

SENATE FINANCE COMMITTEE

April 3, 2018

1:35 p.m.

1:35:21 PM

CALL TO ORDER

Co-Chair MacKinnon called the Senate Finance Committee meeting to order at 1:35 p.m.

MEMBERS PRESENT

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

MEMBERS ABSENT

Senator Donny Olson

ALSO PRESENT

Heather Carpenter, Staff, Senator Kelly; Representative Dan Ortiz, Sponsor; Liz Harpold, Staff, Representative Dan Ortiz; Sam Rabung, Department of Fish and Game, Juneau; Julie Decker, Chair, Mariculture Task Force; Mary Hakala, Staff, Representative Dan Ortiz; Jeff Hetrich, Seward Shellfish Hatchery; Larry Cotter, CEO, Aleutian Pribolof Island Community Development Association; Pat Pitney, Director, Office of Management and Budget, Office of the Governor.

PRESENT VIA TELECONFERENCE

Britteny Cioni-Haywood, Department of Commerce, Community, and Economic Development, Anchorage; Tommy Sheridan, Director Government Affairs, Silver Bay Seafoods, Anchorage; Tomi Marsh, President, Volunteer Board, Oceans Alaska, Ketchikan; Markos Scheer, Manager, Premium Aquatics, Seattle; Trevor Sandy, Alaska Shellfish Growers Association, Ketchikan; Tamsen Peeples, Alaska Mariculture Manager Blue Evolution, Kodiak; Jinny Eckert, Professor, University of Alaska, Juneau.

SUMMARY

SB 142 APPROP: CAPITAL BUDGET

SB 142 was HEARD and HELD in committee for further consideration.

SB 198 UAA LONG-ACTING CONTRACEPTION STUDY

SB 198 was REPORTED out of committee with a "do pass" recommendation and with one new fiscal impact note from the University of Alaska.

CSHB 76 (FSH)

MARICULTURE REVOLVING LOAN FUND

CSHB 76 (FIN) was HEARD and HELD in committee for further consideration.

HB 128 SHELLFISH ENHANCE. PROJECTS; HATCHERIES

HB 128 was HEARD and HELD in committee for further consideration.

CSHB 286286 (FIN) am(brf sup maj fld) (efd fld)

APPROP: OPERATING BUDGET/LOANS/FUNDS

CSHB 286286 (FIN) am(brf sup maj fld) (efd fld) was SCHEDULED but not HEARD.

#sb198

SENATE BILL NO. 198

"An Act relating to a study of the effectiveness and cost of providing long-acting reversible contraception to women with substance abuse disorders."

1:36:50 PM

HEATHER CARPENTER, STAFF, SENATOR KELLY, stated the intent of the bill. She shared that the bill was specifically an outcome of the bill sponsor's efforts to eradicate fetal alcohol spectrum disorder (FASD), and would also address the population that was affected by neonatal abstinence syndrome (NAS). She stated that it would be a three-year

study conducted by the University of Alaska Anchorage Center for Alcohol and Addiction Studies.

Vice-Chair Bishop addressed the fiscal note.

Co-Chair MacKinnon announced that the fiscal note would be forthcoming.

MOVED to REPORT SB 198 from committee with individual recommendation and attached fiscal note. There being NO OBJECTION, it was so ordered.

SB 198 was REPORTED out of committee with a "do pass" recommendation and with one new fiscal impact note from the University of Alaska.

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AT EASE

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RECONVENED

#hb76

CS FOR HOUSE BILL NO. 76 (FSH)

"An Act relating to the mariculture revolving loan fund and loans and grants from the fund; and providing for an effective date."

[1:42:12 PM](#)

REPRESENTATIVE DAN ORTIZ, SPONSOR, introduced himself.

LIZ HARPOLD, STAFF, REPRESENTATIVE DAN ORTIZ, introduced herself.

Representative Ortiz explained the bill. He stated that the bill amends the existing Alaska Mariculture Revolving Fund to allow for up to 40 percent to be used for loans to permitted shellfish hatcheries for planning, construction, and operation. He stated that Alaska shellfish farms did not currently have a stable supply of seed.

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Ms. Harpold discussed the Sectional Analysis (copy on file):

Section 1. Adds a declaration of policy for the state's Mariculture Revolving Loan Fund.

