

MINUTES
SENATE FINANCE COMMITTEE
February 21, 2002
9:36 AM

TAPES

SFC-02 # 13, Side A
SFC 02 # 13, Side B
SFC 02 # 14, Side A
SFC 02 # 14, Side B

CALL TO ORDER

Co-Chair Pete Kelly convened the meeting at approximately 9:36 AM.

PRESENT

Senator Dave Donley, Co-Chair
Senator Pete Kelly, Co-Chair
Senator Jerry Ward, Vice Chair
Senator Lyda Green
Senator Gary Wilken
Senator Lyman Hoffman
Senator Loren Leman
Senator Donald Olson

Also Attending: SENATOR GENE THERRIAULT; REPRESENTATIVE FRED DYSON; EDDIE JEANS, School Finance Manager, School Finance and Facilities Section, Education Support Services, Department of Education and Early Development; DARROLL HARGRAVES, Executive Director, Alaska Council of School Administrators; DARWIN PETERSON, staff to Senator Torgerson; SALLY SADDLER, Business Development Specialist/Legislative Liaison, Division of International Trade and Market Development, Department of Community and Economic Development; CHIP DENNERLEIN, Director, Division of Habitat and Restoration, Department of Fish and Game; ANNALEE MCCONNELL, Director, Office of Management and Budget, Office of the Governor;

Attending via Teleconference: From Fairbanks: TIM DORAN, President, Alaska Association of Elementary School Principals, and Principal, Denali Elementary School; From Off-Net Site: DEBBIE OSSIANER, Member and Legislative Chair, Anchorage School Board; JUDY BITTNER, Chief/State Historic Preservation Officer, Office of History and Archaeology Alaska Historical Commission, Division of Parks and Outdoor Recreation, Department of Natural Resources; From

Anchorage: WILL ABBOTT, Commissioner, Regulatory Commission of Alaska; GARY PROKOSCH, Water Resources Section, Division of Mining, Land and Water, Department of Natural Resources; JACK HESSION, Alaska Public Water Coalition

SUMMARY INFORMATION

SB 11-COMPULSORY SCHOOL AGE

The Committee heard from the sponsor, the Department of Education and Early Development and representatives from school districts. The bill was held in Committee.

SB 140-SMALL WATER-POWER DEVELOPMENT PROJECTS

The Committee heard from the sponsor, the Regulatory Commission of Alaska, the Department of Natural Resources, the Department of Community and Economic Development, the Department of Fish and Game and the Alaska Public Water Coalition. The bill was held in Committee.

HB 349-AGENCY PROGRAM AND FINANCIAL PLANS

The Committee heard from the sponsor and the Office of Management and Budget. The bill was held in Committee.

HB 96-ACQUIRING JESSE LEE HOME

The Committee heard from the Department of Natural Resources. An amendment was adopted and the bill moved from Committee.

#SB11

SENATE BILL NO. 11

"An Act relating to the legal age for attending school; and providing for an effective date."

This was the first hearing for this bill in the Senate Finance Committee.

SENATOR GENE THERRIault, sponsor, testified this legislation is in response to conversations he had with the principal of an elementary school located in his district. He was told of parents enrolling their children in school at age six, although the mandatory school age requirement is age seven. He stated the problem arises when some of these six-year-old students attend class inconsistently and the school has no authority to require

attendance. He said this causes a hardship for the teachers, who invest time and resources attempting to "keep these children up to speed" with the rest of the class.

Senator Therriault indicated the benefits of early education and informed this bill lowers the mandatory attendance age from age seven to age six. He stressed this legislation does not amend the list of 12 exemptions currently in statute that allow parents to withhold their children from the public education system. He gave illness, home schooling, and private schooling as examples of the exemptions.

Senator Therriault spoke to misconceptions that this bill negates the exemptions and requires all children in Alaska to enter the public school system. Rather, he remarked, this legislation, stipulates that once a child is enrolled in the public school system, that child must attend. He emphasized the intent is that parents do not treat the school system as a convenient day care system, or baby-sitter, for six year olds.

Senator Therriault pointed out the effective date contained in the bill that was introduced in the first session of the Twenty-Second Legislature, must be amended to reflect the current year.

Senator Olson asked the affect on those children who attend private school or who are home schooled.

Senator Therriault replied this legislation only applies to children in public school and has no impact on private schools or home school systems. He stated that the parents in these instances are utilizing their own financial resources rather than public funds. He reiterated the intent is to minimize the impact on a public school classroom caused from a student who has missed a significant amount of school because of the amount of time the teacher must refocus toward that student.

TIM DORAN, President, Alaska Association of Elementary School Principals, and Principal, Denali Elementary School, testified via teleconference from Fairbanks to strongly support the change for mandatory school attendance to age six. He noted the average seven-year-old is in second grade and because this is the earliest age of mandatory attendance, a child could begin school for the first time two years behind his peers. He spoke to the physical and developmental levels of seven-year-olds compared to five and six year olds.

Mr. Doran stressed that starting children in school at age six would give educators "a real benefit in working with parents

throughout first grade and even kindergarten." He stated that studies show that exposure to the school environment at an earlier age has an impact on a student's future education.

Mr. Doran gave examples of his experiences teaching in both rural and urban schools. He told of the disadvantages some children face when they do not attend school until a later age. He stressed that under current law, school districts could not require these children to attend school.

Mr. Doran also noted the name of the Department of Education was changed a few years prior to add Early Development. He saw this bill "as another way for us to really promote good solid early education for kids; really helps them in the process as we are all trying to be accountable for the education for students throughout the community, not just within the school system."

Co-Chair Donley surmised the witness' main concern is that once children are enrolled in the public school system, they are at the same level as other students. He expressed that to achieve this goal, the mandatory attendance age does not have to be lowered. He suggested requiring that attendance is mandatory for those enrolled students, regardless of their age.

Mr. Doran agreed Co-Chair Donley's recommendation would address the issue of student attendance. He remarked that currently the school district has no authority in enforcing truancy rules for those students below the age of seven.

Co-Chair Donley stressed the legislature has the ability to "re-craft the law" to require attendance of those children who are enrolled, yet still allow parents the flexibility to determine when their children should begin school.

Mr. Doran agreed this would be beneficial to students who have enrolled, but would not benefit those children who do not begin school before the age of seven. He stressed the disadvantage of children who have no early schooling then enter the school at a later age than their peers. He clarified the issue is not with parents who chose to home school their children, but for those children who receive no education.

Co-Chair Kelly stated there are two issues involved. The first relates to parents who treat the school system as a day care center, "which interrupts the education process." The other, he said, relates to the best age to begin education. He understood the sponsor is intending to address the first, more practical, issue.

