

SENATE FINANCE COMMITTEE

April 9, 2014

3:10 p.m.

3:10:55 PM

CALL TO ORDER

Co-Chair Meyer called the Senate Finance Committee meeting to order at 3:10 p.m.

MEMBERS PRESENT

Senator Pete Kelly, Co-Chair
Senator Kevin Meyer, Co-Chair
Senator Anna Fairclough, Vice-Chair
Senator Mike Dunleavy
Senator Lyman Hoffman
Senator Donny Olson

MEMBERS ABSENT

Senator Click Bishop

ALSO PRESENT

Suzanne Armstrong, Staff, Senator Kevin Meyer; Jeff Ottesen, Director, Division of Program Development, Department of Transportation and Public Facilities; Michelle Rizk, Associate Vice President, Statewide Planning and Budget, University of Alaska; Deven Mitchell, Executive Director, Alaska Municipal Bond Bank Authority, Department of Revenue; Representative Alan Austerman.

SUMMARY

SB 119 BUDGET: CAPITAL

CSSB 119(FIN) was REPORTED out of committee with a "do pass" recommendation.

SB 218 AK MUNICIPAL BOND BANK AUTHORITY

CSSB 218(FIN) was REPORTED out of committee with individual recommendations and with two new fiscal impact notes from Department of Revenue

and one new fiscal impact note from the University of Alaska.

#sb119

SENATE BILL NO. 119

"An Act making appropriations, including capital appropriations and other appropriations; making appropriations to capitalize funds."

3:11:54 PM

Co-Chair Kelly MOVED to ADOPT the proposed committee substitute for CSSB 119 (FIN), Work Draft 28-GS2672\Y (Martin, 4/9/14). There being NO OBJECTION, it was so ordered.

3:12:31 PM

AT EASE

3:15:26 PM

RECONVENED

Co-Chair Meyer queried the changes in the committee substitute.

SUZANNE ARMSTRONG, STAFF, SENATOR KEVIN MEYER, spoke to two reports prepared by the Legislative Finance Division (LFD) titled, "Multi-year Agency Summary" and "Multi-year Agency Summary - Capital Budget" (copies on file). She looked at the first column was the FY 15 capital column, which totaled \$2,094.229 million. The unrestricted general funds (UGF) totaled \$545.816 million. The designated general funds (DGF) totaled \$182.550 million. The other state funds totaled \$266.517 million. The federal receipts totaled \$1,099.344 million. The second column was the FY 14 capital supplemental column, which totaled \$7.31 million. It was approximately \$2 million more than the bill that was considered on the previous Monday, because of a supplemental amendment that was presented by the Office of Management and Budget (OMB). The third column was the FY 14 operating supplemental column, which totaled \$45 million, of which UGF was \$41 million; DGF totaled \$126,000; and other state funds were \$3.9 million. The largest difference in the bill occurred in the University of Alaska (UA) FY 15 capital budget. She looked at page 59 of the bill, which was the heat and power plant at the University of Alaska

Fairbanks (UAF). On page 59, lines 21 through 25 contained the appropriation which totaled \$195 million, of which \$37.5 million was DGF from the Alaska Capital Income Fund. The other fund columns noted \$157.5 million, which were bond proceeds that were under consideration in a separate bill. She noted some intent language that stipulated that it was the intent of the legislature that UA implement a utility surcharge, or increase tuition, in an amount not to exceed annual revenue of \$2 million. This funding and the fuel savings resulting from the construction of the new plant shall be used to offset university revenue bond debt service for the UAH heat and power plant.

Co-Chair Meyer remarked that the funding for the engineering building was \$5 million from the governor's office request and \$5 million for receipt authority. He stated that it was his original goal to fully fund the engineering building, but Co-Chair Kelly felt that there needed to be adequate power and heat for the new building.

Vice-Chair Fairclough wondered if the State Library and Archives Museum (SLAM) was funded in its entirety. Co-Chair Meyer replied that SLAM was fully funded.

Co-Chair Kelly remarked that the maintenance money was moved from UAF and some capital requests. He stressed that the funding for the new facility was originally intended for UAF deferred maintenance. Co-Chair Meyer stated that \$195 million was not the total cost for the new facility, and additional costs would be in front of the legislature.

[3:21:49 PM](#)

Co-Chair Kelly stated that there were many different funds shifted in order to obtain the new facility. Co-Chair Meyer felt that Fairbanks was incurring a great sacrifice in order to make the project seem viable from his perspective.

Ms. Armstrong spoke to Section 41, on page 109 of the bill, lines 13 through 18, there was a \$50 million reappropriation to UA for design and construction for the UAF combined heat and power plant. The total funding proposed for the project in the current version of the legislation was \$245 million.

Co-Chair Meyer noted the transfer of \$50,000 in the SETS fund. Ms. Armstrong clarified that it was a transfer of \$50 million.

Co-Chair Meyer asked if there were any other changes that should be presented. Ms. Armstrong indicated in the negative.

