

HOUSE FINANCE COMMITTEE
March 14, 2012
8:51 a.m.

8:51:40 AM

CALL TO ORDER

Co-Chair Thomas called the House Finance Committee meeting to order at 8:51 a.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 Lance Pruitt, Sponsor; Dirk Craft, Staff,
Representative Lance Pruitt.

SUMMARY

HB 250 EXTEND RENEWABLE ENERGY GRANT FUND

HB 250 was SCHEDULED but not HEARD.

HB 284 APPROP: OPERATING BUDGET/LOANS/FUNDS

CSHB 284(FIN) was REPORTED out of committee with a "do pass" recommendation.

HB 285 APPROP: MENTAL HEALTH BUDGET

CSHB 285(FIN) was REPORTED out of committee with a "do pass" recommendation.

HB 358 ANWR ADVERTISING CONTRACT

HB 358 was HEARD and HELD in committee for further consideration.

#hb284

#hb285

HOUSE BILL NO. 284

"An Act making appropriations for the operating and loan program expenses of state government and for certain programs, capitalizing funds, amending appropriations, and making reappropriations; and providing for an effective date."

HOUSE BILL NO. 285

"An Act making appropriations for the operating and capital expenses of the state's integrated comprehensive mental health program; and providing for an effective date."

[8:51:51 AM](#)

Co-Chair Thomas reported that the amended operating budget was \$31,044,700 in general funds below the governor's amended request; in all funds, \$77,683,700 was below the governor's amended request. He thanked the committee for helping to slow the growth of government. The agencies' general fund portion of the budget was 3.4 percent larger than the current year. In total the government was investing \$6.272 billion in general funds and \$9.49 billion in all funds.

Co-Chair Stoltze MOVED to ADOPT proposed committee substitute HB 284 (FIN), Work Draft CS 27-GH2599\T (Bailey 3/13/12) as a working document. There being NO OBJECTION is so ordered.

Co-Chair Stoltze MOVED to report CSHB 284(FIN) out of committee with individual recommendations.

Representative Gara OBJECTED. He thanked Vice-chair Fairclough and the Governor for discovering federal money to help fund much needed housing for victims of domestic violence. He felt it to be a very positive move.

Representative Gara WITHDREW his objection. There being NO further OBJECTION, CSHB 284 (FIN) was REPORTED out of committee with a "do pass" recommendation.

Co-Chair Stoltze MOVED to ADOPT proposed committee substitute HB 285 (FIN) CS27-GH2593\I (Bailey 3/13/12) as a working document. There being NO OBJECTION it was so ordered.

Co-Chair Stoltze MOVED to report CSHB 285(FIN) out of committee with individual recommendations.

Representative Gara OBJECTED. He noted a change to be looked at before the bill hits the floor.

Representative Gara WITHDREW his objection. There being NO further OBJECTION, CSHB 285 (FIN) was REPORTED out of committee with a "do pass" recommendation.

Representative Doogan expressed his thoughts concerning the budget. He signified that he would be voting against the budget on the floor as he thought it was too much money. He stressed that it was not a criticism of anyone who worked on the budget, but believed the legislators had a responsibility to not do what has always done whenever money was available. He cautioned that the present level of spending was not sustainable. He admitted voting for the budget the last two years for political reasons, but now regrets his action, and, if he had it to do over, would not vote for the budget. He remarked that he did not know what to do about the high costs and acknowledged that inflation, salary increases, and higher costs all contribute inflate the budget. The budget passes with good explanations and reasons, but the result is the budget has risen 7.8 percent per year and the operating budget has nearly doubled in the last ten years. He admitted being unable to see how the high increases can be resolved. Along with the increase in the budget, he pointed out that there needs to be a corresponding level of oil money to meet the growing needs. He was concerned about the time when more money was being spent than was being generated. He applauded the people working on the problem, especially Vice-chair Fairclough.