Section 2. Amends a spanned statutory citation in AS 6.10.900 to conform with the provision added by section 1 of the bill.

Section 3. Require 40 percent of the money appropriated to the fund be used for (1) making loans to state residents and Alaskan organizations and businesses that operate hatcheries or aquatic farms of the purpose of producing aquatic plants or shellfish or conduct shellfish enhancement projects or (2) making grants to certain nonprofits. Requires the remaining 60 percent of the funds appropriated to the fund to be used for other loans from the fund.

Section 4. Authorizes the Department of Commerce, Community and Economic Development to make loans to an eligible applicant for the planning, construction, an operation of a (1) hatcher that artificially propagates marine aquatic plants or shellfish or (2) shellfish enhancement project. Permits the department to make one-time grants for organizational and planning purposes to certain nonprofit organizations. Amends spanned statutory citations to conform with the provision added by sex. 1 of the bill.

Section 5. Limits the amount other department may make in grants to nonprofits for organizational and planning purposes.

Section 6. Expands the classes of person eligible for a loan from the fund to include state residents or entities organized under state law that (1) hold a permit to operate a hatchery or aquatic farm for the purposes of producing aquatic plants or shellfish or (2) conduct shellfish enhancement projects.

Section 7. Conforms the residency requirements for fund loan applicants to reflect that entities organized under state law are also eligible for loans from the fund.

Section 8. Establishes ne loan terms for loans from the fund.

Section 9. Provided that a subsequent loan may not be made to a resident of the state or entity organized under the laws of thousand state that holds a permit to operate a hatchery or aquatic farm for the purpose of producing aquatic plants or shellfish or that conducts shellfish enhancement projects if the person's outstanding balance exceeds \$,000,000.

Section 10. Allows a loan to be made from the fund for the purchase of boats or vessels determined to be integral to the operation of a hatcher.

Section 11. Amends a spanned statutory citation in AS 16.10.915(d) to conform with the provision added by section 1 of the bill.

Section 12. Adds a new subsection to AS 16.10.915. Prohibits the department from making certain loans from the fund unless the department determines that (1) a loan applicant's hatchery or enhancement project will be managed in a manner reasonably expected to result in repayment of the loan and (2) conduct shellfish enhancement projects.

Section 14. Provides authority for certain associations of limited entry permit holders o levy and collect an assessment from its members to secure or repay a loan from the fund. Allows the department to rely on certain assessments in deciding whether to make a loan from the fund.

Section 15. Amends a spanned statutory citation in AS 16.10.935 to conform with the provision added by section 1 of the bill

Section 16. Adds new definitions for AS 16.10890 - 16.10.945.

Section 17. Clarifies that changes made by the bill to loan terms from the fund do not apply to loans made before the bill's effective date.

Section 18. Provides the bill with an immediate effective date.

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AT EASE

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RECONVENED

Co-Chair MacKinnon queried clarity about how long a person could defer payments on the loan.

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BRITTENY CIONI-HAYWOOD, DEPARTMENT OF COMMERCE, COMMUNITY, AND ECONOMIC DEVELOPMENT, ANCHORAGE (via teleconference), replied that it would be six years for a farm, or eleven years for a hatchery.

Co-Chair MacKinnon queried the reason for deferring payment of interest and principal for that period of time. Ms. Cioni-Haywood replied that it took time to develop the projects, therefore the loan went into the deferral period.

Senator von Imhof wondered whether there was a biological reason a farm or a hatchery would need so many years of deferral. She asked whether it was a construction, permitting, or biological issue related to the significant delay in payment. Ms. Cioni-Haywood deferred to the Department of Fish and Game (DFG).

Ms. Cioni-Haywood stated that geoducks had a nine to ten year grow out, oysters were in the five year range.

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AT EASE

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RECONVENED

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SAM RABUNG, DEPARTMENT OF FISH AND GAME, JUNEAU, stated that the bill was modeled after the salmon fishery enhancement revolving loan fund, with a deferral period based on the biological life cycle of the organisms.

