

HOUSE FINANCE COMMITTEE
April 18, 2005
1:46 p.m.

CALL TO ORDER

Co-Chair Meyer called the House Finance Committee meeting to order at [1:46:43 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

Katherine Farnham, Division of Public Assistance, Department of Health and Social Services; Ellie Fitzgerald, Chief, Policy and Program Development, Division of Public Assistance, Department of Health and Social Services; Angela Salerno, Executive Director, National Association of Social Workers Alaska Chapter; Cheryl Sutton, Staff, Senator Ben Stevens; Frank Homan, Commissioner, Commercial Fisheries Entry Commission; Representative Paul Seaton; Jerry McCune, United Fishermen of Alaska; Phelan Straube, Staff, Senator Ben Stevens; Senator Ben Stevens; Eddy Jeans, Director, Education Support Services, Department of Education and Early Development

PRESENT VIA TELECONFERENCE

Don Shircel, Director of Family Services, Tanana Chiefs Conference; Ed Martin, Sr., Kenai; Petria Falkenberg, Kenai, Red Smith, Cooper Landing; Fred Sturnam, Soldotna; Rocky Frank, Anchor Point; James Price, Nikiski; Ian Felton, Kenai

SUMMARY

CSSB 51(FIN)

"An Act relating to contracts for the provision of state public assistance to certain recipients in the state; providing for regional public assistance plans and programs in the state; relating to grants for Alaska Native family assistance programs; relating to assignment of child support by Alaska Native family assistance recipients; relating to paternity determinations and genetic testing involving recipients of assistance under Alaska Native family assistance programs; and providing for an effective date."

HCSSB 51 (FIN) was REPORTED out of Committee with a "do pass" recommendation and with four Department of Health and Social Services fiscal notes.

CSSB 93(FIN)

"An Act relating to commercial fishing permit and vessel license fees; and providing for an effective date."

CSSB 93 (FIN) was heard and HELD in Committee for further consideration.

CSSB 155(FIN)

"An Act making appropriations from the earnings reserve account for construction of an integrated science complex at the University of Alaska in Anchorage, for replacement of the virology laboratory in Fairbanks, for expansion of the Anchorage Museum of History and Art, for the major maintenance grant fund, and for other capital projects related to education; and providing for an effective date."

HCSSB 155 (FIN) was heard and HELD in Committee for further consideration.

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CS FOR SENATE BILL NO. 51(FIN)

"An Act relating to contracts for the provision of state public assistance to certain recipients in the state; providing for regional public assistance plans and programs in the state; relating to grants for Alaska Native family assistance programs; relating to assignment of child support by Alaska Native family assistance recipients; relating to paternity determinations and genetic testing involving recipients of assistance under Alaska Native family assistance programs; and providing for an effective date."

KATHERINE FARNHAM, DIVISION OF PUBLIC ASSISTANCE, DEPARTMENT OF HEALTH AND SOCIAL SERVICES, related the background of the Temporary Assistance for Native Families (TANF) program. She described the results of the Welfare to Work bill. Twelve regional native non-profit organizations and Metlakatla were designated to run temporary assistance programs. State funds were made available along with the federal funds. She explained the Alaska Native Family Assistance Program and the sunset date. SB 51 would allow this program to become permanent and would expand it from the four initial organizations, to the thirteen designated by the federal government. The end results have been great successes with a 66 percent caseload reduction.

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Ms. Farnham addressed the fiscal notes. She described the efforts of Cook Inlet Tribal Council to take on 600 new families. This would change the funding scenario starting July 1. There would be a reduction of \$2 million in general fund match, as well as a reduction of \$2.8 million in the federal receipt authority. She referred to a chart "FY06 Budget Impact for State-CITC Transfer", which showed the effects of the fiscal notes (copy on file.) The federal share goes directly to Cook Inlet and reduces the state's federal temporary assistance receipts. The state has to match 75 percent of the federal block grant with maintenance of effort general funds. As the federal floor lowers, so does the state match. She highlighted the advantages of the Cook Inlet program. Maniilaq and Bristol Bay Native Association are also planning to start up their own programs. She urged passage of SB 51.