He regretted leaving the legislature with the work not complete. He predicted that the spending was unsustainable and hard times were in the future if spending was not reigned in. He thanked the committee for giving him the opportunity to explain why he was voting against the bill.

[9:02:34 AM](#)

Representative Joule agreed with many issues brought up by Representative Doogan, but indicated he would vote for the budget. He found it amazing that due to the time constraints of the session, the legislature must deal with the operating budget by the increments requested by the governor. He did not feel the best was being done for the people in the state in a limited 90 day session. He stated that more time was needed and cited the need to return to the 120 day session. He pointed out it was possible to deal with the budget in 90 days if more work was involved during the interim. The Missions and Measures process was in place to help review how well the agencies were using the money being spent. Policy and funding of how the process was conducted will benefit the budget process. He reiterated the need to work harder during the interim on budget items. He thanked the budget subcommittees and his staff for all their work and assistance.

[9:07:29 AM](#)

Representative Neuman indicated he had been more involved in the budget process over recent years and commended Missions and Measures program. He believed the budget money would help Alaska become more efficient in the future. He pointed out that the cost of government continued to climb while the pipeline was delivering less and less. There are things to like and dislike in the budget, but the budget process was a public process. He stressed the importance of spending money efficiently now to try and help the future when money may not be as readily available. He declared his support for the bill.

[9:10:19 AM](#)

Co-Chair Stoltze acknowledged the individuals who dealt with the hard parts of the budget: the Department of Health and Social Services, the university, and education. He pointed out that the amount of spending was going up and items were more expensive. He remarked on the

responsibility and difficulty in making tough unpopular decisions and acknowledged the internal pressures in the capitol from the public. New bills were also being presented that would increase formula growth. He furthered that the price of oil will not always be high and production was slowing down. He impressed that decisions are daunting especially with large departments, such as the ones Vice-chair Fairclough and Representative Joule had to deal with. Spending will continue to add up.

9:14:50 AM

Representative Gara acknowledged that Representative Doogan had been consistent on his views concerning the budget. The political idea in Washington D.C. has been for one party to tear apart anything that another party presents. Although the impasse is seen all the time in politics, he indicated his plan to vote for the budget as he believed it moved the state forward. He remarked that there were parts of the budget he liked and some parts he did not like. He told a story of funding for a health care issue and expressed that there were items in the budget that paid for things that no one with a conscience would take out. It was hard to find major changes without a slash and burn approach. One thing the legislature is unable to do is ask agencies if they were operating efficiently. Only the governor has the ability to perform that task, but efficiency could be one way to get control of the budget. He pointed out that there were some items in the budget that would make situations better and save the state money in the future such as education. He added that an unpopular stand might be to ask wealthy cities to pay for more of their municipal needs instead of asking for state funding. He believed the budget to be a status quo budget. He recognized the future struggle to find exactly where and when to cut the budget.

9:20:58 AM

Vice-chair Fairclough gave credit to the Alaska Housing Finance Corporation for discovering a way, in cooperation with the governor's office, to help with housing for individuals affected by domestic violence.

Representative Guttenberg mentioned that being involved with the budget process was like wrestling with a giant beast. He signified that each member has a role and responsibility with external and internal pressures, but

Alaska was a young state where funding basic needs was still part of the growth process. He likened the growing health care to a giant beast; at some point health care will need to be addressed and dealt with. He thanked the co-chairs and subcommittee chairs for their work.

[9:25:38 AM](#)

Co-Chair Thomas thanked the committee and the chairs of the subcommittees for their hard work. He asserted that there are many decisions to make, but cuts were needed to prepare for the future shortfall. He thanked David Teal and Amanda Wright and their staff. He also thanked his staff for their assistance. He announced that the operating budget in 1966 was \$100,000,000 and stressed the inflation level of the budget which is now at \$9.6 billion. He thanked again the administration and all who worked on the budget.

