

SENATE FINANCE COMMITTEE  
March 23, 2009  
9:02 a.m.

9:02:37 AM

CALL TO ORDER

Co-Chair Stedman called the Senate Finance Committee meeting to order at 9:02 a.m.

MEMBERS PRESENT

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

MEMBERS ABSENT

None

ALSO PRESENT

Darwin Peterson, Staff, Senator Bert Stedman; McHugh Pierre, Liaison, Department of Military and Veterans Affairs; Senator Joe Paskvan; Jeff Stepp, Staff, Senator Joe Paskvan; Karen Rehfeld, Director, Office of Management and Budget, Office of the Governor; Mike Maher, Director, Division of Administrative Services, Department of Environmental Conservation; Guy Bell, Assistant Commissioner and Director, Division of Administrative Services, Department of Labor and Workforce Development; Leta Simons, Director, Division of Support Services, Department of Natural Resources.

PRESENT VIA TELECONFERENCE

Dale Nash, Chief Executive Officer, Alaska Aerospace Development Corporation; Dan Fauske, Executive Director, Alaska Housing Finance Corporation, Department of Revenue; James Gurke, Director, Public Housing Division, Alaska Housing Finance Corporation, Department of Revenue; Mark Romick, Director, Planning Department, Alaska Housing Finance Corporation, Department of Revenue; Michelle Rizk, Budget Director, University of Alaska; Denis Wiesenburg, Dean and Professor, School of Fisheries and Ocean Sciences, University of Alaska Fairbanks.

SUMMARY

SB 89 "An Act relating to retirement benefits for members of the Alaska Territorial Guard; and providing for an effective date."

CS SB 89 was REPORTED out of Committee with a "do pass" recommendation and with accompanying fiscal note 1 by the Department of Military and Veterans Affairs.

SB 125 "An Act changing the name of the Alaska Aerospace Development Corporation to Alaska Aerospace Corporation."

SB 125 was REPORTED out of Committee with a "do pass" recommendation and with accompanying fiscal note 1 by the Department of Commerce, Community and Economic Development.

SB 161 "An Act making supplemental appropriations and capital appropriations; amending appropriations; and providing for an effective date."

SB 161 was HEARD and HELD in Committee for further consideration.

#sb89

SENATE BILL NO. 89

"An Act relating to retirement benefits for members of the Alaska Territorial Guard; and providing for an effective date."

[9:03:54 AM](#)

Co-Chair Stedman explained that the bill was first heard on February 3 and was set aside to allow Congress and the U.S. Army to arrive at a solution. He noted a letter from the congressional delegation (March 18, 2009, Copy on File) informing the committee that the benefits for the Guard will cease and asking the legislature to provide temporary payments until Congress resolves the issue later in the year. Senate Bill 89 is necessary to ensure payment of the benefits.

Senator Huggins MOVED to ADOPT Work Draft LS0432\S, Bannister, 3/21/09.

Co-Chair Stedman OBJECTED for discussion.

DARWIN PETERSON, STAFF, SENATOR BERT STEDMAN, SPONSOR, informed the committee that members of the committee worked with the Department of Military and Veterans Affairs (DMVA) to draft a new CS in light of the fact that Congress is unable to make retirement payments until a defense

authorization bill is passed. The CS changes the payments to interim payments until the issue is resolved. The original bill had a set amount of \$550 per month appropriated to each guardsman; the CS takes into account the amount each person is getting paid by the military in relation to the amount they should be getting paid if territorial guard work was credited. He explained that the March 20 fiscal note by the DMVA reflects the cost of \$83,500 for the payments through February 2010, when the bill sunsets. If Congress does not resolve the issue before the next legislative session, the issue will need to be revisited in February 2010.

Co-Chair Stedman reiterated that the measure was intended to bridge the payments until Congress could act.

Co-Chair Stedman removed his objection to the adoption of the CS. There being NO OBJECTION, it was so ordered.

Co-Chair Stedman queried the administration's position on the legislation.

MCHUGH PIERRE, LIAISON, DEPARTMENT OF MILITARY AND VETERANS AFFAIRS, spoke in support of the legislation. He reminded the committee that 26 Alaska Territorial Guard members will be receiving a deduction in their federal pay. They were receiving federal retirement pay for federal services performed through the federal military. The Division of Personnel of the U.S. Department of Army decided that the law currently on the books did not fully meet the payment requirements for the guard members and is therefore suspending the payment for the time served in the Alaska Territorial Guard from approximately 1942 through 1946 or 1947.

Mr. Pierre emphasized that DMVA is proud of the committee for taking care of the elders, but expressed disappointment in the federal government for refusing to make the payments until the problem is corrected.

[9:09:05 AM](#)

Co-Chair Stedman asked whether the administration supports the bill. Mr. Pierre responded that the administration supports serving veterans.

Co-Chair Stedman pointed out that quick action was required to make sure veterans do not miss payments. He asked if the governor's signature was forthcoming. Mr. Pierre responded that DMVA can get the money to the veterans who are in need.

Senator Huggins directed attention to page 2, line 10 of the CS regarding the individual reimbursing the department [in case of overpayment]. He asked if the department had full confidence that individuals would make the reimbursement.

Mr. Pierre answered that the department would monitor the situation closely and make certain that the veterans were not put in a position to have to repay the department. The department will also make sure veterans do not miss payments.

Senator Huggins commented that people he had spoken to want to do the right thing.

[9:11:32 AM](#)

Senator Olson asked how veterans could be sure that the payments would be made in a timely matter. Mr. Pierre assured the committee that after the bill is signed the department would make payments as quickly as possible. He anticipated that payments will need to be sent out in April. Senator Olson expressed appreciation on behalf of guardsmen.

