several projects:

- Deep-water Port Project, which needs a road.
- Airport Relocation Project.
- Northwest Arctic Energy Power Communications Infrastructure Project. This project alone could convert the community from diesel.

Mr. Smith stressed the importance of resolving the region's energy problems.

[10:27:10 AM](#)

ELAINE PRICE, CITY PROJECT MANAGER, CITY OF COFFMAN COVE (testified via teleconference), cautioned against use of the word "earmark." Coffman Cove submitted three projects that are project-ready, including a commercial firewood project. She said that she would forward her projects for distribution.

[10:29:47 AM](#)

LYNN WOODS, DEPUTY MAYOR, MATANUSKA-SUSITNA BOROUGH (testified via teleconference), stated that the borough had compiled a list of projects for the delegation, including an agricultural processing center. She encouraged a united effort to get worthwhile projects funded.

MATHEW CLAMEN, MAYOR, ANCHORAGE (testified via teleconference), testified in support of the stimulus package. He highlighted some of the projects from a list of shovel-ready projects:

- Community development block grants: Anchorage neighborhood health center, in the process of moving to a new facility to improve the number of Alaskans that can be served; \$12 million
- Energy block grants: Landfill methane recovery; \$7 million
- Port of Anchorage expansion for transit and equipment infrastructure; \$75 million
- Old Glenn Highway reconstruction, Phase II; \$25 million
- Waste and waste-water infrastructure; \$19.5 million
- School modernization: Fire alarm upgrades; \$725,000
- Public Safety jobs and technology: Community action policing, to help protect the public; \$636 million

Mr. Clamen suggested exploring match opportunities and other ways to supplement federal dollars with state money to make the money go further.

BRUCE BOTELHO, MAYOR, CITY AND BOROUGH OF JUNEAU (testified via teleconference), agreed with Mayor Weinstein that it is important to develop a statewide priority list in each of the stimulus package categories. He gave a sample of Juneau projects:

- Hagevig Regional Fire Training Center
- Basin Road trestle repair
- Airport terminal improvements
- Medical surgical unit for Bartlett Regional Hospital
- Downtown transit center

Mr. Botelho said a major portion of the funding for the projects had been found, but there has not been enough funding to complete them. A list will be submitted to the committee.

[10:36:46 AM](#)

PAUL DAY, CITY ADMINISTRATOR, CITY OF SAND POINT (testified via teleconference), described Sand Point as the largest community in the Aleutians East Borough. The city supports the resolution. He especially supported the phrase "all regions of the state." Funds that flow to Alaska through the stimulus package should be available to all communities and not be viewed as a pool of money that the state can parcel out for favored programs or projects. The recession affects the entire state, including small rural communities. Sand Point has submitted a project that is fully designed and partially funded. He asked for a fair review of the project.

[10:38:29 AM](#)

BILL ALLEN, CITY MANAGER, CITY OF PALMER (testified via teleconference), spoke in support of the resolution. The city has serious infrastructure deficiencies, including water and road needs. They have been working with the Department of Environmental Conservation and DOT/PF and the congressional delegation on infrastructure and transportation needs. He reported that a list of shovel-ready projects will be submitted in a package.

[10:41:12 AM](#)

GARY HENNIGH, CITY ADMINISTRATOR, CITY OF KING COVE (testified via teleconference), (testimony garbled due to technical difficulties) echoed the administrator of Sand Point. He referred to a local street project which the city has tried to find funding for. The project could be completed with stimulus money.

[10:42:58 AM](#)

AT EASE

[10:43:47 AM](#)

RECONVENED

KEVIN LYON, PUBLIC WORKS DIRECTOR, KENAI PENINSULA BOROUGH (testified via teleconference), stated that formulas should be based on need and not population only. He thought the federal government should be told that Alaska is a new state without extensive infrastructure in place. He stressed minimizing federal requirements, as construction time windows are limited. The borough has submitted three categories of projects, including:

- Three fire stations

- Continued funding of the federally funded Spruce Bark Beetle Mitigation Program
- School energy conservation project for three schools
- Water quality project

[10:45:35 AM](#)

THELMA NICHOLIE, CITY OF HUGHES (testified via teleconference), reported that the city has submitted a package for housing. She thought the stimulus package was a great opportunity for Alaska to complete projects.

[10:46:54 AM](#)

SUE JEFFREY, ASSEMBLY MEMBER, KODIAK ISLAND BOROUGH (testified via teleconference), discussed construction of the new Fish and Game building in Kodiak. The fishery contributes significantly to the state budget. Fisheries science is important and the old building is outdated. The state has funded \$4.5 million towards the new building. The city has provided the land; the borough has also contributed.

[10:48:44 AM](#)

RICH UNDERKOFER, CITY MANAGER, CITY OF PETERSBURG (testified via teleconference), agreed with the testimony of the Mayor of Petersburg.

[10:49:10 AM](#)

LUKE HOPKINS, ASSEMBLY MEMBER, FAIRBANKS NORTH STAR BOROUGH AND VICE CHAIR, METROPOLITAN PLANNING ORGANIZATION, testified regarding Fairbanks area projects. He reported that the borough has four shovel-ready projects amounting to approximately \$7 million, including a bridge over the river in the downtown area. The borough mayor is moving a project forward for energy. He supported the resolution's resolve to include all regions of the state. He pointed out that almost all roads connected to a future gasline would lead to Fairbanks.

[10:52:49 AM](#)

CHRIS HLADICK, CITY MANAGER, CITY OF UNALASKA, testified in support of the resolution. He pointed out that Unalaska is the number one commercial fishing port in the nation. Their projects support commercial fishing infrastructure needs, including:

- Diesel-generated power house: \$5 million needed to augment what the city will spend on the project

- Carl E. Moses Boat Harbor: \$14 million needed to complete the project
- Inner Harbor Improvements: \$5 million needed

[10:54:53 AM](#)

KATHIE WASSERMAN, EXECUTIVE DIRECTOR, ALASKA MUNICIPAL LEAGUE, offered the help of the league to assist in the process.

[10:55:45 AM](#)

JUSTIN THORENSTON, PUBLIC WORKS SUPERVISOR, CITY OF THORNE BAY (testified via teleconference), described two shovel-ready projects:

- Davidson Landing Harbor Construction: \$250,000 needed
- South Thorne Bay Road Safety Improvements: \$190,000 needed

[10:56:48 AM](#)

AT EASE

[10:57:17 AM](#)

RECONVENED

JERRY MCCUTCHEON, ANCHORAGE (testified via teleconference), stressed the importance of jobs in the Mat-Su region.

Co-Chair Stedman closed public testimony.

[10:59 AM](#)

RECESSED (Mistakenly adjourned)

[11:01:10 AM](#)

RECONVENED

[11:02:15 AM](#)

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RECESSED

The meeting was recessed at 11:02 AM to the CALL OF THE CHAIR.

10:13 AM January 28, 2009

RECONVENED

SR 3 was HEARD and HELD in Committee for further consideration.

#

ADJOURNMENT

The meeting was adjourned at 10:14 AM.