

SENATE FINANCE COMMITTEE

April 10, 2017

9:01 a.m.

9:01:39 AM

CALL TO ORDER

Co-Chair MacKinnon called the Senate Finance Committee meeting to order at 9:01 a.m.

MEMBERS PRESENT

Senator Lyman Hoffman, Co-Chair  
Senator Anna MacKinnon, Co-Chair  
Senator Click Bishop, Vice-Chair  
Senator Mike Dunleavy  
Senator Peter Micciche  
Senator Donny Olson  
Senator Natasha von Imhof

MEMBERS ABSENT

None

ALSO PRESENT

Laura Cramer, Staff, Senator Anna MacKinnon; Representative Sam Kito; Senator Bert Stedman, Sponsor; Wyn Meneffe, Deputy Director, Land Office, Alaska Mental Health Trust Authority.

PRESENT VIA TELECONFERENCE

Jon Bolling, City Administrator, City of Craig, Craig; David Landis, Mayor of Ketchikan, Ketchikan; Owen Graham, Executive Director, Alaska Forest Association, Ketchikan.

SUMMARY

SB 88 AK MENTAL HEALTH TRUST LAND EXCHANGE

SB 88 was HEARD and HELD in committee for further consideration.

SB 108 MEDICAL LICENSING/STATE MEDICAL BOARD

SB 108 was HEARD and HELD in committee for further consideration.

#sb107

SENATE BILL NO. 107

"An Act relating to the Alaska capital income fund."

9:02:47 AM

LAURA CRAMER, STAFF, SENATOR ANNA MACKINNON, stated that the legislation changed the purpose of the Alaska capital income fund. The legislation would change the fund to a deferred maintenance fund.

Senator Dunleavy surmised that the legislation would create a designated fund. Ms. Cramer replied that the funds would not be required to be spent on deferred maintenance.

Senator Dunleavy understood that future legislatures could determine how the funds were spent. Ms. Cramer agreed.

Co-Chair MacKinnon noted that the legislation was a Senate Finance Committee bill. She stated that there was never a designated a funding stream in the past. She stated that the bill only had six lines and one section.

Senator von Imhof queried the process for determining which projects received funding. She remarked that the Alaska Capital Income Fund was created in 2006, and received an annual deposit of earnings. She queried the amount of the annual deposit, and the process for determining how those funds were spent. Ms. Cramer replied that the annual deposit was between \$23 million and \$26 million. She stated that the total amount in the fund was \$423 million. She explained that deferred maintenance requests came from the department agencies through Office of Management and Budget (OMB), and were submitted in the governor's annual proposed budget.

Senator Micciche queried the typical "spinoff" in revenue from the fund. Co-Chair MacKinnon replied that it was between \$23 million to \$26 million, depending on investment returns.

9:07:04 AM

Vice-Chair Bishop stated that the fund was generated by the Amerada Hess Settlement funds. Ms. Cramer agreed.

Vice-Chair Bishop stated that the interest generated in the overview was from the Amerada Hess Settlement. Ms. Cramer replied in the affirmative and explained that that the fund was \$422 million, and generated approximately \$23 million to \$26 million annually.

Vice-Chair Bishop remarked that it was a simple concept. He felt that the legislation was a way to save money.

Senator Dunleavy wondered whether the income stream would replace any deferred maintenance money, or was it supplemental. Ms. Cramer replied that she felt the fund would add to the available funds.

[9:10:09 AM](#)

Senator Dunleavy felt that there should be a schedule about how and when buildings were abandoned. He wanted a plan with the legislation to determine how the fund was utilized, because of the high number of deferred maintenance fees.

Co-Chair MacKinnon stated that the bill did not add funds, because the funds already exists. She stated that the funds were already available. She explained that the outside credit agencies would see that there was an investment in deferred maintenance. She stressed that future legislatures would be able to use the funds as they saw fit. She remarked that every agency had their own system of prioritization and selling their properties. Ms. Cramer furthered that the legislation would provide a consistent funding stream that was not currently available. She remarked that OMB was working through a process with the agencies to better prioritize deferred maintenance needs.

Senator Micciche felt that the fund did not provide more money, but rather was the "first money" for deferred maintenance.

[9:15:00 AM](#)

Senator von Imhof stated that the initial purpose of the fund was for "any public purpose", and the purpose was changed to "deferred and preventative maintenance." She

remarked that it was "okay" to create a guaranteed revenue stream to incentivize deferred maintenance.

Senator Olson wondered whether there would be a change in the prioritization of major maintenance. Ms. Cramer replied that the legislation did not change the process that deferred maintenance projects were submitted; it simply provided a funding source.

Senator Olson remarked that there was an attempt to move deferred maintenance to the capital budget. He wondered whether there were other assets besides buildings or assets that would be considered for maintenance that were not on the list. Ms. Cramer replied in the negative.

Ms. Cramer addressed the zero fiscal note.

Co-Chair MacKinnon CLOSED public testimony.

Co-Chair MacKinnon stated that amendments were due by 5pm the following day.

SB 107 was HEARD and HELD in committee for further consideration.