[9:12:21 AM](#) AT EASE  
[9:12:40 AM](#) RECONVENED

Senator Thomas commented that \$83,000 is a small amount of money compared to the service rendered by the veterans.

Senator Huggins MOVED to REPORT CS SB 89 out of committee with individual recommendations and the accompanying fiscal note. There being NO OBJECTION, it was so ordered.

CS SB 89 was REPORTED out of committee with a "do pass" recommendation and with accompanying fiscal note 1 by the Department of Military and Veterans Affairs.

#sb125  
SENATE BILL NO. 125

"An Act changing the name of the Alaska Aerospace Development Corporation to Alaska Aerospace Corporation."

[9:14:47 AM](#)

SENATOR JOE PASKVAN, SPONSOR, introduced his staff and asked him to speak for the legislation.

JEFF STEPP, STAFF, SENATOR JOE PASKVAN, SPONSOR, read from Sponsor Statement (Copy on File):

Senate Bill 125 simply seeks to change the name of the Alaska Aerospace Development Corporation to the Alaska Aerospace Corporation.

This name change will assist the corporation in securing launch and other aerospace related contracts that generate significant economic benefits to Alaska

by providing long-term, high paying, stable jobs; by providing local economic diversity; and by creating short-term benefits from projects and construction activities.

The name "Development" gives the perception that the organization is a non-profit administrative body that simply encourages aerospace development in Alaska, rather than an organization that owns and operates space launch facilities that are fully developed and capable of launching rockets.

The launch site in Kodiak is operational, functioning and self-supporting, in that no Alaska General Fund appropriations are needed for operations and maintenance of the site.

Mr. Stepp added that the fiscal note for \$4,500 would be paid for with federal receipts and used for new letterhead, stationary, logo, and website changes.

Mr. Stepp concluded that the name change would help the corporation meet its new 21<sup>st</sup> century goals. The new title is unambiguous about the corporation's capabilities and will improve its ability to offer launch services to the national and international aerospace market, which benefits both the nation and Alaska.

Co-Chair Stedman commented on the size of the fiscal note.

[9:17:59 AM](#)

Co-Chair Stedman opened public testimony.

DALE NASH, CHIEF EXECUTIVE OFFICER, ALASKA AEROSPACE DEVELOPMENT CORPORATION (testified via teleconference), reported a recent phone call inquiring about the corporation's status as a non-profit. He believed changing the name would help the corporation to be viewed more accurately.

Senator Thomas MOVED to REPORT SB 125 out of committee with individual recommendations and the accompanying fiscal note. There being NO OBJECTION, it was so ordered.

SB 125 was REPORTED out of committee with a "do pass" recommendation and with accompanying fiscal note 1 by the Department of Commerce, Community and Economic Development.

[9:19:51 AM](#)

AT EASE

[9:21:07 AM](#)

RECONVENED

#sb161

SENATE BILL NO. 161

"An Act making supplemental appropriations and capital appropriations; amending appropriations; and providing for an effective date."

[9:21:18 AM](#)

Co-Chair Stedman stated the committee's intent to have numerous hearings on the bill. He requested that the administration put as much information before the committee as the administration is comfortable with. He stated intent to work with the administration regarding which items the administration wants included and which it does not want included.

KAREN REHFELD, DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET, OFFICE OF THE GOVERNOR, informed the committee that JoEllen Hanrahan, a senior policy analyst for the Office of Management and Budget (OMB) had worked extensively on SB 161. She highlighted a one-page summary with items included and not included in SB 161 ("Federal Economic Stimulus Funding March 20, 2009," Copy on File) as well as a spreadsheet describing the items not in the bill. She added that all documentation is posted on the OMB website. She explained that department representatives would present the projects that are included in SB 161.

Ms. Rehfeld summarized legislative history related to the American Recovery and Reinvestment Act (ARRA), otherwise known as the economic stimulus bill. The administration presented the transportation appropriation bill in February for federal highway, transit, and aviation projects. A second appropriation was presented [March 19] for non-transportation capital projects. Two amendments regarding Medicaid reimbursement have been submitted through the operating budget process, bringing the total related to Medicaid to approximately \$128 million for the FY09 and FY10 operating budgets.

[9:25:28 AM](#)

Ms. Rehfeld emphasized that the governor had not rejected any of the funds currently in the economic stimulus package. She stressed that the governor had been clear about her desire for on-going discussion about items not currently in SB 161. The governor wants to fully understand the requirements of the specific programs as well as state funding expectations for when the stimulus funds are no longer available.

Ms. Rehfeld referred to rigorous oversight requirements in ARRA.

Co-Chair Stedman asked if the administration expected the legislature to oversee public discussion related to ARRA. He wondered if a people around the state would be given an opportunity to give input locally.

Ms. Rehfeld stated that the administration hoped that the public, active, and on-going committee process would provide opportunity to discuss the various operating and capital requests and items in the economic stimulus package.

[9:27:15 AM](#)

Co-Chair Stedman further clarified that the administration expected that the public process would be with the legislature. Ms. Rehfeld agreed and stated that the governor thought it appropriate to have the debate in the context of the budget bills before the legislature.

Ms. Rehfeld introduced a PowerPoint presentation, "American Recovery and Reinvestment Act (ARRA), Enacted February 17, 2009," (Copy on File). She began with a description of ARRA (Slide 2):

- \$787 billion economic stimulus package to accelerate the nation's economic recovery
  - Federal tax relief
    - \$288 billion in tax relief between now and close of FFY 2011
  - Federal spending increases
    - \$499 billion in additional federal spending.

Ms. Rehfeld reported that the governor had asked the departments to carefully study the law's requirements and determine what it would take for the state to receive funds.

