

HOUSE FINANCE COMMITTEE
FIRST SPECIAL SESSION
June 10, 2017
11:20 a.m.

11:20:43 AM

CALL TO ORDER

Co-Chair Foster called the House Finance Committee meeting to order at 11:20 a.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
Representative Mark Neuman (alternate)

MEMBERS ABSENT

Representative Steve Thompson

ALSO PRESENT

Paul Labolle, Staff, Representative Neal Foster; Rob Carpenter, Analyst, Legislative Finance Division; Ed King, Special Assistant, Department of Natural Resources; John Skidmore, Director, Criminal Division, Department of Law; Gene Therriault, Deputy Director, Statewide Energy Policy Development, Alaska Energy Authority, Department of Commerce, Community and Economic Development; Mike Vigue, Director of Program Development, Department of Transportation and Public Facilities; Pat Pitney, Director, Office of Management and Budget, Office of the Governor; Brian Fechter, Analyst, Office of Management and Budget; Representative DeLena Johnson; Representative George Rauscher; Representative Colleen Sullivan-Leonard; Representative Dan Saddler; Representative Andy Josephson.

PRESENT VIA TELECONFERENCE

Frank Richards, Senior Vice President, Alaska Gasline Development Corporation (AGDC); Heidi Teshner, Director, School Finance and Facilities, Department of Education and Early Development.

SUMMARY

CSSB 23(FIN) am
APPROP: CAPITAL BUDGET

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

[Note: meeting recessed to the following day and the bill was reported out at that time. See June 11, 2017 2:00 p.m. minutes for detail.]

Co-Chair Foster reviewed the meeting agenda. He informed members that amendments were due by 2:00 p.m. that day.

#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."

11:22:03 AM

Co-Chair Seaton MOVED to ADOPT the proposed committee substitute (CS) for CSSB 23(FIN) am, Work Draft 30-GS1854\T (Martin, 6/9/17). There being NO OBJECTION, it was so ordered.

11:23:00 AM

RECESSED

2:15:49 PM

RECONVENED

Co-Chair Foster explained that the CS had been adopted earlier in the day.

PAUL LABOLLE, STAFF, REPRESENTATIVE NEAL FOSTER, explained the changes in the CS from the Senate version to House version T:

The first change can be found on page 7, on line 19, AHFC Supplemental Housing Development, \$750,000 that was decremented in Senate has been restored. On Line 21, AHFC Teacher Housing and Public Safety Professionals Housing, the same \$750,000 that was decremented in the Senate has also been replaced. On Line 31, Alaska Marine Highway System (AMHS) vessel, there's a fund source change in the numbers section, page 11 and 12, and it changes the fund source from vessel replacement fund to general fund as was in the original version of the bill. Next page, page 8, line 4, Public and Community Transportation State Match \$1 million, this was removed in the Senate and replaced in this version.

[2:18:56 PM](#)

Mr. Labolle turned to page 49, line 10:

This is language having to do with the payment of settlements and judgements assessed to the state, that language was removed in the Senate version and replaced with line item appropriations of specific judgements and settlements. That line item appropriation was replaced with language in the governor's supplemental.

Representative Wilson asked why they went from more transparency to less.

Mr. Labolle replied there was one settlement that had been excluded in the line items, which was for Planned Parenthood. Legislative Legal Services preferred open-ended language in the event there were judgements and settlements that were unknown at the drafting of the bill.

Representative Wilson asked about the amount for Planned Parenthood.

Mr. Labolle replied \$1.1 million. The next change appeared on page 57, line 20.

The Senate had put in language to make an appropriation with Alaska Liquefied Natural Gas (AKLNG) project funds to the Department of Law for additional prosecuting attorneys. In our version of the bill we extended the effective years of the appropriation so it would include FY 18, FY 19 and FY 20.

[2:21:29 PM](#)

Representative Wilson asked if it would allow contracting out for attorneys.

Mr. Labolle was not sure.

ROB CARPENTER, ANALYST, LEGISLATIVE FINANCE DIVISION, did not know precisely; however, given the language stating "to hire additional prosecuting attorneys" that it would be in-house. He noted it would be a Legislative Legal Services question.

Vice-Chair Gara noted that the state had sometimes contracted out for defense attorneys at a lower rate, sometimes for civil attorneys, but had not contracted out for prosecutors.

