

ALASKA STATE LEGISLATURE
HOUSE STATE AFFAIRS STANDING COMMITTEE

April 12, 2001

8:14 a.m.

MEMBERS PRESENT

Representative John Coghill, Chair
Representative Jeannette James
Representative Hugh Fate
Representative Gary Stevens
Representative Peggy Wilson
Representative Harry Crawford
Representative Joe Hayes

MEMBERS ABSENT

All members present

COMMITTEE CALENDAR

HOUSE BILL NO. 17

"An Act relating to the capital projects fund, to distribution of money in the earnings reserve account of the Alaska permanent fund to the capital projects fund and to the dividend fund at the end of fiscal year 2001, and to increasing the amount of permanent fund dividends for calendar year 2001; and providing for an effective date."

- MOVED HB 17 FROM COMMITTEE

HOUSE BILL NO. 200

"An Act establishing July 3 as Drunk Driving Victims Remembrance Day."

- MOVED CSHB 200(STA) FROM COMMITTEE

CS FOR SENATE JOINT RESOLUTION NO. 17(STA)

Relating to requesting that President Bush renounce and reverse Clinton Administration anti-gun-ownership policies and reorient the United States Department of Justice towards policies that accurately reflect the intent of the Second Amendment to the United States Constitution to grant individual Americans the right to keep and bear arms, was engrossed, signed by the President and Secretary and transmitted to the House for consideration.

- MOVED HCS CSSJR 17(STA) FROM COMMITTEE

CS FOR SENATE BILL NO. 65(FIN)

"An Act requiring a study regarding equal pay for equal work of certain state employees."

- MOVED HCS CSSB 65(STA) FROM COMMITTEE

HOUSE JOINT RESOLUTION NO. 23

Advocating the retention of the electoral college system in its present form.

- BILL HEARING POSTPONED TO 4/17

HOUSE BILL NO. 189

"An Act repealing statutory provisions relating to term limits and term limit pledges."

- BILL HEARING POSTPONED TO 4/19

HOUSE BILL NO. 20

"An Act relating to state aid to municipalities and certain other recipients, and for the village public safety officer program; relating to municipal dividends; relating to the public safety foundation program; and providing for an effective date."

- SCHEDULED BUT NOT HEARD

PREVIOUS ACTION

BILL: HB 17

SHORT TITLE:CAPITAL PROJ/DISTRIB. OF PERM FUND INC

SPONSOR(S): REPRESENTATIVE(S)WHITAKER

Jrn-Date	Jrn-Page		Action
01/08/01	0028	(H)	PREFILE RELEASED 12/29/00
01/08/01	0028	(H)	READ THE FIRST TIME - REFERRALS
01/08/01	0028	(H)	STA, FIN
04/10/01		(H)	STA AT 8:00 AM CAPITOL 102
04/10/01		(H)	Heard & Held MINUTE(STA)
04/12/01		(H)	STA AT 8:00 AM CAPITOL 102

BILL: HB 200

SHORT TITLE:DRUNK DRIVING VICTIMS REMEMBRANCE DAY

SPONSOR(S): JUDICIARY

Jrn-Date	Jrn-Page		Action
03/19/01	0650	(H)	READ THE FIRST TIME - REFERRALS
03/19/01	0650	(H)	STA
04/05/01		(H)	STA AT 8:00 AM CAPITOL 102
04/05/01		(H)	Heard & Held
04/05/01		(H)	MINUTE(STA)
04/10/01		(H)	STA AT 8:00 AM CAPITOL 102
04/10/01		(H)	Scheduled But Not Heard
04/12/01		(H)	STA AT 8:00 AM CAPITOL 102

BILL: SJR 17

SHORT TITLE:FEDERAL GUN POLICIES

SPONSOR(S): SENATOR(S) DONLEY

Jrn-Date	Jrn-Page		Action
02/28/01	0536	(S)	READ THE FIRST TIME - REFERRALS
02/28/01	0536	(S)	STA
03/20/01		(S)	STA AT 3:00 PM BELTZ 211
03/20/01		(S)	Moved CS(STA) Out of Committee MINUTE(STA)
03/21/01	0752	(S)	STA RPT CS 2DP 2NR SAME TITLE
03/21/01	0753	(S)	DP: THERRIAULT, PHILLIPS;
03/21/01	0753	(S)	NR: PEARCE, DAVIS
03/21/01	0753	(S)	FN1: ZERO(S.STA)
03/28/01		(S)	RLS AT 10:45 AM FAHRENKAMP 203
03/28/01		(S)	MINUTE(RLS)
03/29/01	0858	(S)	RULES TO CALENDAR 3/29/01
03/29/01	0865	(S)	READ THE SECOND TIME
03/29/01	0865	(S)	STA CS ADOPTED UNAN CONSENT
03/29/01	0865	(S)	ADVANCED TO THIRD READING UNAN CONSENT
03/29/01	0865	(S)	READ THE THIRD TIME CSSJR 17(STA)
03/29/01	0866	(S)	PASSED Y18 N1 A1
03/29/01	0868	(S)	TRANSMITTED TO (H)
03/29/01	0868	(S)	VERSION: CSSJR 17(STA)
03/30/01	0781	(H)	READ THE FIRST TIME - REFERRALS
03/30/01	0781	(H)	STA
03/30/01	0794	(H)	CROSS SPONSOR(S): CROFT
04/12/01		(H)	STA AT 8:00 AM CAPITOL 102

BILL: SB 65

SHORT TITLE: PAY EQUITY FOR STATE EMPLOYEES

SPONSOR(S): SENATOR(S) DONLEY

Jrn-Date	Jrn-Page		Action
02/01/01	0246	(S)	READ THE FIRST TIME - REFERRALS
02/01/01	0246	(S)	STA, FIN
02/08/01	0313	(S)	COSPONSOR(S): WARD
02/09/01	0327	(S)	COSPONSOR(S): COWDERY
02/13/01		(S)	STA AT 3:30 PM BELTZ 211
02/13/01		(S)	Moved Out of Committee MINUTE(STA)
02/14/01	0367	(S)	STA RPT 4DP 1NR
02/14/01	0367	(S)	DP: THERRIAULT, HALFORD, PEARCE, DAVIS;
02/14/01	0367	(S)	NR: PHILLIPS
02/14/01	0367	(S)	FN1: (ADM)
02/14/01	0374	(S)	COSPONSOR(S): DAVIS, ELLIS, THERRIAULT,
02/14/01	0374	(S)	ELTON, LINCOLN
02/23/01		(S)	FIN AT 9:00 AM SENATE FINANCE 532
02/26/01		(S)	FIN AT 9:00 AM SENATE FINANCE 532
02/26/01		(S)	Heard & Held MINUTE(FIN)
03/09/01		(S)	FIN AT 9:00 AM SENATE FINANCE 532
03/09/01		(S)	Bills Previously Heard/Scheduled
03/13/01	0633	(S)	FIN RPT CS 4DP 5NR NEW TITLE
03/13/01	0633	(S)	DP: DONLEY, KELLY, WILKEN, WARD;
03/13/01	0633	(S)	NR: GREEN, AUSTERMAN, HOFFMAN, OLSON,
03/13/01	0633	(S)	LEMAN
03/13/01	0633	(S)	FN1: (ADM)
03/13/01		(S)	FIN AT 9:45 AM SENATE FINANCE 532
03/13/01		(S)	Moved CS(FIN) Out of Committee
03/13/01		(S)	MINUTE(FIN)
03/20/01		(S)	RLS AT 10:45 AM FAHRENKAMP 203
03/20/01		(S)	MINUTE(RLS)