Ms. Rehfeld pointed out that Slide 3 provides a visual snapshot of the various program areas within ARRA:

- |                                 |                 |
|---------------------------------|-----------------|
| • Tax relief                    | \$288 billion   |
| • State and Local Fiscal Relief | \$\$144 billion |
| • Infrastructure and Science    | \$111 billion   |
| • Protecting the Vulnerable     | \$81 billion    |
| • Health Care                   | \$59 billion    |
| • Education and Training        | \$53 billion    |
| • Energy                        | \$43 billion    |
| • Unallocated                   | \$8 billion     |

[9:28:58 AM](#)

Ms. Rehfeld listed the objectives of ARRA (Slide 4):

- Recovery
  - Job preservation and creation
  - Stabilize state and local economies
- Reinvest
  - Build and repair infrastructure
  - Energy efficiency and science

Ms. Rehfeld turned to federal spending timelines (Slide 5):

- 20 percent of the ARRA federal spending will occur before October 2009.
- An additional 38 percent is projected to be spent before October 2010.
- By October 2011, about 80 percent of the stimulus package-related spending will have occurred.

Ms. Rehfeld described the five primary methods of federal funds distribution (Slide 6):

- **Formula:** Medicaid [Federal Medical Assistance Percentage] (FMAP), Education, Highway Infrastructure
  - Limits need for new processes to receive and expend funds
- **Demand:** Premium Subsidies for COBRA Continuation Coverage, Unemployment Insurance, Food Stamps
- **Competition:** Broadband, COPS, National Science Foundation
  - States, Communities, Non-profits, Others
- **One-Time Automatic Disbursement:** Social Security payments, Veterans & Supplemental Security Income beneficiaries
- **Federal Agency Operating and Spending Plans:** Environmental cleanup of nuclear waste sites, National Parks construction, Defense and Veterans infrastructure programs

Ms. Rehfeld emphasized that the bulk of stimulus money to Alaska would be through legislative authorization and appropriations. She explained that the demand method refers to programs that are caseload or workload driven. The third item consists of items that are open for competition. Legislative authorization would be required to receive and spend the funds. The last two items relate to the federal government for allocating funds to the states.

[9:31:13 AM](#)

Ms. Rehfeld pointed to Slide 7, "Unprecedented Accountability & Transparency":

- Distribution of funds through formula programs

- o Existing framework for tracking and reporting
- Inspector General Funding
  - o Appropriations for IG [Inspector General] services in every department
- Recovery Act Accountability & Transparency Board
- Expedited application for and obligation of funds
  - o State agencies continue to meet application deadlines
- Certifications & Assurances by the State

Ms. Rehfeld recalled that the administration had assured the public that the state would meet the timelines, so that when the decision has been made regarding which funds to receive and expend, opportunities will not be missed because of failure to meet application deadlines.

[9:32:42 AM](#)

Ms. Rehfeld discussed Slide 8, "Governor Certification by April 3, 2009":

SEC 1607 (a) Not later than 45 days after the date of enactment of this Act, for funds provided to any State or agency thereof, the Governor of the State shall certify that:

(1) the State will request and use funds provided by this Act; and

(2) the funds will be used to create jobs and promote economic growth.

Ms. Rehfeld reiterated the governor's desire to engage the public in a discussion regarding the stimulus money. She stated that the governor wants to ensure that funds accepted by Alaska will not cause unrealistic future general fund expectations.

Ms. Rehfeld turned to "Other Governor Certifications & Assurances" (Slide 9). She highlighted actions that were done proactively to secure the funds:

- Unemployment Insurance \$25 weekly increase (*signed February 18, 2009*)
- Transportation maintenance of effort (*signed March 12, 2009 Sec 1201*)
- Transportation appropriate use of taxpayer dollars (*signed March 12, 2009 Sec 1511*)
- Energy - three assurances required; to meet two of these would require changes to Alaska's regulatory energy policy and a statewide energy building code

[9:34:54 AM](#)

Ms. Rehfeld addressed a pie chart on Slide 10 related to the estimated allocation of stimulus dollars to state government in Alaska. The chart does not represent dollars that may go to municipalities or other organizations. The estimates change as federal agencies refine allocations. Of the amount allocated to come through state appropriations, the administration has requested \$514 million for capital projects (55 percent) and \$128.5 for Medicaid (14 percent). There is approximately \$288 million (31 percent) still pending for operating and capital expenditures.

[9:36:18 AM](#)

Co-Chair Stedman queried the administration's goals regarding the public process related to the funds. Ms. Rehfeld responded that there was information on the OMB website, including individual project requests and descriptions for items included and excluded from the legislation. She stated that the public and the legislature have the information and could testify or act accordingly.

Ms. Rehfeld touched on legislation already submitted by the administration (Slide 11):

- Total ARRA Request to Date : \$642.9\* million
- \$262.9 Transportation HB154/SB123\*
- \$251.5 Non-DOT Economic Stimulus SB161
- \$128.5 Medicaid FY09 & FY10 Amendments

\*Transportation Bill includes request for excess authority for contingent funding that is not included here.

Ms. Rehfeld explained that amounts in the bill and on the spreadsheet are different because of possible contingency funds that could be available from other states.

Co-Chair Stedman informed the public that federal officials have assured legislators that there is little chance of other states not using funds. He warned against counting on the extra funds. He did not want the public to receive mixed messages. He stated that Alaska could expect approximately \$263 million and not \$461 million.

Ms. Rehfeld agreed that clarity is important. She pointed out that information from federal agencies is constantly updated.

Ms. Rehfeld turned to Slide 12, "ARRA Budget Request: \$642.9 million," with a pie graph representing the pieces included in SB 161.

