

HOUSE FINANCE COMMITTEE  
March 22, 2005  
1:49 P.M.

CALL TO ORDER

Co-Chair Chenault called the House Finance Committee meeting to order at [1:49:01 PM](#).

MEMBERS PRESENT

Representative Mike Chenault, Co-Chair  
Representative Kevin Meyer, Co-Chair  
Representative Bill Stoltze, Vice-Chair  
Representative Eric Croft  
Representative Richard Foster  
Representative Mike Hawker  
Representative Jim Holm  
Representative Reggie Joule  
Representative Mike Kelly  
Representative Carl Moses  
Representative Bruce Weyhrauch

MEMBERS ABSENT

None

ALSO PRESENT

David Teal, Director, Legislative Finance Division; Sharon Kelly, Staff, Representative Mike Chenalut; Jo Ellen Hanrahan, Acting Director, Division of Administrative Services, Department of Commerce, Community & Economic Development; Kurt Fredriksson, Acting Deputy Commissioner, Office of the Commissioner, Department of Environmental Conservation; Tom Lawson, Director, Administrative Services, Department of Community and Economic Development; Nico Bus, Acting Director, Division of Administrative Services, Department of Natural Resources; Susan Taylor, Director, Division of Administrative Services, Department of Revenue; Nancy Slagle, Director, Division of Administrative Services, Department of Transportation and Public Facilities; Craig Campbell, Adjutant General, Commissioner, Department of Military & Veterans Affairs; Art Chance, Director, Labor Relations, Department of Administration

PRESENT VIA TELECONFERENCE

Pat Pitney, University of Alaska, Anchorage; Sarah Fisher Goad, Alaska Energy, Anchorage

SUMMARY

HB 66 An Act making appropriations for the operating and capital expenses of the state's integrated comprehensive mental health program; and providing for an effective date.

HB 66 was HEARD and HELD in Committee for further consideration.

HB 67 An Act making appropriations for the operating and loan program expenses of state government, for certain programs, and to capitalize funds; making appropriations under art. IX, sec. 17(c), Constitution of the State of Alaska, from the constitutional budget reserve fund; and providing for an effective date.

HB 67 was HEARD and HELD in Committee for further consideration.

#HB66

#HB67

HOUSE BILL NO. 66

An Act making appropriations for the operating and capital expenses of the state's integrated comprehensive mental health program; and providing for an effective date.

HOUSE BILL NO. 67

An Act making appropriations for the operating and loan program expenses of state government, for certain programs, and to capitalize funds; making appropriations under art. IX, sec. 17(c), Constitution of the State of Alaska, from the constitutional budget reserve fund; and providing for an effective date.

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Co-Chair Chenault noted that the current amendments would be addressing language changes to HB 67. He pointed out the committee substitute had been adopted at a previous meeting.

Representative Kelly anticipated additional amendments. Co-Chair Chenault acknowledged that there are amendments scheduled for the next Committee meeting, addressing the budget. He explained the anticipated process and that the bill would be moved from Committee next week.

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DEPARTMENT OF ADMINISTRATION

Co-Chair Chenault MOVED to ADOPT DOA #1, carry forward language for Centralized Administrative Services. (Copy on File). Vice Chair Stoltze OBJECTED.

SHARON KELLY, STAFF, REPRESENTATIVE MIKE CHENALUT, reiterated that the amendment was carry forward language to be used for the Centralized Administrative Services (CAS) and Department leases. The Department is requesting carry forward language for the services. Standard language requires rates to take into account prior years over and under collections.

Vice Chair Stoltze WITHDREW his OBJECTION.

Representative Croft OBJECTED. He asked clarification if it would be interagency receipt carry forward. He understood that if the change does not occur, the Department would not be able to correctly bill for that fiscal year. Ms. Kelly acknowledged that was correct.

Representative Croft WITHDREW his OBJECTION. There being NO further OBJECTIONS, the DOA #1 was adopted.

Co-Chair Meyer MOVED to ADOPT DOA #2, which would make a fund change in the amount of \$212.6 thousand dollars. Co-Chair Chenault OBJECTED for discussion purposes.

Ms. Kelly pointed out that the amendment provides a technical change for FY06 credit card rebates and that have no contractual spending restrictions. Representative Croft questioned why there would be a charge for that.

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DAVID TEAL, DIRECTOR, LEGISLATIVE FINANCE DIVISION, explained that the requirements for statutory designated program receipts are contractually restricted for specific purposes. They are received from a third party but there is no contractual requirement built in. It amounts to a rebate that the State can use in any way.

Representative Croft asked if the money was being spent within Centralized Services. Mr. Teal replied that it was.

Co-Chair Chenault WITHDREW his OBJECTION. There being NO further OBJECTION, DOA #2 was adopted.

Co-Chair Meyer MOVED to ADOPT DOA #3, which would provide a fund change in the amount of \$6.8 thousand dollars. He added that the amendment provides a technical correction to the FY06 retirement system, funding source. (Copy on File).

