

HOUSE FINANCE COMMITTEE
May 13, 2011
11:28 a.m.

[11:28:27 AM](#)

CALL TO ORDER

Co-Chair Stoltze called the House Finance Committee meeting to order at 11:28 a.m.

MEMBERS PRESENT

Representative Bill Stoltze, 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

Representative Bill Thomas Jr., Co-Chair

ALSO PRESENT

Representative Mike Chenault; James Armstrong, Staff,
Representative Stoltze; Representative Bob Miller.

SUMMARY

SB 46 BUDGET: CAPITAL

HSCSB 46(FIN) was REPORTED out of committee with
a "do pass" recommendation.

#sb46

CS FOR SENATE BILL NO. 46(FIN)

"An Act making and amending appropriations, including capital appropriations, savings deposits in the form of appropriations to the statutory budget reserve

fund, and other appropriations; making appropriations to capitalize funds; and providing for an effective date."

[11:28:33 AM](#)

Co-Chair Stoltze introduced the subject matter. He explained that the meeting would address amendments to the capital budget.

Co-Chair Stoltze MOVED to ADOPT Amendment 1 (27-LS800\A.130, Kurtz, 5/13/11):

*Sec.A DEPARTMENT OF NATURAL RESOURCES. The unexpended and unobligated balance, estimated to be \$456,317, of the appropriation made in sec.1, ch. 82, SLA 2006, page 77, lines 9-10 (Department of Natural Resources, Bristol Bay energy development investigations - \$750,000) is reappropriated to the Department of Natural Resources for Alaska Peninsula energy development.

*Sec. B. LAPSE. the appropriation made in sec. A of this Act is for a capital project and lapses under AS 37.25.020.

*Sec C. This Act takes effect May 17, 2011.

Representative Chenault OBJECTED for the purpose of discussion.

[11:30:26 AM](#)

JAMES ARMSTRONG, STAFF, REPRESENTATIVE STOLTZE explained that his office was contacted by the Department of Natural Resources (DNR) following the adoption of the new CS for SB 46 regarding one missed agency reappropriation. Co-Chair Stoltze added that the item is located in the errors and omissions category.

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

Amendment 1 was ADOPTED.

[11:30:55 AM](#)

Co-Chair Stoltze MOVED to ADOPT Amendment 2:

Agency: Revenue

Project: AHFC weatherization and Home Energy Rebate Programs.

Amount: \$70,000,000

Funding Source: (1004) General Funds

Explanation: this amendment would add \$70,000,000 to the existing general fund appropriation contained within the committee substitute, located on page 138, lines 5-11, thereby increasing the general fund total to \$125,000,000.

Total funding for the programs would reflect \$76,500,000 for AHFC Weatherization Program and \$50,000,000 for AHFC Home Energy Rebate Program.

Representative Gara OBJECTED.

Co-Chair Stoltze explained the amendment. He stated that \$50 million was funded in the capital income account. The funding source was altered. An additional \$20 million was included for the Home Energy Rebate Program.

Mr. Armstrong clarified that the Senate version of SB 46 allocated \$76,500,000 to the Alaska Housing Finance Corporation (AHFC) weatherization program. The House version replaced the funding with \$76.5 million for the weatherization program and \$50 million for the Home Energy Rebate Program.

Co-Chair Stoltze clarified that the governor's proposed capital budget included \$26.5 million, but the Senate added another \$50 million.

Representative Gara understood that the governor proposed \$26 million and the AHFC testified in Anchorage that \$100 million was needed to maintain the programs at their current levels. He asked if the purpose of the amendment was to include an additional \$20 million to speed up the pace.

Co-Chair Stoltze replied that Senator Hoffman requested the funding go to areas with the greatest needs. He assumed

that the money would continue to be spent at the same ratio.

Representative Edgmon spoke in support of the amendment. He believed that additional funding was required for the programs because prices have increased. He added that the programs create jobs and function as economic drivers.

[11:34:01 AM](#)

Representative Guttenberg affirmed the importance of the programs. He spoke of his own personal savings as a result of the rebate program.

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

Amendment 2 was ADOPTED.

[11:36:05 AM](#)

Representative Costello MOVED to ADOPT Amendment 3 (27-LS8001\A.128, Kurtz, 5/12/11):

*Sec. A. Section 13(g), CCS HB 108, Twenty-Seventh Alaska State Legislature, is repealed

*Sec B. Section A of this Act takes effect may 17, 2011.

