

SENATE FINANCE COMMITTEE

May 9, 2017

1:16 p.m.

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CALL TO ORDER

Co-Chair MacKinnon called the Senate Finance Committee meeting to order at 1:16 p.m.

MEMBERS PRESENT

Senator Lyman Hoffman, Co-Chair
Senator Anna MacKinnon, Co-Chair
Senator Click Bishop, Vice-Chair
Senator Shelley Hughes (via teleconference)
Senator Peter Micciche
Senator Donny Olson
Senator Natasha von Imhof

MEMBERS ABSENT

None

ALSO PRESENT

Laura Cramer, Staff, Senator Anna MacKinnon

SUMMARY

SB 23 APPROP: CAPITAL BUDGET

CSSB 23(FIN) was REPORTED out of committee with a "do pass" recommendation.

#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."

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Vice-Chair Bishop MOVED to ADOPT proposed committee substitute for SB 23, Work Draft 30-GS1854\U (Martin, 5/8/17).

Co-Chair MacKinnon OBJECTED for discussion.

LAURA CRAMER, STAFF, SENATOR ANNA MACKINNON, explained that the committee substitute (CS) contained a total of eight changes, which were mostly technical. The first change was in Section 15, page 48.

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AT EASE

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RECONVENED

Ms. Cramer noted that the former subsection (b) had been removed. She detailed the provision would have allowed for an appropriation to be made for a judgement or settlement prior to June 30, 2017. The second change was in Section 23, page 52, line 2. She explained that the Alaska Housing Finance Corporation (AHFC) dividend amount had been revised from \$6,200,000 to \$6,287,000. The third change was in Section 32, page 56, line 24. She noted there had been confusion on the number the previous day. She referred to Section 32(a) and explained that the first project for the Izembek Road was not to exceed \$10 million from the original reappropriation of a balance just over \$17 million. She detailed that the \$10 million in Izembek funds would be subtracted and would result in the balance of \$7,798,000 to be used for the second project found in subsection (b). The language was meant to be clarifying and no amounts were changed.

Ms. Cramer continued outlining changes in the CS, highlighting a change on page 76, in Section 34. The change accurately reflected the route for the Inter-Island Ferry Authority. Previously it had specified the northern route; however, the funds were for service between Ketchikan and Prince of Wales Island. The next change was on page 78, line 14, Section 35. The change added the dates June 30, 2018 and June 30, 2019. The sixth change was on page 78, line 30. She elucidated that Section 35(d) had been removed from the lapse language related to the Office of the

Governor. She elaborated that the reappropriations had specific effective dates located in the section.

Ms. Cramer identified a change on page 79, line 2; which was a technical correction replacing Section 32(f) with Section 32(e) related to the Harbor Facility Grant Fund, which did not lapse. The final change was in Section 39; supplemental Sections 4 and 7 had been added to the immediate effective date.

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Co-Chair MacKinnon WITHDREW her OBJECTION to the adoption of the CS. There being NO further OBJECTION, Work Draft 30-GS1854\U was ADOPTED.

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AT EASE

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RECONVENED

Co-Chair Hoffman MOVED to ADOPT Amendment 1, 30-GS1854\O.2 (Martin, 5/8/17) (copy on file):

Page 76, following line 5:

Insert a new bill section to read:

"*Sec. 34. HOUSE DISTRICTS 1 - 40. The sum of \$37,500 is appropriated from the general fund to the Department of Commerce, Community, and Economic Development for payment as a grant under AS 37.05.3 16 to Arctic Winter Games Team Alaska for team participation in the 2018 Arctic Winter Games."

Renumber the following bill sections accordingly.

Page 79, line 4:

Delete "3 5(d), and 36"

Insert "36(d), and 37"

Page 79, following line 18:

Insert a new subsection to read:

"(d) The appropriation made in sec. 34 of this Act is contingent on the raising of \$450,000 by Arctic Winter Games Team Alaska for team participation in the 2018 Arctic Winter Games."

Page79, line19:
Delete "38(c)"
Insert "39(c)"

Page79, line21:
Delete "34 - 36, and 38(a)"
Insert "35 - 37, and 39(a)"

Page 79, line 22:
Delete "secs. 39 and 40"
Insert "secs. 40 and 41"

Co-Chair MacKinnon OBJECTED for discussion.