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Representative Hawker inquired the initial error. Mr. Teal responded that many of the technical amendments address costs associated with the Public Employees Retirement System (PERS). The Governor originally submitted language, using FY05 funds to cover costs. The Subcommittees did not address that language. When agencies make amendments to the number sections of the bill, they were able to adjust some but also left money, which could not be used for that purpose; it became a double fix. DOA #3 attempts to fix it for a third time.

There being NO OBJECTION, DOA #3 was adopted.

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DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT

Representative Kelly MOVED to ADOPT COM #1. (Copy on File). Representative Croft OBJECTED for discussion purposes.

Ms. Kelly explained that replacement language allows the agency to carry forward the entire unexpected balance. There had been another amendment, which was not as clear as COM #1. He reiterated that the amendment makes the bill's language more clear with the proposed deletion. It does not include capital funds. Mr. Teal interjected that the amount resulted solely from business licenses.

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Representative Croft commented that the Legislature attempts to budget for what is appropriate to spend during the fiscal year. He questioned why the appropriate amount had not been budgeted.

Mr. Teal responded that the qualified trade association contracts still gets to spend \$2 million dollars of business license receipts. They have general funds as well as business license receipts. There is no other carry forward language for business license receipts in the bill. There is approximately \$300 thousand dollars of unspent business license receipts from FY05. By changing the language, it authorizes spending of the carry forward first and that no more money would be spent in FY06.

Representative Croft understood that the effect would be to not spend any more during FY06 and then starting FY07 with an additional carry forward. The idea is to place as much business license receipt funds into qualified trade association contracts. Mr. Teal pointed out that this was a request made by the agency, as there are un-used business license receipts. The corporate fees were added to the business license receipts. They had a \$1 million dollars or

so in corporate receipts that are not typically spent, which usually lapse to the general fund. Rolling those two together eliminated the shortage. It would carry forward into FY07.

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Representative Croft WITHDREW his OBJECTION. There being NO further OBJECTION, COM #1 was adopted.

Representative Kelly MOVED to ADOPT COM #2, which would create a new appropriation. Co-Chair Chenault OBJECTED for discussion purposes.

Ms. Kelly explained that the amendment would create a new appropriation for the Community Development Quota (CDQ) program. Receipts generated by the CDQ and Banking programs are indistinguishable in the budget because receipts from both programs are classified as RSS and are in a single appropriation. Creating a separate appropriation for the CDQ Program ensures that RSS generated from Banking and Securities activity cannot be used to support the CDQ program.

Co-Chair Chenault WITHDREW his OBJECTION. There being NO further OBJECTION, COM #2 was adopted.

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Representative Kelly MOVED to ADOPT COM #3, which would add \$101.9 thousand dollars to the Banking and Securities component. (Copy on File). Co-Chair Chenault OBJECTED for discussion purposes.

Representative Croft requested further information. Ms. Kelly clarified that the increment would provide funding for the new Community Development Quota Manager position created in FY05. The position consults directly with the Commissioner on high profile CDQ group policy issues and is the primary point person for the newly created CQE program. If creation of a new Community Development Quota appropriation is approved, the increment would go to the new appropriation.

Representative Hawker asked why how such an "ordinary job position" was not included in the Subcommittee process and asked if Representative Kelly endorsed the amendment.

Representative Kelly responded that the position had been eliminated and then was followed by a compelling defense for adding it back. He asked that the Department testify regarding the need.

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JO ELLEN HANRAHAN, DIRECTOR, DIVISION OF ADMINISTRATIVE SERVICES, DEPARTMENT OF COMMERCE, COMMUNITY & ECONOMIC DEVELOPMENT, explained that the position is for a CDQ manager. The CDQ program has grown rapidly over time. A second person is needed that has a level of management ability above and beyond what has been previously needed. The CDQ manager will be a key player in representing Alaska's needs in the Magnuson-Stevens Act reauthorization process, which begins in March 2005. That Act and its changes has significant implications for the CDQ program and Alaska's fisheries. It is anticipated that there will be an increased role for the State with the CDQ groups. She stressed that it is a critical position for the Department. It would be fee-generated program.

Representative Hawker inquired if there was any doubt that receipts would be sufficient to fund the position. Ms. Hanrahan replied that the funds would be adequate.

Co-Chair Meyer asked what the CDQ program does and how that relates to the new act. Ms. Hanrahan explained that the program was developed in 1992 for Western Alaska to increase economic development and in response to fishing issues in that area. Since then, those groups have been allocated fishery quotas throughout the season. It began with pollack and has increased to Pacific cod and crab. She did not know a lot about the history of that program.

Ms. Hanrahan pointed out that the Magnuson Stevens Act would begin reauthorization in March 2005, which will have sufficient implications on Alaska's regional fishing council.

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Co-Chair Meyer inquired if the position had been filled. Ms. Hanrahan responded that because it is such a critical situation, a position was left vacant and then hired.

Co-Chair Meyer asked if there was any possibility of general funds being used to fund the position. Ms. Hanrahan explained it is a fee-generating program and would be paid through those fees.

Representative Kelly wanted to guarantee that the request would not reflect a further request by the Department for the upcoming budget.

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Representative Hawker questioned why there had been a budgeted vacant position. Ms. Hanrahan explained that it is

anticipated that if these changes were implemented, the Department would need to fill the position.

