

ALASKA STATE LEGISLATURE
SENATE STATE AFFAIRS STANDING COMMITTEE

March 25, 2004

3:35 p.m.

TAPE (S) 04-22 & 23

MEMBERS PRESENT

Senator Gary Stevens, Chair
Senator John Cowdery, Vice Chair
Senator Bert Stedman
Senator Gretchen Guess

MEMBERS ABSENT

Senator Lyman Hoffman

COMMITTEE CALENDAR

SENATE CONCURRENT RESOLUTION NO. 12

Requesting the Local Boundary Commission to consider borough incorporation for certain unorganized areas.

MOVED SCR 12 OUT OF COMMITTEE

CS FOR HOUSE BILL NO. 350(STA)

"An Act adding personal injury and death from arson in the first degree to the injuries compensable by the Violent Crimes Compensation Board; and providing for an effective date."

MOVED CSHB 350(STA) OUT OF COMMITTEE

CS FOR HOUSE BILL NO. 337(FIN)

"An Act relating to anatomical donor registries, to an anatomical gift awareness fund, to an anatomical gift awareness program, to motor vehicle licenses and registrations, and to state identification cards."

MOVED CSHB 337(FIN) OUT OF COMMITTEE

CS FOR HOUSE BILL NO. 213(FIN)

"An Act relating to a provisional driver's license and to issuance of a driver's license; and providing for an effective date."

SCHEDULED BUT NOT HEARD

PREVIOUS COMMITTEE ACTION

BILL: SCR 12

SHORT TITLE: BOROUGH INCORPORATION: UNORG AREAS
SPONSOR(s): SENATOR(s) WILKEN

04/28/03 (S) READ THE FIRST TIME - REFERRALS
04/28/03 (S) CRA, STA
05/07/03 (S) CRA AT 1:30 PM FAHRENKAMP 203
05/07/03 (S) Heard & Held
05/07/03 (S) MINUTE(CRA)
05/09/03 (S) CRA AT 1:30 PM FAHRENKAMP 203
05/09/03 (S) Failed To Move Out Of Committee
05/09/03 (S) MINUTE(CRA)
05/19/03 (S) CRA RPT 3DP
05/19/03 (S) DP: WAGONER, TAYLOR, STEVENS G;
05/19/03 (S) CRA AT 1:30 PM FAHRENKAMP 203
05/19/03 (S) Moved Out of Committee
05/19/03 (S) MINUTE(CRA)
10/03/03 (S) STA AT 10:00 AM Anch LIO Conf Rm
10/03/03 (S) Work Session on above Resolution
03/25/04 (S) STA AT 3:30 PM BELTZ 211

BILL: HB 350

SHORT TITLE: CRIME VICTIMS' COMPENSATION FOR ARSON
SPONSOR(s): REPRESENTATIVE(s) GATTO, GRUENBERG

01/12/04 (H) PREFILE RELEASED 1/2/04
01/12/04 (H) READ THE FIRST TIME - REFERRALS
01/12/04 (H) STA, JUD
01/20/04 (H) STA AT 8:00 AM CAPITOL 102
01/20/04 (H) <Bill Hearing Rescheduled to 1/22>
01/22/04 (H) STA AT 8:00 AM CAPITOL 102
01/22/04 (H) Scheduled But Not Heard
01/27/04 (H) STA AT 8:00 AM CAPITOL 102
01/27/04 (H) Moved CSHB 350(STA) Out of Committee
01/27/04 (H) MINUTE(STA)
01/28/04 (H) STA RPT CS(STA) NT 6DP
01/28/04 (H) DP: GRUENBERG, SEATON, HOLM, LYNN,
01/28/04 (H) BERKOWITZ, WEYHRAUCH
02/20/04 (H) JUD AT 1:00 PM CAPITOL 120
02/20/04 (H) Moved CSHB 350(STA) Out of Committee
02/20/04 (H) MINUTE(JUD)
02/23/04 (H) JUD RPT CS(STA) NT 6DP
02/23/04 (H) DP: GARA, SAMUELS, ANDERSON, GRUENBERG,
02/23/04 (H) OGG, MCGUIRE
03/04/04 (H) TRANSMITTED TO (S)
03/04/04 (H) VERSION: CSHB 350(STA)
03/05/04 (S) READ THE FIRST TIME - REFERRALS
03/05/04 (S) STA, JUD

03/25/04 (S) STA AT 3:30 PM BELTZ 211

BILL: HB 337

SHORT TITLE: ANATOMICAL GIFTS REGISTRY

SPONSOR(S): REPRESENTATIVE(S) MCGUIRE

01/12/04 (H) PREFILE RELEASED 1/2/04
01/12/04 (H) READ THE FIRST TIME - REFERRALS
01/12/04 (H) STA, HES, FIN
01/20/04 (H) STA AT 8:00 AM CAPITOL 102
01/20/04 (H) Heard & Held
01/20/04 (H) MINUTE(STA)
01/27/04 (H) STA AT 8:00 AM CAPITOL 102
01/27/04 (H) Moved CSHB 337(STA) Out of Committee
01/27/04 (H) MINUTE(STA)
01/27/04 (H) HES AT 3:00 PM CAPITOL 106
01/27/04 (H) -- Meeting Canceled --
01/28/04 (H) STA RPT CS(STA) NT 6DP 1NR
01/28/04 (H) DP: GRUENBERG, SEATON, HOLM, LYNN,
01/28/04 (H) BERKOWITZ, WEYHRAUCH; NR: COGHILL
02/03/04 (H) HES AT 3:00 PM CAPITOL 106
02/03/04 (H) Heard & Held
02/03/04 (H) MINUTE(HES)
02/05/04 (H) HES AT 3:00 PM CAPITOL 106
02/05/04 (H) Moved CSHB 337(HES) Out of Committee
02/05/04 (H) MINUTE(HES)
02/09/04 (H) HES RPT CS(HES) NT 4DP
02/09/04 (H) DP: GATTO, WOLF, SEATON, WILSON
02/17/04 (H) FIN AT 1:30 PM HOUSE FINANCE 519
02/17/04 (H) Moved CSHB 337(FIN) Out of Committee
02/17/04 (H) MINUTE(FIN)
02/19/04 (H) FIN RPT CS(FIN) NT 9DP
02/19/04 (H) DP: MEYER, HAWKER, STOLTZE, MOSES,
02/19/04 (H) CHENAULT, FATE, FOSTER, HARRIS,
02/19/04 (H) WILLIAMS
02/24/04 (H) TRANSMITTED TO (S)
02/24/04 (H) VERSION: CSHB 337(FIN)
02/25/04 (S) READ THE FIRST TIME - REFERRALS
02/25/04 (S) STA, FIN
03/25/04 (S) STA AT 3:30 PM BELTZ 211
03/25/04 (S) Moved CSHB 337(FIN) Out of Committee

WITNESS REGISTER

Senator Gary Wilken
Alaska State Capitol
Juneau, AK 99801-1182

POSITION STATEMENT: Sponsor SCR 12

Dan Bockhorst
Staff to the LBC
Department of Community & Economic Development
550 West 7th Ave, Suite 1770
Anchorage, AK 99501

POSITION STATEMENT: Testified on SCR 12

Dick Schultz
91-Mile Tok Cutoff
Mentasta Lake, AK
POSITION STATEMENT: Opposed SCR 12