Vice-Chair Fairclough asked that the community revenue sharing aspect be put on the record. She noted that there were a great number of public testimonies that stressed the importance of community revenue sharing. Ms. Armstrong stated there was nothing in the legislation that pertained to community revenue sharing. The community revenue sharing was funded through the operating budget. She remarked that the legislation could be viewed as a type of revenue sharing, because of the local investments in the bill.

Co-Chair Kelly commented on the operating budget would contain \$3 million for revenue sharing.

Vice-Chair Fairclough noted that he mayor of Fairbanks was in the audience.

Co-Chair Meyer remarked that the UAF power plant was the largest change in the budget. He noted that the Loussac Library was now at the original funding request of \$10 million. He wondered if there were any other changes in the committee substitute. Ms. Armstrong shared that the grant to the Alaska Railroad for Positive Train Control was restored to the governor's original request of \$15 million.

Co-Chair Kelly queried the total request for positive train control. Ms. Armstrong replied that the request was \$15 million.

[3:28:01 PM](#)

Senator Hoffman MOVED to ADOPT AMENDMENT 1 (copy on file):

Funding Source
Amount Federal Receipts: \$18,900,000
GF/Match: \$2,100,000

Project Description:

This project will construct the third and final phase of the road connecting the City of King Cove with the City of Cold Bay and its all-weather airport. The project will construct a 17.2 mile single lane gravel road with turnouts. This project contributes to the Department's Mission by reducing injuries, fatalities and property damage and by improving the mobility of people and goods. Funding is dependent on receipt of funds from the Federal government.

The Aleutians East Borough owns and maintains the road up to the National Park boundary. The state will own the road within the National Park boundaries, but the Aleutians East Borough agrees to maintain the road within the National Park boundaries.

Co-Chair Meyer OBJECTED for discussion.

Senator Hoffman stated that the amendment pertained to safety and access in the community of King Cove. He stated that the project was in its final phase, and there were attempts to get federal funding for access to its airport.

Co-Chair Meyer surmised that the state would match with \$2.1 million, if the state received the federal receipts for \$18.9 million. Senator Hoffman replied in the affirmative, and furthered that the road could not be constructed until the federal funds were appropriated and the decision was reversed by the Secretary of the Interior.

Vice-Chair Fairclough wondered if there was funding for the road in any other form. Senator Hoffman responded that he was not aware of any other funding for the project.

Vice-Chair Fairclough looked at page 39, line 14, which was a \$100,000 appropriation. She wondered if there were any existing allocations for development. She remarked that she was in support of the road, but was merely wondering if there were existing funds. Co-Chair Meyer deferred to the Department of Transportation and Public Facilities (DOT/PF).

Vice-Chair Fairclough restated her question.

JEFF OTTESEN, DIRECTOR, DIVISION OF PROGRAM DEVELOPMENT, DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES, stated

that the \$100,000 for permitting. He stressed that it was considerate separate funds for a separate purpose.

Vice-Chair Fairclough wondered if there were any construction funds. Mr. Otteson agreed to provide that information. He remarked that there was a substantial amount of work that was done on the airport.

Vice-Chair Fairclough surmised that the amendment would meet current projections for construction, and there were no other appropriations for construction. Mr. Otteson responded that the budget requests were drafted after extensive examination of possible previous appropriations.

Co-Chair Meyer wondered if DOT/PF supported the amendment. Mr. Otteson responded that he was very supportive of the amendment. He shared that he had worked on the project for his entire career at DOT/PF.

Co-Chair Meyer REMOVED his objection. There being NO further OBJECTION, AMENDMENT 1 was adopted.

[3:34:57 PM](#)

AT EASE

[3:37:46 PM](#)

RECONVENED

Co-Chair Meyer noted that each member of the committee would like to be added as sponsors to AMENDMENT 1.

Ms. Armstrong sated that LFD prepared a report that compared the prior year's budget with the current budget. She stated that the Senate Finance Committee had established criteria that determined to reduce UGF spending in both the capital and operating budgets. The report showed a reduction of \$439.301 million in UGF in comparison to the previous year's capital budget. The report also showed an additional \$44.5 million reduction in DGF. She stated that the reduction in UGF was an effort to preserve the reserve accounts that were available to the legislature.

Co-Chair Meyer wondered if the bonding proceeds were the reason that the current version of the bill was higher than the house version of the bill. Ms. Armstrong responded in the affirmative. She furthered that the total reduction,

comparing 2013 to 2014, it only showed a \$184 million reduction. The bond proceeds related to the addition of the heat and power plant at UAF.

[3:41:30 PM](#)

AT EASE

[3:42:52 PM](#)

RECONVENED

[3:43:09 PM](#)

Vice-Chair Fairclough moved Amendment 2:

page 21, line 27

after the word "and" insert the word "or."

There being NO OBJECTION it was so ordered.

Co-Chair Kelly MOVED to REPORT CSSB 119(FIN) out of committee with individual recommendations, and drafting instructions for Legislative Legal Services and the Legislative Finance Division to make any necessary or conforming changes to the bill.

CSSB 119(FIN) was REPORTED out of committee with a "do pass" recommendation.