Senator Therriault affirmed and noted this legislation does not affect the exemptions for delaying schooling. He expressed, "those 12 things pretty much cover anything" and if a parent wants their child out of school at least one of the exemptions could apply.

Senator Therriault reiterated this legislation addresses those parents who enroll their child in school but then do not have the child attend regularly. He stated the language is the "cleanest" way to address the issue.

Co-Chair Donley referenced the list of exemptions and noted they are broad. He asked about regulations that interpret the statute.

EDDIE JEANS, School Finance Manager, School Finance and Facilities Section, Education Support Services, Department of Education and Early Development, testified there are no regulations that further interpret the 12 exemptions.

Co-Chair Donley asked which exemption would apply if a parent "simply didn't feel their child was ready to attend school."

Mr. Jeans listed number 12: the child is educated in the child's home by the parent or legal guardian. He explained there are no specific requirements as to what kind of education must be provided.

Co-Chair Donley asked if there are interpretations of the quality of education imposed by the Department of Education and Early Development or local school districts.

Mr. Jeans was unaware of any.

Co-Chair Donley asked if school districts or the Department of Education and Early Development have authority to impose such requirements.

Mr. Jeans answered the Department could adopt regulations.

Mr. Jeans suggested consideration of other statutes relating to age requirements in education, specifically AS 14.03.070 commonly known as the School Age Law. He detailed the provision identifies children between the age of six years by August 16 and 20 years, who have not completed the 12th grade. Therefore, he said amending the compulsory attendance age from seven to six years old, "makes sense to me." He noted kindergarten is not required in Alaska.

Senator Ward asked how many children started school last year at the age of seven.

Mr. Jeans answered he did not have this information.

Senator Therriault cited the most recent data available from 1995 showing that of the total population, 98.7 percent of children between the ages of seven to nine were enrolled in school and that 96 percent of children aged five and six were enrolled in school.

Senator Ward wanted to know how many children begin school at age seven. He understood the 1995 figures, as well as Mr. Doran's experience with one student, but stated they do not describe the problem.

Mr. Jeans noted the Department has records of the number of students enrolled, but does not monitor the number of seven-year-olds enrolled for the first time,

Co-Chair Donley shared he had reviewed AS 14.03.070, which is a definition of "school age". He asked if this definition serves any function in other statutes.

Mr. Jeans replied the purpose of the definition is for providing state funds for public schools. He referenced AS 14.03.080 as stipulating the right to attend school without the payment of tuition. He noted one provision of the right to attend school, allows a child to attend kindergarten at the age of five years.

Co-Chair Donley clarified that AS 14.03.070 is utilized for financial purposes only and does not relate to the policy established in AS 14.03.010, which sets the mandatory age.

Mr. Jeans affirmed but noted this legislation would align the two statutes.

Senator Therriault stressed the parent's flexibility of when a child attends school is not removed. He reiterated the child could attend kindergarten at age six, or the parent could utilize one of the 12 exemptions and withhold the child from school until the age of seven.

Senator Therriault stressed the expenditure of efforts to accommodate those students who only periodically attend school. He understood and sympathized with other efforts to enroll all children in school at an earlier age, but qualified that is not the purpose of this legislation.

Co-Chair Kelly asked for clarification, noting that if a parent does not take advantage of one of the 12 exemptions, the child

would be required to be enrolled in school at the age of six.

Senator Therriault emphasized that a parent, who does not want their child to attend school until the age of seven, could take advantage of one of the exemptions. He reiterated the 12 exemptions are "all encompassing."

Co-Chair Kelly agreed with Co-Chair Donley's suggestion to amend the language to provide that once a child is enrolled, attendance is mandatory, regardless of age. Co-Chair Kelly commented that parents, who determine their six-year-old is not ready for school, must attest to one of the exemptions, essentially "making a liar out of them." Although he assumed some form of instruction would be provided by the parent during this time, he questioned whether this is "in the spirit" of these exemptions. He asked if the sponsor would oppose such an amendment.

Senator Therriault replied such an amendment would be "workable" although it would be "less clear" in statutes.

Mr. Jeans cautioned the Committee against such action because currently there is no kindergarten attendance requirement, and this legislation would set the precedent of mandatory kindergarten. He spoke to reimbursable transportation issues involved in full-day and half-day kindergarten programs.

Co-Chair Kelly acknowledged and suggested language could be drafted to accommodate these concerns.

Senator Therriault asked if this would require the school district to track the enrollment date for children who transfer schools within the district.

Co-Chair Kelly understood this is required already.

Senator Green asserted none of these issues are pertinent because at any time a parent could remove their children from the public school system, and educate them how they see fit. She said this language would further restrict parents because once enrolled, a student could not be transferred to different education settings. She told of tutoring children suffering from learning difficulties and their movement from school to school.

Co-Chair Kelly did not agree.

Co-Chair Donley offered to draft language to address these concerns, which could be discussed on their merits.

Co-Chair Donley was encouraged the Department of Education and Early Development does not have regulations in place at this time. However, he pointed out the Department does have such authority and was concerned that a future governor could be opposed to home schooling and could adopt regulations to restrict home schooling, which he emphasized is very important to many Alaskans.

DEBBIE OSSIANDER, Member and Legislative Chair, Anchorage School Board, testified via teleconference from an off-net site in support of the bill. She informed the Board has passed a resolution in favor of lowering the mandatory age for school attendance, which is important for the "academic preparation of children". She detailed state and locally adopted performance standards that establish high criteria for mathematics, reading and writing for children ages five through seven. She listed the language and reading expectations of young children and the difficulties children without adequate preparation could have in obtaining these skills.

Ms. Ossiander also spoke to the intent of instilling the importance of regular school attendance at an early age. She said this is difficult to encourage when attendance is required of some but not of others.

Ms. Ossiander told of children who entered the school system for the first time at the age of seven with no other education experience and the difficulties in placing these children. She referenced the Bush Administration focus on the importance of early education.

DARROLL HARGRAVES, Executive Director, Alaska Council of School Administrators, testified in Juneau that superintendents are on record in support of this bill. He stressed the need to focus on what is in the best interest of children. He cautioned, "if we put too many vagaries in here," the matter could become too complex at the school level. He supported the mandatory age change from seven to six years of age, asserting the average six and seven year old is different today than when this provision was originally enacted prior to statehood. He explained six-year-olds "from a social and education standpoint" need to be in school noting that they learn faster than six-year-olds did a decade before. He stated research supports this. He qualified that if a child needs to delay starting school for certain reasons, it would still be allowed.