Marvin Rasmussen
Delta Junction, AK 99737
POSITION STATEMENT: Opposed SCR 12

Jeff Sheen
Delta Junction, AK 99737
POSITION STATEMENT: Opposed SCR 12

Jeff Gavazza
P.O. Box 501
Tok, AK 99780
POSITION STATEMENT: Opposed SCR 12

Glen Marunde
P.O. Box 192
Tok, AK 99780
POSITION STATEMENT: Opposed SCR 12

Walter Cox
Paxson, AK 99737
POSITION STATEMENT: Opposed SCR 12

Cathy Wasserman
City of Pelican
Pelican, AK 99832
POSITION STATEMENT: Testified on SCR 12

Denny Weathers
Cordova, AK 99574
POSITION STATEMENT: Opposed SCR 12

Ed Knoebel
Glennallen, AK 99588

POSITION STATEMENT: Opposed SCR 12

Pat Dalton

Delta Junction, AK 99737

POSITION STATEMENT: Opposed SCR 12

Art Griswold

Delta Junction, AK 99737

POSITION STATEMENT: Opposed SCR 12

Roselyn Isaac

Tok, AK 99780

POSITION STATEMENT: Opposed SCR 12

Sally Young

Tok, AK 99780

POSITION STATEMENT: Opposed SCR 12

Allen Avinger

Delta Junction, AK 99737

POSITION STATEMENT: Opposed SCR 12

Ruth Abbott

Delta Junction, AK 99737

POSITION STATEMENT: Opposed SCR 12

Russ Bowdre

Delta Junction, AK 99737

POSITION STATEMENT: Opposed SCR 12

William Miller

P.O. Box 2262

Tok, AK 99780

POSITION STATEMENT: Opposed SCR 12

Representative Carl Gatto

Alaska State Capitol

Juneau, AK 99801-1182

POSITION STATEMENT: Sponsor HB 350

Heath Hilyard

Alaska State Capitol

Juneau, AK 99801-1182

POSITION STATEMENT: Introduced HB 337 for the sponsor

Duanne Bannock

Director, Division of Motor Vehicles

Department of Administration
PO Box 110200
Juneau, AK 99811-0200

POSITION STATEMENT: Answered questions on HB 337

B Zalneraitis
Life Alaska representative
P.O. Box 231809
Anchorage, AK 99523-1809

POSITION STATEMENT: Answered questions on HB 337

ACTION NARRATIVE

TAPE 04-22, SIDE A

CHAIR GARY STEVENS called the Senate State Affairs Standing Committee meeting to order at 3:35 p.m. Present were Senators Cowdery, Stedman, Guess and Chair Gary Stevens.

SCR 12-BOROUGH INCORPORATION: UNORG AREAS

CHAIR GARY STEVENS announced SCR 12 to be up for consideration. He noted that Senator Hoffman was absent and asked Senator Wilken whether he would like to join the committee at the table.

He asked Senator Wilken to identify himself and noted that the committee had a hearing on the bill in October 2003 in Anchorage at which time all members were present.

Verbatim transcript:

SENATOR GARY WILKEN, sponsor: Senator Stevens and members of the committee, thank you for hearing SCR 12. My name is Gary Wilken and I have the honor of representing Fairbanks in State Senate District E. I don't want to go through the whole bill this afternoon, but I do want to just highlight some things that you have. Most recently I just passed out an editorial from our newspaper I thought was well done and I just gave you - that wasn't in your packet that came from our office. It just arrived on your desk today.

I'll perhaps just highlight for the moment, a little trifold that we have here and walk through. This legislation, this resolution is really quite simple. There are areas of the state that I would suggest have the capacity to fund local government at the most basic level, that being supporting your schools.

This legislation, this resolution, simply asks the Local Boundary Commission to go out and look at those areas that they think are most capable of doing that and put together working with the people over a public process that is laid out in this plan, how the government would be shaped in that particular area of our state working through the standards of incorporation. And they'd bring that plan back to the Legislature and we would deny it if we didn't think it to be appropriate.

The current law, it should be understood, stays in place. Today any unorganized area of the state can group together and work with the LBC's help, form their government and then bring it to the Legislature and we turn it down. This is different. Of course the controversial part is that this some would suggest is mandatory. I would suggest that is correct, but certainly it doesn't replace current law that allows folks to form their governments as they wish. This simply recognizes that people today get their schools for free. And that I would think that those that have the capacity simply recognize that as the next level of personal responsibility; as the next level of the evolution of local government in Alaska and step up and fund their schools.

This little trifold [Prepared by Gary Wilken's office 8/20/03] pretty much says it all and I'm going to just hit a few spots. I just remind this committee that 83 percent of Alaska lives in organized boroughs. They're going to be asked in FY05 to pay \$171 million of taxpayer's money - of their own money - before we get a nickel of state support. Unorganized Alaska doesn't pay a dime for their schools and I'm the first to admit that there are areas of the state that don't have the capacity to do that. And I also suggest - through SCR 12 - that there are areas today that have - since we've become a state - that have become mature enough to support their schools. And I'm asking them to join and add to the \$171 million as we look to drive dollars to the classroom.

There's two items here in the middle trifold. First is this book, which you've all seen. I'll just highlight it. This is a result of work of the Local Boundary Commission. [Unorganized Areas of Alaska that Meet Borough Incorporation Standards February 2003] This report was brought to us a year ago; it's divided into three sections; the first section is the history. Clearly they contemplated, back when our state was formed, that there would be organized and unorganized Alaska. And that when areas of the state became capable of supporting government they would be expected to do so.

The second section is what does borough government bring to the populous - to the area of the state - a region - in order to speak for a common voice for the common good of that area. And then the third part is a lot of detail about why they selected seven areas of the state that they thought had the capacity and would do an analysis as to whether they could support government.

So that book is well done. There are some that would snipe at the information. It's the best information available and as this marches forward that information will be refined.

The other area is this little box that is the standards of incorporation. Some will say we're dumping big government on them. I would suggest that if you're able to meet those 11 standards of incorporation, there is a way to form a minimal level of government that simply speaks to schools, platting and a method to tax and fund those two mandatory functions.

The four areas that have been chosen by myself and incorporated into SCR 12 are shown in these four boxes. I think just a cursory look will show you that they perhaps have the capacity to fund government, both in their wealth, their annual family income, and the value of properties that trade within the area in the free market.

On the back is a table that shows the four areas that have been selected in SCR 12. As a capacity to fund government you'll see on the right hand side their assessed value. You'll see that the Copper River Basin is worth about a half a billion dollars and doesn't pay anything for their schools.

There are nine school districts with less wealth than the lowest area suggested in SCR 12 that are currently supporting their school districts - including St. Mary's whose worth a couple of years ago - about \$4.6 million. They're contributing \$18,000 of their taxpayer's money to support their schools. I suggest these other four have the capacity to do it.

And lastly is the public process - over 56 weeks of public process. That with five areas or five places where folks can ring in for public input.

