

HOUSE FINANCE COMMITTEE
February 23, 2004
1:40 P.M.

TAPE HFC 04 - 27, Side A
TAPE HFC 04 - 27, Side B
TAPE HFC 04 - 28, Side A

CALL TO ORDER

Co-Chair Williams called the House Finance Committee meeting to order at 1:40 P.M.

MEMBERS PRESENT

Representative John Harris, Co-Chair
Representative Bill Williams, Co-Chair
Representative Kevin Meyer, Vice-Chair
Representative Mike Chenault
Representative Eric Croft
Representative Hugh Fate
Representative Richard Foster
Representative Mike Hawker
Representative Reggie Joule
Representative Carl Moses
Representative Bill Stoltze

MEMBERS ABSENT

None

ALSO PRESENT

Jim Pound, Staff to Representative Hugh Fate; Marie Darlin, Coordinator Of Capital City Task Force, AARP; Eric Swanson, Director, Division of Administrative Services, Department of Administration; Tom Lawson, Director, Administrative Services, Department of Community and Economic Development; Jerry Burnett, Director, Division of Administrative Services, Department of Corrections; Karen Rehfeld, Director, Division of Education Support Services, Department of Education and Early Development; Eddie Jeans, Manager, School Finance and Facilities Section, Department of Education and Early Development; Kevin Brooks, Director, Division of Administrative Services, Department of Fish and Game; Laura Glaiser, Director, Division of Elections, Office of the Lieutenant Governor; Janet Clarke, Director, Division of Administrative Services, Department of Health and Social Services; Kathryn Daughhete, Director, Administrative Services Division, Department of Law; John Cramer, Director, Admin Services Division, Department of Military & Veterans Affairs; Nico Bus, Acting Director, Division of Administrative Services, Department of Natural Resources;

Dan Spencer, Director, Division of Administrative Services, Department of Public Safety; Susan Taylor, Director, Division of Administrative Services, Department of Revenue; Bob Bartholomew, Chief Operating Officer, Alaska Permanent Fund Corporation, Department of Revenue Nancy Slagle, Director, Division of Administrative Services, Department of Transportation and Public Facilities.

PRESENT VIA TELECONFERENCE

Cynthia Drinkwater, Assistant Attorney General, Commercial/Fair Business Section, Department of Law, Anchorage; MARK JOHNSON, CHAIR, REGULATORY COMMISSION of ALASKA, VIA TELECONFERENCE, ANCHORAGE; Barbara Brink, Director, Public Defender Agency; Vicky Backus, State Recorder, Division of Support Service, Department of Natural Resources; Dick Mylius, Deputy Director, Division of Mining, Land and Water, Department of Natural Resources; Jeff Jahnke, State Forester, Division of Forestry, Department of Natural Resources; Gary Morrison, Director, Division of Parks & Outdoor Recreation, Department of Natural Resources; Peter Panarese, Acting Director, Division of Parks, Department of Natural Resources; Josh Fink, Public Advocate, Office of Public Advocacy.

SUMMARY

HB 15 An Act relating to establishing the Alaska No-Call List, a data base of residential telephone customers who do not wish to receive telephonic solicitations; providing that the data base be compiled at no cost to the customers; requiring paid telephonic sellers to purchase the data base; requiring telephonic sellers to identify themselves; requiring telephonic solicitors who are otherwise exempt from registration as telephonic solicitors to file with the Department of Law and purchase the data base; and providing for an effective date.

HB 15 was REPORTED out of Committee a "do pass" recommendation and with two new fiscal notes.

HB 456 An Act making supplemental and other appropriations; amending and repealing appropriations; making appropriations to capitalize funds; and providing for an effective date.

HB 456 was heard and HELD in Committee for further consideration.