Co-Chair Donley asked the process for enrolling a child in home school.

Mr. Hargraves was unsure but noted the process for six-year-olds would be the same as for seven-year-olds. He understood statute

requires that parents must notify the school district of their intent to home school their child.

Co-Chair Kelly stated there are concerns within the Committee about changing the school age. He assigned Senator Leman to draft an amendment that would satisfy the sponsor's intent to require attendance of enrolled students without changing the mandatory age requirement.

Co-Chair Kelly ordered the bill HELD in Committee.

#SB140

SENATE BILL NO. 140

"An Act relating to regulation and licensing of certain water-power development projects."

DARWIN PETERSON, staff to Senator Torgerson read a statement into the record as follows.

In the 106th Congress, Senator Murkowski sponsored Senate Bill 422 amendment the Federal Power Act to provide for Alaska state jurisdiction over small hydroelectric projects. This legislation transferred to Alaska, and only the state of Alaska, licensing and regulatory authority over hydroelectric projects that are 5,000 kilowatts or less.

Bringing this regulatory authority closer to home will reduce the great time and expense associated with federal licensing and regulation of small hydro projects in Alaska. The time and money required for federal licensing is virtually prohibitive for some small utility and personal projects.

Before Alaska can acquire jurisdiction from FERC (Federal Energy Regulatory Commission), the Legislature must approve this bill and the Governor must submit a program satisfying FERC's regulatory requirements. As SB 140 is currently drafted, the Regulatory Commission of Alaska would be the regulatory agency responsible. All the current environmental protections required under federal law will still apply and cannot be preempted by this legislation.

Senator Wilken referred to Section 1(b)(2)(E) on page 2, line 9 of the bill and questioned the necessity of the language, which includes "the interest of Alaska Natives" as one of six criteria that must be given "equal consideration" in the establishment of a regulatory program.

Mr. Peterson referred to the set of criteria included in the federal enabling legislation [copy on file] that Congress has established the state must meet before the Federal Energy Regulatory Commission (FERC) would authorize transfer of regulatory authority to the state. Included in this criterion, he pointed out, the interest of Alaska Natives is specifically listed. He was unsure why Congress chose this language, but asserted that by not "mirroring the federal enabling legislation," transfer could be denied.

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Senator Wilken understood the need for this legislation to be identical to the federal law; however, he argued that no consideration is given to the private landowner unless that landowner is Alaska Native. He noted the other considerations include protection of the environment, recreation activities, and energy conservation and asserted the omission of landowners represents "a gap". He proposed that additional language be added to this subsection to require equal consideration for nearby residents and landowners.

Co-Chair Kelly asked if "the interest of Alaska Natives is defined somewhere" that the Committee could reference.

Mr. Peterson was unsure but surmised there could be a process contained elsewhere in FERC regulations for addressing the interest of landowners. He deferred to the next witness.

WILL ABBOTT, Commissioner, Regulatory Commission of Alaska, testified via teleconference from Anchorage that he could offer no explanation either. He stated that the process to establish regulations for this program would have to define the matter.

Co-Chair Kelly clarified the process of adopting regulations would have to consider the interest of Alaska Natives, and only once regulations are adopted, would those interests be determined. He again asked if there is no definition already in place.

Mr. Abbott stated that is his understanding, but qualified he does not have definitive knowledge because the program is new to the Regulatory Commission of Alaska (RCA). He stated that FERC must define the language, pointing out the federal law "leaves an awful lot of authority with FERC" in that this agency could approve or not approve, the state regulations.

Co-Chair Kelly was more concerned that a Native organization or an Alaska Native individual could argue that a proposed project is not in its best interest and the project would be denied on that basis.

Mr. Abbott predicted such an argument would be considered equally along with the other criterion relating to mitigation of wildlife, the environment, and etc., during the process of licensing a hydroelectric project. He stated the decision would then be made by the RCA.

Co-Chair Kelly remarked that an African-American, a Filipino, or white person would not have the same input. He commented, "Sounds like Alabama 1952 in reverse."

Senator Olson informed there is a federal definition of "interest of Alaska Natives". He understood Senator Wilken's concerns regarding landowners, but ascertained other issues beside land ownership are involved.

Senator Ward shared that initially, he approved of the equal consideration granted to Alaska Natives. He asked if shareholders of the 13th Region of the Alaska Native Lands Claim Act (ANLCA), those Alaska Natives who do not reside in Alaska, are included in this provision.

Mr. Abbott guessed the criteria would apply to those Alaska Natives, but stressed that all parties would have an opportunity to comment during the licensing process. He stated that how much weight is given to each argument would be the decision of the Commission.

Senator Ward asked if a project were challenged by any of these shareholders, as not in their best interest, whether Alaska would be in violation of federal law if the arguments were ignored.

Mr. Abbott predicted this could be the case.

Senator Ward asked if SB 140 could be "corrected" to eliminate the potential for "non-residents controlling resources in Alaska."

Mr. Abbott replied that how much weight is given to each criterion could be considered.

Senator Ward interjected he did not want the specific interest of this group of people given any weight because they do not reside in Alaska.

Co-Chair Donley wanted a sense of the amount of power 5,000 kilowatts generates. He requested an example of the diesel turbines that supply the City of Bethel.

Mr. Abbott responded the Bethel facility is larger. He characterized a 5,000 kilowatt project as "relatively small, run of the river-type" containment dam "with a pipe coming down into the turbines" but no large dam behind. He gave a project by Lake Clark as an example, noting it provides the villages of Illiamna, New Haven and Nondalton with approximately two-thirds of their power. Another example, he noted, is near Haines and would augment the Goat Lake Hydroelectric Power source for Skagway and Haines.

Co-Chair Kelly referenced data included in the member's bill files lists several such projects [copy on file].

Co-Chair Donley asked if the term "five megawatt" originates from the federal legislation.

Mr. Abbott affirmed and noted five megawatts is the same measurement as 5,000 kilowatts.

Co-Chair Donley next asked if five megawatts is the maximum size of a project that would qualify for this program, whether there is a minimum size requirement that would provide that smaller projects are exempt from these regulations.

Mr. Abbott answered no, that all projects less than 5,000 kilowatts are included in the federal law.

Co-Chair Donley asked if there are provisions for exempting any projects from regulation.

Mr. Abbott said there are not.

Co-Chair Donley next asked the status of federal regulatory reform legislation under congressional consideration.

Mr. Abbott did not know the status.

Co-Chair Donley asked if SB 140 or the federal enabling act allows the RCA to modify its regulations in the event the reform legislation is adopted in order to "lessen the regulatory burden" on the public.

