

HOUSE FINANCE COMMITTEE
May 13, 2017
1:19 p.m.

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CALL TO ORDER

Co-Chair Foster called the House Finance Committee meeting to order at 1:19 p.m.

MEMBERS PRESENT

Representative Neal Foster, Co-Chair
Representative Paul Seaton, Co-Chair
Representative Les Gara, Vice-Chair
Representative Jason Grenn
Representative David Guttenberg
Representative Scott Kawasaki
Representative Dan Ortiz
Representative Lance Pruitt
Representative Cathy Tilton
Representative Tammie Wilson

MEMBERS ABSENT

Representative Steve Thompson

ALSO PRESENT

Paul Labolle, Staff, Representative Neal Foster; Elstun Lauesen, Self, Anchorage; Karla Hart, Self, Juneau; John Sonin, Self, Juneau; Representatives Harriet Drummond; Representative Louise Stutes.

PRESENT VIA TELECONFERENCE

Fred Sturman, Self, Kenai; Wolfgang Faulke, Self, Fairbanks; Colleen Doshkin, Administrator, Association of Alaska Housing Authorities, Anchorage; Chris Kolerok, President and CEO, Bering Straits Regional Housing Authority, Nome; Scott MacManus, Superintendent, Alaska Gateway School District, Tok; George Pierce, Self, Kasilof; James Kowalsky, Self, Fairbanks; Abul Hassan, Director, Public Transportation, City of Anchorage, Anchorage; Scott Anaya, Self, Anchorage; Pat Lavin, Defenders of Wildlife,

Anchorage; Rob Picou, Superintendent, Lower Yukon School District, Mountain Village, Mountain Village; Mark Springer, Tuluksak Native Community, Bethel; Susan Hansen, Self, Fairbanks; Joe Banta, Self, Anchorage; Pam Goode, Self, Deltana.

SUMMARY

CSSB 23(FIN) am
 APPROP: CAPITAL BUDGET

CSSB 23(FIN) am was HEARD and HELD in committee for further consideration.

#sb23
CS FOR SENATE BILL NO. 23(FIN) am

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

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PAUL LABOLLE, STAFF, REPRESENTATIVE NEAL FOSTER, addressed the changes from the governor's proposed capital budget and the Senate version of the legislation. He read from an explanation of changes:

Section 1, Pages 2-9: Agency capital appropriations proposed by the Governor and amended by the Senate Finance Committee

Changes:

Page 2, lines 24-25 Adds language that the appropriation to the Alaska Energy Authority- Bulk Fuel Program is conditional upon receiving matching federal funds.

Appropriation are made from the Cruise ship Vessel Passenger Tax as follows:

Page 2 lines 26 -30

The Alaska Railroad Corporation for: Seward Cruise Ship Dock Terminal Planning and Design \$300,000, Seward Dock Safety Enhancements \$1,200,000

Page 3 Lines 11-16
The Hoonah Dock Company
Inner Point Sophia Phase I, New Dock Mooring Buoys
\$2,000,000
Outer Point Sophia Dock Safety Improvements \$500,000

Page 4 Lines 4-5
City of Ketchikan
Cruise Ship Berth 4 Dock Expansion \$2,000,000

Available funding from the Cruise Ship Vessel
Passenger Tax Account totals \$7.5 million. The above
projects total \$6 million.

Representative Wilson requested that Mr. Labolle slow down
his explanation.

Mr. Labolle complied. He continued reading from an
explanation of changes:

Page 3 lines 20-24. Reduces the appropriation to the
Inter- Island Ferry Authority by (\$135,000)-There is a
Reappropriation in section 37 backfilling this
reduction. Total appropriation \$250,000

Page 3 line 25-27 Marine Exchange of Alaska
appropriation is reduced from \$600,000 to \$400,000 -
In line with FY17 funding level

Page 3 Line 30 - Page 4 Line 3 Anchorage Police
Department for Patrol of the Seward Highway between
Anchorage and Indian. \$200,000. Adds intent language
that the municipality and the department coordinate on
patrol of the Seward highway

Page 5 lines 4-5 \$20 million appropriation from the
Alaska Capital Income Fund to the Office of the
Governor for state-wide agency deferred maintenance -
carry's out the intent of SB 107

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Mr. Labolle continued to read from an explanation of
changes:

Page 5 lines 6-8 Intent language that the Office of the Governor prioritize deferred maintenance needs and distribute the funds to address the highest priority issues

Page 6 lines 32-33 Alaska Permanent Fund Corporation Headquarters Renovation \$4,050,000 APFC receipts

Page 7 lines 19-20 Alaska Housing Finance Corporation-Supplemental Housing Development Program -reduced the appropriation from \$3 million to \$2.25 million - this was the FY17 funding level

Representative Guttenberg asked Mr. Labolle to restate the line reference.