I think with that I will conclude. I did want to call out over the interim we have gone out and got letters of support. I think you have this sheet. We have formal letters of support from the

Kodiak Island Borough, the Mat-Su Borough, the City of Cordova, Kenai Peninsula Borough, City of Kenai, Ketchikan Gateway Borough, City of Fairbanks, City of Valdez, City of North Pole, Fairbanks North Star Borough, City and Borough of Sitka, and the State Chamber of Commerce - formally in support of SJR 12. And then we also have formal letters of support from the City of North Pole, the City of Seward, and the Chugiak/Eagle River Chamber of Commerce.

With that, Mr. Chairman and members of the committee, I will let others ask questions and provide input. This is simply, as it said on the trifold, and is said throughout the sponsor's statement - this simply asks, "Can you help?" If you have the capacity, you have the personal responsibility to the people of the state to support your schools. And if you can't do it on your own, then the state should be able to help you. And we should isolate those places that can help support their schools and have them pay their own way and focus the state's efforts - not on helping those that can, but helping those that can't. So a generation from now, those areas of the state that don't have the capacity today to fund their schools and support their schools - through the state's help over the next 20 years can do so. That's what this is about and I commend this to your consideration and [I] am glad to answer questions. I know you have people on line and also folks in the audience. And thank you, I look forward to questions.

CHAIR GARY STEVENS: Thank you Senator Wilken and if I understand this - an area that is now an unorganized area -if they should happen to become in a borough - they can choose the level of government they want. They don't have to go right into a full-blown borough government. They make some choices through that. Is that true?

SENATOR WILKEN: Correct, and you'll remember back in October we had this table and down the left hand side is the 11 different ways that 640,000 people have decided to organize themselves and those are the options. And you'll remember that as you march across, it shows how many are there. And the important thing - what you asked - is this section right here. This is the minimal level of government in Alaska that supports schools. And if you're asked to do that - you're asked to support your schools to the 4-mil requirement that the rest of organized Alaska is and that can be funded in many different ways. Everybody thinks of property taxes because that's the most prevalent, but it doesn't have to be property taxes.

It can be property taxes, sales taxes, income tax, fish tax, severance tax, forest receipts, name it. There's about 11 different ways, but anyway, that's minimal level of government. Now, if you want more government, then you get to decide at this minimal level whether you want to march out to this column and pick up parks and rec and police and roads and sewer and ports and harbors, and libraries, police, hospital health. That's all individual choice, local choice, but it starts at the basic level of government, which is schools and planning and a way to support them through some method of taxation.

CHAIR GARY STEVENS: Yes, Senator Cowdery?

SENATOR JOHN COWDERY: I notice here - Upper Tanana for instance - average income \$47,000 something for. And I think the low was Copper River Basin - 43 [thousand dollars] and then 46 [thousand dollars] for Glacier Bay and the other one was 47 [thousand dollars]. What is the average income in your town?

SENATOR WILKEN: \$51,000. That's the average family income - \$51,000.

SENATOR COWDERY: Is this average income - is this family income so we're comparing apples with apples?

SENATOR WILKEN: Yes, this is apples and apples.

SENATOR COWDERY: And what about other communities like that pay for their schools and you know, and hospitals and police and this and that and the roads. What - do you have any other average incomes for any?

SENATOR WILKEN: That information is readily available, I just don't....

SENATOR COWDERY: Yeah, I just was curious.

CHAIR GARY STEVENS: Thank you Senator Cowdery - Senator Stedman?

SENATOR BERT STEDMAN: This resolution here encourages this and does not force it. It encourages the Local Boundary Commission to review that and brings us back recommendations, correct?

SENATOR WILKEN: No, it forces it. If they feel that it's appropriate for an area of the state to take on a level of government - they bring that plan. The Local Boundary Commission will bring that to the Legislature and we will turn it down as

existing law. [Indic.] asks us to do. Anytime in there people can raise their hand and say, "Wait a minute, we think we can do this on our own," and then they would bring their plan. But if it's a local area that doesn't step up, one to take responsibility, or to prove that they don't have the capacity, then it would come to the Legislature and the Legislature would do it just as they did in 1963 under the Mandatory Borough Act that created eight major boroughs in Alaska.

SENATOR STEDMAN: And then what kind of timeframe would these folks have to put in infrastructure to go ahead and begin to collect their taxes and doing that stuff. What kind of timeframes are we looking at?

SENATOR WILKEN: I can only guess, but I know that I think Mr. Bockhorst is going to talk to you today and he would be the best one to make a guess at that. I don't know. The public process or the process shown on here is about a year. They told me last year that, and you can verify this, they would be really surprised if they had - they'll probably have one but no more than two of these active at one time. So there's a long timeframe from the time it starts to the time it ends.

SENATOR STEDMAN: This is a several year process, which would give the areas time to adjust to the changes?

SENATOR WILKEN: Yes, absolutely, and I think Mr. Bockhorst can help with that better than I can. And there are some incentives that come with it - some cash incentives and some land that becomes deeded to the new government structure.

CHAIR GARY STEVENS: Mr. Bockhorst is our next speaker too so he may answer those questions too - any other questions? Senator Guess.

SENATOR GRETCHEN GUESS: And since we heard it this summer, I think I asked you this summer Senator Wilken, but there's just two questions I want to ask you again to make it on record.

You talk about schools and the funding of schools, which is one of three of the mandatory functions that a borough has to provide - planning and the tax and fund.

Currently the Legislature sits as the assembly for the unorganized borough. Why do you choose to go through a mandatory process versus the Legislature evaluating the borough and assessing a comparable 4-mils on the areas that it saw could

afford it? Why are you kind of doing the government route versus the assembly route?

SENATOR WILKEN: Why doesn't the Legislature pick one of these areas and do it themselves?

SENATOR WILKEN: Well we sit as the assembly of the unorganized borough so if it's all about schools, then we have the authority right now to make those decisions as the assembly. That would be one for an area. Why are [we] choosing a mandatory borough route versus that route?

SENATOR WILKEN: That's been suggested, but folks will say why don't you do what you can do and assemble and put a sales tax, put a income tax, put a sum tax. And that's really pretty easy to do, the problem is that is that what this targets is those areas of the state that at least - on a cursory look - have the ability to support. If you just do it globally - and let's just take the extreme is Wade Hampton. They don't have the capacity out there yet to fund their schools. So we would ask them that really can't afford it to be on the same par as areas of the state as set forth here that can certainly afford it. And I would suggest that at least a couple of these have wealth far in excess of what Fairbanks has. So this is more surgical in that it looks at those areas that look like they have the best capacity to form government and leaves those folks that you're really going to stretch. Leave them alone for now and once you get those folks paying their fair share, then there are more resources to put towards the Wade Hamptons of the state. To help them to bring their level of wealth up over a generation or two so they can come over and join that club of those that can support themselves. So that's the concept. It's just - this is obviously more difficult, but I think it's much more fair and much more defensible that you ask those that can pay to pay and those that can't - how can we help you so some day you can?

CHAIR GARY STEVENS: Senator Guess.

SENATOR GUESS: Thank you. But it is the case that we do - if the purpose is funding schools there is the option of the Legislature not even generally - to actually - since we sit as the assembly of each unorganized borough - to actually do this as the Legislature sitting as the assembly versus - there are two different approaches - two different options out there that we would leave Wade Hampton out if you wanted to focus on others.

SENATOR WILKEN: We could, we would then have to. Are you talking about going to a particular area and doing it or just doing it globally?