Mr. Abbott responded the federal enabling legislation contains a provision to allow the RCA to modify regulations with approval from FERC.

Senator Olson clarified that currently FERC approval is required for a one-kilowatt hydroelectric project, such as those found in mining sites that provide power for only one or two residents.

Mr. Abbott was only familiar with the recent federal enabling legislation. He reiterated the RCA must consult with FERC to determine the perimeters of the state authority.

Senator Olson asked if miners operating small systems are currently in violation.

Mr. Abbott again noted the projects are still under FERC jurisdiction and that he was unfamiliar with specifics.

Co-Chair Donley noted Congress occasionally exempts hydroelectric projects from FERC regulations primarily because a local government owns them. He asked if there are any exemptions in the proposed RCA program.

Mr. Abbott affirmed there currently are such exemptions, but informed this legislation does not address the matter and that this is another issue to be determined with the FERC.

Co-Chair Kelly commented that locally owned projects regulated by the RCA are exempt.

Co-Chair Donley corrected that some are exempt but others are not.

Co-Chair Donley understood the policy is straightforward regarding privately owned systems, but that policy differs when government-owned systems are involved. He wanted consideration for possibly reducing the amount of regulations for government-owned systems.

Senator Green asked if this legislation should reference the federal enabling statute, so that in the event regulatory reforms are enacted, the RCA regulations would be amended automatically. She said this would eliminate the need for the regulatory amendment process each time the federal laws are changed.

Mr. Peterson responded this would be acceptable. He noted the only action necessary to enact this program is a state statute providing for the transfer of this authority from FERC to the RCA.

Senator Wilken informed that a five-megawatt plant is one-fourth the size of the power plant located on the Chena River in Fairbanks. He calculated a five-megawatt system would provide enough energy to power 50,000 100-watt light bulbs. Therefore, he predicted future

projects could be larger than the Committee understood.

Mr. Peterson stated there are currently 53 proposed projects in the permit application process. Of those projects, he said, 42 are for projects five megawatts or less.

Senator Ward asked if current regulations apply to small electrical generating operations on mining claims that do not sell power to others.

GARY PROKOSCH, Water Resources Section, Division of Mining, Land and Water, Department of Natural Resources, testified via teleconference from Anchorage that FERC allows exemptions for many small projects in Alaska, including the example Senator Ward provided.

Senator Ward asked if the new program would remove the exemptions.

Mr. Prokosch replied that if this law passed, the small projects would be regulated by the state RCA rather than under direct supervision of FERC. He surmised the implementation regulations could include exemptions.

Senator Ward expressed that Senator Green's comments are valid.

SALLY SADDLER, Business Development Specialist/Legislative Liaison, Division of International Trade and Market Development, Department of Community and Economic Development testified in Juneau and read talking points as follows.

- Bill calls for RCA to adopt regulations, licenses and regulate water power plants of 5 mw or less, essentially creating a state version of the Federal Energy Regulatory Commission program. We believe RCA is an appropriate agency to assume these duties. It does represent an expansion of their current mission, and accordingly costs are outlined in our fiscal note and in fiscal notes of other agencies.
- Administration has an interagency team (Department of Natural Resources, Department of Fish and Game, CZM, RCA and Department of Community and Economic Development) analyzing the bill. Want to share today the common points emerging from our review.
- We believe development of small hydro projects can support economic development and improve the availability/cost of power in rural Alaska. We understand a state program may have advantages in allowing us to focus the process on issues pertinent to Alaska.

- When federal legislation was pending, the Governor supported giving Alaska jurisdiction. At the same time the Governor recognized that this is a complex undertaking and we must be sure a state program results in proper design and construction, and at the same time protects fish, wildlife and the environment at least as well, or as rigorously, as does FERC. The Governor also acknowledged the importance of establishing an appropriate funding mechanism that could be either a direct appropriation or be based on a user fee system.
- Each agency fiscal note (RCA, Department of Natural Resources, and Department of Fish and Game) assumes it will take two years to develop regulations that will define program operations. Once state regulations are recommended, FERC must approve our state program before ceding authority to the state.
- Costs of operating the program in FY 05 and beyond are a bit more difficult to estimate. Agencies currently understand their existing role with FERC process but expect during the regulations process to outline the additional duties, statutes and regulatory authority they may need to operate a program as well as FERC (for example, FERC has jurisdiction over entire watersheds while FG currently has oversight only of streambeds.)
- The State of Oregon currently has a hydro project program that operates in addition to FERC for all hydro projects in that state, and we will examine their extensive statutes and regulations, as well as work with FERC, for ideas.

Senator Ward asked the witness to comment on Senator Green's suggestion.

Ms. Saddler stated she was not in a position to respond. She noted however, that some regulations in the existing FERC program "may not be totally appropriate for Alaska." She understood the intent of this program change is to "allow us to focus on those that are Alaska specific." In adopting state regulations, she explained projects in Alaska would not be subject to all the FERC provisions.

Senator Lemman expressed that the state should have the ability to grant exemptions given that FERC currently does so.

Senator Lemman also questioned the "equal consideration" language discussed earlier. He was unsure if this would be possible, realistic or appropriate. He noted the provision also does not allow consideration of other interests that could be involved. He presumed the state statute could allow for this and remain within

the requirements of the federal law.

Senator Leman then referenced the general funds included in the Department of Fish and Game and the Department of Natural Resources fiscal notes and asked if federal funding would be provided to operate the program or whether the only benefit is the transfer of oversight to the state.

Ms. Saddler responded she understood the RCA would have the opportunity to develop regulations that could include consideration for other interests, provided these regulations "meet the intent of the FERC regulations." She was unsure about the amount of federal funds available for this program.

Mr. Abbott explained the current process in which FERC does not collect funds from the applicant until the project is permitted and begins to operate. At this time, he detailed, a charge is assessed based on the amount of kilowatts produced. He assumed these revenues would be allocated to the RCA. He noted the program would operate using revenue generated from completed projects, although it is unknown how the program would be funded before any projects are completed and supplying revenue.

Senator Leman asked if no revenues were generated from projects proposed but never completed, the state would subsequently not recover expenses incurred in the permitting process.

Mr. Abbott affirmed.

JACK HESSION, Alaska Public Water Coalition, testified via teleconference from Anchorage and read a statement into the record as follows.

The Coalition includes sport fishing groups, conservation organizations, former members of the Alaska Water Board and other individuals, all of whom share an interest in the sound management and proper disposition of Alaska's publicly owned water resources.