- Transportation: 41 percent
- Environmental Conservation water and sewer projects: 11 percent
- University of Alaska research vessel: 18 percent
- Revenue public housing items: 6 percent
- Education: 3 percent
- Medicaid: 20 percent

[9:41:03 AM](#)

Ms. Rehfeld listed issues to discuss before making budget decisions (Slide 13):

- **Policy Issues \$73.2 million**
  - Statewide policy and code changes that effect individuals and/or businesses
  - Statute changes that impact the way a state agency does business and may effect the public
  - Permanent increased liability for the State and employers
- **Operating and Capital Issues \$214.4**
  - One Time Funds
  - Managing Expectations
  - Opportunities to benefit the state that will not increase long term costs to the state

[9:42:24 AM](#)

Ms. Rehfeld turned to the subject of energy and the assurances required under Section 410 of ARRA:

Sec 410

(a)(1) that the state regulatory authority will seek to implement a policy to ensure utility financial incentives are aligned with helping customers use energy more efficiently.

(a) (2) requires that the state, or the applicable units of governmental that have authority to implement building codes will implement:

- building energy code for residential buildings that meets the International Energy Conservation Code
- building energy code for commercial buildings that meets standards ANSI/ASHRAE/IESNA standards
- a plan for achieving compliance with the above energy codes within 8 years of enactment in at least 90 percent of new and renovated buildings, the plan shall include training and enforcement

programs and measurement of the rate of compliance each year.

(a)(3) that the grants will be prioritized, "to the extent practicable," toward energy efficiency and renewable energy programs.

Ms. Rehfeld highlighted code requirements for residential and commercial buildings. She stressed the requirement for 90 percent compliance within an eight-year period. She thought there were questions about how best to achieve compliance to the code requirements. She referred to conflicting information from the U.S. Department of Energy (USDOE) regarding which types of energy the assurances are attached to. The administration has asked USDOE for written guidance.

Ms. Rehfeld described references in the law that are subject to interpretation. In one place, ARRA clearly stipulates that funds allocated through the state energy program (\$28.6 million) are linked to assurances. In another place, ARRA references all three programs as being subject to the assurances.

Ms. Rehfeld referred to application timelines and emphasized that the state did not want to miss deadlines. She noted that the administration has been told through email correspondence that the March 23 deadline for an initial application will not need to be met. The May 12 deadline is in the USDOE written guidance. The administration is working with USDOE to sort through the deadlines.

[9:44:59 AM](#)

Co-Chair Stedman queried the status of codes affecting programs like the weatherization program. Ms. Rehfeld answered that there have been different interpretations from USDOE; the administration has requested written clarification to aid the budget decision-making process. She stated that if the assurance applies to the state energy program, there would need to be discussion about what would be required statutorily to implement an energy code.

Co-Chair Stedman asked if the finance committees had been copied the letters sent to USDOE. Ms. Rehfeld replied that OMB had been working with finance committee staff and sharing email correspondence.

Co-Chair Stedman informed the public that the correspondence referred to was with the legislative budget and audit consultant. Ms. Rehfeld added that the discussion included correspondence to the finance committee staff as well.

Co-Chair Stedman asked for more information regarding timelines.

[9:47:18 AM](#)

Ms. Rehfeld reiterated that the administration is trying to get written guidance from USDOE.

Ms. Rehfeld listed considerations related to a statewide energy building code (Slide 16):

- Public debate on energy building code
  - Cost versus potential savings to homeowners
  - Cost to enforce at state and local levels
  - Local control concerns
  - Cost to the state to continue funding renovation programs for buildings that are not built to energy efficiency standards

Ms. Rehfeld turned to another area of discussion needed related to the unemployment insurance (UI) program. The base period used to calculate eligibility would need to be changed if the law is changed (Slide 17):

An estimated increase in the number of individuals that could be eligible for unemployment insurance would result in:

- \$2 million annual impact on UI Trust fund
- \$10 per worker cost to the employer
- .03% employer rate increase

Ms. Rehfeld emphasized that legislation would be required; approximately \$15.6 million in federal funds to the state would be impacted.

[9:49:41 AM](#)

Ms. Rehfeld directed attention to ARRA items that are still pending, depicted by a pie graph on Slide 18. She pointed out that the largest portion is approximately \$171 million under the Department of Education and Early Development. The largest subcategory under education, the fiscal stabilization fund at around \$93 million, would be allocated to school districts based on Title I eligible students. There is a formula for distributing the funds to school districts.

Ms. Rehfeld explained that at this point only 18 percent has been included in SB 161 for education or job training projects. Within the stabilization fund are assurances that the governor would need to make to receive the funds, such as career and technical standards and data assessment

systems to track the progress of students, teacher quality and distribution assurances, and effective intervention for low performing schools.

Ms. Rehfeld added that education funding is allocated for Title I: special education funding, technology funds, food assistance programs, services for homeless students, school lunch program, and funds from the National Endowment of the Arts that would go to the Arts Council.

[9:52:29 AM](#)

Co-Chair Stedman asked whether all the funds had to be taken or if part could be taken. Ms. Rehfeld stated that specific guidance from the U.S. Department of Education would be required regarding the stabilization funds. She did not know if the funds could be separated. She guessed there would be challenges accepting one part and not the other.

Ms. Rehfeld returned to the pie chart on Slide 18. Under the Department of Revenue, the largest piece is related to energy programs. A smaller piece is related to the Child Support Enforcement Division. She described the item as similar to Medicaid; the federal government is extending a regulation currently in place to allow the state to count federal incentive payments as part of the match. At the time the operating budget was put forward, the administration was not aware of the extension, so additional general funds were included to make up for the loss of federal funds. She anticipated there would be more discussion and possible amendment to the budget.

Co-Chair Stedman referred to communication between OMB and the legislature. He recognized the complexity of the situation and stated intent to work with OMB to look at the items one at a time. He assured the public that more detail would be presented some time in the future.

