

**MINUTES**  
**SENATE FINANCE COMMITTEE**  
**May 09, 2002**  
**9:37 AM**

**TAPES**

SFC-02 # 91, Side A  
SFC 02 # 91, Side B  
SFC 02 # 92, Side A  
SFC 02 # 92, Side B

**CALL TO ORDER**

Co-Chair Pete Kelly convened the meeting at approximately 9:37 AM.

**PRESENT**

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

**Also Attending:** REPRESENTATIVE RICHARD FOSTER; REPRESENTATIVE JOHN DAVIES; LARRY LABOLLE, Chief of Staff for Representative Richard Foster; EDDY JEANS, School Finance Manager, Department of Education and Early Development; AMY ERICKSON, Staff to Representative Lisa Murkowski; PATTI SWENSON, Staff to Representative Con Bunde; LORI BACKES, Staff to Representative Jim Whitaker; JAN WRENTMORE; HEATH HILYARD, Staff to Representative Jeannette James

**Attending via Teleconference:** From Nome: STAN LUJAN, Superintendent, Nome Public Schools District; From Anchorage: BOB EVANS, Employee, Anchorage construction company; TIM ROGERS, Legislative Program Coordinator, Municipality of Anchorage; From an Offnet Site: DAN BOCKHORST, Local Boundary Commission, Division of Community and Business Development, Department of Community and Economic Development; From Fairbanks: ROD COMBELLICK, Chief, Engineering Geology Section, Alaska Division of Geological & Geophysical Surveys, Department of Natural Resources; MILT WILTSE, State Geologist and Director, Alaska Division of Geological &

Geophysical Surveys, Department of Natural Resources; From Kodiak:  
GARY CARVER, Geologist

**SUMMARY INFORMATION**

HB 239-VOCATIONAL EDUCATION PILOT PROGRAM

The Committee heard testimony from the sponsor, the Department of Education and Early Development, and the Nome Public School District. The bill was held in Committee.

HB 521-MUNICIPAL IMPROVEMENT AREAS

The Committee heard from the sponsor and took public testimony. One amendment was adopted, and the bill reported from Committee.

HB 332-DOMESTIC VIOLENCE/SEXUAL ASSAULT COUNCIL

The Committee heard from the sponsor, considered and adopted one amendment, and reported the bill from Committee.

HB 296-MUNICIPAL MERGER AND CONSOLIDATION

The Committee heard from the sponsor, the Department of Community and Economic Development, and took public testimony. The bill reported from Committee.

HB 53-SEISMIC HAZARDS SAFETY COMMISSION

The Committee heard from the sponsor, the Department of Natural Resources, and took public testimony. The bill reported from Committee.

HB 451-MUNICIPAL BOND REIMBURSEMENT

The Committee heard from the sponsor and the Department of Education and Early Development. One committee substitute was proposed then withdrawn from consideration. The bill was held in Committee.

#hb239

SENATE CS FOR HOUSE BILL NO. 239(HES)

"An Act establishing a pilot program for a regional learning center."

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

REPRESENTATIVE RICHARD FOSTER, the bill's sponsor, explained that this legislation would provide the Bering Strait School District (BSSD) and the Nome City School District with State funds to assist in the development of a joint regional pilot program to enhance educational opportunities for approximately 200 junior and senior high school students from the 15 villages that comprise the BSSD. He communicated that currently most BSSD village school graduates remain in that village and have limited employment opportunities.

Representative Foster explained that on an annual basis, this non-traditional boarding school style program, which would operate in Nome, would provide job shadowing opportunities and courses, some with a duration of only one or two weeks, to educate BSSD youth about such things as how to find a job or how to work in retail or the transportation industry. He stated that once State funds are secured for the program, federal funds would be sought to assist the program's continuing development.

Senator Wilken commented that a similar program is scheduled for the Fairbanks area; however, he stated, the Fairbanks North Star Borough has committed to pay 30 percent of the construction costs of the program's facility and would additionally provide funding for the program through the Borough's school district budget which is supported by local property taxes.

Senator Wilken asked whether a pro forma plan has been established to outline the program's direction and funding requirements. He noted that the fiscal note specifies that State support would be required for the program's initial four years with the expectation that the program would be self-supporting after that time period. Senator Wilken asked how the Bering Strait School District and the City of Nome propose to support the program.

LARRY LABOLLE, Chief of Staff to Representative Richard Foster, noted that responses to the local support inquiry indicate that Nome would support the program with property tax revenue and that both the City of Nome and the BSSD have the option to use federal funds to support the program.

Dr. LaBolle asserted that this program differs from the Fairbanks' program in that this program would require students to be housed in Nome in order to be provided with opportunities for such things as driver's education, water safety programs, as well as exposure to expansive career opportunities that are not readily available in

their villages.

Senator Wilken specified that the May 1, 2002 letter from Dr. John A. Davis and Dr. Stan Lujon of the Bering Strait School District [copy on file], addressed to the Senate Finance Committee Co-Chairs, does not identify the source of the fifth year funding. He asked whether a financial analysis has been undertaken.

Dr. LaBolle commented that no additional information has been provided.

Senator Green commented that a fifth year analysis has not been provided because this is a four-year pilot program. She voiced concern regarding how the State's school foundation formula funding might be impacted since the districts would be, in essence, sharing students. She stated that the Nome School District would be required to hire additional teachers in addition to housing BSSD students. She pointed out that this scenario is not provided for in the school foundation formula funding. She reminded the Committee that expenses for such things as a program coordinator, food, travel, and house parents would also be a fiscal consideration. She remarked that even though she considers this to be a good program, fiscal concerns must be addressed.

Senator Wilken noted that the letter from the City of Nome to Representative Foster, [copy on file] dated April 26, 2002, specifies that "House Bill 239 is needed to assist in sending the State portion of school funding with the students as they attend school in the Bering Straits School District or in the Nome Public Schools." He reiterated Senator Green's concern regarding how the State school foundation formula funding would provide for this program.