#hb250

HOUSE BILL NO. 250

"An Act relating to the renewable energy grant fund and recommendation program; and providing for an effective date."

HB 250 was SCHEDULED but not HEARD.

[9:29:40 AM](#)

AT EASE

[9:40:30 AM](#)

RECONVENED

#hb358

HOUSE BILL NO. 358

"An Act relating to an advertising campaign in support of opening the Arctic National Wildlife Refuge for development."

Co-Chair Stoltze opened the meeting and reported that HB 358 was unchanged.

Vice-chair Fairclough MOVED to ADOPT HB 358, 27-LS1406\M as a working document. There being NO OBJECTION is so ordered.

[9:41:36 AM](#)

REPRESENTATIVE LANCE PRUITT, SPONSOR presented HB 358 as an advertising campaign to open the Arctic National Wildlife Refuge (ANWR) for development. The bill would direct the state to contract with a qualified trade organization to advertise opening the coastal plain of ANWR for oil and gas exploration and development. The Alaska National Interest Land Conservation Act of 1980 prohibited the leasing or other development leading to the production of oil and gas from the Arctic National Wildlife Refuge. He stressed that domestic demand for oil continues to rise. The proposed trade organization could communicate that new technology had greatly improved the environmental impact on drilling and that oil and gas development can coexist in Alaska's arctic. He concluded that state revenue depends on resource development; therefore it makes sense to promote responsible development to benefit Alaskans.

DIRK CRAFT, STAFF, REPRESENTATIVE LANCE PRUITT, informed the committee that the legislation has been modeled directly after the state's tourism marketing contract statute.

[9:44:21 AM](#)

Representative Wilson asked if there was a needed amount to make the program effective. Representative Pruitt responded that a qualified trade organization would determine the amount. The amount would be whatever the organization would be willing to bring to the table, and then the state would match that amount. He expected it would be less than \$500,000 from a small organization. If a larger organization was interested then the amount would be larger, but the expected amount would probably be under one million for the first year.

Representative Gara agreed it seemed reasonable to set the record straight on ANWR. He expressed his concern that some individuals may reap a short term advantage, but give Alaska a long term disadvantage. He suggested that ads taken out may target certain political candidates in the lower 48. The short term benefit could be for candidates to use the cause for personal gain to obtain more votes, but the long term damage would be other individuals hating Alaska for interfering in another state's politics. He believed some politicians, who were for opening ANRW, would support it, but, once elected, makes sure it was never

opened. He would like accurate information about ANWR to set the record straight in the lower 48, but cautioned against targeting candidates.

Representative Pruitt indicated he would be willing to talk with Representative Gara. He avowed that the intent was not to influence political candidates, but to provide an opportunity to address constituents in the United States about the information. He wanted to make sure people had accurate information on ANWR.

[9:48:38 AM](#)

Co-Chair Stoltze appreciated Representative Gara's point. He wondered if the state should be spending money on initiatives and referendums and stressed that it could be counterproductive to use state money in that manner. He indicated the desire to move the bill out of committee, but a few policy questions needed to be cleared up. Representative Pruitt agreed.

Representative Costello indicated she was trying to understand the logistics of the bill. She questioned if there would be proposals from organizations, the state would identify the winning proposal, and then match the proposal's amount. She asked how that would work and how the money would be raised. Representative Pruitt answered that the trade association, determined by the Department of Commerce, would provide the proposed money amount that they received from many different sources. The money would be from the private sector and the organization would be responsible for acquiring the money; it would not be on the state. The legislature then would appropriate the money to match the amount. The ownership of the marketing campaign would be shared jointly by the trade association and the state. Representative Costello asked if an amount had been determined for the campaign. Representative Pruitt specified that that he did not want to put a limit on the marketing group. The plan was to market Alaska's resources and bring more money into the state. He believed Alaska should celebrate if a group wanted to put a large amount of money into the campaign. He did not want to limit what the private sector could bring in. He emphasized that it was a 50/50 program. He reiterated that to date the number was closer to \$500,000. Representative Costello pointed out that there are organizations presently working on the issue and wondered if the bill included coordination to prevent

duplication of efforts. Representative Pruitt stated that there was nothing in the bill that specifically states there must be coordination to avoid duplication. He was not aware of any other campaign on a national scale regarding the issue.