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Representative Kelly noted that tribal governments are not recognized in Alaska. He asked why they are included in this funding. Ms. Farnham explained that the language used, "tribal TANF program", is from the federal level, and in Alaska they are regional Native non-profit programs. Each receiving grantee waives sovereignty immunity. Representative Kelly asked if it has no impact on the sovereignty issue. Ms. Farnham replied yes. Representative Kelly suggesting calling them 501(c)(3)'s. Ms. Farnham replied that they are. Representative Kelly maintained that it is a misuse of federal language. Ms. Farnham pointed out that in the actual statutory language "regional Native non-profits" is used.

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Representative Croft stressed that Alaska does recognize tribes, just not as governmental entities, for the purposes of receiving federal monies. Representative Kelly expressed

concern about allowing Indian Reservations to be established in Alaska.

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Ms. Farnham noted that "tribal" is used appropriately in the bill.

Representative Kelly clarified that he is not commenting negatively on the merits of the program.

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Representative Holm asked why Metlakatla is mentioned separately. Ms. Farnham explained that it was a late addition to the program. She noted that not all regional non-profits have the capacity to participate in a program. Representative Holm asked if Sealaska Corporation is a participant. She replied that Tlingit & Haida serves this area and the state serves Metlakatla. Representative Holm noted that Metlakatla is a federal reservation.

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In response to a question from Co-Chair Chenault, Ms. Farnham reported that "fair and equitable" is a process that examines caseloads for what the state currently spends on those families for work services, child support, etc. Co-Chair Chenault asked if that is for the three largest grantees. Ms. Farnham replied it is for the three current grantees and will be used for Cook Inlet, also. Co-Chair Chenault asked if race is a factor. Ms. Farnham replied that the aim is to assure that native nonprofits can serve the families in a way that is at least as well financed as when it was run by the state.

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MOLLY MERRITT DUREN, EMPLOYMENT & TRAINING SERVICES, COOK INLET TRIBAL COUNCIL (CITC), pointed out that her program has been providing case management services for eight years. She referred to the handout "Cook Inlet Tribal Council" (copy on file.) She described the reductions since the 1994 caseload. She related the mission of the tribal council and the services they provide. She indicated that CITC is ready to assume this responsibility.

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Representative Hawker endorsed the program and thanked Ms. Merritt Duren for her hard work.

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DON SHIRCEL, DIRECTOR OF FAMILY SERVICES, TANANA CHIEFS CONFERENCE, spoke with pride about the work done by the tribes of the interior. He testified in support of SB 51 because it allows for continuation and expansion of these programs.

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Co-Chair Chenault asked for an explanation of fiscal note #1 by the Department of Health and Social Services. He wondered if some of the money is federal money that goes back to the grant recipient. He suggested there might be general fund savings. He wondered if any state employees would be lost.

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Ms. Farnham responded that some federal money is leaving the department's budget and going directly to Cook Inlet. She explained the transfer and real savings. The first component is the Native Family Assistant Program, which increases by \$4 million. She pointed out that each fiscal note has a summary.

Ms. Farnham explained that the second fiscal note, the work services component related to case management, shows a reduction of \$1.3 million because of a move from grants to contracts.

Ms. Farnham explained that the third fiscal note relates to childcare benefits. It will no longer be spent directly, but will be part of the Cook Inlet program. This note does the best job of integrating the whole story. It shows the reduction of federal receipts because of high performance success. The match is at 75 percent. It is a \$5.7 million general fund reduction.

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Representative Croft questioned that number. Ms. Farnham replied that the net numbers show that the general fund reduction is actually \$2 million. Cook Inlet is the largest one that will be operating this way. Representative Croft asked how the difference between the \$5.7 million and the \$2 million is reconciled. Ms. Farnham replied that the largest difference is that \$3.6 million is being transferred to the native family assistance component. Representative Croft summarized that it is not a savings of \$5.7 million. Ms. Farnham replied that the \$2 million is the net savings.

Representative Foster asked how non-native families are served in rural areas. Ms. Farnham replied that there is a contract to serve both natives and non-natives. She termed it valuable to work with AVCP as a partner. This may work

for Bristol Bay as well. Representative Foster asked if there is an administrative fee. Ms. Farnham related that there is an acceptable small fee. It funds only two things: cash benefits to the family and administrative expenses.