Senator von Imhof remarked that it took approximately 5 or 6 years for a geoduck to become fully mature, and oyster maturation was slightly longer. She felt that there would be a large balloon payment on year 7, because there was no

interest paid during that time. She wondered whether the principal would be amortized over ten or twelve years. Mr. Rabung deferred to the Department of Commerce, Community and Economic Development. He asserted that it was probably amortized into the annual payment.

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Senator Stevens wondered whether seaweed production was in the Department of Fish and Game purview. Mr. Rabung replied in the affirmative.

Senator Stevens queried the success of other states' seaweed production. He felt that other states had been successful. Mr. Rabung replied that it was a growth industry, with success on both coasts. He felt that the time was right for seaweed production.

Vice-Chair Bishop queried the process of an oyster hatchery. Mr. Rabung replied that adult oysters would be collected from a farm site, and taken to a hatchery to induce to spawn with temperature manipulation. The larvae would set and grow as juveniles. The spat would then be distributed to nurseries and farms for further grow out to market size. The process took approximately three years.

Vice-Chair Bishop wondered whether the hatchery was shore based, or whether the hatchery needed to lease land from the state. Mr. Rabung replied that either was possible.

Vice-Chair Bishop asked where the stock was sourced. Mr. Rabung replied that oysters did not reproduce or occur naturally in the state, so they were all sourced through approved sources on the west coast out of state. He stated that oysters were a farmed product.

Co-Chair MacKinnon wondered why oysters were not considered an invasive species. Mr. Rabung replied that oysters could not reproduce in Alaska, because of the cold temperature.

Senator von Imhof wondered whether the shellfish hatcheries included crab and shrimp. Mr. Rabung replied in the affirmative. He stated that there were no hatcheries, because those organisms did not fair well in Alaska while in captivity.

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AT EASE

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RECONVENED

Co-Chair MacKinnon stated that there were multiple questions regarding the mariculture loan fund. She wanted an accounting and short history of the fund. There was a desire to know the number of current loans and the deferral rate. She queried the remaining balance to loan against, and other financial specifics of the revolving loan fund.

Co-Chair MacKinnon OPENED public testimony.

Co-Chair MacKinnon queried comments on the legislation. Ms. Cioni-Haywood stated that she could answer the questions related to balloon payments. She stated that on the initial period there was no payments or interest that would accrue. She shared that the payments would start after that initial period.

Co-Chair MacKinnon surmised that the first six years saw no interest, because the state loaned money principal and received no money in return. Ms. Cioni-Haywood agreed. She explained that the payments began after the initial period for farmers or after the initial period for hatcheries within the changes in the bill.

Co-Chair MacKinnon wondered whether that was similar to the salmon enhancement or the other funds. Ms. Cioni-Haywood replied in the affirmative. She explained that it was similar to the Fisheries Enhancement Revolving Load Fund.

Co-Chair MacKinnon asked whether it was similar conditions to the farming operations in the ocean. Ms. Cioni-Haywood replied that she may not understand the question. She announced that the fisheries enhancement would be through the regional aquaculture associations through the hatchery system.

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Co-Chair MacKinnon looked at page 5, Section 10, line 3, which said that a loan under 16.10.910 attempted to add hatcheries to be able to purchase a boat under the hatchery program. Ms. Cioni-Haywood replied that it allowed the hatcheries to purchase a boat, if that boat would be used

for the hatchery business. She stated that the farmers could already purchase a vessel under the current loan fund.

Co-Chair MacKinnon looked at line 5, which said that it may not be deferred for a period more than six years of the loan. She noted that another statute outlined eight years. She wondered whether there was different efforts for farming and hatcheries, and if so, she queried the reason for that distinction. Ms. Cioni-Haywood agreed that there was a difference between farmers and hatchers. She understood that the language taken for the hatcheries was based on the fisheries enhancement statutes that outlined the fisheries enhancement revolving loan fund. She stated that those statutes had it at ten years. She furthered that the farmers would be six years.

Co-Chair MacKinnon queried additional comments on the overall structure of the bill. She asked whether the administration was supportive of the bill. Ms. Cioni-Haywood replied that the administration was supportive of the bill, and she had no additional comments on the structure of the bill.

