

MINUTES
SENATE FINANCE COMMITTEE
May 3, 2005
9:15 a.m.

CALL TO ORDER

Co-Chair Green convened the meeting at approximately [9:15:51 AM](#).

PRESENT

Senator Lyda Green, Co-Chair
Senator Gary Wilken, Co-Chair
Senator Fred Dyson
Senator Bert Stedman
Senator Lyman Hoffman
Senator Donny Olson

Also Attending: GINGER BLAISDELL, Staff to Senator Lyda Green; PETE ECKLUND, Staff to Representative Kevin Meyer; ROB CARPENTER, Fiscal Analysis, Legislative Finance Division; DOUG LETCH, Staff to Senator Gary Stevens; JOE BALASH, Staff to Senator Gene Therriault and Aide to the Legislative Budget & Audit Committee; RICHARD BENAVIDES, Staff to Senator Bettye Davis; EDDY JEANS, Director, Division of School Finance, Department of Education and Early Development; RICHARD MANDSAGER, M.D., Department of Health and Social Services; MATT ROBUS, Director, Division of Wildlife Conservation, Department of Fish and Game; KELLY KEPLER, Director, Division of Sport Fish, Department of Fish and Game

Attending via Teleconference: From an Offnet Site: JERRY FULLER, Medicaid Director, Office of Program Review, Department of Health and Social Services; KIM FLOYD, Representative, Mat-Su School District; Mat-Su: TOM RYAN; From Anchorage: TORA GERRICK

SUMMARY INFORMATION

SB 46-APPROP: CAPITAL BUDGET

The Committee heard from Committee staff and the Department of Fish and Game. A committee substitute was adopted and to it 36 amendments were considered with 30 adopted and three amended and adopted. The bill was held in Committee.

HB 187-AMERADA HESS INCOME; CAPITAL INCOME FUND

The Committee heard from the bill's sponsor and the Division of Legislative Finance. The bill reported from Committee.

SB 102-COASTAL MANAGEMENT PROGRAMS

The Committee heard from the bill's sponsor as well as staff from the office of Senator Gene Therriault. A committee substitute and three amendments were adopted, and the bill reported from Committee.

SB 22-MEDICAID COVERAGE FOR BIRTHING CENTERS

The Committee heard from the bill's sponsor, the Department of Health and Social Services, and took public testimony. A committee substitute was adopted and the bill reported from Committee.

SB 192-SCHOOL CONSTRUCTION BOND REIMBURSEMENT

The Committee heard from the bill's sponsor, the Department of Education and Early Development, and took public testimony. The bill was held in Committee.

HB 178-SPECIAL REQUEST LICENSE PLATES

The bill reported from Committee.

SB 125-LICENSING MEDICAL OR CARE FACILITIES

The bill heard from the Department of Health and Social Services, and the bill reported from Committee.

SB 78-SENIOR CARE PROGRAM

The bill was scheduled but not heard.

#sb46

SENATE BILL NO. 46

"An Act making capital appropriations and appropriations to capitalize funds; and providing for an effective date."

This bill had previously been heard in the Senate Finance Committee.

[9:16:44 AM](#)

Co-Chair Green noted that a revised work draft, Version 24-GS1074\Y was before the Committee for consideration. Version "Y" contains a few changes as a result of the Committee discussion on the previous work draft, Version 24-GS1074\G. Ms. Blaisdell, Co-Chair Green's capital budget aide, would explain the changes to the Committee. Amendments to Version "Y" would be addressed when the Committee reconvened at approximately 4:00 P.M. this afternoon. To that point, she asked that Committee Members provide amendments by 3:00 P.M.

GINGER BLAISDELL, Staff to Senator Green, verified that the Version "Y" work draft had been distributed.

Co-Chair Wilken moved to adopt committee substitute Version "Y" as the working document.

Co-Chair Green objected for explanation.

Ms. Blaisdell explained the changes contained in Version "Y". Pages one through 74 include the individual agency requests for projects that would be typically included in a Capital Budget. Governor Frank Murkowski originally submitted the majority of those requests. She pointed out that a large component of the bill is dedicated to named recipients grants and grants to communities. The majority of those are requests of Legislators. Some of those requests might be separately included under specific Departments such as the Department of Transportation and Public Facilities.

Ms. Blaisdell characterized pages 75 through 90 as being "the contingent section" of the bill that would finance SB 155 education projects. That section would be unfunded were SB 155 adopted; however, were SB 155 to fail, its education projects would be funded from the general fund.

Ms. Blaisdell stated that approximately \$60,000,000 of Amerada Hess interest earnings would be appropriated to the projects identified in Sec. 6 on page 91. There is also an additional section pertaining to the Capital Income Account. However, she noted that that Account must be established prior to enacting the language included in Sec. 6.

Co-Chair Green noted that the Capital Income Account, which is addressed in SB 187, would be heard during today's Committee meeting.

Ms. Blaisdell continued that Sec. 7 on page 91 would provide the authorization for Legislative Budget & Audit and other general provisions that are typically included in Capital Appropriation

Budgets.

[9:20:21 AM](#)

Ms. Blaisdell stated that language in Sec. 13 pages 93 through 106 would address the supplemental appropriations that were originally presented in SB 97.

[9:20:54 AM](#)

Ms. Blaisdell identified that language in Sec. 13 differs from that of the previous version of the bill. Sections 13(f) and 13(g) on page 93 would provide two appropriations to the Division of Retirement and Benefits, Department of Administration, for work relating to SB 141.

[9:21:27 AM](#)

Ms. Blaisdell informed the Committee that due to a drafting error, a correction must be made in Sec. 20, page 96, lines 17 and 18. The language reading "the sum of \$34,563,300 is appropriated from the general fund to the Alaska Debt Retirement Fund" should be deleted from the bill.

Ms. Blaisdell noted that language referring to the Alaska Gas Pipeline appropriations is located on page 21 of the bill. That language would mirror the language contained in the previous work draft.

Ms. Blaisdell noted that language in Sec. 35, subsection (d), page 106, lines 12 through 14, pertaining to the Expenditures by the Department of Commerce, Community and Economic Development for the ratification of the Qualified Trade Association contract, differs from the language in the previous work draft.

Ms. Blaisdell stated that Sec. 36, pages 106 through 119, would begin the reappropriation language in the bill. Any appropriations that might be lapsing would be addressed in this section.

[9:23:35 AM](#)

Ms. Blaisdell noted that Sec. 52 pages 119 through 122, beginning with the Department of Administration, would also address reappropriations. This language is identical to the language that was forwarded in SB 97, the supplemental bill.

Ms. Blaisdell continued that Sections 60 and 61, page 122, would pertain to the provisions of the Capital Income Fund. A number of

calls and emails were received "regarding the necessity of having" these sections in the bill. Were the Capital Income Fund bill adopted, this provision must be included, as absent it, existing language would mandate that the funds go to Permanent Fund rather than the Capital Income Account.

[9:24:51 AM](#)

Co-Chair Green understood therefore that this language would be "null and void" were SB 187 to fail.

Ms. Blaisdell concurred. This concluded the explanation of the committee substitute.

Senator Hoffman asked for assistance in locating the agency requests for \$825,000 for the Bethel Courthouse; the \$233,900 Department of Health and Social Services request for the security system for the Bethel Youth Facility; the one million dollar Department of Commerce, Community and Economic Development request for the Bethel Learning Center; and the one million dollar federal receipt request for the Department of Natural Resources coastal wetlands grant. He asked whether these or any other agency requests might have been excluded in this version of the bill.

[9:26:53 AM](#)

Ms. Blaisdell responded that the Governor had originally proposed the use of Amerada Hess bonds as the funding mechanism for the Bethel Courthouse project. Due to the fact that the Legislature has not passed a bond bill, efforts were made to identify other fund sources to support as many of the Amerada Hess funded projects as possible. No funds to support the Bethel Courthouse project were identified. She stated that further review of the funding relating to the Department of Health and Social Services request for enhanced security for the Bethel Youth facility would be required.

Senator Hoffman pointed out that the security needs of the Bethel Youth Facility were identified by the Department of Health and Social Services as being its number one priority.

[9:27:38 AM](#)

Ms. Blaisdell stated that further review of that funding request would be undertaken.

Ms. Blaisdell communicated that no funds were identified to replace the Amerada Hess funding to support the Bethel Learning Center.

Senator Hoffman clarified that the original funding for the Bethel Learning Center was general funds

Ms. Blaisdell responded therefore, that the decision was made to not fund that facility. Choices had to be made in light of limited general funds.

[9:27:58 AM](#)

Senator Hoffman asked regarding the decision to exclude the one million dollars federal receipts request for the Department of Natural Resources coastal wetlands grant.

Ms. Blaisdell responded that, while no State general funds would be required, three similar federally funded projects were removed from the capital budget. The decision to remove those projects was a policy call, as further understanding pertaining to the use of the land and the impact that accepting those federal funds might incur on the Alaska Department of Natural Resources and its management of that land would be desired.

Senator Hoffman requested that, at some future point in time, the Department of Natural Resources could testify in regards to that concern. He ascertained that absent this endeavor, more problems could occur in these areas; specifically in regards to land that is held privately. Acquiring land, with the assistance of these federal grants, could assist in averting problems being experienced with privately held lands, for example, with the Chignik Dip Net Fishery.

[9:30:07 AM](#)

Co-Chair Green asked Senator Hoffman whether he was a member of the Committee's Natural Resources subcommittee.

Senator Hoffman replied in the negative.

[9:30:19 AM](#)

Co-Chair Green recalled that that subcommittee had raised questions regarding "the line of command" and other procedures associated with this funding. Further information would be sought.

Senator Hoffman noted that, based upon the forthcoming information, an associated amendment might be developed. He requested that the Department of Natural Resources be present to respond to questions in this regard.

Co-Chair Green reminded the Committee that amendments would be considered during the afternoon hearing on this bill.

[9:31:22 AM](#)

Ms. Blaisdell requested that amendments be submitted in written form rather than through telephonic or email communication.

Co-Chair Green asked Ms. Blaisdell whether the written amendments should be provided prior to the 4:00 PM hearing.

Ms. Blaisdell responded that that would be welcome, time permitting.

Senator Hoffman remarked that he was targeting noon as his amendment submittal deadline.

[NOTE: the Version "Y" committee substitute was formally adopted after the following At Ease.]

Co-Chair Green ordered the bill HELD in Committee.

AT EASE [9:32:40 AM](#) / [9:36:06 AM](#)

SENATE BILL NO. 46

"An Act making capital appropriations and appropriations to capitalize funds; and providing for an effective date."

The bill was again before the Committee.

Co-Chair Green removed her objection to adopting the committee substitute.

There being no further objection, Committee Substitute Version "Y" was adopted as the working document.

The bill was HELD in Committee.

[NOTE: Additional action on this bill was conducted later in the meeting. See Time Stamp 5:00:22 PM.]

[9:36:22 AM](#)

#hb187

CS FOR HOUSE BILL NO. 187(FIN) (efd fld)

"An Act relating to money deposited into the Alaska permanent fund as a result of the settlement of State v. Amerada Hess; relating to the Alaska capital income fund and to deposits of income from State v. Amerada Hess settlement money into the Alaska capital income fund."

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

PETE ECKLUND, Staff to Representative Kevin Meyer, the bill's sponsor on behalf of Governor Frank Murkowski, explained that this bill would establish the Alaska Capital Income Fund "within the General Fund and would authorize the deposit into that fund of earnings received ... from the Amerada Hess lawsuit." The Amerada Hess (AH) Settlement was the end result of a 1982 lawsuit the State filed against oil and gas companies. At the time, "both State and federal judges expressed concerns about the capacity of Alaskan judges and juries to participate in the case on an impartial basis in light of the fact that earnings on that portion of any recovery in the case would be deposited into the Permanent Fund and be used to pay Permanent Fund Dividends to all Alaskan juries and judges." This led to the enactment of Alaska Statute (AS) 37.13.145(d) that required the interest earned on that lawsuit's settlement money to be deposited into the principal of the Permanent Fund. Furthermore, it directed that no earnings derived from that money could be used to fund Permanent Fund Dividends.

Mr. Ecklund stated that this action eliminated the impartiality concern regarding the Permanent Fund Dividend (the Dividend) amount. Although the AH case was settled, there remains the possibility that it could be reopened or subject to arbitration. Approximately \$424,000,000, including earnings and inflation proofing, is contained within an AH subaccount in the Permanent Fund. This bill would propose to retain the AH subaccount at the \$424,000,000 level, but to move money that would be contributed to inflation proof the subaccount into another portion of the Permanent Fund principal.