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Representative Holm noted that CITC numbers have gone from 1,000 to 600. He inquired if there is true savings in employment and if those in state employment are considered unbiased and those in corporations, biased. He wondered if state and federal funds should be put into facility providers that would have a bias. Ms. Farnham addressed the impact to state workers. She reported that there would be no reduction in state employees and personnel. Caseloads are changing post-welfare reform dramatically, and a study needs to be done to track the increases and decreases. Some staff rearrangements are being considered. The department will do an analysis to better understand the trends.

Ms. Farnham addressed the fairness issue. She explained that native corporations use multiple funding strands and focus them on the family. The department is trying to integrate services more like Cook Inlet. The native organizations can provide a more integrated program. The department is looking at marketing family centered services.

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Representative Holm expressed appreciation for the presentation. He addressed a concern about an increase in staff when services are reduced. Ms. Farnham explained the success of the program depends on taking the savings and putting it back into services. Some of the families on public assistance still have serious needs, and at the end of the 5-year time limit would need more resources. Another reason is that the agency receiving the funds can use them in a variety of ways, some of which need more employers.

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Representative Kelly asked whether a person employed in a job out of the region counts, in areas with a 50 percent unemployment rate. Ms. Farnham responded that employment is employment; the end game is employment and self-sufficiency. Representative Kelly asked for statistics on out-of-region jobs. Ms. Farnham said they are not tracked once they exit the program and are employed.

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ELLIE FITZGARRALD, PROGRAM DEVELOPMENT, DIVISION OF PUBLIC ASSISTANCE, DEPARTMENT OF HEALTH AND SOCIAL SERVICES, explained the successes of the Leaver's Study. She related

that there is no data kept after six months. Representative Kelly suggested those would be interesting numbers to track.

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Representative Kelly asked about the permanence of the program. He wondered if the direction is wrong due to the loss of federal funds. Ms. Farnham clarified that this federal program is not on the "down slope" and has wide national support. She spoke about safeguards and explained that Senate Finance did add language to the bill that would protect Alaska from backfilling future holes. She referred to page 9, line 19, which addresses this concern. Each grant is negotiated annually, and the program is not destined to be cut.

Representative Foster thanked the department for the presentation. He MOVED to report CSSB 51 (FIN) out of Committee with individual recommendations and the accompanying fiscal notes.

Representative Kelly OBJECTED. He explained that he wants the word "tribal" out of the statutes. Ms. Farnham indicated that tribal is only referenced in conjunction with the federal tribal assistance program.

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Representative Croft noted that the 12 references to tribal in the bill are all in the context of a federally approved tribal family assistance program.

Representative Kelly referred to page 3, line 17, a reference to operating a tribal assistance program. He suggested "federal" should be added. Ms. Farnham explained the meaning of the line, noting that the intent is clear.

Representative Foster noted that it is easy to confuse sovereign and tribal. He related that the 13 native corporations are tribal organizations.

Representative Kelly WITHDREW his objection. There being NO OBJECTION, it was so ordered.

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At ease.

[2:52:03 PM](#)

CS FOR SENATE BILL NO. 93(FIN)

"An Act relating to commercial fishing permit and vessel license fees; and providing for an effective date."

CHERYL SUTTON, STAFF, SENATOR BEN STEVENS, explained that the bill addresses the commercial fisheries entry commission, which is fee-based funded. She related contributing factors which led up to the bill. SB 93 would bring the state into compliance with recent rulings in Carlson v. State of Alaska, raise the \$300 artificial cap on the base fee for annual permit renewal to \$3,000, and charges a non-resident fee differential of \$115 only once. She explained vessel license fees as they are related to the various categories.

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FRANK HOMAN, COMMISSIONER, COMMERCIAL FISHERIES ENTRY COMMISSION, concurred with Ms. Sutton's testimony regarding the need for the bill. He noted that the alternatives are not very good; to seek general funds or to reduce staff.

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Vice-Chair Stoltze asked Commissioner Homan if he has thought about not filling a commissioner position. Commissioner Homan responded that the commissioner's salary at the limited entry commission are set in statute.

