

MINUTES
SENATE FINANCE COMMITTEE
April 28, 2004
9:06 AM

TAPES

SFC-04 # 98, Side A
SFC 04 # 98, Side B
SFC 04 # 99, Side A
SFC 04 # 99, Side B

CALL TO ORDER

Co-Chair Gary Wilken convened the meeting at approximately 9:06 AM.

PRESENT

Senator Lyda Green, Co-Chair
Senator Gary Wilken, Co-Chair
Senator Con Bunde, Vice-Chair
Senator Fred Dyson
Senator Lyman Hoffman
Senator Donny Olson
Senator Ben Stevens

Also Attending: RICHARD SCHMITZ, Staff to Senator Cowdery; DEBORAH FINK, Cash Alaska; TOM LAWSON, Director, Division of Administrative Services, Department of Community and Economic Development; JANET CLARKE, Director, Division of Administrative Services, Department of Health and Social Services; ERNESTA BALLARD, Commissioner, Department of Environmental Conservation; STEVE PORTER, Deputy Commissioner, Department of Revenue; CHERYL FRASCA, Director, Office of Management and Budget; KAREN REHFELD, Deputy Commissioner, Department of Education and Early Development; JANE ALBERT, staff to Senator Bunde; PAT LUBY, Advocacy Director, American Association of Retired Persons (AARP), Alaska

Attending via Teleconference: From Anchorage: ED SNIFFEN, Assistant Attorney General, Commercial / Fair Business Section, Civil Division, Department of Law; ALEX SWIDERSKI, Assistant Attorney General, Environmental Section, Civil Division, Department of Law; From offnet locations: MARK DAVIS, Director, Division of Banking, Department of Community and Economic Development; DANIEL PATRICK O'TIERNEY, Senior Assistant Attorney General, Commercial/Fair Business Section, Civil Division, Department of

Law; ELISE HSIEH, Assistant Attorney General, Environmental Section, Civil Division, Department of Law

SUMMARY INFORMATION

SB 272-DEFERRED DEPOSIT ADVANCES (PAYDAY LOANS)

The Committee heard from the sponsor, the Department of Law, the Department of Community and Economic Development, and an industry representative. Three amendments were considered and one was adopted. The bill was reported from Committee.

SB 313-FIRST SUPPLEMENTAL APPROPRIATION

The Committee heard from the Department of Community and Economic Development, the Department of Law, the Department of Revenue, the Office of the Governor, the Department of Health and Social Services and the Department of Education and Early Development. Four amendments were adopted. The bill was held in Committee.

SB 392-REGULATORY COMMISSION OF ALASKA

The Committee heard from the sponsor, the Department of Law, and the AARP. The bill was reported from Committee.

SB 65-CORRECTIONAL FACILITIES/PERSONNEL

The Committee heard from the sponsor and a committee substitute was adopted. The bill was held in Committee.

SB 281-GENETICALLY MODIFIED FISH

The Committee heard from the sponsor and the Department of Law. The bill was held in Committee.

SB 282-RESTAURANTS ETC DISCLOSE WILD/FARMED FISH

This bill was scheduled but not heard.

HB 486-MINING RECLAMATION ASSURANCES/FUND

This bill was scheduled but not heard.

#SB272

CS FOR SENATE BILL NO. 272(L&C)

"An Act relating to certain monetary advances in which the deposit or other negotiation of checks to pay the advances is

delayed until a later date; and providing for an effective date."

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

Co-Chair Wilken stated this bill, sponsored by the Senate Rules Committee, "requires the Division of Banking Securities and Corporations to license and supervise Alaska's payday lending establishments."

RICHARD SCHMITZ, Staff to Senator Cowdery, indicated he had nothing to add to his testimony given at the previous hearing.

ED SNIFFEN, Assistant Attorney General, Commercial/Fair Business Section, Civil Division, Department of Law, testified via teleconference from Anchorage to respond to testimony presented at the prior hearing. A representative of Alaska Legal Services had testified that Permanent Fund Dividend loan advances were found to be illegal by the Alaska Supreme Court. Mr. Sniffen clarified that the case referenced was the Berger case. Mr. Berger was advancing money to Alaskan residents against future receipt of their Permanent Fund Dividend payment. The State challenged the transactions, and the Supreme Court determined that the transactions were legal under Alaska's usury statute. Following the Berger decision, legislation was passed that made advances based on the Permanent Fund Dividend illegal. The Department of Law does not fully agree with the outcome of the Berger case; however, the ruling established precedent for financial transactions. This case evidences that financial advances would be legal in the State even if they were not regulated.

Mr. Sniffen then referenced testimony from the American Association of Retired People (AARP) that recommended a partial payment option be included in the bill. This suggestion was considered, but was determined to be too problematic for multiple reasons. Partial payments would create some procedural difficulties. Advances currently operate under a system where the consumer leaves a post-dated check with the lending institution to be cashed after a two-week period. If partial payments were allowed, the consumer would need to provide the lender with a new check, and the interest rate information would have to be changed. In addition, a partial payment would be allowable under the proposed legislation if a consumer's advance goes into default. Under the payment plan a consumer would be able to make partial payments, and no additional fees would be required.

Mr. Sniffen continued that the Department of Law has been communicating with various groups, not exclusively lenders, to consider issues surrounding this legislation. The Department considered the concerns expressed in the earlier Committee hearing of this bill and concluded that this version of the legislation addresses those concerns in a "reasonable manner".

Amendment #1: This amendment deletes "\$2,000" and inserts "\$3,000" in subsection (b) of Sec. 06.50.030. Application., in Section 3 of the committee substitute, which amends AS 06 by adding a new Chapter 50. Deferred Deposit Advances. The amended language in Article 1. Licensing., on page 4 line 4 reads as follows.

(b) The applicant shall submit with the application the bond required by AS 06.50.040 and a nonrefundable application fee in an amount that is established by the department by regulation and that does not exceed \$3,000. The application fee for the initial license may not be prorated.

Senator Bunde announced this amendment would be NOT OFFERED and deferred to Amendment #3.

Amendment #2: This amendment deletes "14" and inserts "30" on page 10, line 10, in Article 4. Licensee Practices and Recipient Rescission and Payment., of Chapter 50. Deferred Deposit Advances., created by Section 3 of the committee substitute. The amended language reads as follows.

Sec. 06.50.440. Duration of advances. The minimum duration of an advance is 30 days.

This amendment also deletes "14" and inserts "30" and deletes "two consecutive times" and inserts "once" on page 10, lines 27 and 28, in Chapter 50, Article 4, created by Section 3. The amended language reads as follows.

Sec. 06.50.470. Renewal of advance. (a) The minimum term of a renewal of an advance is 30 days.

(b) A licensee may not renew an advance more than once, after which the licensee shall require the advance recipient to repay the advance in full.

This amendment also deletes "as an annual percentage rate for 14 days for each \$100, and" on page 11, lines 11 and 12, in Chapter 50, Article 4, created by Section 3. The amended language reads as follows.

Sec. 06.50.500. Posted fee notice. A licensee shall post a

notice in each business location that discloses the fees that the licensee charges for advances. The fees in the notice must be expressed as a dollar amount, and as an annual percentage rate for 30 days for each \$100. The notice must also contain any other reasonably necessary information required by the department by regulation. The notice shall be posted so that it is conspicuous to an advance recipient or a potential advance recipient. The lettering in the notice must be legible and at least one inch in height.

Senator Hoffman moved for adoption.

Co-Chair Wilken objected for an explanation.

Senator Hoffman explained this amendment addresses the concern expressed at the earlier Committee hearing of this bill that the 14-day minimum advance should be changed to a 30-day minimum advance.

Senator Hoffman explained that this bill would allow a \$15 fee per \$100 advance to be required for each 14-day renewal with a maximum of two renewals. The 14-day renewal would target military personnel who might only be paid every 30 days. The 14-day renewal period would allow a lender to charge a consumer two \$15 fees, in addition to the five-dollar origination fee for a combined fee of \$35 for a \$100 advance. He considered this amount too high for such a short borrowing period. This amendment would allow two 30-day renewals requiring a \$15 fee per \$100 advance.

Senator Hoffman detailed that if a consumer accepted a \$100 advance for the required minimum advance period of 14 days, and extended it twice for a total of 45 days, the individual would pay three \$15 renewal fees and one \$5 origination fee for a total of \$50. This amendment would allow only one 30-day renewal.

Co-Chair Wilken asked if the maximum length of an advance under Amendment #2 would be 60 days.

Senator Hoffman affirmed.

Mr. Schmitz stated that the sponsor would oppose Amendment #2. He deferred to Mr. Sniffen and the representative from Cash Alaska to address the sponsor's opposition to this amendment.

Mr. Sniffen surmised that the extension of loans from 14 to 30 days could effectively "drive business away". Some states that regulate this industry allow more than two extensions, while others allow only one. He also deferred to the industry to testify to the

effects of this amendment.

DEBORAH FINK, Cash Alaska, testified that if the minimum loan term were extended to 30 days, the industry would not "survive". She qualified that because this industry is not currently regulated in Alaska, financial data does not exist. Using data from states with regulated industries she informed that lenders are making approximately ten percent on fees. The overhead of the advance does not change due to fixed costs; however income would be reduced by half if the 30-day extension were implemented. The payday industry could no longer support the payroll advance loan program in Alaska. She further predicted that Internet-based businesses located out of state and the "loan by phone industry" would thrive with the absence of Alaska companies offering these loans.