Mr. Ecklund stated that this bill would authorize the earnings on the AH principal, which is estimated to be \$25,000,000 to \$30,000,000 annually, to be deposited into the new Alaska Capital Income Fund (ACIF). Money deposited into the ACIF could be utilized to support "any valid public purpose".

Mr. Ecklund noted that the 2006 Capital Budget bill, SB 46, would include provisions to utilize approximately \$60,000,000 "of these earnings" to support capital projects.

Mr. Ecklund assured the Committee that this endeavor would not impact the calculation of the Dividend "and is neutral on the dollar amount of each Alaskan's Dividend".

[9:39:03 AM](#)

In response to a question from Senator Dyson, Mr. Ecklund restated the fact that "this legislation is neutral on the dividend"; it has no impact on either the calculation of the Dividend or the amount of each Dividend check.

[9:39:14 AM](#)

Co-Chair Wilken, referencing the chart titled "Current System" [copy on file) provided by the sponsor, asked the reason the decision was made to establish the ACIF instead of specifying that the money be utilized for the debt reimbursement fund.

Mr. Ecklund responded that the Committee could alter the proposal to specify that the earnings from the ACIF be utilized to support the debt retirement fund.

[9:39:45 AM](#)

Mr. Ecklund stated that the decision not to do that at this time was based on the fact that "the debt retirement fund is a sweepable fund". There would be no sweepability concern were the earnings appropriated to support capital projects.

[9:40:00 AM](#)

Co-Chair Green understood that the language in this bill would not prohibit using the earnings for debt retirement.

Mr. Ecklund affirmed. The money "could be used for any valid public purpose." Once the money is deposited into the ACIF, it could be used for such things as debt retirement, capital projects, operating budgets, and future bond obligations.

Co-Chair Wilken asked for confirmation that the funds in the ACIF would be non-sweepable.

Mr. Ecklund clarified that the ACIF would be sweepable, however, as proposed in the capital budget bill, the money deposited into the ACIF could be utilized to fund capital projects in the capital budget.

Co-Chair Green understood therefore, that in order to prevent the funds from being sweepable, they must be identified as the funding mechanism in the capital budget, for instance.

Mr. Ecklund explained that, "when the money is appropriated from the Alaska Income Fund to capital projects, those capital projects are then non-sweepable".

Co-Chair Green understood therefore, that when ACIF money "is used in a capital project or for debt reimbursement, and is paid out, it's not sweepable".

Mr. Ecklund clarified that any balance in the debt retirement fund would be sweepable. On the other hand, "capital projects that have been appropriated are non-sweepable".

[9:41:35 AM](#)

Senator Stedman asked regarding "the mechanics of sweepability" and whether ACIF could be structured to prohibit its funds from being swept. In addition, he asked how the AH earnings would be calculated.

[9:42:18 AM](#)

Mr. Ecklund stated that "most funds are sweepable". The FY 06 capital budget would propose "to expend the money that flows into the" ACIF for capital projects, as, once that money is appropriated for a capital project, that capital project would not be subject to the sweep. He reiterated that most funds are sweepable, and that the "very few exceptions" to that would include the new education fund that was created this year and the Power Cost Equalization (PCE) Endowment Fund.

Senator Stedman asked whether this fund could be protected from the sweep.

Mr. Ecklund responded that "the Department of Administration is the entity that makes" the determination as to which funds would be sweepable. A multitude of standards and calculations are involved in the endeavor. He deferred to the Department of Administration in this regard.

Senator Stedman asked regarding the calculation that would determine how much money would be deposited into the ACIF.

[9:44:24 AM](#)

Mr. Ecklund replied that a representative of the Alaska Permanent Fund Corporation, Department of Revenue could best answer that question; however, he understood that "the earnings on this subaccount would be calculated the same way as the earnings of the rest of the Permanent Fund".

Senator Stedman asked whether "any smoothing mechanism" would be incorporated or whether an annual calculation would be automatically moved into the account. He surmised that the calculation would be conducted at the conclusion of each fiscal year, as that would provide the information to the Governor in time to incorporate it into his budget proposal that is due by December 15th of each year.

Mr. Ecklund confirmed that the funding transfer would not occur until the end of the fiscal year. The amount could be estimated earlier.

Co-Chair Green asked whether it would be possible to calculate this year's amount based on last year's actual performance. That would assist in removing the estimation factor.

Mr. Ecklund supported estimating the amount rather than basing it on last year's performance; the amount would be easier to pinpoint as the end of the fiscal year nears. Approximately \$30,000,000 has been the recent historical range.

Co-Chair Green concluded therefore that the range of estimation, at this point, is pretty narrow; there might be a deviation range of \$2,000,000 or \$3,000,000 from the actual amount. She questioned "whether the forecasting could be that close".

Mr. Ecklund affirmed that it could.

[9:46:39 AM](#)

Senator Stedman ascertained that this process would differ from that of estimating oil prices, which are based on such things as volume and price. When "operating within the portfolio confines of the Permanent Fund, it depends on their buying and selling, profit taking or losses, and then dividend income". He asked why, for budgetary purposes, a one-year lag time had not been proposed. That would allow any money that might remain in the ACIF to be utilized rather than swept. Were the amount based on the prior year, it, in its entirety, could be appropriated.

[9:48:09 AM](#)

Mr. Ecklund responded that the Governor's capital budget proposal included \$340 million of AH bonding. "It appears that that is not going to happen" and different sources were identified with which to fund the capital budget. This proposal is one area that the House of Representatives accepted.

Senator Stedman rephrased his question. The question was not in regards to "the mechanics" utilized this year; it "is more of a policy decision" as to whether there might be the desire to "put forth mechanisms within the budgetary process to get a higher predictability of the revenue stream that we are going to be working with". Imbedding a one-year delay on this proposal would provide exact figures as opposed to dealing with fluctuating market conditions and other influences. Doing so would provide "a cleaner budgetary cycle".

[9:50:30 AM](#)

Co-Chair Green asked whether the bill might contain "that retroactivity", as she noted that Sec. 4, page two lines 27 through 30 of the bill specifies that Sections 1-3 of this bill are retroactive to July 1, 2004. Therefore, half of the year would be "a look-back".

Mr. Ecklund replied that, "the bill does contain a retroactivity clause that would allow the FY 05 earnings to be used in the FY 06 capital budget".

Co-Chair Green understood therefore that the FY 05 amount would be an "actual" amount.

Mr. Ecklund stated that it would be "very close" to being actual.

Co-Chair Green understood that were \$60,000,000 allocated to FY 06 capital projects through this process, the Legislature would be able to review the actual FY 05 fiscal year amount, and, were the actual amount to be \$2,000,000 less than anticipated and appropriated, they would be able to utilize a mechanism to "repair" that funding shortfall issue. Either a project would not be furthered or it might be addressed through a supplemental request. The latter would not be preferred. She stated that some flexibility might be available.

[9:52:44 AM](#)

Co-Chair Green voiced uncertainty as to whether a one-year look-back had been discussed. She stated that the interest would remain in the AH account until withdrawn to fund a project.

[9:53:28 AM](#)

Mr. Ecklund remarked that the earnings would flow into the capital income fund, and from there, they would flow to whatever appropriation the Legislature had specified, such as the capital projects proposed in the Governor's FY 06 capital budget. Were sufficient funds unavailable to fund the entirety of the projects specified for FY 06, a supplemental request could be provided. In addition, ACIF FY 07 deposits could be used to fund previously authorized projects. There would be methods to fully fund a capital project in the FY 06 budget.

Co-Chair Green expressed therefore that "the shortfall" could be corrected.

[9:54:37 AM](#)

Senator Stedman understood "the backfill mechanism" options. However, "it's a policy call" as the Legislature could fund projects with funds from the year 2010. The question is whether "we want" to develop a budget based on an estimate of projected funds subject to financial market volatility, with "the potential" to backfill the allocation "or do we want to work with a number certain". He stated that it would be easier to develop a budget with a "number certain".

[9:55:46 AM](#)

Co-Chair Green asked whether the legislation would require that the entirety of the interest earnings deposited into the ACIF must be utilized.

Mr. Ecklund responded in the negative, the amount "would be subject to appropriation".

Co-Chair Green asked whether it might be possible for the "number certain" approach, as suggested by Senator Stedman, to encounter an under-funding situation.

Mr. Ecklund affirmed that the Legislature could specify an amount of \$100,000,000, and only \$20,000,000 might be earned.

[9:56:35 AM](#)

In response to a question from Co-Chair Green, Senator Stedman voiced that he had no further comments. He had made his point.

Senator Dyson asked to language in the Sponsor's Statement [copy on file] that professes that ending the inflation proofing of the AH principal would "maintain a static balance in the AH principal". To that point, he asked whether "any unrealized gains as the result of the growth of the value of what ever instruments that money is invested in" would remain in the AH principal account.

[9:57:49 AM](#)

Mr. Ecklund responded that the current \$424,000,000 Amerada Hess principal balance is the static amount being referenced. He was unsure as to how the account would be affected by unrealized gains or losses. A representative of the Alaska Permanent Fund Corporation would best respond to the question.

Senator Dyson expressed that the reference to "maintaining a static balance" should not prohibit the account from growing and appreciating due to inflation proofing and "prudent investments over time".

Mr. Ecklund explained "the current practice with the Amerada Hess subaccount" by stating that the account consists of its earnings and an inflation-proofing amount, as determined by the Permanent Fund Corporation. Once the earnings are determined, the inflation-proofing amount is subtracted from the earnings amount, and the earnings balance is deposited into the subaccount. This is required by Statute, as none of the subaccount's earnings could be used in the calculation of the Dividend. Therefore, the subaccount has experienced growth by both its earnings and the inflation proofing.

Mr. Ecklund stated that this bill "would freeze the principal amount for accounting purposes at \$424,000,000. The inflation proofing amount that is applicable to the \$424,000,000" would be deposited into the other portion of the Permanent Fund principal rather than into the AH subaccount.

Senator Dyson clarified that his question pertained to "the value" of the AHS rather than to its earnings or the inflation-proofing calculations. Continuing, he commented that the fund might appreciate due to its investments; therefore, he was asking for assurance that the increasing value of the fund that might result from its own investments would not removed from the account "to be spent".

Mr. Ecklund assured that the fund's "unrealized gains and unrealized losses are not included in the calculation of principal".

Senator Dyson acknowledged.

[Co-Chair Wilken assumed chair of the meeting.]

[10:01:50 AM](#)

Senator Stedman asked the reason that the State would take an asset at, for example, the \$424,000,000 level and not inflation-proof it. That would serve to erode the level at, for example, three-percent a year. Inflation-proofing the account "would not affect the rest of the Permanent Fund anyway because this is a separate [indiscernible] entity." Halting the inflation-proofing of the AH subaccount and instead depositing that money into the Permanent Fund would serve to over-inflate an already over-inflated account, and would serve to reduce the purchasing power of the AH subaccount over time. Every year the account "would go backwards". He could not "understand the conceptual long-range goal here".

[10:03:20 AM](#)

Mr. Ecklund stated that the House of Representatives had discussed inflation-proofing the sub-account. The Governor's proposal had not included inflation-proofing the subaccount. The House decided that in an effort to not diminish the total value of the principal of the Permanent Fund, the subaccount would be included in the amount upon which the total inflation proofing calculation would be calculated. The question is whether the desire would be to grow the subaccount, which could not be used for dividends, or, as proposed, to spin off money to be used for any valid public purpose. That would be a policy call.

Senator Stedman warned that a short-range view of the issue could be "easily captivating". The Governor presented a concept that has been altered. The long-range ramifications of the proposal should be considered.

[NOTE: Co-Chair Green resumed Chair of the Committee.]

[10:04:44 AM](#)

Senator Stedman avowed that a slow erosion of the subaccount's purchasing power would not be desired. Inflation-proofing the account would not have any affect, as the inflation dollars are already being calculated, and therefore, instead of crediting the inflation-proofing into the Permanent Fund, which is already inflation proofed, the money should be credited to the principal of the AH subaccount to, "at least, keep the purchasing power constant over time". Inflation-proofing this account would be an easy fix.

He warned that it is "conceptually easy to walk away from inflation proofing, but, absent this endeavor, there would be "substantially less capital available to us" in ten years.