03/22/01		(S)	RLS AT 10:45 AM FAHRENKAMP 203
03/22/01		(S)	MINUTE(RLS)
03/22/01		(S)	MINUTE(RLS)
03/23/01	0784	(S)	RULES TO CALENDAR 3/23/01
03/23/01	0784	(S)	FN2: (S.RLS/ADM)
03/23/01	0787	(S)	READ THE SECOND TIME
03/23/01	0787	(S)	FIN CS ADOPTED UNAN CONSENT
03/23/01	0787	(S)	COSPONSOR(S): PEARCE
03/23/01	0787	(S)	ADVANCED TO THIRD READING UNAN CONSENT
03/23/01	0787	(S)	READ THE THIRD TIME CSSB 65(FIN)
03/23/01	0788	(S)	PASSED Y17 N1 E2
03/23/01	0792	(S)	TRANSMITTED TO (H)
03/23/01	0792	(S)	VERSION: CSSB 65(FIN)
03/26/01	0721	(H)	READ THE FIRST TIME - REFERRALS
03/26/01	0721	(H)	STA, FIN
03/26/01	0737	(H)	CROSS SPONSOR(S): KERTTULA
04/06/01	0891	(H)	CROSS SPONSOR(S): FATE
04/09/01	0912	(H)	CROSS SPONSOR(S): GUESS, MCGUIRE
04/12/01	0996	(H)	CROSS SPONSOR(S): WILSON, STEVENS
04/12/01		(H)	STA AT 8:00 AM CAPITOL 102

WITNESS REGISTER

LORI BACKES, Staff
to Representative Jim Whitaker
Alaska State Legislature
Capitol Building, Room 411
Juneau, Alaska 99801

POSITION STATEMENT: Testified on behalf of Representative
Whitaker, sponsor of HB 17.

JIM KELLY, Director of Communications
Alaska Permanent Fund Corporation
P.O. Box 25500
Juneau, AK 99802-5500

POSITION STATEMENT: Testified on HB 17.

SENATOR DAVE DONLEY
Alaska State Legislature
Capitol Building, Room 508
Juneau, Alaska 99801

POSITION STATEMENT: Testified as sponsor of SJR 17 and SB 65.

DAVE STEWART, Personnel Manager

Division of Personnel

Department of Administration

P.O. Box 110201

Juneau, Alaska 99811-0201

POSITION STATEMENT: Testified on SB 65.

ACTION NARRATIVE

TAPE 01-38, SIDE A

Number 0001

CHAIR JOHN COGHILL called the House State Affairs Standing Committee meeting to order at 8:14 a.m. Representatives Coghill, Fate, Stevens, and Wilson were present at the call to order. Representatives James, Crawford, and Hayes arrived as the meeting was in progress.

HB 17 - CAPITAL PROJ/DISTRIB. OF PERM FUND INC

Number 0097

CHAIR COGHILL announced that the first order of business would be HOUSE BILL NO. 17, "An Act relating to the capital projects fund, to distribution of money in the earnings reserve account of the Alaska permanent fund to the capital projects fund and to the dividend fund at the end of fiscal year 2001, and to increasing the amount of permanent fund dividends for calendar year 2001; and providing for an effective date."

Number 0133

LORI BACKES, Staff to Representative Whitaker, Alaska State Legislature, came forward to testify on behalf of Representative Jim Whitaker, sponsor of HB 17. She noted that the audio-visual presentation on HB 17 that Representative Whitaker gave at the last committee meeting was available in both hard copy and on disk. She pointed out a correction needed on the slide titled "Capital Projects Fund." The figure on the second line, \$160,712,500, should be changed to \$211,500,000 to match the other updated amounts shown throughout, she explained.

MS. BACKES said that HB 17 does not take the money from the earnings reserve account itself. "This takes the earnings from the earnings reserve account," she said. "The permanent fund

has its own earnings, and the earnings reserve account is invested a little bit differently; and this takes the earnings for one year from the earnings reserve account."

Number 0339

CHAIR COGHILL noted for the record that Representative Crawford had joined the meeting. He then asked how one determines the parameters of the earnings of the earnings reserve.

MS. BACKES said she could not help much with financial explanations, but knew that the earnings reserve account is the money left over after the permanent fund has been inflation-proofed and after the dividend has been paid. The remainder goes into a separate earnings reserve account. That money is invested separately from the permanent fund, and so generates its own income. "That's the income we're talking about," she said. "It has nothing to do with the direct income of the permanent fund."

Number 0433

CHAIR COGHILL asked if he understood correctly that under HB 17, the earnings part of the earnings reserve would be divided in half.

MS. BACKES said that is what would be done for one year. As HB 17 is written, half of that money would go to the capital projects fund and the other half would be paid out as a supplement to the permanent fund dividend. She said the amount of that supplement would be about \$360 per dividend.

MS. BACKES added that some legislators have suggested using the money for a municipal dividend instead of supplementing the dividend, she said. That would require amending HB 17 so that half of the money [the earnings of the earnings reserve] would go into the capital projects fund and the other half would be dispersed to communities based on their population.

CHAIR COGHILL supposed that would be similar to the plan proposed in HB 20.

MS. BACKES said what is being discussed was similar in concept, but that she did not know the particulars.

CHAIR COGHILL asked how much would be provided per capita.

MS. BACKES said she did not know how the money would be divided per capita if it were given out as a municipal dividend. "If it's a supplement to the dividend payout, it would be \$360 per person," she said.

CHAIR COGHILL asked if that was the amount anticipated in this year only.

MS. BACKES said that was correct, emphasizing that HB 17 is a one-year bill.

Number 0624

CHAIR COGHILL said he wanted the committee to note that "this is a one-time shot at trying it to see how it works." He also noted that Representative Hayes had joined the meeting, and asked him if his bill had passed.