Representative Wilson noted that she did not know whether it had been offered in light of the case backlog. She was curious about the timeline of three years versus one year. She could wait to hear from Legislative Legal Services.

[2:23:27 PM](#)

Mr. Labolle turned to the next change on page 57, line 30:

This is a reappropriation that funds the ASTAR [Arctic strategic transportation and resources] project and it reappropriates money from Department of Transportation and Public Facilities, Trunk Road (phase one) from the Department of Natural Resources for reservoir studies, North Slope and Cook Inlet; and from the Alaska Railroad for Tanana River bridge access, and the amount of that reappropriation was \$7.8 million.

Representative Wilson thought it looked like the "road to resources." She stated there was a lot of discussion of whether AIDEA [Alaska Industrial Development and Export

Authority] was going to fund that project. She asked if it was the same project. If so, she wondered what part of the project it would fund.

Mr. Labolle deferred to the department.

ED KING, SPECIAL ASSISTANT, DEPARTMENT OF NATURAL RESOURCES, answered the money was for the pre-engineering phase of the project. The money would be used to hire four people for contract work. He referred to the NPR-A [National Petroleum Reserve in Alaska]. Currently those activities were not permitted under the management plan of the NPR-A, but with the recent signature of U.S. Department of Interior Secretary Ryan Zinke the department could get the infrastructure into the areas. The design for the road was part of the process. The intent of the project was to connect multiple communities and to open access.

Representative Wilson asked if it would be a state maintained road or would be free of restrictions.

Mr. King answered they were in early stages of the project. Currently the department was leaning towards some form of revenue bonding by the borough to take on management of the road through arrangements with industry partners. They were not envisioning the road would be state-maintained.

Representative Wilson hoped if the money was put into the road that everyone would have access. Some of the monies were coming from the Tanana Bridge, which can be used by Fairbanks residents for a week or two each year for hunting purposes. She felt it was putting a lot of money into something that could not be utilized. She preferred something that all Alaskans could use.

[2:27:23 PM](#)

Mr. Labolle spoke to page 57, line 12:

This is Department of Public Safety language that the Senate put in for the hiring of additional state troopers. Similar to what we did with Department of Law we extended the fiscal years of that appropriation to include FY 18, FY 19 and FY 20.

Representative Guttenberg spoke to money taken out of the AKLNG project fund. He wondered if the committee could hear from the department regarding the impact of that decrement.

2:28:39 PM

AT EASE

2:30:20 PM

RECONVENED

Co-Chair Foster moved back to the changes in the bill while waiting for a representative from the administration.

Mr. Labolle addressed the Juneau Access project on page 59, line 8:

This is the Juneau Access Project. The original version of the bill reappropriated funds left in that project to the Alaska class ferry and to Northern Lynn Canal transportation improvements. The Senate removed those reappropriations and this reinserts the same reappropriations.

Co-Chair Foster noted that the Department of Law was online.

JOHN SKIDMORE, DIRECTOR, CRIMINAL DIVISION, DEPARTMENT OF LAW, was available for questions.

Vice-Chair Gara spoke to prosecutor positions. He asked whether, if \$5 million was split over a three-year period, it would suffice or whether they could make do with less.

Mr. Skidmore replied that the figures used by DOL were \$225,000 per attorney. He could not determine where the prosecutors would be placed until he had seen the resources appropriated by the legislature. He reminded the committee that the department had not requested additional funds, however, they would evaluate where those funds would be used if the money was allocated.

Vice-Chair Gara referred to the attorney cost. He calculated it was approximately seven or eight attorneys. He asked if it met the need.

Mr. Skidmore replied that in terms of the need - if there were additional funds appropriated, the department would

use funds to engage in additional prosecutions. It was difficult to specify the need. He believed they were currently prosecuting cases with 11 prosecutors, and as the positions had been reduced, they had reduced the number of prosecutions. He felt it was a subjective evaluation when it came to the number of prosecutions the state wanted to carry out.

[2:35:53 PM](#)

Vice-Chair Gara remarked that the department had lost about 11 prosecutors and the bill language would add about 7. He asked if the increment would be sufficient to prosecute more cases.

Mr. Skidmore answered that it would return the number of prosecutors to just below the level of about three years earlier. He added that during the same timeframe the state had been doing fewer prosecutions also because there had been fewer referrals from law enforcement. He did not have the data on hand. He believed the department would have the ability to do more prosecutions with more staff, but he did not believe it was necessary to return to the number of three years earlier.