Add to Section 13:

Agency: Commerce, Community, and Economic Development

Project: Destination Tourism Marketing Campaign

Amount: \$12,000,000

Funding Source: Unrestricted General Funds (1004)

Explanation: This amendment zeroes out the funding of the Qualified Trade Agreement in the operating budget and inserts a \$12 million supplemental capital appropriation to the Department of Commerce, Community and Economic Development for a destination tourism marketing campaign.

Co-Chair Stoltze OBJECTED.

Representative Costello explained the amendment. She stated that the amendment provides a \$12 million supplemental

capital budget appropriation for tourism marketing for the Department of Commerce, Community and Economic Development. The amendment removes the operating budget 50/50 match for the sake of simplicity. The effective date is May 17, 2011.

Co-Chair Stoltze stated that he did not prefer the mentioned funding plan. He wished to have the tourism marketing funded through the operating budget.

Representative Doogan asked if the \$12 million would be a net increase to the capital budget. Co-Chair Stoltze responded that this year's capital budget contains less money for tourism than that of last year.

Representative Doogan wondered if this amendment added \$12 million to the capital budget. Co-Chair Stoltze replied yes.

Representative Gara asked if there were additional funds in either budget for tourism. Co-Chair Stoltze replied yes, as the amendment repealed Section 13(g) of HB 108.

[11:39:40 AM](#)

Representative Gara noted that tourism increases and decreases with the economy. He explained that the projection for tourism was 5 percent, a record high. He was unsure if an exact correlation existed between the tourism marketing program and additional tourists visiting Alaska. He was unsure about the connection between an increased state share and additional tourists. He believed that tourism was economic and private sector driven. He expressed concern with the tourism industry's match or contribution.

Co-Chair Stoltze agreed that much of the evidence regarding the effectiveness of tourism marketing was anecdotal.

Representative Neuman supported the amendment. He stated that money in the capital budget should benefit as many people as possible. He believed that tourism marketing had many benefits. He added that he did not consider the funding a subsidy. He agreed that the funding belongs in the operating versus the capital budget. The capital budget allows for oversight of the spending.

[11:43:47 AM](#)

Representative Chenault discussed the history of the issue. He recalled a House bill introduced earlier in the session to reevaluate the methods of funding tourism marketing. He stated that the industry does contribute taxes greater than \$100 million in Alaska each year. With the downturn in the economy, he believed that additional state funding was warranted. He wished for a program in place to address the issue annually.

[11:45:39 AM](#)

Representative Wilson stated that she also hoped for a bill addressing tourism marketing. She saw the item as a method of giving back to the industry. She supported the temporary solution.

Representative Costello responded to Representative Gara that the tourism businesses bring in \$21.4 million through the corporate income tax in addition to nine other sources of income to the general fund.

Co-Chair Stoltze WITHDREW his OBJECTION. There being NO further OBJECTION, it was so ordered.

Amendment 3 was ADOPTED.

Representative Doogan MOVED to ADOPT Amendment 4:

*Sec. A. FUND TRANSFER. The sum of \$2,200,000,000 is appropriated from the statutory budget reserve fund (AS 37.05.540) to the Alaska permanent fund (art. IX, sec. 15, Constitution of the State of Alaska).

*Sec. B. The appropriation made in sec. A of this Act takes effect July 1, 2011.

Co-Chair Stoltze OBJECTED.

Representative Doogan explained that the amendment transfers money in the Statutory Budget Reserve (SBR) to the Alaska Permanent Fund. The amount listed in the amendment was based on conversations with Mr. Armstrong. He explained that \$7 billion of state funds will be spent this session when the two budgets are combined. He argued that money has not been placed in an inaccessible account for the purpose of saving. The amendment will leave \$10 billion in the Constitutional Budget Reserve (CBR) in the event of

problems with funding the budget. The amendment was an attempt to balance the largest budget produced in the state.

[11:49:18 AM](#)

Representative Joule spoke against the amendment. He explained that he did not see results of poor spending. He added that the transfer might insinuate an entitlement as it includes the Alaska Permanent Fund. He believed that diversification of the funds was beneficial. He stressed that a large transfer decision requires greater discussion than that provided with the amendment.

[11:51:35 AM](#)

Representative Edgmon applauded the efforts of Representative Doogan. He understood the spirit of the amendment and would support a similar concept with greater discussion. He echoed the comments of Representative Joule. He added that the liquidity of state government.

[11:52:27 AM](#)

Co-Chair Stoltze opposed the amendment. He also agreed with the spirit of the amendment, but stated that the idea required greater discussion.

Representative Guttenberg agreed that a greater discussion was required prior to making the proposed transfer. He applauded and supported the amendment and the changes made to the capital budget.

