

SENATE FINANCE COMMITTEE

April 11, 2017

8:58 a.m.

8:58:00 AM

CALL TO ORDER

Co-Chair MacKinnon called the Senate Finance Committee meeting to order at 8:58 a.m.

MEMBERS PRESENT

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

MEMBERS ABSENT

Senator Mike Dunleavy

ALSO PRESENT

Miles Baker, Associate Vice President, Government Relations, University of Alaska.

PRESENT VIA TELECONFERENCE

Greg Meissner, Harbormaster, Wrangell Harbor Department, Wrangell; Clay Hammer, Chair, Wrangell Port Commission, Wrangell; Carol Rushmore, Acting Borough Manager, Wrangell; Jodi Mitchell, CEO, Inside Passage Electric Cooperative, Juneau; Peter Mjos, Self, Anchorage; David Krause, Self/The Wilderness Society, Anchorage; William Harrington, Self, Anchorage; Chris Reitan, Superintendent, Galena City School District, Galena.

SUMMARY

SB 23 APPROP: CAPITAL BUDGET

SB 23 was HEARD and HELD in committee for further consideration.

SB 107 ALASKA CAPITAL INCOME FUND

SB 107 was REPORTED out of committee with a "do pass" recommendation and with one new zero fiscal note from the Senate Finance Committee.

#sb107

SENATE BILL NO. 107

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

[8:59:09 AM](#)

Vice-Chair Bishop MOVED to REPORT SB 107 with individual recommendation and attached fiscal note.

SB 107 was REPORTED out of committee with a "do pass" recommendation and with one new zero fiscal note from the Senate Finance Committee.

[8:59:43 AM](#)

AT EASE

[9:01:46 AM](#)

RECONVENED

#sb23

SENATE BILL NO. 23

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

[9:01:53 AM](#)

^PUBLIC TESTIMONY

[9:02:39 AM](#)

GREG MEISSNER, HARBORMASTER, WRANGELL HARBOR DEPARTMENT, WRANGELL (via teleconference), spoke in support of the Municipal Harbor Fund. He announced that Wrangell's Shoemaker Bay Harbor replacement project was ranked number one by the Department of Transportation and Public Facilities (DOT/PF). He stated that the \$5 million in the

proposed budget would cover the request, and guarantee the completion of the project. He stated that Shoemaker Bay represented approximately 35 percent of Wrangell's moorage capacity. The existing float system was unsafe, out of code, and partially condemned. He stressed that a new float system would allow Wrangell to provide safe and up-to-code moorage; and the new float walls would allow for some growth. He stated that the governor's plan to create a sustainable Alaska was dependent on communities becoming sustainable themselves. He stressed that the coastal communities needed safe and useful marine infrastructure. He remarked that Wrangell would commit half of the state's contribution. He shared that the intention of turning the facilities over to municipality was to ensure state funds.

[9:05:20 AM](#)

CLAY HAMMER, CHAIR, WRANGELL PORT COMMISSION, WRANGELL (via teleconference), spoke in support of the Municipal Harbor Matching Grant Fund. He stressed that Wrangell had been proactive in responsibly maintaining its port harbor facility since assuming ownership from the state. He remarked that the infrastructure represented a key and vital component of Wrangell's survival. He shared that Wrangell had recently increased its moorage rates by 30 percent to ensure adequate reserves to forward fund maintenance and future replacement, which represented a commitment to maintaining the facilities. He shared that Wrangell had worked to secure funding for the replacement of the harbor. He announced that the Shoemaker Bay Harbor had outlived its useful life to the point of becoming a liability. He stated that it was Wrangell's second largest mooring facility and played an important role in the local commercial, charter, and sport boat fleet.

[9:06:53 AM](#)

CAROL RUSHMORE, ACTING BOROUGH MANAGER, WRANGELL (via teleconference), spoke in support of the Municipal Harbor Matching Grant Fund. She stressed that the marine industry in Wrangell was the largest private sector employment in the community. The success of its economy was greatly affected by the marine infrastructure. The grant program was a critical economic investment to benefit the economic opportunities statewide. She stressed that the program was a 50/50 match, so the \$5 million would leverage \$6.2 million or more of local funds. She remarked that it was

also a competitive grant program, so all programs must meet strenuous review and criteria. She stressed that the project was on the top of the program's list.

[9:08:39 AM](#)

JODI MITCHELL, CEO, INSIDE PASSAGE ELECTRIC COOPERATIVE, JUNEAU (via teleconference), spoke in support of funding for the project in Kake. She felt that the \$1.45 million from another project should be reappropriated to build a project that would help the community with decreased power costs. She remarked that the project would work along with the Kake Hatchery. She stressed that the project would increase rates currently.

[9:10:20 AM](#)

Co-Chair MacKinnon queried the project's name. Ms. Mitchell replied that the funds were in the Renewable Energy Fund for the Intertie Project. She stated that the Intertie Project was not moving forward, so it would be appropriated from one grant to another. She explained that it would be used for the Kake Hydro Project.