#HB15

HOUSE BILL NO. 15

An Act relating to establishing the Alaska No-Call List, a data base of residential telephone customers who do not wish to receive telephonic solicitations; providing that the data base be compiled at no cost to the customers; requiring paid telephonic sellers to purchase the data base; requiring telephonic sellers to identify themselves; requiring telephonic solicitors who are otherwise exempt from registration as telephonic solicitors to file with the Department of Law and purchase the data base; and providing for an effective date.

REPRESENTATIVE HUGH FATE advised that Co-Chair Harris had requested more information on the new fiscal note accompanying Work Draft 23-LS0058\S and stated that it has a positive impact.

Co-Chair Williams commented that the new Department of Law fiscal note dated 2-23-04 shows an increase of \$7.6 in revenues but no expenditures.

Representative Fate moved Amendment 1. Co-Chair Harris OBJECTED for purposes of discussion.

Amendment 1 reads:

Page 1, lines 13-14:

Delete "**at least 90 days**"

Insert "**the minimum amount of time required by the national do not call registry**"

Page 2, lines 20-21:

Delete "**in good faith**"

Insert "**as a result of a good faith error**"

Page 7, line 14:

Delete "This chapter does"

Insert "**AS 43.63.010, 45.63.015, 45.63.020, and AS 45.63.030(c) and (d) do** [THIS CHAPTER DOES]"

JIM POUND, STAFF to REPRESENTATIVE HUGH FATE, stated that he and Representative Fate had worked closely with Cynthia Drinkwater, Department of Law, Anchorage, on the amendments.

MARIE DARLIN, COORDINATOR OF CAPITAL CITY TASK FORCE, Alaska Association of Retired Persons (AARP), spoke in support of the bill. She expressed concern that the provisions in the national do not call list would still apply, and would extend to intrastate telemarketers. The AARP is not concerned if the state doesn't require registration or payment of a fee, but would prefer the telemarketers use the

national list. The AARP supports people having their right to privacy restored and it does not oppose the amendments. She noted that thousands of Alaskans signed up for the national do not call list.

Mr. Pound explained Amendment 1, stating that the first of the three changes would bring Alaska law into conformity with federal law and regulation. The federal law had shorter language. The second change is a technical correction to the language to make the error in good faith, instead of the call. The third and largest change addresses the businesses listed in AS 45.63.80 who would be exempt from registration requirements and fees, but would still be required to meet the requirements of the no call list at both the state and federal levels and be subject to the penalties that will be established in regulation by the Department of Law.

Co-Chair Harris removed his objection to Amendment 1.

Representative Croft asked for clarification of the third part of the amendment, questioning if the businesses would still be under the substantive provisions of the no call list. Mr. Pound replied the businesses would not be required to register or pay a fee, but could not call the no call list.

Representative Croft asked if the businesses are mainly charities. Mr. Pound explained that these are businesses falling under other areas of Alaska and federal statute, including realtors and insurance companies. The change also corrects a technical error.

Representative Croft noted that it is a long list, and questioned the exemption of funeral homes and insurance agents from paying fees. Mr. Pound replied that they were exempted in the past and it was easier to retain their exemption.

Representative Croft referred to page 9, line 4, subparagraph 17, asking if it refers to generic solicitation. Mr. Pound clarified that it refers to a company calling to set up an appointment for a demonstration, not to sell a product.

In response to a question by Representative Croft, Mr. Pound explained that the bill would remove the prior exemption of the businesses from the enforceable do not call list, but would not require fees.

CYNTHIA DRINKWATER, ASSISTANT ATTORNEY GENERAL, COMMERCIAL/FAIR BUSINESS SECTION, DEPARTMENT of LAW, ANCHORAGE VIA TELECONFERENCE, clarified that the list of seventeen current exemptions is in the registration portion

of the law, the Telephonics Solicitations Act, and is separate from the do not call provision. The list is not exempted from the do not call provision, only the registration requirement.

In response to a question by Representative Croft, Ms. Drinkwater stated the businesses would still purchase the federal registry for Alaska, and a violation would be subject to federal law and, with the passage of HB 15, state law as well.