Senator Olson anticipated that this amendment could decrease businesses' viability, but disputed that the companies would go out of business.

Ms. Fink argued that some businesses would fail if required to extend the loans for a minimum of 30 days. She informed that her businesses start "in the hole" each year because the amount of fees collected by her businesses is equal to the amount of checks written from accounts with non-sufficient funds. The payday loan business is really a collection agency. The 30-day minimum would reduce these businesses' income by half. No other state imposes a 30-day minimum, and only four states have instituted a 14-day minimum. The majority of states do not have a minimum advance term, and many are issuing five, six and seven-day advances.

Senator B. Stevens asked whether Internet companies offering payroll advance loans and "loan-by-phone" companies are unregulated.

Ms. Fink affirmed and explained these businesses operate from states with no usury regulations. Approximately 60 payroll advance companies operate on the Internet, and their fees range from \$19.88 to \$60 per \$100 advance, with a one-day minimum. These businesses especially flourish in the six states that do not allow payroll advances.

Senator Hoffman asked Ms. Fink to comment on the rollover changes proposed in Amendment #1.

Ms. Fink replied that the payroll advance companies could comply with a single rollover, although customers often utilize rollovers. This provision would eliminate an option for customers.

Co-Chair Wilken commented that currently there are no restrictions on rollovers.

Ms. Fink affirmed.

Senator Bunde pointed out that consumers could simply have a new loan issued after utilizing the maximum number of rollovers on their previous loan. He asked if having a new loan issued is more expensive than a loan renewal.

Ms. Fink replied that a rollover is less expensive for the customer due to the five-dollar origination fee for each new loan.

Senator Bunde understood that Ms. Fink's businesses make approximately \$1.50 per \$100 loan.

Ms. Fink responded that a \$1.50 profit per \$100 loan is an industry-wide average based on the data collected in states that regulate the payroll loan industry. Ms. Fink added that her businesses average a profit between \$1.50 and \$2 per \$100 loan.

Senator Bunde inquired if the passage of this legislation would provide the State with more information about the payroll loan industry in future years.

Ms. Fink replied that the State would know "everything" about the payroll loan industry's volume and profits if this bill were implemented.

Senator Bunde understood the presence of significant opposition to this service and suggested that instead of offering this amendment, Senator Hoffman could sponsor other legislation to eliminate the industry. Senator Bunde emphasized that while the payroll loan industry is operating in Alaska it should be regulated so that industry information can be compiled.

Senator Hoffman clarified his concerns relating to the rollover provision given that the cost of a \$500 loan is \$80. When the term of the loan is due, customers are forced to rollover the loan if they do not have the finances to pay for the original amount of the loan and the fees incurred. Forced renewals could be avoided if this legislation offered a partial payment provision. The extension of the minimum loan term to 30 days would accommodate those customers who are paid on a monthly basis. Currently, customers borrowing \$500 for a 30-day period consisting of two renewals would pay \$150 in renewal fees and a \$5 origination fee for a total of \$155. Amendment #2 would reduce the fees by the amount of a second rollover, or \$75, and would allow the customer up to 60-days to pay

for the loan and fees.

Senator Bunde commented that if the consumer cannot repay the loan and fees after one renewal, it is unlikely they could repay the loan after a second renewal.

Senator Hoffman defended Amendment #2 by stating that under the current version of this bill the consumer would have more difficulty paying the loan because after the first 14-day period an additional \$75 renewal fee would be incurred.

Senator Bunde agreed that the consumer would likely be unable to pay the loan and fees after an additional \$75 fee were incurred, resulting in "bad debt".

Senator Hoffman moved to divide the amendment. Amendment #2a pertains to the extension of the minimum loan term from 14 to 30 days. Amendment #2b pertains to reducing the number of renewals from two to one.

Senator B. Stevens referred to the chart provided by Cash Alaska titled "State Law Governing Deferred Deposit Services/Payday Advance" [copy on file] and commented that the states with liberal laws and political representatives, such as Wisconsin and Oregon, have \$25,000 and \$50,000 payday loan limits with no interest guidelines and minimal loan terms. In contrast, traditionally conservative states have more regulations. He emphasized the "unique" nature of the statewide regulatory patterns on this industry.

Senator Dyson referenced Senator B. Stevens's comments and surmised that the political leaders in the states with strict regulations on this industry have realized, "how stupid their constituencies are, and how much they need to be protected." He continued that his constituents do not need protections on this industry because they have the ability to make rational decisions.

Senator Dyson asked Ms. Fink to clarify if the payroll loan industry's profits would actually be reduced by one-half if the minimum advance terms were increased to 30 days. He understood that the profits would not be reduced by one-half unless all of the consumers waited to repay their advances until the last day of their 30-day term. In earlier testimony Ms. Fink had mentioned that many consumers pay their loans back in seven to nine days, well before the 14-day loan expires.

Ms. Fink explained that the gross income would be reduced by one-half and that profits would be negative were the loan terms

extended to 30 days. She referred the Committee to a document titled "Where do fees for Deferred Deposit Advance Services go" [copy on file] to view the expenses of a payroll advance business. She predicted that consumers would not repay their loans as rapidly if the minimum advance term were increased to 30 days. She asserted that members of the military do not need a 30-day minimum as Senator Hoffman suggested because most consumers take out loans between paydays and repay the loan on their payday.

Ms. Fink continued that lenders try to ensure the repayment of loans they issue. Consumers who renew loans are likely to become consumers who do not repay their loans. The industry's preferred consumers are those who pay their loan as soon as possible. The industry attempts to avoid consumers who regard the advances as "loans", and attempts to attract consumers who regard the advance as "a little something" to assist them until payday. If the 30-day term is implemented, consumers will no longer view the advance as a "stopgap measure", but as a loan. She predicted that if the 30-day term were instituted fewer consumers would repay their loans.

Ms. Fink relayed that while reviewing the transactions her businesses conducted in 2003, she discovered that many transactions were on behalf of repeat customers. She estimated that 30-day terms would reduce the number of loans issued by 30-percent, consequently reducing her businesses' income by 30 percent. She added that her profits are approximately five-percent, meaning that a 30 percent reduction in income would produce a negative balance.

Co-Chair Green stated her assumption that this legislation has "come together as a package" including rates, fees, percentages, terms and other factors regulating the payroll advance industry. If certain changes were made to this bill, other changes would be required to balance the package. She expressed concern that if this legislation is not properly balanced it could be detrimental to the payroll advance industry and result in the industry "going underground".

Senator Hoffman countered that Cash Alaska, not the legislative finance committees or the Murkowski Administration submitted this legislation and the supporting documentation. The industry could not expect to determine all of the regulations pertaining to it.

Senator Hoffman requested that the Committee consider that none of those who testified at this bill's previous hearing, except the industry, were in support of this legislation. The testifiers requested changes to this bill in response to certain concerns, and Amendment #2 would implement those changes.

Co-Chair Wilken asked for an explanation of the portion of Amendment #2b that would delete the following language on page 11 lines 11-12: " as an annual percentage rate for 14 days for each \$100, and".

Senator Hoffman replied that this deletion would be a conforming change to reflect the establishment of a 30-day minimum loan term.

A roll call was taken on the motion to adopt Amendment #2a.

IN FAVOR: Senator Hoffman and Senator Olson

OPPOSED: Senator Bunde, Senator Dyson, Senator B. Stevens, Co-Chair Green and Co-Chair Wilken

The motion FAILED (2-5)

Amendment #2a FAILED to be adopted.

A roll call was taken on the motion to adopt Amendment #2b.

IN FAVOR: Senator Hoffman and Senator Olson

OPPOSED: Senator Dyson, Senator B. Stevens, Senator Bunde, Co-Chair Green and Co-Chair Wilken

The motion FAILED (2-5)

Amendment #2b FAILED to be adopted.

AT EASE 9:44 AM / 9:49 AM

Amendment #3: This amendment deletes "\$2,000" and inserts "\$3,000" in subsection (b) of Sec. 06.50.030. Application., and Sec. 06.50.080. Renewal of license., in Section 3 of the committee substitute, which amends AS 06 by adding a new Chapter 50. Deferred Deposit Advances. The amended language in Article 1. Licensing., on page 4 lines 2 - 5 reads as follows.

(b) The applicant shall submit with the application the bond required by AS 06.50.040 and a nonrefundable application fee in an amount that is established by the department by regulation and that does not exceed \$3,000. The application fee for the initial license may not be prorated.

The amended language on page 5, lines 12 - 16 reads as follows.

Sec. 06.50.080. Renewal of license. A license issued

under this chapter shall be renewed on or before the date set by the department by submitting to the department a completed renewal application on a form established by the department and paying a nonrefundable renewal fee established by the department, which may not exceed \$3,000.

Senator Bunde stated that a discrepancy existed in this legislation regarding the license fee. He noted a new draft fiscal note to reflect the impact of this amendment.

MARK DAVIS, Director, Division of Banking, Securities and Corporations, Department of Community and Economic Development, testified via teleconference from an offnet location that the increased license fee would produce significant revenue. However, he understood from correspondence with Senator Bunde that the intent is that the program be revenue neutral in the first few years of operation, which the Division determined would require a \$5,000 fee annually. Mr. Davis expressed concern that the proposed fee would be too high because it might cause industry members to decide to conduct business illegally in order to avoid the fee. This amendment would require a biannual fee of \$3,000. The Division would prefer that the licensing fee be as revenue neutral as possible, and will adopt the highest fee the industry would be willing to accept.