[11:55:06 AM](#)

Representative Neuman opposed the amendment. He stated that the price of oil is declining.

Co-Chair Stoltze clarified that the amendment does not place the funding in the Permanent Fund Dividend (PFD).

Representative Neuman opined that the money should remain in the SBR.

Representative Doogan expressed that he was serious about the amendment. The funds would be transferred to the Permanent Fund where it would generate an incremental

increase in the dividend. He clarified that the purpose of the amendment was not to increase the dividend. He stated that he did not support the management of the CBR. He believed that the money should be available with a simple majority. He would support a change in the constitution supporting the availability of the CBR funds. He wished to transfer excess state funds to the Permanent Fund, which he opined was the best option for savings.

Co-Chair Stoltze appreciated Representative Doogan's consistency regarding the issue.

A roll call vote was taken on the motion to adopt Amendment 4.

IN FAVOR: 3

OPPOSED: 8

The MOTION FAILED (3-8).

Representative Guttenberg MOVED to ADOPT Amendment 5:

Agency: Commerce, Community and Economic Development
Project: Fairbanks North Star Borough - Kiwanis Field Improvements (TPS 55972v1)
Amount: \$2,500,000
Funding Source: General Fund
Explanation: Convert Kiwanis Field from grass to artificial turf.

Representative Wilson OBJECTED.

Representative Guttenberg explained the amendment. He stated that artificial turf had many advantages for athletes. The advantages include reduced injuries, extended playing seasons, cost effectiveness, longer sport seasons. He stated that eight artificial turf fields exist around the state. He wished to see the artificial turf fields available for all Alaskan students.

Co-Chair Stoltze asked if there was a Capital Budget Submission and Information System (CAPSIS) request for the project. Representative Guttenberg replied yes.

Representative Wilson opposed the amendment. She understood the value of artificial turf, but argued that \$1.9 million was allocated to the Fairbanks Northstar Borough for Parks

and Recreation facilities. She thought that the borough could create a priority list for the proposed development.

Co-Chair Stoltze stated that he helped initiate discussion on the topic. He understood the value of the project, but would oppose the amendment.

[12:05:33 PM](#)

Representative Gara understood that Co-Chair Stoltze worked to promote the incorporation of artificial turf throughout the state. He emphasized the importance of statesmanship.

[12:07:40 PM](#)

Representative Guttenberg thanked the co-chair for his advocacy of turf fields in Alaska.

A roll call vote was taken on the motion for Amendment 5.

IN FAVOR: 3

OPPOSED: 8

The MOTION FAILED (3-8).

[12:09:04 PM](#)

Representative Guttenberg MOVED to ADOPT Amendment 6:

Agency: Commerce, Community and Economic Development
Project: North Star Imagination Library - Literacy Initiative Project (TPS 55785v1)
Amount: \$35,000
Funding Source: General Fund
Explanation: Through a unique partnership the literacy initiative project encourages parents and young child to read together.

Co-Chair Stoltze OBJECTED.

Representative Guttenberg stated that the project was included in CAPSIS. He amended the amount from \$50 thousand to \$35 thousand. He stated that the Imagination Library provides books for preschool children.

Representative Wilson understood that there was money in the operating budget for Best Beginnings.

Co-Chair Stoltze explained that the funding for Best Beginnings was reduced in the conference committee hearing for HB 108.

Representative Gara stated that the Best Beginning's funding was only partially dedicated to the Imagination Library.

Mr. Armstrong clarified the part of the bill amended.

Co-Chair Stoltze WITHDREW his OBJECTION. There being NO further OBJECTION, it was so ordered.

Amendment 6 was ADOPTED.

Mr. Armstrong added that the amendment amends Page 68, Lines 7-9.

[12:12:13 PM](#)

Representative Gara MOVED to ADOPT Amendment 7:

Page 20, line 14:

Delete "37,500,000" in both places

Insert "20,000,000" in both places

Adjust fund sources and totals accordingly.

Co-Chair Stoltze OBJECTED.

Representative Gara explained that he sought a fiscally sound method of expanding the port of Anchorage. The port was apparently \$800 million over budget. In 2003, the proposed expansion was \$227 million and the price steadily increased to the current amount. Now the projected cost is \$1.1 billion. Most ports and harbors involve local funding, which increases efficiency. The municipality of Anchorage has contributed nothing to the port. The amendment reduces a \$37.5 million appropriation down to \$20 million. Until four years ago, the state did not contribute to the port expansion project. He spoke about the various years' state appropriations. The largest was \$20 million. The governor proposed \$20 million in this year's capital budget. He agreed that the port required expansion, but proposed limiting the state contribution to \$20 million.