[2:38:35 PM](#)

Representative Wilson spoke to the bill that specified "to hire prosecutors." She asked whether the department would only need it because some cases went on longer than others.

Mr. Skidmore answered that the department did not generally hire contractors for prosecution cases. The only time in which this would happen was for a very specific appeal or post-conviction relief in which there was an obvious limitation on the work required. He did not believe the department would; however, the department had found itself short-staffed on a number of occasions and in order to fill gaps due to family leave, DOL had contemplated bringing in former experienced prosecutors.

Representative Wilson asked if Mr. Skidmore was concerned that the increment would only last three years, and that hiring people may involve letting them go at the end of that period.

Mr. Skidmore answered in the affirmative and added that it would take considerable thought from management on how that would be addressed.

2:41:53 PM

Representative Neuman remarked he had concerns about appropriating leftover capital monies from capital projects for an operating budget increment. He discussed that in the past the funds had been used to receive federal matching funds for highway funds. He believed it could leave a considerable hole in the operating budget of \$500 million.

Representative Guttenberg found it frustrating to hear there were not enough referrals from the troopers. He thought it may be that more prosecutors without more troopers may be the cause. He spoke to a rise in burglaries in his district.

Mr. Skidmore responded in the affirmative. He spoke to the need for balance across the criminal justice system. He thought that in part it was due to a lack of deferrals; however, the percentage of referrals declined had increased due to a lack of prosecutors. If the referrals increased, the department would definitely need more prosecutors.

2:45:06 PM

Representative Guttenberg asked about the impact on the \$50 million allocation out of the AKLNG fund on the ongoing project negotiations and efforts to get gas to the market.

GENE THERRIAULT, DEPUTY DIRECTOR, STATEWIDE ENERGY POLICY DEVELOPMENT, ALASKA ENERGY AUTHORITY, DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT, replied that the loss of the funding would be severely detrimental to moving forward. He referred to a series of very positive meetings in Washington, D.C., and it was clear the loss of funding would put the brakes on the project.

Representative Guttenberg asked for more detail about conversations Mr. Therriault had in Washington, D.C. He asked at which level of personnel they were discussing the project.

Mr. Therriault answered they had met with federal Department of Transportation and with PHMSA - Pipeline and

Hazardous Materials Safety Administration, which would make determinations on the investments for infrastructure and could aid in managing the costs related to the project. Department of Interior Secretary Zinke had been in the state and had indicated the desire to develop more oil and gas on the North Slope, and the state needed infrastructure to get gas to market. They met with staff at the White House who were working on the president's infrastructure endeavors, specifically energy infrastructure and making it accessible to Alaska citizens and supporting military installations in Alaska. The CEO of Alaska Gasline Development Corporation (AGDC), Keith Meyer, had changed his travel plans in order to be present. He detailed it had been a full afternoon of meetings with various department secretaries. Vice-President Pence had opened proceedings. President Trump had heard the recommendations at the end of the meetings. He felt very positive about how the administration was viewing the project. He had met a number of agency personnel who had experience working in Alaska, so they understood the issues involved and were interested in ensuring there was appropriate latitude given to the project in regards to construction permitting. They had impressed upon the federal agencies that they would require appropriate resources to ensure the project went forward. The department was looking to advance Federal Energy Regulatory Commission (FERC) and regulatory components. They had come up with draft letters of intent. The major efforts were aimed at establishing whether the project could be regulated, financed, permitted, and whether there were customers. Once those components were established, the project could commence construction.

[2:52:44 PM](#)

Representative Guttenberg felt the project discussions had gotten pretty far down the road.

Representative Neuman asked how close the project was to establishing what the final cost was.

Mr. Therriault answered in the recent calendar year, a lot of money had been spent on engineering to get a better idea of costs. Previous calculations had been brought down to an upper number of \$43 billion, so it was still a project with significant cost. Going from three trains to two trains would drop the potential price dramatically. There would still be the same size pipeline, as there was still

interest in having the same capacity. The agency was examining the market demand to discover how it might impact the price.

Representative Neuman requested the information through the chair's office. He remarked that in going from three or possible four trains to two, there would be significant change in the costs.

[2:55:24 PM](#)

Vice-Chair Gara asked why the Trump Administration would want to help Alaska transport gas internationally.