In response to Representative Weyhrauch regarding the CQE, Ms. Hanrahan explained it is the Community Quota Entity (CQE) Program. That program replicates the CDQ program in other parts of the State, because the program has been so successful.

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Representative Kelly understood that the intent was not to add another position but to use the other vacant position. He was not aware of "putting the position back" while filling the other position.

Representative Weyhrauch thought that there was a CDQ coordinator on staff for the Department. He understood that the request would cover the additional level of work required because of implications from the Act. Ms. Hanrahan stated that was exactly what happened. The position that managed the program previously, was a Development Specialist and defined at a lower level. With the growth of the program, there exists a need for the higher-level management position in order to adequately represent Alaska.

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Co-Chair Chenault WITHDREW his OBJECTION. There being NO further OBJECTION, COM #3 was adopted.

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DEPARTMENT OF EDUCATION & EARLY DEVELOPMENT

Co-Chair Meyer MOVED to ADOPT DEED #1, which would add \$185.9 general fund dollars to Boarding Home Grants; add \$1.1 thousand general fund dollars to Youth in Detention; add \$7.89 general fund dollars to Special Schools. (Copy on File). Co-Chair Chenault OBJECTED for discussion purposes.

Co-Chair Meyer explained that the youth detention and boarding home grant areas had been overlooked. Ms. Kelly agreed, pointing out that they are not formula funded programs.

Co-Chair Chenault WITHDREW his OBJECTION. There being NO further OBJECTION, DEED #1 was adopted.

Representative Hawker inquired if the request was necessary for fiscal year 2005 or 2006. Ms. Kelly explained that it was FY06 operating money and that the formula programs had been funded during the fast track supplemental.

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Co-Chair Meyer pointed out that a \$400 million dollar windfall had been added to the education fund. The proposed items had been forgotten.

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DEPARTMENT OF ENVIRONMENTAL CONSERVATION

Co-Chair Meyer MOVED to ADOPT DEC #1, which would add \$46 thousand dollars from Exxon Valdez Oil Spill Settlement money for a position in the Commissioner's office. (Copy on File). Co-Chair Chenault OBJECTED for discussion purposes.

Ms. Kelly pointed out that the request would help to fully fund an important position.

KURT FREDRIKSSON, ACTING DEPUTY COMMISSIONER, OFFICE OF THE COMMISSIONER, DEPARTMENT OF ENVIRONMENTAL CONSERVATION, explained that the requested amount would be Exxon Valdez oil spill funding money, which would allow the Commissioners Office to engage the council at a critical juncture with respect to restoring continued damages from the spill. He noted lingering oil found on some of the beaches in Price Williams Sound. There is a lot of work now happening and the requested funding provides the staff needed in the Commissioner's Office to help with that work.

The Governor's original request included an increment for development of State ocean strategies.

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Representative Hawker interjected a technical correction that the appropriation should be \$46 thousand dollars not \$46 million dollars. Mr. Frederickson acknowledged that was correct.

Representative Hawker inquired why the Subcommittee had not discussed the matter. Mr. Frederickson replied that the Governor had introduced it as an amended item and noted that the Trustee Council approved the request.

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Co-Chair Chenault WITHDREW his OBJECTION. There being NO further OBJECTION, DEC #1 was adopted.

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DEPARTMENT OF FISH & GAME

Representative Holm MOVED to ADOPT F&G #1, which would add language clarifying that the Department would receive fair market value, including price adjustments, if applicable, for all test fisheries contracts. (Copy on File). Co-Chair Chenault OBJECTED for discussion purposes.

Representative Holm testified that the intent language was added to allow the Department to negotiate for the full market value for all test fish catches. Putting a requirement in the contract to retroactively adjust the price for test fishery sales would be beneficial.

Co-Chair Chenault pointed out statewide frustration in that industry.

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TOM LAWSON, DIRECTOR, ADMINISTRATIVE SERVICES, DEPARTMENT OF COMMUNITY AND ECONOMIC DEVELOPMENT, interjected that there are departmental goals being reached. There had been a thorough discussion during subcommittee regarding the circumstances. The Department strives to get full market value for the fishery. He noted addressing language in the supplemental. One issue is that the Department is "forced" to do cost recovery to fund various Department programs. He mentioned that "down the road", it could be beneficial to replace that receipt money with general fund dollars.

Co-Chair Chenault asked if the State had attempted to get market value for that fish. Mr. Lawson did not know; but did understand that the Department always attempts to receive market value. Last year, there was only one bidder. Harvesting occurred at a different time than usual and it was a serious low price.

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Co-Chair Chenault inquired if ten cents (\$.10) a pound was realistic or if the amount really fluctuates. Mr. Lawson acknowledged that the price does fluctuate depending on the fishery and that ten cents a pound was low.

Vice-Chair Stoltze asked if cost recovery was interchangeable.

Representative Weyhrauch interjected facts regarding the test fisheries versus a cost recovery fisheries. He pointed out that cost recovery had been going on for the last twelve years. (Inaudible)

Vice Chair Stoltze asked if the price was usually under market value. Representative Weyrauch replied that sometimes it is above and depends on the time of year that

fishing occurs. The intent language attempts to run the fishery more like a business.