Senator Wilken declared that it is "uncomfortable" to consider committing State funds to a project that has "no plan." He stated that the Fairbanks North Star Borough has committed local taxes to support the program in their community; however, this bill contains no local participation requirement. He opined that this bill "strikes at the very heart of the problem" that exists in the State, as exemplified by the practice in Rural Education Attendance Areas to "spend as you wish, because there is no accountability, there is no requirement to have any local participation so whether it is sewer and water or schools," they want to do it because there is no local commitment involved.

Senator Wilken announced that were this project proposed in "organized Alaska," it would be accompanied by a plan that would provide assurances as to how the pilot program would be able to

continue after the fourth year.

Senator Wilken argued that the expectation should be that this pilot program is a good thing and would continue to operate through local involvement and support, and not because "the people of Alaska are being asked to shoulder the burden." He suggested this program be set aside until a plan is presented that provides viable funding assurances for the program after the fourth year.

EDDY JEANS, School Finance Manager, Department of Education and Early Development, informed the Committee that the State's school foundation formula funding would be allocated, as routine, to a student's home school district, which he clarified, in this case would be the Bering Strait School District. He communicated that the BSSD would contract with the City of Nome School District to provide the required services. He characterized this as a "cooperative effort between the two school districts."

Mr. Jeans voiced the understanding that, in the program's fifth year, other grants would be sought to support the program in addition to the use of the State's school foundation formula funding.

Co-Chair Kelly questioned whether the pilot project school would qualify for the State school foundation formula funding as a result of the two school districts' contractual agreement.

Mr. Jeans clarified that the students' home school districts would transfer portions of their foundation formula funding and other impact aid funding to support the pilot program.

Co-Chair Kelly stated that there is no language specifying that this funding support must occur.

Mr. Jeans agreed, but reiterated that school districts are allowed to enter into cooperative agreements.

Co-Chair Kelly asked Senator Wilken whether Mr. Jeans' comments provided the pertinent funding information he requested.

Senator Wilken replied that, "they did not."

Senator Green asked whether the funding agreement between the two districts could begin with the programs' first year rather than with the fifth year.

Mr. Jeans clarified that the State funding requested in this bill would supply "the seed money" required to initiate the program. He

continued that this "seed money" would provide the foundation upon which to approach the federal government for further funding assistance to address such needs as housing facility renovation expenses and on-going operational costs.

Senator Green explained that the State school foundation formula allots annual funds to schools based on the number of students enrolled in that district, and she specified that this funding and student/teacher ratio guidelines determine staffing needs. She voiced concern that a long-term funding plan for this program might be difficult to develop because of the uncertainty of this annual funding amount.

Senator Green stated; however, that if the BSSD does not allocate their money to hire District staff; they could support this project by providing funds to the Nome School District to hire program teachers.

Mr. Jeans commented that it has not been established that Nome would be required to hire additional teachers. He stated that as part of the program, students from the BSSD would be temporarily housed in Nome as a means to supplement the educational opportunities provided by their own District; however, he noted, no mechanism exists to offset the boarding home expenses because these students are disqualified from receiving boarding home stipends since their participation in the program would be funded through their home district. He stated that the boarding home expenses "are really a core issue."

Mr. Jeans opined that the interaction between Nome and remote village students would additionally provide cultural benefits.

Senator Green understood that three or four additional staff would be required to facilitate the program. She stated that even though the formula funding might not provide a funding mechanism to support the boarding home component of the program, the Bering Strait School Board could choose to allot money from its formula funding to support it.

Mr. Jeans reiterated that he is not aware that additional instructional staff would be required; however, he noted that the Department of Education and Early Development's fiscal note specifies that the program would require three staffers: one of whom would be the program coordinator with the other two being housing staffers.

Senator Green expressed the understanding that the additional staffers would be teachers.

Mr. Jeans commented that the school districts could allocate portions of their "discretionary money" to fund housing and other program expenses.

STAN LUJAN, Superintendent, Nome Public School District, testified via teleconference from Nome and informed the Committee that the BSSD has Rural Education Attendance Area (REAA) funding available to hire vocational education staff; however, those funds are not currently being accessed because the District does not have a vocational technical training facility. He continued that those funds could be accessed to fund three staffers if BSSD students were in this program.

Senator Green asked who would supervise the staff.

Mr. Lujan stated that a Memorandum of Agreement (MOA) would be developed between the two school districts to address this issue. He stated that in order for the REAA funds to be realized, the instructors would be required to hold either a Type A or Type C vocational education certification.

Senator Austerman asked whether local matching funds are required to receive State foundation formula funding.

Mr. Jeans replied that Nome residents do contribute to the education formula funding and that the BSSD "is an REAA and make their contribution through impact aid."

Senator Austerman asked Senator Wilken to further explain his concern about local funding participation in the Nome program.

Senator Wilken explained that his concern is that these school districts have a \$30 million school budget and are requesting an additional \$1 million of State money to undertake this pilot program. He stressed that no information is included in the request regarding how the Districts would fund the program after the four-year pilot program funding concludes. He asserted that no business plan has been provided and that no local community financial support has been established.

Mr. Jeans responded that Nome is a "first class city" and is a separate school district within the Bering Straits region. He clarified that Nome does locally contribute funds to support education.

Senator Wilken agreed and acknowledged that Nome contributes the maximum four-mils in support of education.

Senator Hoffman stated that other entities, such as the Kuskokwim School District, could contribute to this program, as there is great demand for vocational training in the region, particularly in the health care field. He detailed some of the possible non-State funding opportunities that could materialize. He stated that many entities support the program and that the benefits realized from the State investment would offset the expense.

Senator Hoffman continued that this demonstration project at the high school level could unite the region in retaining and training local people for jobs rather than continuing the current "revolving door" employment situation. He stressed that the success of the program would spawn continuing support momentum from regional entities.

Senator Wilken voiced appreciation for Senator Hoffman's comments that "helped define" the program goals; however, he asked why the region's students could not attend one of the three existing rural vocational/technical schools instead of duplicating those efforts. He voiced concern that this program might defer funds away from the existing programs.

Senator Hoffman responded that there might be duplications of efforts; however, there are benefits in keeping students within their region as it provides support groups and a familiarity with regional needs and job opportunities. He stated that some students would suffer "cultural shock" if they were sent to a large community which might result in them "dropping out" of the program. He stated that regional job needs could more easily be addressed were the program located within the region.