[10:06:00 AM](#)

Senator Hoffman ascertained therefore that the question would be whether to continue the buying power of the AH subaccount or to enhance the calculation of the Dividend, by crediting the inflation-proofing money into the Permanent Fund corpus rather than into the AH subaccount.

Senator Stedman responded that the answer to that question would depend on whom you ask. Numerous people would be concerned about protecting the Permanent Fund and their Dividend.

Senator Stedman stated that the AH money "today ... is a virtual subaccount of the Alaska Permanent Fund and has never had an affect on the Dividend calculations". Were the desire to redirect the earnings from the AH settlement, which is an "entity that does the State no good at all other than a growing pot of money", in a similar manner to how the State uses the earnings of the Permanent Fund, while continuing to inflation proof the AH subaccount, would "at least" hold "its purchase power constant over time". He did not anticipate this being an issue to most of the people in the State.

Senator Dyson viewed an investment that does not exceed the rate of inflation as "a lousy investment". "What we have been calling inflation proofing is just kind of supplemental income to increase the principal." Therefore, his question would be to the reason that the State should inflation proof investments as opposed to just making wise investments that ought to, traditionally, double the CPI [consumer price index]."

[10:08:26 AM](#)

Co-Chair Green asked Rob Carpenter of the Division of Legislative Finance to explain, among other things, how the amount of interest earned on the AH Settlement would be calculated under this legislation.

ROB CARPENTER, Fiscal Analyst, Division of Legislative Finance, understood that some of the Committee's concerns revolve around the issues of how not inflation proofing the AH subaccount would affect it, and "that the income stream would be very flat because the principal amount would not change". "The principal idea behind" the current AHS process "is to avoid a change in the actual amount of the Dividend", as no part of the AH subaccount is factored into the

Dividend calculation. "Therefore, any inflation-proofing of the AMS portion will reduce future Dividends".

Co-Chair Wilken understood that Senator Stedman's desire would be to, rather than contributing, for example, the entire eight percent earnings, or \$32,000,000, on the approximate \$400,000,000 subaccount balance into the ACIF to support public purposes, three percent of that amount would be retained to inflation-proof the AH subaccount and the five-percent balance, or \$20,000,000 would be provided to the ACIF. Such action would continue to maintain the purchasing power of the AH subaccount. Senator Stedman has identified the need for there to be a policy call regarding whether the AH subaccount should be a static account in terms of dollars or in purchasing power.

[10:11:23 AM](#)

Senator Stedman responded that Co-Chair Wilken's interpretation is "very close" to his intent. The desire would be that in ten years, the equivalent purchasing power would be available "to work for us".

Co-Chair Wilken concluded therefore, that the discussion has returned to Senator Dyson's question regarding the definition of static: static in terms of purchasing power or static in terms of dollars.

Mr. Ecklund stated that the House had discussed this issue. "In rough numbers", inflation proofing "the AH subaccount with its own earnings" would provide a payout of approximately \$21,000,000 rather than the full \$30,000,000 to support public purposes. The effort being undertaken "was to fund as many capital projects as possible" using as many funding sources as possible, including utilizing the money that might be provided by this legislation. This proposal could be adopted and revisited in the future.

[10:12:43 AM](#)

Senator Dyson communicated his difficulty in "integrating the answers" that have been provided. It would appear that the \$400,000,000 plus money would appreciate in value, and have increasing purchasing power and increased earnings without being inflation proofed.

[10:13:27 AM](#)

Mr. Carpenter reviewed the manner in which the Permanent Fund currently works. The AH, the entire ERA (Earnings Reserve Account),

and the principal are all invested through the Permanent Fund's asset allocation. They have both "an unrealized and a realized earnings flow. The realized earnings stream is their statutory net minus the Am Hess which then goes back into the Am Hess principal" along with all its earnings.

Mr. Carpenter continued that this bill would flow the entire realized earnings associated with the AH subaccount balance of \$425,000,000 into the capital income account. There would be no inflation proofing. Any realized earnings would be paid out. "There could be an accounting of unrealized gains associated with that Am Hess portion, but the way the principal of the Permanent Fund works, that just a part of the Permanent Fund unrealized earnings"... "The principal of the Permanent Fund is just an accounting notion; whereas the market value of the Permanent Fund is far in excess."

[10:14:42 AM](#)

Senator Dyson asked the reason why the unrealized gains of the Amerada Hess could not stay with the Amerada Hess principal and therefore would be an appreciated [indiscernible due to cough]".

[10:15:05 AM](#)

Mr. Carpenter stated that this would be possible; "it would be a matter of structuring it that way".

[10:15:16 AM](#)

Co-Chair Green stressed the fact that the bill contains "all 'may' language". It would not require that this action must be taken each year. It simply states that the Legislature "may provide money to the Capital Income Fund".

Mr. Ecklund appreciated that clarification. In response to Senator Stedman's concerns, he noted that, through the inclusion of the term "valid public purpose", the Legislature could choose to reappropriate money in the ACIF back into the Amerada Hess subaccount.

Co-Chair Green reiterated that this legislation would not establish "a mandate"; there would not be an automatic process. Any use of the funds must proceed through the budgetary process. A valid public purpose must be demonstrated.

Mr. Carpenter commented in regards "to the cash flow from the Fund". He pointed out that because most capital projects could not

be completed within one year, a shortfall in ACIF funding allocated for a specific year, might not be that critical. "The revenue would seem to fall into place in future years."

Co-Chair Green affirmed that "the State generally leaves money on the table each year"; capital money is not entirely spent each year as reflected by the fact that the budget contains money from previous years' allocation that have lapsed. "Some of those projects never even got started" or were only halfway completed.

Co-Chair Green ordered the bill to be SET ASIDE.

AT EASE [10:17:14 AM](#) / [10:20:52 AM](#)

CS FOR HOUSE BILL NO. 187(FIN) (efd fld)

"An Act relating to money deposited into the Alaska permanent fund as a result of the settlement of State v. Amerada Hess; relating to the Alaska capital income fund and to deposits of income from State v. Amerada Hess settlement money into the Alaska capital income fund."

The bill was again before the Committee.

Co-Chair Wilken moved to report the bill from Committee with individual recommendations and accompanying fiscal notes.

There being no objection, CS HB 187(FIN) (efd fld) was REPORTED from Committee with zero fiscal note #2 dated April 26, 2005 from the Department of Revenue.

[10:22:03 AM](#)

#sb102

CS FOR SENATE BILL NO. 102(RES)

"An Act relating to an extension for review and approval of revisions to the Alaska coastal management program; providing for an effective date by amending the effective date of sec. 45, ch. 24, SLA 2003; and providing for an effective date."

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

DOUG LETCH, Staff to Senator Gary Stevens, the bill's sponsor, testified in support of the forthcoming committee substitute,

Version 24-LS0491\P, that would be being presented by Joe Balash, staff to Senator Gene Therriault. The Version "P" committee substitute would further Senator G. Stevens' desire to provide additional time in which coastal districts could revise their plans pertaining to Statutes that were implemented two years prior.

Co-Chair Green pointed out that the addition of such language added ten pages to the previous version of the bill.

Mr. Letch affirmed.

Co-Chair Green observed that those ten pages must contain a lot of repeat language and very little actual change.

[10:22:44 AM](#)

JOE BALASH, Staff to Senator Gene Therriault and Aide to the Legislative Budget & Audit Committee, stated that committee substitute, Version 24-LS0491\P would accomplish four things. It would extend by six months, with one exception, the entirety of the deadlines specified in HB 191, which had been adopted two years prior. The proposed six-month extension would be acceptable to the Governor Frank Murkowski Administration. The exception to the six-month extension would be the deadline pertaining to "the submission of the revised local plans": those plans would receive a two-month extension. This would allow coastal districts to review "what standards" the federal Office of Ocean and Coastal Resource Management (OCRM) approved before the coastal districts provided their final submissions.

Mr. Balash continued that one portion of the ten-page bill increase would be attributed to the July 1, 2011 termination or "sunset" component of the program. This date would provide sufficient time in which "the full implementation" of the changes to the coast management program could occur. It would also allow time for federal approval of both the State standards and the local district plans, as well as "four years of operation of the program". This timeframe would be similar to what the State provides to the operation of its boards, commissions, and other regulatory bodies.

Mr. Balash noted that the committee substitute would clarify the scope of the local district plans and would also "automatically make changes to the old district plans that the Legislature has twice indicated in the past three years that it would like to see made".

[10:24:24 AM](#)

Mr. Balash informed the Committee that some changes must be made to the Version "P" committee substitute. One of those changes would pertain to language in Sec. 14(b) page 11 lines 10 through 16, as the original language in AS 46.40.030(b) must be re-incorporated. In addition the word "may", as denoted on line 12 should be changed to the word "shall".

Co-Chair Wilken moved to adopt committee substitute Version 24-LS0491\P as the working document.

There being no objection, Version "P" was ADOPTED as the working document.

Conceptual Amendment #1: This amendment reinstates the original Statute language into Sec. 14(b) page 11 lines 10 through 16. In addition, the word "may" in that original language is replaced with the word "shall". The revised language reads as follows.

(b) In developing enforceable policies in its coastal management plan under (a) of this section, a coastal resource district shall meet the requirements of AS 46.40.070 and shall not duplicate, restate, or incorporate by reference statutes and administrative regulations adopted by state or federal agencies.

Senator Dyson moved to adopt Conceptual Amendment #1.

There being no objection, Conceptual Amendment #1 was ADOPTED.

Mr. Balash explained that other changes are requested in regards to language in Sec. 20 page 12, line 25. Currently, language in Sections 1 through 13 provides "the clean up language and the entirety of the references to the Coastal Management Program consistency determinations in other areas of statute. Sec. 17, which is a fairly lengthy repeal section is designed to be a sunset provision that will be renewed in the future". However, no provision is included in the bill "that links to direction for the" Division of Legislation Audit "to conduct a sunset review". Therefore, another conceptual amendment would be requested to specify "that the Alaska Coastal Management Program be added to AS 44.66.020."

In response to a comment by Co-Chair Green, Mr. Balash clarified that AS 44.66.010 is a listing of boards and commissions, whereas AS 44.66.020 is a list of programs that would be eligible for audits.

Amendment #2: This amendment inserts language into the bill that

adds the Alaska Coastal Zone Management program to AS 44.66.020 in order to make it audit eligible.

Co-Chair Wilken moved to adopt Conceptual Amendment #2.

There being no objection, Conceptual Amendment #2 was ADOPTED.

Mr. Balash stated that the Governor Frank Murkowski Administration has requested "that they be granted authority to issue emergency regulations to implement this Act". Legislative Legal and Research Services has informed the bill's sponsors that the Department of Natural Resources "already has the statutory authority necessary, they simply need to issue a written finding ... that an emergency exists." However, the Department of Natural Resources has requested that such language be included in the bill for clarification purposes.

Amendment #3: This amendment amends uncodified law to add a new section that reads as follows.

Sec. 4. The uncodified law of the State of Alaska is amended by adding a new section to read:

EMERGENCY REGULATIONS: The need to adopt regulations consistent with this Act is declared an emergency, and the Department of Natural Resources shall proceed to adopt emergency conforming regulations to implement the provisions of this Act.

AT EASE [10:30:39 AM](#) / [10:33:35 AM](#)

Co-Chair Wilken moved to adopt Conceptual Amendment #3.

There being no objection, Conceptual Amendment #3 was ADOPTED.

Co-Chair Wilken moved to report the bill, as amended, from Committee with individual recommendations and accompanying fiscal notes.

There being no objection, CS SB 102 (FIN) was REPORTED from Committee with zero fiscal note #2 dated March 8, 2005 from the Department of Commerce, Community and Economic Development; zero fiscal note #3 dated March 8, 2005 from the Department of Fish and Game; zero fiscal note #4 dated March 14, 2005 from the Department of Environmental Conservation; and new a zero fiscal note dated May 3, 2005 from the Department of Natural Resources.

[10:35:15 AM](#)

#sb22

SENATE BILL NO. 22

"An Act adding birthing centers to the list of health facilities eligible for payment of medical assistance for needy persons."

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

Co-Chair Wilken moved to adopt committee substitute Version 24-LS0209\F as the working document.

There being no objection, the Version "F" committee substitute was ADOPTED as the working document.