Senator Bunde remarked that the cost to administer the program, and not the preferences of the industry, should be considered to determine the licensing fee. If the Division calculates that the cost to administer the program is higher than the industry would voluntarily support with fees, efforts should be taken to reduce expenses.

Mr. Davis outlined that the Division is attempting to cut administrative expenses related to the regulations proposed in this legislation by reducing contractual services such as legal services. He explained that if this bill were adopted, a bank examiner position would be statutorily required to oversee and address potential litigation. The administrative costs would also include a clerk to handle increased correspondence; however, the clerk position could possibly be eliminated to further reduce costs.

Senator Bunde acknowledged the high workload of the Division and the increased demands this legislation would create. He asserted that despite this workload, the full-time bank examiner would not need to be exclusively devoted to the payroll loan businesses; the examiner could also serve other businesses. The payroll loan industry should not pay for all of the expenses related to the bank

examiner, but rather the costs should be distributed amongst all the businesses the examiner would serve.

Co-Chair Wilken explained that the options before the Committee regarding the application fee are threefold: leave the language as is, which would require a fee not to exceed \$2,000; adopt Amendment #3, which would require a fee not to exceed \$3,000; or raise the fee to \$5,000 to reflect the fee recommended by the Division of Banking.

Senator Bunde moved for adoption of Amendment #3.

Senator Bunde offered an amendment to the amendment to increase the licensure fees to \$5,000. Because the sponsor of the amendment made the motion, no further action was necessary and the amendment was AMENDED.

Co-Chair Green asked whether every industry was responsible for administrative costs incurred by the State during the first year of governmental oversight. She stated that a \$5,000 application fee would be too high.

Mr. Davis informed that the Division is solvent because it has an annual budget of approximately \$2.1 million, and should generate revenues of approximately \$14 million. Fees collected from the banking industry are used to pay most of the Division's costs. The Division initially supported the establishment of the licensing fee amounts for payroll advance loan businesses through the regulatory process. This amendment would allow the Division to impose fees up to \$5,000.

Senator Bunde pointed out that license fees have been increased for existing industries to provide adequate funding to support the administrative costs to the State in order that State subsidies can be eliminated.

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Senator Olson asked the bill's sponsor to comment on the proposed amended amendment.

Mr. Schmitz responded that the sponsor supports the amendment in its original form. He added that the sponsor does not want to raise fees to the extent that the industry is eliminated, forcing Alaskans to use out-of-state payday loan businesses.

Senator Olson referenced Mr. Davis' suggestion that if the license fees were too high, some operators would "go underground". Senator Olson asked how many underground payday loan operations are currently active.

Mr. Davis replied that because the industry is currently unregulated in Alaska the Division is aware of only those businesses that advertise. He confirmed that underground operations exist.

A roll call was taken on the motion to adopt Amendment #3 as amended.

IN FAVOR: Senator Olson, Senator Bunde and Co-Chair Wilken

OPPOSED: Senator B. Stevens, Senator Dyson, Senator Hoffman and Co-Chair Green

The motion FAILED (3-4)

The amendment as amended FAILED to be adopted.

Amendment #4: This amendment is identical to the original version of Amendment #3. It increases the license fees from \$2,000 to \$3,000.

Senator Bunde moved for adoption.

Without objection the amendment was ADOPTED.

Co-Chair Green offered a motion to report SB 272 as amended from Committee with individual recommendations and a forthcoming fiscal note.

Senator Hoffman noted that this legislation should not be brought forth by the legislature because it would negatively affect the court's determination.

There was no objection and CS SB 272 (FIN) MOVED from Committee with a forthcoming fiscal note dated 4/28/04 for \$130,500 from the Department of Community and Economic Development.

#SB313

SENATE BILL NO. 313

"An Act making supplemental and other appropriations; amending appropriations; making an appropriation to capitalize a fund; and providing for an effective date."

Co-Chair Green chaired this portion of the meeting.

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

Senator Dyson moved to adopt CS SB 313, 23-GS2153\I, as a working document. [Note: this committee substitute was adopted at the previous hearing of this bill.]

There was no objection and the committee substitute version "I" was again ADOPTED.

ALEX SWIDERSKI, Assistant Attorney General, Environmental Section, Civil Division, Department of Law, testified via teleconference from Anchorage that he was available to answer questions.

Co-Chair Green noted additional supplemental requests had been received after the committee substitute was produced. Potential conceptual amendments addressing those requests would be presented, and a Committee member could choose to sponsor an amendment.

Amendment#1: This amendment increases the allocation in Section 11. JUDGEMENT AND CLAIMS. of the committee substitute on page 17, lines 3 - 5 to the Department of Law to \$3,862,300.

This adds \$1,300 to the appropriation from the general fund to the Department of Law to pay judgments and claims against the state for the fiscal year ending June 30, 2004.

Co-Chair Green moved for adoption.

Without objection the amendment was ADOPTED.

TOM LAWSON, Director, Division of Administrative Services, Department of Community and Economic Development, testified that the Department is attempting to amend an FY 03 capital budget appropriation by adding \$100,000 to the appropriation. The additional appropriation would allow the Department to purchase an imaging system for the Division of Banking, Securities and Corporations. The imaging system would work with the corporations' database to modernize the processing of corporation applications. The Department expects the imaging system to increase revenue over time.

Co-Chair Green clarified that the current FY 05 appropriation to the Department of Community and Economic Development is \$1.25

million, and the request asks for an additional \$100,000. She asked Mr. Lawson to restate the Department's need for the additional appropriation.

Mr. Lawson reviewed his earlier testimony and added that the imaging system is used in eight other states, and its cost is \$600,000. This additional appropriation, in combination with the existing FY 05 appropriation, would enable the Department to purchase the imaging system.

Co-Chair Green specified that the appropriation would be allocated from receipt supported services funds.

Senator B. Stevens asked if a balance existed in the receipt-supported services fund of the Division of Banking, Securities and Corporations, or if the receipts would be accrued in the future.

Mr. Lawson replied that the Division's revenues are approximately \$14 million annually, and the Division's costs are approximately two million dollars annually. Sufficient funds exist each year for appropriations.

Senator B. Stevens clarified funds were currently available for appropriation.

Co-Chair Green asked if any member chose to sponsor this amendment to address the Department's request.

Amendment #2: This amendment would amend Section 3. DEPARTMENT OF COMMUNITY AND ECONOMIC DEVELOPMENT., on page 2, lines 13 - 23 of the committee substitute by adding a new subsection to provide for an increase of the appropriation in Section 1, ch. 1, SSSLA 2002, page 3, lines 25-27, for the Electronic Document Imaging, Storage and Retrieval System (ED99) from \$1,125,000 to \$1,225,000. Accompanying explanatory language reads as follows.

This adds \$100,000 of receipt supported services from the Division of Banking and Securities to the project.

Co-Chair Wilken moved for adoption.

Without objection the amendment was ADOPTED.

Amendment #3: This amendment increases the appropriation made in Section 10(n) of the committee substitute on page 12, lines 1 - 4, to the Department of Health and Social Services, Senior and Disabilities Services Budget Request Unit (BRU) to \$237,290,200 other funds, and subsequently increases the allocation to the

Senior/Disabilities Medicaid Services component to \$217,556,500. This amendment also inserts intent language following line 4 to read as follows.

It is the intent of the legislature that the Department of Health and Social Services address escalating growth in the Personal Care Attendant program. Changes to reduce costs should consider eligibility, reduction in rates and hours of service. It is also the intent of the legislature that the department implements a process for recovery of costs where an audit or quality assurance review determines abuse of the personal care attendant program

This amendment also increases the appropriation to the Senior and Disabilities Medicaid Services component made in Section 10(w) from \$6,930,400 to \$11,760,800. The amended language on page 16, lines 5 - 10 reads as follows.

(w) The sum of \$11,760,800 is appropriated to the Department of Health and Social Services, senior and disabilities Medicaid services, for the fiscal year ending June 30, 2004, from the following sources:

General fund/mental health	\$11,202,400
Alcohol and other drug abuse treatment	558,400
And prevention fund (AS 43.60.050)	

Accompanying explanatory language reads as follows.

Explanation:

The Department of Health and Social Services has updated their Medicaid projections based on activity through March, and is projecting an additional deficit of \$14,700 million for the Senior and Disabilities Medicaid program. Letter from Janet Clarke is attached [copy on file.]

JANET CLARKE, Director, Division of Administrative Services, Department of Health and Social Services, apologized for the "lateness" of this request. While conducting quarterly financial reviews and considering the federal Medicaid Disabilities Services' Personal Care Attendant (PCA) program, the Department discovered that the cost for this program has accelerated and increased to approximately six million dollars monthly. She referenced a memorandum dated April 28, 2004 from Ms. Clarke to the Office of Management and Budget [copy on file], which explains that the costs of the Personal Care Attendant program in FY 03 was \$39 million. The estimated cost for this program in FY 04 is \$65 million. The Department has proposed regulations that would allow cost containment efforts to be taken. The regulations are now being

processed, and are in the final adoption stages in the Department of Law. The regulations would put a "soft cap" on the number of hours that could be authorized without preauthorization of 35 hours. The regulations would also allow the Department to conduct independent assessments of the PCA program. This "startling growth" would require drastic cost containment measures to "get this program under control." To address the remaining FY 04, the Department requesting that the Committee amend the supplemental request by \$14.7 million, including \$4.8 million of general funds, and \$9.9 million of federal authority funds. The Department's supplemental request had previously been \$31 million total funds; with the adoption of this amendment the overall request would increase to \$45.8 million total funds. The Department's original request involved a reallocation of general funds within the Department. The Department could not reallocate the funds needed to fulfill the costs of the PCA program. Ms. Clarke emphasized the Department's commitment to more closely monitor and control this program.