SENATOR GUESS: No, I was thinking we sit - currently we sit as the assembly of the unorganized boroughs.

SENATOR WILKEN: Are you saying we would go to one part of the unorganized - we would do what this is being called out to do?

SENATOR GUESS: That is an option; we have that option.

SENATOR WILKEN: The Legislature doesn't have the - I mean the Local Boundary Commission is one of five constitutionally mandated commissions. The founding fathers held this concept to the level of the Board of Regent's Judicial Council - the redistricting council. [Indic] have anything to do with courts. They only called out five commissions and this is one of them and so we fund them and staff them with the expertise to go do what they should do and I'd be a little nervous of the Legislature doing this.

SENATOR GUESS: I just want to make it clear for people that there are two different processes and why you chose the one you did - and I know you've worked hard on it.

Follow up on Senator Stedman's question. The process is - you just said if the resolution passes it goes to LBC. Their report comes back and if I remember my Homer annexation days, we have to actually do another resolution to reject LBC's recommendation. Given that, and I guess I have two questions. One, there's the startup costs that you talked about. Two, there's a loss of general funds just the way the property taxes go especially when you talk about the pipeline corridor and other places. Is there a reason why that's not reflected in the fiscal note since there would be impact on state resources if the process went through given we wouldn't have another bill that would have that fiscal note on it?

SENATOR WILKEN: If the first question is and probably Mr. Bockhorst is better to answer it. I think it's 300, 200, 100 over three years. I haven't really focused on why it's not in the fiscal note. I would think that at least in the outlying years it would be. It would certainly be in the resolution that came back after something was put together.

In regard to the ad valorem tax, that may not have to happen. Personally, you think of course first of Delta. I doubt very much whether Delta given it has a mine and given its base with the missile defense - I doubt very much whether Delta would have to use the pipeline as a taxing source. And you won't know that until you get in and actually look at it. But in the worst case, if Delta did want to come up with their 4-mils and use the pipeline then there would be a 4-mil that would come out of the ad valorem tax. And presently, if I remember my numbers, we're getting about \$30 million that's left on the table after the North Slope Borough, Anchorage, Kenai, Fairbanks, Southeast take money out. So there would be a fiscal impact there, but you'd have to do the analysis. Back in '96 when the LBC took an over-the-thumb look at Delta Greely area - they have a very good economic base and may not require them to use the pipeline. And if they don't, then they have no property tax and they could make their 4-mil requirement off the mine and a sales tax.

SENATOR GUESS: But the state chose - just so I understand it - they chose a property tax then that would go against that \$30 million [indisc.]

SENATOR WILKEN: Whatever they tax the pipeline, they have to tax themselves and that tends to have a limit on what you do to yourself.

SENATOR GUESS: Thank you Mr. Chair, thank you Senator Wilken.

CHAIR GARY STEVENS: Thank you Senator Guess. We'll go on, we have several people to speak and we'll begin with Dan Bockhorst. Senator Wilken, again, it's sort of crowded - you're welcome to sit here.

SENATOR WILKEN: Thank you.

CHAIR GARY STEVENS: Dan Bockhorst, thank you for being here.

DAN BOCKHORST: Thank you Mr. Chairman, members of the committee, for the record, my name is Dan Bockhorst. I serve as staff to the Local Boundary Commission. Given the limited time for testimony I did provide to the committee staff this morning, written information as far as SCR 12 is concerned. I'd like to take just about three minutes though to highlight some of the more fundamental issues that I think are critical in terms of the Legislature's debate over Senate Concurrent Resolution number 12.

First of all, our constitution requires that all of Alaska be divided into boroughs. Those can be either organized boroughs or unorganized boroughs. Under the constitution, the Legislature has an obligation to establish standards and procedures under which it would be determined which of those areas are going to be organized and which are going to be unorganized.

The Legislature also has a duty to define the functions and powers of organized borough government. If there is disparate treatment of Alaskans in terms of organized areas versus unorganized areas, there has to be a rational basis under Alaska's constitution for that disparate treatment.

The framers of our constitution did offer a rational foundation for the treatment of unorganized areas versus organized areas. It was their intention - their strong preference - that areas that had the fiscal and administrative capacity to organize and operate borough governments - that those areas would in deed, organize. They preferred a voluntary approach, but recognized that absent local initiative that the state could and should take the initiative to promote borough incorporation.

The initial state policy regarding the establishment of boroughs was set by the Legislature in 1961 and it dealt with the critical question of organization by delegating that responsibility to the local level. So there was no state initiative at that point. And policy makers that were involved in the deliberations both at the legislative and executive branch levels acknowledged at the time that the voluntary approach is not likely to be generally effective in terms of promoting borough formation.

In deed, that proved to be the case and two years later Representative John Rader characterized the 1961 policy as a failed policy and he set about to incorporate, by legislative mandate, major areas of Alaska. He succeeded in creating, through legislative action, eight borough governments that, today, encompass almost 84 percent of Alaskans.

The 1963 Mandatory Borough Act contained an important provision, which is at issue in much of the debate regarding borough formation. It promised that no area of the state that was organized as a borough would be penalized because of that action. In other words they wouldn't be penalized because they formed borough governments. However, shortly after that promise was made formally in the law, it has been forgotten and today we find very significant disadvantages to areas that choose to

incorporate. There are examples that are given in the written materials that I provided this morning, but let me give one particularly significant one.

Areas that are organized as boroughs today would have received roughly one-third more in terms of state and federal aid for education had those areas been served by regional area attendance areas (REAA) as compared to borough governments. And there are details in the materials that I handed out. Senator Wilken indicated today that for the next fiscal year that disparity is going to amount to \$171 million. In the current fiscal year it amounts to \$165 million. That is in effect a state tax that is levied exclusively on organized borough governments and home rule and first class cities within the unorganized borough. And again, we've heard that it's escalating. Since 1997 - between 1997 and 2004 - the amount generated from that tax increased by 34 percent.

After the incorporation of mandatory boroughs in 1963, the state has reverted to the 1961 policy where it facilitates or promotes borough government only upon local initiative.

Mr. Chairman, I know again the time again is limited so that concludes the fundamental points that I wanted to make. If there are questions I would be more than happy to address them.

CHAIR GARY STEVENS: Thank you Mr. Bockhorst. Any questions? Senator Guess.

SENATOR GUESS: Thank you Mr. Chair. Just two questions and I'm trying to find - it's hard - between the notes between this summer and now - on what you're referring to. But, has LBC ever made recommendation to statute changes to actually have an incentive to boroughize versus this process, which is putting boroughization on areas that may or may not want it?

MR. BOCKHORST: The commission has done this for more than two decades. Since the 1980's the Local Boundary Commission has perennially issued recommendations to the Legislature in its annual report urging the Legislature to look at promoting incentives. The difficulty is - and of course this was from the very beginning, and the constitutional framers did express a preference for voluntary cooperation and they hoped that there would be enough incentive to encourage people to incorporate. That simply has never been the case and in order to create enough incentives to allow or facilitate borough incorporation it would be extremely expensive to the state.