[12:16:43 PM](#)

Vice-chair Fairclough spoke in opposition to the amendment. She commented on the litigation between contractors, cities, and federal state agencies. She stated that the port expansion project provides a docking location where 80 percent of goods arrive in Alaska. She added that a forensic audit was requested by the city of Anchorage. A prior agreement by a prior administration allowed flexibility and oversight by the United States Maritime Administration (MARAD) who hired a subcontractor to manage the project. From some perspective the contractor failed to manage sheet pile installation appropriately. The project began because of the strategic location of the port next to a military facility. The northern expansion was established to meet the need of staging and moving military personnel and moving freight and operation goods in and out of the state. One agreement establishes a committee in Anchorage to bring necessary organizations together to establish a timeline with a cost associated. The reason to invest additional state money is because the current pilings in the existing port may be susceptible to failure in the event of an earthquake. The contract attempts to increase the stability of the port in addition to the expansion.

Co-Chair Stoltze added that page 20 of the house CS states that "it is the intent of the legislature that the municipality of Anchorage submits quarterly progress reports to the President of the Senate and the Speaker of the House of Representatives on the port of Anchorage expansion project detailing all cost overruns and any significant project scope changes." He understood the importance of the port.

[12:24:05 PM](#)

Vice-chair Fairclough contemplated the idea of asking Anchorage to contribute municipal funding to the projects. She supposed that the municipal funding would come as a result of resident taxation. She did not support the additional municipal taxation of residents. She believed that the community of Anchorage was contributing time to the project.

[12:24:50 PM](#)

Representative Doogan supported the amendment. He reasoned that the cost of work has increased considerably. He advocated for a reduction of the state's contribution with the intention of achieving better management and results of the project. He admitted that the method was crude, but he accepted the proposed tool as the only one available to convey the need for changes in the project's management.

Co-Chair Stoltze commented on increased prices for many capital projects.

Representative Gara stated that a variety of designs are acceptable for the port project. He added that oversight might manifest in a variety of ways too. He stressed the need for oversight. He suggested that legislative hearings regarding the size of the expansion might prove valuable. He did not want the city to raise taxes to pay for the project. He proposed bonding as one solution. He did not agree that the city would engage in oversight of the project without funding contributions. He supported the port's expansion.

A roll call vote was taken on the motion for Amendment 7.

IN FAVOR: 3
OPPOSED: 8

The MOTION FAILED (3-8).

[12:30:18 PM](#)

Representative Gara MOVED to ADOPT Amendment 8 (27-GS1740\Y.2, Kurtz, 5/13/11):

Page 159, lines 14-15:

Delete all material and insert:

"*Sec. 20. FUND TRANSFERS. (a) The sum of \$10,200,000 is appropriated from the general fund to the alternative energy conservation revolving loan fund (AS 45.88.010)."

Co-Chair Stoltze OBJECTED.

Representative Gara explained the amendment. He stated that the amendment adds money to a fund created in the SB 220 energy bill. Alaska established a goal of 50 percent renewable energy within the next decade. He explained that

the fund provides money to private home owners and housing authorities to upgrade the energy efficiency through the energy weatherization and rebate programs. Businesses do not receive the same funding to upgrade their energy efficiency. He explained that SB 220 contained a revolving loan fund. For the price of approximately \$10 million, a revolving loan fund providing 50 loans at a time is possible. Private businesses in rural Alaska do not receive Power Cost Equalization (PCE). Those are businesses that might apply for the revolving loan fund. An anomaly of PCE includes payment of PCE without provision of incentive to upgrade energy efficiency. The Senate added \$2.5 million to the revolving loan fund, which will result in approximately two loans per year. He requested support for the modest increase.

Co-Chair Stoltze stated that he was not excited about other revolving loan fund.

A roll call vote was taken on the motion for Amendment 8.

IN FAVOR: 2
OPPOSED: 9

The MOTION FAILED (2-9).

Co-Chair Stoltze MOVED to ADOPT Amendment 9:

Agency:
Department of Commerce, Community and Economic
Development

Project:
Juneau_ Cruise Ship Dock Improvements

Amount:
Sec. 7, Page 141, lines 23 and 24 REMOVE (\$2,500,000)

Funding Source:
1211 Gamble Tax (UGF)

Agency:
Department of Commerce, Community and Economic
Development

Project:

Sealaska Heritage Institute - Sealaska Heritage
Institute Center

Amount:

Sec. 1, Page 69, lines 28 and 29 ADD \$2,500,000

Funding Source:

1211 Gamble Tax (UGF)

Explanation:

Sealaska Heritage Institute proposes the construction of an innovative institutional facility contributing to the survival of diversity and richness of civilization and cultures of the Tlingit, Haida, and Tsimshian. The project will be a first-rate institution for the study and education of Native cultures, preservation of historical papers and ethnographic collections, and cultivation of Native arts.