Co-Chair Hoffman explained that the amendment was an appropriation to the Arctic Winter Games for \$37,500. He remarked that although the state was in financially austere times, he believed it was important for the people of Alaska to come together and participate in the Arctic Winter Games International Committee. He detailed it was a premiere cultural and athletic event in the circumpolar world. The appropriation was for an international fee and would demonstrate that officially the State of Alaska recognized and supported the 2018 event on behalf of hundreds of Alaska athletes from over 50 communities. He clarified that it was not a direct appropriation - there was a contingency that the international committee needed to raise another \$450,000 to enact the appropriation. He furthered that it was more than a 10 to 1 funding match requirement. He believed the money could be raised. He reiterated the importance of the state's continued participation in the unifying event.

Senator von Imhof understood that the location of the Arctic Winter Games changed annually [biennially]. She noted that the event had been in Fairbanks in 2014 and Greenland in 2016. She asked for the 2018 event location.

Co-Chair Hoffman replied that the event would be held at the Great Slave Lake region in the Northwest Territories of Canada.

Senator von Imhof agreed that the event was a worthy cause, but she wondered under which rubric the legislature was deciding how to allocate funds when the 2018 event would not be hosted in Alaska. She wondered how to compare the event to other events being held in Alaska.

Co-Chair Hoffman considered whether Alaska would expect another circumpolar country to make the decision based on the criteria (mentioned by Senator von Imhof) if it was hosting the game. He believed the answer was no. He thought the unity the event brought to the state and the circumpolar region outweighed the minimal appropriation amount included in the amendment. He reiterated that it was a match of more than 10 to 1; the appropriation would not take place unless the match was achieved.

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Co-Chair MacKinnon WITHDREW her OBJECTION. There being NO further OBJECTION, Amendment 1 was ADOPTED.

Senator Micciche MOVED to ADOPT Amendment 2 [sponsored by Co-Chair MacKinnon] (copy on file):

Add the following capital projects utilizing funding from the Commercial Passenger Vessel Excise Tax Account (Fund Code 1206).

Agency:

Department of Commerce, Community and Economic Development

Projects:

Alaska Railroad Corporation - Seward Dock Safety Enhancements (HD 29-31)
\$1,200,000

Alaska Railroad Corporation - Seward Cruise Ship Terminal Planning & Design
\$300,000

Grants to Municipalities (AS 37.05.315)
Ketchikan - Cruise Ship Berth 4 Dock Expansion
\$2,000,000

Grants to Named Recipients (AS 37.05.316)
Hoonah Dock Company - Inner Point Sophia Phase I New Dock Mooring Buoys
\$2,000,000

Hoonah Dock Company – Outer Point Sophia Dock Safety
Improvements
\$500,000

Explanation:

Available funding from the CYP Tax Account totals \$7.5 million. The above projects total \$6 million

Co-Chair MacKinnon OBJECTED for discussion.

Senator Micciche explained that the amendment included funding for the Commercial Passenger Vessel Excise Tax Account meant to go toward infrastructure related to the cruise ship industry. He stated that although in the past not all the expenditures had been pure in that intent, all the projects in the current request were. He requested that he be added as a co-sponsor of the amendment.

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AT EASE

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RECONVENED

Co-Chair MacKinnon affirmed that Senator Micciche would be added as a cosponsor. She explained that balance of the fund was \$7.5 million derived from the cruise ship head tax. There were projects totaling \$6 million in Amendment 2. The money would go towards Seward dock safety enhancements for \$1.2 million Seward cruise ship terminal planning and design for \$300,000, a Ketchikan cruise ship berth 4 dock expansion for \$2 million, the Hoonah Dock Company Inner Point Sophia Phase I for new dock mooring buoys for \$2 million, and the Hoonah Dock Company Outer Point Sophia Dock safety improvements for \$500,000.

Senator Olson discussed the Ketchikan cruise ship berth expansion. He wondered if it was related to an accident that occurred when a cruise ship ran into the dock the preceding year.

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AT EASE

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RECONVENED

Co-Chair MacKinnon did not believe that the amendment was related to any damage incurred; the funds would go towards a dock expansion.

Senator Olson mentioned the \$1.5 million for the Alaska Railroad Corporation for the existing Seward terminal. He asked if the appropriation was for the railroad or to benefit passengers paying the excise tax.

Co-Chair MacKinnon read from a prepared statement:

The Alaska cruise market is comprised of two basic voyages - Southeast Alaska round-trip and one-way voyages either originating or concluding in Southcentral Alaska. Cross-gulf voyages provide significant economic benefit to all areas of the state and these passengers typically add land tour components, extending their stays in Alaska. The two ports that offer these voyages are the Port of Seward and the Port of Whittier. These points require greater infrastructure to accommodate the loading and offloading of passengers, baggage, and good. The Seward dock is aging and will need replacement. Short-term safety improvements are necessary, but long-term the port will need new infrastructure that can safely and efficiently accommodate larger vessels and the higher capacity passengers. The \$300,000 is requested to work on the design of a new dock in Seward, further advancing the work done with the Rail Port Seward Planning Grant.