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JERRY MCCUNE, UNITED FISHERMEN OF ALASKA, stated support for the Alaska Commercial Fisheries Entry Commission (CFEC) and for the committee substitute for SB 93.

[3:00:19 PM](#)

Representative Weyhrauch MOVED to ADOPT Amendment 1:

Page 2, lines 21 - 23:

Delete all material and insert:

"(4) over 75 feet - 100 feet	225
(5) over 100 feet - 125 feet	300
(6) over 125 feet - 150 feet	375
(7) over 150 feet - 175 feet	450
(8) over 175 feet - 200 feet	525
(9) over 200 feet - 225 feet	600
(10) over 225 feet - 250 feet	675
(11) over 250 feet - 275 feet	750
(12) over 275 feet - 300 feet	825
(13) over 300 feet	900."

Vice-Chair Stoltze OBJECTED for the purpose of discussion.

REPRESENTATIVE PAUL SEATON, spoke in support of Amendment 1, which would break the fees into 25-foot categories for smaller vessel levels. It would generate the same amount of money, but be more appropriate.

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In response to a question by Vice-Chair Stoltze, Representative Seaton explained that in the amendment CFEC addressed his concern that appropriate charges accompany the appropriate size of vessel.

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Ms. Sutton spoke in opposition to Amendment 1. She observed that the bill is a compromise between different areas of the state.

Representative Weyhrauch asked if there were not some basis for size delineations.

Ms. Sutton noted that she did not see the amendment prior to the meeting and the sponsor would not approve of it.

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Co-Chair Meyer felt that the amendment has some merit.

Representative Croft summarized that the same amount of money would be raised, but that the fee would be tilted toward the larger vessels. Representative Seaton noted that the fee would increase according to the size of the vessel. The top fee would be \$900.

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Commissioner Homan, provided information about the intention of the amendment. He noted that CSSB 93 (FIN) provides a straight 20 percent increase as a compromise between larger and smaller vessels. The amendment changes the amount by adding more categories, which spreads out the costs.

Mr. Homan explained that there are more boats in the smaller fee categories. He expressed concern that the amendment not jeopardize the legislation.

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Co-Chair Meyer questioned if the smaller boats are generally owned by Alaskans and the larger boats are owned by out-of-state interests. Mr. Homan confirmed that idea.

SB 93 was HELD in Committee for further consideration.

[3:13:18 PM](#)

At ease.

[3:17:55 PM](#)

CS FOR SENATE BILL NO. 155(FIN)

"An Act making appropriations from the earnings reserve account for construction of an integrated science complex at the University of Alaska in Anchorage, for replacement of the virology laboratory in Fairbanks, for expansion of the Anchorage Museum of History and Art, for the major maintenance grant fund, and for other capital projects related to education; and providing for an effective date."

SENATOR BEN STEVENS, sponsor, explained that SB 155 is a one-time appropriation bill for major projects across the state. The bill retires the entire deferred maintenance list of the Department of Education and Childhood and Early Development, \$142 million for 70 projects across the state. The bill funds new construction of schools and some rehabilitation projects. The third part of the bill funds university projects across the state. The fourth part of the bill appropriates money for a museum in Anchorage. He suggested that all projects are a lasting investment, education-related, and affect future generations of Alaskans. He encouraged support of the bill.

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Co-Chair Meyer spoke about the possibility of adding new funding amendments. He asked how flexible the sponsor is. Senator Stevens said the flexibility is contingent upon the three criteria of the bill. He said he is opposed to a one-time debt service relief such as the request from his school district.

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Representative Hawker applauded the bill. He asked for comments on the fund source and the impact on future permanent fund dividends. Senator Stevens referred to the last page of a handout by the Department of Education and Early Development on the Effect of "One-Time" Earnings Reserve Account Withdrawal in FY06 on the Dividend Check (copy on file.) He stated that the money he has paid for education as a property tax owner over 15 years has been ten times greater than the impact on future dividends.

Representative Hawker summarized that the cost absorbed by individual Alaskans over 15 years is \$300. Senator Stevens shared that that would be his kindergarten son's impact. He emphasized that it is well worth the effort.