There being NO OBJECTION, Amendment 1 was adopted.

Representative Fate MOVED to report CS HB 15 out of Committee with individual recommendations and the accompanying fiscal notes. There being NO OBJECTION, it was so ordered.

#HB 456

HOUSE BILL NO. 456

An Act making supplemental and other appropriations; amending and repealing appropriations; making appropriations to capitalize funds; and providing for an effective date."

DEPARTMENT OF ADMINISTRATION

Section 1(a) and (b)

OPA FY 04 projected caseload and case cost growth.
Statutory Des Prgm Rcpts
\$1,100.0

Section 1(c) Public Defender

FY 04 projected caseload and case cost growth.
\$ 650.0

ERIC SWANSON, DIRECTOR, DIVISION OF ADMINISTRATIVE SERVICES, DEPARTMENT OF ADMINISTRATION, explained three factors contributing to the need for the Office of Public Advocacy(OPA) supplemental of \$\$1.1 million in Section 1(a) and (b). Last year the department received two supplementals. The second, totaling about \$357 thousand, was not included in the base funding for the current year and as a result, the department started out FY 04 short of funding compared to what was needed in FY 03. In prior years, the department received interagency receipt funding for cases of children in the state's foster care system for an extended period of time. That funding, totaling \$300 thousand for OPA, is not forthcoming this year, while the caseload continues at the same level. Mr. Swanson noted that the caseload is up this year at OPA, and felony cases, which are

typically the most expensive, have increased by 8% this year.

Co-Chair Harris noted that supplemental requests have been submitted for OPA and the Public Defenders' Office during 18 or last 19 years. Mr. Swanson acknowledged that the information was correct and observed the difficulty of projecting the need.

In response to a question by Co-Chair Harris, Mr. Swanson noted that the \$300 thousand in SDPR receipts are the result of guardian fees charged for services. The Agency was not aggressive in collecting these fees in past years. The amount includes backlog fees, which were collected.

In response to a question by Representative Croft, Mr. Swanson noted that they are requesting an additional \$1.4 million. The total FY 04 management plan is \$13,289,000, which includes interagency receipts that are not funded. He felt that \$13 million would be accurate.

Representative Croft asked the proposed FY 05 level. Mr. Swanson observed that it would be about the same as for FY 04: \$13 million. Representative Croft suggested that OPA has been purposely under-funded in past years. He maintained that there is no reason to think the workload is going down, and pointed out that the FY 05 level does not include the supplemental amount.

Representative Chenault felt that further savings could be realized and acknowledged that a supplemental may be needed.

Co-Chair Harris observed that \$3 million was added in the FY 04 budget.

Mr. Swanson discussed Section 1(c), which is a \$600 thousand request for the Public Defenders Agency. He observed that caseload is up and interagency receipts are down.

DEPARTMENT OF COMMUNITY & ECONOMIC DEVELOPMENT

Section 2(a) Regulatory Commission of Alaska Audits & Investigations

Additional funds for expert witness costs are required for a) completion of Alaska Communications Systems cases (\$20.0), b) Enstar case participation (\$15.0), c) assistance on the telecom regulations proceeding responsive to HB 111 (\$20.0), d) participation in other cases (\$60.0). RCA Rcpts
\$115.0

Section 2(b) Regulatory Commission of Alaska

Due to major developments in Cook Inlet and the Trans Alaska Pipeline System, the Regulatory Commission of Alaska's effort in regulating pipelines has significantly increased. To provide the necessary expertise two new positions, a range 21 Research Analyst IV and a range 19 Utility Financial Analyst are requested. Funds for additional office space, furniture and equipment are also requested.

RCA Rcpts

\$114.6

TOM LAWSON, DIRECTOR, ADMINISTRATIVE SERVICES, DEPARTMENT OF COMMUNITY and ECONOMIC DEVELOPMENT, discussed Section 2(a), which seeks \$115 thousand in Regulatory Commission of Alaska receipts to cover increased costs in the expert witnesses program.

