

SENATE FINANCE COMMITTEE
April 11, 2011
3:18 p.m.

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CALL TO ORDER

Co-Chair Hoffman called the Senate Finance Committee meeting to order at 3:18 p.m.

MEMBERS PRESENT

Senator Lyman Hoffman, Co-Chair
Senator Bert Stedman, Co-Chair
Senator Lesil McGuire, Vice-Chair
Senator Johnny Ellis
Senator Dennis Egan
Senator Donny Olson
Senator Joe Thomas

MEMBERS ABSENT

None

ALSO PRESENT

Miles Baker, Staff, Senator Stedman.

SUMMARY

SB 46 BUDGETS: CAPITAL

SB 46 was HEARD and HELD in Committee for further consideration.

#sb46

SENATE BILL NO. 46

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

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Co-Chair Hoffman proposed committee substitute, work draft #27-GS1740/I, Kane, 4/11/11. Co-Chair Stedman OBJECTED for purpose of discussion.

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MILES BAKER, STAFF, SENATOR STEDMAN, explained that committee members were presented with a packet of reports in addition to the Committee Substitute (CS) version I.

Mr. Baker stated that Section 1 includes the FY12 governor's proposed capital budget and legislative additions. Section 4 includes a \$100 million section of the FY 12 capital budget with a fuel trigger mechanism attached. Section 7 includes the energy package component of the FY 12 capital budget, which totals approximately \$470 million. Section 10 addresses cruise head tax related projects. Section 13 of the bill includes K-12 education infrastructure investment portion equaling approximately \$400 million. The total of the CS is \$2.875 billion, \$1.65 billion as unrestricted general funds, \$46 million as designated general funds and \$96 million of other state funds and \$1.8 billion of federal funds.

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Mr. Baker revisited Page 3, Line 24 and the intent language, which is repeated in other sections of the bill including those addressing grants to municipalities, grants to named recipients, or grants to unincorporated communities. The topic was discussed with the Office of Management and Budget (OMB) as a way to simplify those small dollar value grants. The language states that "it is the intent of the legislature that the Department of Commerce, Community and Economic Development (DCCED) eliminate the requirement for narrative and financial quarterly reporting for any grant of \$50 thousand or less." The department must receive signed certification from the grant recipient to comply with all other terms of the grant agreement. The full grant amount will be used for the intended purpose and the department must make a single upfront payment for any grant of \$50 thousand or less.

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Mr. Baker pointed out Page 15, Line 23 and the intent language addressing the \$20 million appropriation for the

Port of Anchorage expansion project. He continued with Page 29, Line 22 and the Section for the public library construction program. The grants total \$16,967,000 for public library programs. He mentioned another appropriation for deferred maintenance for the Fairbanks library that is not part of the grant program and does not appear on the mentioned section.

Mr. Baker discussed Page 47, Line 19, which includes a section for deferred maintenance for statewide hatchery facilities totaling \$11,250,000. He noted that the committee began the initiative for the statewide hatchery facilities last year. He continued with Page 64, Line 28 addressing the \$34.7 million for the tax revenue management system.

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Mr. Baker pointed out the structure of the bill where Page 147, Line 11, Section 39(a) illustrates contingency language. The first contingency section refers to Section 7, which includes the legislature's comprehensive energy package. The contingency states that all appropriations in the section are considered a single package. If any appropriation in the section does not become law, then none of the appropriations in the section become law. He added that Page 100 exhibits the language stating that "it is the intent of the legislature that the following appropriations and projects are needed to carry out the state's energy policy described in AS 44.99.115," which was passed last year. "As the energy policy states, the legislature recognizes the immense diversity of the state's geography, cultures, and resource availability and the need to identify and assist with development of the most cost effective long term sources of energy for each community statewide, therefore the legislature intends that the package of appropriations and projects listed below are all necessary to achieve a statewide balance in addressing the state's diverse energy needs."

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Mr. Baker pointed out the second contingency shown in Section 39(b), which addresses all appropriations in Section 4 resulting in \$100 million of the governor's original capital request. The projects are contingent on

the FY12 year to date average price of ANS crude exceeding \$150 per barrel as of October 1, 2011.

Mr. Baker mentioned Section 13, Page 119 and the K-12 education portion of the CS. The intent of the legislature is that the appropriations are considered as a single comprehensive K-12 education infrastructure investment program for FY 2012. The section shows grants for school construction around the state including the Department of Education and Early Development (DEED) major maintenance grant fund. The governor originally requested \$20 million for major school maintenance and the CS funds an additional \$255 million of major maintenance for a total of \$275 million. The section includes Page 131 under school construction grant funds, an addition of two grant funds. The CS adds \$48 million for two additional schools.

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Mr. Baker noted Line 17, Section 17 and the \$60 million appropriation to the Alaska Gasline Inducement Act (AGIA). The appropriation is \$100 million less than the governor's request. The funds provide enough to take the estimated reimbursements for AGIA through the end of the FY 11 calendar year. He mentioned Line 20 and \$2.4 million of general funds and \$2.4 million of Denali Federal Funds for the emerging energy technology fund. Line 26, Section 18 documents \$2.5 million for the alternative conservation revolving loan fund, which was a portion of last session's SB 220. He highlighted Line 28 and the \$30.6 million for the renewable energy fund. The Alaska Energy Authority (AEA) had a total of \$36 million in ranked grants available, so this bill funds the full amount. The projects are allocated out in the energy package portion of the bill, Section 7. The appropriation is less than \$36 million because \$6 million was already available in the AEA fund.

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Mr. Baker discussed page 136, Section 21 including a grant for \$486 thousand to the Department of Labor and Workforce Development (DLWD) for work in the film and television industry. Section 23 begins the legislative reappropriation of previous legislative grants. He concluded with Page 146, Section 37 including the language for the lapsing FY 11 legislative appropriations. He pointed out subsection (a) and the scope change for the \$750 thousand Bristol Bay

drainage study. The scope has been broadened and extended until FY 14. Subsection (b) appropriates \$900 thousand of lapsing legislative operating to Legislative Budget and Audit (LB&A) for FY 12 operating costs. Subsection (c) includes \$450 thousand to add to funding for a large scale mining study from last year. The final two appropriations of \$2.23 million as estimated lapsing balance as of June 30, 2011 appropriates \$10 million to legislative council to begin scoping and planning a system wide redesign of BASIS and a document management system to integrate legislative finance appropriation reporting into the bill status and reporting system.

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Co-Chair Stedman stated that the \$2.9 billion proposed capital budget was similar to that of last year in the amount requested. He mentioned the transfer of \$5 million allocated for savings. He commented that the proceedings allow for the savings of \$2 for every \$1 spent in capital appropriations. The substantial savings will benefit future generations.

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

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Senator Ellis expressed appreciation for the committee's commitment to the full major maintenance for schools. The list included rural and urban projects. He thought it a historic achievement to fund the entire list in one year. He also applauded the historic commitment to the energy projects.

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ADJOURNMENT

The meeting was adjourned at 3:41 PM.