Mr. Labolle answered page 7, line 19. He continued to discuss the changes:

Page 7, lines 21-22: Alaska Housing Finance Corporation Teacher, Health and Public safety Professionals Housing reduced the appropriation from \$1.750 million to \$1 million - FY17 funding level

Page 7, lines 31-33: AMHS Vessel Overhaul the funding source was switched from General Funds to Marine Highway Vessel Replacement Funds and reduced by \$1 million

Representative Wilson asked Mr. Labolle to restate the location of the change. Mr. Labolle answered page 7, line 31.

Representative Wilson asked for verification the reduction had been \$1 million.

Mr. Labolle replied that the increment had been reduced by \$1 million and there was a fund source change. He continued to address changes:

Page 8, lines 4-5. Reduced State Equipment Fleet from \$15 million to \$12.5 million

Page 8, line 13: Reduced Federal Program Match from \$58 million to \$12 Million, this is also reflected same page line 10.

Page 8, lines 15-17: Inserted language relating to the re-appropriation found in the language Section for Federal-Aid Highway State Match totaling \$41.1 million - providing total match of \$55.2 million (a reduction of \$2.8 million from \$58 million)

Page 9, lines 11-12: Added \$5 million from the Alaska Capitol Income Fund to the University of Alaska for Deferred Maintenance

Items removed from the Governor's requested budget in Section 1:

The appropriation to the Life Alaska Donor Services because this has already been included in the Operating Budget, \$80,000 receipts

Public and Community Transportation State Match
\$1,000,000

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Co-Chair Seaton asked for the page and line reference. Mr. Labolle answered the items no longer appeared in the bill - they had been in the governor's version, but had been removed by the Senate.

Co-Chair Seaton asked for a repeat of the information.

Mr. Labolle detailed that the \$80,000 agency receipts appropriation to the Life Alaska Donor Services had been moved to the operating budget because it was a recurring expenditure.

Representative Guttenberg requested a copy of the items no longer in the budget.

Co-Chair Foster replied that his office would provide the information.

Mr. Labolle elaborated that the second item no longer appearing in Section 1 (that had been in the governor's request) was the public and community transportation state match of \$1 million.

Representative Wilson asked if there were any other funds in operating or capital budgets related to the matching funds.

Mr. Labolle answered for the match it was the only funding. He added it was funding provided by the states to communities to make their own federal match.

Sec. 2 Pages 10-12: The breakout of funding by agency for the appropriations made in section 1

Sec. 3 Pages 13 & 14: The breakout of statewide funding for the appropriations made in section 1.

Sec. 4 page 15 & 16: Supplemental capital projects and grants.

Mr. Labolle noted that the supplemental capital appropriations had been a separate bill, but the Senate had rolled the items into the capital budget.

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Mr. Labolle continued to read from an explanation of changes:

Items not included from the Governor's Supplemental Capital request:

Reappropriation from the Fairbanks University Avenue Project:
Arctic Strategic Transportation and Resources Project
- \$7,798,000

Reappropriation from the Juneau Access Project:
Transportation Infrastructure Enhancement in Greater Lynn Canal \$34,140,100

Representative Guttenberg asked for verification the increment related to Fairbanks, University Avenue. Mr. Labolle answered in the affirmative.

Representative Wilson asked for a repeat of the last item.

Mr. Labolle answered "transportation infrastructure enhancement in Greater Lynn Canal." He detailed that in the governor's request, Juneau Access Project funds had been

reappropriated to the infrastructure enhancement in Lynn Canal and ferry construction, which had been removed by the Senate. He continued to address changes in the bill:

Sec. 5 page 16: The breakout of funding by agency for the appropriations made in section 4.

Sec. 6 page 17: The breakout of statewide funding for the appropriations made in section 4

Sec. 7 pages 18-38: supplemental operating items proposed by the Governor by Department, set out in Sec. 8.

Sec. 8 pages 39-44: The breakout of funding by agency for the appropriations made in section 7

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Co-Chair Foster asked for page numbers for Section 8.

Mr. Labolle answered that Section 8 was located on pages 39 through 44; Section 9 was located on pages 45 through 47.

Sections 10-19 are primarily Governor's request supplemental language sections as follows:

Sec. 10 (a) page 48, lines 1-6. Department of Administration - labor contract negotiations and arbitration support \$792,000-extends lapse date through FY18

Sec. 10 (b) Page 48 Lines 7- 11. Reappropriation of \$3 million from the Department of Public Safety Academy driver training facility, land acquisition and construction for the Alaska Land Mobile Radio System

Sec. 11 page 48, line 12-16. Department of Commerce, Community, and Economic Development - Appropriation of \$630,000 of Federal Receipts to the Division of Insurance for the health insurance enforcement and consumer protection grant for Fiscal years 17, 18, and 19.