Co-Chair Green communicated that during this bill's committee hearing process, the concern was "expressed about the fact that we have no doubt a very very legitimate cause for support for midwifery centers and the funding". She noted that the State's Medicaid program has been based on federal Medicaid standards; consequently, language has been included in Section 1(B) on page one, lines ten through twelve of the Version "F" committee substitute to specify that birthing centers, which are included in the definition of health facilities, would be eligible for funding "under the State plan approved under AS 47.07.040 by the United States Department of Health and Human Services".

[10:37:16 AM](#)

RICHARD BENAVIDES, Staff to Senator Bettye Davis, the bill's sponsor, asked that clarification be provided in regards to whether the language in Version "F" would require the Department of Health and Social Services to develop an amendment to the State's plan or whether the State should wait for a federal determination as to whether they would fund midwifery centers.

Co-Chair Green voiced being uncertain of the State's procedure in this regard. The State might be able to develop the required language. She assumed that the inclusion of midwifery centers would require federal policies to be rewritten in regards to what would be deemed acceptable for federal Medicaid "reimbursables". States must be able to provide input and ask that "various things be added to the list". She understood that the procedure in this regard has been a point of ongoing discussion.

Co-Chair Green stressed that it is not the desire of the Finance

Committee to provide "100 percent State Medicaid dollars for programs that are not currently funded with federal Medicaid." "The list would be endless and it would be very very difficult." Since the State "is subject to federal Medicaid with their arbitrary changes, it's very difficult" for the State, on its own, "to expand" what the State would pay, even though that use might be considered "very legitimate" and might save money. That point could be argued.

[10:39:58 AM](#)

Mr. Benavides noted that during the bill's hearing in the Senate Health, Education, and Social Services Committee that Department of Health and Social Services had communicated that, were the bill to pass, the Department would be required to develop an amended plan in order to have a determination made by the federal government as to whether they would accept it. Thus the reason for his question as to whether the Department would be directed to further that endeavor or whether the federal government would make the determination as to whether they would expand their coverage. The committee substitute is unclear in its direction to the Department.

[10:40:54 AM](#)

Co-Chair Green stated that input from the Department must be sought. In the meantime, she voiced the understanding that the Department did not object to the bill. Therefore, she would not be surprised were the Department to advance an amendment to the federal Medicaid program.

Mr. Benavides asked that he be allowed to clarify this further with the Department and provide their response to the Committee.

Co-Chair Green agreed.

JERRY FULLER, Medicaid Director, Office of Program Review, Department of Health and Social Services, testified via teleconference from an offnet site, and stated that, were the bill approved by the Legislature, the Department would submit language for federal approval. He concurred with Co-Chair Green's earlier remarks as to the fluidness of the policies occurring in the federal Medicaid program.

In response to a question from Co-Chair Green, Mr. Benavides stated that Mr. Fuller had answered his question.

Co-Chair Green noted her intention to move this bill from Committee. In the interest of time, she asked teleconferencing

participants to briefly state their position on the bill.

[10:42:43 AM](#)

Mr. Fuller informed the Committee that the Department has a neutral position on this bill

[10:43:01 AM](#)

TOM RYAN, testified via teleconference from Mat-Su and communicated that this bill would provide a "great benefit" to both the State and its citizens. It would save the State money and provide Alaskans other health care options.

[10:43:29 AM](#)

TORA GERRICK testified via teleconference from Anchorage in support of the bill.

[10:43:45 AM](#)

Senator Dyson, noting that he is one of bill's co-sponsors, thanked Co-Chair Green for her ability "to see things" that he had missed.

Senator Dyson moved to report the committee substitute from Committee with individual recommendations and new fiscal note.

Co-Chair Green noted that a new fiscal note would accompany the bill, as the previous one contained language that was "problematic".

There being no objection, CS SB 22(FIN) was REPORTED from Committee with a new zero fiscal note dated April 28, 2005 from the Department of Health and Social Services.

[10:45:10 AM](#) [10:45:54 AM](#)

#sb192

SENATE BILL NO. 192

"An Act relating to reimbursement of municipal bonds for school construction; and providing for an effective date."

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

Co-Chair Green, the bill's sponsor, explained that this bill would

extend the original January 1, 2005 termination date applicable to the public school construction dept reimbursement program to July 1, 2006. This one and a half year program extension would allow schools to bond and solicit State assistance in building and renovating schools. While the Sponsor Statement primarily addressed school expansion needs in the Mat-Su Valley area, which is the State's "most problematic area", for over population in its schools, many school districts have similar expansion needs. Were the current student growth trend to continue in the Mat-Su area, a new school would need to be constructed each year. "It is very difficult to keep up and keep our classrooms, not only in sizes, ... but to provide for enough services ... for all our students." She noted that areas of the Mat-Su Valley that had previously experienced little growth are now being developed. Other districts throughout the State are also experiencing construction and renovation needs.

[10:48:45 AM](#)

EDDY JEANS, Director, Division of School Finance, Department of Education and Early Development, stated that "the Department is opposed to the extension" of this program "at this time". When the Legislature authorized the debt reimbursement program in the year 2002, they had included a provision requiring that the Department provide a report by February 1, 2006 that would review the effectiveness of the school construction grant and school construction debt reimbursement program.

Mr. Jeans reminded the Committee that a separate State General Obligation (GO) bond package was authorized in the year 2002 that provided funding for Rural schools. The citizens of the State had approved the school construction debt reimbursement program, and approximately \$728,000,000 in school construction projects have been authorized throughout the State. The Department is requesting that it be provided time to review the resulting financial impacts on the State and develop a report that would convey to Legislators what the anticipated annual debt would be under this program. \$84,000,000 in debt expenses would be included in the FY 06 budget with the anticipation for that number increasing were additional bonds sold.

Senator Dyson appreciated the Department's desire to undertake the study. He asked regarding any specific school construction projects that could be affected by this legislation.

[10:51:22 AM](#)

Mr. Jeans identified that the Mat-Su School District would have

some needs. The Anchorage School district has also identified needs they would like to present to their voters. The Department would appreciate being able to review "the effectiveness" of that program before an extension occurred.

[10:51:57 AM](#)

Senator Olson asked whether this bill would affect school construction in Bush Alaska.

[10:52:13 AM](#)

Mr. Jeans clarified that the debt reimbursement program "is only available to municipal school districts" such as the Northwest Arctic Borough and the North Slope Borough. Areas such as the Lower Kuskokwim/Lower Yukon school areas would not be affected by it.

[10:52:32 AM](#)

Senator Olson asked therefore for an example of how this legislation would affect the Northwest Arctic Borough and the North Slope Borough.

Mr. Jeans responded that those Boroughs could develop a proposal for local voter approval. A proposal approved by the local voters would either qualify for the 70-percent or 60-percent reimbursement. He pointed out that this legislation, like the legislation that was passed in the year 2002, would not impose "any limits by region."

[10:53:16 AM](#)

Co-Chair Wilken recalled that either a provision in SB 155-APPROP: SCHOOLS/UNIV/VIROLOGY LAB/MUSEUM or the FY 06 Capital Budget bill, would allow projects in organized Alaska to be funded at a 70-percent State/30-percent local funding ratio "under the grant provision". Therefore, he understood that this legislation would be required in order to conduct a community vote on local school projects in, for instance, the Mat-Su Borough or the Fairbanks North Star Borough.

Mr. Jeans asked for further clarification of the question.

Co-Chair Wilken expressed that a provision of SB 155 or in the Capital Budget would apply to named projects in organized Alaska. Those projects would be included in the list of the traditional 70/30 reimbursement funding mechanism. Therefore absent this legislation, an organized borough would be unable to develop a

proposal for local voter consideration.

[10:54:42 AM](#)

Mr. Jeans replied, "that is not correct". The grants specified in SB 46-BUDGET: CAPITAL & OTHER/ BRF are grant projects through the Department of Education and Early Development. The projects and their funding levels as identified in that bill "are the State's share at 70-percent." The municipality would be responsible for "a 30-percent local match on top of that".

[10:55:11 AM](#)

Co-Chair Wilken asked regarding the procedure were the municipality to desire to fund their 30-percent match with bond money; specifically whether this legislation would be required in order to conduct a Statewide vote.

Further Committee discussion in this regard ensued.

In order to clarify the funding mechanism at hand, Mr. Jeans clarified that there are two different programs. One is grant program in which "the Legislature lists out the grant projects in the State's share". AS 14.11.008 specifies the participating share for that grant program. The program being discussed in this legislation refers to AS 14.11.100, which is the debt reimbursement program. Were this legislation adopted, "then a municipality would take before their voters the entire project, issue bonds for the entire project, and the State would either reimburse them at 70 or 60 percent, depending on the individual project's legibility." This funding mechanism "is quite a bit different than the grant program."

Co-Chair Green opined that the programs "are similar but different."

Mr. Jeans replied that they "are similar in terms of what the participating share is."

Co-Chair Green acknowledged.

Mr. Jeans continued that under the grant program, "the State is providing the 70-percent up front".

Co-Chair Green surmised therefore that the school district would not be required to expend money and then get reimbursed.

Mr. Jeans affirmed.

[10:57:02 AM](#)

Co-Chair Green understood that "the authority to go to bond is implied in the Capital bill".

[10:57:14 AM](#)

Mr. Jeans responded that in the capital bill, municipalities could bond for their local share. "Municipalities could bond for 100-percent of a project right now; it would simply not be reimbursable by the State at any rate."

[10:57:30 AM](#)

Co-Chair Wilken therefore, questioned the need to further this legislation prior to the Department's report being developed, since \$120,000,000 in school construction needs would be included in SB 155 or in the capital budget. He understood that that amount of money would address districts' needs.

[10:57:53 AM](#)

Co-Chair Green responded that those bills would provide less than one-half of the Mat-Su School District's needs. However, she allowed that, based on increased enrollment, the Mat-Su District might be alone in their situation. Other districts might desire this funding mechanism and might be eligible, depending on what is passed or offered. Were the capital bill in its current form to pass, it would provide funding for the next year, but not for the Mat-Su District's anticipated future needs. Again, she qualified that the Mat-Su District might be unique in its population growth. She asked the Department to elaborate on this issue.

[10:58:53 AM](#)

Mr. Jeans expressed that the population of "the Mat-Su Borough is growing at tremendous rate" and its schools "are operating at capacity". However, some schools in the State are currently operating at 200 percent capacity.

Co-Chair Green understood therefore that other schools have similar needs.

Mr. Jeans affirmed.

[10:59:21 AM](#)

Senator Hoffman recalled the original legislation as being a "very contentious issue." The crux of that dialogue is that, while areas such as the Mat-Su Valley are experiencing tremendous growth, the Legislature acts on behalf of the whole State. Without Legislative action, nothing would occur in regards to the unorganized areas of the State. All areas of the State should benefit from the oil and gas revenues generated from the North Slope; quality education opportunities should be provided to children under the age of 17 in all areas of the State. This was an issue during the debate on the original legislation. A list for school construction projects has been developed that amounts to approximately \$527,000,000. In the past, a percentage of schools would be built in Rural areas of the State. A formula must be developed that would consider the education needs of the entire State. He suggested that the Department address this issue in its report. An amendment was discussed during the development of the original authorization that addressed this issue.

Senator Hoffman stated that the advent of a Gas Pipeline would result in more and more school needs throughout the State. This issue must be discussed and resolved on a long term basis rather than being "piecemealed" in legislation such as this. The majority of the Rural projects addressed in the Capital Budget are major maintenance needs rather than new school construction needs.

[11:02:42 AM](#)

Senator Hoffman asked therefore whether the scope of this legislation could be limited to specifically address the needs of the Mat-Su Valley.

[11:04:01 AM](#)

Co-Chair Green agreed that a "valid discussion" must be had. She noted that the FY 06 Capital budget is totally different from previous budgets in regards to its "huge investment Statewide".

[11:04:34 AM](#)

Co-Chair Wilken provided an overview of pending school construction legislation: approximately \$260,000,000 would be specified through either SB 155 or the Capital Budget including \$118,000,000 for school construction and \$141,000,000 for major maintenance. \$69,900,000 would be provided to "people that don't pay a nickel for their schools"; organized Alaska would be provided \$72,000,000. He doubted that a formula could be developed that would be any fairer as the funding is fairly evenly divided. A formula would be a matter of importance only when everyone in all parts of the State

contributed equally to education. That should be a consideration.