Senator Olson addressed the duplication of efforts question by commenting that were this program looked at through the eyes of one of the rural high school students from a small remote village rather than through the eyes of someone from outside of the region, it would be determined that a program in their region would be an easier transition than being sent to a larger, unfamiliar, and distant area.

Senator Wilken questioned whether a student who attends similar programs in Nome rather than the existing program in Kotzebue would recognize any differences. He stated that if the Committee decides to support a new four-year pilot program in Nome, perhaps a similar vocational technical program slated for construction in Bethel should instead be located in Nome since facility infrastructure already exists.

Senator Wilken reiterated his request for a program plan to be provided to the Committee.

Co-Chair Kelly requested Superintendent Lujan to submit a program plan to the Committee to address concerns about the bill.

Senator Olson commented that Kawerak, a Nome non-profit social services agency, is successful at securing federal funds for training programs and that a local union is also a strong supporter of training programs. He reminded the Committee that the Bethel vocational training center is, specifically a post secondary education facility, whereas the Nome program would be provided to high school students.

Senator Wilken acknowledged that the Nome and Bethel facilities would serve differing age groups; however, he asked, "what the difference is between the proposed Nome facility and the Kotzebue tech facility, three years from now."

Dr. LaBolle communicated that the Kotzebue vocational technical program is a concentrated post-secondary education program through which students learn a trade. He continued that the program being considered in Nome would expose high school juniors and seniors to a variety of careers that the region supports. He stated that this process would provide students with job shadowing opportunities as well as introducing students to the needs of the regions' industries.

Dr. LaBolle informed the Committee that individuals from "outside" of the region are employed in the majority of the viable jobs in the region, and he asserted, the goal of the program would be to have area students choose an educational path which would allow them to assume these jobs over time.

Co-Chair Kelly asked for confirmation that the BSSD would contract with the Nome School District and thereby provide a portion of their student foundation formula funding to the Nome School District to support the program.

Dr. LaBolle replied that the BSSD would continue to claim BSSD students in the community in which they reside, and that the BSSD would contract with the Nome School District to provide the educational services in "short block" programs. He asserted that this is not a boarding school scenario.

Co-Chair Kelly requested Mr. Lujan to supply the Committee with a more detailed plan. He voiced support for the concept, but stressed that further information is necessary to address the Committee's

program funding concerns. He stated the need for the State to undertake steps "to transition rural Alaska out of the past and into the future."

Senator Hoffman informed the Committee that because many rural residents "live off the land," many professionally trained individuals regard these Native peoples as "the experts" when regional geophysical and wildlife information is needed. He asserted that residents of the area are well equipped to assume area jobs once formal training is acquired, and he shared that one of his relatives pursued a wildlife degree and is now gainfully employed in the region.

Senator Wilken interjected for clarification that the BSSD has a current school budget in excess of \$30 million, and that Nome, being a first class city, provides the maximum local funding match required to receive State school foundation formula funds.

Senator Green suggested that a study be conducted to determine whether State funds would be required to further the development of this type of program in the State. She additionally requested that the two school districts investigate methods to implement this program without requiring State support.

Mr. Lujan stated that the BSSD receives annual grants amounting to approximately \$2.5 million and that future increases of grant receipts would alleviate some of the District's demand for State funds.

Co-Chair Kelly asked Mr. Lujan to include this type of information in the project plan.

Co-Chair Kelly ordered the bill HELD in Committee.

SFC 02 # 91, Side B 10:24 AM

#hb521

CS FOR HOUSE BILL NO. 521(CRA)

"An Act relating to municipal improvement areas."

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

AMY ERICKSON, staff to Representative Lisa Murkowski, Chair of the House of Representatives Labor and Commerce Committee which sponsored this bill, informed the Committee that this bill proposes language clarification to address "certain ambiguities in current statute relating to municipal improvement areas" by specifying that municipalities could use general obligation and revenue bonds for "tax increment financing." She stated this bill also widens the definition of "a blighted area;" thereby providing for increased redevelopment opportunities. She continued that these changes to existing law would increase a community's ability to "shape" a comprehensive development plan and she asserted, "that successful urban renewal projects are most successful when the State commits its resources to property improvements and new developments."

Amendment #2: This amendment deletes "and general obligation bonds" and inserts "general obligation bonds, and other forms of indebtedness" in Section 1, line 8 of the bill to read as follows.

The municipality may issue the bonds as general obligation bonds or as revenue bonds or as a combination of revenue bonds, general obligation bonds, and other forms of indebtedness.

Senator Lemman moved for adoption of Amendment #2.

Co-Chair Kelly objected for discussion.

At ease 10:28 AM / 10:28 AM

Co-Chair Kelly withdrew his objection.

There being no further objection, Amendment #2 was ADOPTED.

AT EASE 10:30 AM / 10:31 AM

[Note: Equipment recording difficulties prevented the following segment of the meeting from being recorded.]

BOB EVANS, a representative of an Anchorage construction company, explained the differences between an unimproved area and a blighted area.

Senator Green asked whether this legislation changes the public's involvement in the process.

Mr. Evans responded that it does not.

Senator Ward asked whether land located adjacent to a vacated

trailer park in a designated blighted area would be affected by this legislation.

Mr. Evans responded that while this is not the intent of the bill; the land's owner could participate in a joint venture to improve the area with such things as construction of a road, which would increase the value of the adjacent property.

Mr. Evans responded to a question from Senator Ward by stating that the language in this bill clarifies the ambiguity.

Senator Ward asked whether a municipality should use general obligation (GO) bonds or revenue bonds to address blighted property.

Mr. Evans responded that a city could use any form of indebtedness to pay for revenue bonds.

TIM ROGERS, Legislative Program Coordinator, Municipality of Anchorage stated that this legislation would allow incremental taxes to be used to fund public purpose projects. He stated that the city would support the allowed funding options either with local taxes or with collateral.

Senator Ward asked whether these GO or Revenue bonds could be used to support other projects.

Mr. Rogers replied that the money would be designated specifically for public projects.

Co-Chair Kelly ordered the Bill to be HELD In Committee.

[This bill is re-addressed after the recess.]