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Mr. Labolle addressed Sections 12 through 15:

Sec. 12 page 48, lines 17-21. Department of Environmental Conservation -Appropriation from the general fund for \$5,740,000 to fulfill the terms of the Settlement in State v. Williams Alaska Petroleum, Inc. - also referred to as the Flint Hills refinery settlement

Sec. 13 (a) page 48, line 22-27. Department of Health and Social Services - Medicaid language necessary to cover potential program shortfall for FY17
(b) Lines 28-30. Federal Receipt authority for the Medicaid program of \$238,500,000 for FY17.

Sec. 14 page 48, line 31- page 49, line 5. Department of Labor and Workforce Development - Reappropriation to the Department in the amount of \$213,155 for deferred maintenance, renewal, repair, and equipment

Sec. 15 page 49, lines 6-29. Department of Law- (a) Judgements and settlements broken out - total: \$228,671 (Language for Planned Parenthood Judgment was removed) that language is "The necessary, after application of the amount appropriated in (a) of this section, to pay judgments awarded against the state on or before June 30, 2017, is appropriated from the general fund to the Department of Law, civil division, deputy attorney general's office, for the purpose of paying judgments against the state for the fiscal year ending June 30, 2017" (c) Line 21: (c) extends lapse provision to include FY18 and FY19 for the reappropriation of \$2,000,000 to the Department for outside counsel and experts and for the state's share of interim remedial actions to protect the health, safety, and welfare of the people in the North Pole area for FY14-19 (simply added fiscal year 19 to this language)

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Mr. Labolle moved to Section 16:

Sec. 16 page 49, line 30 - page 50 - line 3. Department of Transportation and Public Facilities - \$5,500,000 appropriation from the General Fund for fulfilling the terms of the signed consent agreement and final order with the United States Environmental

Protection Agency regarding the decommissioning and remediation of Class V injection wells (this is reduced from \$8 million at \$5.5 million is the amount needed for FY17 and FY18)

Sec. 17 page 50, lines 4 - 31 - Page 51 Lines 1 - 17. Debt and Other Obligations - subsection (a) reduces the amount for early redemption on debt related to international airport revenue bonds (about \$21 million) Sec 17 (b) Page 50, line 26: reduces the amount for debt service on Goose Creek Correctional Center by \$655,500 due to savings associated with refinancing

Sec. 17 (c) Page 51 Line 3: appropriates \$745,000 for the costs associated with issuing previously authorized GO Bonds. (\$3 million for this purpose lapsed at the end of FY16)

Sec. 17 (d) Page 51 Line 7 If federal receipts are not sufficient to cover international airports, the deficient amount would be borrowed from the General Fund

Sec. 17 (e) Page 51 line 13: Allows for the repayment in (d) if necessary (d) and are necessary as a result of IRIS functionality

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Mr. Labolle moved to Sections 18 through 23:

Sec. 18 page 51, lines 18-22. Fund Capitalization - (a) \$3,000,000 is appropriated from the General Fund to the Disaster Relief Fund

Sec 18 (b) Line 20: \$288,000,000 is appropriated from the Statutory Reserve Fund to the oil and gas tax credit fund to pay outstanding tax credit liabilities- this is new added by the Senate

Sec. 19 page 51, lines 23 - Page 52 Line 3: Fund Transfer- Revises the date and amount to be transferred to the oil and hazardous substance prevention account in the oil and hazardous substance prevention and response fund - Change is on page 52 lines 1 and 2 subsection (3)

Sec. 20 page 52, lines 4-12. Federal and Other Program Receipts - Standard Federal receipt authority language

for agency's to receive Federal and other receipt authority from Legislative Budget and Audit

Sec. 21 page 52, lines 13-17. Insurance Claims - amounts to be received in settlement of insurance claims are appropriated to the general fund from the (1) State insurance catastrophe reserve account or (2) appropriate state agency to mitigate the loss.

Sec. 22 page 52, lines 18-28. National Petroleum Reserve - Alaska Impact Grant appropriated to the Department of Commerce, Community, and Economic development for capital project grants under the NPR-A impact grant program. This year's grants total \$1,378,346 and will be distributed to the City of Barrow, City of Wainwright, and the City of Anaktuvuk Pass.

Sec. 23 Page 53, line 29 - Page 53, line 3: Alaska Housing Finance Corporation [AHFC] - Amends the FY18 Operating Budget reducing the AHFC dividend that is deposited into the General Fund by the capital and operating operations that are made in FY18 using a portion of the AHFC dividend

Mr. Labolle elaborated that the change to Section 23 essentially allowed AHFC to retain a part of the dividend it paid the state for internal capital projects rather than sending the state the entire dividend and making an appropriation back to AHFC from the General Fund.

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Mr. Labolle advanced to Sections 24 through 28:

Sec. 24 page 53, lines 4-12. Department of Commerce, Community, and Economic Development - Reappropriations for: (a) Alaska Energy Authority Electrical Emergencies- not to exceed \$330,000.