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JULIE DECKER, CHAIR, MARICULTURE TASK FORCE, shared that in 2016, Governor Walker created the Mariculture Task Force with eleven members from broad backgrounds. She shared that one of the top five priorities in the plan was this bill. She felt that the bill was a component in moving the industry forward. She stated that the goal of the task force was to grow a \$100 million in 20 years. She noted that the original focus was for a \$1 billion industry in 30 years. She shared that work with economic advisor groups encouraged the reduction of the timeline with a realistic goal. She stated that the goal was focused on six species: pacific oysters, which was the only nonnative species in the state, because they did not reproduce; geoduck; sea cucumbers; blue mussels; and several species of seaweed. She remarked that there was a plan to develop the industry. She clarified that mariculture did not mean finfish farming, because it was not legal in the state. She shared that it included aquatic farming.

Vice-Chair Bishop recalled that there was one time when the shellfish industry had \$30 million revenue to the state. He

wondered whether there was a problem in obtaining tidelands or leases from the Department of Natural Resources (DNR) to expand the business. Ms. Decker replied that it was one of the hurdles, because there was a public process. She remarked that there was a balance of potential for public use versus a private use of the area was always challenging. She hoped some of the applications for farms would be permitted.

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Senator Stevens requested comment on the seaweed industry. Ms. Decker replied that seaweed was a large worldwide industry at \$6 billion to \$10 billion. She remarked that the seaweed industry was barely in Alaska. She stressed that it worked well with the existing seafood industry, because it was planted in the fall and harvested in the spring. She remarked that there were many excess fishing vessels and process at capacity those time periods. She felt that it would be a nice fit for Alaska.

Co-Chair MacKinnon asked about sea otters. Ms. Decker encouraged people to purchase sea otter products. She stated that sea otters were a serious challenge in the mariculture industry. She felt that it would require some federal partnership and impetus.

Co-Chair MacKinnon stressed that a business to survive in Alaskan waters might be destroyed, because it was difficult to control the predators that may destroy the crops. Ms. Decker replied that oysters were contained in cages, so that was positive for otter predation. She added that otters did not eat seaweed.

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TOMMY SHERIDAN, DIRECTOR GOVERNMENT AFFAIRS, SILVER BAY SEAFOODS, ANCHORAGE (via teleconference), spoke in support of the legislation. He stated that altering the mariculture revolving loan fund to make it accessible hatchery operators would help to provide better security for the state's mariculture industry.

Senator Stevens noted that there was a letter that asserted that development of shellfish and seaweed could help to mitigate ocean acidification. He requested more information on that issue. Mr. Sheridan stated that his experience in

the issue was limited. He noted that there were large scale experiments with kelp that might potentially offset the impacts of ocean acidification.

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TOMI MARSH, PRESIDENT, VOLUNTEER BOARD, OCEANS ALASKA, KETCHIKAN (via teleconference), supported the legislation. She stated that bill would allow for shellfish and seaweed hatcheries to access loan funds for operation cost of seed. She stated that it would also allow the mariculture industry to grow, because industry growth required a consistent and healthy seed source. She shared that the bill would put shellfish and seaweed hatcheries on a path to financial stability.

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MARKOS SCHEER, MANAGER, PREMIUM AQUATICS, SEATTLE (via teleconference), spoke in support of the bill. He anticipated that the first phase of his operation would employ as many as 50 people year round. He felt that it would be a significant impact to the economy, and asserted that the bill was a vital part of that development.

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TREVOR SANDY, ALASKA SHELLFISH GROWERS ASSOCIATION, KETCHIKAN (via teleconference), spoke in support of the bill. He shared his personal experiences about why the bill was personally important. He stated that he became interested in farming, because of the potential for growth in the industry.

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TAMSEN PEEPLES, ALASKA MARICULTURE MANAGER BLUE EVOLUTION, KODIAK (via teleconference), spoke in support of the bill. She stated that she had built and designed hatcheries. She shared that one of those hatcheries was able to produce over 70,000 seeded line with kelp seedlings, and worked below half capacity in the last season. She shared that the design and installation of the hatcheries was the first major hurdle in investment in the state. She shared that a major challenge was the cost of shipping and installing large materials. She remarked that the ability to work in cooperation with the National Oceanic and Atmospheric

Administration (NOAA) lab was helpful in fulfilling the project. She supported responsible mariculture in the state.

Co-Chair MacKinnon CLOSED public testimony.

Vice-Chair Bishop addressed the fiscal notes.

