

**MINUTES**  
**SENATE FINANCE COMMITTEE**  
**May 02, 2002**  
**4:22 PM**

**TAPES**

SFC-02 # 86, Side A

**CALL TO ORDER**

Co-Chair Pete Kelly convened the meeting at approximately 4:22 PM.

**PRESENT**

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

**Also Attending:** RON SOMMERVILLE, Resource Consultant, House of Representatives and Senate Majority; JENNIFER YUHAS, Staff to Representative Masek, Chair of the House Resources Committee;

**Attending via Teleconference:** There were no teleconference participants.

**SUMMARY INFORMATION**

SB 54-ALASKA VETERANS ADVISORY COUNCIL

The Committee rescinded its earlier action to report the bill from Committee. A committee substitute was adopted and the bill moved from Committee.

SB 252-EMPLOYMENT AND TRAINING PROGRAM/BOARD

The bill moved from Committee.

SB 267-ALASKA VETERANS' MEM.ENDOWMENT FUND

The Committee considered three amendments and adopted two. The bill

moved from Committee.

HB 421-WATER USE ACT PROCEDURES & RECORDS

The Committee heard from a consultant and the sponsor, adopted an amendment and a new fiscal note. The bill moved from Committee.

HB 128-APPROVAL FOR EMPLOYMENT OF MINORS

The Committee adopted an amendment and the bill moved from Committee.

#SB54

SENATE BILL NO. 54

"An Act establishing the Alaska Veterans Advisory Council; and providing for an effective date."

This was the second hearing for this bill in the Senate Finance Committee. The bill was reported from Committee at the previous hearing.

Co-Chair Kelly noted the amendments adopted to this legislation at the last meeting are unconstitutional.

Senator Leman moved to rescind the Committee's action of reporting the bill from Committee.

The Committee's action to move the bill from Committee was RESCINDED without objection.

Co-Chair Donley moved for adoption of CS SB 54, 22-GS1080\F as a working draft.

Without objection the committee substitute was ADOPTED as a working draft.

Co-Chair Kelly informed that this committee substitute clarifies that members of the Veterans Advisory Council, whose terms have not expired as of the effective date of this bill, may remain in their position until their terms expire, with the exception that they serve at the pleasure of the governor. He noted this is consistent with the provisions governing other appointed positions during changes in gubernatorial administrations.

Senator Leman "moved to report committee substitute for Senate Bill 54 Finance from Committee with individual recommendations and the

accompanying small fiscal note."

There was no objection and CS SB 54 (FIN) with accompanying \$3,500 fiscal note #2 from the Department of Military and Veterans Affairs, dated 2/9/02, MOVED from Committee.

#SB252

CS FOR SENATE BILL NO. 252(L&C)

"An Act renaming the Alaska Human Resource Investment Council as the Alaska Workforce Investment Board and relating to its membership; relating to repayment on promissory notes for work-related items paid for by grant programs; extending the termination date of the state training and employment program; relating to employment and training activities; and providing for an effective date."

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

Senator Wilken "moved to report Senate Bill 252 from Committee as amended with individual recommendations and attached fiscal notes."

Without objection, SB 252 (FIN) MOVED from Committee with four new fiscal notes from the Department of Labor and Workforce Development, Employment Security BRU: \$4,785,200, Job Training Programs component, 5/1/02 8:44 AM; \$91,200, Job Training Programs component, 5/1/02 8:45 AM; \$125,000, Unemployment Insurance component, 5/1/02; \$255,300, Employment Services component, 5/1/02. [Note: The \$4,785,200 Job Training Programs fiscal note reflects funds included in the governor's proposed FY 02 operating budget, while the \$91,200 Job Training Programs fiscal note funds are not included.]

Senator Wilken reminded that at the previous hearing on this bill he had requested certain information from the Denali Commission. He informed although he has received this information, which includes details of different training programs, the information contained no reference to the results of those training programs and whether they are productive. He commented that the level of success should be measured and he indicated he would make efforts to ensure complete reporting in the future.

#SB267

SENATE BILL NO. 267

"An Act establishing the Alaska veterans' memorial endowment

fund and providing for credits against certain taxes for contributions to that fund; relating to other tax credits for certain contributions; and providing for an effective date."