Mr. Therriault answered it involved balance of trade, for example with China. He described meetings with the Chinese government and large energy purchasers, both in Alaska and in China.

Vice-Chair Gara asked how much money was still available.

Mr. Therriault answered there was \$102 million at the beginning of the calendar year. The rest of FY 17 was drawn from for the effort with FERC. It involved a larger expenditure at the beginning of the fiscal year then tapered off near the end of FY 18.

Vice-Chair Gara asked for verification the plan was to use all of the available funds through FY 18.

Mr. Therriault replied in the affirmative.

Vice-Chair Gara asked whether the permitting work could be used a few years down the road.

Mr. Therriault answered that the approval by FERC and based on his experience working at Alaska Energy Authority (AEA) there were some FERC permits for hydro projects that could be extended, which was not unusual. The agency believed the project worked even at the current prices. It was felt there was \$1 billion of free cash flow just from operating the components of the infrastructure, and additionally the state would be selling gas molecules.

[3:00:15 PM](#)

Vice-Chair Gara had been skeptical that at current prices the state could profit. He queried whether the money spent would disappear as the price was so low and whether the money was well spent at the present time if the price was higher in five or six years.

Mr. Therriault deferred to Mr. Richards.

FRANK RICHARDS, SENIOR VICE PRESIDENT, ALASKA GASLINE DEVELOPMENT CORPORATION (AGDC) (via teleconference), stated his understanding of the question.

Vice-Chair Gara restated his question.

Mr. Richards replied the FERC process was for an environmental impact statement. It was said there were 50,000 pages of environmental, safety, reliability and engineering data. Once FERC made the determination, the normal timeframe for developing gas was about 18 months. The agency had specifically asked that they complete the process by the end of 2018. If approval were received by December 31, 2018, the document would remain viable until 2023. If construction did not begin immediately, the document would stay active for three to five years. After that, if FERC saw that there was no construction, it would ask for a refresh of the data.

[3:04:26 PM](#)

Co-Chair Seaton stated it had been generally described as a FERC license. He referred to the \$102 million and asked if it would take the project to a FERC license or to a number of other unanswered questions before the project could begin.

Mr. Therriault deferred to Mr. Richards.

Mr. Richards answered that the budget presented to the board for FY 17 and FY 18 was the anticipated cost to advance to the FERC process. Currently there was a very sound environmental document before FERC. The information should be able to answer most of the questions. If there was an additional request for wetlands data, that could be carried out in the field in a timely fashion. The goal was to remain within the funds appropriated in FY 17 and FY 18 expenditure.

Co-Chair Seaton asked for clarification of whether the agency did or did not anticipate additional questions that would extend the process.

Mr. Richards did not know what was in the minds of the regulators, but there would be questions. He believed the questions that were brought forward could be answered with the funds available.

Mr. Therriault added that the meetings and positive reception had been surprising. Although there would be questions, the departments were not supposed to use the permitting process to grind projects to a halt. He believed available dollars could be stretched to complete the process.

Representative Pruitt asked whether during the meetings in Washington, D.C., there was discussion not only of the Alaska project, but many projects.

Mr. Therriault replied in the affirmative. He detailed it had been clear it had not been to focus on particular projects; however, as they talked about mechanisms that could be used, it was implied that if presenters wanted to use their project to highlight how a mechanism would be beneficial, there would be that opportunity.

[3:10:19 PM](#)

Representative Pruitt was trying to understand whether there was a consensus that the administration was fully with the state.

Mr. Therriault answered that the summit at the White House had been a discussion about incentivizing infrastructure investment. While that had been very positive, the meetings with the personnel in the agencies had been the most productive. They all knew that the administration had a focus on infrastructure and that their agencies were supposed to use flexibility to get things through the process.

[3:12:45 PM](#)

Mr. Labolle asked members to return to page 52 of the bill, line 24 was the fiscal note adjustment associated with passage of the Real ID Act.

Representative Pruitt stated that the above-mentioned line was regarding the Alaska Housing Finance Corporation.

Mr. Labolle clarified he was referring to Section 24, line 28.

Mr. Labolle turned to page 55, line 28:

This is a reappropriation from the Knik Arm crossing and environmental impact statement and from DMVA deferred maintenance projects arming facilities to the Department of Education.