CSHB 76(FSH) was HEARD and HELD in committee for further consideration.

#hb128

HOUSE BILL NO. 128

"An Act relating to management of enhanced stocks of shellfish; authorizing certain nonprofit organizations to engage in shellfish enhancement projects; relating to application fees for salmon hatchery permits; and providing for an effective date."

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REPRESENTATIVE DAN ORTIZ, SPONSOR introduced himself.

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MARY HAKALA, STAFF, REPRESENTATIVE DAN ORTIZ, introduced the bill.

Representative Ortiz read from a prepared statement:

Madam Chair, Members of Senate Finance Committee, thank you for hearing HB 128 dealing with Shellfish Enhancement Projects.

I'd like to thank Senator Stevens for his work on SB 89, the Senate companion to this bill.

With over 30,000 miles of coastline, pristine waters, talented entrepreneurs, and marketing infrastructure, Alaska has tremendous untapped potential to grow mariculture in the State.

Very briefly, HB128 allows non-profits to apply for, and pursue enhancement or restoration projects involving shellfish, with species ranging from red and blue king crab, sea cucumber, abalone, geoduck, razor clams, and more.

HB128 creates the regulatory framework needed for management of shellfish enhancement projects.

The bill allows research to continue on a larger scale - that can make a difference in rehabilitation and restoration efforts.

HB 128 sets out stringent safety standards to ensure sustainability and health of existing wild stocks. Shellfish produced under an enhancement permit become a common property resource - available for common use - when returned to the wild.

The bill provides for cost recovery and designated harvest areas under guidelines established by the Department.

Administrative procedures parallel those for salmon enhancement projects, providing efficiencies that minimize administrative costs to the state.

In summary, HB128 establishes a sound, sustainable approach to developing the State's shellfish resources and mariculture industry.

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RECONVENED

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JULIE DECKER, CHAIR, MARICULTURE TASK FORCE, stated that the bill was one of the top priorities necessary to move the industry forward. She felt that it would allow a framework to continue to make progress with the shellfish enhancement programs, including the king crab project. She stated that the people involved in that project was waiting for the legislation, because the industry was not interested in further investment until there was a path forward to address the issue on a large scale.

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SAM RABUNG, DEPARTMENT OF FISH and GAME, expressed support of the bill. The legislation was modeled after the Department of Fish and Game (DFG) after the existing salmon fishery enhancement statutes that had been in place since the mid-1970s.

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JINNY ECKERT, PROFESSOR, UNIVERSITY OF ALASKA, JUNEAU (via teleconference), stated that she was a shellfish expert, and was currently teaching a course in aquaculture. She spoke in support of the bill, and was available to answer questions. She spoke to the need of rehabilitation of king crab in Alaska. She stressed that many king crab stocks in the Gulf of Alaska crashed in the 1980s, and had not recovered since that time. She remarked that most of the fisheries closed, and overfishing had likely caused the decline.

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JEFF HETRICH, SEWARD SHELLFISH HATCHERY, announced the dire status of the shellfish stocks in Alaska. He stated that there was no king crab fishery in almost forty years. He shared that private shellfish hatcheries spent the prior 15 years developing a technology to raise the animals. He shared that he raised sea cucumbers; blue and red king crab; clams; and scallops. He remarked that there was work to stock the animals with experimental research permits.

Co-Chair MacKinnon stated that Senator Stevens had asked that the advancement of the bill be held until the House members could bring their bills before the committee.

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LARRY COTTER, CEO, ALEUTIAN PRIBOLOF ISLAND COMMUNITY DEVELOPMENT ASSOCIATION, echoed the comments of the previous testifiers. He felt that both bills were important to provide the opportunity to move forward with the development of a new future for Alaska that he felt would be very meaningful.

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Ms. Hakala discussed the Sectional Analysis (copy on file):

Sec 1.

Provides the Alaska Board of Fisheries authority to direct the department to manage production of enhanced shellfish stocks, beyond brood stock needs, for cost recovery harvest.

Sec. 2

Increases the permit application fee for new private nonprofit salmon hatcheries from \$100 to \$1,000.

