

HOUSE FINANCE COMMITTEE
May 10, 2011
3:07 p.m.

3:07:10 PM

CALL TO ORDER

Co-Chair Stoltze called the House Finance Committee meeting to order at 3:07 p.m.

MEMBERS PRESENT

Representative Bill Stoltze, Co-Chair
Representative Bill Thomas Jr., Co-Chair
Representative Anna Fairclough, Vice-Chair
Representative Mia Costello
Representative Mike Doogan
Representative Bryce Edgmon
Representative Les Gara
Representative David Guttenberg
Representative Reggie Joule
Representative Mark Neuman
Representative Tammie Wilson

MEMBERS ABSENT

None

ALSO PRESENT

Representative Dan Saddler; Representative Steve Thompson; James Armstrong, Staff, Representative Bill Stoltze; Karen Rehfeld, Director, Office of Management and Budget, Office of the Governor.

SUMMARY

HB 107 BUDGET: CAPITAL

HB 107 was HEARD and HELD in Committee for further consideration.

#hb107

HOUSE BILL NO. 107

"An Act making and amending appropriations, including capital appropriations and other appropriations; making appropriations to capitalize funds; and providing for an effective date."

3:07:33 PM

Co-Chair Stoltze observed that the capital budget was before the committee for review.

Vice-chair Fairclough MOVED to ADOPT the workdraft for CS HB 107(FIN) (27-GH1740\E, Kurtz, 5/9/11). Co-Chair Stoltze OBJECTED for discussion.

3:09:35 PM

AT EASE

3:10:30 PM

RECONVENED

JAMES ARMSTRONG, STAFF, REPRESENTATIVE BILL STOLTZE, reviewed the committee substitute (CS). The committee substitute totals \$3,049,170,00: \$1.6 billion general funds, \$236 million designated general funds, almost \$50 million other state funds, and \$1.146 million federal funds.

Mr. Armstrong reviewed the grants contained in Section 1. Grants for municipalities begin on page 5, line 4. Grants to named recipients start on page 45, line 4. He observed and that the House added \$100 million in revenue bond authority and \$37.5 million in general funds for the University of Alaska, which would allow the university to issue their own revenue bonds over the next five years for deferred maintenance projects (page 118, lines 5 - 17). The funding is broken down by region. House and Senate additions were primarily contained in Section 1 and a majority of the governor's capital budget was retained.

Mr. Armstrong moved to Section 4, page 126, statewide energy projects. The legislation appropriates \$120 million to the Alaska Energy Authority and lists projects that were formerly general fund appropriations to municipalities (Senate version) as allocations within the section. The intent language on page 127, lines 17 - 21 has been modified.

Co-Chair Stoltze noted that the 50 percent language in the Senate version was still under review by the House [intent language requiring that the state's capital investment not exceed 50% of the cost of a project].

Mr. Armstrong continued with his overview of the bill. He explained that \$71.5 million would be appropriated to the Alaska Energy Authority for all of the ARCTEC projects. The 50% intent language is not applicable to the ARCTEC projects.

Mr. Armstrong discussed page 138, line 11, which added an extra \$5 million to the AHFC weatherization and Home Energy Rebate Program. He returned to the \$21 million FY 12 appropriation for the Alaska Gasline Pipeline Development Corporation on page 137. He observed that this appropriation was not in the Senate version.

Mr. Armstrong reviewed Section 7, pages 141-142, cruise ship related projects. Two projects were added: Anchorage - Alaska Aviation Museum Energy and Safety improvements for \$495 thousand, and Alaska Wildlife Conservation Center for \$400 thousand. Co-Chair Stoltze pointed out that these House additions were modest compared to other expenditures and that they were connected to tourism projects.

[3:16:05 PM](#)

Mr. Armstrong continued to Section 10, pages 145 - 150, \$200 million for education projects: \$76 million for three new schools, \$76 million for major maintenance of 33 schools, and \$50 million for individual grants to municipalities.

Mr. Armstrong discussed the \$61 million in supplemental projects contained in the governor's supplemental legislation, which were not previously funded (pages 153-155). He observed that \$7.2 million of FY 11 supplemental funding was included for the Alaska Gasline Development Corporation, as requested by the Office of the Governor.

Mr. Armstrong directed attention to page 158, lines 1 - 6, which appropriates \$7.8 million from the Alaska Children Trust Fund as grants to aid in prevention of child abuse and neglect. This is a new section that mimics language in the previous year's budget.

Mr. Armstrong reviewed Section 17, page 158, line 7, Bond Defeasance. He noted that members were provided with an associated handout, "Debt Retirement" (copy on file).