Co-Chair Green asked what affect this supplemental appropriation would have on the FY 05 operating budget appropriation, which would soon be heard by a conference committee. She asked if the Department has the ability to address these program cost increases for FY 05.

Ms. Clarke asserted that the Department would have to "move very rapidly" to adjust the regulations Medicaid is governed by because the regulatory process is lengthy. The Department had planned for additional regulation changes in FY 05 to increase control over the PCA program. Currently the Department is auditing the providers in this program. The audit would assist the Department in determining where program changes need to be made because "clearly something is wrong with this program." The Department has determined that some parties are receiving unexpected and significant funds through the PCA program. Additional staff, and contracts may have to be funded to ensure greater control over this program, but the Department is not asking to amend the FY 05 budget.

Co-Chair Green asked if this program was included in the Medicaid fraud legislation of the previous year.

Ms. Clarke replied that this program had never been audited prior to this review.

Co-Chair Green inquired if legislation was needed to increase the Department's control over this program.

Ms. Clarke responded that she had just recently explored the

financial aspects of this program, and has not had the opportunity to determine if legislation is needed. The Department has the controls in place to better manage this program; however, regulations must be changed and the regulatory process is not expedient.

Co-Chair Green moved for adoption of the amendment.

Senator B. Stevens commented on the growth rate of this program. He referenced the memorandum to the Office of Management and Budget, and noted that the cost of the PCA program had grown from \$8.3 million in FY 01 to a projected \$65 million in FY 04. He asked how many program recipients were receiving funds, and the growth rate of those funds.

Ms. Clarke directed Senator B. Stevens to the second page of the memorandum where the number of recipients is detailed. She continued that in October 2002 the previous gubernatorial administration adopted regulations that expanded the hourly rate of personal care attendants from \$14 to \$21 per hour. The regulations also allowed consumer directed attendants to be hired. Other program changes were made that had "unintended consequences of growth." For example, typically to meet Medicaid eligibility an individual must have medical necessity and meet an institutional level of care, yet certain individuals taking advantage of activities of daily living and chore services offered by the PCA program may not meet be eligible. Audits are being conducted and reviews would be conducted that ensure the program is available to those individuals who need it. The Department has not made the changes needed to control this program.

Ms. Clarke referred to the data in the memorandum and commented that the costs of the PCA program have grown exponentially, but the number of program recipients has not.

Senator B. Stevens responded that the data in the memorandum does not include data from FY 01 and earlier, but data from those years is probably similar to the rates of change exhibited in the memorandum.

Ms. Clarke informed that earlier data shows that recipients were increasing, but not to the extent of the expenditures. These disproportional rates of change are a result of people using more services while hourly employee rates increase.

Senator B. Stevens stated that his concerns regarding this program "mirror" those of Ms. Clarke and the Department. Specifically, he expressed unease about the "astronomical" rate of change between FY

02 and FY 03.

Co-Chair Wilken noted that three months prior, Ms. Clarke had presented the Committee with a chart containing the PCA growth rates as well as the growth rates of other Department programs. All of the programs were growing at exponential rates from 80 percent to 180 percent per year. He expressed his suspicion that "this [program growth] really wasn't a surprise". He predicted that the other programs experiencing extreme growth would also be brought before the legislature for appropriations.

Ms. Clarke stated that the Department has identified the areas of extreme growth. These programs include the PCA program, pharmacy costs and residential psychiatric treatment center costs. The Department has developed strategies for each of those high-cost and high-growth programs. Adequate cost containment requires time and commitment.

Co-Chair Green recalled past legislation in the Senate Health and Social Services Committee and on the Senate floor that had been "hotly debated" and addressed issues similar to this amendment. The legislature typically gets distracted and rejects needed reforms. Legislatures become "fragmented" and decide that they do not want to "disadvantage" others. The consequence of a lack of reform is a situation like that before the Committee now, which requires the legislature to "come to the rescue" in the "eleventh hour". Legislatures need to make difficult decisions, and to identify their intention to make programs available for deserving people while hindering abuse of these programs.

Senator Hoffman pointed out that the appropriation included in the amendment reflected a ten percent increase in the amount requested from the general fund in comparison to the total allocation. He asked Ms. Clarke for the reason for this increase. Additionally, he asked why such a significant increase is being brought to the attention of the legislature near the end of the fiscal year. He stated that such a late request suggests possible problems within the program and the Department.

Ms. Clarke responded that the first supplemental amendment appropriation reflected reallocations within the Department, which explains the difference in the ratio between the first appropriation and that proposed in this amendment.

Ms. Clarke addressed Senator Hoffman's second question and informed that the Department currently has access to nine months of data for FY 04. The Department noticed PCA program expense increases in February and March 2004 data, but the regression model used to

determine projections suppressed the supplemental projection. Ms. Clarke suggested that a different projection methodology should have been used for this program given its significant growth.

Co-Chair Green added that the legislature had the opportunity to take action to hinder the cost increases, but chose not to. She emphasized that the legislature has the ability to assist in "stemming the tide" in future years, but it would require difficult decisions.

The amendment was ADOPTED without objection.

Senator B. Stevens stated that he did not object to the amendment. He emphasized that the program increases are the result of regulations adopted in 2002 and not legislation, yet the legislature is responsible for funding these increases.

Senator Dyson responded that during the interim legislatures should consider the functions of the various State departments, and determine the type of reporting mechanisms that need to be implemented to avoid financial "surprises". Retirement should be a specific area of focus. Mechanisms need to be put in place so that regular reports are produced.

Co-Chair Green did not disagree.

Co-Chair Green noted language included in the supplemental appropriation that allows for more timely payment of certain funds the Department of Health and Social Services has requested. The supplemental must be expedited in order to allow the Department to make payments to certain vendors.

Ms. Clarke referred to a letter from the Department to the House and Senate Finance Committees dated April 20, in which the Department explained that it would be out of "expenditure authority" in the PAC Medicaid program. At the end of April, the Department would not have the ability to pay any vendors in the senior and disability services area, which encompasses nursing homes, waiver clients, assisted living clients, and Personal Care Attendant program clients. The Department urges the passage of the supplemental appropriation legislation.

Co-Chair Green clarified that this issue reflects a potential delay in payment, and not a failure to pay.

Senator Dyson asked for a review of the differences between the fast track supplemental and the regular track supplemental.

Co-Chair Green replied that it is not uncommon for the fast track and regular track supplemental budgets to pass at the same time as the capital budget. The supplemental allows funds to be appropriated for FY 04 expenditures after the FY 04 operating budget has been passed. Supplemental requests have not been received quickly this year as evidenced by the receipt of additional supplemental amendments this morning.

Senator Dyson understood that the fast track supplemental should have been completed earlier in the session. He clarified that the fast track supplemental and the regular track supplemental are now being considered together.

Co-Chair Green noted that the Exxon Valdez Oil Spill (EVOS) Trustee Council request was not included in this bill.

ERNESTA BALLARD, Commissioner, Department of Environmental Conservation, explained that she was testifying in her capacity as one of the State trustees on the EVOS Trustee Council. She continued to testify as follows.

I am here to request your consideration of restoring the \$1.5 million that was requested by the Council for appropriation to the Department of Law. This funding will be used by the Department to directly support information needs for final resolution of the civil settlement between Exxon and the two governments: the United States government and the State of Alaska. This work may include preparation for litigation and I would be happy to arrange with the Department of Law to provide to you, in executive session, a briefing about the details of that preparation if you would like that to occur.

The studies that have been conducted over the years since the oil spill by Trustees' scientists have suggested that the coastal and marine ecosystems in the oil spill region may not have fully recovered, and that some populations of species may remain impaired, and the continued exposure to the Exxon Valdez oil might at least be partially responsible. As you may know, these findings are not without scientific or public controversy. Most recently, for example, Exxon-funded scientists published data suggesting that in their opinion their oil, the Exxon Valdez oil, was neither bio-available nor toxic. Exxon scientists challenged the methods that were used, and the conclusions reached by NOAA (National Oceanic and Atmospheric Administration) researchers in their lingering oil studies. A full and complete understanding of these issues is necessary for the State to determine what course of action best to pursue to complete the requirements of the civil

settlement.

This work is time-sensitive and should be completed as soon as possible, and that is the reason that we requested it in the supplemental budget. The supplemental request moves funds at the direction of the Exxon Valdez Oil Spill Trustee Council, moves funds that would be spent otherwise in 2005 and 2006 into the current budget to take advantage of the current field season so that work can be completed before the civil settlement deadlines, the deadline of September 6th in the civil settlement documents for deciding whether a re-opener of the terms of the agreement is warranted. The work will be executed under the direction of the Department of Law in cooperation with attorneys for the federal Trustees and the United States' Justice Department. The work is essential to develop the information needs of the Department of Law to support the civil settlement. I urge your reconsideration.

Co-Chair Wilken referred to a request that was raised in February for \$1.5 million for "studies and analysis related to oil remaining in the environment from the Exxon Valdez oil spill." He emphasized, as he had in February, "Enough is enough." Another study used to discuss the damage of the oil spill on the Prince William Sound is not necessary. He stated, " I used that Sound in the summer, and I don't think it is damaged."