[11:06:22 AM](#)

KIM FLOYD, Representative, Mat-Su School District, testified via teleconference from an offnet site and voiced appreciation for the Committee's discussion on this legislation. Continuing, she spoke to the fact that the Mat-Su District is experiencing "unprecedented enrollment growth" and is the fastest growing school district in the State. This growth is projected to continue. State demographers' projections were incorrect and "have been revised to reflect reality." Currently all classrooms are overcrowded and portable classrooms are being utilized. 28 portables in addition to the current 48 would be required to meet enrollment needs next year. However, the District has only enough funding to construct five. While she acknowledged the Department's desire to complete their report, she characterized the District as being "out of time". While the District has compiled a 20-year plan that is updated annually, its construction needs are a "day late and a dollar short". Voters understand the situation and would "support critically essential projects". She asked that the Committee approve the extension of the bond debt reimbursement program. She also spoke in support of SB 155. The District is considering every opportunity thought which to address its student growth needs.

Co-Chair Green ordered the bill HELD in Committee.

Co-Chair Green announced that the Committee would reconvene at approximately 4:00 PM in order to address amendments to SB 46. Other legislation would also be considered.

RECESS TO CALL OF THE CHAIR [11:10:03 AM](#) / [4:26:40 PM](#)

#hb178

CS FOR HOUSE BILL NO. 178(STA) am
"An Act relating to special motor vehicle registration plates;
and providing for an effective date."

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

Co-Chair Green stated that this legislation would allow the use of specialty license plates on commercial vehicles. She noted that during the previous hearing on this bill, there had been a question in regards to the "correctness" of the fiscal note. To that point, a new \$45,000 fiscal note dated May 2, 2005 from the Department of

Administration has been provided.

Co-Chair Wilken moved to report the bill from Committee with individual recommendations and accompanying fiscal note.

There being no objection, CS FOR HB 178(STA) am was REPORTED from Committee with a new \$45,000 fiscal note dated May 2, 2005 from the Department of Administration.

[4:28:28 PM](#)

#sb125

CS FOR SENATE BILL NO. 125(JUD)

"An Act relating to the licensing, regulation, enforcement, and appeal rights of ambulatory surgical centers, assisted living homes, child care facilities, child placement agencies, foster homes, free-standing birth centers, home health agencies, hospices or agencies providing hospice services or operating hospice programs, hospitals, intermediate care facilities for the mentally retarded, maternity homes, nursing facilities, residential child care facilities, residential psychiatric treatment centers, runaway shelters, and rural health clinics; relating to possession of a firearm at licensed entities and facilities; relating to criminal history requirements, and a registry, regarding certain licenses, certifications, approvals, and authorizations by the Department of Health and Social Services; making conforming amendments; and providing for an effective date."

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

Co-Chair Green explained that this legislation would relate to the licensing, regulation, and reinforcement of medical or care facilities. She specified that this legislation would have no fiscal impact, as zero fiscal notes accompany it. Four Committee Members heard testimony on this bill during its hearings before the Senate Health, Education, and Social Services (HES) Committee. Due of an inadvertent oversight on her part, the intent to waive the bill from Committee had not occurred. Therefore the bill is before the Committee with the desire that a brief discussion occur.

[4:29:03 PM](#)

RICHARD MANDSAGER, M.D., Director, Division of Public Health, Department of Health and Social Services explained that,

originally, a zero fiscal note from the Department accompanied this bill. A Department of Law zero fiscal note was subsequently added to account for a federal grant that would provide for the expenses the Department of Law might experience in its regulation revision and review.

Dr. Mandsager stated that this legislation "would bring together" in a standardized manner the different statutory and regulatory authorities for the various entities such as hospitals, nursing homes, hospice, and assisted living homes that the Department licenses. This legislation would make the process easier for these entities to manage.

Dr. Mandsager continued that the bill would align background check processes for employees and entities that provide services to vulnerable Alaskans. Public and criminal information regarding such issues as abuse, fraud, neglect, or Medicaid fraud would be streamlined to develop a measurement to determine which individuals would be prohibited from working in the affected fields. Were this bill adopted, one entity would monitor the background checks.

[4:30:15 PM](#)

Co-Chair Green spoke to "the consistency" that this legislation would provide to the different users and providers of services. It would provide one set of qualifiers as opposed to multiple sets as is the current mode of operation. In addition, higher standards would be implemented.

Dr. Mandsager affirmed. He noted that currently, the Department does not conduct background checks on the entirety of the entities it might license. In addition, some employers voluntarily conduct background checks on its employees and others do not. This legislation would align the same standard to all entities. This information is included in the Department's "Public Health Protecting and Promoting The Health of All Alaskans" handout [copy on file] that is included in Members' bill packets.

[4:31:08 PM](#)

Senator Olson asked whether there has been any response from small clinics or single practitioner in the State in regard to the impact this legislation might incur on them.

Dr. Mandsager explained that this legislation would only apply to entities that the Department currently licenses. Therefore single doctor offices and health aid clinics that the Department does not currently license would not be affected by this legislation.

Co-Chair Wilken moved to report SB 125 (JUD) from committee with individual recommendations and accompanying fiscal notes.

There being no objection, SB 125 (JUD) was REPORTED from Committee with previous zero fiscal note #2 dated February 28, 2005 from the Department of Health and Social Services and zero fiscal note #3 dated April 12, 2005 from the Department of Law.

AT EASE: [4:32:00 PM](#) / [5:00:22 PM](#)

#sb46

SENATE BILL NO. 46

"An Act making capital appropriations and appropriations to capitalize funds; and providing for an effective date."

The bill was heard earlier in the meeting and was held to allow Committee members to prepare amendments to the Version "Y" committee substitute.

Amendment #1: This amendment inserts a new Alaska Native Heritage Center component to the Grants to Named Recipients (AS 37.05.316) Budget Request Unit (BRU) of the Department of Commerce, Community and Economic Development on page 3, lines 30 and 31. This amendment also appropriates \$500,000 general funds to the component.

Senator Dyson moved for adoption.

Co-Chair Green objected.

Senator Dyson expounded on the Alaska Native Heritage Center and its displays depicting "all the major cultural aboriginal groups in Alaska." The Center is utilized for education purposes of the history and heritage of Alaska's first people. This funding would be utilized to upgrade existing exhibits and construct new exhibits to display artifacts currently held in storage. He understood this funding had been included in the Governor's FY 06 capital budget request.

Co-Chair Green maintained her objection.

[5:02:13 PM](#)

Senator Olson furthered that the Center has received funding from private sources and that the funding requested in this amendment is necessary to complete the project.

Co-Chair Wilken commented that the Center is a benefit. However when initially funded, the intent was expressed that the facility would be self-supporting.

A roll call was taken on the motion.

IN FAVOR: Senator Hoffman, Senator Dyson, Senator Hoffman

OPPOSED: Co-Chair Green Co-Chair Wilken, Senator Stedman

ABSENT: Senator Bunde

The motion FAILED (3-3-1)

The amendment FAILED to be adopted.

Amendment #2: This amendment inserts a new Local Boundary Commission, Chugiak Eagle River Detachment Study (HD [house district] 17-18) component to the Grants to Named Recipients (AS 37.05.316) BRU of the Department of Commerce, Community and Economic Development on page 3, lines 30 and 31. This amendment also appropriates \$50,000 general funds to the component.

Senator Dyson moved for adoption.

Co-Chair Green objected.

Senator Dyson explained that the community of Eagle River wished to organize but need a study conducted to determine whether it would be economically viable. An analysis was conducted the previous year but the funding was insufficient to provide a complete assessment.

[5:05:21 PM](#)

Co-Chair Green asked the legislators requesting this.

Senator Dyson listed himself, Representative Bill Stoltze, Senator Con Bunde and Representative Mike Hawker.

Co-Chair Green asked the amount of funding remaining from the earlier effort.

Senator Dyson answered \$25,000.

Co-Chair Green commented against the additional allocation.

A roll call was taken on the motion.

IN FAVOR: Senator Dyson, Senator Hoffman, and Senator Olson

OPPOSED: Senator Stedman, Co-Chair Wilken, and Co-Chair Green

ABSENT: Senator Bunde

The motion FAILED (3-3-1)

The amendment FAILED to be adopted.

[5:06:54 PM](#)

Amendment #3: This amendment inserts a new Arctic Winter Games Team Alaska component to the Grants to Named Recipients (AS 37.05.316) BRU of the Department of Commerce, Community and Economic Development on page 3, lines 30 and 31. This amendment also appropriates \$250,000 general funds to the component.

Senator Olson moved for adoption.

Co-Chair Green objected.

Senator Olson described the international competition comprised of contestants from urban and rural communities.

AT EASE: [5:07:56 PM](#) / [5:08:35 PM](#)

Co-Chair Green noted the two groups seeking funding for the Games. She asked whether this amendment would provide funding for preparations to hold the event in Kenai or for expenses associated with the team representing the State.

Senator Olson answered that this money would support the Alaska team itself.

Co-Chair Green commented that a request for this purpose had not been submitted earlier.

Co-Chair Wilken agreed that no representative of the Games had approached the legislature prior to this. He would not support the amendment, as more effort should have been made.

A roll call was taken on the motion.

IN FAVOR: Senator Hoffman, Senator Olson, and Senator Dyson

OPPOSED: Co-Chair Wilken, Senator Stedman, and Co-Chair Green

ABSENT: Senator Bunde

The motion FAILED (3-3-1)

The amendment FAILED to be adopted.

Amendment 4A: This amendment inserts a new African American Historical Society Juneteenth Celebration component to the Grants to Named Recipients (AS 37.05.316) BRU of the Department of Commerce, Community and Economic Development on page 3, lines 30 and 31. This amendment also appropriates \$30,000 general funds to the component. Accompanying explanatory language reads as follows.

This would help fund the capital costs for the celebration of Juneteenth. The grant would provide funding for the tents, shelters, display units, exhibits, equipment and supplies necessary to continue their educational objectives during this public outreach celebration.

This amendment also reduces the appropriation to the Department of Commerce, Community and Economic Development, Grants to Municipalities (AS 37.05.315) BRU, Muldoon Road, Tudor Road Sound Barrier Fence (HD 17-32) component on page 24, lines 3 - 6 from \$600,000 general funds to \$590,200 general funds. Accompanying explanatory language reads as follows.

This project will construct a sound barrier fence between a major arterial street and local neighborhoods. (Project design has been funded and construction could occur in 2005.)

Senator Hoffman moved for adoption.

Co-Chair Green objected.

Senator Hoffman explained that the African American Historical Society hosts the Juneteenth Celebration on the third Saturday in June to commemorate the abolition of slavery in the United States. This event has been celebrated in Anchorage for 30 years.

[5:12:20 PM](#)

Senator Hoffman continued that the Society exists to promote and preserve the historical recognition and culture of the African Americans living in Alaska.

Co-Chair Green maintained her objection.

A roll call was taken on the motion.

IN FAVOR: Senator Hoffman and Senator Olson

OPPOSED: Senator Stedman, Senator Dyson, Co-Chair Wilken, and Co-Chair Green.

ABSENT: Senator Bunde

The motion FAILED (2-4-1)

The amendment FAILED to be adopted.

[5:14:24 PM](#)

Amendment 4B: This amendment inserts a new Russian Jack Elementary School Computer & Library Book Purchase component to the Grants to Named Recipients (AS 37.05.316) BRU of the Department of Commerce, Community and Economic Development on page 3, lines 30 and 31. This amendment also appropriates \$20,000 general funds to the component. Accompanying explanatory language reads as follows.

This funding would be used to purchase Apple eMacs to replace older machines, which cannot run today's powerful educational software. This would also be utilized for the purchase of more books and materials to upgrade their library collection.

Senator Hoffman moved for adoption and overviewed the explanation statement.

There being no objection, the amendment was ADOPTED.

AT EASE: [5:14:48 PM](#) / [5:15:07 PM](#)

[5:15:43 PM](#)

Amendment #5: This amendment increases the general fund allocation to the Department of Commerce, Community and Economic Development, Grants to Named Recipients (AS 37.05.316) BRU, Alaska Siberia Research Center, Inc. - Alaska Siberia WWII Memorial Park Construction (HD 7-11) component on page 4, lines 8 - 11 from \$40,000 to \$65,000. Accompanying explanatory language reads as follows.

In the 5/2/05 work draft Version "F" there was \$65,000 appropriated to the project which funds the Lend Lease Memorial Park project.