For example you would have to, among other things, deal with the required local contribution in support of schools, which will generate \$171 million in local contributions that reduce the state's cost. So if that is a major disincentive and if that disincentive is going to go away, it will cost the State of Alaska \$171 million to eliminate it. But the Local Boundary Commission and others - Alaska Municipal League - I'm sure Senator Wilken and others would prefer voluntary incorporation. But the difficulty, again, from the very beginning it was recognized in 1961 - it is just extremely difficult to create enough incentives to make it worthwhile yet have a structure of borough government with the duties that it does to operate.

SENATOR GUESS: There are just two more questions. I appreciate that. One is, you keep talking about this \$170 million, are you saying that the foundation formula would go down \$170 million if this actually went through with these four boroughs? That there would be \$170 million...

MR. BOCKHORST: No I'm not saying that at all.

SENATOR GUESS: Okay let's clarify it.

MR. BOCKHORST: What I'm saying is that - and the details are in the written material that I have provided earlier today - on page 7

SENATOR GUESS: I'm sorry I don't have that.

MR. BOCKHORST: On page 7

CHAIR GARY STEVENS: Okay, let's get to that. The pages are numbered right?

MR. BOCKHORST: Yes they are numbered at the upper left hand corner.

SENATOR GUESS: [Indisc.]

CHAIR GARY STEVENS: What page are you referring to then?

MR. BOCKHORST: I'm referring to page 7. So in terms of the way education is funded in Alaska, each district is determined to have a certain level of basic need depending on a number of different factors - student population, geographical consideration, size of schools - and from that basic need state

aid is determined by subtracting a required local contribution, which is required only of organized boroughs and home rule and first class cities.

Organized boroughs are required in the current fiscal year to contribute almost \$156 million.

SENATOR GUESS: I don't want to interrupt you, but I understand. That makes perfect sense from what you were saying before. Because the number I've heard is about \$4 million at the 4-mil rate for these areas would be added to that amount.

MR. BOCKHORST: The issue is not simply the driving this issue on the basis of how much money it would generate from the State of Alaska I don't think. I think it is analogous - the circumstance that we find ourselves today with regard to education funding is analogous to the state Legislature levying a \$171 million tax on Alaskans, but saying we're only going to levy it on people that live in organized boroughs and home rule and first class cities. So it's a matter of equity as it was in the 1963 Mandatory Borough Act. It's a matter of promoting maximum local self-government as it was in the Mandatory Borough Act.

SENATOR GUESS: And I think I have just one more question. Through the Chair, I guess that's where we've agreed to disagree. But it goes to kind of my pet peeve and I just wanted to see if the LBC stated - and I talked to Senator Wilken about it - which is - what about incentives to provide more services? I live in a city, which is also a borough which provides the police service for the entire borough. You take and the Mat-Su Borough or Fairbanks that has small cities contained with larger borough yet you have troopers. State government is paying for the police services outside in those boroughs even though really the cities have expanded into larger areas. Does the current law right now - does the LBC oversight start to examine not just when should something become a mandatory borough but when should it start stepping up its services and when can it provide more services for its people?

MR. BOCKHORST: I think those issues are beyond the jurisdiction and scope of the Local Boundary Commission. The commission is concerned with establishing organized borough government to create a structure for which local decisions can be made. And those questions about whether the Mat-Su Borough - outlying areas of the Mat-Su Borough should have trooper service I suspect are some of the fundamental policy debates that occurs at the state legislative level. If the Legislature were to

withdraw the support for those troopers, then that would force residents of those areas to contemplate whether they wanted to substitute local police services for that, which some borough, many borough governments or some borough governments have done. And it is being explored in other areas like the Kenai Peninsula Borough I know that that issue is being discussed currently. About the prospect of creating more or extending police protection on a borough level throughout parts of the rural areas of that borough.

SENATOR GUESS: Thank you Mr. Chair.

CHAIR GARY STEVENS: Thank you Mr. Bockhorst, appreciate your comments. Any further questions? Thank you, the next person, Dick Schultz, former senator. Senator Schultz, glad to have you with us.

End of verbatim testimony

DICK SCHULTZ thanked the committee for allowing him to testify on the bill and noted that it had been around for a long time. Although he has the utmost respect for Senator Wilken, he adamantly disagrees with him with regard to mandatory boroughs.

Having lived in rural Alaska for 35 years in an area that has no electricity, water, sewer or other services he contends he is able to speak definitively about what rural Alaska has and does not have.

With regard to the "Can you help?" question that Senator Wilken asks, the answer is yes. They want to step forward and they want to be counted. However, they believe there is a better approach than the method suggested by the LBC.

Taking strong exception to the data in the February 2003 LBC report, he pointed out that the information in the School Board Association Report was far more comprehensive and accurate than the LBC report. He reminded members that the Legislature sits as the borough assembly for unorganized areas and declared that the Constitutional Convention members were nearly unanimous in their agreement that election districts would be considered the boundaries of boroughs.

He stressed that the opportunity for public input was very limited. "If you live in the Tok area, you had from 9:40 to 9:55. You have 15 minutes. This area is 57,750 square miles.... Now can you imagine Katie John - 82 years old - driving from

Mentasta to Tok to testify on this bill? Can you imagine Nannie Adams chartering an airplane out of Tetlin to fly to Tok?"

MR. SCHULTZ asserted that the unorganized areas are entitled to remain unorganized or to organize as they see fit because the first part of the constitution says, "all political power is inherent in the people..." Giving that power to the five members of the LBC is the easy way out, he said. Furthermore, since 75 percent of the Legislature is represented in the Cook Inlet Basin, Fairbanks, and the organized areas, the rural people in the state don't have the ability to defeat this.

"Please understand I also know the process. I know that I'm not going to be able to stop this piece of legislation," he said. However, this is the first year he has been able to present another side to the issue. After he reviewed the information the LBC reported on the Upper Tanana Basin model borough, he decided that if the information for the other areas is similarly flawed then the report isn't worth the paper it's written on. Some of the communities listed aren't even communities, he said. Of the 6,316 reported residents, 3,913 reside in the 35-mile by 40-mile area around Delta. Of the other 2,203 people that live in the model borough area, about 74 percent are Athabaskan.

In this 57,750 square mile proposed borough, the state is already inserting itself. "You're having a land disposal right now. Most of the people from Anchorage, Mat-Su, Fairbanks, etc., are out there running around on snow machines disposing of land that's free. Pound your stakes and it's yours." Someday someone is going to have to provide roads to those areas, and that will be part of the borough. Already there's probably more private land in Tok than in any other community of the state. A lot of those landowners are your constituents, he said. Most of the property owners probably don't intend to build and if they have to pay property tax they will likely try to sell.

That's one of the things you've done. I was here and I was a part of it. There was a billion dollars in Rail Belt energy and what did we do with it? We spent it. Who has electricity today? The same people that had electricity before we spent the billion dollars are the same people that have electricity today. Did it help any of the people that don't have electricity? No, \$40 million was returned to you folks here the other day - they said, 'We don't want the money.' \$40 million would go a long ways to put a drop cord from Delta to Tok and over to Glennallen. Let us have some

of that cheaper electricity. I don't know what Anchorage pays for electricity - 6 cents something like that? We pay 28 cents per kilowatt.