In summary, the Coalition strongly opposes enactment of SB 140, which would establish a state hydroelectric regulatory program with authority to accept license applications for hydroelectric projects on state, private, and federal lands in Alaska, including state and federal conservation system units. The Coalition supports the continuation of Federal Energy Regulatory Commission jurisdiction on all lands in Alaska.

Impact on state and national conservation system units

Under SB 140 a state license or exemption from licensing in a national conservation system unit would be subject to the approval of the Secretary of the Interior or Agriculture, and licensing conditions could be imposed. The provision provides insufficient protection for the national conservation system units, as a Secretary favoring hydropower could be expected to endorse projects in the units. The bill does not have a similar provision for state conservation system units.

Alaska jurisdiction over projects located in federal conservation system units would be unprecedented; no state currently has such jurisdiction. Under the Federal Power Act and other applicable federal law, the Federal Energy Regulatory Commission does not accept applications for hydropower projects located within national parks, wild and scenic rivers, or wilderness areas, all of which are closed to new hydropower development.

If a state regulatory authority accepted license applications for hydropower projects within these national conservations system, it would be met with intense controversy and litigation from citizens determined to protect the purposes and natural values for which these lands were set aside by Congress. With equal determination, citizens would also defend state conservation system units from destructive hydroelectric dams.

The State should not assume the cost of hydropower regulation

SB 140 would establish a state hydroelectric regulatory program within the Regulatory Commission of Alaska for the purpose of licensing, re-licensing, exempting from licensing, and regulating hydroelectric projects of 5 megawatts or less on all lands in Alaska, with the exception of national study rivers. The new regulatory program would be modeled after the licensing requirements of the Federal Energy Regulatory Commission (FERC). To ensure that the state program met these federal requirements, the program would have to be approved by FERC.

Putting this state regulatory program in place would require a professional staff capable of matching FERC's expertise, and a substantial annual expenditure of state funds. Because the federal law requires the state's regulatory program to "...protect the public interest, purposes...and the environment to the same extent provided by the requirements for licensing and

regulation by [FERC]," the State would be obliged to spend approximately as much on a regulatory program as FERC now does for its Alaska regulatory responsibilities. (Emphasis added). The State's cost could even exceed FERC's if state regulators accepted applications for dams in national conservation system units.

To get a realistic estimate of the cost of a state regulatory program, the Committee should consult FERC on the cost of the Commission's Alaska regulatory program.

In any event, we question whether it is in the State's interest to take on a new and costly responsibility when the State is facing a fiscal crisis and the Legislature is seeking to reduce, not increase, the cost of state government.

Federal Energy Regulatory Commission

Expanding an existing state bureaucracy such as the Alaska Regulatory Commission, or creating an entirely new agency or division in an existing department makes no sense at all when licensing of hydroelectric projects is being completely administered by FERC. The "small" hydropower industry, which was the moving force behind the federal law and now supports SB 140, has failed to show that FERC's licensing process for small hydro is flawed or somehow fails to protect the State's interest in hydropower license procedures. The industry complains of its costs and the length of the FERC process, but to our knowledge, the industry has been unable to cite a single instance of an Alaska license application being denied by the federal commission.

Ironically, the Alaska Rural Electric Co-Operative Association, which supports SB 140, had some kind words about the existing FERC process. In testimony before the Senate Resources Committee's February 8 hearing on SB 140, Eric Yould, the Association's Executive Director, said that "Our members have taken a certain amount of solace in having a third independent body, FERC, with the ability to stand up to the federal and state agencies. We have found ourselves at the mercy of the state agencies that sometime are not friendly at all to the very notion of hydro projects and make the lives of people trying to do this quite miserable." He said that FERC is a "known" and "trusted" entity that acts as an independent arbiter.

His observations bear on the fundamental question before the Alaska Legislature as it considers SB 140: Given that the FERC

process is working satisfactorily, should the State rush to replace it and assume the financial burden now carried by the federal government? We think the answer is clearly "no."

Thus as it considers SB 140, we recommend that the Committee and the Legislature as a whole apply the adage "if it ain't broke, don't fix it." FERC's program is not broken; the Commission is adequately carrying out the responsibilities assigned to it by Congress.

Furthermore, a state takeover of FERC's responsibilities would amount to a voluntarily accepting an unfunded mandated from the federal government. By contrast, other federal mandates to the State are accompanied by substantial federal funds, an example of which is the generous federal funding of the Alaska Surface Mining Control and Reclamation Act. Thus in order to adequately fund a state hydropower regulatory program, the Legislature would be obliged to increase overall state spending, or take the necessary funds from other vital state services and programs. Neither course is in the public interest. Congress's offer of "small" hydropower jurisdiction is an offer the State should politely but firmly refuse.

In conclusion, a state regulatory program would likely result in intense controversy if hydropower projects were proposed for units of the state and national conservation systems. Because the existing FERC licensing and regulatory process is performing satisfactorily and at minimum cost to the state government, it is not fiscally prudent for the State to assume FERC's responsibilities and costs, particularly at a time of major shortfalls in state revenues.

We recommend that the Committee take no further action on SB 140.

Thank you for considering our views.

CHIP DENNERLEIN, Director, Division of Habitat and Restoration, Department of Fish and Game, testified he is a member of the interagency team referenced by Ms. Saddler. He informed the Department of Fish and Game is participating in this effort because the management and resolution of fish and wildlife issues, both in resource protection and in public use, are "central to the current FERC process" as well as central to this legislation. He stated the intent is to establish a state program that "effectively and efficiently hits the targets."

Mr. Dennerlein pointed out Governor Tony Knowles wrote Congress in

support of the federal enabling legislation and "expressed a few conditions on funding" including "adequate state authority in legislation," a source of funding sufficient to ensure "a real program", and protection of fish and wildlife resources for Alaskans at least as well as the current process.

Mr. Dennerlein clarified his remarks "support the concept" of transferring regulatory authority to the RCA.

Mr. Dennerlein noted no hydropower projects proposed in Alaska that have "passed the basic economic analysis" have been opposed by the Department. He listed a hydroelectric dam on Kodiak Island as one major project that had potential impact on fish and wildlife.

Mr. Dennerlein described the duties of FERC including licensing, economic analysis, due diligence, independent review and serves as the "coordinating point for all concerns." He continued, the agency performs monitoring and compliance over the life of projects, as well as re-licensing existing projects, such as those involving restoring salmon runs in previously dry creek beds, and ensure dam safety.

Mr. Dennerlein instructed on the application process and partial exemptions whereby the applicant agrees to abide by the "resource agency stipulations" and full exemptions "for relatively benign projects that do not involve significant federal land interest."