It continues on to the next page where it lists the Department of Military and Veterans Affairs deferred maintenance projects and it reappropriates that to the Department of Education for construction of the Kivalina K-12 replacement. The amount of that appropriation is approximately \$7 million and that is the amount that is short in the original estimate in for the construction of that school associated with the Kasayulie case.

[3:15:18 PM](#)

Representative Pruitt asked how much of the \$7.1 million was coming from funding for the Knik Arm Project and how much was from the Army Guard portion.

Mr. Labolle clarified that \$5 million was coming from the Knik Arm Project and the remaining \$2.1 million coming from DMVA.

Representative Pruitt asked whether it was for the road or for the school. Mr. Labolle responded it was for the school.

Representative Pruitt asked about the road funding.

Mr. Labolle deferred to Mr. Carpenter.

Mr. Carpenter asked Representative Pruitt to repeat his question.

Representative Pruitt asked whether there was still going to be a need for money in the future for the road. He thought \$8 million was needed for the road project.

Mr. Carpenter responded that the amount for the road was upwards of \$54 million. He added that this money completed what was required to fulfill Kasayulie case to build the Kivalina School.

Representative Pruitt asked what had changed resulting in the need for an additional \$7 million.

Mr. Carpenter answered that it was a timing issue. The amount in the settlement was determined, then a new CIP [Capital Improvement Project] priority report came out subsequently with higher amounts. Even though the settlement gave a certain number, it was determined that the state was still liable for the additional amount subsequently.

Representative Pruitt asked if it was expected that all obligations would be fulfilled within a relatively short time.

Mr. Carpenter believed the amount fulfilled the obligation. He remarked there was nothing eminent because the road had to be built prior to its construction. He would defer to DOT [Alaska Department of Transportation] on that issue.

Representative Pruitt asked about appropriations being necessary at the current time, and whether the costs would increase over time, given that there was no current timeline.

Co-Chair Foster asked if Department of Education and Early Development (DEED) could become available for questions.

[3:21:07 PM](#)

Representative Tilton asked about required follow-through regarding the Knik Arm Project and whether any monies would have to be returned to the federal government.

Mr. Carpenter believed no money would have to be returned. He thought it would be a good idea to hear from DOT.

Representative Neuman asked about the total cost of the school and the road. He also asked about the number of students that would attend the school.

Mr. Labolle responded \$45 million for the school and then later \$7 million was added to the assessment. The cost of the road was approximately \$57 million. He deferred to DEED for the number of students.

Representative Neuman confirmed that the total was around \$110 million and reiterated his interest in receiving student numbers.

Mr. Labolle replied in the affirmative.

[3:23:24 PM](#)

MIKE VIGUE, DIRECTOR OF PROGRAM DEVELOPMENT, DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES, replied to Representative Tilton's question regarding monies returned to the federal government and stated that there would be no requirement to re-pay money for that project.

Representative Pruitt asked whether there was federal participation in the road project and what the timeline was for the school construction.

Mr. Vigue answered the department was currently using federal highway funds to complete an EIS [environmental impact study] in collaboration with the borough. He would find out what the schedule was but the design could not be completed until the NEPA [National Environmental Policy Act] document was completed.

Representative Pruitt asked about the typical timeframe and expectation of the design after that phase.

Mr. Vigue replied there were numerous variables that would dictate the timeframe. Typically it would take a couple of years, but this would assume that permitting was immediate.

Representative Pruitt stated the road would not be completed for several years and he believed the school could not begin construction until the road was complete. He asked for confirmation that it would take anywhere from two to ten years to complete.

Mr. Vigue answered in the affirmative.

3:27:22 PM

Representative Neuman asked what authority DOT had to use federal highway funds for the road project to the school.

Mr. Vigue answered that the department was allowed to use apportionments from the Federal Highway Administration on any public road in the state of Alaska. It was not unusual to use such fund to build the road.

Representative Wilson stated the school was in a unique position with the road issue. She asked whether there was a problem of violations as the state could not build the school until the road was built.

HEIDI TESHNER, DIRECTOR, SCHOOL FINANCE AND FACILITIES, DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT (via teleconference), replied there had been conversations with the borough and the school district. It seemed the road piece was moving forward so that construction on the school could commence.

Representative Wilson asked whether the amount of money named was to avoid problems with the court case.

Ms. Teshner asked for verification she was referring to the \$7.1 million.

Representative Wilson was talking more broadly than the \$7.1 million. She asked what the exact figure was for the project.