In the 5/3/05 work draft Version "Y" this funding was reduced

to \$40,000 due to a technical drafting error by the legislative finance division. This amendment simply corrects this drafting omission.

Co-Chair Wilken moved for adoption.

Co-Chair Green objected for an explanation.

Co-Chair Wilken explained the drafting error this amendment would correct.

Without further objection, the amendment was ADOPTED.

[5:17:01 PM](#)

Amendment #6: This amendment increases the general fund allocation to the Department of Commerce, Community and Economic Development, Grants to Named Recipients (AS 37.05.316) BRU, Mary Magdalene Home Alaska, Inc. - Transitional Housing Program Facilities (HD 17-32) on page 6 lines 30 - 33 from \$250,000 to \$263,500.

Senator Dyson moved for adoption.

Co-Chair Green objected for an explanation.

Senator Dyson reminded that when the decision was made to not fund a separate project, \$13,000 remained unallocated. This amendment would appropriate that amount to the Mary Magdalene Home project.

Co-Chair Green asked if this addition would bring the total funding to the "discretionary amount" requested.

Senator Dyson replied that it would not, as the \$250,000 proposed appropriation is \$50,000 less than requested.

There being no further objection, the amendment was ADOPTED.

[5:18:21 PM](#)

Amendment #7: This amendment increases the general fund allocation to the Department of Commerce, Community and Economic Development, Grants to Named Recipients (AS 37.05.316) BRU, Midnight Sun Council, Boy Scouts of America - Boy Scout Food Service component on page 7 lines 3 - 6 from \$40,000 to \$60,000. Accompanying explanatory language reads as follows.

In the 5/2/05 work draft Version "F" there was \$80,000 appropriated to the project.

In the 5/3/05 work draft Version "Y" this funding was reduced to \$40,000 due to a technical drafting error by the legislative finance division. This amendment simply corrects this drafting omission.

Co-Chair Wilken moved for adoption and outlined the explanatory statement.

The amendment was ADOPTED without objection.

[5:18:57 PM](#)

Amendment #8: This amendment inserts a new Municipality of Anchorage - Anchorage School District/Eagle River High School Traffic Control & Turn Lanes (Veterans Memorial Highway) (HD 16-18,32) component to the Grants to Municipalities (AS 37.05.315) BRU of the Department of Commerce, Community and Economic Development on page 8, lines 11 and 12. This amendment also appropriates \$950,000 general funds to the component.

Senator Dyson moved for adoption.

Co-Chair Green objected.

Senator Dyson informed that the allocation for this project should be to the Department of Transportation and Public Facilities rather than the Municipality of Anchorage. This project would be necessary once the high school is constructed, as the current road system would be "very dangerous".

Co-Chair Green asked the location of the proposed project.

Senator Dyson described the location of the school located in the election district represented by Senator Bunde.

Co-Chair Green asked if this project could be included in another project planned for the Veterans' Memorial Highway.

Senator Dyson replied it could not, as the other project is located north of this location.

[5:21:45 PM](#)

Co-Chair Green asked the reason this funding request had not been submitted earlier.

Senator Dyson attributed the delay to the number of other Department of Transportation and Public Facilities project funding

requests.

Co-Chair Green removed her objection to the adoption of the amendment with the understanding that the exact location of the proposed project is specified in the legislation.

Co-Chair Green offered a friendly amendment to the amendment to appropriate the funding to the Department of Transportation and Public Facilities and make necessary conforming changes.

There being no objection from the sponsor, the amendment was AMENDED.

Without further objection Amendment #8, as amended, was ADOPTED.

AT EASE [5:23:55 PM](#) / [5:24:33 PM](#)

Amendment #9: This amendment inserts a new Bristol Bay Borough Community Matching Project component to the Grants to Municipalities (AS 37.05.315) BRU of the Department of Commerce, Community and Economic Development on page 8, lines 11 and 12. This amendment also appropriates \$150,000 general funds to the component.

This amendment also increases the general fund appropriation to the Department of Commerce, Community and Economic Development, Grants to Municipalities (AS 37.05.315) BRU, City of Unalaska - Boat Harbor (HD 37) component on page 13 lines 3 and 4 from \$2 million to \$4 million.

This amendment also adds a new Togiak/Twin Hills Bridge Feasibility Study component to the Department of Transportation and Public Facilities and appropriates \$150,000 general funds to the component.

This amendment also increases the allocation to the Cold Bay Access Improvements (HD 37) component of the Surface Transportation Improvements BRU, Department of Transportation and Public Facilities, on page 58, lines 30 and 31 from \$2 million to \$2.5 million.

This amendment also increases the general fund allocation to the Department of Education and Early Development, School Construction Grant Fund (AS 14.11.005) BRU, Dillingham Middle/High School construction and renovation - Dillingham City Schools (HD 38) component on page 83 lines 14 - 17 from \$7 million to \$9.5 million.

Co-Chair Green moved for adoption.

Co-Chair Green then offered a friendly amendment to the amendment to change "Bristol Bay Borough Community Matching Project" component to read "Bristol Bay Borough Community Mapping Project."

This amendment to the amendment also deletes additional \$500,000 general fund allocation to the Cold Bay Access Improvements component.

This amendment to the amendment also adds a new Aleutians East Borough - Cold Bay Airport Terminal component to the Grants to Municipalities (AS 37.05.315) BRU, Department of Commerce, Community and Economic Development and appropriates \$500,000 general funds to the component.

AT EASE [5:25:29 PM](#) / [5:26:20 PM](#)

Co-Chair Green continued to outline the friendly amendment to the amendment.

Without objection the amendment was AMENDED.

Senator Stedman objected to the amended amendment for further information on the City of Unalaska - Boat Harbor component.

Co-Chair Green informed that upon review, this amount was included in an earlier committee substitute.

Co-Chair Wilken asked whether the project expansion of the Little South America Boat Harbor.

Senator Hoffman understood it was.

Co-Chair Green noted the Members have discussed this project previously.

There being no objection, Amendment #9 as amended was ADOPTED.

[5:28:10 PM](#)

Amendment #10: This amendment adds a LKSD - The Peoples Learning Center component to the Department of Commerce, Community and Economic Development [BRU not specified] and appropriates \$100,000 general funds to the component. Accompanying explanatory language reads, "Restores the Governor's original capital budget request."

Senator Hoffman moved for adoption.

Senator Hoffman reminded the Committee of the residential technical education facility located in Bethel. The amount of secured funds for this project total \$15 million. Approximately \$4 million additional funding is needed, although funding sources of most of the amount have been identified. This project is a collaboration of the City of Bethel, the Yukon-Kuskokwim Health Corporation, the Association of Village Council Presidents, the Chalista Corporation, the Alaska National Guard, the Lower Kuskokwim School District, the University of Alaska Kuskokwim Campus, the Regional Housing Authority, and the Coastal Village Regional Fund.

[5:29:45 PM](#)

Co-Chair Green informed the Committee that this item was included in the Governor's proposed budget.

There was no objection and Amendment #10 was ADOPTED.

[5:30:19 PM](#)

Amendment #11: This amendment deletes the City of Hope - Community Safety and Development (HD 17-32) component of the Grants to Municipalities (AS 37.05.315) BRU, Department of Commerce, Community and Economic Development and \$25,000 general fund appropriation on page 10, lines 18 - 20.

This amendment also inserts a new Hope, Inc. - Community Safety and Development (HD 17-32) component to the Grants to Named Recipients (AS 37.05.316) BRU in the Department of Commerce, Community and Economic Development and appropriates \$25,000 general funds to the component.

Accompanying explanatory language reads as follows.

The original request was made to "Hope, Inc.". During drafting, the name was changed to "City of Hope" and moved to "Grants to Municipalities. After discussion with the grants administrator at the Division of Community Advocacy, the original name "Hope, Inc.) was determined to be the correct one.

Co-Chair Wilken moved for adoption.

Co-Chair Green overviews the explanatory statement.

The amendment was ADOPTED without objection.

[5:31:01 PM](#)

Amendment #12: This amendment changes the title of the City of Homer - Homer Public Library Materials component of the Grants to Municipalities BRU, Department of Commerce, Community and Economic Development on page 10, lines 13 - 15 to "City of Homer - Public Library Construction". The \$100,000 general fund appropriation does not change.

Co-Chair Green moved for adoption and explained the language correction.

There being no objection, Amendment #12 was ADOPTED.

AT EASE [5:31:41 PM](#) / [5:31:41 PM](#)

Amendment #13: This amendment deletes the Denali Borough - Anderson School/Septic Leach Field Replacement (HD 7-11) component and the Denali Borough - Cantwell School/Sprinkler System Fire Upgrade and New Well (HD 7-11) component of the Grants to Municipalities BRU, Department of Commerce, Community and Economic Development on page 10, lines 17 - 23.

This amendment also increases the general fund appropriation to the Alaska Siberia Research Center, Inc. - Alaska Siberia WWII Memorial Park Construction (HD 7-11) component of the Grants to Named Recipients BRU, Department of Commerce, Community and Economic Development on page 4, lines 8 - 11 from \$40,000 to \$105,200.

This amendment also increases the general fund appropriation to the Morris Thompson Cultural and Visitors Center - Construction component of the Grants to Named Recipients BRU, Department of Commerce, Community and Economic Development on page 7, lines 11 - 13 from \$200,000 to \$300,000.

This amendment also inserts a new Ester - Volunteer Fire Department component to the Grants to Named Recipients BRU, Department of Commerce, Community and Economic Development and appropriates \$125,000 general funds to the component.

Accompanying explanatory language reads as follows.

Partial funding for the Anderson School/Septic Leach Field Replacement and the Cantwell School/Sprinkler System Fire Upgrade and New Well projects totals \$260,200 are deleted in this amendment.

Full funding for these two projects are contained on page 77, lines 24 - 31 of the work draft.

This amendment reallocates the \$260,200 to the following three

projects:

| | |
|---------------------------------|-----------|
| Alaska Siberia Research Center | \$ 35,200 |
| Morris Thompson Cultural Center | 100,000 |
| Ester Volunteer Fire Department | 125,000 |

Co-Chair Wilken moved for adoption.

Co-Chair Green objected.

Co-Chair Wilken overviewed the amendment, which he sponsored on behalf of Senator Ralph Seekins. This amendment would have a net zero impact.

AT EASE [5:32:34 PM](#) / [5:32:57 PM](#)

The amendment was ADOPTED without objection.

[5:33:21 PM](#)

Amendment #14: This amendment changes the title of the Kenai Peninsula Borough - Mobile Hydration Unit (HD 33-35), Grants to Municipalities BRU, Department of Commerce, Community and Economic Development on page 14, lines 28 - 30 to read "Kenai Peninsula Borough/Bear Creek Fire Service Area - Mobil Hydration Unit (HD 33-35)". The \$71,500 general fund appropriation remains unchanged.

Co-Chair Wilken moved for adoption on behalf of Senator Gary Stevens.

There was no objection and Amendment #14 was ADOPTED.

[5:33:36 PM](#)

Amendment #15: This amendment deletes the Kenai Peninsula Borough - Refurbish Kachemak Fire Truck (HD 33-35) component of the Grants to Municipalities BRU, Department of Commerce, Community and Economic Development and \$100,000 general fund appropriation on page 15, lines 9 - 11.

Co-Chair Wilken moved for adoption of the amendment on behalf of Senator G. Stevens.

The amendment was ADOPTED without objection.

[5:34:02 PM](#)

Amendment #16: This amendment changes the title of the Kenai Peninsula Borough - Road Access to Utilities to Senior Housing Site

(HD 33-35) component of the Grants to Municipalities BRU, Department of Commerce, Community and Economic Development on page 15, lines 12 - 16 to read "Kenai Peninsula Borough/Cooper Landing Senior Citizens Corp., Inc. - Road Access to Utilities to Senior Housing Site (HD 33-35)". The \$71,000 general fund appropriation remains unchanged.

Co-Chair Wilken moved for adoption.

Without objection the amendment was ADOPTED.

[5:34:17 PM](#)

Amendment #17: This amendment changes the title of the Kenai Peninsula Borough - Water Tender (HD 33-35), Grants to Municipalities BRU, Department of Commerce, Community and Economic Development on page 15, lines 19 and 20 to read "Kenai Peninsula Borough/Kachemak Emergency Service Area - Water Tender (HD 33-35)". The \$75,000 general fund appropriation remains unchanged.

Co-Chair Wilken moved for adoption.