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

Amendment #1: This amendment inserts, "relating to a tax credit program for postsecondary colleges of universities;" on page 1, line 1. The amended title of the bill reads as follows.

An Act relating to a tax credit program for postsecondary colleges or universities; establishing the Alaska veterans' memorial endowment fund and providing for credits against certain taxes for contributions to that fund; relating to other tax credits for certain contributions; and providing for an effective date.

This amendment also changes the qualifications of educational facilities eligible to receive tax-deductible contributions in AS 21.87.070(a), 43.20.014(a), 43.55.019(a), 43.56.018(a), 43.65.018(a), 43.75.018(a), and 43.77.045(a), to include those accredited by a national accreditation association.

Senator Lemman moved for adoption.

Co-Chair Kelly objected for an explanation.

Senator Lemman commented this legislation reminded him of a topic he discussed with the late Elmer Rasmuson, who had expressed concern that Alaska statute is inconsistent in governing tax credits. Senator Lemman explained that tax credits are extended to contributions made to regionally accredited institutions only and pointed out that some nationally accredited institutions operate in the State. He relayed the Alaska Commission on Postsecondary Education (ACPE) determination that national accreditation is equivalent to regional accreditation.

Senator Wilken objected to adoption of the amendment, expressing it changes the intent of the tax credit program. He explained the current program includes the University of Alaska, Alaska Pacific University and Sheldon Jackson College. If this amendment were adopted, he observed, the program would be expanded to provide tax credits to "church schools", for-profit schools: including Career Academy and Charter College, and trade schools: including truck driving schools, massage therapy schools, cosmetology schools, etc. He predicted this expansion of the tax credit program would have

"far ranging implications" and stressed that if this is the intent, the matter should receive further consideration. He furthered that ACPE has concerns about this amendment and should be given an opportunity to speak to those concerns.

Senator Lemman countered, "This is not a new idea," noting he has raised the issue on several occasions over the past ten years. He added that the ACPE has not indicated any concerns to him. He surmised if the concerns were serious, he would have been contacted.

Co-Chair Kelly objected to adoption of the amendment for similar reasons as those voiced by Senator Wilken.

Senator Wilken directed attention to written testimony submitted for this bill by the ACPE whereby the concerns are detailed.

A roll call was taken on the motion.

IN FAVOR: Senator Olson, Senator Ward, Senator Green, and Senator Lemman

OPPOSED: Senator Wilken, Senator Austerman, Senator Hoffman, Co-Chair Donley and Co-Chair Kelly

The motion FAILED (4-5)

The amendment FAILED to be adopted.

Amendment #2: This conceptual amendment reduces the amount of tax credit eligible for the second \$100,000 of contributions, from 100 percent to 75 percent.

Co-Chair Donley moved for adoption at the request of Co-Chair Kelly.

The amendment was ADOPTED without objection.

Amendment #3: This conceptual amendment changes the language in the title of the bill to specifically reflect the tax credit structure adopted in Amendment #2.

Co-Chair Donley moved for adoption.

There was no objection and the amendment was ADOPTED.

Senator Wilken relayed "hearsay" observation of the activities of the veterans' organizations to secure funding for services. He noted the result is this legislation to provide tax credits for

private donations. While he did not oppose this method, he surmised the motive for introducing and encouraging passage of this legislation was political.

Senator Ward shared that the topic of establishing an endowment fund was discussed at his local Veterans of Foreign Wars (VFW) and American Legion chapters.

Co-Chair Donley pointed out the difference between this proposed endowment fund with others discussed during the legislative session that have been created entirely with public funds. He asserted the proposed veterans' fund "appears to have the more appropriate intent for an endowment than those other so-called endowments". He remarked he supports this legislation.

Senator Green asked the potential impact of funds diverted from the "State coffers" to the proposed veterans' endowment fund and whether the amount is unlimited.

Senator Ward replied, " It is subject to appropriations." He could not guarantee the Veterans Advisory Council would not request additional funds in the future, but expressed that the intent is private contributions and grants would comprise the majority of the fund.

Co-Chair Kelly clarified Senator Green's question was to the impact of the tax credit on the State's general fund.