REPRESENTATIVE HAYES replied, "Absolutely, Mr. Chair."

Number 0666

CHAIR COGHILL observed that on page 1, line 11 of HB 17, "you have up to 35 percent of the balance ... to be appropriated for projects located in a single municipality." He wondered why the bill said "up to 35 percent."

MS. BACKES said it was a positive way of putting a limit on how much each community might receive in the form of appropriations for capital projects, and that the legislature has done something similar in the past.

Number 0727

CHAIR COGHILL said he was trying to think of the policy call that will have to be made in the House State Affairs Standing Committee. "The earnings reserve has never been used in a manner such as this," he said, "so this would begin a precedent, I think, that would be very significant; something that the legislature's been very reluctant to do in the past. And I guess the [indisc.] from you folks is to try it for one year, see how it goes?"

MS. BACKES again pointed out that HB 17 is not using the earnings reserve, but the income from the earnings reserve, "so it's almost two to three times removed from ... getting anywhere near the permanent fund," she said.

Number 0805

JIM KELLY, Director of Communications, Alaska Permanent Fund Corporation, came forward to testify.

CHAIR COGHILL explained that he had been asking Ms. Backes about the parameters of the earnings of the earning reserve and how that relates to realized and unrealized gains. "Can you give us a little description on that?" he asked.

MR. KELLY explained:

There are two parts to the permanent fund, there's the principal and there's everything else. Anything above the amount of money that you have appropriated to the principal -- which is the constitutionally dedicated oil revenues, the little piece of additionally statutorily appropriated oil revenues, inflation-proofing, and then the special appropriations that the legislature has made I think seven times over the years -- that's \$20.2 billion.

Everything in the fund that you see that's over \$20.2 billion is in the earnings reserve account. It is income. Some of it is realized; some of it is unrealized. But all of the money that we make every day flows into the earnings reserve account, whether it's an interest payment that we receive from the federal government or whether it's a dividend that we receive from one of the holdings of the 4,000 companies that you own around the world, whether it's cash flow from an apartment building that the fund owns in Miami, Florida, or whether it's the appreciation in -- or the depreciation in -- the value of any of those assets from any given date, that all shows up in the accounting for the earnings reserve account.

Number 0925

So if the fund is \$25.2 billion today, which I think it's pretty close to that, that means that there's about \$5 billion in the earnings reserve account. We project in the future that the earnings reserve account will earn 8 percent, 8.25 percent return. So when we did the analysis of HB 17, we calculated an

8.25 [percent] return on the earnings reserve account and then followed the prescription of the bill and split it the two ways and paid it out.

One thing that's interesting to note is that ... the [Permanent Fund Corporation] board has a proposal for a 5 percent payout limitation, a constitutional amendment, which is really intended to inflation-proof the fund permanently, but also to provide a sustainable income stream to the state. And if you look [at] that over a 20-year period, the numbers turn out to be just about the same as they do with HB 17, and I'll get into that. But basically what I'm saying is that the amount of money that's being talked about is pretty consistent with being able to maintain the purchasing power of the fund. Over 20 years, under HB 17, you'd end up with a fund that was about \$51 billion, twice the size that it is today. Meanwhile, you will have produced over that period of time something like \$57 billion worth of total investment return.

Number 1036

It's going to take \$20 billion of that to keep the fund whole against inflation, just as in the past it's taken \$7 billion to keep the fund whole to today. So that leaves \$36 billion, which is about how much HB 17 envisions being available.

Number 1060

Of that, the dividend program status quo will take approximately \$28 billion, so that leaves ... \$8 billion or something like that for other uses. This particular proposal shifts some of that into the dividend fund and it provides some of it for capital projects. But the long and the short of it is that it does leave the fund basically in a whole position over a period of time and it has provided for billions of dollars of new permanent fund income to be used for the benefit of the Alaskan economy without sacrificing the fund or the real and the nominal growth in the dividend.

Number 1121

REPRESENTATIVE WILSON asked, "So if we look at HB 17 and look at what we're doing now?"

MR. KELLY said the difference is that ... if one did nothing with the income besides the dividends and inflation-proofing, the fund would grow to \$64 billion, with \$14 billion in the earnings reserve account.

REPRESENTATIVE WILSON added, "I meant as we keep taking some of it away."

MR. KELLY asked what she meant by "taking it away."

REPRESENTATIVE WILSON asked, "Don't we take some of this each time ...?"

MR. KELLY responded, "Oh, you mean for HB 17?"

REPRESENTATIVE WILSON realized, "Oh, it's the CBR (Constitutional Budget Reserve) that we keep taking ...; OK."

Number 1181

REPRESENTATIVE FATE said, "I'm a little confused here, Jim, because you're mixing [HB] 17 with what you were trying to achieve before, which is a constitutional amendment. I'd like to stick to this bill and ... what will happen, or whether we should even give ... back to the dividend, or whether ... it should go to the communities..., and whether or not these figures ... that have been projected are ... valid figures."

Number 1248

MR. KELLY said HB 17 pays out money in excess of what statutory inflation proofing requires. There is additional money. The Permanent Fund Corporation estimates that there will be \$175 million to \$300 million a year available, and that number will grow as the market value of the fund grows.

MR. KELLY said the way that money ought to be spent is not something the trustees [of the Permanent Fund Corporation] would ever get involved with deciding. "We're only interested in producing the money..., " he said.

REPRESENTATIVE FATE said what he wanted had to know was that the \$423 million from which the other figures derive is a good figure for the income from the earnings reserve account.

MR. KELLY confirmed that it was, [depending on what happens in the current, final quarter of the fiscal year].

Number 1324

REPRESENTATIVE FATE asked about the projected earning of about 8 percent on the earnings reserve account: "In light of the ... 'bear market' that we're having now, is that still a valid figure?"

MR. KELLY said it was, and explained how it is calculated.

Number 1401

CHAIR COGHILL asked if, in light of the bad market year, the HB 17 proposal is a valid one to be discussing right now.

MR. KELLY said the projected earnings are based on December 31 [of 2000] numbers, and he thinks they are as good as anything the Permanent Fund Corporation could produce.

Number 1448

REPRESENTATIVE JAMES asked a question related to a presentation the Permanent Fund Corporation had made at a Rotary Club meeting. There was a chart that showed the ups and downs [of the stock market] over the last 75 years, and Representative James understood that 8-8.5 percent is the historical amount of growth that can be expected from a fund over the long term.

MR. KELLY said it is about 8 percent, including 3 percent for inflation and 5 percent for payout.