There being no objective Amendment #17 was ADOPTED.

[5:34:29 PM](#)

Amendment #18: This amendment changes the title of the Municipality of Anchorage - Anchorage School District/Gladys Elementary Supplies (HD 17-32) component of the Grants to Municipalities BRU, Department of Commerce, Community and Economic Development on page 18, lines 19-22 to read "...Gladys Wood Elementary Supplies". The \$10,000 general fund appropriation remains unchanged.

This amendment also changes the Municipality of Anchorage - Kincaid Park Summer and Winter Recreational Improvements, Fields, Paving and Equipment (HD 17-32) component of the Grants to Municipalities BRU, Department of Commerce, Community and Economic Development on page 23, lines 18 - 23 to be a new component titled Kincaid Park Project Group - Kincaid Park Summer and Winter Recreational Improvements, Fields, Paving and Equipment (HD 17-32). The \$480,000 general fund appropriation remains allocated to the project.

This amendment also changes the Municipality of Anchorage - South Anchorage Sports Complex Ball Fields (HD 17-32) component of the Grants to Municipalities BRU, Department of Commerce, Community and Economic Development on page 24, lines 19 - 22 to be a new component titled American Legion Baseball Association - South Anchorage Sports Complex Ball Fields (HD 17-32). The \$450,000

general fund appropriation remains allocated to the project.

Co-Chair Green moved for adoption and explained the technical corrections.

There being no objection Amendment #18 was ADOPTED.

[5:35:12 PM](#)

Amendment #19: This amendment inserts a new bill section to read as follows.

Sec. XX. DEPARTMENT OF FISH AND GAME. The sum of \$50,000 is appropriated from the general fund to the Department of Fish and Game, Boars of Fisheries and Game, for Board of Game activities related to review of Tier II subsistence proposals for the fiscal year ending June 30, 2005.

Co-Chair Wilken moved for adoption.

Co-Chair Green objected for an explanation.

Co-Chair Wilken read the language of the amendment and informed that Board of Game member, Ron Summerville, brought this request to his attention.

Senator Dyson objected for further discussion. Committee Members were told that appropriations in this budget would be limited to construction projects and that funding for studies would not be considered. While he considered this proposed study to be valid and appropriate, he asked the criterion in determining which studies would receive funding.

Senator Hoffman requested an explanation of what the proposed review is expected to accomplish.

[5:36:47 PM](#)

MATT ROBUS, Director, Division of Wildlife Conservation, Department of Fish and Game, testified this item is actually a FY 05 supplemental budget request. The Board of Game, with assistance from the Department, is developing a system to improve the Tier II permit process for subsistence hunting. The Board determined that a series of public hearings held in various areas of the State should be held to inform people of the proposed changes and to receive input before final action is taken at the March 2006 Board of Game Meeting. This amendment would fund the expenses of holding these hearings.

Senator Stedman asked if this item should be included as a capital project.

[5:38:27 PM](#)

GINGER BLASDELL, Staff to Co-Chair Green, testified that the amendment would be included in the portion of this legislation that provides FY 06 supplemental appropriations. Similar amendment would be offered.

Co-Chair Green stated the method of including supplemental capital appropriations in the following fiscal year capital budget is a historical practice.

[5:39:27 PM](#)

Senator Hoffman asked whether the hearings could be completed by June 30, 2005, the end of the fiscal year.

[5:39:37 PM](#)

Mr. Robus informed that the hearings had already been held and the expenses incurred. Final action was not taken at the March Board Meeting, as all considerations were not resolved. An additional Board of Game meeting is scheduled for June 2005 to continue the process.

Co-Chair Green noted that this funding request would have been submitted as a FY 05 operating budget supplemental item if the need had been identified earlier.

Senator Olson asked if hearings would be held at locations within the election district he represents.

Mr. Robus replied that the proposed changes would be specific to the moose and caribou subsistence hunts in the Nelchina Basin of Southcentral Alaska. Therefore, the hearings have been primarily held in that region. Most of the State-issued subsistence hunting permits are granted for these hunts and the majority of controversies are centered in this area. If successful, the new system could serve as a pilot project for Tier II hunting in other areas.

Senator Stedman objected to the adoption of this amendment.

Senator Olson asked if additional travel would be planned for the following year.

Mr. Robus was unsure. The intent is that regulations would be adopted at the June meeting.

Senator Stedman removed his objection.

Senator Dyson removed his objection.

Without further objection, Amendment #19 was ADOPTED.

[5:42:15 PM](#)

Amendment #20: This amendment inserts a new National Coastal Wetland Conservation Grant - Snyder Parcel component to the Department of Fish and Game on page 35 and appropriates \$310,000 Other Funds to the component. Accompanying explanatory language reads as follows.

The Snyder parcel is 135 acres of undeveloped wetland habitat on the Gustavus forelands. The parcel is used by waterfowl and shorebirds and provides important habitat for sandhill cranes. It adjoins the Dude Creek Critical Habitat Area (CHA), designated for the protection of sandhill crane habitat, and is of interest to the Department of Fish and Game as a potential addition to the CHA. Funding for the acquisition will come from a third National Coastal Wetland grant, and private donations. Title to the property will ultimately rest with the state. The federal grant will have a \$104,000 match (25%) provided by The Nature Conservancy (TNC).

Acquisition of this parcel is the third and final phase of the most biologically sensitive and least developable lands in Gustavus; it will purchase approximately 135 acres. This is a private parcel; the owner, John Snyder, contacted TNC with an offer to sell. The lands will be managed to complement adjacent habitats including the Dude Creek CHA. A further management objective is to allow continues public use of the lands for hunting, fishing, and recreation to the extent those uses are consistent with the goal of protecting wetlands and wildlife habitat.

Senator Hoffman moved for adoption. He outlined the explanatory statement, pointing out that general funds would not be used.

There being no objection Amendment #20 was ADOPTED.

[5:43:23 PM](#)

Amendment #21: This amendment adds a new Bethel Youth Facility Security Improvements component to the Department of Health and Social Services on page 26 and appropriates \$233,900 general funds to the component.

Senator Hoffman moved for adoption of Amendment #21 and explained the need for these improvements.

Co-Chair Green remarked that the proposed security improvements are a worthy project.

There being no objection Amendment #21 was ADOPTED.

[5:44:20 PM](#)

Amendment #22: This amendment increases the allocation to the Bethel Readiness Center New Construction - Phase 2 (HD 38) to the Department of Military and Veterans Affairs on page 38 and appropriates \$8,062,500 federal funds and \$2.5 million general funds to the component. Accompanying explanatory language reads as follows.

The Governor had funded the \$2.5 million match with ASLC [Alaska Student Loan Corporation] funds that were denied in this version of the capital budget. \$1 million in other funds were kept but is not enough to match the \$8,062,500 federal funds. This amendment adds the additional \$1 million the Governor requested.

Senator Hoffman moved for adoption and stressed that the Bethel Readiness Center is a very important project to the region.

Co-Chair Green clarified that \$8 million in federal funds would be received for this project.

The amendment was ADOPTED without objection.

[5:45:31 PM](#)

Amendment #23: This amendment adds a new Forest Legacy Federal Grant Program component to the Department of Natural Resources and appropriates \$630,000 federal funds. Accompanying explanatory language reads as follows.

These federal receipts have been approved under the Forest Legacy Federal Grant Program for a conservation easement for Aleknagik Natives Limited for over 20,000 acres of their land within Wood-Tikchik State Park, which includes both banks of

the Agulowak River, a major salmon spawning area, and approximately 32 miles of shoreline along Lakes Aleknagik and Nerka. The Native allotments are in prime locations in the southern half of the park. Wood-Tikchik State Park is near the town of Dillingham in Southwest Alaska.

The Governor's original budget request included \$2,930,963 for three projects, which was not included in the work draft CS (FIN) for SB 46. The federal government has just completed their review of the project request and has approved \$630,000 in funding to begin phase one for one of the projects, with the initial phase to begin in FY 06, resulting in this amended request. The other projects were not approved in this budget year.

Senator Hoffman moved for adoption and overviewed the explanatory statement.

There being no objection Amendment #23 was ADOPTED

[5:46:33 PM](#)

AMENDMENT #24: This amendment adds a new Coastal Wetlands Grant - Nushagak Bay Watershed, phase 2 component to the Department of Natural Resources and appropriates \$1 million federal receipts to the component.

Senator Hoffman moved for adoption and noted this item was included in the Governor's FY 06 budget request.

There being no objection Amendment #24 was ADOPTED.

[5:47:16 PM](#)

Amendment #25: This amendment adds a new Petersburg North Harbor Deferred Maintenance and Transfer (HD 5) component to the Department of Transportation and Public Facilities, with intent language, and appropriates \$2.5 million general funds to the component. The intent language reads as follows.

It is the intent of the Legislature that the City of Petersburg enters into an agreement with the Department of Transportation and Public Facilities to accept full responsibility for ownership and maintenance of the North Harbor at the time of transfer.

Senator Stedman moved for adoption, noting this item relates to the process of transferring ownership of boat harbors from the State to

local municipalities. Funding for this transfer had been included in the Governor's proposed FY 06 budget utilizing a different fund source.

AT EASE [5:48:20 PM](#) / [5:49:08 PM](#)

Co-Chair Green remarked that the intent language is clear in stipulating that the City of Petersburg would assume ownership and responsibility for maintenance and repairs.

There being no objection Amendment #25 was ADOPTED.

[5:49:34 PM](#)

Amendment #26: This amendment corrects the House District designation of the Craig Roads component in the Congressional Earmarks BRU, Department of Transportation and Public Facilities on page 65, line 19 to reflect the project's location in House District 5. The \$1 million allocation remains unchanged.

Co-Chair Wilken moved for adoption.

Co-Chair Green explained the technical change.

There being no objection Amendment #26 was ADOPTED.

[5:50:00 PM](#)

Amendment #27: This amendment inserts a new Bethel Courthouse Improvements component to the Alaska Court System and appropriates \$825,000 general funds to the component. Accompanying explanatory language reads as follows.

This capital request is one piece of two-part fix for the Bethel court facility. The second piece is a \$92,000 operating budget increment to cover increased costs associated with additional space. This has been funded in both the Senate and House operating budgets.

The court system currently rents 10,000 s.f. from the City of Bethel. The operating component will provide increased rent for an additional 2,600 s.f. to be constructed by the City. This capital component will allow the court system to make tenant improvements to the existing space.

Bethel is a high-volume superior court location. Even though the population of the area is less than 20% of the population of Fairbanks, it had about 80% as many felony cases. Even

though it is much smaller than either Palmer or Kenai, last year it had almost as many civil jury trials as Palmer and Kenai put together.

This court has two superior court judges and two magistrates, and a judge from Fairbanks is frequently there to help with the caseload. In addition, the House and Senate operating budgets have approved an upgrade of one magistrate position to a district judgeship. However, the Bethel Courthouse currently has only one superior courtroom, one district courtroom (with room for only a six member jury), and a small hearing room. Moreover, the remainder of the space is inadequate. Changes proposed include adding two superior courtrooms, expanding and soundproofing the cramped jury deliberation room, fixing a number of security issues (for example, in-custody felony defendants must currently be transported through public areas), creating magistrate and law clerk offices, and expanding the clerk's office.

The FY 06 request is for bid document preparation, project management and construction.

Senator Hoffman moved for adoption and overviewed the explanatory statement.

Co-Chair Green shared that she has received several telephone calls regarding this project.

There being no objection Amendment #27 was ADOPTED.

[5:50:55 PM](#)

Amendment #28: This amendment reduces the general fund appropriation to the Kenai Peninsula College Student Housing (HD 33-35) component of the University of Alaska on page 89, lines 4 and 5 from \$7.5 million to \$6 million.

This amendment also reduces the general fund appropriation to the Kodiak College Vocational Technology Addition Phase I - Kodiak Island Borough (HD 36) of the University of Alaska, on page 89, lines 6 - 9 from \$10 million to \$8.5 million.

This amendment also inserts a new Kachemak Bay Campus Addition component to the University of Alaska and appropriates \$3 million.

Co-Chair Wilken moved for adoption.

Co-Chair Green explained the amendment noting it would have a net

zero fiscal impact to the FY 06 budget.

Senator Stedman clarified the affected campuses of the Kenai Peninsula College, the Kodiak College, and Kachemak Bay.

There being no objection Amendment #28 was ADOPTED.