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Representative Croft agreed it is important to tackle this problem. In a pure test fishery, the State would not want waste and would be selling the test fish to recoup recovery costs. He thought that selling fish at ten cents a pound could destabilize the market.

Representative Croft added that the amendment provides an in-between approach for dealing with extra fish and paying for cost recovery. Mr. Lawson acknowledged that the Department clearly understands the intent of the language.

Representative Croft worried about the unintended consequences as the amendment intends to provide fair market value when fish are sold.

Representative Weyhrauch thought that might raise an issue. Cost recovery fisheries are implemented to reduce the Department's overhead costs relative to managing particular fisheries.

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Co-Chair Chenault WITHDREW his OBJECTION. There being NO further OBJECTION, F&G #1 was adopted.

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#### DEPARTMENT OF HEALTH & SOCIAL SERVICES

Representative Hawker MOVED to ADOPT HSS #1, which would provide a funding change in the amount of \$.7 thousand general fund dollars. (Copy on File). Representative Weyhrauch OBJECTED.

Representative Hawker explained that the amendment provides a technical correction for funding sources for the FY06 retirement system cost increases amounting to a \$700 dollar adjustment.

Representative Weyhrauch WITHDREW his OBJECTION. There being NO further OBJECTION, HSS #1 was adopted.

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#### DEPARTMENT OF MILITARY & VETERANS AFFAIRS

Representative Foster MOVED to ADOPT DMVA #1. (Copy on File). Co-Chair Chenault OBJECTED for discussion purposes.

CRAIG CAMPBELL, ADJUTANT GENERAL, COMMISSIONER, DEPARTMENT OF MILITARY & VETERANS AFFAIRS, stated that the amendment represents the Governor's requested structure combining four appropriations. It was the intent of the subcommittee to adopt the Governor's requested structure, but the structure change was not incorporated into the draft bill.

Co-Chair Chenault WITHDREW his OBJECTION. There being NO further OBJECTION, DMVA #1 was adopted.

Representative Foster MOVED to ADOPT DMVA #2, which would add \$594,700 general fund dollars to the National Guard Military Headquarters. (Copy on File).

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Co-Chair Chenault OBJECTED for purposes of discussion.

Commissioner Campbell pointed out that there had been an audit done on the State contribution versus the federal match. In the last ten years, it was found that it had not been done properly and that the State owed more money. The requested amount would take care of last year's correction. The federal government agreed that if the adjustment were made by the State, they would not be fined for past years.

Representative Croft asked if the amount would be for FY05 or FY06. General Campbell replied that it was for FY05 and was included in the FY06 budget.

Co-Chair Chenault WITHDREW his OBJECTION. There being NO further OBJECTION, DMVA #2 was adopted.

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Representative Foster MOVED to ADOPT DMVA #3, which would add \$62,900 general fund dollars to the National Guard Military Headquarters. (Copy on File). Co-Chair Chenault OBJECTED for discussion purposes.

General Campbell explained that the request covers telecommunication basic service charges. Within the Anchorage armory, there is both a federal and State system. The request pays for the Department of Administration's telephone service at the Anchorage Armory.

Co-Chair Chenault WITHDREW his OBJECTION. There being NO further OBJECTION, DMVA #3 was adopted.

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DEPARTMENT OF NATURAL RESOURCES

Representative Kelly MOVED to ADOPT DNR #1, which would provide a \$176 thousand federal receipt increment to the Resource Development large project-permitting component. (Copy on File). Vice-Chair Stoltze OBJECTED for the purpose of discussion.

NICO BUS, ACTING DIRECTOR, DIVISION OF ADMINISTRATIVE SERVICES, DEPARTMENT OF NATURAL RESOURCES, explained that the request of \$176 thousand dollars would be used for an inter-agency personal agreement. The Bureau of Land Management (BLM) is willing to pay for the employees at the Department of Natural Resources without oversight.

Vice-Chair Stoltze WITHDREW his OBJECTION. There being NO further OBJECTION, DNR #1 was adopted.

Representative Kelly MOVED to ADOPT DNR #2, which would add an increment of \$192.1 thousand receipt supported services dollars to Parks Management. (Copy on File). Co-Chair Meyer OBJECTED for the purpose of discussion.

Mr. Bus explained that the amendment would provide \$192.1 thousand dollars for receipt support services to pay for a recently completed and implemented station for park rangers. It was a Governor's amended request. Some of the park rangers were reclassified and upgraded because they do law enforcement.

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Representative Hawker asked which receipts would be authorized. Mr. Bus replied the park camping fees and all receipts collected by the parks.

Representative Hawker inquired if the current fee structure was sufficient to cover the costs or would the fee structure need to be raised. Mr. Bus understood that the projected fees would cover the costs.

Vice-Chair Stoltze questioned the reclassification. Mr. Bus explained that the rangers will continue in their same positions and that the retirement system would remain as it is.

Co-Chair Meyer WITHDREW his OBJECTION. There being NO further OBJECTION, DNR #2 was adopted.

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Representative Kelly MOVED to ADOPT DNR #3, which would provide a funding change in the amount of \$99.4 thousand dollars from Parks & Resources Access to Parks Management component. (Copy on File). Co-Chair Meyer OBJECTED for purposes of discussion.