Co-Chair Wilken furthered that the State continues to contribute funds to take land off of the market and to provide a jobs program. In February he asked what the \$1.5 million would be used to fund. He referenced a letter dated April 8, 2004, which contained the response to his question. The letter detailed that the funds would be spent on five new projects and one existing project; however no reference was made to the Department of Law. He questioned the involvement of the Department of Law and the reference to a civil settlement. He further asked exactly what this \$1.5 million request would fund besides another study.

Ms. Ballard responded by testifying the following.

The money is going to be used, not to generate new information about damages or injuries, which may have occurred. The money is going to be used to determine the strength of the evidence and the nature of arguments that might be made on behalf of either resolving completely the settlement as it is written in the settlement documents, or proceeding forward to assert that there are additional claims, which might be made.

The money will be used at the direction of the Department of

Law because the Department of Law necessarily represents the State of Alaska. The provisions of the settlement agreement distinguish between the responsibilities of the Trustee Council, which have been conducted over the years since the spill to fulfill the restoration requirements, distinguishes between those responsibilities and the responsibilities of the separate governments, the United States government and the State of Alaska, to determine whether or not, by September 2006, a case might be made that there is remaining oil or remaining injury from oil. There are provisions in the settlement agreement that would need to be addressed by the governments, not by the Trustee Council, but by the governments. The Trustee Council, all six members of the Trustee Council, have agreed this winter that it is appropriate that the attorneys direct a synthesis and an assessment of the information that has been gathered over the many years of the studies which you are describing, not to conduct new studies.

Ms. Ballard continued that she had not had the opportunity to review the letter referenced by Co-Chair Wilken.

Co-Chair Green suggested that this discussion be set-aside until the Committee met in executive session because inconsistencies must be addressed before the appropriation is considered further.

Senator Hoffman asked if the EVOS Trustee Council unanimously approved this request.

Senator Bunde commented on his past interaction with the areas affected by the Exxon Valdez oil spill. He informed that an area of Prince William Sound has been intentionally untreated for purposes of a comparison study, and many individuals who seek to "drag out this issue" of the damage created by the oil spill wrongly use that untreated area as an example of continued damages.

Co-Chair Green stated that the EVOS issue would be discussed at a later time. She informed that the Department of Revenue's requested gas pipeline risk assessment appropriation is not included in this bill.

Senator B. Stevens stated that funds for the gas pipeline risk assessment that would be expended in FY 05 should be incorporated into the 2005 operating budget rather than included in the FY 04 supplemental request.

Co-Chair Green clarified that the Department of Revenue's appropriation would consist of \$1.5 million from statutorily

designated program receipts and \$9.8 million from either unrestricted federal receipts or the general fund.

Senator B. Stevens stated that if further expenses for the gas pipeline analysis would be required in fiscal years 2006, 2007, 2008 and 2009 than the appropriations should become an annual operating expense factored into the operating budget in those years. He asked if the requested appropriation would be a one-time expense.

SFC 04 # 99, Side A 10:46 AM

STEVE PORTER, Deputy Commissioner, Department of Revenue, testified that the Department expects to expend two-thirds, or approximately six million dollars, of the requested appropriation in 2004, and the additional one-third in 2005. The State departments could not conduct negotiations until the Stranded Gas Act applications were received. The amount of the appropriation would enable those negotiations to become a project. After the project is established, the permitting process has begun, and ongoing operations begin, the State departments should be able to include these expenses in their operating budgets.

CHERYL FRASCA, Director, Office of Management and Budget, Office of the Governor, clarified that this request was submitted as a capital appropriation effective in FY 04 to address the multi-year expenditures this legislation would approve. Capital projects have longer lives than operating expenses; thus this appropriation would not lapse in FY 04. The gas pipeline analysis is a project, and not an ongoing operating expense.

Co-Chair Green asked if this appropriation could be shifted into the capital budget.

Ms. Frasca replied that this bill identifies this appropriation as a capital budget appropriation.

Co-Chair Green asked if this appropriation could have multiple effective dates as a capital appropriation.

Ms. Frasca responded that multiple effective dates could be established, but they are already allowed for in the capital budget.

Co-Chair Green mentioned that some Committee members have expressed concern about the ANGDA bill and the accuracy of the projected

costs of the analysis.

Senator B. Stevens referenced the spreadsheet titled "FY 2004/2005 Gasline Funding Request" dated April 8, 2004 [copy on file]. He asked if the one million dollars appropriated to the Stranded Gas Act working group to "negotiate contracts with other applicants" would be used in negotiations with any of the three contracts currently submitted.

Mr. Porter replied that he had ten minutes of testimony prepared that would respond to that question and detail the remainder of the expenditures.

Co-Chair Green informed that the Committee needed to recess. She expressed the importance and necessity of having the gas pipeline analysis appropriation fully explained.

Senator Hoffman asked Mr. Porter when the Department expected the legislature to approve a gas pipeline contract.

Mr. Porter responded that the State would spend five to six months gathering and reviewing data related to the contracts; an executed contract is not expected before the fourth quarter of 2004.

AT EASE 10:53 AM / 1:48 PM

Co-Chair Wilken moved to convene an executive session under Uniform Rule 22(b)(1) for discussion of matters, the immediate knowledge of which would adversely affect the finances of a government unit.

Without objection the motion PASSED.

Co-Chair Wilken then announced that the following individuals would be allowed to attend the executive session: Ernesta Ballard, Commissioner, Department of Environmental Conservation; Greg Renkes, Attorney General, Department of Law; Kurt Fredriksson, Deputy Commissioner, Department of Environmental Conservation; Kathryn Daughhettee, Director, Division of Administrative Services, Department of Law; and Kevin Duffy, Commissioner, Department of Fish and Game.

EXECUTIVE SESSION 1:50 PM / 2:15 PM

Co-Chair Wilken moved to adjourn the Executive Session and resume the regular meeting of the Senate Finance Committee.

There were no objections and the Executive Session was ADJOURNED.

Co-Chair Green asked Mr. Porter to begin his presentation on the risk analysis of the gas line project.

Mr. Porter stated that bringing the gas line to market is a high priority of Governor Frank Murkowski. The Governor would request that all of the necessary resources be made available to the Stranded Gas Act working group in order that they can complete their task.

Mr. Porter outlined his presentation and proceeded to testify as follows.

On March 26, 2003 the House passed HB 16, which amended the Alaska Stranded Gas Development Act: 40 yeas and 0 nays, followed by the Senate on April 4th with 19 yeas and 0 nays and one excused. On April 7th the Governor promptly signed the bill into law and it became effective April 8th. During that same time Governor Murkowski was already dealing with and discussing a Stranded Gas [Act] application with the senior management officials from Conoco Phillips, BP and Exxon, where they discussed the filing application of the Stranded Gas Act and the plan to conclude negotiations by the end of the year. Obviously that didn't occur, but that was the hope at the time. By April 11th, just a few days later, the State had established its Stranded Gas [Act] working group, and they had actually produced their first product in the initial overview of the issues to be addressed under the Act. At that point there was a long period of silence in the public, but the Stranded Gas [Act] working group was working hard at identifying the issues and preparing for negotiations, and from time to time having discussions and clarification discussions with the majors. Finally, on January 13, 2004 of this year Conoco Phillips and BP submitted an application under the Stranded Gas Act. The application was admitted one week later, [on] January 20th, to include Exxon. A couple of days after that, [on] January 22nd, MidAmerican Energy Holding Company and MidAmerican Holding Company Alaska Gas Transmission Company submitted an application under the Act. The next day the State determined that Conoco Phillips, BP and Exxon were qualified sponsors, and submitted a qualified project under the Act and approved their application, allowing the contract negotiations to commence. So things were moving quickly, [and there was] a lot of activity. On January 28th, just one week later, the State determined that the MidAmerican application, that they were, qualified sponsors, and they had submitted a qualified project. The next day the Department of Revenue established the municipal advisory committee that is required under the Stranded Gas Act to provide input to the

contractual negotiations. The advisory group is made up of potentially economically and revenue impacted municipalities. On February 4th, just a few days later, Conoco Philips, BP, and Exxon did enter into a reimbursement agreement with the State for \$1.5 million. The State has continued to negotiate with the reimbursement agreement with MidAmerican, and ultimately MidAmerican never signed a reimbursement agreement prior to withdrawing their application. On February 27th, the Alaska Gas Line Port Authority submitted an application, and then on March 25th, MidAmerican withdrew their application. Then on the first of the beginning of this month Governor Murkowski announced that Enbridge, a Calgary-based energy transportation company, intended to file a Stranded Gas application. [This was] followed on April 8th by Governor Murkowski signing into law SB 241, which appropriated \$1.65 million to the Department of Revenue for costs associated with bringing Alaska North Slope gas to market. We do appreciate the Senate and House's allocation of that money.

We immediately executed a couple of contracts and moved some of our projects forward. On April 19th the Governor announced the signing of an MOU (memorandum of understanding) with Trans-Canada, which provided that Trans-Canada would submit an application under the Stranded Gas Act, and the state would resume processing Trans-Canada's right-of-way application.

So what this kind of presents to you [is] what I am going to call a very dynamic environment. We have had companies come; we have had companies go. We've had a number of other companies come in; we've had additional companies express interest. The current status, at that point, is we have one approved application and a signed reimbursement agreement Conoco Philips, BP and Exxon. We have one approved and withdrawn application with MidAmerican. We have one submitted application not yet approved with no reimbursement agreement from the Alaska Gas Pipeline Authority, and we are waiting on two additional applications from Trans-Canada and Enbridge. That is the context in which we find ourselves doing research on behalf of stranded gas, and bringing North Slope gas to market.