Page 53, line 10-12. (b) reappropriates the unexpended and unobligated balance of the renewable energy grant fund estimated to be \$3,200,000 to the Alaska Energy Authority for Rural Power Systems Upgrades (contingency language in section (contingency language in section 41 50/50 match)

Sec. 25 page 53, lines 13-24. Department of Corrections - Reappropriations from the State Libraries Archives and Museum project to: (a) Underground storage tank upgrades - not exceed \$1,850,000 and

Subsection (b) on Line 19: for Deferred maintenance, renovation, repair, and equipment - not to exceed \$740,000

Sec. 26 page 53, line 25 - page 55, line 28: Department of Education and Early Development - Reappropriation of past major maintenance projects to the Major Maintenance grant fund - estimated to be \$3,503,492

Sec. 27 page 55, line 29 - Page 56, lines 6. Department of Fish and Game -Reappropriation for vessels and aircraft maintenance, repair, and upgrades- not to exceed \$500,000.

Sec. 28 page 56, lines 7-26: Department of Health and Social Services Reappropriations for (from various sources, reference the bill) -

(a) Deferred maintenance, renovation, repair, and equipment for Alaska Pioneers' Homes - not to exceed \$773,432

Line 17: (b) Deferred maintenance, renovation, repair, and equipment for facilities of the department other than Alaska Pioneers' Homes - not to exceed \$382,143.

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Mr. Labolle addressed Sections 29 through 34:

Sec. 29 page 56, line 27- Page 57, line 5. Department of Labor and Workforce Development- Reappropriation for deferred maintenance, renewal, repair, and equipment - not to exceed \$550,000

Sec. 30 page 57 lines 6 - 8. Appropriates from the AK liquefied natural gas project fund to Department of Law \$5,000,000 to hire additional prosecuting attorneys. This is only for fiscal year 2018.

Sec. 31 page 57, line 9- 14. Department of Natural Resources -Reappropriation for the national recreation trails federal grant program - not to exceed \$150,000

Sec. 32 page 57 lines 15 - 17. Department of Public Safety appropriates from the AK liquefied natural gas project fund to Department of Public Safety \$10,000,000 to hire additional state troopers. This is only for fiscal year 2018.

Sec. 33 Page 57, lines 18 - 23. Department of Revenue - (a) appropriation from the General fund to the Tax Division for reprogramming the tax revenue management system and revenue online tax portal - HB 111 oil and gas tax credit bill implementation \$1,200,000 - this is contingent on passage of HB 111 (Contingency language found in Sec. 41)

Line 21: (b) appropriation from the General fund to the Tax division for Tax Division for reprogramming the tax revenue management system and revenue online tax portal - SB 25/HB 60 Motor Fuel Tax bill implementation \$50,000-this is contingent on passage of SB 25/HB 60 (Contingency language found in Sec. 41)

Sec. 34 page 57, line 24 - Page 77 line 9. Department of Transportation and Public Facilities - Reappropriations (a) for the Izembek Road project - not to exceed \$10,000,000

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Mr. Labolle continued to address Section 34:

Subsections (b), (c), and (d) reappropriate to Federal-aid Highway match

Line 30: (b) Federal-aid Highway match - not to exceed \$7,798,000

Page 58 line 5: (c) Federal-aid Highway match - unexpended balance estimated to be \$2,179,929

Page 58 Line 14: (d) Federal-aid highway match - unexpended balance estimated to be \$481,530

Page 58 Line 19: (e) - the unexpended estimated balance of \$281,393 from the Hydaburg small boat harbor is reappropriated to the Harbor facility grant fund

Page 58 Line 24: (f) Federal-aid Highway match - estimated balance total:

\$30,593,679 - Reappropriations start on page 58 line 27 - page 70 line

3 (118 reappropriations)

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Mr. Labolle continued to subsection (g) of Section 34:

Sec. 34 (g) Page 70, line 4 - page 71, line 31:
Cleaning up Federal Authorization -Consolidates
previously authorized federal-aid highway
appropriations into one new appropriation for
efficiencies in the management of the appropriations
in IRIS - estimated to be a total of \$675,600,000,
reappropriated to the Department of Transportation and
Public Facilities for previously authorized federal-
aid highway surface transportation program projects

Representative Wilson asked if the cleanup items pertained to federal, state, or a combination of federal and state dollars.

Mr. Labolle answered that Section 34 dealt with federal dollars associated with the federal highway program. Subsection (h) on page 72 pertained to federal aid for the aviation and rural airports.

Representative Wilson clarified she was interested in page 70, subsection (g). She asked if it was a cleanup because there was additional state funding [allocated to projects] that may not have been used, federal funds the state may still be able to use, or both.

Mr. Labolle replied that funding in subsection (g) was federal only. He elaborated that there were several cleanup items in subsections, some of which were state and others were federal, which went to various airport and road programs.

Co-Chair Seaton asked if some of the unexpended balance included both state and federal funds.