Mental Health Trust lands - If we're forced into a borough, we're entitled to 10 percent of the land in the area. Some of it is state land, federal land and Native land. So what did you do with the state land? As your borough assemblies screwed up in Anchorage, Fairbanks, Mat-Su and disposed of land - mental health trust land. Then the Mental Health Trust people filed a lawsuit and what happened? They won and we settled. So what did we do? You come out in rural Alaska and you give the land away. So now, the 40, 60, 80 100 acres to drive right along the highway coming into Tok for example, that's Mental Health Trust Lands - prime land. If we were a borough, we would like to have that. If we're going to be forced into a borough, we'd like to have that. So is there a provision by which - as we're forced into a borough - that the state when they made the tradeoff is going to go back and buy this land from Mental Health Trust so we can pick it up? It's not a bad idea except that you did have a little provision that went along there and it said that the Mental Health Trust people have to sell the land for 120 percent of its appraised value. So Delta is getting ready to acquire some land. They're paying out their nose for it. It was state land.

Now we've got a gas line that is being proposed that might come down through that area. All kinds of tax incentives. Can the borough tax this gas line? I don't think so. I think that some of the deals that are being cut are going to eliminate that. The railroad - I don't have a clue on that one.

If it's pain and suffering that you want us to go through by having another layer of government, that's one thing. But if education is what you're interested in and you're interested in allowing us the opportunity to step forth and say, 'yes we can make a contribution, yes we can pay.' And we will, whatever you come up with. You want to do a head tax? There's a bill that's moving through and it does a head tax. Up it, make it \$200 a head. Don't tax the people in the organized areas. Tax only the people in the unorganized areas. Not a problem. Give us a little bit

of equal footing to be able to take the argument away from the urban people that in fact are paying taxes. Give us the opportunity. We don't need a layer of government.

Senator Wilken may be the only Republican in the United States of America that thinks that more government is better.

Excluding the 1,200 square miles around Delta it's 74 percent Native. I don't know whether Dan Bockhorst wrote this and he talks over there and says the Denali Borough... What a bunch of baloney. If you took the Alaska Gateway School District and you just took the square mileage of it. That's 74 percent Native and stick the Denali Borough in there it'd rattle around like a baby in a boxcar. But if you want to include Delta, that's 10 square miles or 1,200 square miles, then so you bring - 74 percent of the people are Native. You turn around and you want to make a borough - include 3,913 white people - bring them into the picture. One of the things that is said here is this: SCR 12 does not unfairly target Natives. Well you tell me, if you were in a black community and you had 74 percent of the population that votes and someone came in and did some gerrymandering to where you reduced this down into where the black vote was reduced down to 25 percent, which this would do. You think you'd have a problem, oh I think you would. I think you'd have a big problem. In the Native community - I don't have a clue as to what their argument is going to be, but if I got an opportunity, as a Native, to reside in an area and I'm going to who? Who is going to sit on that borough assembly? The people from Metasta - as far as a 4-mil tax is concerned, you can't tax them. You can't tax the 785,000 acres of land that's over in Tetlin. You can't tax that. You can't tax the Ahtna and Doyon lands that are Native allotments. As a result of that you have a borough assembly and the hub of it is in Delta. So who sits on the borough assembly? Can Katie Johns sit on it, can Danny Adams from Tetlin, can Gary Thomas from Northway sit on the board? They don't contribute anything so can they sit on the board? I can because I live at 91 mile. My land was homesteaded back in 1930 something, but I'm a white man and I can sit on the borough assembly because I'm a contributor.

We'll pay a fair share, but we just don't feel we can handle nor do we want another layer of government.

At a meeting in Tok that about 100 people attended, 90 raised their hand and said they would pay. They would rather have it taken out of their permanent fund dividend or pay an assessment than have another layer of government.

There were no questions directed to Mr. Schultz.

TAPE 04-22, SIDE B

4:22 pm

MARVIN RASMUSSEN testified via teleconference from Delta Junction in opposition to the resolution. Because he heard Fort Greeley mentioned, he wanted to point out that it might not be there after the election in the fall. However, they do contribute to schools in their area through PILT payments. He stressed that they don't want another layer of government. "We don't need it, we don't want it, and we can't afford it," he stated emphatically.

Jeff Sheen testified via teleconference from Delta Junction in opposition to the resolution. He told Senator Wilken that he was at the State Chamber of Commerce meeting in Anchorage and he remembers that they made a statement in support of looking at what the LBC had to say about mandatory boroughs, but they didn't say they supported the resolution.

He argued that the size of the [Upper Tanana] incorporation is too vast. This includes 19 communities with a very diverse population. He also took issue with the \$144,000 average home valuation in the LBC report. He works for the power company so he visits all the homes in the area and his wife and mother-in-law are realtors who work with appraisers. "I think that number is way out of whack and I don't know how they calculated it," he said.

He said he would submit his testimony in writing.

JEFF GAVAZZA testified via teleconference from Tok in opposition to SCR 12. The LBC report used inaccurate U.S. census information. He said, "This report is fundamentally flawed with the inclusion of outdated information, inconsistent facts, and inaccurate figures along with speculation and guess based on

bias by the staff of the DCED." The commissioner acknowledged that the census figures were inaccurate, but didn't even mention that in the final report. Although the draft report was 317 pages long, the public was given just 13 days to review and comment.

CHAIR GARY STEVENS asked Mr. Gavazza to send a copy of his testimony if he had it in writing.

GLEN MARUNDE testified via teleconference from Tok in opposition to SCR 12. In the November 2000 "Background on Boroughs in Alaska" booklet, LBC staff member Dan Bockhorst wrote that, "Current law expressly provides that borough incorporation proposals may only be initiated by voters." Furthermore, Article I, Section 2 of the state constitution states, "All political power is inherent in the people. All government originates with the people, is founded upon their will only, and is instituted solely for the good of the people as a whole." This was passed by the Legislature in 1961 and it still works well today, he said. The current Legislature shouldn't override that statute.

CHAIR GARY STEVENS asked Mr. Marunde to send a copy of his testimony if possible.

WALTER COX testified via teleconference from Paxson in opposition to SJR 12. He and his wife live a great distance from Delta Junction and Glennallen and are quite certain that they have nothing to gain from being part of a future borough other than a tax notice.

CATHY WASSERMAN, mayor of the City of Pelican testified via teleconference to say that she is a strong proponent of boroughs but:

The way the state is going about it is probably not going to succeed. I think in light of the economic vitality or lack there of in the state right now, the state sales tax proposal, the ending of revenue sharing and some of the transfers of state government to local municipalities is going to put a terrible strain on areas that now have to pay for another layer of government.

Right now there seem to be no incentives to make people step out and become a borough on their own. We have to look at those communities that have stepped out and asked to be a borough and have been turned down.

Senator Wilken mentioned that we can't get education for free. The Glacier Bay Borough consists of about four or five different communities that are in that proposed borough. The population right now I would say is about 1,400 and about 64 percent of those people - give or take - already pay for their education because we're in a first class city. That means that we now have a double layer of government to pay for the 36 percent remainder who do not pay for their schools.

We do support our government in Pelican and in Hoonah; we have the majority of the population. But changes in our area are happening so quickly and it's very difficult to keep up with the decreases that are going on. The information in the LBC report was out of date when it came out and is even more out of date right now.