Co-Chair Donley replied the donation amount eligible for a tax credit is limited to \$200,000 annually, which he characterized as the "control" limiting the impact on the general fund.

Senator Green "moved Senate Bill 267 out of Committee with individual recommendations and accompanying fiscal notes."

There was no objection and SB 267 (FIN) MOVED from Committee with accompanying \$125,000 fiscal noted #1 from the Department of Military and Veterans Affairs, zero fiscal note #2 from the Department of Revenue and indeterminate fiscal note #3 from the Department of Community and Economic Development.

#HB421

SENATE CS FOR CS FOR HOUSE BILL NO. 421(RES)

"An Act relating to requiring the Department of Natural Resources to develop and maintain a standardized procedure for processing applications and issuing permits, authorizations, and certifications under the Alaska Water Use Act and to make

a record of those items and amendments and orders affecting them available on the Internet."

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

Senator Lemman spoke to a draft amendment [not on file]. He reminded the Committee that in May 2001, during the final days of the first session of the Twenty-Second Alaska State Legislature, HB 185 was passed, which amended the Alaska Water Use Act. He recalled concerns were raised during debate on that legislation relating to "major public policy questions" about the operation of the Water Management Program within the Department of Natural Resources. Because of these concerns, he continued, HB 185 included a one-year sunset provision on the Department's authorization for temporary water use activities. In addition, he noted the Legislature provided additional funding to the Department to expedite the water appropriations process and "clean up the incredibly long backlog of applications".

Senator Lemman informed that one year later, the application backlog remains and that "very few of the public interest policy questions have been addressed." He shared that a finding issued by the Division of Legislative Legal and Research Services cautions that in the absence of addressing the public policy issues, the programs are "treading on thin ice". As a result, he stated he sponsored an amendment to HB 421, although he did not intend for the suggested changes to place a burden on industry and cause delay in the issuance of temporary water use permits. He suggested a misunderstanding could be the cause of the opposition to his proposal.

Senator Lemman asserted, "The Department's approach to temporary water use must be legally defensible, avoid unnecessary delays and the public interest must be protected." He expressed concern that without an amendment to the Alaska Water Use Act, the possibility of "legitimate" legal challenges remains.

Senator Lemman stated that because of the limited time remaining in the current legislative session and because of opposition from the Department of Natural Resources and private parties that would be adversely impacted, he would not offer the amendment.

Amendment #1: This amendment deletes the following language from page 1, line 13, through page 2, line 5 of the Senate Resources committee substitute.

...shall ensure that all permits for water withdrawal are invalid unless the applicant complies with applicable requirements of AS 16.05.870; and shall make the record of applications, including temporary water use applications under AS 46.15.155 that have been accepted as complete, authorizations, permits, certificates, amendments, and orders affecting them available to the public on the Internet;

This amendment also replaces the deleted language with the following.

...shall require that temporary water use authorizations are valid only to the extent that the water withdrawal and use complies with applicable requirements of AS 16.05.870; and shall make the record of applications, including temporary water use applications under AS 16.15.155 that have been accepted them available to the public on the Internet;

Senator Lemman moved for adoption, noting that Senator Rick Halford and the Department support this amendment, and that Co-Chair Kelly discussed the implications with potential applicants for temporary water use permits.

Co-Chair Kelly objected for the purpose of discussion.

RON SOMMERVILLE, Resource Consultant to the House of Representatives and the Senate Majorities, explained this amendment was drafted as a result of concerns raised by the Legislature's legal advisors and by temporary water use permit applicants. He stated that language adopted by the Senate Resources Committee would require the Department to "enforce another agency's law" related to the Anadromous Fish Act [this agency is not specified]. He recalled comments made by Senator Hoffman about parties receiving water use authorization, assuming they had no further regulatory obligation, and utilizing the water without knowledge they were violating requirements of the Anadromous Fish Act. As a result, he said, Amendment #1 directs the two departments to work closely on this matter to ensure that applicants are aware of their responsibilities.

Senator Olson asked if this amendment would assist in reducing the application backlog.

Mr. Sommerville responded it would not affect the backlog.

Co-Chair Kelly removed his objection to adoption of the amendment.