Mr. Labolle answered that there was General Fund authorization in subsection (i), but funds were not expected to be there - it was empty authorization that needed to be taken off the books. He added there was language included that specified if extra funding was available it would be put in the federal highway match program.

Co-Chair Foster recognized Representatives Harriet Drummond and Louise Stutes in the audience.

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Mr. Labolle addressed the final references to Section 34:

Page 76, line 25: (k) Intent language for the cleanup of past appropriations in the previous subsections
Page 76, line 29: \$10,000,000 is appropriated from the Alaska liquefied natural gas project fund to the Department of Transportation for road maintenance and plowing. This appropriation is only for FY 2018

Representative Wilson remarked that language had been included specifying that two previous appropriations were for FY 18. She stated the appropriation [on page 76, line 29] did not include the same language specifying the appropriation was for FY 18. She asked if the funding could be used "more like capital" that could be used for five years.

Mr. Labolle answered that unless otherwise specified, any appropriation in the capital budget was a one-time item.

Representative Wilson replied that she understood that appropriations were one-time only, but she thought that the recipient had five years to utilize the funds. She referred to the items for DOL and DPS that were specifically for FY 18. She wondered if the appropriation for the item [on page 76, line 29] could be spread out over a five-year period.

Mr. Labolle answered that the item was a maintenance project, not a capital project. He clarified that it was a one-time appropriation for FY 18 that could be spent over a period of five years.

Co-Chair Foster asked for clarification on the page and line references. Mr. Labolle answered he was speaking to page 76, line 29.

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Mr. Labolle addressed Sections 35 through 37:

Sec. 35 page 77, lines 1-5.: Fund Transfer - Transfer of the large passenger vessel gaming and gambling tax

account balance to the Alaska Capital Income Fund estimated to be \$8,100,000

Line 4 Subsection (b) appropriates 25,000,000 from the Alaska liquefied natural gas project fund to the public school trust fund.

Sec. 36 page 77, lines 6- 9. Appropriates \$37,500 for Arctic Winter Games Team Alaska for participation in the 2018 Arctic Winter Games (contingent on sec 41)

Sec 37 Page 77 Lines 10- 15. House Districts 33 -36 - Reappropriation to the Inter-Island Ferry Authority as identified in Section 1 to provide them \$250,000 in total for service between Ketchikan and Prince of Wales Island (backfill mentioned in section 1)

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Mr. Labolle moved to Sections 38 and 39:

Sec. 38 page 77, lines 16 - Page 79, line 23. Office of the Governor - Reappropriations to the Office of the Governor subsections (a) and (b) for facilities, and state government efficiency efforts, and to pursue economic development opportunities for consideration at the state and federal levels -estimated to be a combined total of \$2,738,000

Page 78, line 16: (c) to advance state government efficiency efforts and to evaluate the current structure and focus of AHFC, AEA, and AIDEA updating date to include FY19 - estimated to be \$850,000

Page 79, line 13: (d) for costs associated with state government efficiency and to pursue economic development opportunities for consideration at the state and federal levels - estimated to be \$950,000

Representative Wilson did not know what the agencies were using the money for. She requested the backup information to understand whether the funds would be spent on a new program or other. She observed the funding was close to \$4 million and she did not know what it would be spent on.

Mr. Labolle answered that he would get the information from the Senate for the committee. He continued to read from an explanation of changes:

Sec. 39 Page 79, line 24 - Page 80 lines 7. Reappropriation of Legislative Appropriations -To Legislative renovations, projects, and technology improvements - estimated to be \$6,465,000

Sec. 40, starting on page 80, line 8: Lapse - (a) capital projects, Insurance claims to state agencies to mitigate loss, and NPR-A grants lapse, (b) capitalization of funds do not lapse and (c) capital projects lapse unless a fiscal year is specified

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Mr. Labolle addressed Sections 41 through 43:

Sec. 41, Page 80, lines 15-26. Contingency Language- (a) Rural power system upgrades state funding is contingent on federal matching funds (section 24 page 53 line 10)

Line 18. (b) Appropriation of \$1.2 million to the Tax division for reprogramming the tax revenue management system is contingent on the passage of HB 111- oil and gas tax credits

Line 21. (c) Appropriation of \$50,000 to the Tax division for reprogramming the tax revenue management system is contingent on the passage SB 25/HB 60 - motor fuel tax

Line 24. (d) Appropriation made in Sec. 36 is contingent on the raising of \$450,000 by Arctic Winter Games Team Alaska for team participation in the 2018 Arctic Winter Games.

Sec. 42 page 80, lines 27-28. Effective Dates for Agency appropriations, debt and other obligations, fund capitalization, fund transfer, and the motor fuel tax passage implementation

Sec. 43 page 80 lines 29 - 30. Effective Dates for Agency reappropriations, other reappropriations, contingency language for rural power system upgrades

Sec. 44 page 80, line 31- Page 81 line 1: Effective Date except sections 42 and 43 take effect July 1, 2017.