Sec. 3

Adds a new Chapter 12 to Title 16, "Shellfish Stock Enhancement Projects". Provides direction to the commissioner of the Department of Fish and Game on issuance of permits for private nonprofit shellfish fishery enhancement projects and establishes a \$1,000 permit application fee. This section directs the commissioner to consult with technical experts in the relevant areas before permit issuance. This section provides for a hearing prior to issuance of a permit and describes certain permit terms including cost recovery fisheries, harvest, sale, and release of enhancement project-produced shellfish, and selection of brood stock sources. This section describes reporting requirements and terms for modification or revocation of a permit. It specifies that shellfish produced under an approved enhancement project are a common property resource, with provision for special harvest areas by permit holders.

Sec. 4

Provides Commercial Fisheries Entry Commission authority to issue special harvest area entry permits to holders of private nonprofit shellfish rehabilitation, or enhancement project permits.

Sec. 5

Defines legal fishing gear for special harvest area entry permit holders.

Sec. 6

Exempts shellfish raised in a private nonprofit shellfish project from the farmed fish definition.

Sec 7 and 8

Establish state corporate income tax exemption for a nonprofit corporation holding a shellfish fishery enhancement permit.

Sec. 9

Exempts shellfish harvested under a special harvest area entry permit from seafood development taxes.

Sec. 10

Establishes an effective date for the salmon hatchery permit application fee described in sec. 2.

Sec. 11

Authorizes the Department of Fish and Game to adopt implementing regulations.

Sec. 12

Establishes an immediate effective date for sec. 11 pursuant to AS 01.10.070(c).

Sec. 13

Establishes an effective date for sec. 8 concomitant with sec. 2, Chapter 55, SLA 2013.

Co-Chair MacKinnon stated that the committee would consider the updated fiscal note at a later date.

Co-Chair MacKinnon CLOSED public testimony.

HB 128 was HEARD and HELD in committee for further consideration.

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AT EASE

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RECONVENED

#sb142

SENATE BILL NO. 142

"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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PAT PITNEY, DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET, OFFICE OF THE GOVERNOR, discussed the presentation, "State of Alaska FY2019 Capital Budget and Economic Recovery Act Overview" (copy on file). She addressed slide 2, "FY2019 Capital Budget":

Two Separate Capital Appropriation Bills

- Base Capital Budget (SB142/HB284) -
  - Lean compared to previous years
  - Provides for leverage of available federal funds and certain DGF supported energy projects
  - Certain technology efficiencies
- Alaska Economic Recovery Act (SB140/HB282) -
  - Supported by a payroll tax
  - Shovel ready/deferred maintenance projects designed to get work started today
  - Many smaller projects directed to communities throughout the state (urban and rural)

Ms. Pitney looked at slide 3, "Capital Budget Trend":

- The capital budget has been reduced 93 percent or \$1.8 billion from FY2013 to FY2018.
- Important needs such a deferred maintenance have been unaddressed
- Less support to communities
- Impacting employment

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Ms. Pitney highlighted slide 4, "Base Capital Budget (SB142/HB284)":

Base Capital Budget

The Governor's FY2019 capital budget prioritizes annual federal match programs, housing, energy, maintenance, and information technology.

Vice-Chair Bishop wanted a later conversation about redirection of the money.

Ms. Pitney addressed slide 5, "Base Capital Budget":

- Federal Match
  - Transportation Match -\$70.1 million leverages \$700.0 million in federal
  - Village Safe Water and Sewer Projects -\$12.1 million leverages \$52.3 million federal
- Housing
  - Status quo housing project appropriations including teacher, health professional and trooper housing, cold climate research and grants through HUD
- Energy
  - Renewable Energy Projects -\$11.0 million
  - Rural Power Systems Upgrades -\$11.0 million
- Maintenance
  - AMHS Vessel Certification -\$13.5 million
  - Public Building Fund Deferred Maintenance -\$5.0 million
- Information Technology
  - Various state-wide software upgrades, continued IRIS implementation, Automated Park fee collections
- High Priority Investments
  - Enhanced "9-1-1" -\$8.5 million
  - AKLNG legal and financial due diligence -\$1.5 million

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Ms. Pitney discussed slide 6, "Alaska Economic Recovery Act (SB140/HB282)":

Alaska Economic Recovery Act

- \$800.0 million over 3 years (\$280.0 million in FY2019)
- \$1.4 billion in economic impact with federal, local, and private funds