[9:54:18 AM](#)

Co-Chair Stoltze appreciated that on page 1, line 13-14 where it states a direct ownership of the campaign.

Representative Neuman indicated his confusion on how the funding mechanism worked. Representative Pruitt revealed that the bill was modeled after the tourism campaign. The Department of Commerce does not have a monetary fund, but the trade association would approach the department with a monetary amount and then money would be appropriated by the legislature up to 50 percent. Representative Neuman summarized that the state would enter into a contact with a qualified trade association, the association would get funding for lobbying for ANWR, and then ask the legislature for matching funds. Representative Pruitt emphasized that the plan was for a marketing campaign not lobbying. He continued that the association would find the money; it would not be on the state.

Representative Neuman voiced his concern over the state's monetary obligation and would like to see a limit put on for budgetary reasons. He would like further information on the state's obligation.

Co-Chair Stoltze reiterated that the monetary number would be subject to appropriation. Representative Neuman questioned if the state does not match the amount by 50 percent, what then would happen.

[9:59:46 AM](#)

Representative Pruitt responded that choices would be made. The campaign could still go forth even if the state does not match the 50 percent.

Representative Doogan wanted an idea of how much money has been put into the ANWR Arctic Power. Representative Pruitt did not know the exact amount. Arctic Power money is used for individuals to talk directly to people on Capitol Hill. The purpose of the campaign was not to reach people in

Washington, but to communicate information to the people who elect the representatives to Washington.

Representative Doogan wanted the Arctic Power information. He expressed his frustration with all the indeterminate fiscal notes. He asked for a projection, not just a blank check. He did not believe it responsible to keep rubber stamping indeterminate fiscal notes.

Co-Chair Stoltze interjected his concerns about the political perimeters and the monetary limits of the bill. He indicated that he would like to see a committee substitute to answer the questions rather than deal with the questions on the floor.

Representative Doogan revealed he was not trying to block the bill, but would prefer more parameters. The fiscal notes are not telling the committee anything.

[10:06:27 AM](#)

Vice-chair Fairclough revealed a letter of support from the local Teamsters 959 indicating that there could many trade organizations that might want to move the message forward concerning ANWR. A limit or an amount was needed so there would be a real number to evaluate. She wondered if the campaign would qualify for a film tax credit. She voiced her concern of an outside organization crafting the ANWR message. She again mentioned the Arctic Power organization was a very small office, but the state was receiving a lot for the money invested. She stated though that it was hard for one person to reach all the powers in Washington with the message. Arctic Power has been trying to get factual information out to the public, but some in the organization may not know enough. There needs to be a consistency in the message. She suggested that maybe Arctic Power was targeting those who already support ANWR development, instead of targeting those who are opposed. She indicated her support for an advertising campaign, but suggested it be a consolidated effort with the Arctic Power board. She reported that 41 U.S. senators voted for development of ANWR and it was a prime time to advertise for arctic development.

[10:13:09 AM](#)

Representative Edgmon indicated he would be supporting the bill, but was skeptical on what it will produce. He believed it would take a broad scale message. Alaska is viewed nationally as the last frontier so he is dubious on what will be achieved. He also indicated some technical questions.

Co-Chair Stoltze asserted that Alaska is not in a good position just having the oil industry as the spokesmen. The state needs to speak as a state policy issue. HE would prefer Alaskans to speak with their own voice.

HB 358 was HEARD and HELD in committee for further consideration.

ADJOURNMENT

The meeting was adjourned at 10:16 AM.