Co-Chair Harris noted that Sections 2(a) and 2(b) would both use Regulatory Commission of Alaska receipts and asked if the Commission is involved in the natural gas pipeline proposals.

MARK JOHNSON, CHAIR, REGULATORY COMMISSION of ALASKA, VIA TELECONFERENCE, ANCHORAGE, testified via teleconference. He observed that the Regulatory Commission of Alaska is an independent agency and that it would be inappropriate for them to be engaged in negotiations.

Section 2(c) Capital

Repeal of funds to Saxman for Public Safety Bldg sec. 87, ch. 1, SSSLA 2002, pg. 138, ln. 9. Actual grant amount is \$1,074,341.

Mr. Lawson explained that the Public Safety building in Saxman would not be built. These funds would be repealed.

Section 2(d) Power Cost Equalization

PCE Endowment fund appropriation to PCE fund to replace the general funds requested in FY 05 budget. This is the balance of the statutory 7% limit of the PCE Endowment monthly average market value available for appropriation in FY 04. An FY 05 budget amendment will also be submitted.

PCE Endowment Fund

\$4,581.0

Mr. Lawson explained that the request would appropriate PCE Endowment Funds to the PCE fund. This would deal with an FY 05 shortfall. The FY 05 governor's operating budget would remove a \$3.7 million general fund appropriation. In FY 04 budget, authorized PCE up to \$12.6 million, the draw was only \$7.9 of the \$12.6 million. The balance was transferred into the Fund. The rest of the amount needed to reach \$15.7 million came from one-time NPR-A grants. There is about \$4.6

million left in FY 04 to be transferred from the endowment into PCE Fund. Through the supplemental the funds would be available in FY 05, which would provide full funding.

In response to a question by Co-Chair Harris, Mr. Swanson clarified that the \$7 million from the NPR-A grant is being used in the PCE Fund for the current year.

Representative Croft summarized that the remaining funds from FY 04 being transferred to FY 05 would result in available \$3.7 million in general funds, which could be used elsewhere.

Mr. Lawson observed that no general funds are needed for FY 05.

DEPARTMENT OF CORRECTIONS

Section 3(a) Inmate Health Care

The cost of drug and scientific supplies continue to rise annually and contractual costs have increased due to eight catastrophic cases, each costing in excess of \$100.0. \$1,100.0

Section 3(b) Out of State Contracts

Due to increases in population and subsequent management of placement of prisoners, the out of state contracts and related travel costs are increasing from the budgeted 650 prisoners to in excess of 775 by the end of FY 04. \$920.0

JERRY BURNETT, DIRECTOR, ADMINISTRATIVE SERVICES, DEPARTMENT OF CORRECTIONS three items including a \$63 dollar ratification for a miscoded invoice. He discussed Section 3(a), which is would fund \$1.1 million for drug and scientific supplies. He noted that costs are running higher than projected.

Representative Stoltze asked for a summary of impacts from the early medical parole statute. Mr. Burnett noted that there was an estimation of three cases a year of discretionary parole. There has been one person paroled in the current year. The savings to department are significant.

Representative Hawker asked if the \$1.1 million is the identical amount transferred through the budget process. Mr. Burnett said the amount is totally coincidental.

Representative Hawker discussed out-of-state contracts. Mr. Burnett noted that the Arizona numbers increased in fall at a rate higher than anticipated and the transfer of additional inmates to AZ resulted in higher costs. The

department budgeted on 650 inmates; there are 702 there today, but they don't expect to go beyond 706.

In response to a question by Representative Hawker, Mr. Burnett observed that 21 employees were reconciled and were placed into the budget. Twelve of these were in health care.

Co-Chair Harris asked how many inmates incarcerated out of state. Mr. Burnett observed that there are 702 inmates in Arizona; there are approximately 21 other placements out-of-state.