REPRESENTATIVE JAMES asked if that was how the Permanent Fund Corporation came up with the 5 percent payout, "because you assume that the average is going to be 3 percent on inflation and that's going to keep it ... inflation-proofed over the long period of time?"

MR. KELLY said that was correct, based on the asset allocation the fund has now.

Number 1570

REPRESENTATIVE JAMES recalled that in the early 1990's, the rate of inflation was so high that legislators worried that if they

first inflation-proofed, there would be nothing left for dividends, and might not even be enough for inflation proofing. "Could we get there again?" she asked.

Number 1656

MR. KELLY said yes, and that is why the board is suggesting that statutory inflation proofing isn't the best way to go because it moves that money from the earnings reserve account, where it is available for appropriation, and puts it into the principal, where it's not. And in a year like this one, in which the Permanent Fund has lost \$2 billion of money, that's not a problem because there is still \$5 billion in the earnings reserve account. "But you have a year like this again and another year like that again, then you're into a situation where you do not have the ability to make a dividend payment, much less the payment that's envisioned in an HB 17," he said.

Number 1690

CHAIR COGHILL asked, "Is this going to be problematic with regard to that? ... If we're going to make a policy call, we need to make sure that as we proceed in this, that they're not going to be in competition, but that they could work together."

MR. KELLY replied, "It's really a public policy call. ... All of the money in the earnings reserve account is available for the legislature to spend. If you're going to continue the current system, ... the best protection you have against bad markets is a lot of money in the earnings reserve account. Anything you do to take money out of that reserve account, whether it's putting it into the principal for inflation proofing or whether it's paying it out for purposes of state government, diminishes that and increases the risk down the road.... That's sort of a flaw that the trustees are trying to overcome."

Number 1760

REPRESENTATIVE FATE said he would really like to try to focus on HB 17. "It looks to me like we're not going to really diminish the earnings reserve," he said. "We're taking the earnings off of it, unless you account for a small amount of that that might go back into the earnings reserve." He noted that HB 17 is a "one-time deal" that provides much-needed funds for capital projects. How to divide the other portion of that revenue from the earnings reserve account, "whether it's going to go to the

municipalities or whether it's going to go back into the dividend, is something that ... perhaps should be wrestled with a little bit" [in the State Affairs Committee]. From the public policy standpoint, he thinks HB 17 has a lot of merit and that it would be better to let the finance committee go through the number crunching.

Number 1836

CHAIR COGHILL said he think the policy call that the committee wants to make is, "Shall we use the earnings of the earnings reserve?"

Number 1847

REPRESENTATIVE WILSON requested clarification. "With this bill, we take the earning from the earnings reserve...", she observed. "Does the bill inflation-proof the earnings reserve account before we do that?"

MS. BACKES said it does not.

REPRESENTATIVE WILSON asked if she knew what difference it would make if we did that.

MS. BACKES said it would, of course, depend on the level of inflation proofing that was decided upon, but beyond that, she didn't know the effect it would have. "I think that it certainly would be a policy call if the legislature is interested in inflation-proofing the earnings reserve when the permanent fund is inflation-proofed."

REPRESENTATIVE WILSON mentioned that the earning of the earnings reserve would be a changing number all the time.

CHAIR COGHILL said he thought the question she was raising was whether to inflation-proof the earnings reserve rather than the corpus of the fund, which is a policy question HB 17 does not address.

Number 1957

REPRESENTATIVE JAMES commented that HB 17 is a one-time thing, and it appears to her that the same amount that HB 17 would put into the capital projects fund [\$211,500,000] could be appropriated today without this piece of legislation. "We don't need, this," she said, "if ... we are willing as a legislature

to take money from the earnings reserve...." She said the calculation is important and the presentation shows that the money would not come from the earnings reserve, but from its earnings, and only use half of that. The same money could be appropriated by a simple majority vote.

REPRESENTATIVE JAMES added that she thinks the 5 percent payout makes a lot of financial sense over the long term. "But ... I don't want to deal with that until we deal with everything else," she said; "because it's all an integral part of a long-term plan, and I'm not willing to set aside 5 percent of the market value without doing something with the dividend program, which would take at least 80 percent of that and ... [leave very little left to use] in balancing our budget over the long term."

Number 2099

REPRESENTATIVE COGHILL asked Ms. Backes to explain why the bill is being introduced. He said it would be his guess that the sponsor intends to bring about a policy debate about whether the legislature should use the permanent fund, the earnings, or the earnings of the earnings.

MS. BACKES said the impetus for HB 17 comes from the mandate in Article 9, Section 16 of the state Constitution. That mandate was put there by amendment in the early 1980s, when the state was getting a lot of money and there was concern that it was being spent without a great deal of self-restraint. The amendment set an appropriation limit, which the legislature has never come near reaching. However, within this limit, it also states that at least one-third of the money the legislature appropriates shall be reserved for capital projects and loan appropriations. The legislature has never come close to designating one-third of its appropriations for capital projects, she said. In 1983, the state attorney general issued an opinion saying he thought the amendment was ambiguous and that the courts wouldn't hold the legislature to the provisions of the amendment. There is a second opinion from Legislative Legal Services that directly contradicts the attorney general's opinion, which has never been challenged in court. "Representative Whitaker believes that we ought to challenge it in some fashion because the legislature does have a mandate within the constitution to appropriate one-third," Ms. Backes said. "This bill doesn't appropriate one-third, but it does bring us a little bit closer."

Number 2234

REPRESENTATIVE FATE said he agreed with Representative James about the legislature being able by majority vote to use the earnings of the earnings reserve, "That, to me, is basically what this does," he said. He has seen the presentation and thinks it is the right step "because, as everybody knows, we're in the process right now of trying to formulate some fiscal policy for the State of Alaska," he said. "Also, as everybody knows, we are way behind on capital improvement including deferred maintenance.... So this, to me, is a first and valid step in trying to address the capital problems that we have in the state." As for the other part, the other half of the revenues from the earnings reserve account, he said he was undecided about whether that should be used as a dividend or to provide revenue to communities. He said he hopes that HB 17 will get a majority vote that will start the process of capital improvement once more.

REPRESENTATIVE JAMES addressed the constitutional amendment and the attorney general's opinion. She said she agrees with the attorney general that the bill is very convoluted and could be challenged. She said the constitutional budget reserve was another convoluted constitutional amendment that ended up being challenged in court. The decision was that the amendment was, indeed, convoluted, and that the purpose of the constitutional budget reserve was to allow the legislature, if it had less money available in the current year than in the previous year's budget, to tap the constitutional budget reserve account with a majority vote. For any other reason that the legislature wanted to spend money from that account, a three-fourths vote was needed. And regardless of how the expenditure was approved or the money used, at the end of the following year, whatever is left for appropriation is swept into the constitutional reserve to pay it back. "Pulling all the money out of the bank to pay back the constitutional budget reserve at the end of a fiscal year is absurd," she said.