RECESS TO CALL OF CHAIR 10:39 AM / 5:58 PM

[NOTE: Recording resumes.]

#HB521

CS FOR HOUSE BILL NO. 521(CRA)  
"An Act relating to municipal improvement areas."

[This bill was addressed earlier in the meeting.]

Senator Green offered a motion "to move HB 521 out of Committee with individual recommendations and zero fiscal note."

There being no objections, SCS CS HB 521(FIN) was REPORTED from Committee with a previous zero fiscal note, dated April 22, 2002 from the Department of Community and Economic Development.

#hb332

CS FOR HOUSE BILL NO. 332(FIN)

"An Act extending the termination date of the Council on Domestic Violence and Sexual Assault; relating to the council's duties; placing the executive director and staff of the council in the exempt service; and providing for an effective date."

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

PATTI SWENSON, Staff to Representative Con Bunde, the sponsor of the bill, explained to the Committee that this bill would extend the sunset date of the Council on Domestic Violence and Sexual Assault (CDVSA) to June 2006. She asserted that the Council provides an essential service to victims of domestic violence and to perpetrators. She stated that the accompanying fiscal note details the expenses that would be incurred were the Council not extended, and she noted that the bill includes a provision that would change the status of CDVSA employees to exempt as suggested in the Alaska Division of Legislative Audit report [copy on file] dated October 31, 2001

Amendment #1: This amendment inserts a new bill section to read as follows.

Sec. 4. The uncodified law of the State of Alaska is amended by adding a new section to read:

TRANSITION FOR POSITIONS COVERED BY COLLECTIVE BARGAINING AGREEMENTS. This Act does not terminate or modify the terms of a collective bargaining agreement in effect on the effective date of this Act. As soon as any collective bargaining agreement covering positions affected by secs. 1 and 2 of this Act expires, those positions shall be considered exempt positions as provided in secs. 1 and 2 of this Act.

Senator Wilken moved for adoption of Amendment #1.

Senator Green objected for discussion.

Senator Wilken stated that Representative Bunde's staff would explain the amendment.

Ms. Swenson announced that this amendment contains transition language to allow current staff to retain their classified status until the current labor contract expires in July of 2003. She furthered that this amendment provides for notice to employees; thereby protecting the State from legal challenges.

Senator Lemman asked whether the inclusion of this amendment would require a title change

Ms. Swenson replied that a title change would not be required.

Senator Green withdrew her objection.

There being no further objection, Amendment #1 was ADOPTED.

Senator Green moved to report "House Bill 332 out of Committee with individual recommendations and accompanying fiscal notes."

There being no objections, SCS CS HB 332 (FIN) was REPORTED from Committee with previous fiscal notes from the Department of Public Safety, Council on Domestic Violence & Sexual Assault, dated February 4, 2002 in the amount of \$9,725,200; a fiscal note from the Department of Public Safety, Batterers Intervention Program, dated February 4, 2002 in the amount of \$320,000; and a fiscal note from the Department of Public Safety, Victims for Justice, dated February 4, 2002 in the amount of \$246,000.

#hb296

SENATE CS FOR CS FOR HOUSE BILL NO. 296(JUD)  
"An Act relating to mergers and consolidations of municipalities."

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

LORI BACKES, Staff to Representative Jim Whitaker, the bill's sponsor, informed the Committee that this bill contains language to correct "perceived unfairnesses in statute in regard to the

consolidation petition process as well as the election process" for municipalities.

AT EASE 6:02 PM / 6:03 PM

Ms. Backes commented that some municipalities have experienced difficulties in following current State statute procedures. She exemplified that currently there is no time limit imposed for the gathering of signatures on a consolidation petition and that this bill imposes a limit of 365 days. She stated that this time frame is necessary because some petitions have circulated for up to five years, and at the time the petition was verified, it was found that many of the signers no longer resided in the municipality.

Ms. Backes explained that Sections 2 and 3 specify that a consolidation question "must be approved by the voters within the borough but outside the cities when it is a consolidation of a borough with one or more cities within it, and must also be approved by the voters in at least one of the cities." She furthered that these two sections provide for a city "to opt out" of the consolidation process when there are more than two cities within the borough identified on the consolidation petition. She stressed that "this opt out language" must be included in the petition. She stated that the process of consolidating two or more cities within a borough also must be approved by a vote of the people.

Ms Backes summarized that the goal of this bill is "to allow each individual city, the voters within each individual city, and the voters outside of the city but within the borough to have their own vote of self-determination as to whether they want to be a consolidated community or not."

Ms. Backes noted that Section 4 exempts the new petition language from applying to a petition or a vote on a petition filed before the effective date of the bill.

Senator Green asked why the language changes in Sections 2 and 3 are necessary.

Ms. Backes responded that current statute specifies that a petition for consolidation must be approved by a majority of the voters within both the city and the borough. She noted that currently the entire petition for consolidation would fail in the instance where the voters outside of the city but within the borough approve the consolidation but one of two cities proposed to consolidate does not approve of the merger. She continued that the new language would permit the one city to remain unconsolidated, but would allow

the other parties to continue the consolidation process. She reiterated that this "opt out option" language must be specified in the petition.

Senator Hoffman opined that this "self-determination opt out" language should also be considered for communities that might not want to become part of a "mandatory borough."

DAN BOCKHORST, Local Boundary Commission, Division of Community and Business Development, Department of Community and Economic Development, testified offnet to voice opposition to components of the bill that would alter the outcome of a consolidation election. He stated that current law specifies that a simple majority vote would determine the outcome of a merger, and that the proposed legislation would establish "de facto voting districts" for each city and for voters within the borough but outside of a city. He stated that the proposed process "weights the vote of residents of small districts more heavily than the vote of residents of populace districts." He exampled that a vote by the City of Kupreanof with a population of "less than one-half-of-one-percent of the total voters" of the City of Petersburg, in opposition to the merger of these two adjoining cities in Southeast could block a consolidation or merger even if 99-percent of the voters in the City of Petersburg support it. He stated that the Department's position is that this bill's language "would disregard the will of the majority of the voters about their preferred form of local government."