Co-Chair Harris asked status of contract for out of state bids. Mr. Burnett noted that an RFP was put out in December. The proposals are being evaluated. There are enough beds to deal with state's needs. He couldn't speak to the price.

Co-Chair Harris expressed concern that the legislature have an idea of the cost for out-of-state beds.

DEPARTMENT OF EDUCATION

KAREN REHFELD, DEPUTY COMMISSIONER, DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT, provided information on the department's requests.

Section 16(a) School Debt Reimbursement

FY 04 entitlement adjustment based on actual, down from \$37,424.1 to \$32,052.0.

FY 04 Cigarette Tax revenue increased adjustment from \$28,600.0 to \$30,572.2

Mr. Jeans explained that there was a reduced need, and school debt retirement fund revenue would be replaced with increased tobacco tax receipts.

EDDIE JEANS, MANAGER, SCHOOL FINANCE and FACILITIES SECTION, DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT, explained that some municipalities did not sell bonds, which were anticipated. There was also an increase in tobacco tax collected.

Mr. Jeans clarified that he was speaking of the School Debt Reimbursement Program. The program is reconciled each year.

Representative Croft observed that the funds are lapsed general funds. Mr. Jeans agreed, but pointed out that the actual appropriation is out of the Fund and is identified as other funds.

Co-Chair Harris asked if schools are funded at 100% Mr. Jeans explained that the request is at 100 percent of the projected entitlement, which is \$79 million. Mr. Jeans noted that the majority of school debt is at 70 percent reimbursement.

Section 4(a) Foundation

FY 04 foundation program entitlement adjustment based on actual student count. (3,654.0)

Section 4(b) Pupil Transportation

Pupil transportation program adjustment based on actual student count. (788.4)

Ms. Rehfeld discussed Sections 4(a) and 4(b). She noted that these are formula driven programs.

Mr. Jeans explained that the major decrease to the foundation program is due to fewer students. The request is \$3.6 million less than what was actually appropriated in FY 04. The Pupil Transportation Grant Program was switched from reimburse to grants and is based on enrollement.

TAPE HFC 04 - 27, Side B

DEPARTMENT OF FISH & GAME

Section 6 Capital

Language change to FY 02 appropriation relating to use of the proceeds from sale of vessels to also include repair and maintenance of vessels 0.0

KEVIN BROOKS, DIRECTOR, DIVISION OF ADMINISTRATIVE SERVICES, DEPARTMENT OF FISH AND GAME, discussed section 6. He noted that the language change would allow the department to use the proceeds from the sale of an older research vessel for a replacement.

OFFICE OF THE GOVERNOR

Section 16(e) Fund Transfer

Have received additional federal grant funds for deposit into the Election Fund. \$100.0

Section 7 Elections

Additional Election Funds for improving accessibility to voting locations.
Election Fund \$100.0

LAURA GLAISER, DIRECTOR, DIVISION OF ELECTIONS, OFFICE OF THE LIEUTENANT GOVERNOR, reviewed Section 16(e), which would place \$100.0 in federal receipts for accessibility in the Election Fund. Section 7 provides the authorization

Representative Stoltze asked if they would try to encourage more parking availability. Ms. Glaiser stated that she would check on the issue.

DEPARTMENT OF HEALTH & SOCIAL SERVICES

Section 8(a) Pioneer Homes

Transfer within H&SS to cover projected funding shortfall as part of net-zero general fund supplemental. \$711.9

JANET CLARKE, DIRECTOR, DIVISION OF ADMINISTRATIVE SERVICES, DEPARTMENT OF HEALTH & SOCIAL SERVICES, spoke to Sections 8(a) through 8(r). She observed that the department is proposing a delete/add supplemental based on an anticipated \$29 million shortfall. The shortfall would primarily pertain to the Medicare program, pioneer homes and catastrophic and chronic illness assistance. The department would internally transfer the majority of the amount. The request is to transfer between appropriations. Part of the shortfall is caused by a \$20 million gap in fair share receipts. The intent is to take care of the gap so don't have ratification in the future. There is a one time opportunity to generate \$14 million, which is outlined in backup. The Commissioner has provided a memo, stressing belt-tightening measures and not a desire to come to legislature for general fund increase.