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AT EASE

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RECONVENED

Mr. Labolle made a correction to his statement related to Section 44. He clarified that the effective date would be July 1, 2017 except as provided in Sections 42 and 43.

^PUBLIC TESTIMONY

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Co-Chair Foster provided detail on public testimony protocol.

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FRED STURMAN, SELF, KENAI (via teleconference), spoke about companies leaving the state for other locations due to better treatment. He surmised there appeared to be a substantial amount of [oil] drilling in the Lower 48. He supported the legislature's action of taking \$50 million from the gas pipeline - he thought all of the funds should be withdrawn. However, he did not support reappropriation of the funds - he thought the funds should be saved because the money would be needed in the future. He shared that the Kenai Peninsula Borough was taking about \$4 million to \$6.5 million out of the economy. He remarked that the City of Kenai seemed to be short on money as it had lost \$500,000 in sales taxes. He thought sales taxes were much lower in many cities than they had been the previous year. He supported further cuts to the budget and was disappointed that the legislature was still giving raises to government employees. He did not support that the legislature and the state had offered to pay more than the government could afford.

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ELSTUN LAUESEN, SELF, ANCHORAGE, addressed the portion of the capital budget providing subsidies for oil companies in the amount of \$288 million. He did not know when the state had gotten into the business of guaranteeing the profitability of private oil companies. He wanted it to stop. He thought it was a corrupt practice on the Senate's side. He stressed that it was not the state's job to underwrite the risks at the cost of the state's fundamental

services or the diversification of its economy. He read a small portion of a blog written by Brad Keithly related to the \$288 million subsidy. He surmised that the state was choosing the investors over the interests of the families of the state (whose Permanent Fund Dividends had been cut). He stressed it was not the role of the legislature.

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KARLA HART, SELF, JUNEAU, spoke in opposition to the proposed \$288 million appropriation from the budget reserve fund to the oil industry. She stressed the substantial figure. She reasoned that some programs required \$10,000, \$100,000, or \$1 million, which really made a difference for those programs. She discussed that the \$288 million could be spent on things like capital or operating budget items, education, matching federal funds, and other. She underscored that the money was going to the richest industry in the state. She believed the usage of the money made no sense. She urged the committee to remove the amount.

Vice-Chair Gara noted that there were two sides of the issue and he tended to be on Ms. Hart's side. He relayed that the Senate operating budget included \$75 million in oil tax credit payments; therefore, the total was about \$350 million.

Ms. Hart replied that it was worse than she had known.

Co-Chair Foster clarified that the committee was addressing the Senate's version of the capital budget. The [\$288 million] increment had been included by the Senate. The committee would be considering whether it would address the item in the coming days.

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WOLFGANG FAULKE, SELF, FAIRBANKS (via teleconference), spoke in favor of eliminating the Permanent Fund Dividend. He discussed that it had attracted numerous people for the extra money and due to the one-year residency requirement for eligibility. He urged the committee cut and eventually eliminate the dividend. He spoke to the need for attracting residents who could help develop the state and do something productive. He noted that the state had much to offer including mining. He did not want Alaska to be a welfare

state. He liked the dividend, but he believed there were more useful ways to spend the funds.

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COLLEEN DOSHKIN, ADMINISTRATOR, ASSOCIATION OF ALASKA HOUSING AUTHORITIES, ANCHORAGE (via teleconference), testified in support of the Alaska Housing Finance Corporation (AHFC) supplemental housing development grant program. The organization requested to fund the program at a minimum level of \$3 million. She shared that the program provided up to 20 percent of the total development costs for energy efficiency, water and sewer, electrical distribution, and access roads for housing projects. She explained that the program was a wise investment of state funds and when combined with additional resources results in a critical boost to local economies throughout the state. The program had been an incredible value to Alaska's affordable housing by providing development gap funding. She explained that in many cases the grant was a make-or-break funding source that enabled a project to move forward. She asked for the committee's support for the funding for state sanitary development.

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CHRIS KOLEROK, PRESIDENT AND CEO, BERING STRAITS REGIONAL HOUSING AUTHORITY, NOME (via teleconference), thanked the committee for its time. He requested the minimum funding of \$3 million for the Alaska Housing Finance Corporation (AHFC) supplemental housing development grant program. He detailed that regional housing authorities were primarily funded by federal appropriations; however, the funds were less than they had been in the past. He stressed that inflation had cut the housing authority budget in half and people were feeling the pain. He provided examples of 19 individuals living in 3 bedroom homes. The AHFC helped to fill an ever shrinking gap. He provided information about materials the authority had purchased for projects in the current year. He shared that 90 percent of the funds were spent on Alaska workers or with Alaska businesses. He concluded that funding the program at a minimum of \$3 million was a wise investment for the state's economy.