Mr. Dennerlein then detailed the relationship between the Department and FERC to obtain necessary data for the Department to make decisions relating to salmon spawning and hydrology. He noted the Department "helps frame questions" for environmental impact statements, according to the provision in the Fish and Wildlife Service Coordination Act. He elaborated on this process giving examples of determining whether a proposed project impacts marsh "where the Coho are rearing" and watershed where "the deer hunters are concerned."

Mr. Dennerlein then spoke to the impacts of this legislation on the Department listing front-end costs, the permitting process, operating expenses of the program, participation of the Native corporations and other Native organizations. He opined that more work is necessary to avoid an "unintended result." He qualified the Department supports small hydropower projects, but stressed there are many affected parties in such a project, many of which are competing.

Senator Leman asked if this legislation provides specific authority to allow for partial and full exemptions that are comparable to

those granted by FERC that the witness mentioned.

Mr. Dennerlein answered it does. He indicated the decision would be deferred to the Department. He was unsure whether federal law would allow the state to exempt a privately owned project.

Senator Olson asked if this bill would make securing a permit less cumbersome for small operators and or seasonal users.

Mr. Dennerlein answered, "That's the million dollar question." He stated the "state is uncertain at this moment." He surmised a program could be "crafted", which could accomplish this.

Mr. Dennerlein next addressed the fiscal note, stressing it is not possible to accurately predict the cost of operating this program. He listed many variables and suggested a consultant with experience in this matter could be retained. He noted the State of Oregon operates a similar program, which could be a source for locating an expert.

SFC 02 # 14, Side A 11:12 AM

Mr. Dennerlein continued speaking to the number of staff required to establish this program, including a full-time "team leader" and staff from the Department of Law, Department of Fish and Game and Department of Natural Resources.

Co-Chair Kelly ordered the bill HELD in Committee.

#HB349

HOUSE BILL NO. 349

"An Act relating to agency programs and financial plans."

This was the first hearing for this bill in the Senate Finance Committee.

REPRESENTATIVE FRED DYSON, sponsor, testified this bill would require the Executive Branch submit to the legislature, a budget that prioritizes the "activities and outputs" of departments. He informed he had served on the Municipality of Anchorage Assembly and that Annalee McConnell, currently director of the state Office of Management and Budget, while working for the Municipality, instituted a similar process in that body, which he said has been effective. He opined the process "has a great deal of utility" and

would provide "another useful tool in our hands."

Representative Dyson relayed that some concerns were raised during House of Representative hearings on this bill. He gave an example of two programs that a department determines to have equal priority. He predicted this would be rectified as the process is implemented, with an assignment of equal priority as one option. He noted law mandates some functions and that the Municipality system included a method for quantifying these programs. In addition, he noted a process was implemented for identifying programs that received significant funding contributions from other sources, such as the federal government.

Representative Dyson qualified this legislation does not require the Administration to delineate the cost for each item. He shared that in conferring with Ms. McConnell, she told of frustrations with the Municipal process in the amount of time and effort spent identifying all costs for some programs that were undisputed as to their continuance. He assured this legislation does not require this expenditure of effort.

Representative Dyson also referenced arguments made in the House Finance Committee and by the media that the legislature is responsible for setting budget priorities and he agreed. However, he stressed that in many instances department personnel is more knowledgeable on these issues and it is "disrespectful" to not include them in the process. He emphasized the legislation would retain the authority to change the priorities submitted by the Executive Branch.

Representative Dyson summarized the purpose of this legislation is to, "respectfully get the input from the people who are delivering the services, have far more experience and frankly are better qualified to make those judgments than any of us. It's our job to set the priorities. We deserve to have the best information-best tools to make those."

Co-Chair Kelly reiterated the criticism raised by the director of the Office of Management and Budget, is that some programs within one department have different but equal value. He gave the Department of Administration as an example, as it implements the Pioneers' Homes and the Permanent Fund Dividend programs. He asked if consideration had been given to a different method of prioritization to accommodate for such instances.

Representative Dyson analogized the Olympic Games pointing out that if there is a tie in an event, the top two contestants are awarded gold medals and the third-place finisher receives a bronze medal.

He further described the Anchorage process, which he stated was done in good faith, although "never ensconced in a law." He told how that process evolved as necessary.

Co-Chair Kelly asked if the sponsor had consulted with the Department of Law about the constitutionality of this law and whether a constitutional amendment would be necessary to enact it.

Representative Dyson had not.

Co-Chair Kelly remarked he wanted this bill to proceed through the legislative process, but he was concerned about the separation of powers involved because "as we've seen in the past, you can't really make the agencies do exactly what you want; they can just say no and they have the constitutional authority." He ascertained that a constitutional amendment might be required before this law could be enforced. He informed he has introduced a resolution providing for such a constitutional amendment. He stated HB 349 is an example of how this constitutional amendment would be implemented.

Senator Olson referenced the title of the bill and expressed concern that it is too broad and that unintended changes could be made to the bill itself.

Co-Chair Kelly pointed out no changes to the bill had been made to date.

Representative Dyson did not consider this a concern. He noted the bill drafter at the Division of Legal and Research Services recommended the title name.

Senator Lemman supported the concept of the Executive Branch prioritizing budget expenditures, but had questions about the implementation. He referenced programs that operate using funding sources other than the general fund, which may not have a higher priority, but could be treated as such because of the alternate funding.

Senator Lemman suggested dividing some programs into "sub-activities" to clarify their importance. He predicted the Administration would claim that all activities are important because the legislature directed the agencies to perform them.

Representative Dyson referenced an example of the Municipality of Anchorage budget priority provided in the bill packets [copy on file.] He pointed out the items included "their output," which he stated make prioritization easier. He assumed most discussion would

involve a few items at the top of the priority list. He asserted the Committee is "part way there already" with the utilization of the missions and measures practice as well as impact statements submitted by department. Practicably speaking, he qualified this prioritization process would be valuable for evaluating only ten to 15 percent of a department's activities.

Representative Dyson expressed the intent of this bill, "is to build an even more cooperative working relationship between the Administration and the legislature." He opined this legislation is reasonable and that the process itself has been successful under Ms. McConnell's direction at the Municipality of Anchorage.

Senator Ward asked if any other state practices a similar prioritization method.

Representative Dyson answered yes, but admitted he did not have specific information as to which states. However, he stressed, all businesses and individuals practice some method of prioritizing expenditures.

Senator Wilken shared Senator Leman's concerns about implementation and warned "I fear we're going to spend more time worrying about what is number 35 and whether it should be 45 or 25." He spoke of operating his own business and the practice of rating expenditures in categories of ABC. He explained "A" items are those expenditures that must be made, such as fuel; a "B" item might be a new truck that should be purchased; and a "C" rating would be given to "the things we'd like to have" such as painting that new truck. He suggested this system could be applied to budget request items (BRU) within the state budget.