REPRESENTATIVE JAMES said the court also ruled that when the legislature determines that the money available for appropriation is less than what was spent in the last year, "you ... count the earnings of the permanent fund reserve because it's available for appropriation. But when it comes to June 30 and time to sweep all the money back in to pay it back, you don't count the earnings reserve of the permanent fund. That and other things about the constitutional amendment need fixing, she said. She thinks the legislature needs to do that as part of a long-term fiscal plan and also to have a spending limit.

An attorney general's opinion is the law until someone challenges it in court, and only the court can make that final decision, she said.

Number 2533

CHAIR COGHILL asked Ms. Backes "how far down the road this goes to a challenge on that."

MS. BACKES was not sure she understood the question.

CHAIR COGHILL asked, "Does this go over the one-third? Does it stay under the one-third? Are we even going to come up to what the attorney general's opinion is on this?"

MS. BACKES said HB 17 does not appropriate one-third, but "brings us a little bit closer." She further explained:

The attorney general's opinion doesn't deal so much with how appropriate it is to set the appropriations limit through this amendment, and it really doesn't deal with the constitutional budget reserve. The question that Representative Whitaker has in the attorney general's opinion deals with just the sentence that says, "Within this limit, at least one-third shall be reserved for capital projects and loan appropriations." The attorney general believed that the statement within this limit was ambiguous enough to state in his opinion that if the legislature never reached that appropriation limit. That, by the way, I think would have been \$6.1 billion last year for the legislature to appropriate.... If we never reach that limit, we don't have to appropriate a third for capital projects. That was his interpretation of this amendment, and that is the part of his opinion that Representative Whitaker disagrees with as well as in our legal opinion from Tam Cook.

Number 2623

CHAIR COGHILL said he wanted to be very clear that HB 17 is asserting that the legislature should get as close to one-third as it can, and that it is not going to challenge the attorney general's opinion because it does not appropriate more than one-third.

MS. BACKES said she did not see and certainly hasn't heard anything from the attorney general's office to indicate that there would be a challenge on HB 17 based on the attorney general's opinion.

Number 2660

REPRESENTATIVE CRAWFORD commented that he had heard some really interesting conversation here this morning and would really like to discuss it over pizza some night, but he thinks the discussion is getting fairly far afield from HB 17. "What this seems to do is it uses some of the earnings from the permanent fund. Even though it comes from the earnings of the earnings ... of the reserve account, it's still money from the permanent fund," he said. As he was going door-to-door campaigning, he heard repeatedly that people do not want to see the budget gap filled with earnings from the permanent fund without a comprehensive fiscal plan, and he agreed with that.

Number 2725

REPRESENTATIVE FATE moved to report HB 17 out of committee with individual recommendations and the accompanying fiscal notes. There being no objection, HB 17 was reported from the House State Affairs Standing Committee.

HB 200 - DRUNK DRIVING VICTIMS REMEMBRANCE DAY

Number 2778

CHAIR COGHILL announced that the next item of business before the committee would be HOUSE BILL NO. 200, "An Act establishing July 3 as Drunk Driving Victims Remembrance Day." He put before the committee a committee substitute [Version C].

REPRESENTATIVE FATE moved the adoption of [Version C] as the working document before the committee.

Number 2807

CHAIR COGHILL said he took out the portion of HB 200 mandating that the flag be lowered, as it is his personal feeling that the section would set a precedent that he was not sure he wanted to set. He explained that he did not want to diminish the remembrance of the drunk driving victims, "but every other time we lower the flag by statute in Alaska, it's with regard to veterans or police who have lost their life in service." He

said that he does not want to diminish the tragedy of the loss of other victims, but "I think if we start down the road of lowering the flag for every one, we will end up diminishing that," he said. So he was reluctant to put the flag lowering in statute as HB 200 proposes. Instead, his CS asks the governor to make a proclamation to commemorate Drunk Driving Victims Remembrance Day, and the governor can lower the flag as he or she wishes.

Number 2869

REPRESENTATIVE CRAWFORD objected to adopting the CS. He said he thinks the flag lowering does not diminish anything and raises awareness, and that the original bill is the proper way to memorialize the victims of drunk driving.

Number 2895

CHAIR COGHILL said his intent was not to dishonor anybody, but to raise the level of honor by making the governor do it by proclamation. He said he thought that would result in better publicity than doing so by statute.

REPRESENTATIVE JAMES said she tended to agree with Chair Coghill. She said she did not wish to demean the people who have worked so hard on HB 200 and to whom it means so much. But she thinks there are a lot of ways that would be more effective than a statutory flag lowering to get out the message of Drunk Driving Victims Remembrance Day. "I think the proclamation does it," she said. She thinks if the people who are behind HB 200 request it, once the legislature has this day set in statute, it is likely that the governor would lower the flag.

TAPE 01-38, SIDE B

REPRESENTATIVE JAMES also concurred with Chair Coghill that the governor's making the proclamation in a press relapse will prompt more media coverage than if the legislature mandated the flag-lowering "and it just happened." She said she supports the CS and hopes the proponents will be comfortable with this way of commemorating their loss.

Number 2915

REPRESENTATIVE CRAWFORD asked:

What's wrong with us making a stand and making this statement here that we believe that ... drunk driving is wrong and do everything in our power to make that statement as strongly as we possibly can? Why would we have to wait on the governor to lower the flag? Why can't we as a legislature, as a policy-making group, say that this is something that we feel rises to the level that we need to moralize it and make people aware of it. I believe that this is the least that we can do.

CHAIR COGHILL said he appreciates that and thinks it is an excellent point. "We are asking the governor to make a proclamation," he said, "and I think that ... the precedent that I'm reluctant to set could eventually diminish that very thing that you're trying to do."

Number 2872

REPRESENTATIVE WILSON said:

This is a very difficult decision to make just for the fact that we don't want to diminish in any way what's happened and the fact that the people that have come here and worked real hard to the end that this could happen. But I do agree with you. Right now, the only time the flag has been lowered ... is when it's connected with some kind of a veteran type thing, right?

CHAIR COGHILL clarified that the flag is lowered by statute only for that type of observance. However, there are many other times that it is lowered by proclamation for a variety of different people and events, he said.

REPRESENTATIVE WILSON also expressed concern about setting a precedent. While she acknowledged that remembrance of drunk driving victims was a very good reason for lowering the flag, she pointed out that other groups could request the same thing and "you could see the flag lowered so many times that ... people don't even think it's a big deal." While she understands that to be the policy issue, she said she is really torn because she can see both sides.