Mr. Bus explained that only the programs generating receipts would be able to use program receipts. The Department of Natural Resources requested the receipt-supported services (RSS) in an allocation that does not generate RSS. The amendment exchanges general funds and RSS between allocations in order to meet the requirement of AS 37.05.144.

Co-Chair Meyer WITHDREW his OBJECTION. There being NO further OBJECTION, DNR #3 was adopted.

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DEPARTMENT OF PUBLIC SAFETY

Co-Chair Meyer MOVED to ADOPT DPS #1, which would amend language in Section #23. (Copy on File). Co-Chair Chenault OBJECTED for the purpose of discussion.

Ms. Kelly pointed out that the amendment recognizes the change in monetary terms of the masters, mates and pilots contracts. The work draft contains language specifying that the appropriated amounts include funding for the contracts, even if specific appropriations are not made.

Co-Chair Chenault WITHDREW his OBJECTION. There being NO further OBJECTION, DPS #1 was adopted.

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Co-Chair Meyer MOVED to ADOPT DPS #2, which would add a total of \$1.859 thousand dollars to various allocations within the Department. (Copy on File). Co-Chair Chenault OBJECTED for the purpose of discussion.

Ms. Kelly explained the costs associated with the Department of Public Safety bargaining unit contract terms. He noted that the Governor had requested these amounts.

Representative Hawker asked when the bargaining contract had been completed. Ms. Kelly did not know.

ART CHANCE, DIRECTOR, LABOR RELATIONS, DEPARTMENT OF ADMINISTRATION, stated that the numbers resulted as a product from arbitration, awarded March 9<sup>th</sup>, 2005.

Co-Chair Chenault WITHDREW his OBJECTION. There being NO further OBJECTION, DPS #2 was adopted.

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DEPARTMENT OF REVENUE

Representative Hawker MOVED to ADOPT REV #1, which would add \$6.5 million Permanent Fund Receipt dollars to the Alaska Permanent Fund Corporation (APFC) Custody and Management fees. (Copy on File). Representative Holm OBJECTED for discussion purposes.

Representative Hawker noted that the amendment was related to the fast track increased management fees for the APFC pension funds and would be from contractual earnings.

Representative Holm WITHDREW his OBJECTION. There being NO further OBJECTION, REV #1 was adopted.

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Co-Chair Meyer MOVED to ADOPT REV #2, which would add \$261.1 thousand Receipt Supported Service dollars to the Child Support Services Division. (Copy on File). Co-Chair Chenault OBJECTED for discussion purposes.

SUSAN TAYLOR, DIRECTOR, DIVISION OF ADMINISTRATIVE SERVICES, DEPARTMENT OF REVENUE, explained that the Department is requesting \$261 thousand dollars for their child services division. The request resulted from the hearing officer transfer from the Department of Revenue to the Department of Administration. The funding source had been transferred to avoid charge-back situations. Later, it was discovered that the Department of Administration could not use the dollars under the Department's direct allocation plan. The amendment increases authorization in the Child Support Services division. Without the allocation, there would be a huge impact and the Department would have to lay off up to 20 caseworkers and that field offices would also be impacted.

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Representative Croft questioned if the amendment would establish a charge-back situation. Ms. Taylor affirmed. She clarified that the Department is working with the federal government to create a direct cost to the Child Support Program. She noted that it would be the Legislature's prerogative to change the title.

In response to a question by Representative Croft, Ms. Taylor observed that the existing funds are needed to leverage federal funds if the amendment is not adopted.

Representative Croft asked what receipts the Department currently receives. Ms. Taylor discussed the source of the receipt-supported services. When a child has been in State custody, the family receives Alaska Temporary Assistance Program (ATAP) or Medicaid that family must sign up for child support services.

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In response to a question by Representative Hawker, Ms. Taylor explained that currently, the Child Support Division budgets the receipt-supported services that it collects. The Department is approaching the high side of their earning capacity. She reiterated that receipt-supported services are in the operating and capital budgets. The majority of funds are from non-custodial parents, where the child had been getting a cash assisted payment from the Alaska Assistance Temporary Program (ATAP). That obligation belongs to the non-custodial parent. When the payment is received, it is a State-federal payment. Only a portion is retained by the State and is used as a funding mechanism for the Child Support Services.

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Representative Hawker understood that money would not be taken from dependant children, but instead would come from the non-custodial parents. The money was previously recovered through the federal plan. Ms. Taylor agreed.

Representative Hawker noted that there is a fund source change from federal to receipt supported services, questioning if there should be a corresponding decrement. Ms. Taylor pointed out that the decrement has occurred in other areas of the budget.

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Representative Hawker thought there should be a corresponding decrement to interagency receipts. Ms. Taylor clarified that would be only half of the needed fix. Additionally, the Child Support Services Division has the authorization to pay the bill, and then the transaction needs to be completed.

Representative Hawker concluded that the Subcommittee budget had not balanced. Ms. Taylor pointed out that the Department needs to budget for receipt-supported services, while continuing to pursue federal fund reimbursement.