Mr. Bockhorst identified contradictory elements within the bill's components, particularly Section 3, lines 26 and 27. He furthered "that the provisions of the bill are intended to be consistent with the voting requirements for annexation specified in AS 29.06.040(c)(1); however, there is absolutely nothing in the reference statute that provides for de facto voting districts." He stated that, "the statute provides for the exact opposite: approval of a local option annexation by a simple majority of the votes in the affected area." He exampled various de facto voting scenarios whereby the proposed language would incur a contradictory situation.

Mr. Bockhorst continued that the proposed bill "would reflect a major departure from constitutional principles and established legislative policy" in which State statute "specifies a minimum of local government units and encourages the prevention of duplication of tax levying jurisdictions." He stated that this bill "would perpetuate inefficient, inequitable, and ineffective local government structures resulting in duplication of government units and tax levying jurisdictions regardless of the will of the majority of the local voters." He stated that the current

legislation has, for 30 years, allowed for "harmony" with the principles of the State Constitution as well as "efficiency and fiscal accountability in the local governments." He stated that the proposed bill would hinder that forward progression and notified the Committee that the Local Boundary Commission has issued a formal statement, dated May 1, 2002, [copy on file] that opposes the proposed legislation.

Ms. Backes expressed awareness of the Local Boundary Commission's concerns; however, she stressed that the bill's sponsor strongly supports the people's right to self-determine what type of community they wish to live in. She elaborated that this bill essentially prohibits "a hostile takeover" of one community by another. She presented examples of this scenario.

Senator Hoffman concurred with the sponsor's reasoning, and asserted, "that self-determination should be the most important factor in self-government."

Senator Green noted that within a relatively short distance from the Mat-Su area where she resides, there are four separate communities, each with their own governmental offices. She questioned whether the original intent of the current regulation was to eliminate or discourage duplication of local government services in the same or similar areas.

Ms. Backes responded that the original intent of the regulation was not to prevent duplication; however, she clarified, "that is the intent of consolidation or unification."

Senator Green opined that the reason for establishment of the Local Boundary Commission was to prevent duplication. She surmised that the proposed legislation would "do away" with that directive.

Ms. Backes clarified that rather than blocking consolidation or mergers or encouraging the duplication of services, the intent of the proposed legislation is "to merely make the voting and petition process more fair." She asserted that Alaska's Constitution calls "for the maximum local self-government with the minimum of local government units," and mandates that the Local Boundary Commission consider the consolidation of these governments. However, she insisted, this should not be "forced over the will of a residents of that area."

AT EASE 6:18 PM / 6:19 PM

Co-Chair Donley commented that at the time of Statehood, the goal "was that all of Alaska would be organized into some form of local

government;" however, some people have resisted because they do not want to pay local taxes. He reminded the Committee that a few years prior at public hearings regarding education, many people voiced that they did not want to contribute "a penny to educate their children" or to support local services. He asserted that this position is not fair to the people of Alaska who do pay local taxes, and it is "clearly" not attuned with the vision of the drafters of Alaska's Constitution. He stated that Alaska is the only State that does not have widespread governmental organization. He noted that some communities do not provide funds to employ a local police staffer, and that local services are not provided without some sort of outside assistance. He voiced concern about any proposal that discourages inclusion of people in local governments because, he opined, in the long run, this is the direction the State must go.

Senator Wilken voiced uncertainty as to how to establish a balance in this legislation, as "it is a one size fits all" type of bill that, while addressing the needs of one, harms the needs of another.

Senator Olson characterized this legislation as "setting another layer of government out there." He contended that multiple and overlaying State, federal and local governments result in non-productivity, and he stressed that the costs associated with this duplication usually "fall onto the shoulders of the private sector." He voiced that the possibility of a larger community's "hostile takeover" of a smaller community is "somewhat troublesome."

JAN WRENTMORE, Resident, City of Skagway, informed the Committee that this is an important bill for Skagway because it supports the issue of self-determination. She informed the Committee that Skagway, the oldest incorporated city in the State, is self-sufficient, has real estate, tourism and sales taxes, and funds 52-percent of the community's education needs. She stated that townspeople were disturbed to receive a Local Boundary Commission determination stating that Skagway is viewed as not being self sufficient, that the community's government is inefficient, and that the residents do not make sufficient contributions. She contended that this legislation would allow residents to vote on whether they desire to merge with another community. She continued that in some situations, mergers or consolidations might not increase efficiencies in government as differing communities may have different lifestyles, distance might be an obstacle to efficiencies, and communities might become polarized due to differing "ethics" regarding major industries such as tourism. She urged the Committee to consider the affect this legislation would

have on communities.

Senator Green stated that, as part of the petition process, the Local Boundary Commission grants the authorization for a consolidation or merger petition to be circulated. She asked whether permission to petition could be granted without the express approval from the affected communities, which she characterized as a "hostile consolidation" situation.

Mr. Bockhurst replied, "that a petition may be initiated by a host of different parties; some of which might be construed to be hostile and some not be construed to be hostile." He continued that in most situations, it is impossible to have 100 percent support for a consolidation or merger proposal; however, the Commission endeavors to consider the broad public interest as intended in its Constitutional creation.

AT EASE 6:31 PM / 6:34 PM

Senator Olson asked Mr. Bockhorst how this legislation would affect new boroughs.

Mr. Bockhurst stated that "this legislation directly does not affect the incorporation of new boroughs from an area within an organized borough, but technically, a consolidation of a city in a borough results in the incorporation of a new borough so in that sense, it would affect the creation of boroughs." He explained that State law specifies that "the incorporation of a borough government is subject to area-wide voter approval, and this bill certainly would represent a significant departure from that practice if it were applied to an organization of a borough from the unorganized territory of Alaska;" however, it "would not affect a new borough from an unincorporated area of the State."

Senator Olson voiced that perhaps an amendment should be considered "so that it is applicable to the new boroughs."

Senator Austerman moved to report "Senate CS for House Bill 296, Judiciary, from Committee with individual recommendations and zero fiscal note."

Co-Chair Donley objected.

A roll call was taken on the motion.