Number 2772

CHAIR COGHILL concurred that it is an emotional issue. "We're doing it over people who have at random been killed and who have become true victims," he said. He repeated that it is not intent to diminish that at all.

Number 2740

REPRESENTATIVE FATE moved to report HB 200 as amended out of committee with individual recommendations and the accompanying fiscal notes.

REPRESENTATIVE CRAWFORD maintained his objection to the CS.

A roll call vote was taken on the CS. Representatives Fate, James, Stevens, Wilson, and Coghill voted for the CS to HB 200. Representatives Crawford and Hayes voted against the SC for HB 200. Therefore, the CS to HB 200 was adopted.

There being no objection, HB 200 as amended moved out of the House State Affairs Standing Committee. [CSHB 200(STA) moved from committee.]

CHAIR COGHILL declared a brief at-ease at 9:07 a.m. The meeting was called back to order at 9:12 a.m.

SJR 17 - FEDERAL GUN POLICIES

Number 2661

CHAIR COGHILL announced that the next order of business before the committee would be CS FOR SENATE JOINT RESOLUTION NO. 17(STA), Relating to requesting that President Bush renounce and reverse Clinton Administration anti-gun-ownership policies and reorient the United States Department of Justice towards policies that accurately reflect the intent of the Second Amendment to the United States Constitution to grant individual Americans the right to keep and bear arms.

SENATOR DAVE DONLEY, Alaska State Legislature, came forward to testify as sponsor of SJR 17. He called attention to an enclosure in members' packets pertaining to a discussion between a United States attorney and a federal judge regarding the government's position on the meaning of the second Amendment to the United States Constitution. He said when he read that transcript, he was convinced that it was appropriate for the Alaska State Legislature to ask President Bush to change that policy on the part of the Justice Department of the United

States. The packet also contains a letter from the Solicitor General of the United States confirming that it was the policy of the Justice Department under the previous President's administration that the Second Amendment guaranteed absolutely no right to citizens to keep and bear arms; that it only meant that members of the National Guard could keep and bear arms and even they were not allowed to privately own guns, but only allowed to keep them at the National Guard armory.

Number 2598

SENATOR DONLEY said he thinks that position is contrary to scholarly interpretations of the Second Amendment and to what most Americans believe it means. He recalled that a few years ago, Alaskans overwhelmingly voted in favor of amending the state Constitution to very clearly state that there is an individual right to keep and bear arms. He explained that SJR 17 calls for President Bush to try to reverse that policy on the part of the Justice Department and "to more accurately recognize the true meaning of the Second Amendment of the United States Constitution."

CHAIR COGHILL asked Senator Donley if he thinks the resolution is being sent to enough people. He noted that it lists the members of Congress, the President, and the Vice President.

SENATOR DONLEY said he thought it was the correct list of people and that he also was going to send it to state legislatures around the nation because he thinks it is a national issue and that it is appropriate to stick up for the rights of all Americans.

CHAIR COGHILL asked him if that was a commitment.

SENATOR DONLEY said yes, that it was his intent to send it to the presiding officers of all the state legislatures. If the House State Affairs Standing Committee wished to add that, he thinks it would be appropriate.

Number 2514

REPRESENTATIVE JAMES moved to adopt that as a conceptual amendment.

CHAIR COGHILL stated the conceptual amendment as:

"to send it to the presiding officer of each legislative body in every other 49 states."

REPRESENTATIVE JAMES said she thought it should refer to "officers".

There was no objection to the conceptual amendment to CSSJR 17(STA).

Number 2588

REPRESENTATIVE HAYES moved to report CSSJR 17(STA) as amended out of committee with individual recommendations and the accompanying zero fiscal note. There being no objection, HCS CSSJR 17(STA) was moved from the House State Affairs Standing Committee.

[Although the motion that carried should have moved HCS CSSJR 17(STA) out of the House State Affairs Standing Committee, CSSJR 17(STA) was reported instead to the Chief Clerk as having moved from the committee.]

CHAIR COGHILL declared a brief at-ease at 9:15 a.m. The committee was called back to order at 9:17 a.m.

SB 65 - PAY EQUITY FOR STATE EMPLOYEES

Number 2457

CHAIR COGHILL announced that the next order of business before the committee would be CS FOR SENATE BILL NO. 65(FIN), "An Act requiring a study regarding equal pay for equal work of certain state employees."

SENATOR DAVE DONLEY came forward to testify as sponsor of SB 65. He explained that SB 65 calls for the state to perform a pay equity study to determine if its current classification of state employees is in any way in violation of existing state or federal law regarding equal pay for equal work. He noted that almost every year, there are news stories reporting that the annual study by the Department of Administration shows that women who work for state government are paid less than men. "But what we don't know is why," he said, "and we don't know if there is some improper reason why women are being paid less than men on the average with state government." He said there are many other reasons why, as an average, women might justifiably be paid less than men, "but we will never know whether the

reason is an improper reason unless we actually do a pay equity study." Such studies already have been done by 24 other states and the District of Columbia. Alaska's Department of Administration believes that its classification system is a good one and that there is no discrimination based on gender, he said.

SENATOR DONLEY said SB 65 calls for a \$50,000 study that would be performed by a contractor through the Department of Administration to specifically examine whether there is any discrimination going on that would be in violation of existing requirements of equal pay for equal work. He noted that he is trying to be very clear about equal pay for equal work because there is terminology used in this area that can get very confusing. He called attention to an analysis of terminology in committee packets and said there are three phrases commonly used. There is "equal pay for same work," which is actually what he is trying to say, he said. There is "comparable work," which refers to a theory of overall equivalent value to society, which is more complicated but has been studied by some other states. There is "equal pay for equal work," and that principle requires equal compensation for jobs that require substantially the same skills, effort, and responsibility. That is actually what Alaska law and federal law requires. He emphasized that the proposed study would not be a comparable work study, but an equal pay for equal work study [which would encompass equal pay for same work] to make sure that Alaska is complying with federal law.

SENATOR DONLEY said he thinks it is the right thing to do. "We have a perception that we may have a problem," he said. "The Department of Administration is confident we don't have a problem, but ... the only way to let the public know for sure that we're not improperly discriminating against women in state employment is to perform this study."

Number 2251

CHAIR COGHILL said based on his observation around the legislative halls, "it seems like some of us men may be in trouble."

Number 2240

REPRESENTATIVE STEVENS observed that the [written] description of SB 65 mentions litigation, and he wondered if there had been litigation against the state.