[9:55:38 AM](#)

Co-Chair Stedman queried the status of the state's building codes relative to ARRA requirements. He wondered which items would need to be addressed with legislation.

DAN FAUSKE, EXECUTIVE DIRECTOR, ALASKA HOUSING FINANCE CORPORATION, DEPARTMENT OF REVENUE (testified via teleconference), responded that residential structures with Alaska Housing Finance Corporation (AHFC) loan activity must adhere to certain standards. He thought Alaska led the nation in terms of energy statutes, especially with the Building Energy Efficiency Standards (BEES). The standards set forth by BEES are restricted to AHFC; outside lending institutions such as Fannie Mae and Freddie Mac are not

forced to adhere to the standards if they lend money in the state. One of the questions AHFC has had is how a statewide building energy code will affect outside lenders. He did not know if the lenders would have to adhere to the standards as well as statewide entities such as AHFC. There was a question whether the state energy program, weatherization program, and block energy grants (totaling approximately \$54 million) would fall under the domain of the state energy grant. He thought the state needed an answer to the question before accepting the funds.

[9:59:10 AM](#)

Ms. Rehfeld continued with the pie chart on Slide 18. She listed the types of funds under the Department of Labor and Workforce Development: the change in the alternate base rate, other employment services and training funds, and vocational rehabilitation and independent living services. For the Department of Health and Social Services, the largest piece is the childcare development block grant program (\$3.2 million); other pieces include electronic health records funds and funds for food stamp, immunization, and infant learning programs. There is also a small piece for senior meals that is not included in SB 161.

Ms. Rehfeld noted that under the Department of Public Safety, there are components of the justice assistance grants, grants to the Council on Domestic Violence and Sexual Assault, and Service Training Officer Program grants. Some of the components are competitive; if the department is successful competing for the grants, there would be an opportunity through Legislative Budget and Audit to come before the legislature. There are questions regarding using state general funds for on-going funding for any new positions created through the competitive grants.

[10:01:22 AM](#)

Ms. Rehfeld reported that under the Department of Commerce, Community and Economic Development, items pending discussion include programs for Serve Alaska, expansion of community development block grants, and community services block grants. She noted that the two block grants would be capital items.

Ms. Rehfeld explained that there was a question regarding an existing program for diesel emissions under the Department of Environmental Conservation. The department would need granting authority in order to be able to receive the funds and then grant them to non-state entities.

Co-Chair Stedman summarized the items the administration had presented as operating items not requested pending additional budget decisions and items not requested dealing

with AHFC. He asked how the administration envisioned the finance committee facilitating the public discussion needed to meet the deadline. Ms. Rehfeld responded that the committee could look at and get public testimony for both the items included and not included.

Co-Chair Stedman asked if OMB would then come forward with the items in line item form so that each one could be addressed. He gave the example of the senior lunch program; a policy call could be made to include or exclude any item.

[10:04:37 AM](#)

Ms. Rehfeld acknowledged that the suggested approach could get the information out. She reiterated the administration's concerns regarding on-going expectations for funding. She reminded the committee that that the individual line items were posted on the OMB website and suggested that the information already provided could be used for the discussion.

Co-Chair Stedman asked if the administration would come forward on each item in order to provide clarity for the public. Ms. Rehfeld agreed with the suggested course of action.

Co-Chair Stedman added that the finance committee had been concerned about the growth of the operating budget and were tuned to possible future impacts. He stated that the committee also recognizes that the operating account is up 25 percent over the past three years; the decisions about the stimulus funds will not be made in a vacuum.

Ms. Rehfeld agreed with the importance of talking about each of the items carefully.

[10:07:13 AM](#)

Ms. Rehfeld discussed concerns about accepting federal funds on Slide 19, "One Time Funds":

- ARRA Funds Used For:
  - o Salaries may delay, but not prevent, layoffs
  - o Expansion of services to Alaskans will abruptly end
  - o Public Safety capacity increases will create on-going position costs
  - o Permanent changes in programs may create expectations for continuing programs once the federal funds are no longer available

Ms. Rehfeld turned to the subject of accountability (Slide 20):

- Significant responsibility is incumbent upon the State, even for pass through funds
- Accountability attaches to the Governor
  - o Ladder certifications down to sub-grantees
  - o Tracking of expenditures
  - o Reporting requirements

Ms. Rehfeld emphasized the importance of following guidelines for accountability. She stated that the inspector general function has been strengthened in unprecedented ways.

Ms. Rehfeld pointed out that the accountability attaches to the governor. The governor has to certify that the process is done correctly. The ladder certifications could go down to the recipient level. For example, if the state chose to put forward all the education funds that are not currently before the committee, there could be additional requirements to school districts through the Department of Education and Early Development that the assurances be met. The funds cannot be used to supplant other funds.

[10:09:55 AM](#)

Senator Huggins encouraged the administration to view the accountability requirements on Slide 20 as minimum requirements that the state aims to exceed.

Co-Chair Stedman noted for the public that Legislative Finance has been working on a separate fund code for ARRA funds in order to track impacts on future budgets. He wanted to be able to clearly separate the stimulus funds out. He agreed that the federal requirements should be viewed as minimum requirements.

Ms. Rehfeld added that tracking numbers were being set up at the federal agency level as well. She stressed the significant reporting requirements.

[10:12:05 AM](#)

Ms. Rehfeld directed attention to Slide 21, "Responsible Questions Before Committing Alaska":

- Are we fully utilizing the federal funds that are currently available to us?
- Is the state ready and willing to accept these as onetime funds or will there be an expectation that the state will backfill the hole when federal funds are gone?