Co-Chair Harris asked if the department had implemented an Options List on Medicaid Services. Ms. Clarke stated that the department is looking at an options list for the FY 06 budget.

Co-Chair Harris observed that the Fair Share program has been under litigation and questioned if the department is supposed to implement the Options List if there is insufficient funds. Ms. Clarke explained that the requirement to use the Options List was repealed last year.

Representative Hawker explained that the statuted pertaining to the Options List was repealed in SB 105. He discussed SB 105, which allows the department to look at all services supplied.

Ms. Clarks clarified that the department's policy is to look at other measures before eliminating services, or

eligibility groups. The department has looked at cost containment and ways to reduce the program.

Representative Hawker stated that he shared the concerns regarding the program costs. The department was able to secure unanticipated federal money, which supplanted \$14 million of general funds in the previous budget. The Legislative Budget and Audit Committee asked the department not to account for the \$14 million. He stressed the need to address and identify long-term growth containment in Medicaid

Ms. Clarke observed that the department is committed to a number of cost containment measures that haven't yet been achieved. She pointed out that the department's backup accounts for the \$14 million.

Section 18(a)(3)

18(a)(3) AR22520-02,

Medicaid Services, General Funds:
\$22,069,794.69; Total Funds: \$22,069,794.69

Ms. Clarke noted that this section would provide ratification for FY 02. This was the first year that the Fair Share program was implemented.

Co-Chair Harris asked if the department was coming back for authorization for money already spent and questioned what would happen if the authorization was not approved. Ms. Clarke stated that the department would have go to the director of Office of Management and Budget.

Representative Croft questioned the current status of the Fair Share litigation. Ms. Clarke noted that it is in the first appeal stage. One proposal in FY 05 is almost \$8 million in general fund in an effort to close the gap. The intent is not to incur any forward debt.

Representative Joule asked if there are more pending audits. Ms. Clarke acknowledged that the federal government has been more aggressive in its interpretation.

Representative Joule asked the state would have to pay back previous payments. Ms. Clarke agreed that the state could be asked to pay amounts that were disallowed. It is an issue that many states are concerned about.

Representative Croft asked why it would not make sense to continue to use as much as possible while maintaining a reserve balance.

DEPARTMENT OF LAW

DEPARTMENT OF NATURAL RESOURCES

Section 12(a) Capital

FESCO Settlement for Contaminated Site Cleanup	\$118,638.12
Statutory Des Prgm Rcpts	\$118.6

NICO BUS, ACTING DIRECTOR, DIVISION OF ADMINISTRATIVE SERVICES, DEPARTMENT OF NATURAL RESOURCES, discussed item 12(a), which is for cleanup on the North Slope lease. The lease holder inherited the problem as a preexisting condition and does not want to be liable.

Section 12(b) Capital

BLM 2009 Accelerated Land Transfer - Year 1 of a 5-year project to significantly increase the rate of federal land transfers to individual Native Allottees, the ANCSA Corporations, and the state.	\$1,268.0
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Mr. Bus observed that Section 12(b) would accelerate the land transfer.

Section 12(c) Capital

Denali Park Visitor Destination Access - U.S. Park Service grant for planning and design of new visitor facilities	\$600.0
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Mr. Bus explained that Section 12(c) is part of the grant for the National Park Service for planning and design of facilities.

Co-Chair Harris observed that no state money is required for planning, but questioned if state money is required for building.

Gary Morse, Director of State Parks, testified via teleconference. He clarified that full funding would come from the federal government through the Parks Service and the Federal Highway Administration.