SENATOR DONLEY said there had been a case alleging that nurses in state employment were being discriminated against unfairly. The facts of the case were that most of the nurses were women, and that the state had another job called "physicians' assistant" in which most of the employees were men. The physicians' assistants were paid more than nurses, but they were doing virtually identical work, he said. The Human Rights [or Equal Rights] Commission found in favor of the nurses. The case was appealed to the courts and the Supreme Court of the state ruled in favor of the state, saying that they found distinguishing elements that justified differing pay rates.

Number 2168

SENATOR DONLEY noted that the decision had been controversial, and found it interesting that in the approximately eight years since then, the number of women physicians assistants has increased and the pay of nurses has been raised so that it is more comparable. He said the Department of Administration found "that nurses had a pretty good argument."

SENATOR DONLEY said that is the only lawsuit in Alaska state employment of which he knows; however, the issue has been "very problematic" elsewhere. He described two types of states, those which have "just refused to do anything and their classification systems weren't probably as good as ours and they got sued and it cost them a lot of money." He directed attention to an example in the packets comparing Minnesota to Washington State. In the latter, there was a suit that the state lost and "it cost the state a lot of money," he said. Other states have done pay equity studies and moved in a progressive way to solving the problems they identified, and it's cost a lot less, he said. He emphasized that Alaska's Department of Administration is confident about its classification system and that he hopes the study will put to rest the idea that there is discrimination in the state system.

Number 2050

CHAIR COGHILL noted that the annual reports come from the Department of Labor, and he wondered if those reports addressed the area of pay equity.

SENATOR DONLEY said they talk about the difference between what men and women on average are making working for the state.

CHAIR COGHILL asked, "Just a general rule?"

SENATOR DONLEY replied, "Yes, just on the average, the gender difference." He called attention to a one-page enclosure on the gender gap in the packet.

CHAIR COGHILL asked if the proposed study would look at the gender gap in different categories.

SENATOR DONLEY explained that the study would identify those job classes that are dominated by one gender or the other, as those are the suspect classes. It also would look for job classes that are doing much the same type of work and compare the job descriptions with what employees actually are doing to see if there is any discrimination based on gender.

Number 1931

REPRESENTATIVE CRAWFORD said when his wife was working as a nurse in a hospital operating room in Louisiana, one of the things they talked about was that the male nurses who came through the operating room seemed to be on the "fast track." Only about one in ten of the nurses was male, and most of them stayed just a short time before being promoted to an administrative job. That seemed to him to be a way of discriminating as well. He wondered if this study would address that sort of thing.

SENATOR DONLEY said it is unlikely that this study would catch that kind of a problem, as that was a different area of the law. He said he thought that in a situation like the one Representative Crawford described, there would be a strong possibility of a case for the Equal Rights Commission based on discrimination in promotion.

Number 1807

REPRESENTATIVE JAMES observed that many times, there are more women or more men in a particular job because more people of that gender apply for those jobs, and that doesn't mean that there is discrimination.

SENATOR DONLEY said that is correct. "But let's say there was a female dominated class called Secretary One, and then there was a male-dominated class called Secretary Two. And we take a look at it and we find that the Secretary Twos are doing the same job

as the Secretary Ones, then you've got a case for gender discrimination."

CHAIR COGHILL noted for the record that at this point, the administration is saying that does not happen, yet there is a public perception that it does. He thought what Senator Donley was addressing was the public perception.

SENATOR DONLEY said that is correct.

CHAIR COGHILL asked if the study would be more of a blind study than self-examination.

SENATOR DONLEY said yes, if he correctly understood Chair Coghill's terminology.

CHAIR COGHILL clarified that he meant a study by a disinterested party.

SENATOR DONLEY said yes.

REPRESENTATIVE JAMES asked if while the study was comparing employees' jobs are and the pay that they get, will it also look at the qualifications required for the job. She has encountered requirements, such as education, for particular jobs that were not really required for the work being done.

SENATOR DONLEY said she was absolutely correct. What the law requires is equal pay for equal work, and if there is some illusory hurdle before a person gets into a particular job, that's not right. It's what you're doing while you're there that is significant. That is part of what this study could examine.

CHAIR COGHILL asked if there was anyone else to testify on SB 65. There being no response, he closed public testimony.

Number 1538

REPRESENTATIVE FATE REPRESENTATIVE moved to report SB 65 out of committee with individual recommendations and the accompanying fiscal note.

REPRESENTATIVE HAYES objected to offer a possible amendment. He said he would like to confer with the bill's sponsor.

CHAIR COGHILL declared a brief at-ease at 9:35 a.m. The meeting was called back to order at 9:37 a.m. He noted that a proposed amendment had been passed out to committee members by Representative Hayes.

Number 1487

REPRESENTATIVE HAYES moved Amendment 1.

REPRESENTATIVE JAMES objected for purposes of discussion.

REPRESENTATIVE HAYES said he had received a memo from one of the cosponsors of SB 65 who wanted to add some language if the sponsor was amenable to it. He explained the amendment as follows:

Page 1, line 8, after "sexes",
Insert "races"

Page 1, line 8,
Delete "female"
Insert "worker"

Page 1, line 9, after "paid to",
Delete "male"
Insert "another"

Page 2, line 4, after "gender",
Insert "or race"

Page 2, line 9, after "gender",
Insert "or race"

Page 2, line 10, after "gender",
Insert "or race"

Number 1402

CHAIR COGHILL said the amendment seemed to him to significantly change SB 65.

REPRESENTATIVE JAMES asked if the "equal pay for equal work" area of the law also includes bias between races.

SENATOR DONLEY replied, "Yes."

REPRESENTATIVE JAMES asked what if anything the amendment would do to the fiscal note.

SENATOR DONLEY responded, "We have been working with the Department of Administration for about 9 to 10 months on this bill and developing the fiscal note and the study. This is totally different than anything they've seen before. so it's very hard for me to predict what this will do to the fiscal note...."

REPRESENTATIVE JAMES observed that SB 85 was a Senate bill that is now before the House. She asked if it has a referral to the House Finance Committee.

SENATOR DONLEY confirmed that it does.

REPRESENTATIVE JAMES asked if a representative from the administration was present, and if she could ask a question of that person.

Number 1286

DAVE STEWART, Personnel Manager, Division of Personnel, Department of Administration, came forward to testify.

REPRESENTATIVE JAMES began by clarifying that she has no philosophical opposition to Amendment 1. Her concern is that it is enlarging the scope of the study, and it appears to her that there would be some increase in the cost of it. She asked if the House State Affairs Standing Committee were to adopt the amendment and move SB 65 out of committee today, what would the administration do about the fiscal note by the time the bill reached the Finance Committee, to which it has a referral. She said she wanted to make sure that committee had a true picture of the financial impact.

MR. STEWART replied that in that case, the administration would have to go back and adjust the fiscal note to reflect the increased scope.