[9:11:04 AM](#)

PETER MJOS, SELF, ANCHORAGE (via teleconference), opposed the money for the King Cove to Cold Bay road. He stated that he had been involved in many medivacs from King Cove to Cold Bay, by sea and air, and each medivac had been successful. He remarked that the original intent of the road in 1994 was to create positive economic impacts, with no mention of health or safety. He felt that the road's declaration to save lives, but posed a great danger of threat to life itself. He felt that the proposed 27-mile road would not be passable, because the area was already extremely dangerous.

[9:13:20 AM](#)

DAVID KRAUSE, SELF/THE WILDERNESS SOCIETY, ANCHORAGE (via teleconference), opposed to the \$10 million reappropriation for the Izembek Road Project in the FY 17 Supplemental Budget. He stressed that the Izembek Road controversy was addressed in the Clinton administration, when the federal government provided substantial funds to King Cove's medical needs. The funds were intended to end the dispute.

He remarked that the federal government had allocated over \$37 million to upgrade access to quality medical care to the community in lieu of building the proposed road.

Co-Chair MacKinnon queried Mr. Krause's affiliation. Mr. Krause replied that he represented the Wilderness Society and himself.

[9:15:54 AM](#)

WILLIAM HARRINGTON, SELF, ANCHORAGE (via teleconference), wondered if the topic for the day's meeting was only the King Cove Road.

Co-Chair MacKinnon replied that there was an allocation in the budget to take \$10 million of reappropriated money to spend on development of the Izembek Road.

Mr. Harrington wondered if he could speak to the budget as a whole. Co-Chair MacKinnon replied in the affirmative.

Mr. Harrington encouraged the committee to ask the testifiers whether they are government employees or private sector employees. He felt that the question was important to gauge the real sentiment of the support of the income tax. He felt that the lack of the natural gas pipeline to support Fairbanks was terrible. He felt that it was a shame that Alaskans paid the nation's highest gas prices at the pump. He stressed that it was important to protect the real estate values by continuing to keep employment in the state. He shared that he experienced two real estate "fall out" recessions.

[9:18:46 AM](#)

MILES BAKER, ASSOCIATE VICE PRESIDENT, GOVERNMENT RELATIONS, UNIVERSITY OF ALASKA, spoke to the deferred maintenance challenge at the University of Alaska (UA). He remarked that UA was the largest landlord in state government with 400 buildings over 7.7 million square feet with a \$3 billion asset value. The legislature was a generous partner in helping build the campuses, and he thanked the committee for the past support. He shared that UA had received \$240 million over the last 10 years for deferred maintenance and renewal from the legislature. He shared that over that same time period the legislature had appropriated \$666 million for new facilities alone, which

was an average \$66 million per year. He remarked that there were wonderful new facilities including new engineering facilities at the University of Alaska Anchorage (UAA) and the University of Alaska Fairbanks (UAF); a new Health Sciences building; the Alaska Airlines Center; dorms at the University of Alaska Southeast (UAS); and a soon to be commissioned new power plant at UAF. He remarked that the challenge was the maintenance of the facilities, because UA also had some of the oldest buildings in the state. He stated that the average age of the UA buildings was 33-years-old; with a weighted average of approximately 22-years-old. He stated that the inventory had a large deferred maintenance backlog at approximately \$1 billion. He stated that maintaining the backlog required \$60 million a year toward deferred maintenance, based on a 1.5 percent facility adjusted value, which was the minimum best practice industry standard. He stated that UA had historically relied on the legislature for capital appropriations to maintain the new facilities and to address deferred maintenance. He remarked that UA did not have any capital funds in the current budget. He shared that UA had put \$35 million a year from all the funding sources toward maintenance of the facilities. He remarked that, in 2017, the Board of Regents redirected an additional \$10 million of general fund (GF) for a total of \$45 million toward maintenance of the facilities. He stressed that, as the operating budget of UA was continually reduced, the campuses were struggling to keep up with that challenge. He remarked that, without state support, the backlog was likely to grow, and the risk of costly emergency maintenance would increase. He understood that the committee was looking for creative ways to address deferred maintenance in all state agencies. He appreciated the introduction of SB 107, which would make funds available for preventative and deferred maintenance.

[9:22:59 AM](#)

CHRIS REITAN, SUPERINTENDENT, GALENA CITY SCHOOL DISTRICT, GALENA (via teleconference), spoke in support of the Department of Education and Early Development (DEED) Major Maintenance Grant Fund. He stated that there was currently no money allocated in the fund. He shared that was no money allocated in the year prior also. He stressed that the grant fund was critical to school districts to address some of the major maintenance projects in the communities and school districts. He urged the committee to add money to

the grant fund, so the districts could continue to address their ongoing issues.

9:24:24 AM

AT EASE

9:24:55 AM

RECONVENED

Co-Chair MacKinnon CLOSED public testimony.

SB 23 was HEARD and HELD in committee for further consideration.

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ADJOURNMENT

9:26:09 AM

The meeting was adjourned at 9:26 a.m.