- Is the public fully informed and in concurrence with proposed increases to the state operating budget?

[10:12:43 AM](#)

Ms. Rehfeld discussed potential benefits to the state of using stimulus funds targeted for one-time activities and items. Slide 22 listed some examples:

- Intensive teacher training
- Expand student and teacher use of technology in schools
- Obtain state-of-the art assistive devices that reduce barriers to obtaining employment, learning, or living independently
- Equipment, technology and software upgrades to sustain or enhance services in education, public safety, and workforce training programs
- Rapid deployment of workforce development strategies on work skills and work preparedness for targeted populations
- Modifications to facilities for safety, efficiency, improved durability and longevity

Ms. Rehfeld reiterated the administration's desire to avoid creating future operating expense for the state.

[10:13:42 AM](#)

Ms. Rehfeld provided information regarding the OMB website and links on Slide 23, "ARRA Web Site Alaska.gov/Recovery":

- Alaska Federal Economic Stimulus Information
- Links to Federal Recovery.Gov Web Site
- Grant Information
- Alaska Legislation/Appropriation Bills and Back Up
- Department Fact Sheets

[10:15:23 AM](#)

AT EASE

[10:20:39 AM](#)

RECONVENED

Co-Chair Stedman stated his intent to sort through the spreadsheet of included items accompanying SB 161. He noted that excluded items would be covered with the departments at a later date.

[10:21:41 AM](#)

DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT

Ms. Rehfeld spoke to the Department of Education and Early Development's (DEED) item from the spreadsheet, "Economic Stimulus March 19, 2009" (Copy on File).

Item 2      State Fiscal Stabilization Fund  
\$20,699,000

Ms. Rehfeld explained that the item has not been allocated to a specific project; the item consists of flexible funds under the stabilization program. The administration suggests using the funds for education and training. Some of the items considered are one-time funds that would assist DEED in providing statewide service through technology and distance delivery improvements. There is also a significant deferred maintenance list.

Co-Chair Stedman asked when the draft allocation would be brought before the committee. Ms. Rehfeld replied that the administration could bring suggestions, but the intent was to keep the item open for discussion with the legislature.

DEPARTMENT OF ENVIRONMENTAL CONSERVATION

MIKE MAHER, DIRECTOR, DIVISION OF ADMINISTRATIVE SERVICES, DEPARTMENT OF ENVIRONMENTAL CONSERVATION (DEC), provided an overview of five items for DEC.

Item 4      Alaska Clean Water Stimulus

Projects include sewer collection, treatment, discharge and water quality related projects. These funds will be allocated and administered by the Municipal Grant and Loan program.

\$23,637,000

Mr. Maher reminded the committee that roughly \$23 million had been included for clean water projects when DEC testified on its capital budget. The stimulus item would add funds and allow the department to move forward on the priority list for the larger municipalities.

Co-Chair Stedman asked if there would be an attempt to modify the list. Mr. Maher responded that that was his understanding. Co-Chair Stedman clarified that the priority list was accessible on-line for the public.

Item 5      Alaska Drinking Water Stimulus

Projects include drinking water source, treatment, storage, and distribution. These funds will be managed by the Municipal Grant and Loan program and the Drinking Water program.

\$19,500,000

Mr. Maher added that the stimulus funding would allow more communities to be included sooner.

Item 6 Leaking Underground Storage Tank Stimulus

Projects include those that involve the cleanup of leaking underground storage tank sites. There are currently 501 open Leaking Underground Storage Tank (LUST) sites in Alaska, and the Contaminated Sites program plans to use the funds to cleanup 10-20 so-called "orphan" sites (sites where the responsible party cannot be located or is not viable).

\$1,000,000

Mr. Maher detailed that the sites would be chosen from a priority list based on need.

Item 7 Village Safe Water Stimulus

Projects include water and sewer infrastructure improvements. Funds are being allocated by the Indian Health Service using a statewide database of water and sewer project needs in Native communities. These funds will be managed by the Village Safe Water program.

\$24,260,000

Mr. Maher explained that the appropriation would go through the department's safe water program for villages. There is roughly \$700 million of need in the state; the item would add to the roughly \$90 million in the governor's budget. He added that a list could not be provided as the projects will come through tribal assistant grants. A list has been offered to the Indian Health Service. He understood that the projects would be chosen from that list.

[10:27:10 AM](#)

Co-Chair Stedman asked for the list to be sent to the finance committee as well. Mr. Maher agreed to send the list.

Item 8 Water Quality Planning Stimulus

Projects include natural conditions statistical analysis implementation tools, grants for stormwater projects, environmental assessments, and green infrastructure assessments.

\$240,000

Mr. Maher pointed out that the money would be distributed through grants or contracts. The program is on-going. In addition to the 40 percent pass-through requirement, ARRA requires that 20 percent be spent on green infrastructure, water, and energy efficiency improvements.

Co-Chair Stedman asked if the items represented extra money going to the projects on the lists. Mr. Maher responded in the affirmative and added that the department was not trying to supplant anything that is currently in the governor's budget. In addition, the village safe water program will create jobs for people in smaller communities.

Co-Chair Stedman asked if the projects could be under contract in the allotted time. Mr. Maher responded that they could.

[10:28:58 AM](#)

OFFICE OF MANAGEMENT and BUDGET

Item 9 ARRA Statewide Competitive, Discretionary and Incentive Grants

Executive Branch placeholder for future grant awards in order for departments to be able to comply with the Legislative Budget and Audit Committee review provisions of AS 37.07.080(h).

\$240,000

Ms. Rehfeld described the item as a \$1 million placeholder for the executive branch in the event that agencies are successful in competing for a capital grant not listed in the legislation.

DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT

GUY BELL, ASSISTANT COMMISSIONER AND DIRECTOR, DIVISION OF ADMINISTRATIVE SERVICES, DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT, introduced the department's item.

Item 10 Additional Funding for AVTEC [Alaska Vocational Technical Center] Culinary Building Replacement and Cafeteria Upgrade

Funding from the Economic Development Administration to support the increased costs of construction and equipment for AVTEC's Culinary Building Replacement and Cafeteria Upgrade project.

\$3,000,000

Mr. Bell informed the committee that the Alaska Vocational Technical Center building was in Seward and that the previous year the legislature had appropriated over \$8.6 million to the department for the project. The cost estimates came in higher; without the stimulus money the facility could not be completed. The building would be ready for occupancy in late 2010.

Mr. Bell noted that the department had applied for the funds from the Economic Development Administration; the application is still under review.

Co-Chair Stedman asked if the item could offset the FY10 capital budget. Mr. Bell replied that if the general fund portion were reduced, the level of upgrades would not be achieved. Co-Chair Stedman clarified that the answer to the question was no. Mr. Bell replied that the short answer was no.

[10:31:37 AM](#)

DEPARTMENT OF NATURAL RESOURCES

LETA SIMONS, DIRECTOR, DIVISION OF SUPPORT SERVICES, DEPARTMENT OF NATURAL RESOURCES, testified regarding the department's item.

Item 11 Forestry and Fire Economic Stimulus - Fire Fuels and Forest Management

This project will provide for hazardous fuels reduction and wood to energy projects that will minimize the rash of wildland fire to homes and community infrastructure while providing wood energy and employment.

\$2,500,000

Ms. Simons described the item as a tree-cutting project that will provide for hazardous fuel reduction. The department has submitted the projects to the Forest Service for consideration. The department has been informed that it will receive \$1.5 million. She did not believe the actual project list had been approved.

Co-Chair Stedman asked for more information.

Senator Thomas asked if the project would be similar to other projects in the Interior such as one removing black spruce near public structures. Ms. Simons responded that there are a variety of projects being submitted; the funding will be passed through to local governments. Local governments have already submitted applications for various projects. There are various cutting projects to eliminate hazardous fuels in areas where it is possible and turn some of the wood into woodstove fuel. She did not yet know where the projects would actually be.

Co-Chair Stedman asked when the list would be available for review. Ms. Simons did not know, but she expected it soon. She added that the projects have short turnaround as far as implementation. From the time the funding is rewarded, some of the projects are seven-day implementation and others are

thirty-day implementation. She hoped to have more information in the next ten days.

[10:34:19 AM](#)

Senator Huggins asked if the projects would be done using current personnel. Ms. Simons replied that the department could use its firefighting crews. Mostly the department expected to pass the funds to municipalities; in many cases the municipalities would hire the department for the work. The fire fighting crews would be utilized prior to the fire fighting season.

Senator Huggins asked if a new person would be hired for supervision of the projects. Ms. Simons was not aware of additional need for administration.

ALASKA HOUSING FINANCE CORPORATION

JAMES GURKE, DIRECTOR, PUBLIC HOUSING DIVISION, ALASKA HOUSING FINANCE CORPORATION, DEPARTMENT OF REVENUE (testified via teleconference), introduced the first two items for Alaska Housing Finance Corporation (AHFC).

Item 12 Capital Fund Program

This program provides funding for the capital and management activities of Public Housing Agencies and will be used to help renovate and modernize public housing units. Funds will be distributed competitively to Public Housing Authorities nationwide.

\$1,200,500

Mr. Gurke explained that there was a competitive allocation for the capital fund program of \$1 billion nationwide. The corporation anticipates the item sum based on the formula allocation. He said there is not much detail on the U.S. Department of Housing and Urban Development (HUD) webpage about the nature of the competition, but the information should be available soon.

Co-Chair Stedman asked when the department would have a more accurate number so that the committee could decide whether the item should be included or excluded from the bill. Mr. Gurke replied that the specifications should be available in a few weeks.

[10:37:13 AM](#)

Item 13 Capital Fund Program (CFP) - Formula

This program provides funding for the capital and management activities of Public Housing Agencies and will be used to help renovate and modernize public

housing units. Funds will be distributed to grantees that received funding in FFY08.

\$3,307,000

Mr. Gurke explained that nine unfunded projects have been identified throughout the state. Many of the projects are deferred maintenance projects. Three projects in Anchorage cover painting, boiler replacement, and substantial concrete work. There is a project in Fairbanks to rebuild a fourplex that was burned down. Another Fairbanks project is for repair. A project in Ketchikan addresses accessibility and roof repair at a senior housing complex. In Bethel there are two projects with substantial floor replacement of 117 units of public housing as well as the leveling of the buildings. Finally, there is a project in Nome replacing doors and improving weatherization for 32 units.

Co-Chair Stedman queried the ability of the items to offset capital appropriation items. Ms. Rehfeld replied that generally stimulus funds cannot be used to supplant other budget items.

MARK ROMICK, DIRECTOR, PLANNING DEPARTMENT, ALASKA HOUSING FINANCE CORPORATION, DEPARTMENT OF REVENUE (testified via teleconference), provided an overview of the next items.

Item 14 Emergency Shelter Grants (ESG)

This program provides foreclosure prevention and re-housing, case management and social services, renovation, major rehabilitation, or conversion of buildings for use as emergency shelters or transitional housing, shelter operating costs, and related activities.

\$1,144,000

Mr. Romick explained Item 14 as an existing federal program administered by HUD. The funds would be used to bolster the existing emergency shelter grant system in Alaska. The funds could be used for major rehabilitation or conversion of buildings for use as emergency shelters or transitional housing. The regulations governing the ESG program stimulus package came out on March 19; the department is going through them to ensure there will be no difficulties. He did not think there would be an issue in terms of timing. There will be a competitive process between now and the September deadline to commit funds. The department anticipates being able to easily allocate the entire amount.