[3:45:56 PM](#)

AT EASE

[3:51:24 PM](#)

RECONVENED

#sb218

SENATE BILL NO. 218

"An Act relating to the Alaska Municipal Bond Bank Authority; and providing for an effective date."

[3:52:49 PM](#)

Co-Chair Kelly MOVED to ADOPT the proposed committee substitute for CSSB 218(FIN), Work Draft 28-LS1567\N (Wallace, 4/9/14). Co-Chair Meyer OBJECTED for discussion.

Ms. Armstrong stated that there were two sections that were added to the legislation. She looked at page 5, lines 10 through 24, Section 8, which was legislative approval for bond authorization for the UAF heat and power plant. The section authorized UA to issue revenue bonds, and use the proceeds of the bonds to pay for the design, construction, acquisition, and equipping for the heat and power plant facility at UAF. The legislative approval and authorization was required by statute. She pointed to page 5, lines 25 through 31, and page 6, lines 1 through 7, which was Section 9. The section was the loan authorization for UA to borrow an amount not to exceed \$150 million by issuing revenue bonds or entering into a loan agreement with the Alaska Municipal Bond Bank Authority. She stated that it provided the statutory legislative approval and authorization for the bonds that were discussed under SB 119.

Co-Chair Meyer wondered if the municipal loan bond would allow for bonding of additional \$87.5 million. Ms. Armstrong replied in the affirmative.

Co-Chair Kelly wondered if \$70 million was a revenue bond. Ms. Armstrong responded in the affirmative.

Vice-Chair Fairclough looked at the fiscal note, and noted the addition of \$7 million annually from the general fund, and wondered if that should be considered university receipts. Co-Chair Kelly replied that it did not include the revenue bond, but rather was sourced from the bond bank.

Vice-Chair Fairclough remarked that the fiscal reflected \$7 million of new general fund money. Ms. Armstrong deferred to Ms. Rizk to discuss the fiscal note.

Co-Chair Meyer wondered if there was an amendment to the bill. Ms. Armstrong stated that there would be clarifying language to the bill.

MICHELLE RIZK, ASSOCIATE VICE PRESIDENT, STATEWIDE PLANNING AND BUDGET, UNIVERSITY OF ALASKA, looked at the fiscal impact note from UA, and explained that the amount represented the debt service associated with \$87.5 million that UA intended to borrow from the Alaska Municipal Bond Bank. In addition to the amount, UA would issue \$70 million of UA revenue bonds, so UA would be responsible for the

debt service with the majority of the funding sources from utility savings.

Co-Chair Kelly surmised that the savings would not occur until 2018 or 2019. Ms. Rizk agreed with that summation.

Vice-Chair Fairclough wondered if the state was embarking on its own debt service from its own loan. Ms. Rizk responded that the operating budget reflected a significant reduction to the UA budget of approximately \$16 million. The current fiscal climate did not allow for UA to find an additional \$7 million in addition to the contribution of the UA revenue bonds.

3:58:42 PM

AT EASE

4:03:09 PM

RECONVENED

Vice-Chair Fairclough remarked that she was discussing the overall bond debt for Alaska, and stressed that the Port of Anchorage would also be requesting money.

Co-Chair Meyer asked for a summary of the financing for the heat and power plant at UAF. Ms. Armstrong replied that SB 119 had a reappropriation of \$50 million; an FY 15 appropriation of \$37.5 million; and SB 218 had two authorizations: an authorization for UA to issue revenue bonds in the amount of \$70 million and authorization for UAF to utilize the Alaska Municipal Bond Bank Authority in the amount of \$87.5 million. The total would be \$245 million.

Co-Chair Meyer stressed that the different fund sources were the reason for the higher summary sheets.

Co-Chair Meyer REMOVED his OBJECTION. There being NO OBJECTION, the proposed committee substitute for CSSB 218(FIN) was adopted.

Ms. Armstrong stated that there would be a conceptual amendment.

Co-Chair Kelly MOVED the conceptual amendment:

Page 5, Line 29

After the word, "by",
insert the phrase, "issuing revenue bonds and"

Co-Chair Meyer OBJECTED for discussion.

4:08:42 PM

DEVEN MITCHELL, EXECUTIVE DIRECTOR, ALASKA MUNICIPAL BOND BANK AUTHORITY, DEPARTMENT OF REVENUE, explained that the conceptual amendment was required because the bond bank program worked by purchasing the securities of local jurisdictions on a private placement basis. The other amendment provided a definition that allowed UA to participate in the Alaska Municipal Bond Bank program that uses the revenue bonds. He stated that the conceptual amendment would provide two separate terminologies to match to ensure that the Alaska Municipal Bond Bank could carry out the legislative intent of the bill.

Co-Chair Meyer REMOVED his OBJECTION. There being NO further OBJECTION, it was so ordered.

Co-Chair Kelly MOVED to REPORT CSSB 218(FIN) out of committee with individual recommendations and the accompanying fiscal notes.

CSSB 218(FIN) was REPORTED out of committee with individual recommendations and with two new fiscal impact notes from Department of Revenue and one new fiscal impact note from the University of Alaska.

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ADJOURNMENT

4:12:09 PM

The meeting was adjourned at 4:12 p.m.