In addition to that we have the Alaska Natural Gas Development Authority, created by the people of the State through the passage of proposition three. Through intent language \$650,000 of that \$1.5 million is allocated to them for research supporting their project.

With that context in mind I would like to discuss our

additional funding requests, but first I would like to address the \$1.65 million, which I think was a request from the Committee. The State recognizes that there are many ways to share risks through financial structures and otherwise. We also recognize that we need additional expertise to work with us to identify the various options available to us. We plan to hire, for a limited amount of money, a number of experts to assist us in really expanding the options we have available to us at the present time. And we have allocated \$100,000 to \$150,00 in that effort. The intent here is to really understand the financial ways in which we can share, identify how to spread risk, and also substantive ways the State can examine. So write now we are looking at expanding, you might say, our options that are available to us on the table and we plan on hiring a number of experts in the community whether its Syrah, or Morgan Stanley, Merrill Lynch, Golden Sacks. There are a number of companies we will basically go to and ask them for ideas for ways to expand the options the State may have available to it. We recognize the importance of understanding what others are predicting for gas prices: oil and gas price forecast. And there are only a few companies who make price projections, but we know that is an important element as we look at the overall project. We have basically allocated up to \$100,000 for research on price forecasting.

Several parties have suggested the possibility of down stream markets taking a significant risk position on the project. We need to understand the possibility of the regulated markets and the unregulated markets for taking significant risk positions on the project. We have estimated that that would cost up to \$300,000 just to do that evaluation and process. We have allocated \$650,000, as I have said before, for the Alaska Natural Gas Development Authority for research in supporting their project.

Now the possibility of a tax-exempt structure, like the one ANGDA provides, could bring substantial benefit to the project, and they should not be overlooked. I think that there has been a lot of discussion in the public arena about the Alaska Natural Gas Development Authority and the Port Authority: whether they are viable, whether we need to be spending effort on them or not. And the key is a lot of the statements made in the public are people's assumptions of what is true, and the State's responsibility is to verify the information and verify the accuracy of the feasibility issues that ANGDA has presented. If they are assumptions that benefit the State, we have to find a way to capitalize on them. If they don't benefit that State, than that information we have

provided to ANGDA, at that point an oil and gas line would no longer be feasible. Those are decisions that need to be made based on substance, not on political arguments out of the daily news or any other organization that is posturing for or against them. And that is the State's intent.

We spent a substantial amount of money on contractors supporting the MidAmerican negotiation so we have allocated basically a couple hundred thousand dollars to the division for that effort as well. We budgeted \$250,000 for the socio-economic analysis being conducted to determine impacts to the municipalities. This contract may increase to include the spur lines to Cook Inlet and Valdez. The total contract could cost up to \$300,000.

The Stranded Gas [Act] working group is also consulting with the Alberta government, and we are looking for ways we can assist each other in supporting the development of the gas pipeline. [For] that negotiations and discussion, we have budgeted approximately \$50,000 for that effort.

Senator Bunde understood that the Department has proposed to spend an excess of \$100,000 in processing the MidAmerican Stranded Gas Act application. He inquired about the status of that amount considering the withdrawal of MidAmerican's application.

Mr. Porter responded that over a two-month period between January and March 2004, substantial efforts to negotiate the MidAmerican contract occurred. These efforts required hiring multiple consultants, and costs reached approximately \$200,000. After the MidAmerican application was withdrawn, all related project efforts were terminated.

Senator Bunde summarized that the State spent \$200,000 to "drive them [MidAmerican] away".

Mr. Porter would not agree with Senator Bunde's exact statement, but confirmed the amount spent.

Mr. Porter continued that the Department has allocated an additional \$50,000 for contingencies. Expenses would total between \$1.65 million and \$1.75 million depending on the results of the contracts.

Senator Bunde commented that very primary, basic disagreements existed regarding the MidAmerican contract, and the disagreements were not changed by the \$200,000 costs incurred. He asked what assurances would be provided to ensure that funds are not spent

negotiating future applicants until some sort of agreement is reached between the State and the applicant.

Mr. Porter informed that the State's approach to the MidAmerican contract was unique because MidAmerican was attempting to arrive at an agreement within a short period of time. MidAmerican attempted to require the State to adopt an exclusivity clause; however, MidAmerican would not commit to expend funds or construct the pipeline. The clause would have required the State to accept MidAmerican as the exclusive pipeline builder for a five-year period, and would have hindered the State from conducting any due diligence measures during that period. The State considered MidAmerican's requests inappropriate.

Senator Bunde asserted that MidAmerican had stated their intentions to require an exclusivity clause from the onset of their application submission. The State disregarded the incompatibility, and proceeded to invest \$200,000 to negotiate the MidAmerican contract.

Mr. Porter replied, "In hindsight, you are absolutely correct." He continued that the State clearly stated their position on the exclusivity clause throughout negotiations with MidAmerican. The State continued to move forward with the negotiations assuming that a resolution on exclusivity could be reached. MidAmerican emphasized that if they were to invest in Alaska, they wanted their asset base to be protected. The State was trying to find ways of assuring that protection. Ultimately, MidAmerican decided that the exclusivity clause was the specific method they wanted to implement to ensure asset protection; their decision terminated negotiations.

Senator Bunde restated his concern that large funds are spent without assurances.

Mr. Porter emphasized that the State must have enough information to make a "good decision on behalf of the State" as required by statute, especially when negotiating multi-billion dollar contracts. This information gathering process has to be pursued even if nine million dollars is spent, and a contract is not produced.

Co-Chair Wilken clarified that the State's negotiations with MidAmerican were underway beginning in August, and continued for six months.

Mr. Porter affirmed.

Co-Chair Green asked if expenditures could specifically focus on

the evaluation of a particular contract, or if general evaluations are conducted that realize information affecting the overall contract process.

Mr. Porter responded that evaluations deliver both specific and general information. In certain situations contractors are required to identify the specific contract they are working on. However, in other situations work conducted by the contractors benefits all of the contracts in which case the State would pay for the evaluation costs, or the principals holding reimbursement agreements would allocate the costs among the applicants.

Mr. Porter informed that he would be discussing three different areas of the Department's supplemental request: the contractual and other support for ongoing stranded gas negotiations, the risk analysis portion, and the State gas line right-of-way portion.

AT EASE 2:35 PM / 2:35 PM

Amendment #4: This amendment adds a new subsection to Section 12. DEPARTMENT OF LAW., on page 17, line 6 of the committee substitute to read as follows.

(_) The sum of \$1,500,000 is appropriated from receipts from the Exxon Valdez Oil Spill Trustee Council, to the Department of Law, environmental law, for studies and analysis related to oil remaining in the environment from the Exxon Valdez oil spill and to injury resulting from that spill for the fiscal years ending June 30, 2004 and June 30, 2005.

Co-Chair Wilken moved for adoption

The amendment was ADOPTED without objection.

Mr. Porter stated that he would first be addressing the contractual and other support for ongoing stranded gas negotiations portion of the amendment. He testified the following.

We have allocated up to \$700,000 to negotiate with the Alaska Gas Line Port Authority outside of the Stranded Gas Act. The Port Authority may determine that the Stranded Gas Act is not the right vehicle to proceed ahead with negotiations with the State. Much of what the Act has to offer, the Port Authority basically does not need. That does not mean that we will not sit down and talk to them or work with them. The Stranded Gas Act is one vehicle to bring a pipeline board; they are not the only vehicle. But there are parties that can actually build the pipeline without going through the Stranded Gas Act and we

should consult with them, deal with them, and there is a part of that we may end up expending money [for] outside the Stranded Gas Act, and the \$700,000 is that allocation.

We have allocated \$2.6 million to negotiate with Conoco Phillips, BP, and Exxon, of which \$1.5 million is reimbursable. Our costs on these could increase substantially depending on the duration of the negotiations and on the number of issues needing to be resolved. We project up to an additional [one] million dollars could be spent on these negotiations depending on those issues.

We have projected an additional \$250,000 to \$500,000 to be spent on answering feasibility questions surrounding the Alaska Natural Gas Development Authority, and we would expect to spend at least \$250,000 answering those questions.

We have allocated an additional \$300,000 for the State's supportive passage of the energy bill in [U.S.] Congress and subsequent FERC (Federal Energy Regulatory Commission) regulation process. If the energy bill actually passes, there will be a substantial amount of work on behalf of the State to make sure that those FERC regulations and other processes actually meet the needs of the State.

An additional \$250,000 has been allocated for working on regulatory and legislative issues between the State of Alaska and the Alberta government.

One of the most important issues surrounding the Stranded Gas Act is in-State gas use and benefits: understanding the capacity of the people of the State of Alaska to participate in major pipeline projects, developing the business expertise and keeping the contracts in-State, examining the potential to expand the capacity of the people of Alaska to meet the needs of the project. We have basically allocated \$550,000 to this effort. Research in this arena could actually easily double to \$1.1 million depending on how committed the State is to ensuring the maximum benefit to the people of the State.

Somebody asked me 'what in the world is capacity' and I use it all the time so I didn't think about it until somebody asked me that this morning. Capacity to the people is basically looking at your community and saying, 'how many of these people are going to have jobs? How many of these people are qualified to bid on projects, and could obtain employment through that project?' The other element of capacity is really understanding what capacity you can build in an environment:

if you've got two or three years before a project comes down, is there thorough training or development of local businesses? Can those businesses achieve the capacity to be able to participate in the project? Those are the elements that are really tied to this particular issue, and we think it is very important, and we have allocated a substantial sum to basically support that.