Co-Chair Harris asked who would provide maintenance. Mr. Morse observed that they are under discussions with the MatSu Borough and the Parks Service. The Parks Service is to receive funding for the operation of the facility, which the state interprets to included road maintenance.

Sections 12(d) - (e) Capital

Afognak Coastal Wetlands grant for purchase of
waterfall parcel within the Perenosa Bay area of
Afognak Island
Statutory Des Prgm Rcpts \$2,650.0

Mr. Bus discussed Section 12(d). The Governor vetoed an expanded version. The request is the modified version requested by the Governor.

Representative Croft observed that the project had been vetoed and questioned the difference. Mr. Bus observed that the Exxon Valdez Trustee funds were removed.

GARY MORRISON, DIRECTOR, DIVISION OF STATE PARKS, explained that there is no Exxon Valdez Oil Spill Settlement funding in the current request. The previous proposal had different phases with substantial EVOS funds. He explained that \$12 million was pared down to a number of phases.

Mr. Bus observed that the Governor, who vetoed the previous legislation, supports the request.

In response to a question by Representative Hawker, Mr. Morrison explained that phase one is non-controversial. The request funds a stand-alone project that would not lead into further controversy.

Section 12(f) Office of Alaska Coastal Zone Mgt.

Increased Department of Law costs for Coastal Zone
regulations \$95.0

Mr. Bus explained that Section 12(f) would implement HB 91/

TAPE HFC 04 - 28, Side A

Section 18 (b)

Mr. Bus observed that the request is a ratification for fire suppression.

DEPARTMENT OF PUBLIC SAFETY

Section 13(a) ABC Board

Enabling language to allow the department to pay a
prior year bill using the FY 04 appropriation
0.0

DAN SPENCER, DIRECTOR, DIVISION OF ADMINISTRATIVE SERVICES, DEPARTMENT OF PUBLIC SAFETY, observed that FY 04 funding would be used to pay a claim from the Anchorage Police

Department contract with the Alcohol Beverage Control Board that was underestimated. The request would allow the entire claim to be paid.

Section 13(b) Capital

Denali Commission grant to the Council on Domestic Violence and Sexual Assault for domestic violence and sexual assault shelter facility funding \$4,750.0

Mr. Spencer observed that the request would authorize pass through funding from the Denali Commission for shelter repair. The Denali Commission has asked the Council on Domestic Violence and Sexual Assault to have all of the funding allocated by July 1, 2004.

DEPARTMENT OF REVENUE

Section 14(a) Municipal Bond Bank

Increased management fees due to increased activity.
Muni Bond Bank Rcpts \$150.0

SUSAN TAYLOR, DIRECTOR, DIVISION OF ADMINISTRATIVE SERVICES, DEPARTMENT OF REVENUE, explained that the request is the result of increased activity of the Municipal Bond Bank and would authorize additional management fees of \$150 thousand.

In response to a question by Representative Hawker, Ms. Taylor observed that the statutory limit is \$500 million and they are up to \$300 million.

Co-Chair Harris questioned information on requirements by the Bond Bank to go to Seattle for closings. Ms. Taylor noted that some closings had occurred in Juneau and did not know of a requirement to go to Seattle.

Section 14(b) Alaska Permanent Fund Corp.

Language clarifying that the appropriation made by sec. 67(2), ch. 82, SLA 2003 was for inflation proofing Perm Fund Rcpts 0.0

Section 14(c) Alaska Permanent Fund Corp.

Balance needed to inflation proof the fund in FY 04.
Perm Fund Earnings Reserve \$177,000.0

BOB BARTHOLOMEW, CHIEF OPERATING OFFICER, ALASKA PERMANENT FUND CORPORATION, DEPARTMENT OF REVENUE, discussed Sections 14 (b) and (c). He explained that the transfer was intended

to be a prepayment of inflation proofing of the Permanent Fund for FY 04. The Alaska Permanent Fund Corporation needs legal clarification for the appropriation. The appropriation needed to fully inflation proof the fund is given in Section 14 (c). The actual amount would not be available until June 1, 2004.