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SCOTT MACMANUS, SUPERINTENDENT, ALASKA GATEWAY SCHOOL DISTRICT, TOK (via teleconference), thanked the House for its support for education. He shared that the district was not unaware that budget issues existed and that it needed to do its part to address them. He detailed that the district had been planning for the contingency for a number of years. He expounded that the district had implemented biomass heating systems and power supplement systems in a couple of its schools. Additionally, the district had implemented pay freezes, it was not filling some positions, and it would probably have to cut music and counseling programs in the present year. He disputed claims that teachers in Alaska were paid more than in other states. He spoke to the inability to attract quality teachers due to low pay, which was frustrating when trying to create a good team for students. He had spoken at a recent University of Alaska commencement ceremony and shared that a Tok high school student had received their associate's degree and would be graduating from high school as well. He urged the committee to hold the line with the budget.

Vice-Chair Gara asked if the district was losing music and counseling positions based on a flat budget or with the Senate's proposal.

Mr. MacManus replied the positions would be lost under the Senate's budget.

[2:19:43 PM](#)

GEORGE PIERCE, SELF, KASILOF (via teleconference), did not support the bill. He was in favor of removing funding for specific items. He was opposed to using money from the Permanent Fund. He did not support paying \$288 million to the oil and gas industry. He stated that the Senate was a joke. He detailed there was \$25 million for election, yet the Senate was proposing to cut state school funding by nearly 6 percent. He asked if it was called giving from one hand and taking from another. He did not support a \$700 million tax credit for the oil industry annually. He asked the committee to correct all of the giveaways. He stressed that state funding for nonprofits had to stop. He did not support corporations and LLCs being exempt from taxes. He stressed that more cuts were needed. He asked why funding had not been removed from the Juneau Access road project.

[2:23:23 PM](#)

JAMES KOWALSKY, SELF, FAIRBANKS (via teleconference), testified in opposition to a \$10 million appropriation for the Izembek road. He stated that more than \$50 million had already been spent on evacuation considerations for King Cove. He continued that federal tax money had been used. He explained that tens of millions already spent on a road partially north. He spoke to other expenditures. The proposed road would mean that evacuations from King Cove would take about two hours. He continued that \$52,000 per King Cove resident had already been spent. He elaborated on costs that would be incurred by the state. He believed medical evacuations on the road would be dangerous. He thought the seafood industry was still the primary justification for the road. He provided further detail. He referred to hundreds of teachers losing their jobs due to the budget shortfall. He underscored there were much greater needs for the money than for use on the road.

[2:27:50 PM](#)

ABUL HASSAN, DIRECTOR, PUBLIC TRANSPORTATION, CITY OF ANCHORAGE, ANCHORAGE (via teleconference), shared that the bus ridership was 4 million. He referenced other programs that ran between Anchorage and Mat-Su. He provided detail about his professional background. He spoke to an allocation from the governor that he believed could be added back into the legislation. He detailed that the matching funds enabled Anchorage to get an additional \$1 million from the federal government. He discussed individuals who relied on public transportation to get to school, work, the store, and other. He underscored that the \$1 million cut would impact a large number of the legislature's own constituency. He implored the committee to restore the funding for public transportation. He added that public transportation was the only agency that had reduced its own budget and was making innovative changes that were making national headlines.

[2:31:21 PM](#)

JOHN SONIN, SELF, JUNEAU, spoke on behalf of human civilization. He did not want the House to capitulate to the Senate version of the income tax. He did not want funds to be robbed from transportation, education, and other services. He stated that the legislature would have to take money from vital services. He spoke about a recent

education rally at the capitol building. He wanted the legislature to act on its constituents' behalf and not take money from education. He supported new revenues. He was concerned that the Senate may get the House to reconsider its income tax proposal, which he believed was a critical component.

[2:35:07 PM](#)

SCOTT ANAYA, SELF, ANCHORAGE (via teleconference), thanked the committee for its work. He stressed that the legislature's action would determine how bleak the state's financial future would be or how the state would emerge from the financial deficit. He urged the committee to stand strong against the Senate's proposal. He believed the House's work was the best option for coming out of the deficit as unscathed as possible. He spoke from the perspective of a small business owner and shared that the recession had really hit main street retailers the previous summer. He urged the committee to scrap the oil tax program all together. He did not want further cuts to the Permanent Fund Dividend. He was in favor of an income tax. He did not want further damage to the economy. He stated that children were the state's future.

[2:38:44 PM](#)

PAT LAVIN, DEFENDERS OF WILDLIFE, ANCHORAGE (via teleconference), thanked the committee for its work to try to balance the budget. He did not support further cuts to education and critical services. He urged the committee to delete the \$10 million appropriation for the proposed Izembek Road. He discussed that the road was unnecessary and did not make sense as an emergency transportation solution in the region. He noted that road maintenance stations around the state had been closed due to budget cuts; over 100 maintenance workers had been laid off. He urged investing funds in priority projects that served well-defined state needs. He beseeched the committee to look into the project further before authorizing the \$10 million in funds. He added that the \$10 million cost would be the tip of the iceberg if the road was built.

