

HOUSE FINANCE COMMITTEE

April 11, 2014

8:33 a.m.

[8:33:57 AM](#)

CALL TO ORDER

Co-Chair Stoltze called the House Finance Committee meeting to order at 8:33 a.m.

MEMBERS PRESENT

Representative Alan Austerman, Co-Chair
Representative Bill Stoltze, Co-Chair
Representative Mark Neuman, Vice-Chair
Representative Mia Costello
Representative Bryce Edgmon
Representative Les Gara
Representative David Guttenberg
Representative Lindsey Holmes
Representative Cathy Munoz
Representative Steve Thompson
Representative Tammie Wilson

MEMBERS ABSENT

None

ALSO PRESENT

Daniel George, Staff, Representative Bill Stoltze; Charlie Swanton, Director, Division of Sport Fish, Department of Fish and Game; Ben Mulligan, Special Assistant, Department of Fish and Game; Brittany Hutchinson, Staff, Senator Click Bishop; Kris Curtis, Legislative Auditor, Alaska Division of Legislative Audit; Heather Shattuck, Staff, Senator Pete Kelly; Patrick Gamble, President, University of Alaska.

SUMMARY

HB 89 AQUATIC INVASIVE SPECIES

HB 89 was HEARD and HELD in committee for further consideration.

HB 316 WORKERS' COMPENSATION MEDICAL FEES

HB 316 was SCHEDULED but not HEARD.

SB 74 UNIVERSITY OF ALASKA BUILDING FUND

SB 74 was HEARD and HELD in committee for further consideration.

SB 137 EXTEND SEISMIC HAZARDS SAFETY COMMISSION

SB 137 was REPORTED out of committee with a "do pass" recommendation and with one previously published fiscal impact note: FN1 (DNR).

#hb89

HOUSE BILL NO. 89

"An Act relating to the rapid response to, and control of, aquatic invasive species and establishing the aquatic invasive species response fund."

[8:34:36 AM](#)

Vice-Chair Neuman MOVED to ADOPT the proposed committee substitute for HB 89, Work Draft 28-LS0339\P (Bullard, 4/9/14).

Co-Chair Stoltze OBJECTED for the purpose of discussion.

DANIEL GEORGE, STAFF, REPRESENTATIVE BILL STOLTZE, explained the changes in the CS. He relayed that on Page 2, lines 26 and 27, the words "shall provide reasonable notice to affected property owners" had been added to the bill for the sake of clarity. He furthered that on Page 3, lines 5 and 6, "aquatic evasive species" had been specified to mean Northern Pike, didemnum tunicate, European green crab, spartina, crayfish, or another organism introduced to a marine or freshwater ecosystem to which it is not native and whose introduction causes, or is likely to cause, economic or environmental harm or harm to human health.

[8:37:01 AM](#)

CHARLIE SWANTON, DIRECTOR, DIVISION OF SPORT FISH, DEPARTMENT OF FISH AND GAME, testified that the department was supportive of the changes.

Representative Guttenberg wondered if there was any location in the state where Northern Pike was native.

Mr. Swanton replied by and large was a general description on the north side of the Alaska Range.

Representative Guttenberg asked for verification that the department would not be going after Northern Pike in its natural habitat. Mr. Swanton replied in the affirmative.

Representative Costello asked if Elodea was considered an aquatic invasive species under the bill. Mr. Swanton answered in the affirmative.

Co-Chair Austerman noted that in the past moving the Geoduck from Southeast Alaska to Kachemak Bay had been considered by the department as moving an invasive species and legislation had been required to overcome that label. He asked if "or another organism" could refer to a similar situation.

Mr. Swanton answered that the species listed in the CS were believed by a broad array of people as posing the greatest risk. He said that the language was not all encompassing.

[8:40:08 AM](#)

Co-Chair Austerman hesitated to include the language "or another organism" in the bill.

Representative Gara took issue with the language pertaining to economic and environmental harm.

Representative Gara asked whether the invasive species listed in the original bill had been included in the CS. Mr. Swanton replied in the affirmative.

Representative Gara wondered if the method of removal of the species could include non-chemical means.

BEN MULLIGAN, SPECIAL ASSISTANT, DEPARTMENT OF FISH AND GAME, pointed to page 2, line 21:

In responding under (b) of this section to the occurrence of freshwater aquatic invasive species, the department shall respond in a manner determined to cause the least harm to noninvasive fish populations

that are used for recreational, personal use, commercial, or subsistence purposes

Mr. Mulligan elaborated that the department would chose an option that would get rid of the invasive species and cause the least harm to resident populations.

Vice-Chair Neuman wondered if the bill would look at the issue of species interfering with the migration patterns of salmon.