Ms. Teshner responded that the full amount was almost \$63 million to build the school, and that \$7.1 million was in addition to the \$43 million already given. The understanding was that this was the full amount required and no more would be asked for.

Representative Wilson thought it meant they were \$13 million short.

Mr. Carpenter thought she had said \$53 million total.

Ms. Teshner clarified that she had meant \$63 million.

Representative Wilson asked for a firm number so that the school would be fully funded and the state would be in compliance.

Mr. Carpenter asked Ms. Teshner whether she was including the local match.

3:33:02 PM

AT EASE

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RECONVENED

Co-Chair Foster referred to a letter from the administration pertaining to the Kivalina School.

Representative Wilson noted the letter was currently being copied for members.

Co-Chair Foster thought the final number had been reached.

Representative Wilson explained they were capital improvement funds and there was a 20 percent match required by the borough, which added up to the \$63 million figure. There was a difference between the state and borough share.

Vice-Chair Gara asked for verification that the road had not been funded in the past.

Mr. Labolle replied that the road had not been funded. He could not guarantee the appropriation would fund the construction of the road.

Vice-Chair Gara asked about the Alaska State Trooper appropriation.

Co-Chair Foster noted the issue was separate.

PAT PITNEY, DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET, OFFICE OF THE GOVERNOR, addressed a letter from the administration related to the Kivalina School [addressed to Senator Anna MacKinnon from the Department of Law, related to the Kasayulie v State case, dated April 9, 2015, (copy on file)]. She stated that making the appropriation cleaned up the obligation from the state for the settlement.

Representative Wilson read from page 2 of the letter:

...another possibility that we believe fully complies with the consent decree would be an appropriation, effective no later than July 1, 2015, in the amount of \$50,475,822. The sum of \$50,475,822 represents the total current eligible amount the Kivalina School could receive, minus the Northwest Arctic Borough's participating share.

She believed it would be the best the legislature would receive in terms of a guarantee. She highlighted that the road was not part of it.

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Representative Ortiz asked about the current situation with the students in the Kivalina region. He asked where they currently attended school.

Ms. Teshner replied the students were continuing to attend school at the existing facility. There were approximately 56 unhoused students.

Representative Pruitt asked for clarification.

Ms. Teshner answered that at the time of the original application the Kivalina School had about 56 unhoused students which meant that there had not been enough room. They were attending, but they were over capacity, so considered unhoused. Hence the need for a replacement school.

Representative Wilson shared that she had been to Kivalina and the school had to use outbuildings. There was another legal memorandum dated April 13, 2016, and within it the November 2013 CIP priority list. She remarked that if the required amount was growing by \$7 million every two or three years, it was pretty alarming. She would distribute the document to members.

[3:59:12 PM](#)

Vice-Chair Gara spoke to two increases in the Senate capital budget. He spoke to an increment related to state troopers. He asked for verification the operating budget contained funds for 20 trooper positions that had not been filled.

Ms. Pitney replied in the affirmative. The state was having difficulty with trooper recruitment and retention. Once all positions were filled, the administration would be happy to request additional funds for troopers.

Vice-Chair Gara did not realize there were 20 unfilled trooper positions. He mentioned a new 6 percent increase in the trooper labor contract in the current year. He asked if the state would still have the ability to hire the additional positions.

Ms. Pitney answered there was sufficient funding to hire for the positions. She added that there had recently been a trooper graduation with only five graduates. The funding was available and it would take time to hire new troopers.

Vice-Chair Gara asked if Ms. Pitney could confirm in writing that there was funding for 20 or however many positions in order to have an informed discussion on the House floor.

Ms. Pitney complied.

Representative Wilson asked if the state library was bonded or had been paid for in full with different appropriations.

Ms. Pitney replied it had been a GO [general obligation] bond appropriation in 2012.

Representative Wilson spoke to numerous reappropriations. She wondered why they were not paying off the bond debt instead of reappropriating funds.

Ms. Pitney answered there was a combination, but the bulk was GO bonded.

Representative Wilson remarked there was still had debt.

Representative Ortiz asked for verification there were numerous vacant Village Public Safety Officer (VPSO) positions. He asked if there was funding available for those as well.

Ms. Pitney spoke to recruitment challenges with VPSO positions. She stated that the Department of Public Safety (DPS) was working on that challenge.