[9:19:40 AM](#)

AT EASE

[9:21:50 AM](#)

RECONVENED

#sb88

SENATE BILL NO. 88

"An Act authorizing a land exchange with the federal government in which certain Alaska mental health trust land is exchanged for certain national forest land and relating to the costs of the exchange; and providing for an effective date."

[9:22:13 AM](#)

SENATOR BERT STEDMAN, SPONSOR, introduced the bill.

Senator Stedman discussed the Sectional Analysis (copy on file):

Section 1. Describes the purpose of the legislation:

1. Authorize the Department of Natural Resources, who is acting on behalf of the Alaska Mental Health Trust Authority, to exchange mental health trust land with land of equal value from the United States Forest Service;
2. Assist the Alaska Mental Health Trust Authority in achieving its goals, one of which is to increase trust revenue;
3. Contribute to the economic health of Southeast Alaskan communities; and,
4. Preserve land adjacent to communities of Ketchikan, Petersburg, Wrangell, Sitka, Juneau, and Meyers Chuck

Section 2. Details the process of the exchange in which parties are subject to the provisions of the Alaska Mental Health Trust Land Exchange Act of 2017 instead of AS 38.05.801, AS 38.50, or any other law; details the roles necessary for each party and the costs assumed by each party.

Section 3. Details the affected lands of approximately 18,258 acres of mental health trust land and approximately 20,580 acres of United States Forest Service land, as well as defines the maps used.

Section 4. Provides a timeline for the exchange and prioritizes the order in which lands described in Section 3 will be exchanged.

Section 5. Provides a process in which the Department of Natural Resources and the United States Secretary of Agriculture will equalize the exchange if there are differences in total value after the final appraisal.

Section 6. Provides the circumstances and actions that need to occur to allow this Act to be made effective.

Section 7. Provides an effective date.

[9:31:49 AM](#)

Co-Chair Hoffman queried reconciliation of the acres described in the testimony versus the written acreage in Section 3.

[9:32:10 AM](#)

AT EASE

[9:33:04 AM](#)

RECONVENED

[9:33:15 AM](#)

Senator Stedman remarked that the numbers in the sectional analysis were slightly inaccurate, because there was an exclusion on the federal level of an island that was not included in the exchange. He stated that the language in the bill was correct.

Co-Chair MacKinnon looked at page 3 of the bill, the acres that may be exchanged for federal land was 18,258.

Vice-Chair Bishop queried the diameter of the 200-year old second growth trees. Senator Stedman replied with a gesture. He announced that it was a valuable standing second growth.

Vice-Chair Bishop remarked that the "cut line" may not even be noticeable. Senator Stedman agreed.

Senator Micciche wondered if there was a compromise for community growth by trading the land to the federal government. Senator Stedman replied that the vast majority of the land in the exchange was subject to the platting authority of the boroughs. The communities were concerned about their ability to expand for future generations. He stated that the communities supported the land exchange.

[9:39:18 AM](#)

Senator Olson queried the number of corporations and native allotments were affected by the legislation. Senator Stedman replied that he was not aware of any impact on the allotments or lack of support from the regional corporations. He felt that the Alaska Mental Health Trust Authority (AMHTA) may provide further information.

Co-Chair MacKinnon looked at page 3, line 7, and queried a definition of "KARSTA Areas." Senator Stedman replied that definition protected the below ground fish streams.

Co-Chair MacKinnon noted that the total acreage did not add up accurately. She also looked at page 6, line 13, and read, "subject to Section 5 of this act, if the United States Secretary of Agriculture has conveyed the parcels of federal land described in Section 13(b) to the Alaska Mental Health Trust Authority, the Department of Natural Resources shall convey the parcels of trust land described in Section 3." She remarked that the totals did not add up to the shifted acreage. She noted that the current AMHTA land to be traded was 15,674 acres, but noted that Section 13(b) totaled 18,180 acres. She queried the reason for the difference. She wondered why the acreage was not covered. Senator Stedman deferred to AMHTA.

Co-Chair MacKinnon remarked that there was a difference in the land sizes. Senator Stedman replied that it was important to recheck the land sizes.

[9:46:06 AM](#)

WYN MENEFFE, DEPUTY DIRECTOR, LAND OFFICE, ALASKA MENTAL HEALTH TRUST AUTHORITY, discussed the presentation, "The Alaska Mental Health Trust" (copy on file).

Mr. Meneffe looked at slide 1:

- A perpetual trust using its resources to ensure a comprehensive integrated mental health program in Alaska.
- Funding programs that serve Alaska's most vulnerable populations for the past two decades.
- Providing programs for mental illnesses, developmental disabilities, Alzheimer's disease and related dementias, traumatic brain injuries and substance abuse disorders.

Mr. Meneffe highlighted slide 2, "The Trust Land Office":

Manages the Trust owned land and resources to generate revenue, used by the Trust to improve the lives of the beneficiaries.

Our Mission: to protect and enhance the value of Alaska Mental Health Trust lands.