Mr. Swanton replied that it did not speak directly to the issue. He assured the committee that the department would pay attention to the issue of range extensions, which were typical after long periods of geological time.

Vice-Chair Neuman spoke of the pike eradication of Alexander Creek. He asked whether the bill would expand similar operations in the northern district where pike seemed to be expanding further into salmon tributaries.

Mr. Swanton replied that he was unsure whether the legislation would expand the operation. He said that the department planned to move forward with a variety of projects to control of eradicate pike.

[8:47:19 AM](#)

Representative Gara wondered whether the department would opt for non-action if the balance favored non-action.

Mr. Swanton answered that non-action would be on the table in terms of evaluation before any aggressive action was taken.

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

Co-Chair Stoltze CLOSED public testimony.

[8:49:24 AM](#)

AT EASE

[8:54:08 AM](#)

RECONVENED

HB 89 was HEARD and HELD in committee for further consideration.

#sb137

SENATE BILL NO. 137

"An Act extending the termination date of the Alaska Seismic Hazards Safety Commission; and providing for an effective date."

8:55:06 AM

BRITTANY HUTCHINSON, STAFF, SENATOR CLICK BISHOP, read from a sponsor statement:

Alaska has more earthquakes than any other region in the U.S. and is one of the most seismically active areas in the world. In fact, we are approaching the 50th anniversary of the 1964 Good Friday Earthquake, the most powerful in recorded North American history.

Given the historical record and inevitable potential of future earthquake activity, Alaska needs the Alaska Seismic Hazards Safety Commission. The ASHSC is statutorily designated as an advisory body for seismic hazard safety mitigation. The ASHSC's overarching purpose is to analyze and disseminate information, review predictions and proposed warnings, and to provide recommendations for seismic safety mitigation.

I would like to see the termination date of the Alaska Seismic Hazards Safety Commission (ASHSC) extended from June 30, 2014 to June 30, 2020. According to the Division of Legislative Audit, the commission has a demonstrated public need and therefore the termination date should be extended.

The public need is proven and the public interest is served in the following ways:

- 1) The commission assists with seismic hazard safety training efforts. For example, in 2011 and 2012, the ASHSC coordinated with the Department of Military and Veterans Affairs to facilitate training workshops for volunteer first responders who would respond after a severe earthquake.

2) They hope to significantly improve school safety by collaborating with the Department of Education and Early Development on seismic issues concerning school construction and renovations. Seismic hazard mitigation efforts for schools are an important commission priority, as schools are critical infrastructure.

3) The ASHSC served the public's interest by making seismic hazards mitigation recommendations to the governor, legislature and private entities through annual reports.

4) The commission helps facilitate collaboration amongst agencies with related missions and private sector entities on seismic hazard mitigation.

KRIS CURTIS, LEGISLATIVE AUDITOR, ALASKA DIVISION OF LEGISLATIVE AUDIT, relayed that the division had conducted a sunset review of the commission which was documented in report form Legislative Audit (copy on file). She said that an audit of the commission had last been conducted in 2011 and at that time it had been recommended that the commission be extended for 4 years; the commission had been extended for 2 years at that time. She related that the division had concluded that the commission operating in the public's interest and recommended that the commission be extended 6 years until the year 2020. She stated that the audit had identified 4 areas for operational improvements, which could be found on Page 9 of the report:

The commission should improve prioritization and accountability within its strategic planning documents.

Ms. Curtis relayed that the prior sunset audit had found that the commission lacked a clear strategy for prioritizing and monitoring its efforts. The commission had made progress in resolving the finding by developing a strategic plan that identified objectives and strategies that correlated with the commissions mandated powers and duties. She shared that the division recommended the following additions to help the commission more fully focus its efforts:

1. Clearly prioritizing tasks - while each of the tasks in the strategic plan is assigned a priority, 27 of the 29 tasks are listed as "important." The

commission goals and action lists do not contain priorities;

2. Consistently identifying the person or subcommittee responsible for task completion; and

3. Associating goals and action lists with the commission's overarching strategic plan objectives and consistently identifying a specific outcome.

Ms. Curtis said that by approving accountability and prioritization the commission could improve their ability to serve the public. She pointed out to the committee that on Page 12 of the report the division had found that recommendations issued by the commission had not consistently identified the organization responsible for implementing their recommendation; additionally, not all recommendations adequately identified the action to be performed, and at times the commission was uncertain about where to direct their recommendations. She relayed that the division recommended that the commission ensure that their recommendations clearly identified the organization responsible for implementing an action and the action to be performed. Additionally, the commission should seek assistance from the Department of Natural Resources (DNR) management and identify the appropriate organization responsible for implementing recommendations. She spoke to two housekeeping recommendations, one directing the commission to replace chronically absent commission members, and another to the commission and the Office of the Governor to work together to fill vacant positions in a timely manner.