4:04:29 PM

Mr. Labolle turned to page 76, line 12:

This is for the Alaska class ferry. It's a reappropriation for \$1.2 million that was set aside for art in the original appropriation and that was being reappropriated to the Alaska class ferries for equipment.

Representative Wilson asked if it meant money originally for artwork could be used for other purposes.

Mr. Labolle answered that the reappropriation had been requested by the department.

BRIAN FECHTER, ANALYST, OFFICE OF MANAGEMENT AND BUDGET, explained that in statute 1 percent of the value of facilities had to be spent for art. As the M/V Taku was being decommissioned, the art on the ferry could be moved elsewhere.

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Representative Wilson asked if the same principle could be applied to other buildings.

Mr. Fechter stated it would require special language but art that was not displayed could be used that way.

Representative Wilson hoped to utilize the money for library books and other needs.

Mr. Labolle advanced to page 76, line 20:

This is language that allows the department to backfill the federal highway match if reappropriations made in this bill did not equal the \$58 million originally appropriated in the governor's budget. So, Representative Wilson earlier mentioned there being a number of appropriations in this budget. The Senate version of the bill took numerous - over 100 - appropriations to offset general funds that were in the original version of the bill. Another item to discuss ties into that, which is several of those reappropriations were either not available or the

amount of money was incorrect and we've made that technical fix in the bill as well, though you won't see it because you can't show something that's not there, so going through that process and finding out ok, well we've identified these approximately 25 reappropriations that are not available or the amounts were incorrect, so this language is in there in case any of those remaining appropriations were also not available or the amounts were not correct.

Representative Wilson asked if they were backfilling it with general funds.

Mr. Labolle replied in the affirmative.

Representative Wilson asked if DOT was required to use the money only for match.

Mr. Labolle replied in the affirmative - it specified federal highway match. He moved to the next change on the same page:

This is, again, the reappropriation of the Alaska Liquefied Natural Gas project and it's \$25 million. The Senate version appropriated that to the Public School Trust Fund. We changed that language and appropriated it to the Public Education Fund.

Representative Ortiz asked if it had been part of the \$50 million appropriation.

[4:10:27 PM](#)

Mr. Labolle replied that it was \$25 million and that it was indeed part of the \$50 million appropriation.

Representative Wilson thought they had skipped a \$10 million appropriation for road maintenance and plowing.

Mr. Labolle noted no change had been made to the provision.

Representative Wilson requested to hear from the department. She asked how DOT was planning on utilizing the funds.

Mr. Vigue answered that the \$10 million would be used for items which were not typically federally funded. He

specified that federal funds could not be used for potholes and similar maintenance items.

Representative Wilson asked if the department had maintenance lists for those things which required state money.

Mr. Vigue replied that DOT had a long list of deferred maintenance needs. He would ensure that it was provided to the legislature.

Representative Wilson asked whether there would be new hires to accomplish this or whether the money would be utilized for materials.

Mr. Vigue answered the money would be for current crew and for commodities.

[4:13:12 PM](#)

Mr. Labolle addressed the last change - the House version removed the \$288 million appropriation from the Statutory Budget Reserve (SBR) to the oil and gas tax credit fund.

Representative Neuman asked for the page number. Mr. Labolle replied that it had been removed from the bill.

Representative Neuman asked for a repeat of the information. Mr. Labolle complied.

Representative Pruitt asked where that left the state's remaining obligation. Mr. Labolle replied that it was approximately \$1 billion.

Representative Neuman asked if \$288 million remained in the SBR. Mr. Labolle replied in the affirmative.

[4:14:56 PM](#)

Representative Wilson asked about the difference between the Public School Trust Fund and the Public Education Fund.

Mr. Labolle replied that the trust fund put out money used for education versus the public education fund that directly paid for the Base Student Allocation (BSA).

Ms. Teshner asked for clarification on the question.

Representative Wilson spoke to the funding change from the Public School Trust Fund to the Public Education Fund. She wanted to know the difference was between the two funds.

Ms. Teshner replied that the public school trust fund was managed by DOR and had to do with income from the sale or lease of land through an act of Congress. The education fund was the mechanism paying for the BSA and pupil transportation.

Co-Chair Foster asked for verification the BSA was paid out of that.

Ms. Teshner replied in the affirmative.

Representative Wilson asked for verification that funds were not typically put into the trust fund, only into the education fund.