IN FAVOR: Senator Lemman, Senator Olson, Senator Ward, Senator Wilken, Senator Austerman, Senator Green, Co-Chair Kelly

OPPOSED: Co-Chair Donley

ABSENT: Senator Hoffman

The motion PASSED (7-1-1)

SCS CS HB 296 (JUD) was REPORTED from Committee with a previous zero fiscal note, dated February 28, 2002 from the Department of Community and Economic Development.

#hb53

CS FOR HOUSE BILL NO. 53(STA)

"An Act establishing the Alaska Seismic Hazards Safety Commission."

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

REPRESENTATIVE JOHN DAVIES, the bill's sponsor, informed the Committee that this bill would establish a nine-member Alaska Seismology Safety Commission.

SFC 02 # 92, Side A 06:38 PM

AT EASE 6:38 PM / 6:39 PM

Representative Davies continued that the purpose of the Commission would be to identify and mitigate earthquake disasters. He noted that the State has established procedures regarding emergency responses, but does not have established procedures on how to prepare for and mitigate disasters before they occur. He stated that this legislation would address such things as building codes and land use patterns.

Representative Davies qualified that these plans should be implemented gradually, but systematically, as not to incur general public panic. He expressed that while disasters such as earthquakes have huge impacts; their infrequency tends to make people complacent. He added that because most earthquakes are minor, people are "misled" regarding the potential severity. He asserted that building codes should mandate that buildings be constructed to withstand severe earthquakes, as 80 percent of the loss of life and damage resulting from an earthquake occurs within the interior of a

building. He explained that the Commission should be a component of the Governor's Office rather than within a specific department in order to provide effective coordination between affected State agencies.

Representative Davies noted that a \$33,000 fiscal note accompanies this legislation and that the Commission would be required to meet four times a year. He expressed that Alaska is the only western state that does not have an established seismic Commission, although residents of the State "live in earthquake country and we ought to be prepared."

Co-Chair Kelly asked the function of the State's seismologist.

Representative Davies responded that the State's seismologist has some authority to address these issues; however, this position does not have the authority to coordinate procedures between various departments. He explained that the seismologist could offer workshops, but is not in a position to coordinate a widespread effort to address such things as upgrading building codes.

Co-Chair Kelly stated that while it is possible to predict where an earthquake might occur, it is difficult to predict when one might occur or its resulting damage. He stated that being prepared for a disaster would be the prudent course of action, especially since populated areas of the State could be affected.

Representative Davies asserted that it is important to establish this Commission in order to gather new research information. He stated that the Municipality of Anchorage is conducting "microzonation" research that identifies neighborhoods within the City that are more prone to earthquake activity, and he continued that this information should be compiled to determine appropriate building codes. He contended that when confronted with the possibility of a large loss of life, the tendency is to "over-design." He stated that it would be possible to identify differing building codes for different areas, which would generate sound fiscal investments. He asserted that "the smarter we can get, the more efficient we can be in the whole process."

Senator Green asked whether the Commission would concentrate on municipal areas rather than more remote areas and/or areas where codes currently exist.

Representative Davies replied that the tendency would be to concentrate on areas where structures exist.

Senator Green questioned whether the Commission would address

issues on a statewide basis or would concentrate on areas such as Anchorage and Fairbanks where building codes currently exist. She mentioned that the Mat-Su area does not have building code regulations.

Representative Davies clarified that while the City of Fairbanks has building code regulations, the Fairbanks North Star Borough does not. He furthered that it is fairly common for lending institutions to require structures to meet nationally recognized industry standards before a loan is granted, and he stressed that these codes should be continually up-dated and appropriate for each region. He informed the Committee that a recent national coding entity placed the communities of Fairbanks, Ketchikan and Juneau in the same category as Anchorage, even though it is less likely that those communities would experience earthquakes the magnitude of those that Anchorage might receive. He stated that if these codings had been accepted, building costs would have increased in the affected communities. He exclaimed that Alaska must be proactive rather than reactive in addressing the earthquake situation.

Senator Austerman asked whether new building codes would affect existing structures.

Representative Davies replied that the Commission could only issue recommendations. He noted that requiring existing buildings to meet new codes would be "extremely expensive;" however, he contended that were an existing structure to undergo major remodeling then implementation of the new building codes should be required. He announced that there is a safety concern regarding many existing structures, including a high school in the Kodiak school district.

Senator Austerman agreed, but continued to voice the concern about imposing new codes upon existing structures.

Representative Davies responded that the nine-member Commission would be comprised of engineers, insurance professionals, earthquake scientists, and other individuals from appropriate fields of expertise who would consider the various factors and manage the process in the most cost effective manner for the State in those circumstances.

Co-Chair Kelly clarified that the language in the bill specifies that the Commission could primarily "recommend" and would have no policing powers.

Senator Green asked how the Commission would coordinate activities with the Department of Military and Veterans Affairs.

Representative Davies reiterated that the State's disaster response mechanism is very effective and that the Commission would include the Department of Military and Veterans Affairs in its coordination efforts. He stated that a good working relationship exists between the State and federal agencies regarding response efforts, and he exclaimed that, "Alaskans have a can-do spirit that when something happens we tend to all pull together." He stressed that Alaska's response efforts "are in pretty good shape;" however, he stressed the mitigation efforts are lacking. He expressed that an appropriate mitigation plan would have a positive impact on response efforts.

Representative Davies continued that while emergency response personnel currently undertake mitigation efforts such as establishing evacuation routes in the event of a tsunami, these efforts are limited. He reiterated that the most significant portion of the mitigation effort would be the development of building code models.

Senator Leman stated that he is impressed with the work conducted by the Municipality of Anchorage's Geotechnical Advisory Commission. He asked whether the proposed Commission would function in a similar fashion but on a statewide basis.

Representative Davies stated that is correct.

Senator Leman asked how the Commission would interact with the State Emergency Response Commission (SERC).

Representative Davies anticipated SERC would have representation on the proposed commission; however, he did not anticipate, "there being much overlap" in the two Commissions' endeavors.

Senator Leman stated that the nine-member Commission appears to be "light on the technical side of it" and "heavy on bureaucracy."