Vice-Chair Neuman asked how many vacant positions the commission had and how long, on average, did they remain vacant.

Ms. Curtis replied that recommendation 3 on Page 11 identified the number of positions and the duration of the vacancies. She said that it was an 11 member commission and that vacancies were expected given the number of positions. She stated that when evaluating how material the vacancies were the division weighed the effect the absence of those members had on commission business. She mentioned that during FY12-FY13 there had been a Department of Military and Veterans Affairs (DMVA) seat that was vacant for 10 months; there had been a delayed appointment due to unclear guidance about appointment procedures which lead to a lack of quorum.

Vice-Chair Neuman felt that there were a lot of members on the commission. He wondered if one of the recommendations had been to reduce the number of members.

[9:01:17 AM](#)

Ms. Curtis replied in the negative. She believed 6 to 8 years ago the commission's membership had been expanded by the legislature. She stated that given the past policy decision the audit did not consider changing the number of positions.

Co-Chair Stoltze noted that in 2011 the legislature had spent an inordinate amount of time on the issue. Many members of the business community had come out in support of the commission.

Co-Chair Stoltze OPENED public testimony.

Co-Chair Stoltze CLOSED public testimony.

He pointed to the fiscal impact note from the Department of Natural Resources.

Vice-Chair Neuman MOVED to REPORT SB 137 out of committee with individual recommendations and the accompanying fiscal note.

SB 137 was REPORTED out of committee with a "do pass" recommendation and with one previously published fiscal impact note: FN1 (DNR).

[9:04:00 AM](#)

AT EASE

[9:04:48 AM](#)

RECONVENED

#sb74

SENATE BILL NO. 74

"An Act creating the University of Alaska building fund for the payment by the University of Alaska of the costs of use, management, operation, maintenance, and depreciation of space in buildings; and authorizing the Board of Regents of the University of

Alaska to designate buildings for which the fund is to be used."

9:04:59 AM

HEATHER SHATTUCK, STAFF, SENATOR PETE KELLY, testified that SB 74 would create the University Building Fund (UBF) as a special account in the general funds. She stated that it was modeled after the Alaska Public Building Fund, which had been operated successfully by the Department of Administration (DOA) since 2000. She shared that currently there was approximately \$1.2 billion in backlog maintenance for the University's 7 million square feet of facilities. She said that the University was shifting to long-term strategic planning to adequately address the ongoing maintenance issue. She relayed that the UBF would be one tool to arm the University to do its part in order to get out from under the billion dollar problem and ensure that facilities were properly taken care of while bringing down the deferred maintenance to a responsible and sustainable level. She related that the fund forced departments to fully think through every square inch of space that was actually necessary. She said that with the UBF the University could begin charging departments for rent, encourage improved space utilization, and see efficiencies in operations. She shared that collecting rent from tenants and departments was an important feature of the fund and part of the rent could come from federal grants that the University already received and designated of portion of to be used for maintenance. She furthered that the concept would allow the University to first list new buildings and those under 15 years of age. As older buildings were rehabbed through renewal and replacement, and deferred maintenance, they would be added to the fund so that they did not backslide into the same situation again. She elaborated that the model of charging for space had been implemented at several large universities across the United States and experience had shown that it improved internal discipline, leading to improved space utilization and efficiencies in operation. She spoke to the letter from Legislative Legal clarifying that it did not create a dedicated fund (copy on file).

9:09:05 AM

PATRICK GAMBLE, PRESIDENT, UNIVERSITY OF ALASKA, testified that the University sought a paradigm change with regard to

the way to programmatically examine ways to address deferred maintenance, buildings on the verge of being put on the deferred maintenance list, and operations and maintenance costs. He said that when the deferred maintenance cost got so big that failures occurred, operations and maintenance money had to be used to fix the problem. He stated that there were 174 academic buildings in the system, 8 of which would cost more to fix up than they were worth and should be torn down. He opined that it cost a lot to tear down a building but that it cost a lot more not to. He related that there were 28 building with a low net asset value, but the function inside the buildings had a high University value with regard to education and research. The deferred maintenance backlog for those buildings was \$300 million, the renovation and repair (R&R) backlog was \$100 million. He explained that those were the main campus buildings, mostly in Fairbanks, and once building of this kind went into deferred maintenance the risks involved in working in the buildings increased. He shared that in the past they University would come before the legislature each year and attempt to break the work that needed to be done into categories; only 10 percent of what was asked over the years had been given to help with the problem.