The Sealaska Heritage Institute requested \$10 million in state funding and is funded currently at \$2.5 million. This amendment will remove \$2.5 million in Gamble Tax (UGF) from the Juneau- Cruise Ship Dock Improvements project (leaving \$7.5 million and will increase the amount to the Sealaska Heritage Institute Center by \$2.5 million in Gamble Tax (UGF). It is recommended that this project now be listed in Section 7 for bill reporting purposes.

Vice-chair Fairclough OBJECTED.

Mr. Armstrong explained the net zero amendment. He explained that the Juneau delegation proposed to transfer \$2.5 million from the \$10 million cruise ship dock improvement to an existing appropriation with the Sealaska Heritage Center.

Representative Guttenberg observed that the Morris Thompson center in Fairbanks was built with the support of the legislature. He credited the center for its cultural diversity. He believed that the amendment was worthwhile as it appeared to accomplish a similar task.

Co-Chair Stoltze added that SB 84 had provisions for tax credits for Alaska Native Heritage Centers.

Representative Chenault added that the gambling tax was set aside for new and emerging ports. He thought the project was good but he cautioned the committee. He stated that Juneau is not a new or emerging port. He expressed concern about the use of funds for the stated purpose.

Co-Chair Stoltze added that the amendment provides less money from the gambling tax funding source.

Vice-chair Fairclough WITHDREW her OBJECTION. There being NO further OBJECTION, it was so ordered.

Amendment 9 was ADOPTED.

[12:37:03 PM](#)
RECESSED

[12:51:53 PM](#)
RECONVENED

Co-Chair Stoltze MOVED to ADOPT Amendment 10:

Technical Amendment

Page 180

Modify Sections 56 and Sections 57 as necessary to make the following bill sections effective May 17, 2011:

36, 37(b), 39(a), 43, 44(a), 44(b), 44(g), 47, 48(b) and 49

This amendment will make the individual HOUSE DISTRICT specific legislative scope changes of prior year appropriations - effective on May 17, 2011 instead of on June 30, 2011.

This will allow grant recipients to continue the project changes necessary to expend these funds.

Vice-chair Fairclough OBJECTED.

Mr. Armstrong explained the technical amendment. He stated that the Senate had an effective date of May 17th for any

project scope changes, which would allow those projects a five week head start.

Vice-chair Fairclough WITHDREW her OBJECTION. There being NO further OBJECTION, it was so ordered.

Amendment 10 was ADOPTED.

Co-Chair Stoltze MOVED to ADOPT Amendment 11:

Page 159, line 26 and 27

Delete: the Alaska performance scholarship investment fund

Insert: a fund created for the purpose of providing education grants or performance scholarships, or both.

Vice-chair Fairclough OBJECTED.

Co-Chair Stoltze explained that the amendment provided clarifying language changes for the performance scholarship funds. He added that the funding source was intended for all advantage/needs based scholarships as well as the performance scholarships.

Representative Gara thanked the committee for the amendment. Co-Chair Stoltze agreed that the amendment provided clarity.

Vice-chair Fairclough WITHDREW her OBJECTION. There being NO further OBJECTION, Amendment 11 was ADOPTED.

Vice-chair Fairclough MOVED to authorize Legal services and Legislative Finance Division to make any necessary technical and conforming changes to the legislation.

Mr. Armstrong acknowledged Rob Carpenter, Amy Fosket, Katherine Kurtz, Brian Kane, David Teal, Miles Baker, Helen Phillips, Joe Michel and Karen Rehfeld.

Co-Chair Stoltze stated that Mr. Michel was a resourceful and valuable employee. He applauded the hard and valuable work of Mr. Armstrong.

Representative Chenault commented on changes in the finance committee meeting proceedings since he left.

Vice-chair Fairclough MOVED to report HCSSB 46(FIN) as amended out of committee with individual recommendations. There being NO OBJECTION, it was so ordered.

HSCSB 46(FIN) was REPORTED out of committee with a "do pass" recommendation.

[12:59:35 PM](#)

ADJOURNMENT

The meeting was adjourned at 4:12 PM.