Mr. Meneffe addressed slide 3, "Trust Management Principles":

1. Maximize long-term revenue and productivity from trust land
2. Protect corpus
3. Encourage diverse revenue-producing uses of trust land
4. Manage trust land prudently, efficiently and with accountability to the trust and its beneficiaries

Mr. Meneffe discussed slide 4, "Land Distribution." He remarked that the trust was not disposing all its assets. He stressed that there was still land available for development.

[9:50:24 AM](#)

Mr. Meneffe looked at slide 5, "Land Exchange Details":

17,341 acres of Trust lands adjacent to the communities of Ketchikan, Wrangell, Petersburg, Sitka and Juneau would be transferred to the USFS

20,580 acres of remote land on Prince of Wales Island and Shelter Cove would be transferred to the Trust for development and timber harvest

Equal value exchange

Phase I complete in 1 year and Phase II in 2 years

Mr. Meneffe displayed slide 6, "Trust Land To Be Exchanged in Southeast Alaska; National Service Land to be Exchanged." He outlined the details of the map. The areas were removed from the communities, and eliminated some concerns about logging the lands.

Mr. Meneffe highlighted slide 7, "Land Exchange Benefits":

Consolidates Trust land ownership

Replaces lands adjacent to communities with lands that are more conducive to revenue production such as from timber harvest

Protects timber and tourism industries

Protects jobs and economies in SE Alaska

Protects viewsheds, watersheds, and certain old growth timber stands

[9:55:15 AM](#)

Mr. Meneffe addressed slide 8, "Why Now?":

Result of 10 years of planning and public input

Extensive negotiations with USFS

Addressing concerns from conservation groups and other interests

USFS timber supplies have dwindled

Timber industry, a key revenue generator for the Trust, is at risk because of low timber supply

Vice-Chair Bishop looked at slide 7, and remarked that it was important to maintain a workforce. He stressed that the timber industry was a year-round industry.

Co-Chair Hoffman queried the status of all the native land selections in Southeast Alaska. Mr. Meneffe replied that the bill did not affect the native corporation lands.

Co-Chair Hoffman wondered whether there were still negotiations. Mr. Meneffe responded there were some native allotments that were unresolved, but there were no native allotments in the exchange.

Mr. Meneffe discussed slide 9, "USFS Forest Plan." He stated that the map was a representation of the U.S. Forest Service Dilemma. He remarked that there were many designations that prevented timber harvest.

Mr. Meneffe addressed slide 10, "Federal Legislation":

- S. 131 introduced by Senator Murkowski and Sullivan in January 2017
- HR. 513 introduced by Representative Young in January 2017
- Language compatible with SB 88 and HB 155
- Directs the USFS to complete the exchange

[10:00:55 AM](#)

Mr. Meneffe remarked that there were many supporters of the bill. He stressed that the exchange was a positive revenue generating exchange. The provision was timely, because the timber industry needed the timber immediately.

Co-Chair Hoffman queried the positive impact of the exchange from the U.S. Forest Service viewpoint. Mr. Meneffe replied that the U.S. Forest Service saw the legislation as "buffering their landholdings." He stated that they did not like to be adjacent to private lands, because of trespassing issues. He remarked that the U.S. Forest Service wanted land that provided recreational opportunities. He stated that the U.S. Forest Service had become a recreation management organization, more than a timber agency.

Co-Chair MacKinnon OPENED public testimony.

[10:03:35 AM](#)

JON BOLLING, CITY ADMINISTRATOR, CITY OF CRAIG, CRAIG (via teleconference), spoke in support of the bill.

[10:07:02 AM](#)

DAVID LANDIS, MAYOR OF KETCHIKAN, KETCHIKAN (via teleconference), testified in support of the legislation.

[10:09:27 AM](#)

OWEN GRAHAM, EXECUTIVE DIRECTOR, ALASKA FOREST ASSOCIATION, KETCHIKAN (via teleconference), spoke in support of the legislation.

Co-Chair MacKinnon CLOSED public testimony.

[10:12:03 AM](#)

Vice-Chair Bishop discussed the fiscal note.

Co-Chair MacKinnon announced that amendments were due the following day by 5pm. She discussed the afternoon meeting agenda.

SB 88 was HEARD and HELD in committee for further consideration.

Senator Dunleavy shared that there was a concern about a line item in the budget that there be a mandate to close two pioneer homes. He wanted clarification on that issue.

[10:14:48 AM](#)

AT EASE

[10:15:53 AM](#)

RECONVENED

In response to a question from Senator Dunleavy, Co-Chair MacKinnon stated that the budget identified the largest areas where UGF were utilized in departments. She shared that the Pioneer Home had large UGF spending. She remarked that there were also two sections that allowed administrations to move those allocations for cuts. She stated that it was up to the administration to send notice, but that there was continual discussion on the budget.

Senator Dunleavy surmised that the budget had reductions, but did not specifically target the pioneer homes. Co-Chair MacKinnon replied that she did not draft the operating budget. She shared that she had been told that, "if the department chooses to take the entire the reduction from the Pioneer Home, that was the choice of the department."

#

ADJOURNMENT

[10:18:51 AM](#)

The meeting was adjourned at 10:18 a.m.