Item 15 Home Investment Partnerships

This program expands the supply of affordable, low- and moderate-income housing and to strengthen the ability of the state to design and implement strategies to

achieve an adequate supply of safe, energy-efficient, and affordable housing.

\$5,490,700

Item 16 Low-Income Housing Grants in Lieu of Tax Credits

This program allows taxpayers to receive a grant from the Treasury Department in lieu of low-income housing tax credits. So, the state's housing agency would receive a grant up to a maximum of 85% of 40% of the State's low-income housing tax credit allocation in lieu of credits. The grant would apply to each state's 2009 low-income housing tax credit allocation.

\$28,500,000

Mr. Romick reported that Items 15 and 16 came about as a consequence of the collapse of the low-income housing tax credit market. The use of the tax credit is contingent on corporate individuals having income. Many of the large users of the tax credit program do not have much income or have many tax credits already due to losses, causing the value of the tax credit to drop 30 percent in an eight-month time period. The two programs are designed to address projects that were on the waiting list but would not move forward as a result of the collapsing equity markets.

Mr. Romick explained that there are several projects eligible for the funds under the item; the majority of them will collapse if the funds do not become available. The projects are in Hooper Bay, Fairbanks, Kodiak, Palmer, and Anchorage.

Mr. Romick provided more information on Item 16, pointing out that AHFC has the ability to exchange up to 85 percent of 40 percent of the state's low-income housing tax credit allocation, or as much as \$28 million, for the purpose of sustaining existing tax credit projects.

[10:43:07 AM](#)

Mr. Romick added that the funds would be used for the 2009 tax credit projects that were awarded in January 2009. The projects will be ready for construction summer of 2009, assuming the funds are available.

MICHELLE RIZK, BUDGET DIRECTOR, UNIVERSITY OF ALASKA (testified via teleconference) explained the next item:

Item 17 UAF Alaska Region Research Vessel Additional Receipt Authority

The American Reinvestment and Recovery Act directed \$3 billion to the National Science Foundation (NSF) to

enable U.S. investment in America's scientific enterprise. Of this funding, NSF will direct \$196 million to the University of Alaska Fairbanks (UAF) for the construction of the Alaska Region Research Vessel. In FY05, UAF was given receipt authority up to \$80 million for NSF funding to purchase a new research vessel. Since this time the NSF funding has increased by \$116 million to accommodate inflation and changes in scope of work over the past few years.

\$116,000,000

Co-Chair Stedman queried the expected on-going maintenance and operation costs of the vessel and how the university planned to cover them. Ms. Rizk replied that NSF has obligated \$10 million annually to cover the operating costs of the ship when the ship becomes operational. Non-NSF scientists will pay user fees to utilize the ship. The National Science Foundation will have the ship built; if UAF operates the ship, the economic benefit to Alaska is maximized through creating jobs, Alaska purchases, and competitive research advantages for the state.

Co-Chair Stedman asked when the ship would be built. Ms. Rizk responded that the ship was expected to be operating in 2013. The university is currently in the RFP process.

[10:46:14 AM](#)

Item 18    UA    Economic    Stimulus    Federal    Receipt  
                 Authority    Competitive,    Discretionary,    and  
                 Incentive Grants

University of Alaska placeholder for future grant awards. The University of Alaska plans to pursue economic stimulus grant funding opportunities from various federal agencies. The main areas of focus will be energy, research, technology, and health.

\$1,000,000

Ms. Rizk explained that Item 18 was a capital grant placeholder for the university. She noted that research projects are temporary in nature and carry no on-going funding needs.

Senator Huggins questioned the discharge regulations that would apply to the research vessel.

DENIS WIESENBERG, DEAN and PROFESSOR, SCHOOL OF FISHERIES AND OCEAN SCIENCES, UNIVERSITY OF ALASKA FAIRBANKS (testified via teleconference), answered that the vessel would be operated under Coast Guard regulations. The National Science Foundation operates all research vessels in an approved manner. The vessel has certain obligations and abilities to take care of the discharge in a way that is

environmentally sensitive. Such provisions have been a part of the design process of the vessel.

Co-Chair Stedman asked for information regarding how the university will have the ship qualify for discharge. Mr. Wiesenburg replied that the information would be provided for the committee.

Co-Chair Stedman wanted to know if additional costs were incurred because of changing requirements. Mr. Wiesenburg responded that the increased costs have been because of the increased complexity of the design of the ship. The design was lengthened to provide better seakeeping capability and scientific capability. The National Science Foundation also added contingency funds in their request to Congress that were included in ARRA.

Co-Chair Stedman asked for more detail regarding discharge costs. He requested backup for the committee. Mr. Wiesenburg answered that the information would be provided.

Item 21 UAF Alaska Region Research Vessel Additional Receipt Authority prior year fund source change

Add \$80 million in Federal Economic Stimulus Funds and remove \$80 million of Federal Receipts to the appropriation made in sec. 2, ch. 159, SLA 2004, page 54.

Ms. Rizk explained that the item changed the fund source.

[10:49:51 AM](#)

Co-Chair Stedman asked if the new ship would meet the discharge standards comparable to those of cruise ships. He wondered how National Oceanic and Atmospheric Administration (NOAA) and U.S. Coast Guard discharge criteria compared to cruise ship criteria.

Ms. Rehfeld added that the only other item on the spreadsheet was a statement in section four regarding the one-time nature of the appropriations.

SB 161 as HEARD and HELD in Committee for further consideration.

[10:51:30 AM](#)

#  
ADJOURNMENT

The meeting was adjourned at 10:50 AM.