[2:42:00 PM](#)

ROB PICOU, SUPERINTENDENT, LOWER YUKON SCHOOL DISTRICT, MOUNTAIN VILLAGE (via teleconference), encouraged the

committee to restore the Senate's proposed 5.6 percent cut to public education. He stressed that the cut would bring many districts across the state dangerously close to implosion. The district had a \$13.6 million structural deficit as a result of flat funding. He understood the fiscal crisis facing the state and the district had eliminated all counselors and had cut administrative staff by 60 percent. He shared that he had worked in various roles in school districts in both rural and urban Alaska for the past 20 years. He supported the restoration of funds to the governor's recommendation for teacher health and public safety housing. He spoke to a recent study related to costs of education in Alaska. He discussed reasons for teachers leaving the district including decent housing conditions. The district was working with regional partners to upgrade teacher housing. The district had spent \$4.3 million to renovate substandard and dilapidated teacher housing - funds that could have otherwise been spent on students. He spoke about teacher housing that flooded annually. He continued that a six-plex construction project was costing the district \$2.3 million. He reiterated his request to restore funding to the governor's request of \$1,750,000 for teacher health and public safety housing.

[2:45:47 PM](#)

MARK SPRINGER, TULUKSAK NATIVE COMMUNITY, BETHEL (via teleconference), spoke in support of a request for \$300,000 for power plant upgrades. He did not see the increment in the current bill version and asked for it to be restored. He explained that the project was economic development and community sustainability issue. He provided detail about the current power plant operations. He explained that the community did not currently have capacity to supply power to the school, which it would like to have. He detailed that Tuluksak had made a significant investment of its own funds to improve capacity. He continued that several years earlier the community had several million dollars through the Alaska Energy Authority (AEA) for fuel upgrades, but the money had been swept up for a parking garage. He elaborated on the usage of requested funds.

Co-Chair Foster noted that a few years earlier when the state was flush with funding each district had been allocated capital funds to provide for projects like the power plant upgrades. He explained that for the past few

years the legislature had not allocated the funding due to a lack in funds. He elaborated that there had been no discretionary and reappropriation funding over the past several years, which in all likelihood would continue. He noted that things would be taken on a case by case basis. He encouraged people to continue to advocate for their funding requests.

[2:49:48 PM](#)

SUSAN HANSEN, SELF, FAIRBANKS (via teleconference), spoke against the \$10 million increment for the road through the Izembek Wildlife Refuge. She explained that the road had initially been proposed in the 1990s as a road to expedite shipping of seafood from canneries in King Cove to Cold Bay. She detailed that the drive would take 1 hour and 50 minutes and the proposed goal was to use the road for the emergency transportation of patients. She believed the road would not be practical for that purpose. She asked the committee to remove the item. She did not believe it was prudent to ask taxpayers to fund the item.

[2:51:14 PM](#)

JOE BANTA, SELF, ANCHORAGE (via teleconference), spoke in strong support for education. He asked the committee to reject cuts proposed in the Senate's budget. He stated that the Senate's budget favored tax cuts for big oil over adequate education funding, housing, and other basic infrastructure needs. He underscored that education provided a future for the state's children. He urged the committee to develop a comprehensive fiscal plan - including new revenues - to deal with the budget deficit. He remarked that taking the dividend could negatively impact the state's economy. He urged a bipartisan effort to solve the state's budget problem. He supported the implementation of an income tax. He stressed that credits of \$350 million to the oil industry represented corporate welfare. He did not support a change to the former oil tax structure Alaska's Clear and Equitable Share (ACES) that had taken place several years earlier.

[2:54:21 PM](#)

PAM GOODE, SELF, DELTANA (via teleconference), supported further spending cuts to reduce the size of government. She believed further cuts would make government stronger and

more efficient. She believed the best way forward was to keep the money in the hands of the people. She did not support an income tax. She stressed that the Permanent Fund Dividend needed to go back into the hands of the people. She was opposed to the appropriation of \$288 million in credits to the oil industry. She urged the committee to make more cuts.

Co-Chair Foster CLOSED public testimony.

CSSB 23(FIN) am was HEARD and HELD in committee for further consideration.

Co-Chair Foster noted amendments were due on Monday, May 16 at 6:00 p.m.

Representative Wilson stated there were projects included in the budget that she did not know anything about. She asked about resources to contact over the weekend to gain more information.

[2:57:20 PM](#)

AT EASE

[2:58:25 PM](#)

RECONVENED

Co-Chair Foster replied that his staff and staff from the Legislative Finance Division and Legislative Legal Services would be available for questions.

Co-Chair Foster addressed the schedule for the following meeting.

#

ADJOURNMENT

[2:59:20 PM](#)

The meeting was adjourned at 2:59 p.m.