We have to look at how we're going to pay for these boroughs: Revenue sharing - no it's gone, fish tax - in Pelican it's gone, sales tax - we already have one and to pay for another one would be very difficult and with the sales tax pending that would be even more difficult. Timber receipts - those are probably going to end at some point or not stay at the level they are at, not property tax - Hoonah is mostly Native property and they would not have to pay property tax, tourism tax - we can't tax because the cruise ships go on water and don't land in any place. Income tax - we have no way left to earn a living, capital matching grants are gone and the ACMP - I don't know where it is.

We ask that the state do one thing, if they're going to look at the schools they should levy a school tax to the unorganized areas that are in the REAAs. They would then save double layers of government for the rest of the people. They would also save the state the \$300,000 a crack for each borough that formed and then the state and the LBC and the Legislature could work on incentives for the unorganized areas.

DENNY WEATHERS testified via teleconference from Cordova in opposition to SCR 12. She said, "I do not live in one of the four boroughs that have been chosen, but I can see where this is leading." She described the resolution as misleading and

outlined specific areas to which she took exception. [The teleconference transmission was spotty.] Chair Gary Stevens advised her that the committee had her written testimony.

ED KNOEBEL testified via teleconference from Glennallen to say that most of what he was going to say had already been said. He thought Mr. Schultz did a good job of explaining the shortcomings of the resolution.

4:45 pm

PAT DALTON testified via teleconference from Delta Junction to say that he would appreciate it if legislators would consider state law and look at the constitution and Declaration of Independence as well. It's a good idea to work to resolve fiscal problems but the Legislature is going about this in the wrong way. Forced borough incorporation on the unorganized borough disregards the voice of the people that are affected. There are better ways to fund schools than this.

ART GRISWOLD testified via teleconference from Delta Junction to say that he has followed this issue over the years. He questioned how anyone could possibly consider the Upper Tanana model borough an economically and socially compatible area. The boundaries of this model borough aren't justified.

ROSELYN ISAAC testified via teleconference from Tok. She is the director of the Tanana Chiefs' Conference and was testifying on behalf of the following villages: Dot Lake, Eagle, Healy Lake, Northway, Tanacross, Tetlin, and Tok Native Association. They all oppose SCR 12.

She charged that the economic data used in the February 2003 LBC report was inaccurate and based on outdated information. [Tape indisc.] Much of the land in the Upper Tanana model borough is federal land and the state receives \$50 million per year in PILT funds in return for the loss of potential taxes on federal lands and that money goes to local school districts. However, the state reduces their contribution to the unorganized areas that receive PILT funds. "Some schools are closing and will continue to close due to lack of funding," she said.

"The model borough having Delta and Tok together is not going to work simply because Delta doesn't want it [and] neither does Tok. And I believe the residents of both have stated this publicly and in writing."

SALLY YOUNG testified via teleconference from Tok. As a real estate broker, she commented on the differences between the Denali Borough and the Upper Tanana model borough.

	Denali Borough	Upper Tanana model
Poverty Level:	6.1%	Up to 60 %
Unemployment	8-12%	Up to 80 %
Per Capita Income	\$26,251	As low as \$7,371

She made the point that Delta's larger population and higher per capita income increase the average of the Upper Tanana model borough markedly. In addition, the population has no common interest. "Delta is currently a thriving community...Tok has a seasonal economy and the villages also have seasonal economies that are based primarily on firefighting."

She agreed that the Alaska Gateway School District does get more school funding per capita than Anchorage or Fairbanks and continued to say:

There is no question that our fewer than 500 students are funded at a higher level, so are those students in Aleutians East Borough who receive \$11,061 per student. However, other state services are paid for by all of us. At \$2,463 per capita for Fairbanks's 111,700 residents, how many children in Tok area could be provided with an education? For the differences between the grants that we ask for and receive, and those of more populated areas a huge amount of educational services could be provided for this area before there is any equity in funding. The inequity is on our side. The community grant figures leave out other large areas of state funding from which we don't benefit. We are not on the electric intertie, we are not on the railroad system or the ferry system. We don't have seawalls or salmon, we don't benefit from the Alaska Seafood Marketing Institute and very little from tourism advertising. We're forgotten except when it comes to education and then we're reviled for asking for one benefit from the state.

Forcing us into becoming a borough when we don't have the financial wherewithal to do so is counterproductive. Soon we'll be asking you for all those community grants and capital grants and project monies the state provides. Forcing us to incorporate will only increase the cost of being in a community. There are those of you who are single minded when it

comes to making us a borough. I hope you'll look at the true cost of forcing us to incorporate rather than taking the limited view of education as the only topic.

ALLEN AVINGER testified via teleconference from Delta Junction to oppose SCR 12 because it isn't affordable. "We have a large population of retired and Slavic people in this area that the politicians don't even want to talk about." Taxing the residents of the unorganized areas is acceptable, but an additional layer of government isn't necessary to do so.

RUTH ABBOTT testified via teleconference from Delta Junction to dispute Senator Wilken's claim that residents in her area don't support their school in any way and aren't involved in the function of the school. She countered, "Senator Wilken you are wrong on all accounts."

She insisted that there is a misconception about the economic growth in the area. Construction and mining jobs don't necessarily go to residents of the area and they are temporary anyway. In addition there is a large population of retired people and a number of immigrants in the area that don't have high incomes. She concluded saying, "We are not retreating from society or shrinking from responsibility, but rather are choosing to live in an area that exchanges the so-called benefits of a borough for fewer services and smaller government."

RUSS BOWDRE testified via teleconference from Delta Junction in opposition to SCR 12 and said that it had all been said before. "We don't want this thing and I don't think anybody in the state does," he emphasized.

WILLIAM MILLER testified via teleconference from Tok to represent Dot Lake Village Council. Saying that people in the rural areas don't pay their fair share isn't accurate or fair, he said. He noted that there hadn't been one bit of testimony in support of mandatory boroughs. "I know that your minds are made up, but I'm just hoping that this one time you'll take heed of what you're listening to from the people that actually live in the areas," he said.

CHAIR GARY STEVENS asked if there was anyone else that cared to speak on the issue.

MR. SCHULTZ asked the committee to request that the LBC to review the figures they used for average incomes and property values because the data is way off for the Alaska Gateway School District.

CHAIR GARY STEVENS noted the request.

There being no other questions, he closed public testimony then asked Senator Guess if she had an amendment to offer.

SENATOR GUESS made a motion to adopt amendment 1.

SENATOR COWDERY objected.

SENATOR GUESS said she made this point at previous hearings and to the sponsor and his staff as well. The February 2003 LBC report identified seven model boroughs, but SCR 12 requests the LBC consider just four, leaving out Wrangell/Petersburg, Prince William Sound and Aleutians West model boroughs.

Amendment 1 adds the three model boroughs that were excluded from consideration. "If the purpose of this bill is to establish a process that will not only be used now but in the future to evaluate boroughs, then I think we should go through the process and evaluate all these seven instead of hand-picking.... around a list."

The reason given for excluding some areas is that some areas pay for education, but "we're talking about more than education. We're talking about mandating government on the area. LBC came up with seven in their evaluation and I think we should pass all those seven on in the bill and that's the reason for amendment 1."

CHAIR GARY STEVENS told Senator Wilken he would be happy to have him speak to the amendment.