Co-Chair MacKinnon observed that the appropriations would benefit the tourists using the area.

Senator Olson asked why the Alaska Railroad Corporation was named in the project.

Co-Chair MacKinnon replied that the Alaska Railroad Corporation was the named recipient of the plan.

Vice-Chair Bishop assumed the railroad was named as the project recipient because tourists disembarked cruise ships and immediately boarded Alaska railroad trains for travel to Anchorage or other locations.

Senator Olson believed that the railroad owned most of the property in the area as well.

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Senator Micciche thought it was important for the public to understand the designated general funds (DGF) concept. He clarified that the appropriations in the amendment were not coming out of general funds, the funds were DGF [note: Co-Chair MacKinnon made a correction below that the fund source was "other" funds, not DGF]. He elaborated that the excise tax was collected from every passenger on a commercial vessel (i.e. cruise ship). The tax was established for infrastructure projects. He explained that the last year had been a record year for visitors in the cruise ship industry. The current year was expected to exceed the record from the prior year. He believed the appropriation was a wise investment for diversifying the state's economy.

Co-Chair MacKinnon clarified that the funds were not "designated" in terms of accounting. The funds were considered "other" funds coming from the passenger head tax.

Co-Chair MacKinnon WITHDREW her OBJECTION. There being NO further OBJECTION, Amendment 2 was ADOPTED.

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Vice-Chair Bishop MOVED to ADOPT Amendment 3 [sponsored by Co-Chair MacKinnon] (copy on file):

Agency:

Department of Commerce, Community and Economic Development Grant to Municipalities (AS 37.05.315)

Anchorage - Police Department Patrol of the Seward Highway between Anchorage and Indian
\$200,000 (General Funds 1004)

Intent Language:

It is the intent of the legislature that the Municipality of Anchorage coordinate with the Department of Public Safety to patrol the Seward Highway.

Explanation:

Patrol the Seward Highway between Anchorage and Indian

Co-Chair MacKinnon OBJECTED for discussion.

Vice-Chair Bishop explained the amendment. The Department of Commerce, Community and Economic Development Grant to Municipalities would go to the Anchorage Police Department patrol of the Seward Highway between Anchorage and Indian. He read the legislative intent language [see amendment detail above]. The appropriation was \$200,000 in general funds.

Co-Chair MacKinnon edified that Senator Cathy Giessel had contacted her office and asked the committee to consider adding \$200,000 to the Anchorage Police Department to provide additional public safety requirements on the Seward Highway between Anchorage and Indian.

Co-Chair MacKinnon WITHDREW her OBJECTION. There being NO further OBJECTION, Amendment 3 was ADOPTED.

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Vice-Chair Bishop MOVED to report CSSB 23(FIN) as amended out of Committee with individual recommendations and the accompanying fiscal note. He asked Legislative Legal Services and the Legislative Finance Division make any necessary technical and conforming changes.

Co-Chair MacKinnon OBJECTED for discussion.

Co-Chair MacKinnon thanked Legislative Legal Services, the Legislative Finance Division, the Office of Management and Budget, and staff for their work on the legislation. She noted that Co-Chair Hoffman had referred to the legislation as austere. She summarized the three small amendment appropriations including one from the cruise ship head tax, one for public safety, and one to encourage Alaskans to participate in athletic programs and compete globally. She stated that the capital budget was small. The total capital budget for FY 18 was \$1.4 billion (rounded). The bill included approximately \$85 million in spend, approximately \$38 million in DGF, and approximately \$77 million in other funds. The funds leveraged almost \$1.2 billion from the federal government for highways, airports, ports, and other significant investment across the state. Adding the operating, supplemental, and capital supplemental budgets raised the total spend to just over \$2 billion. The budget

proposed to pay down credits owed to smaller companies and contractors across the state. She cited a provision for \$288 million, which only addressed close to one-third of the cashable credits owed by the state to Alaska companies. The budget included leveraging almost \$1.5 billion from the federal government. The budget did not do everything that every Alaskan had wished, however the committee had tried to prioritize public safety and deferred maintenance.

Co-Chair MacKinnon WITHDREW her OBJECTION. There being NO further OBJECTION, CSSB 23(FIN) was REPORTED out of committee with a "do pass" recommendation.

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RECONVENED

Co-Chair MacKinnon discussed the agenda for the following day. She thanked Legislative Legal Services, the Legislative Finance Division, and state agencies for their collaborative work on the legislation.

#

ADJOURNMENT

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The meeting was adjourned at 1:43 p.m.