- Housing, state and school deferred maintenance, and energy projects

- Many smaller projects to ensure work is started today, not after years of environmental studies

- School maintenance impacts 60+ communities, both rural and urban

- Does not grow government, takes care of current liabilities

- Funded by a 1.5 percent wage tax, capped at 2 times the PFD amount

- Receipts designated for high-value capital projects

- Sunsets in 2.5 years

- Creating jobs and getting the economy working is the number one priority. Reassess in 2022

Ms. Pitney highlighted slide 7, "Construction Industry Employment":

- According to ISER, \$100.0 million in reductions to the capital budget results in 506 direct and 425 indirect job losses. (Recall that that \$1.8 billion has been cut from FY2013)

- Ensuring that Alaska has a trained construction workforce will ensure future development opportunities employ as many Alaskans as possible (additional North Slope exploration, AKLNG, etc.)

- Employment figures have a direct link to spending elsewhere in the budget (Public Assistance, Medicaid, etc.)

- For each percentage point of job loss, the traditional Medicaid population grows at an annualized rate of 4.04 percent

Ms. Pitney addressed slide 8, "Deferred Maintenance":

- The state owns over 2,200 facilities though only about 200 over 10,000 square feet.

- 19 million square feet of space
- Replacement value of \$8.6 B
- Various types of facilities
  - Classrooms
  - Airport/maintenance shops
  - Offices
  - Laboratories
  - Parks
  - Pioneer Homes
  - Correctional Facilities
- Road maintenance

Ms. Pitney looked at slide 9, "Deferred Maintenance":

- DM appropriations of \$100.0 M annually for 5 years (FY11-15) has brought the back-log down
- Lean funding since FY2015 is causing the backlog to grow again
- Without a consistent level of funding, entities cannot effectively execute planned renewal
- Current level of funding only prioritizes life/safety concerns
- Failure of building systems is much more costly than addressing the problem early through deferred maintenance

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Ms. Pitney highlighted slide 10, "Alaska Economic Recovery Multi-Year Plan." She noted that the projects began with the K-12 Major Maintenance Grant program. She noted that AS 14.10 had schools send in their highest deferred maintenance projects, with a required local match in most cases. She stated that there was a prioritized list throughout the state.

Ms. Pitney looked at slide 11, "K-12 Major Maintenance Grant Fund":

- Projects ranked according to AS 14.10
- Participating share ranges from 5 percent to 35 percent based upon taxable property over Average Daily Membership
- Both municipal School Districts and REAAs

Ms. Pitney discussed slide 12, "University Deferred Maintenance." She highlighted the deferred maintenance of the University of Alaska campuses.

Ms. Pitney addressed slide 13, "State Deferred Maintenance." She stated that the size of the projects directed the money to local contractors.

Ms. Pitney looked at slide 14, "Other Items":

#### Alaska Economic Recovery Act

- Municipal Harbor Projects
  - Sitka: Crescent Harbor
  - Whittier: Small Boat Harbor
  - Sitka: Eliason Harbor
  - Ketchikan: Bar Harbor North Harbor
- Bulk Fuel Upgrades
  - Statewide Impact
- Weatherization
  - State-wide impact
- Senior Citizen Housing Development
- Anchorage Port
  - Required Municipal Match
  - Anchorage: South Float
  - Whale Pass: Small Boat Harbor
  - Juneau: Douglas Harbor
  - Juneau: Harris Harbor

[3:25:20 PM](#)

Co-Chair MacKinnon stated that the seismic would be discussed at a later meeting.

Co-Chair MacKinnon discussed committee business.

SB 142 was HEARD and HELD in committee for further consideration.

#hb286

CS FOR HOUSE BILL NO. 286(FIN) am(brf sup maj fld)(efd fld)

"An Act making appropriations for the operating and loan program expenses of state government and for certain programs; capitalizing funds; amending appropriations; and making supplemental appropriations."

CSHB 286286(FIN) am(brf sup maj fld)(efd fld) was SCHEDULED but not HEARD.

Co-Chair MacKinnon discussed the following day's agenda.

#

ADJOURNMENT

[3:27:28 PM](#)

The meeting was adjourned at 3:27 p.m.