Senator Wilken next referenced page 1, lines 6 and 7, "Toward that end, each state agency shall, on a semi-annual basis, identify results-based measures..." He said this is currently provided annually and asked why it should be increased to bi-annual.

Co-Chair Kelly corrected that the reporting is already done semi-annually as established in statute.

Co-Chair Kelly informed that he requested an "ABC list" of the two agencies for which he serves as budget subcommittee chair. He anticipated enacting this statute and then adopting a constitutional amendment that would, "bridge the legislative and the Executive Branch."

ANNALEE MCCONNELL, Director, Office of Management and Budget, Office of the Governor, testified she is very familiar with the

proposed system because she developed it for the Municipality of Anchorage. She stated she knows the advantages and disadvantages of the system. She stressed those programs "around the margins" are the issue.

Ms. McConnell clarified the Municipality system focuses on the level of service and whether the service should be discontinued as opposed to which services are of least important. She said this process "breaks activities into lots of sub-elements."

Ms. McConnell informed that if she were to recreate this system for the Municipality, she would do it differently because of the time spent on some unnecessary efforts. She gave an example of attempting to determine an acceptable level of service for the Alaska State Troopers; whether there should be ten or two troopers, whether to include the crime lab. She stressed this is wasted energy if "you accept the premise that we are going have a public safety function."

Ms. McConnell opined "the service level concept" is similar to the current impact statement process whereby the department provides an analysis of the possible impact a proposed specific budget reduction could have. She remarked this is a significantly different process than that proposed by Senator Wilken. She agreed that determining whether an item is number 35 or number 42 on a priority list is irrelevant if it has been determined that all the activities must be part of the basic structure.

Ms. McConnell pointed out there are instances where the legislature could consider eliminating an entire program, which would occur through the statutory process. She said the Administration could make suggestions as to which programs should be eliminated. She pointed out that most "activities" are established in statute. Otherwise, she warned, process would involve "the silliness of" determining whether the Division of Family and Youth Services is more or less important than juvenile corrections or public health. She reiterated this is a waste of time in that it does not foster productive discussion about what level of service is acceptable in each of those programs.

Ms. McConnell stressed the Executive Branch proposed budget does reflect the governor's priorities. She expressed there is an "inherent misunderstanding that we don't share priorities." In fact, she remarked, the proposed budget does reflect the opinions the sponsor characterized as the most qualified to make such recommendations.

Ms. McConnell listed the Smart Start initiative and K-12 and

University of Alaska education as examples of the Administration's priorities. She pointed out the legislature has a process for determining its priorities and noted there has been agreement with many of the Administration's priorities.

Ms. McConnell suggested the governor's proposed budget reflects more prioritizing results than is realized. She spoke to the "phenomenal exercise" the prioritizing provisions of this legislation would entail. She compared the state budget to that of the Municipality, stressing that a municipality has comparatively limited functions and geographic area to govern. She told of the importance of public safety and nurses.

Ms. McConnell recommended continuing with the missions and measures process to determine priorities and to establish the acceptable level of service. She listed caseloads and number of people served as measures. She noted that the current level of service is the level of service the public has generally determined to be acceptable.

Ms. McConnell addressed the "ABC list" idea. She expressed that in theory it seems simple, but that greater issues, such as the level of service, are involved. She asked how such distinctions would be made for youth correction programs, as the quality of resources invested is apparent when measuring success.

Ms. McConnell cautioned of the amount of detailed material the Committee would have to review if this legislation were enacted. She stated that information that would not add to constructive discussions about what budget changes is a wasted effort for both those who prepare the budget and for the Committee.

Ms. McConnell asserted the impact statement process is more efficient. She stated this is a more direct method for obtaining the information the legislature needs to make effective decisions then generating information for "every level of state government activity in every department...in every nook and cranny."

Ms. McConnell commented that the practice of categorizing programs into ABC priorities would be done with the intent that all C programs would be eliminated. "I doubt you'd want to go through that horrific pain for all C activities even assuming we could split them...and arbitrarily make a split."

Ms. McConnell pointed out that not every department request is included in the Governor's proposed budget because the Office of Management and Budget determines priorities already.

Co-Chair Kelly remarked that Representative Dyson is frustrated by the process. He made an analogy of performing surgery with mittens on, noting that some agency representative have been helpful but others have been resistant in offering information. He stated this is the situation in the governmental system in that the legislature does not have the authority to fire the president. He continued that because of the separation of powers the legislation could not direct the governor.

Co-Chair Kelly stressed that another method should be established to obtain information so the legislature could make decisions. This prioritization, he expressed, could provide a "clearer view" in making the "mittens" less cumbersome.

Co-Chair Kelly addressed the witness' statement that the governor's proposed budget is prioritized. He pointed out that the legislature has rarely received recommendations from the Administration for where budget reductions could be made.

Co-Chair Kelly remarked, "we've been in a war for seven years" explaining, "we can't get the information from you; we can't get the prioritization from you; I'm sure there's things that you can't get from us."

Co-Chair Kelly remarked this legislation is an attempt to "force" the legislature and the administration to "work together a little more cooperatively and in the best interest of the State of Alaska." He encouraged the witness "to get on board with this, because for one thing, you're not going to have to live with it." He continued, "Frankly this Administration isn't going to have to deal with this." However, he surmised the witness experienced the usefulness of the prioritization process for the Municipality of Anchorage.

Ms. McConnell clarified she would "do it very differently if I were doing it again in Anchorage."

Co-Chair Kelly responded he wanted Ms. McConnell's assistance so that she could assist in making necessary adjustments for the benefit of future administrations.

Ms. McConnell noted that what Co-Chair Kelly had characterized as a "war", she considered were disagreements over whether there should be budget reductions.

Co-Chair Kelly agreed there are two sides of the issue.

Ms. McConnell noted that if the Administration's judgment is that

increased resources were necessary, the Administration would relay that to the Legislature. She did not perceive the controversy as a war but rather a public policy difference of opinion, which is valid to discuss. She opined it is appropriate for the legislature to determine where to cut. She added that it is inappropriate to require the Administration to implement an unallocated budget reduction if the Administration has determined that reduction is unadvisable.

Ms. McConnell detailed the process undertaken before any increase is included in the Governor's proposed budget, because an increase is not an easy aspect for to the legislature or the public. She pointed out these efforts have not been acknowledged and emphasized the difficulty in "keeping up with inflation" and population increases, specifically the senior population and inmate population. She indicated that the Administration would do everything possible to minimize the amount of requested increases.