SENATOR WILKEN responded:

The simple way to say this is you need to walk before you run. This is a major effort on behalf of the LBC. I drew a very bright line and that bright line was to support to the people in these different areas for their schools. If you look at the areas that aren't part of SCR 12: Aleutians West - 89.6 percent of the people in that area support their schools today. Prince William Sound - 93.2 percent support their schools, 93.9 [percent] in Wrangell/Petersburg. So 90

percent or more in the three areas that were excluded support their schools and that's the basic level of government here.

If you look at the areas that are embodied in SCR 12, Chatham is 52 percent, Glacier Bay is 58.8 [percent], Copper River Basin is zero, and Upper Tanana [Basin] is zero so I think it's quite clear. This is a multi-year effort and the issues that are embodied in the effort to bring Cordova and Valdez together for a borough are clearly different than what is being addressed in SCR 12. SCR 12 revolves around education and that's the line that I drew and I think the data supports the reason - clearly supports it and this amendment, while good intended brings nothing to the resolution.

SENATOR GUESS respected Senator Wilken's comment, but if the bill is going to be about education, then the Legislature as the assembly that sits for the unorganized borough should make it about education. If it's about setting up a process to deal with setting up mandatory borough, then it should be about forming boroughs. "The amendment provides the fairness that is needed if we're going to have a long-term process."

CHAIR GARY STEVENS called for a roll call vote on amendment 1.

Amendment 1 failed 1 to 3 with Senator Guess voting yea and Senators Cowdery, Stedman and Chair Gary Stevens voting nay.

SENATOR GUESS made a motion to adopt an indeterminate fiscal note for SCR 12. She realized she wasn't going to find success in trying to change the bill given the sponsor's position, but:

It's more that we as committee members have an obligation to our body to evaluate whether or not bills are routed in the correct way. The Senator President can't do all of that so I'd move State Affairs indeterminate fiscal note for future years, not this year.

TAPE 04-23, SIDE A

5:10 pm

CHAIR GARY STEVENS noted there were no comments and called for a roll call vote on the indeterminate fiscal note.

The motion failed 1 to 3 with Senator Guess voting yea and Senators Stedman, Cowdery and Chair Gary Stevens voting nay.

SENATOR GARY STEVENS recognized Senator Cowdery.

SENATOR COWDERY made a motion to move SCR 12 from committee with individual recommendations and the zero fiscal note.

SENATOR GUESS objected.

SENATOR GARY STEVENS called for a roll call vote on the motion to move the bill from committee.

The motion passed 3 to 1 with Senators Cowdery, Stedman, and Chair Gary Stevens voting yea and Senator Guess voting nay. SCR 12 moved from committee.

5:15 pm

CSHB 350(STA)-CRIME VICTIMS' COMPENSATION FOR ARSON

SENATOR GARY STEVENS announced CSHB 350(STA) to be up for consideration and called on Representative Gatto.

REPRESENTATIVE CARL GATTO, sponsor, said the Violent Crimes Compensation Board has agreed to add [personal injury and death from] arson in the first degree to the compensation list. There has been no opposition at any point.

There were no questions.

SENATOR JOHN COWDERY made a motion to move CSHB 350(STA) from committee with zero fiscal note and asked for unanimous consent. There being no objection, it was so ordered.

CSHB 337-ANATOMICAL(FIN) GIFTS REGISTRY

CHAIR GARY STEVENS announced CSHB 337(FIN) to be up for consideration. He asked Representative McGuire's staff to come forward.

HEATH HILYARD, staff to Representative Lisel McGuire, advised that he would address his comments to version \X. The bill formalizes an electronic registry for the collection of donor information between a donor registry program and the Department of Motor Vehicles (DMV) and establishes an anatomical donation awareness fund.

He called attention to page 3, lines 6-10, which is the change made in the House Finance Committee. It calls for notifying the DMV if the donor elects to revoke the gift. Further he noted there is a \$7 thousand fiscal note that would be assumed by the northwest regional donor procurement organization.

If there were specific questions regarding the nature of the registry, he would defer to the executive director of Life Alaska and the director of Motor Vehicles.

CHAIR GARY STEVENS apologized that he had another commitment at 5:30 pm so he would hold the bill if all questions weren't addressed by that time.

SENATOR JOHN COWDERY stated he had a meeting as well.

SENATOR GRETCHEN GUESS asked to hear from DMV to find out if they were comfortable running the program or whether it would be out sourced.

MR. HILYARD thought the information would be collected at the point of registry, which would be at the DMV.

SENATOR GUESS asked where the money would go.

MR. HILYARD believed it was a standalone fund for the purpose of marketing the registry.

CHAIR GARY STEVENS announced that Mr. Bannock was online and could answer those questions more definitively. He asked whether there were further questions.

SENATOR GUESS asked Mr. Hilyard to discuss with the sponsor the possibility of including bone marrow donations in the fund.

MR. HILYARD said he wasn't sure whether or not that would fall under tissue donation and perhaps the representative from the donor registry program could better answer the question.

SENATOR GUESS told him that bone marrow is not considered the same as tissue.

DUANE BANNOCK, representative from the Department of Administration and Division of Motor Vehicles, explained the \$7 thousand would allow additional computer programming and told Senator Guess that the money is handled in a similar fashion to

the Veteran Commemorative Plate legislation that she sponsored last year. Customers that affirm that they would like to participate in the program financially will be accounted for and that information would then be forwarded directly to the organ donation organization on either a weekly, daily, or quarterly basis.

SENATOR GUESS asked if you would have the opportunity to donate again each time you renewed your license.

MR. BANNOCK replied that is correct. "We will ask you every time you come to the DMV." This would apply to ID cards and vehicle registration in addition to the driver's license.

There were no further questions for Mr. Bannock.

CHAIR GARY STEVENS asked Mr. Zalneraitis from Life Alaska if he had testimony.

MR. ZALNERAITIS, Life Alaska representative, said he was available to answer questions.

CHAIR GARY STEVENS asked him to respond to Senator Guess's question regarding bone marrow donors.

SENATOR GUESS asked if there would be a problem in including bone marrow donation in the awareness portion of the program.

MR. ZALNERAITIS said they are different in that bone marrow donation is directed to living donors and this program is directed at donation after death. However, Life Alaska advocates for donation to help others in any form so they support education and awareness for donations for bone marrow, blood, and organ and tissue. "That's in part why we join up with the Blood Bank of Alaska, for example, to sponsor a program to increase awareness."

There were no further questions for Mr. Zalneraitis.

CHAIR GARY STEVENS asked Senator Guess if she was satisfied with that answer.

SENATOR GUESS replied that she would talk with the sponsor about specifically including bone marrow awareness. "It's sounds like it's kind of incorporated anyway. If we're doing awareness for one it sounds like it would be a good idea and given the lack of bone marrow donors in the country...."

CHAIR GARY STEVENS asked her to follow up on that point.

SENATOR JOHN COWDERY motioned to move CSHB 337(FIN) from committee with attached fiscal notes.

CHAIR GARY STEVENS asked Senator Guess if she had any objection to moving the bill and she did not object.

There being no objection, CSHB 337(FIN) moved from committee with attached fiscal notes.

CHAIR GARY STEVENS announced HB 213 would be addressed at a later meeting. He then adjourned the meeting at 5:30 pm.