[9:12:51 AM](#)

Mr. Gamble expressed enthusiastic support for the legislation. He noted that in a tough budget year, like the on the legislature currently faced, the seed money to start the fund would be problematic but had to begin sometime. He stressed that there were many different sources available for funding: excess capital appropriations, donations, and rental income. He suggested that online classes could lessen the need for academic buildings. He believed that there would not be much money put into the fund in its first year and it could take up to 5 years before the fund was fruitful. He said that each year the legislature would have the appropriation responsibility, while the University sought different sources for the fund. He thought a source could be the Alaska Sovereign Education fund. He shared that the fund used an education funding source from oil royalties being diverted into an education account.

[9:18:51 AM](#)

Representative Holmes wondered whether there had been discussions about putting any seed money in the fund in the present year.

Mr. Gamble replied in the negative.

Representative Holmes asked whether the fund would be managed for sustainability.

Mr. Gamble replied that it would have an inflation proofing element to it and that sustainability was a goal.

Representative Holmes she spoke of the Alaska Children's Trust as a sub-account of the general fund. She thought that the legislature should encourage private donations but wondered whether people would donate if the fund was part of the general fund.

Mr. Gamble answered that a lot of advice would be needed in order to lock down the actual components of the idea.

[9:23:19 AM](#)

Representative Thompson expressed concern that donations to the building fund could have a negative effect on donations to other University departments.

Mr. Gamble answered that it was a possibility. He relayed that many donors were specific with regard to their donations. He said that unspecified donations would be considered for the fund.

[9:26:27 AM](#)

Co-Chair Austerman assumed that the fund could handle any component.

Mr. Gamble did not think that using the fund to build new buildings was part of the plan; operation and rehab, certainly, but the capital cost of building a new building would deplete the fund.

Co-Chair Austerman thought that lapses in funding could be problematic.

Mr. Gamble stressed that the initiation of the fund would concentrate on newer buildings that had less cost associated with the maintenance.

Vice-Chair Neuman asked about appropriations from endowments. He noted that if they were not specifically mentioned in the appropriations language then they could not be accepted. He thought that perhaps the language should be added to the bill.

[9:31:07 AM](#)

Mr. Gamble said that they had the ability to track specific buildings, if a large project came up a few million dollars short those dollars could be used to fund something else and would be included as candidates to be put into the fund for broader use.

Representative Guttenberg wondered whether the result of Subsection 10 on page 2 would allow the University to reconfigure space on campus that could be leased out and allow for maintenance and operation outside of the normal University budget.

Mr. Gamble answered in the affirmative.

[9:34:02 AM](#)

Representative Edgmon asked for the definition of maintenance versus "depreciation related to space in covered buildings."

Mr. Gamble explained that the notion of building depreciation was central to the whole idea of R&R, every single year a building aged. He said that the definition of "covered" meant buildings that were specifically occupied for research or academics. He said that the depreciation, opposed to a financial depreciation, was related to how quickly the building was aging. When the buildings were analyzed and categorized an assessment was made as to how far it had depreciated from its original construction, this gave an idea of the net asset value of the building which was then compared to the R&R required to re-age the building, and then the depreciation on the started over from where it had been re-aged.

Co-Chair Stoltze asked if assurances could be given that deferred maintenance or improvements would not be construed as allowing new construction.

Mr. Gamble believed that the integrity of the assessment of deferred maintenance was fundamental to the trust that dollars were being used as intended. He said that the poster child for deferred maintenance was the power plant at the University of Fairbanks, the entire structure had aged out of its useful service life. He relayed that most of the deferred maintenance would be smaller issues.

[9:38:17 AM](#)

Representative Holmes noted that the account was a sub-account of the general fund and would not allow the University to use it as a checking account. She advised that the legislature maintain control of appropriating the money from year to year.

Vice-Chair Neuman assumed that the fund would be under the control of the Board of Regents or the University president. He wanted to ensure that the university would have the autonomy to determine where the funds would go. He did not want individual legislators to have the ability to designate what the money would be spent on.

Mr. Gamble replied in the affirmative.

Vice-Chair Neuman asked whether the legislature would have the ability to amend their appropriation.

Mr. Gamble did not believe he would have the authorization to make the decision.

[9:40:54 AM](#)

Representative Holmes believed that the legislature would had the power to amend the appropriation.

Co-Chair Stoltze noted that there had been some questions and suggestions related to changes in the legislation. He relayed that the committee would look at the issues and hear the bill at a later date.

SB 74 was HEARD and HELD in committee for further consideration.

#hb316

HOUSE BILL NO. 316

"An Act relating to workers' compensation fees for medical treatment and services; relating to workers' compensation regulations; and providing for an effective date."

HB 316 was SCHEDULED but not HEARD.

Co-Chair Stoltze discussed housekeeping.

#

ADJOURNMENT

9:43:50 AM

The meeting was adjourned at 9:43 a.m.