In response to a question by Co-Chair Harris, Mr. Bartholomew noted that the Corporation expects a 2.6 percent inflation rate for FY05 and a transfer of just over \$600 million.

TRANSPORTATION

Section 17(a) Capital

Proceeds from the 2003 sale of the MV Barlett will be spent on the new Prince William Sound marine highway maintenance facility in Cordova. This and the \$900,000 authorization requested in the FY 05 capital budget will complete the project.

Marine Highway System Fund \$389.5

NANCY SLAGLE, DIRECTOR, DIVISION OF ADMINISTRATIVE SERVICES, DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES, explained that the funds would accommodate a fast ferry in Cordova. Title 23 federal funds must go back to another Title 23 project.

Representative Croft questioned the sale amount of the Bartlett. Ms. Slagle observed that the state received \$389.5 thousand.

Ms. Slagle explained that the maintenance facility in Cordova is \$1.5 million. The capital portion was allocated in FY04. The design is almost complete and would be advertised in the beginning of March 2004. The rest of the funding is federal receipts in the FY 04 budget.

Representative Hawker questioned why the request was in the FY 04 supplemental. Ms. Slagle noted that the intent is to begin the project in the spring. Representative Hawker questioned why Cordova was chosen as the maintenance facility as opposed to a community connected to the road. Ms. Slagle did not know, but observed that believe the ferry would not travel beyond Cordova.

Co-Chair Harris explained that Cordova would need a new system to accommodate the fast ferry. The ferry would terminate in Cordova on a daily basis. The department felt that Cordova needed the economic assistance.

Section 17(b) NR Leasing and Property Management

Funds needed due to legal challenges to recent changes in airport leasing rates in AS 17.
Receipt Supported Services \$50.0

Ms. Slagle discussed section 17(b) and explained that the request deals with legal issues stemming from implementation of regulations relating to rural airport land leasing.

Section 17(c) CR Hwys & Aviation

Snow hauling in Anchorage. Funds budgeted in FY 04 have been exhausted due to the heavy snowfall so far this winter. Additional costs of removing snow from Anchorage sidewalks are included in this request. \$200.0

Ms. Slagle observed that the request would fund snow removal in Anchorage, which received 76 inches of snow as opposed to an average of 42.

Section 17(d) SE Hwys & Aviation

Funds needed due to legal challenges to recent changes in airport leasing rates in AS 17.
Receipt Supported Services \$50.0

Ms. Slagle observed that the request would fund \$50 in receipt support services pertaining to the best interest findings in the airport leasing issue at the Yakutat airport.

Section 17(e) Marine Vessel Operations

Masters, Mates and Pilots union has ratified its contract as of January 1, 2004. In the FY 04 budget, the Legislature appropriated \$60.5 to cover a full year's monetary term cost, but six months of the appropriation is not needed.
Marine Highway System Fund (30.2)

Ms. Slagle observed that Section 17(e) would reduce the amount of Marine Highway authorization to reflect the ratification of the Masters, Mates and Pilots, which was ratified in January. This is an extension; negotiations are still on-going.

Sections 16(b) - (d) Debt

Extend lapse to June 30, 2005 for Lake and Peninsula Borough Chignik dock and Aleutians East Borough False Pass harbor in sec. 32(o), ch. 83, SLA 03, pg 71, lines 24, 25. Also reduce amounts from 130,000 and 310,000 respectively to 118,553

and 68,176 (reduction of 253,271).
(253.3)

Ms. Slagle noted that a lapse date is being extended and the appropriation would be reduced to the actual amount needed. Legislation passed, which required the state to reimburse debt service for harbor projects in certain communities. The law requires that the communities be reimbursed in the fiscal year following their debt service payments. Debt service will be made later in the year, which would allow the department to make the reimbursement in FY 05.

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ADJOURNMENT

The meeting was adjourned at 3:44 P.M.