Co-Chair Stoltze observed that the provision represents a caucus priority to pay off some of the retirement debt as a true savings and reduction in the operating budget. Mr. Armstrong explained that bonded debt and certificate of participation would be paid off: \$25 million in Anchorage lease revenue refunding bonds, and \$24 million for three projects (Alaska Psychiatric Institute occurred in 2002, the seafood and food safety laboratory in 2003, and the state virology laboratory in 2005) for a total of \$49 million.

[3:19:11 PM](#)

KAREN REHFELD, DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET, OFFICE OF THE GOVERNOR, noted that there had been discussions on the opportunity for bond defeasance that would result in an annual savings to the state through debt service needs. There would be an ongoing savings in the amount of \$12 million. Co-Chair Stoltze interjected that the mortgages would be paid off early. Mr. Armstrong noted that there would be a \$12 million decrement in next year's supplemental since the operating budget had already been reported out.

Mr. Armstrong reviewed Section 19, page 159. Section 19 (d) appropriates \$200 million in Alaska Housing Finance Corporation (AHFC) funds to an in-state gas pipeline fund, when and if it is created in Alaska Statute 18.56 by the Twenty-Seventh Legislature. Section 19 (e) would appropriate \$400 million in AHFC funds to the Alaska performance scholarship investment fund, when and if it is created in Alaska Statute 18.56 by the Twenty-Seventh Legislature.

Mr. Armstrong observed that Section 20 contains fund transfers. Subsection (b) appropriates \$222 million from the Renewable Energy Grant Fund for Section 4 energy projects. He explained that the fund transfers in Section 20 (c) and (d) pertain to Section 19. Subsection (c) appropriates \$200 million in FY 12 general funds to the AHFC Fund. Subsection (d) would appropriate \$400 million in FY 11 general funds to the Alaska Housing Finance Corporation Fund.

Mr. Armstrong explained that there were several items removed from the governor's proposed capital legislation that were deemed operating appropriation in nature. These items were returned as multi-year operating appropriations since they had not made it into the other version of the budget. Four items were added: \$45 thousand for testing of seed potatoes, page 161, line 11 - 15; \$400 thousand for a recreational shellfish beach monitoring pilot project on page 162, lines 8-11; \$14 million to the Department of Law for the BP Corrosion case and litigation before the Federal Energy Regulatory commission on Trans-Alaska Pipeline System tariff issues, page 162, line 24 - page 163, line 6; and \$100 million to the Department of Revenue, Permanent Fund Division for software training and staff, page 163, line 10.

[3:24:01 PM](#)

Mr. Armstrong discussed Section 31, page 163. He observed that a bond package was passed in 2008 and adopted by voters for \$330 million in transportation GO Bonds. The appropriation retires the \$180 million in bonds issued to date by the Department of Transportation and Public Facilities and the Department of Revenue for construction projects.

Co-Chair Stoltze noted that the debt reimbursement is a mix of certificate of participations and general obligation bonds, which is all public obligation debt. There is just under \$200 million in debt retirement.

Mr. Armstrong observed that legislative district reappropriations begin on page 165, line 2 and urged committee members to make certain their individual reappropriations were contained in the bill. Legislative agency reappropriations begin on page 175, line 13.

Co-Chair Stoltze REMOVED his objection. There being NO further OBJECTION, CS HB 107(FIN), (27-GH1740\E, Kurtz, 5/9/11) was adopted.

[3:27:53 PM](#)

Co-Chair Stoltze discussed the intent of the committee related to the capital budget. He asked the committee members to review the bill. He emphasized that Senate

projects were retained [in the House CS]. He stressed that the House additions, notwithstanding the operating budget items that were restored, were under \$200 million.

Co-Chair Stoltze reviewed the proposed amendment process.

Representative Gara wondered what the calculation would be related to left over fiscal year savings. Mr. Armstrong replied that there was a running total on the last page of the "Debt Retirement" handout.

Representative Gara clarified his question and asked whether there was a deposit to the statutory constitutional budget reserve. Mr. Armstrong responded that any funds not spent were addressed in the supplemental legislation, previously adopted. Unspent funds from FY 11 were automatically rolled-over to the Statutory Budget Reserve Fund.

Representative Gara asked whether there was an estimate on the rollover number. Mr. Armstrong agreed to provide the estimate to the committee.

[3:31:36 PM](#)

Mr. Armstrong noted that Rob Carpenter with Legislative Finance Division would post the comparisons between the House and Senate versions to the division's website.

Co-Chair Stoltze observed that it was the intent of the committee to advance the Senate version.

HB 107 was HEARD and HELD in Committee for further consideration.

#

ADJOURNMENT

[3:32:33 PM](#)

The meeting was adjourned at 3:32 PM.