Ms. Teshner answered in the affirmative. She detailed the trust was the investment, used to help pay for the foundation program.

[4:17:31 PM](#)

Representative Neuman believed when the federal government gave Alaska its portion of federal lands, part of that money went into the "Public Trust School Education Fund."

Representative Pruitt asked about reappropriation language very similar to what had originally been in the governor's budget related to the Juneau Access project. He believed the governor was not opposed to Senate language that removed the item from the budget. He asked for detail.

Ms. Pitney answered that the governor was not opposed to the Senate's action. The Senate left the funding in the project.

Representative Pruitt noted the funds were intended to match other federal money. He asked for the total project cost.

Ms. Pitney believed the total project cost was estimated at \$550 million - others had estimated it would be \$750 million. It did not impact the federal matching funds.

4:20:31 PM

Representative Pruitt clarified that no additional money was needed. He asked for confirmation that state's obligation was complete and the reset would be fulfilled by federal money.

Ms. Pitney responded it depended on the total project cost. Through the highway process, the selection of the no-build option had been submitted.

Representative Pruitt stated that the City of Juneau and City Assembly had recently passed a resolution of support for the project that had been sent to the governor.

Ms. Pitney replied that the governor understood that the City of Juneau was in support of the project.

Vice-Chair Gara verified that adding the Juneau Access project would not increase the amount of federal funding coming in.

Ms. Pitney replied in the affirmative.

Vice-Chair Gara surmised in the future a future Juneau access road would take federal funds away from another project.

Ms. Pitney answered in the affirmative.

Vice-Chair Gara asked for verification that the governor had not been planning on spending funds on the project in the current year because the project had been put on halt.

Ms. Pitney answered in the affirmative.

Vice-Chair Gara surmised if the money were put back in the fund, that project would still be on halt.

Ms. Pitney answered it would take a reopening of the project and review, which would take a considerable amount of time. The money was to stay in the bank with that project name on it.

Representative Neuman thought there had been some misinformation stated. He spoke to the Juneau Access

project and the Knik Arm Bridge project. He had submitted letters to the governor from the then DOT commissioner and the chief planner, Mr. Otteson, both stating there would be no issue of losing federal funding at the time for other state projects. The Statewide Transportation Improvement Program (STIP) would be re-evaluated but would not remove funds from any project in the state.

Representative Pruitt wanted to confirm there was not another \$500 million project the funds would be moved to. He stated there were not that many large project so this would impact federal funds.

[4:25:12 PM](#)

Co-Chair Seaton asked about the approximate size of the STIP. He wondered if it was large enough to absorb any funds in the project.

Ms. Pitney answered that her colleague Mr. Vigue had to ensure projects were moving and that more were in the pipeline. The department planned not to have any available federal funds not utilized in the state.

Representative Pruitt countered there were a limited number of projects for which federal funds were available.

Ms. Pitney answered there were more projects on the planning list for transportation than there was federal funding available. The department consciously maintained a larger list in the event a project higher on the list ran into problems. There were enough priorities to utilize federal funds for the timeframe of the STIP, which was a six-year outlook.

[4:27:25 PM](#)

Representative Wilson asked LFD for the amounts in the Public Education Fund and in the trust fund.

Co-Chair Foster noted the committee would recess prior to taking up amendments.

Representative Pruitt asked whether there would be flexibility regarding format and submission of conceptual amendments.

Co-Chair Foster responded there had been amendments submitted to a prior version of the bill and whether they would match up would be addressed by Legislative Legal Services.

Representative Pruitt explained there were several substantial changes in the CS. He believed there were members with concerns about having amendments prepared to meet the timeframe.

[4:30:43 PM](#)

Co-Chair Foster stated there were currently four amendments. He understood the timeline was very short and would allow amendments up until 2 p.m.

[4:31:14 PM](#)

AT EASE

[4:36:00 PM](#)

RECONVENED

Co-Chair Foster noted the meeting would recess to address some of the issues discussed during the meeting.

[4:36:20 PM](#)

RECESSED

[10:04:11 PM](#)

RECONVENED

Co-Chair Foster relayed the meeting would recess until 2:00 p.m. the following day.

Co-Chair Seaton relayed that the committee was waiting on the drafting of amendments.

[Note: Meeting Reconvened the following day, see separate minutes document dated June 11, 2017 at 2:00 p.m. for detail.]

#

[10:04:57 PM](#)

RECESSED