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Representative Hawker commented that the problem of balancing transfers is systemic throughout the operating budget.

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There being NO further OBJECTIONS, REV #2 was adopted.

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DEPARTMENT OF TRANSPORTATION & PUBLIC FACILITIES

Representative Foster MOVED to ADOPT DOT #1, which would move funds (\$55 million dollars) in the Alaska Marine Highway System budget. (Copy on File). Chair Chenault OBJECTED for the purpose of discussion.

NANCY SLAGLE, DIRECTOR, DIVISION OF ADMINISTRATIVE SERVICES, DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES, spoke in support of the amendment. She explained that fuel prices had increased and that natural gas prices are also increasing. The current estimated price per gallon is \$1.84 dollars and the original estimate was \$1.68 per gallon.

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Representative Hawker noted that FY06 had been under funded for highway fuel in the marine highway budget. Ms. Slagle explained that the operating plan is being assessed to see if there needs to be a change there as well as an increase to fuel cost.

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Representative Croft inquired if it would be appropriate to add intent language indicating that money be used only for fuel costs. Ms. Slagle did not believe that would present a problem.

Co-Chair Chenault WITHDREW his OBJECTION. There being NO further OBJECTIONS, DOT #1 adopted.

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Representative Foster MOVED to ADOPT DOT #2, which would add \$68 thousand general fund dollars to Central Region Highways and Aviation. (Copy on File). Co-Chair Chenault OBJECTED for the purpose of discussion.

Ms. Slagle explained DOT #2. She noted that the amendment would address air traffic control services at the King Salmon airport. The contract requires that the State pay \$68 thousand dollars to maintain the service.

Co-Chair Chenault asked what would happen with the contract if the State chooses to end services. Vice-Chair Stoltze interjected that "some outcomes save lives". Ms. Slagle stressed that it is a safety concern when a wide variety of aircraft enter a fairly busy airport during peak seasons.

Co-Chair Meyer inquired how the contracts work and if the charge was only for peak service periods. Ms. Slagle

explained that the contract is on a monthly basis; she offered to check to see if service is offered all year.

In response to a question by Representative Kelly, Ms. Slagle noted that discussions are continuing with the Federal Aviation Association (FAA) regarding responsibility for services. The FAA has undertaken a further plane count. Additionally, there are discussions happening with the U.S. Air Force. The Department is attempting to get assistance in both areas.

Co-Chair Chenault WITHDREW his OBJECTION. There being NO further OBJECTIONS, DOT #2 was adopted.

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Representative Foster MOVED to ADOPT DOT #3, which would add \$2.02 million dollars to the Anchorage Airport Facilities and \$610 thousand dollars to the Anchorage Airport Field & Equipment Maintenance. (Copy on File). Co-Chair Chenault OBJECTED for the purpose of discussion.

Ms. Slagle explained that the amendment addresses anticipated increased costs in fuel and utility charges at the Anchorage International Airport.

Co-Chair Chenault WITHDREW his OBJECTION. There being NO further OBJECTIONS, DOT #3 was adopted.

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Representative Foster MOVED to ADOPT DOT #4, which would add \$2.58 million dollars to the Anchorage Airport Operations from the International Airport Revenue Funds. Co-Chair Chenault OBJECTED for the purpose of discussion.

Ms. Slagle explained the request was in the amount of \$2.2 million dollars in International Airport Revenue Funds to be used for parking garage and fog seeding. She noted that the concession process has not been working well. The amendment puts the authority to administer the parking garage contract under the airport's authority. The remaining funding would place fog seeding under the airport's control. She explained that fog seeding is a means of reducing the amount of fog on the runways by using dry ice in small pellets.

Representative Weyrauch inquired why the airport was not paying for that cost and why it had been included in the State's budget request. Co-Chair Chenault explained that it had been taken from the airport revenue funds and that presently, the Department was requesting authority to spend that money.

Co-Chair Chenault WITHDREW his OBJECTION. There being NO further OBJECTIONS, DOT #4 was adopted.

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Representative Foster MOVED to ADOPT DOT #5, which would add dollars to the Fairbanks International Airport. Vice-Chair Stoltze OBJECTED for the purpose of discussion.

Ms. Slagle explained that the amendment would cover increased costs in electricity and fuel bills at the Fairbanks International Airport. She pointed out that marketing activities would also be provided. The intent is to attract additional concessionaires.

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Representative Holm asked the balance remaining in the Fairbanks Airport Revenue Fund. Ms. Slagle did not have those numbers on hand. She observed that the fund covers the costs of operations at the Anchorage and Fairbanks International Airports, supports Cold Bay and Sitka, and covers the Capital budget items for the two international airports.

Representative Holm questioned why diverted flights would result in lost revenues for the State. Ms. Slagle commented that it will have a long term affect if airlines need to change flight patterns. She added that the airlines do review and vote on the operating and capital budget.

[3:30:44 PM](#)

Ms. Slagle thought that amount was approximately \$4 million dollars. She added that what Fairbanks lacks, Anchorage provides.

[3:31:59 PM](#)

Representative Croft noted that \$50 thousand dollars could fund a new business position.