Next we have recognized that the process of negotiations under the Stranded Gas Act is dynamic. We have seen a substantial number of changes to the parties we are negotiating with. There is some evidence that this process is stabilizing, but there have been inquiries by others that suggest that we may not be finished yet in defining all of the applicants. The Act itself requires all applicants to file an application no later than March 31, 2005 so there is a deadline. We have allocated an additional \$450,000 for negotiations with applicants that have yet to be filed. The total cost of this portion of the request is \$3.6 million to \$5.3 million. This portion of the request goes to the Department of Revenue.

The second section of this analysis is the risk analysis portion of the project. It is actually four phases, and I will walk through each phase. Phase one is really defining the boundaries: capitalizing on the information provided by the consultants in the analysis mentioned earlier. We would expect to utilize the information obtained and the ideas created to develop an understanding of how much risk the state can tolerate. We have projected a budget of \$200,000 for this portion of the project.

In phase two of the risk assessment phase, this phase will determine the role of the drivers of risk, and develop a structural model for price risk that incorporates the role of the drivers, define the project and identify the construction costs risk, and identify the tariff risk [involved in transporting gas] from Alberta to the lower 48 [states]. This is a substantial and important portion of the project. We have allocated \$780,000 for this phase of the risk analysis.

In phase three, the risk benefit sharing alternatives, this phase will identify ways to share risk between the producers, the State of Alaska, the federal government, the pipeline companies, potential shippers and the Canadian provinces. [This phase will work] to construct a risk analysis assessment model using a real-time options framework to evaluate costs, benefits and effectiveness of different options the State might create. The budget for this portion of the risk analysis

is \$500,000, but because of the complexity of dealing with the risks among the parties, the budget for this phase could easily increase to up to \$800,000.

Phase four, which is the final phase of the project, is the proposal by the State. Once the policymakers determine a preferred approach, a white paper will be developed that presents a proposal or way forward from the State's standpoint to encourage development of a gas project within the near-term time frame. The budget for this phase is \$100,000 to \$200,000.

The total budget for the risk analysis project is \$1.58 million to about \$1.98 million. This portion of the request is allocated to the Department of Natural Resources.

And the third, and final, portion of the supplemental request is basically the State gas line right-of-way. We have allocated a total of \$3.9 million to the Department of Natural Resources for the application of the permitting process associated with the completion of the State right-of-way. The goal of this is to accelerate the gas line project by completing one of the critical permits in advance of knowing who will be building the pipeline. We would utilize the State entity to apply for the permit. The State entity could then assign their rights to the right-of-way to the builder of the pipeline. This was once again approximately \$3.9 million.

The total cost of this [project] including the \$1.5 million from the producers is \$10.58 million; less reimbursement it is \$9.08 million.

Co-Chair Green referenced the "FY 2004/2005 Gasline Funding Request" spreadsheet dated April 8, 2004. She commented that the layout of the spreadsheet was misleading. She clarified that the legislature was not presented with this appropriation request at the beginning of the year. She inquired as to how best this appropriation could be presented to ensure that 2004 expenditures be distinguished from 2005 expenditures. She also asked for confirmation that this appropriation would be included in the capital budget.

Ms. Frasca stated that if this supplemental request is adopted it would be assigned to the capital budget.

Co-Chair Green asked if this appropriation request is appropriate as an amendment to the FY 04 supplemental budget.

Ms. Frasca emphasized that this appropriation would be considered

as a capital project associated with the Stranded Gas Act. The intention is not to build this appropriation into the operating budget where it would be treated as an ongoing expense. The Department of Revenue could divide the appropriation into 2004 expenditures and 2005 expenditures if necessary.

Mr. Porter commented that he regards this appropriation as a capital project, and does not consider the fiscal year expenditure distinction important.

Co-Chair Green replied that the fiscal year distinction is important to the legislature this year. She added that the Committee would allocate the Department of Revenue the needed project funding using the best possible fiscal method.

Ms. Frasca asked Mr. Porter if he has the information needed to separate the project expenditures for FY 04 and FY 05.

Mr. Porter responded that the separation would not be a "contract by contract split". The separation would involve determining which contracts would be allocated and committed by June 30, 2004. The Department has a "strong interest" in delivering the contract data to the State by August or September 2004, requiring a significant portion of the contracts to be committed by June 30, 2004. The Department suggests two-thirds of the total appropriation, or six million dollars, be available in FY 04, and one-third available in FY 05.

Co-Chair Green asked if the State gas line right-of-way portion of the amendment would be implemented in 2005.

Ms. Frasca responded that two-thirds of the total appropriation would be needed in FY 04.

Co-Chair Green asked if another fund source could be used to satisfy the appropriation.

Ms. Frasca asked Co-Chair Green to clarify if she was referring to the general fund.

Co-Chair Green affirmed.

Mr. Porter highlighted that the State's intent is to capture as much funding possible through reimbursement agreements with any party to minimize the State's expenditures. The Department would spend the appropriation only as necessary, and would return any remaining funds to the legislature for reappropriation.

Co-Chair Green emphasized the State's ability to require the Stranded Gas Act applicants to share costs associated with the gas pipeline negotiations. She noted that this is a large appropriation, "that you [the Department of Revenue] hopefully will not use."

Mr. Porter affirmed.

Co-Chair Green stated that the amendment addressing this appropriation request would be adjusted and brought back to the Committee.

AT EASE 2:49 PM / 2:49 PM

Co-Chair Green informed that the Mt. Edgecumbe High School supplemental request was the next request being considered. This proposed amendment is not included in the committee substitute.

KAREN REHFELD, Deputy Commissioner, Department of Education and Early Development, stated that the Department's supplemental request consisted of two parts: one part of the request would be an operating appropriation and the second part would be a capital appropriation. Due to the joining of the fast track supplemental and the regular track supplemental, the legislature might prefer that the capital appropriation section be "broken out" of the supplemental budget.

Ms. Rehfeld explained that this appropriation request would enable Mt. Edgecumbe High School to accommodate thirty additional students in the 2004/2005 school year and during the expansion of dormitory and classroom facilities. If the Mt. Edgecumbe High School expansion were to begin this fall, the Department of Education and Early Development would need to renovate classroom space and have operating funds available to hire staff and amend the current dormitory and food services contracts to accommodate the additional students. The Department and Mt. Edgecumbe High School staff members are concerned about their ability to serve students without the necessary capacity and resources. This appropriation is a priority of Governor Frank Murkowski. An ongoing demand exists for spaces at Mt. Edgecumbe High School: an average of 250 applications are received each year and since reopening, the school could only accept approximately 140 students.

Senator Olson asked if the additional 30 students have already been accepted for the next school year.

Ms. Rehfeld responded that the deadline had passed for receiving applications. The Mt. Edgecumbe High School staff members are

currently reviewing the applications, and would be prepared to offer the 30 spaces to students.

Co-Chair Wilken expressed concern regarding the construction timeline, and its scheduled 2004 opening. He clarified that an earlier amendment had requested two million dollars to utilize the Sitka Pioneers' Home for Mt. Edgecumbe High School students in order that construction could begin on the current dormitory. Sitka residents have expressed that the Mt. Edgecumbe High School construction project would not be completed in 2004 even if additional funding were received. He asked if authorizing the funds now would serve any productive purpose. He expressed surprise that after numerous appropriations, funds are still being requested for this project.

Ms. Rehfeld responded that the Department of Transportation (DOTPF) is the project manager for the construction: the dorm renovation, the work on the classroom space and the academic building. The cost of utilizing the Sitka Pioneers' Home for the temporary housing for Mt. Edgecumbe High School students would be the cost of utilities, and not construction costs. The Deputy Commissioner of the DOTPF has traveled to Sitka multiple times, and has begun working with the architect and those processing the bid documents, both of which are confident that this construction project would be completed in the fall of 2004. Bid documents would be sent out May 14th for bid openings beginning on June 4, 2004.

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Ms. Rehfeld continued that the academic expansion would not be completed by fall of 2004; however, the use of an additional four classrooms would be sufficient until the renovations are completed. The Department is hearing concerns from the Mt. Edgecumbe High School staff because the additional operating funds requested in this amendment are needed to provide for the residential capacity and the instruction of the additional 30 students.

Co-Chair Wilken asked what factors have changed since the October and December appropriation requests that now require an additional two million dollars.

Ms. Rehfeld responded that the Department of Education and Early Development had not intended the dormitory and classroom renovation projects to be completed by fall of 2004 when they requested the original \$7.5 million from the legislature for the renovations. However, Governor Murkowski toured the facility, and determined

that the renovations could be completed by fall of 2004, allowing additional students to attend Mt. Edgecumbe High School in the 2004/2005 school years.

Ms. Rehfeld continued that the need for this additional appropriation arises because the academic facility would not be completed by fall of 2004, thus requiring the renovation of certain classrooms to provide a temporary learning environment for Mt. Edgecumbe High School students until the academic facility renovation is completed. In summary, timing has required this additional appropriation.

Co-Chair Wilken asked if the two million dollar appropriation would essentially allow for 30 additional students to attend Mt. Edgecumbe High School for four months before the classroom renovation is complete.

Ms. Rehfeld replied that one million dollars of the appropriation would cover the annual operating costs of the expansion of Mt. Edgecumbe High School, and the remaining one million dollars would fund the construction of the temporary classrooms.