Without objection the amendment was ADOPTED.

Co-Chair Kelly reminded there was discussion about amending the fiscal note during the previous hearing on this bill.

JENNIFER YUHAS, Staff to Representative Masek, Chair of the House Resources Committee, relayed the sponsor's assertion that the \$200,000 appropriated for the current fiscal year is sufficient to implement this legislation.

Co-Chair Donley moved to adopt a replacement zero fiscal note for the Department of Natural Resources.

Senator Hoffman directed attention to the contractual services component of the fiscal note and asked if services were to be contracted out or how the functions would be performed if additional positions were not funded.

Co-Chair Kelly responded that \$300,000 was appropriated to the Department the previous session for the purpose of addressing the application backlog.

Senator Hoffman asked if that appropriation was for contractual services.

Ms. Yuhas informed the \$300,000 appropriation was made to the Department with the intent it would be used to hire additional staff to address the backlog. She reiterated the sponsor's opinion that that this amount is adequate.

Senator Hoffman suggested that if the Department does not have the necessary expertise to implement this legislation, it would be necessary to contract for outside assistance, which would decrease the amount of funds available to hire staff to address the backlog.

Ms. Yuhas stated the Department has made this argument, although the hiring of additional staff to address the backlog is not complete and thus the funds appropriated for the current fiscal year have not been utilized.

Senator Hoffman asserted that if the amount of the backlog is not reduced to the Legislature's expectation, the Legislature is to blame for imposing additional expenditure requirements.

Senator Leman informed that \$50,000 of the original appropriation remains, which could lapse. He expressed intent that the Department "hire aggressively" to fill the positions.

Co-Chair Kelly suggested the FY 03 Operating Budget Conference

Committee could reappropriate the lapsing funds to contractual services.

Senator Hoffman clarified he did not object to adoption of the amendment, but emphasized it could adversely impact the reduction to the backlog.

There was no objection and the Committee ADOPTED a new zero fiscal note for the Department of Natural Resources.

Senator Leman "moved to report House Bill 421 as amended from Committee with individual recommendations and the accompanying Senate Finance fiscal note."

Without objection CS SB 421 (FIN) MOVED from Committee with zero fiscal note written by the Senate Finance Committee for the Department of Natural Resources.

#HB128

CS FOR HOUSE BILL NO. 128(L&C)(efd add)

"An Act relating to the required approval of the commissioner of labor and workforce development for the employment of certain minors; and providing for an effective date."

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

Amendment #1: This amendment provides that a written consent must be signed before a minor begins work. The amended language to Section 2, on page 2 lines 16 and 17 of the committee substitute reads as follows.

(5) must be signed by a parent or legal guardian of the minor before the date the minor begins working the job specified in the consent.

Senator Austerman reminded the Committee of a concern he voiced during the previous hearing on this bill that this legislation would allow a minor of a certain age to work without the permission of a parent. He noted this amendment addresses this concern and he moved for adoption.

Senator Green relayed a conversation she had "with the person who requested this legislation" where she learned the issue is not minors attempting to gain employment against their parents' direction. She stated that the farmer she spoke with informed her

that he has had to deny employment to minors because of legal restrictions.

Senator Green suggested allowing a grace period between when employment begins and when a parental consent is required. She explained this would be beneficial in the event a parent is out of town.

Senator Ward commented that many businesses do not hire people under the age of 14, which he asserted is wrong. However, he understood the "hassle" involved in hiring young workers. He surmised this amendment and this legislation would eliminate some of the difficulties. He noted this amendment allows a seven-day grace period between the start of employment and submission of the necessary documents to the Department of Labor and Workforce Development.

AT EASE 4:56 PM / 5:01 PM

The amendment was ADOPTED without objection.

Senator Ward "moved House Bill number 128 as amended out of Committee with individual recommendations and accompanying note."

There was no objection and SCS CS HB 128 (FIN) with accompanying \$22,500 fiscal note #1 from the Department of Labor and Workforce Development MOVED from Committee.

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Co-Chair Kelly announced the Committee would limit consideration of Senate Bills for the remainder of the legislative session.

#### **ADJOURNMENT**

Co-Chair Pete Kelly adjourned the meeting at 05:03 PM