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Representative Croft referred to the 1999 permanent fund vote and asked why the permanent fund would be used now that oil is at \$50 per barrel and there is a great reserve in the government's saving account. Senator Stevens related that the difference is that this is a one-time source. He opined that "earnings reserve for government" means the annual operation expenses and a continuing fund source. This bill is an investment in state assets, a transfer of an asset, not expenditure. He implied that the return of the investment is non-tangible, due to the savings in school improvements and the benefits to students.

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Representative Kelly asked what chance the bill has. Senator Stevens replied "one step at a time". He said he hoped there is enough evidence for the House Finance Committee to consider this bill.

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Representative Hawker requested more discussion about the capital projects major maintenance list.

Co-Chair Meyer inquired if this bill is part of the capital budget. Senator Stevens replied it is not, it is a stand-alone appropriation.

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Senator Stevens referred to the Department of Education and Early Development list and reported that there are 71 projects throughout Alaska (copy on file.) He related that it would be many years before so many maintenance needs would surface again. Current appropriation bills only address the top 20 projects.

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Vice-Chair Stoltze stated appreciation for the efforts of Senator Stevens. He speculated that the bill would not wipe out all maintenance needs and there would be new requests next year. Senator Stevens noted that in order to be eligible for this list, schools had to have a department-approved maintenance program.

Co-Chair Meyer asked if some of the new school projects could be completed with the 70/30 match. He wondered if this bill would set a precedent. Senator Stevens replied that it was not a major consideration when the bill was written. He related a story about his children, M & M's and issues of fairness. He noted that the same concept applies to this bill, which is an attempt to meet many needs.

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Co-Chair Meyer noted that this is a bold bill.

Representative Foster commented that there is nothing in the capital budget for his district. He agreed with the use of the funding source. He repeated that his district receives nothing.

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Senator Stevens said that the competition for resources is fierce. This bill is an attempt to eliminate one of the areas of competition, the deferred maintenance list. He addressed whether Alaska is benefiting in the best way, the way the fund is currently being managed. He related the history of the fund and the how checks are paid out. He suggested that the fund is an underutilized asset, and it should be transferred to facilities that generate a different type of return instead of a monetary return.

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Co-Chair Meyer pointed out that school maintenance is a good use for these funds. He questioned if Amerada Hess funds should be used for these projects. Senator Stevens replied that the Senate has not mingled the two sources. Co-Chair Meyer suggested that is another funding source. He implied that the Amerada Hess is also "dead money".

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Representative Weyhrauch noted that the debate on this bill is a tune up for future debates about the use of the permanent fund. He stated that he analyzes this bill on an independent basis. He opined that the most valuable return on the investment is the contribution that kids will make in the future.

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ED MARTIN, SR., KENAI, opined that raiding the permanent fund is against the Alaskan's will, which was expressed by a statewide vote in 1999. He suggested that there is very strong support against the bill. He testified against SB 155.

[3:55:43 PM](#)

PETRIA FALKENBERG, KENAI, spoke in opposition to HB 155. She referenced the vote in 1999 against tapping the permanent fund. She shared details of a recent survey where the majority voiced opinion against the bill.

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RED SMITH, COOPER LANDING, voiced concern about using the permanent fund for projects in this bill. He maintained that the people own the fund. He testified in opposition to HB 155.

[4:01:03 PM](#)

FRED STURNAM, SOLDOTNA, testified in opposition to HB 155.

[4:03:17 PM](#)

JAMES PRICE, NIKISKI, spoke in opposition to HB 155 because the people voted not to use the permanent fund for this purpose.

[4:06:36 PM](#)

IAN FELTON, KENAI, testified in opposition to HB 155.

[4:06:59 PM](#)

ROCKY FRANK, ANCHOR POINT, speaking as a senior citizen, spoke in opposition to HB 155. He suggested giving a one-time permanent fund payout.

[4:09:08 PM](#)

Co-Chair Meyer closed public testimony.

Co-Chair Meyer related that a new CS for SB 155, incorporating new amendments, would be drafted.

ADJOURNMENT

The meeting was adjourned at 4:10 PM