Co-Chair Wilken stated that he had spoken with a resident of Sitka who would be in a position to bid on a Mt. Edgecumbe High School construction contract. This individual informed Co-Chair Wilken that the no bids had been declared, and the Sitka construction force does not have the capacity to complete the immense amount of construction work remaining. Even if a sufficient labor force could be provided, it would be at a high cost to the State because the project would need to be rushed. He restated his concern regarding this two million dollar appropriation and contrasted it with the original Mt. Edgecumbe High School renovation appropriation, which "seemed logical and efficient".

Co-Chair Green asked the amount of the original Mt. Edgecumbe High School renovation appropriation that was approved by the Legislative Budget and Audit Committee.

Co-Chair Wilken responded that the first Revised Program - Legislative (RPL) was \$1.65 million, and in December 2003 approximately \$6 million was appropriated for fall renovations allowing for a 2005 completion.

Co-Chair Green confirmed that the total appropriation was \$7.65 million.

Ms. Rehfeld informed that the Department of Education and Early Development has received comments from Sitka residents emphasizing

that the local construction companies are "very anxious" to begin bidding on the Mt. Edgecumbe High School renovation project.

Co-Chair Wilken thanked Ms. Rehfeld for her comment.

Co-Chair Green emphasized the unique priority Mt. Edgecumbe High School has been given in receiving first, a capital appropriation of nearly eight million dollars, and second, a potential additional two million dollar appropriation. Mt. Edgecumbe High School probably has one of the highest per-student allocations in the State. She asserted that she is "lukewarm" regarding this appropriation request.

Co-Chair Green announced an updated committee substitute would be prepared to reflect the adopted amendments.

Co-Chair Green ordered bill HELD in Committee.

Co-Chair Wilken chaired the remainder of the meeting.

AT EASE 3:03 PM / 3:06 PM

#SB392

SENATE BILL NO. 392

"An Act relating to the expenses of investigation, hearing, or public advocacy before the Regulatory Commission of Alaska, to calculation of the regulatory cost charge for public utilities and pipeline carriers to include the Department of Law's costs of its public advocacy function, to inspection of certain books and records by the attorney general when participating as a party in a matter before the Regulatory Commission of Alaska; and providing for an effective date."

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

Co-Chair Wilken stated this bill, sponsored by the Senate Labor and Commerce Committee, "clarifies that the general cost of public advocacy for utility and pipeline matters before the RCA (Regulatory Commission of Alaska) would be paid by receipts from the regulatory cost charge and not from the general fund."

JANE ALBERT, staff to Senator Bunde, presented the bill. The previous year the legislature passed Executive Order #111, which transferred the public advocacy responsibility regarding utility matters from the Regulatory Commission of Alaska to the Office of

the Attorney General within the Department of Law. She continued to testify as follows.

[Note: in this paragraph the references to the Department of Labor are intended to refer to the Department of Law.] This bill, SB 392, is a follow-up bill that provides the Department of Labor reasonable access to records, and clarifies regulatory cost charges, and not the general fund, will continue to pay for the costs relating to providing these public advocacy services. SB 392 also adjusts the regulatory cost charge ceiling, giving the RCA and Department of Labor separate and fixed percentages of total cost charge receipts under the adjusted ceiling. And a final item for SB 392 is that it exempts State agencies from paying the allocated costs of RCA proceedings when it is in an involved party. And that is the basic introduction, and that is pretty much what I think Senator Bunde would have done in introducing this bill, and we have Daniel Patrick O'Tierney from the Department of Law available for specifics.

DANIEL PATRICK O'TIERNEY, Senior Assistant Attorney General, Commercial/Fair Business Section, Civil Division, Department of Law, testified that this bill is a completion of the intent expressed in Executive Order #111. Specifically, this legislation clarifies the authority given the RCA in Executive Order #111, and provides independence between the RCA and the public advocate. The fiscal notes are based upon regulatory cost charge receipts, and not general funds. The Department of Law, the industry, consumer groups, and the RCA have all worked to produce this legislation. He continued to testify as follows.

The benefits of this bill are that it completes the consolidation of public advocacy within the Department of Law. It gives this function budgetary independence from the RCA. It provides the Department of Law qualified access to utility records for economical investigation, and it eliminates the inefficiency involved with one establishment cost allocating another in proceedings before the RCA.

Co-Chair Wilken asked if any other State regulatory agency employs similar procedures or whether this legislation would implement a new process.

Mr. O'Tierney responded that Executive Order #111 implemented the transfer of authority between the RCA and the Department of Law. Prior to the Executive Order #111 public advocacy had been performed by a subset of the Regulatory Commission of Alaska. The industry indicated little confidence in the integrity of the past

approach. In at least one-third of states public advocacy is the responsibility of the Department of Law.

PAT LUBY, Advocacy Director, American Association of Retired Persons (AARP), Alaska, testified that the AARP strongly supports this legislation and recommends a yes vote.

Senator Dyson offered a motion to report the bill from Committee with individual recommendations and new fiscal note.

Without objection SB 392 MOVED from Committee with a new fiscal note of \$300,000 dated 4/22/04 from the Department of Law.

AT EASE 3:17 PM / 3:17 PM

#SB65

SENATE BILL NO. 65

"An Act authorizing the Department of Corrections to enter into agreements with municipalities for new or expanded public correctional facilities in the Fairbanks North Star Borough, the Matanuska-Susitna Borough, Bethel, and the Municipality of Anchorage."

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

Co-Chair Green overviewed the proposed committee substitute Version "E". She noted it incorporates the amendments adopted by the Committee at the previous hearing. In addition, new language has been added intending to assure bond ratings by stipulating that "the commission may not enter into the agreement if any bonds issued for the project are rated below investment grade" on page 5 lines 10 and 11 and also on page 3 lines 23 and 24. Further bond assurance language has been added on page 6 lines 5-7 and 10-14.

Co-Chair Green stated the intent of the committee substitute is to authorize the Commissioner of the Department of Corrections to review multiple correctional facility location options, and to increase participant bids in the State with the purpose of bringing prisoner's being housed in out-of-state facilities back into Alaska. The high costs and inefficiencies incurred by transferring prisoners should be avoided. These prisoner transfers have especially inconvenienced the communities of Bethel, Anchorage, and the Matanuska-Susitna Borough. The occupancy levels of Alaska's correctional facilities are only getting worse; prison capacity must be increased. She urged continued discussion on strategies to

increase correctional facility capacity within the State.

Co-Chair Green moved for adoption of CS SB 65, 23-LS0392\E as a working document.

There was no objection and the committee substitute, Version "E" was ADOPTED as a working document.

Co-Chair Wilken ordered the bill HELD in Committee.

#SB281

SENATE BILL NO. 281

"An Act relating to labeling and identification of genetically modified fish and fish products."

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

Co-Chair Wilken stated this bill is sponsored by Senator Elton.

Senator Elton testified this legislation would require genetically modified fish to be labeled. The federal Food and Drug Administration (FDA) has not approved any transgenetic fish for the marketplace, but the FDA does have a pending application for the approval of the 'Frankenfish', which is a farmed salmon that would grow at a much greater rate than presently farmed fish. This legislation is similar to legislation passed in Oregon and California, and is unanimously supported by the State legislature's Salmon Industry Task Force. The Senate Resources Committee also unanimously passed this legislation.

Senator Olson asked whether any fish currently available in the marketplace has been genetically altered.

Senator Elton replied, "no", that the only genetically altered fish approved for sale is the neon blinking aquarium fish sold in pet stores. His concern is related to a pending FDA application that would approve genetic alteration of salmon fish. This alteration would cause the fish to grow at very fast rates, and would subsequently increase the profitability of the industrial fish makers.

ELISE HSIEH, Assistant Attorney General, Environmental Section, Civil Division, Department of Law, testified via teleconference from an offnet location to the uncertainty of whether this law would be valid when the Food and Drug Administration grants the

pending application. The FDA would not likely approve the label proposed in this legislation because there are no known health risks associated with transgenic fish. The State would have to prove the necessity of labeling transgenic fish, and a threat to State commerce would not be an acceptable reason.

Ms. Hsieh continued that the State of Vermont passed legislation requiring that hormone-produced milk be labeled, and created a label that specified that the milk did not have adverse health affects. The State of Alaska may have to make a similar compromise in order to require a label for transgenic fish.

Senator Olson questioned how the states of Oregon and California have justified the passage of similar legislation.

Ms. Hsieh was not familiar with the laws adopted by those states. She noted that several states are passing food-labeling laws with the knowledge that the FDA may challenge their laws.

Senator Elton informed that this legislation is proposing a "consumer notice", and not a health warning. He gave examples of similar labeling, such as country of origin labeling and the labeling of farmed and wild salmon at the grocery level. This legislation would not necessarily pre-empt the actions of federal Food and Drug Administration.

Ms. Hsieh countered that existing law regarding labeling and advertisement of halibut and salmon does not require such labeling, but rather allows it. Because interstate commerce product would not be required to label, fish harvesters could easily opt out of labeling.

Senator Bunde referenced the zero fiscal note for this legislation and asked the fiscal impact to retail businesses. He remarked that imported products would have to be labeled at the grocery stores.

Senator Elton was unsure but referred to the required labeling at the grocery level of wild and farmed salmon, and stated that he did not hear any grocer comment on negative economic impacts related to the labeling.

Co-Chair Wilken ordered the bill HELD in Committee.

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ADJOURNMENT

Co-Chair Gary Wilken adjourned the meeting at 03:31 PM