Representative Croft MOVED to AMEND DOT #5 to reflect such a change; with the exception of the first line item of \$50 thousand, the monies only be used for increased fuel costs. Co-Chair Chenault OBJECTED.

Representative Croft pointed out that the justification rests with increased fuel costs. Co-Chair Chenault pointed out that a breakdown of increased utility costs had also been provided.

Representative Croft spoke in support of the change, noting that other rural areas were being held to fuel costs only.

[3:36:11 PM](#)

Co-Chair Meyer inquired if the airport safety component had been indicated for fuel costs. Ms. Slagle affirmed that funding would go to vehicle use for patrolling.

Representative Holm pointed out that these are Airport Revenue Funds not General Funds.

Representative Croft pointed out that the fuel crisis was being addressed in many areas and reiterated that other areas of the State's budget are being held to fuel costs.

Representative Kelly cautioned that the other expenditures had not been given the same caveat.

[3:39:16 PM](#)

Co-Chair Meyer stressed that the amendment pertains to the International Airport Revenue funds.

Representative Hawker asked if a limitation to fuel purchases would be problematic. Ms. Slagle stated that the Department could support the use for fuel and utilities.

Representative Croft stressed that fuel affects utilities. He noted that other communities are facing the same issues and they were told they could not use State funding for utilities (SB 98). He maintained that the issue is how the State should interact with similar entities.

Representative Holm maintained that there's confusion regarding the appropriation and allocation.

[3:43:29 PM](#)

Co-Chair Meyer stressed the distinction between Airport Revenue Funds and General Funds.

Representative Croft questioned if there was less responsibility to guarantee that the appropriation was legitimate.

A roll call vote was taken on the motion.

IN FAVOR: Foster, Hawker, Joule, Moses, Stoltze,  
Weyrauch, Croft

OPPOSED: Holm, Kelly, Meyer, Chenault

The amendment to DOT #5 MOTION PASSED (7-4).

The being NO OBJECTION, amended DOT #5 was adopted.

[3:47:41 PM](#)

Representative Foster MOVED to ADOPT Amendment DOT #6, which would add International Airport 1027 dollars to the International Airports. (Copy on File). Co-Chair Chenault OBJECTED for the purpose of discussion.

Ms. Kelly explained that the amendment was directed toward associated costs with the Department of Public Safety bargaining unit contract terms. The Governor requested the amounts.

Co-Chair Chenault WITHDREW his OBJECTION. There being NO further OBJECTIONS, DOT #6 was adopted.

[3:48:31 PM](#)

Representative Foster MOVED to ADOPT DOT #7, which would add \$6.470 million Alaska Marine Highway System (AMHS) dollars to Marine Vessel Operations component. Co-Chair Chenault OBJECTED for purposes of discussion.

Ms. Kelly clarified that the amendment addresses costs associated with the vessel operations bargaining unit contract terms. The amounts are the amounts requested by the Governor. The Governor had requested \$48 million dollars in capitalization of the Alaska Marine Highway System (AMHS) fund. The bargaining agreements raised capitalization requirements to \$54.5 million dollars.

Representative Joule asked if the contract had recently been settled. Ms. Kelly said it had.

Co-Chair Chenault WITHDREW his OBJECTION. There being NO further OBJECTION, DOT #7 was adopted.

[3:49:54 PM](#)

UNIVERSITY OF ALASKA

Representative Weyhrauch MOVED to ADOPT UA #1, which would amend language in Section 23 (b), including the terms of the tentative agreement, providing for transition of represented employees to the UA Choice Health Plan for university employees represented by certain entities. (Copy on File). Vice-Chair Stoltze OBJECTED for the purposes of discussion.

Representative Weyhrauch explained that the amendment recognizes the change in monetary terms of the contract relative to the tentative agreement to transition the University of Alaska union represented employees to the UA Choice Health plan.

Representative Kelly asked if the change resulted in a savings to the State. Representative Weyhrauch replied that there was no savings or expense associated with the action.

Representative Hawker requested that the University of Alaska comment on the amendment.

PETE KELLY, DIRECTOR, STATE RELATIONS, UNIVERSITY OF ALASKA, explained that without the addition of the requested language, the University would not be able to fund the request from proceeds nor recognize those existing contracts.

Vice-Chair Stoltze WITHDREW his OBJECTION. There being NO further OBJECTION, UA #1 was adopted.

[3:52:07 PM](#)

Representative Weyhrauch MOVED to ADOPT UA #2, which would add \$500 thousand MHTAAR 1092 dollars for an allocation to the Budget Reductions/Additions-System wide component. (Copy on File). He requested that the University testify on the amendment.

Mr. Kelly advised that the amendment would provide the University authority to receive the mental health authorized money to the University's Behavioral Health Program partnership for FY06.

Representative Hawker indicated his confusion. Mr. Kelly requested a brief at ease.

AT EASE: [3:53:54 PM](#)

RECONVENE: [3:59:44 PM](#)

[3:59:49 PM](#)

Co-Chair Chenault commented that UA #2 was more relative to HB 66. He suggested the amendment be addressed following the Language Section of HB 67.