REPRESENTATIVE JAMES asked if he had any idea what the increase might be?

MR. STEWART replied, "I sure don't." In response to her urging him to estimate, he said it would likely double.

REPRESENTATIVE JAMES said that is what she would guess because, "It's a whole new scope." But as long as she is assured that the fiscal note will be revised, she has no objection to the amendment.

Number 1135

REPRESENTATIVE WILSON commented that she thinks what Representative Hayes wants to do is wonderful, and should be looked at. However, he could introduce a new bill to study racial discrimination, which might be done in conjunction with the gender study proposed by SB 65.

CHAIR COGHILL noted that the original testimony was that SB 65 addressed gender equity, and that the amendment changes the scope tremendously.

REPRESENTATIVE HAYES said he understood what Representative Wilson was proposing, and explained that he was simply passing on an amendment a co-sponsor had requested.

REPRESENTATIVE JAMES wondered in a study on equal pay for equal work, "What trumps the decision, race or gender?"

MR. STEWART answered, "Both."

SENATOR DONLEY said the original bill was designed just to study gender. "The trick is, you look for suspect classes to start, so a gender study looks for classes dominated by a particular gender, and a racial study looks for classes dominated by a particular race," he said. Each study goes on to make sure that in those classes, the group being studied is not being discriminated against. Looking at both means adding another variable, he explained.

REPRESENTATIVE WILSON said she had changed her mind and now thinks that the amendment really expands the intent of SB 65, and she thinks racial bias should be examined in a separate study rather than in a combined study, but that she will yield to the sponsor of the legislation.

SENATOR DONLEY said he felt like he was stuck in a difficult spot "because Mr. Stewart's been wonderful to work with; the administration has really been helpful on this, and we've worked together for eight months now ... and it took a major effort on their part to identify just how they thought they might do this study and to give us a fiscal note on the subject, and there's a

lot of thought and we did a lot of research on the Internet and with other states of how they've done studies and what private contractors were available out there to do a study, but all that research was based on gender...."

MR. STEWART added, "None of our inquiries included race or any other factor."

SENATOR DONLEY said he felt confident about the numbers in the current fiscal note, but he did not know what he would say to the Finance Committee if there were another fiscal note. At the same time, he said, he really did not oppose doing this. "It's just that it could inject a lot of uncertainty," he said. He noted that he did not know how the Senate would react.

Number 0754

REPRESENTATIVE CRAWFORD said he supported the idea behind the amendment, and with the study on gender set up, he wondered if it might be less expensive to "piggyback" a race study [rather than to conduct a separate study on race].

SENATOR DONLEY deferred to the administration.

MR. STEWART said it probably would be less expensive to combine the two studies rather than to conduct two separate ones. However, he thought it would be a little more difficult to study equal pay for equal work in relation to race, He noted that there was almost 40 years of history of state and federal legislation related to race, and not so much related to gender. In addition, the gender gap report from the Department of Labor provides some specific targets with respect to gender-related pay issues, and there is not a comparable starting point for issues of race. He said he thought combining the two would mean redesigning the whole study, although he was not reluctant to do so.

Number 0502

REPRESENTATIVE STEVENS said that regarding a study on equal pay for equal work in relation to race, "If we're not doing that, we should be doing it." He understood Senator Donley's discomfort with the idea of changing his bill to include that, but said he thought the amendment was a valid one and that he would vote for it.

CHAIR COGHILL asked if accommodations made for Alaska Natives as part of efforts to improve the economy in rural Alaska would affect this type of study.

SENATOR DONLEY said it could. State regulations allow for a local hire preference in rural capital projects, rural jobs, and other situations like that, he said. There's also the state's affirmative action program that permits hiring outside the strict merit system based on affirmative action goals. He said that was one of the complicating factors in studying racial equity, "because there are times when you intentionally override a racial balance ... Unlike overriding a pay balance; it's a different issue."

CHAIR COGHILL said that was his concern, running into quite an array of variables because of affirmative action and local hire,

SENATOR DONLEY said a racial study will be challenging because of the large indigenous population and its geographic distribution. He noted that certain job classes found in more remote areas are likely to be dominated by indigenous folks because that's where they tend to live.

MR. STEWART added that there are some job classes that exist solely in rural areas.

CHAIR COGHILL wondered how a study would address a situation like that in Barrow, where there are many corporate employers, including the Native corporation structure and the city structure, and also an unusually large Filipino population.

Number 0193

SENATOR DONLEY said he thought it would be a good idea to do a study to make sure that in state employment, there is no discrimination based on either race or gender. "But I'm going to need help on this [the House] side because I'm still going to have to go to your Finance Committee and explain why it's going to cost more and I'd need the help of the administration to craft the study...."

CHAIR COGHILL asked, "Could we come back and ask the administration to give us not just a fiscal note ... [but also] a scope of what this would do, because it certainly changes the scope?" He thought it might be advisable to have that information before moving HB 65.

SENATOR DONLEY suggested that there are going to be two more opportunities, in the Finance Committee and also of the floor of the House, to address the issue [of a race discrimination study]. He expressed willingness to work with the legislators who are interested and with the administration to try to get that information together before HB 65 comes up for a hearing in the Finance Committee "so we could talk about it intelligently...."

TAPE 01-39, SIDE A

CHAIR COGHILL said he would rather "send it up clean" and with a scope that is well defined and easily quantified in terms of cost.

SENATOR DONLEY said he thought there might be members of the public who would like to testify on the idea of a race discrimination study.

Number 1049

REPRESENTATIVE FATE noted that eight months of work had gone into HB 65. He expressed concern about whether changing its scope would mean the study wouldn't start until the next legislative session. He asked Senator Donley what he expected as a timeline.

SENATOR DONLEY responded, "I wanted to give the administration time to put together and do it right, so we've got a pretty liberal time frame in the bill, so I don't think the time factor is a problem...."

CHAIR COGHILL suggested moving things along. He asked if the amendment was maintained.

REPRESENTATIVE HAYES said yes.

Number 0133

REPRESENTATIVE FATE called for the question on the amendment. A roll call vote was taken. Representatives Crawford, Hayes, Stevens, and Wilson voted for Amendment 1. Representatives Fate and Coghill voted against Amendment 1. Representative James was absent. Therefore, Amendment 1 was adopted.

Number 0215

REPRESENTATIVE HAYES moved to report CSSB 65(FIN) as amended out of the House State Affairs Standing Committee with individual recommendations and the accompanying \$50,000 fiscal note "which will probably change." There being no objection, HCS CSSB 65(STA) was moved from committee.

ADJOURNMENT

There being no further business before the committee, the House State Affairs Standing Committee meeting was adjourned at 9:59 a.m.