Representative Davies responded that the intent of limiting the Commission to nine members was to prevent it from being too large. He explained that in addition to the designated three public members, technical expertise would be further available from the University of Alaska representative who is also currently the State Seismologist; from the Department of Natural Resources representative who would probably have expertise in seismic hazards; and from the Department of Military and Veterans Affairs' representative who would be qualified in the earthquake response component. He asserted that the Departments would be able to provide technical expertise.

Senator Leman asserted that the Governor should appoint qualified technical experts to serve as Commission members.

Representative Davies agreed.

ROD COMBELLICK, Chief, Engineering Geology Section, Alaska Division of Geological & Geophysical Surveys, Department of Natural Resources, testified via teleconference from Fairbanks to voice that the establishment of this Commission "has little to do with generating State revenues, but would have everything to do with preserving State resources." He stated that the Commission's recommendations would strengthen buildings and the State's road system and result in making the State's "critical buildings safer." He asserted that these recommendations would save the State significant money because requiring higher standards of building construction to reduce earthquake vulnerability would result in less damage in the event of an actual earthquake. He noted that the outcome of similar commissions in other states has resulted in lowering earthquake damage costs. He urged the Committee to support this bill.

MILT WILTSE, State Geologist and Director, Alaska Division of Geological & Geophysical Surveys, Department of Natural Resources, testified via teleconference from Fairbanks to attest, after studying other states' mitigation commissions, that the subject of earthquake mitigation is complex in that it impacts a wide spectrum of society including: infrastructure, utilities, local governments, and access corridors. He stated that it is important to bring a wide spectrum of representatives together "to mitigate the effects that a very large-scale earthquake" could produce. He stated that the Division of Geological & Geophysical Surveys (DGGS) has studied this issue for years and has determined that the establishment of this sort of Commission would be very beneficial to the State.

GARY CARVER, Geologist, testified via teleconference from Kodiak that his expertise is in earthquakes and seismic geology. He noted his long-term involvement in earthquake studies in the State and spoke of his experience with the California Seismic Commission. He asserted that the proposed Commission could provide the avenue to consolidate diverse ideas and opinions and provide a synopsis addressing how to reduce earthquake hazards. He noted "that Alaska is the most seismically active State in the Union," and he warned that the State's most populous areas are located in extremely hazardous earthquake zones. He stressed that it could be just a matter of time before a major earthquake might impact the State, and he avowed that mitigation is the key to offsetting major damage. He noted that the establishment of the Commission could relieve the burden placed on small community governments to attempt

to develop and implement local mitigation plans. He asserted that the passage of this bill would, "in the long run" save Alaskan lives and tax dollars, as it would cost much less to recover from a major earthquake were the State prepared. He urged the Committee to support this bill.

Senator Ward offered a motion to report "the committee substitute for House Bill 53 State Affairs out of Committee with individual recommendations and accompanying fiscal notes."

There being no objection, CS HB 53(STA) was REPORTED from Committee with a previous fiscal note for \$33,500 dated April 19, 2002 from the Office of the Governor.

Senator Lemman asked the length of terms for Commission members.

Representative Davies stated that Commission members would be appointed for three-year terms.

#hb451

HOUSE BILL NO. 451 am

"An Act relating to municipal bond reimbursement for school construction; and providing for an effective date."

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

HEATH HILYARD, Staff to Representative Jeannette James, the bill's sponsor, informed the Committee that current State statute mandates that a five-point maintenance plan accompany school grant proposals; however he explained, there is no such requirement for school bond reimbursement proposals. He stated that this bill corrects that disparity by requiring a five-point maintenance plan accompany both components.

Senator Austerman asked how school districts currently develop preventive maintenance plans and whether those plans are working.

Mr. Jeans stated that the Department has "taken an incremental approach" to the five-step requirement whereby, through the regulatory process, districts could apply for waivers if they meet some, but not all five, of the steps. He informed the Committee that the Department has been allocated an additional position to monitor schools' implementation of their maintenance plans. He

stated, that during site visits, implementation of the five-point plan is discussed; however, he noted, no district currently meets all five of the plan components. He asserted that progress is being made and that most districts would implement the five-point plan within a few years.

Senator Austerman asked whether this legislation could assist in moving districts closer to that goal.

Mr. Jeans asserted "it is a step in the right direction" as this legislation places the same eligibility requirement that exist for the grant program as a "qualification for the debt reimbursement program." He added that this directive only affects municipalities.

Senator Lemman communicated that one criticism of the current preventive maintenance plan is that it gets "bogged down in details," and that the school districts must spend time dealing with petty details such as the number of light bulbs required. He stressed that the intent of the original legislation was to develop plans to address, for instance, school roof maintenance, but not to delve into minutia. He stated that he is "hesitant to extend this interpretation" to other programs.

Mr. Jeans voiced concern that the Department might have presented overly burdensome regulations to the State Board of Education regarding the interpretation of the original intent of the legislation. He further explained that recommendations are reviewed and submitted to the Board of Education through the bond reimbursement and grant program process. He stated that the Department has requested school districts to furnish reports regarding their preventative maintenance plans at an upcoming scheduled meeting, and he noted that, at that same meeting, bond reimbursement representatives would be present to listen to school district concerns. He anticipated that the State Board of Education would be presented with revised regulations that would loosen up some of the requirements.

Senator Lemman voiced appreciation for the Department's efforts to address concerns, and he recommended that changes should occur.

Senator Austerman verified that numerous Legislators have heard these concerns.

Senator Green asked whether Section 5 of the committee substitute removes the expiration date for available funds.

Co-Chair Kelly responded that is correct; however, he noted that the proposed committee substitute was not yet been adopted.

Senator Wilken moved to adopt HB 451, Version 22-LS1524\J as a working document.

Senator Green objected.

Co-Chair Donley asked what specific changes are included in the Version "J" committee substitute.

Co-Chair Kelly noted the Version "J" removes the ending date regarding bond availability.

Co-Chair Donley asked how the removal of this date would impact school districts.

Mr. Jeans responded that this "would affect the unobligated balances under Senate Bill 11 to the Fairbanks North Star Borough School District and the unobligated balances under House Bill 281 for Fairbanks, Sitka and Petersburg" school districts. He continued that, "there is authorization on the books to issue debt for school construction" to these communities; however, those school districts have not, as of yet, submitted projects nor received local voter approval to issue that debt.