[4:00:26 PM](#)

#### LANGUAGE AMENDMENTS

Co-Chair Meyer MOVED to ADOPT LANG #1, which would delete Section 22 (funding for political subdivisions' PERS). (Copy on File). Co-Chair Chenault OBJECTED for further clarification.

Co-Chair Meyer commented on the requested amount. The section appropriates \$37.5 million dollars of FY05 general funds to the Department of Administration to reduce the liability of political subdivisions to the public employees'

retirement system (PERS). He pointed out that it is the only FY05 effective date in the bill. He did not believe that the State currently has enough funds to cover the request without using the Capital Budget Reserve (CBR). He said it is a new program.

Co-Chair Meyer noted that he preferred the program proposed by Representative Moses' dividend. He believed that the municipalities should be held to the same standard. The reason to withhold would get them to help resolve the PERS/TERS issue. If the municipalities were paid, what would be the incentive for them to come to the table to help resolve the issue.

Representative Croft stated he was "stunned". He emphasized that it makes total sense to help out communities in some way particularly with the State's natural resource wealth. He believed that it was a mistake to discontinue revenue sharing and that the action would be a triple hit to the smaller communities. The impacted situation, hits people that are providing services on the ground level. The proposed measure would soften some of the pain providing some assistance to these problems. He pointed out that the cut does not get rid of any State bureaucrats and that the burden was again being passed on to the rural level. He recommended a partial cut.

[4:07:23 PM](#)

Representative Croft pointed out, the proposed \$300 million dollar increase in State general fund spending. To cut \$37.5 million dollars from local governments is impossible to justify given increased State spending.

Representative Hawker stated that he would support the amendment, understanding that the bill would not be moving from committee at this time. He commented that the issues could be discussed later. He recommended that the proposed activity could be better addressed through the Amerada Hess earnings. Representative Hawker recognized the controversy and thought that it would not compromise the Committee from working with the municipalities.

Representative Joule thought the possibility of addressing municipal dividends during the session was small; he was worried about the impact that the amendment will have. He emphasized that smaller communities are disappearing. He would not support the amendment.

[4:11:03 PM](#)

Co-Chair Meyer mentioned that he would be open to alternatives for long-term help for the municipalities. He thought that they could offer sales tax, property tax, or

bed taxes. He believed that the PERS and TERS increase could get the municipalities to help with the solution.

Co-Chair Meyer did not think that the State should use FY05 general funds to provide for the increase. The increase has already been spent and now it could only happen with dipping into the CBR account. He hoped that there was another solution.

Representative Joule mentioned "tools" available to the municipalities. He stressed that most of those communities were stretched to their maximum for raising any taxes. Almost every village has already raised taxes to the maximum that can be handled.

[4:13:38 PM](#)

Representative Kelly said his constituents have emphasized that legislators come home with a long-term solution to the PERS and TERS complication. He hoped to see it addressed this year. The municipalities are expecting a long-term solution. He thought that a "no" vote to the amendment would help to identify the PERS/TERS issue.

[4:15:54 PM](#)

KEVIN RITCHIE, ALASKA MUNICIPAL LEAGUE, JUNEAU, advised that creating a solution for the PERS/TERS concern is a top priority for the municipalities and the Alaska Municipal League (AML). The municipalities have been working with the Legislature to address these concerns. He stressed that the municipalities are open to alternative ways but that this is a huge cost issue for the municipalities. It would be a 5% salary hit to every municipality this fiscal year and 10% next year. What that means is that these municipalities would put 75% of their operating budget into salary; that would be significant in addition to losing Revenue Sharing. He noted concerns with the rising fuel costs. For every dollar increase, the State receives about \$65 million revenue dollars.

Mr. Ritchie emphasized that these are serious tax ramifications for the communities. There are a number of smaller communities that can tax but because of their size, they might only generate \$8,000 dollars. These communities are doing what they can. The ability to overcome a large financial hit is not feasible for some of the small communities. He warned that the proposed impact would affect the entire State and that it is a large problem. The assumption that municipalities can just keep raising taxes is incorrect.

[4:20:06 PM](#)

AT EASE: [4:20:34 PM](#)  
RECONVENE: [4:21:28 PM](#)

[4:21:31 PM](#)

Co-Chair Chenault WITHDREW his OBJECTION. Representative Croft OBJECTED.

A roll call vote was taken on the motion.

IN FAVOR: Hawker, Holm, Kelly, Stoltze, Foster,  
Chenault, Meyer  
OPPOSED: Joule, Wehrauch, Croft

Representative Moses was not present for the vote.

The MOTION PASSED (7-3).

[4:22:47 PM](#)

#### UNIVERSITY OF ALASKA

Representative Hawker MOVED to ADOPT UA #2, which was previously discussed addition of funds for the Budget Reductions/Additions - System wide. Co-Chair Chenault OBJECTED.

Representative Weyhrauch noted that he had already MOVED UA #2. (Copy on File). Representative Hawker stated that he had not concurred with the University of Alaska for incorporating that language.

Co-Chair Chenault WITHDREW his OBJECTION. There being NO further OBJECTION, UA #2 was adopted.

HB 66 and HB 67 were HELD in Committee for further consideration.  
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#### ADJOURNMENT

The meeting was adjourned at 4:25 P.M.