Ms. McConnell referenced the comments of Co-Chair Kelly regarding the "board of directors". She commented that the state is not similar to a private corporation, because in a private business, during times of economic difficulties, there is no requirement to answer to the public for its actions. In contrast, she stated, the public continues to expect the state to educate children and plow roads. She added that roads must be maintained despite the number of commuters traveling them.

Co-Chair Kelly interjected that the witness had listed high priority items and he emphasized the legislature needs advice regarding those lower priority items. He stated that was the level of communication that the legislature has never been able to get. He understood agency directors do not want make reductions this way. He agreed that the state is not a corporation. He stressed the frustration is that the legislature has many of the responsibilities of a board of directors and the Executive Branch has many of the responsibilities of a manager, "yet it's slightly out of whack."

Co-Chair Kelly reiterated the prioritization process could begin to bridge that gap in order to be able to operate in a more reasonable fashion. He continued, there needs to be a higher level of communication with the Executive Branch. The Executive Branch should not be able to "thumb their nose" at the Legislature.

Ms. McConnell explained that the Executive Branch has proposed budget reductions in response and the Administration's advice has been disregarded. She gave the proposed budget reductions to the Department of Transportation and Public Facilities as an example

where the Administration recommended closing maintenance stations located along least used roads. The Legislature has directed the Department against such actions, she said.

Ms. McConnell advised that the Governor is not suggesting that the budget be cut at this point, but rather he is acknowledging that the State does have some needs for increases in the budget, to keep up with current commitments and to take on new challenges.

Ms. McConnell pointed out that spending increases have not been proposed by the Administration to account for increases in population and/or inflation. She cited the Kato study, which found that between 1990 and 1997, the average increase in state spending after adjusting for inflation, was 27 percent among all fifty states. During that time period, she continued, Alaska was the only state with a reduction, which was .6 percent. She noted three states increased spending by over 50 percent. She also informed that Alaska's general funds/per capita expenditures, adjusted for inflation, are \$1,100 less in the Governor's proposed FY 03 budget than in 1979 before the oil revenues were available.

Ms. McConnell addressed government efficiency. She listed the Division of Banking, Securities and Corporations and their "enormous backlog" for processing corporate filings. She informed that without requesting additional funding, the Division "saved money by doing things differently so they could cut down that lag time."

Ms. McConnell concluded that budget increase requests were only for those areas "we feel we have absolutely gone as far we can to squeeze the turnip."

Co-Chair Kelly restated the intent is for the Administration to inform the Legislature of areas where budget reductions are possible. He reiterated that the Committee members do not know of the internal budget reductions.

Co-Chair Kelly mentioned frustrations in dealing with some employees of the Administration who would not provide information. He qualified there is a "difference of opinion."

Representative Dyson recommended ending the discussions on the budget reductions and return to determining whether the prioritization issue is preferred. He pointed out this legislation would require less labor than detailed cost analysis of each program.

Representative Dyson acknowledged that he is not in favor of across

the board budget reductions because it is the legislature's responsibility to establish priorities and determine whether an activity should be eliminated. He stressed this bill would assist the Legislature in making decisions regarding priorities.

Co-Chair Kelly noted the bill is "well into the process" and he intended to hold it in Committee to allow consideration of other prioritizing methods. He indicated it is his intent to pass the bill.

Co-Chair Donley voiced support of the bill.

Co-Chair Kelly ordered the bill HELD in Committee.

#HB96

SENATE CS FOR CS FOR HOUSE BILL NO. 96(STA)
"An Act relating to acquisition and development of the Jesse Lee Home; and providing for an effective date."

This was the second hearing for this bill in the Senate Finance Committee.

SFC 02 # 14, Side B 11:59 AM

JUDY BITTNER, Chief/State Historic Preservation Officer, Office of History and Archaeology Alaska Historical Commission, Division of Parks and Outdoor Recreation, Department of Natural Resources, testified via teleconference from an off-net site to address the revised fiscal note. She noted the \$30,000 general fund match would be used for the architectural assessment and that the \$30,000 to \$35,000 federal funds it secures is not reflected on the fiscal note because the Division has already received the funds. She explained the general fund reduction from \$35,000 as indicated in the previous fiscal note is possible due to a grant already awarded to the City of Seward to perform the environmental assessment, which would be matched from the historic preservation fund.

Ms. Bittner then explained the proposed Jesse Lee Home Commission was originally envisioned as a "stand alone" group with representation from Seward and other areas of the state. This, she stated would require a significant travel budget of \$4,500 per meeting. She informed that instead, the Seward Historical Commission would serve as the core group working with the City of Seward "and enhance that as we see needed with certain expertise."

As a result of this change, she noted the travel budget is decreased and general funds would be utilized for travel and Commission support expenses incurred by the Department of Natural Resources.

Co-Chair Kelly asked how much the \$30,000 general fund match would secure in federal funding.

Ms. Bittner answered \$30,000 to \$35,000.

Co-Chair Kelly asked specifically how those funds would be used.

Ms. Bittner replied the funds would pay for the architectural assessment of the large building, which would provide an assessment of the structural condition as well as advice on appropriate uses and cost estimates for the facility. She noted it is the architectural assessment that would provide the information needed "to provide some good advice to Seward, to the state of Alaska, to the legislature, about some feasible options."

Co-Chair Kelly asked if the \$30,000 federal funds were already appropriated.

Ms. Bittner affirmed and explained the State Historic Preservation Office has authorization to receive and expend these funds for grants.

Amendment #2: This amendment inserts "if practical" on page 1, line 12 of the committee substitute. The amended language reads as follows.

(c) It is the intent of the legislature that, if practical, the Jesse Lee Home and the real property on which it is located be preserved and managed in a manner that recognizes its place in the state's history..

This amendment also inserts, "the possible" on page 2, line 9 of the committee substitute. The amended language reads as follows.

...The department shall report to the governor, and the legislature by November 1, 2003, concerning its recommendations as to the procedures to be used and an estimate of costs involved for the possible preservation of the home, erection of an appropriate monument, ...

Co-Chair Donley moved for adoption.

Representative Lancaster indicated no objection, stressing the

intent of the bill is to determine whether the building is salvageable.

Without objection the amendment was ADOPTED.

Co-Chair Donley offered a motion to report SCS CS HB 96 (FIN) from Committee with \$45,000 fiscal note from the Department of Natural Resources.

There was no objection and the bill MOVED from Committee.

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ADJOURNMENT

Co-Chair Pete Kelly adjourned the meeting at 12:07 PM