Senator Green asserted that the removal of the ending date would extend this program and would result in allowing the funding "to sit there even if it is not being used and no one else has the opportunity to use that money." She stated that the original legislation was "date certain."

Senator Green informed the Committee that a new school construction funding request is pending "for her school district which is continually in need and is willing to go to bond, and as long as this money is allowed to sit there and a district not use it, other districts would never be able to get a bond package put forward."

Co-Chair Donley asked for further information as to how this situation would prohibit other school districts bond requests from being furthered.

Senator Green responded that the likelihood of receiving voter approval of a school bond bill for a facility in "just one district" is slim. She stressed that statewide support is required to issue school bonds, and she voiced that allowing money to just "sit there and wait for a district that is not taking advantage of them" undermines the ability of other school districts to get support for their projects.

Co-Chair Kelly ascertained that the funding allocated to the aforementioned districts is not connected to future school bonding proposals.

Senator Green countered that they are.

Co-Chair Donley qualified that as long as a large district has access to available funds, there would be no statewide support for funding projects in other regions of the State.

Co-Chair Kelly asked for further information about how this amendment would affect future bonding packages.

Senator Green reiterated that, in order to receive Legislative support, a bond package must include projects from a variety of statewide school districts. She exemplified that a bond package might encompass five Municipality of Anchorage school projects, two Mat-Su Borough school projects in addition to projects from numerous other communities. She stressed that allowing districts to have unallocated funds "takes the issue off the table" for other districts because it undermines statewide support for future school bond packages.

Co-Chair Kelly insisted that "some Legislators actually support other districts when they need things."

Senator Green contended that the legislative process involved in a school bond package requires Statewide interest and support. She exemplified various school district projects included in previous school bond packages. She stated that the Municipality of Anchorage usually fully funds their school projects with an expectation that State funding support would follow, and that the Mat-Su Borough traditionally supports "70/30 bonding proposals."

Co-Chair Kelly commented that the Municipality of Anchorage traditionally has supported Statewide school bond packages even though they usually fund their own school projects.

Senator Green clarified that while the Municipality of Anchorage does fund its own projects, the City anticipates that State funding would become available, and she informed the Committee that such funding did materialize in the majority of these instances.

Senator Green voiced acceptance of a one-year extension for the expiration date, but stated that she could not support there being no ending date. She argued that a bond proposal package anticipates that all the specified monies would be used rather than set aside indefinitely for a district's project. She argued that the majority

of State funded allocations are time-certain.

Senator Wilken stated that money is not actually set aside for some districts, but rather that the authorization to expend monies is granted.

Senator Green concurred.

Senator Wilken voiced that school districts should not be "rushed" into a project because of a specified timeline. He stated that the Fairbanks North Star Borough School District has projects "in the cue waiting to be voted upon, knowing that this authorization is in place." He stated that he does not take issue with the open-ended dates.

Co-Chair Kelly furthered the position that the un-spent monies allocated to some school districts has no "connection to other projects in the State."

Co-Chair Donley confirmed Senator Green's understanding that the most recent Municipality of Anchorage school bond projects were approved by the city's voters with the expectation that the city would receive State bonding reimbursement.

Co-Chair Donley additionally supported Senator Green's position that school districts "that have money available to them at any given time," might not necessarily provide the necessary consensus to support other school bond packages. He voiced support for a designated time-certain approach to the funding, and suggested that a one-year extension would be acceptable.

Co-Chair Kelly concurred that a one-year extension would not be a problem as, he noted that the Fairbanks North Star School District would be voting on their school projects within that timeframe. However, he asserted, the ending date should not be an issue, and he questioned whether the need for an ending date is based "upon the internal politics of getting a bond package passed" or other reasons that are unclear.

Senator Green asked whether a five-year sunset date is designated in State statute for most State programs, and she asked, were this the case, whether a project that extends beyond that time would require re-authorization. She asked why this authorizing and obligating of State funds should be treated differently than established procedures.

Senator Wilken suggested that one difference is that the voters of the Fairbanks North Star Borough must approve 100 percent Borough

funding for school projects that would subsequently be reimbursed by the State. He continued that the local voter authorization of a school bonding project provides "the filter" that it is "okay to spend the money" whether it is spent in two years or six years. He avowed that the State should only be concerned with the fact that local voters have agreed that the money should be spent in their community to provide better schools and education programs.

Co-Chair Donley attested that the five-year sunset is to necessary to control the timeframe in which the State would be obligated to pay for the debt service. He stated that if the timeframe were unlimited, a local community might undertake a project at a time when the State could not afford the reimbursement. He stressed that specified sunset dates place reasonable timeframes on a community regarding the State's debt service obligations.

Senator Wilken countered that, as the end of the five-year timeframe approaches, the State's obligations increase as communities rush to get their projects underway; whereas were there no specified ending dates, the State's obligations would level out over time.

Co-Chair Donley contended that the Legislature "could not predict the State's fiscal situation in an unlimited future amount of years." He stressed that the five-year time limits were established in order to define the State's obligations rather than having other entities control the financial situation.

Senator Leman asked the amount of the unused authorized funds in question.

Mr. Jeans stated that approximately \$42 million is authorized for the Fairbanks School District and that approximately \$300,000 is authorized each for Sitka and Petersburg.

Senator Leman commented that a sunset date does not seem unreasonable. He voiced support for allowing a timeframe that would permit the Fairbanks North Star School District to adequately address it projects.

SFC 02 # 92, Side B 07:26 PM

Senator Leman asked whether the Fairbanks North Star Borough school projects could be implemented within a two-year timeframe.

Senator Wilken and Co-Chair Kelly concurred that this would be a

manageable timeframe.

AT EASE 7:27 PM / 7:36 PM

Senator Wilken moved to withdraw the motion to adopt committee substitute, Version "J."

There being no objection, the motion to adopt committee substitute, Version "J," was WITHDRAWN.

Co-Chair Kelly ordered the bill HELD in Committee pending further discussion with the bill's sponsor.

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**ADJOURNMENT**

Co-Chair Pete Kelly adjourned the meeting at 07:38 PM