[5:51:52 PM](#)

Amendment #29: This amendment deletes the Fairbanks Area, University Avenue/Geist Road/Johansen intersection project and the \$3.5 million Alaska capital income fund appropriation to the project from Section 6. DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES., on page 91, lines 7 and 8.

This amendment also inserts a new Fairbanks, Wilbur Street Extension project in to Section 6 and appropriates \$1.1 million to the project.

This amendment also inserts a new Fairbanks, 2nd Avenue, Moore Street Realignment and New Airport Way Intersection project in to Section 6 and appropriates \$2,550,000 to the project.

Accompanying explanatory language reads as follows.

These two projects are on the FMATS [Fairbanks Metropolitan Area Transportation Study] priority list and will work together with the currently funded upgrade of 2nd Avenue and Wilbur Street to fund all planned access/egress projects related to the Carlson Center/Growden Park/Fish Hatchery complex area.

Co-Chair Wilken moved for adoption.

Co-Chair Green objected.

Co-Chair Wilken detailed the road changes and improvements proposed.

AT EASE [5:52:35 PM](#) / [5:53:08 PM](#)

Co-Chair Wilken offered a motion to amend the amendment to appropriate \$1 million to the Wilbur Street Extension project and \$2.5 million to the 2nd Avenue project.

Without objection Amendment #29 was AMENDED and ADOPTED.

[5:53:43 PM](#)

Amendment #30: This amendment deletes the language of Section 10. NATIONAL PETROLEUM RESERVE - ALASKA IMPACT GRANT PROGRAM; INTENT. (b), on page 92, lines 16 - 20 and inserts new language to read as follows.

(b) The sum of \$24,706,539, received by the National Petroleum Reserve - Alaska special revenue fund (AS 37.05.530) under 42 U.S.C. 6508 by August 31, 2005, is appropriated to the Department of Commerce, Community and Economic Development from capital project grants under the National Petroleum Reserve - Alaska impact grant program to the following municipalities for the purposes stated in the amounts set out:

| MUNICIPALITY | PROJECT | AMOUNT |
|--------------------------|--|-----------|
| (1) North Slope Borough | Social and cultural study - phase 2 | \$275,880 |
| (2) North Slope Borough | Wainwright youth program | 229,500 |
| (3) Nuiqsut | Local government operations/cultural coordinator | 468,000 |
| (4) North Slope Borough | Wainwright softball field | 35,000 |
| (5) Barrow | City impound and disposal site project | 174,389 |
| (6) North Slope Borough | Atqasuk energy assessment | 100,042 |
| (7) North Slope Borough | Wainwright local government operations | 311,500 |
| (8) Barrow | City Hall building addition feasibility study | 69,413 |
| (9) Nuiqsut | Youth center operations and maintenance | 150,000 |
| (10) Atqasuk | Atqasuk local government operations | 336,468 |
| (11) Barrow | Roller rink renovation feasibility study | 63,556 |
| (12) North Slope Borough | Utility master plan/emergency plan | 106,221 |
| (13) North Slope Borough | Misdemeanor probation officer | 346,071 |
| (14) North Slope Borough | Fire equipment and training | 250,000 |
| (15) Barrow | Barrow local government operations | 1,385,843 |
| (16) Nuiqsut | Design/install retractable boat ramp | 200,000 |

| | | | |
|------|---------------------|---|-----------|
| (17) | North Slope Borough | Continuing studies to investigate wildlife/subsistence | 2,461,368 |
| (18) | North Slope Borough | Oil spill response team | 737,867 |
| (19) | North Slope Borough | Police officers for NPR-A villages | 1,486,689 |
| (20) | North Slope Borough | Health, survival, and sustainability of key subsistence resources | 654,426 |
| (21) | North Slope Borough | Workforce development program | 3,729,451 |
| (22) | North Slope Borough | Mayor's job program | 2,527,961 |
| (23) | North Slope Borough | Police importation combat program | 1,101,512 |
| (24) | North Slope Borough | North Slope science initiative | 425,578 |
| (25) | North Slope Borough | Village capacity building | 968,182 |
| (26) | North Slope Borough | NPR-A technical review team | 1,468,508 |
| (27) | North Slope Borough | Allied health training center | 3,400,000 |
| (28) | North Slope Borough | Wainwright city office renovation | 38,114 |
| (29) | Atqasuk | Youth center addition to community center | 680,000 |
| (30) | North Slope Borough | Wainwright lagoon boat launch | 525,000 |

(c) If the amount available for appropriation from the National Petroleum Reserve - Alaska special reserve fund (AS 37.05.530) under (b) of this section is less than \$24,706,539, then each of the appropriations made by (b) (1) - (30) of this section is reduced in proportion to the amount of the shortfall.

This amendment also stipulates a lapse date of June 30, 2006 for the appropriations made in Section 10(b) (1) - (13); a lapse date of June 30, 2007 for the appropriations made in subsections (14) - (16); a lapse date of June 30, 2008 for the appropriations made in subsections (17) - (26); and a lapse date of June 30, 2009 for the appropriation made in subsection (27). The appropriations made in subsections (28) - (30) lapse under AS 37.25.020.

Co-Chair Wilken moved for adoption and outlined the projects intended to receive federal National Petroleum Reserve-Alaska (NPR-A) grant funds. The listing of projects would prioritize the projects.

Senator Olson clarified that the lapse date for most of the appropriations is the end of FY 06.

Co-Chair Wilken replied that the standard five-year lapse date would apply to most of the capital projects. Appropriations made for most of the operating expenses would lapse at the conclusion of the fiscal year. Other items have specified lapse dates.

Senator Olson questioned whether adequate time would be allowed for implementation.

[5:57:40 PM](#)

Co-Chair Wilken noted that the appropriations would not expire for 14 months.

Senator Olson surmised the lapse date of June 30, 2006 would be too early to expend funds for capital projects.

[5:58:11 PM](#)

Co-Chair Wilken explained that the designated monies should be expended in the fiscal year. Monies that would be carried forward would automatically do so until the specified lapse date. This would provide oversight for projects that currently have none. If at the conclusion of FY 06, the lapse date were insufficient, the affected community would be required to explain the situation and request an extension.

[5:59:39 PM](#)

Senator Dyson appreciated Co-Chair Wilken's attempt. He asked the percentage of the total appropriation allocated for operating expenses.

Co-Chair Wilken answered that 42 percent of the funding is designated to capital projects and 58 percent for operating expenditures.

Co-Chair Wilken then pointed out that of the \$24 million total NPR-A grant, \$22 million would be appropriated to the North Slope Borough. He also noted the 21 percent administrative charge.

Co-Chair Green understood the provisions of this amendment are intended to provide a review of the NPR-A grant program.

Co-Chair Wilken affirmed. Appropriations made in this manner would

allow for oversight of the expenditures. The intent is that the grant funds are expended on those communities impacted by oil development.

Senator Stedman asked if the inclusion of funds intended for operating expenses are included in this capital budget due to delays.

Co-Chair Wilken concurred. Previous appropriation of NPR-A grant funds has been included as a single line item with no specification of actual projects and programs. The language proposed in the amendment allocates the funding for the four communities impacted by activities in the NPR-A. Subsection (a) of Section 10 provides intent language that future NPR-A impact mitigation program grants be designated for this purpose.

[6:03:20 PM](#)

Without objection Amendment #30 was ADOPTED.

[6:04:00 PM](#)

Amendment #31: This amendment changes the name of the City of Wasilla sewer plant expansion project in subsection (e) of Section 43. HOUSE DISTRICTS 13-16., on page 113, line 6 to "septage facility".

Co-Chair Green moved for adoption and explained the technical change.

There being no objection, Amendment #31 was ADOPTED.

[6:04:23 PM](#)

Amendment #32: This amendment deletes subsections (b) and (d) of Section 53. DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT., on page 120, lines 1 - 4 and 9 - 12. The language of the two subsections is identical and reads as follows.

The sum of \$900,000 is appropriated from the general fund to the Department of Commerce, Community and Economic Development for payment as a grant under AS 37.05.316 to the Alaska Housing Finance Corporation for construction of the cold climate housing research center.

This amendment also inserts a new Cold Climate Housing Research Center - Cold Climate Building & Infrastructure Research & Test Facility component to the Grants to Named Recipients (AS 37.05.316)

BRU, Department of Commerce, Community and Economic Development, on page 3 and appropriates \$900,000 general funds to the component. Accompanying explanatory language reads as follows.

In the 5/3/05 work draft version "Y" there were duplicate requests (sections (b) and (d)) of \$900,000 for the construction of the Cold Climate Research Center.

This amendment deletes one of the \$900,000 appropriations and moves the funding to the Grants to Named Recipients (AS 37.05.316) portion of the work draft that begins on page three.

This is consistent with previous appropriations made to the project.

Co-Chair Wilken moved for adoption and explained the changes.

There being no objection, Amendment #32 was ADOPTED.

[6:05:11 PM](#)

Amendment #33: this amendment inserts a new Sport Fish Hatcheries component to the Department of Fish and Game on page 35 line 11 and appropriates \$62,140,000 to the component. Accompanying explanatory language reads as follows.

The state Department of Revenue would issue revenue bonds with a gross amount of \$69,000,000 but the actual construction costs of the statewide hatcheries would be \$62,140,000. The gross bond amount would have adjustments made for underwriter spread, true interest costs, debt service reserve fund and earnings.

The \$62.14 million in hatchery bond funds would be spent as follows:

Interior Alaska - Fish presently stocked in interior Alaska are produced in Anchorage and transported via the road system. Currently, about 20% of the fish produced in the existing hatchery program go to Fairbanks and the surrounding areas. The imminent loss of heat at the existing Anchorage area hatcheries will drastically affect the interior-stocking program. Without warm water (which doubles the growth rate of fish), the hatcheries will not be able to produce fish in the sizes currently stocked in interior waters. A recent study has indicated that building a new hatchery in Fairbanks is the best way to remediate the problem. The proposed hatchery will

at least double the existing fish production goals for this area, meeting projected demand over the next 25 years. It is estimated that the hatchery will cost \$25 million, 15 million of which will be funded under the CIP. The balance of the monies will come from federal funds already secured or anticipated.

Southcentral Alaska - The imminent loss of heat at the existing Anchorage area hatcheries will drastically affect the southcentral Alaska stocking program. Loss of heat at the existing hatcheries will not only decrease the number of fish planted throughout southcentral Alaska, but will decrease the number of sites that will be stocked. A recent study has indicated that building a new hatchery in Anchorage is the best way to remediate the problem. We propose to address this issue by constructing a new hatchery facility at the site of the existing Fort Richardson hatchery in Anchorage. Hatchery operations at the existing Elmendorf Hatchery in Anchorage will be shut down. The new hatchery facility will increase production by 50%, sufficient to meet projected demand over the next 25 years. We anticipate this hatchery will cost just over \$45 million, the cost of which will be entirely covered under the proposed bond.

Southeast Alaska - The Division of Sport Fish does not operate any hatchery facilities in southeast Alaska, but supports targeted private sector hatchery operations through cooperative agreements aimed at increasing sport fishing opportunities. Bond funds totaling \$2.14 million will fund the following projects: \$1.5 million to the City of Skagway to build a hatchery which they would operate; \$0.5 million for deferred maintenance for the Crystal Lake Hatchery near Petersburg; and \$140,000 for one time capital improvements by the Northern Southeast Regional Aquaculture Association (NSRAA) for Haines king salmon release.

Co-Chair Wilken moved for adoption and objected to the motion to allow the Department of Fish and Game to explain the amendment.

[6:05:42 PM](#)

KELLY KEPLER, Director, Division of Sport Fish, Department of Fish and Game, explained this amendment would authorize the issuance of bonds to support construction of hatchery facilities.

Senator Hoffman asked the affect were the amendment not adopted.

Mr. Kepler replied that the monies would not be expended.

There being no objection, Amendment #33 was ADOPTED.

[6:07:10 PM](#)

Amendment #34: This amendment changes the YMCA of Fairbanks - Van (HD 7-11) component of the Grants to Named Recipients (AS 37.05.316) BRU, Department of Commerce, Community and Economic Development on page 8, lines 9 and 10 to read "ASYMCA of Fairbanks - Van purchase and operation (HD 7-11)". The \$50,000 general fund appropriation remains unchanged.

Co-Chair Wilken moved for adoption and explained that this amendment proposes a technical change to reflect program as the armed services YMCA.

There being no objection, Amendment #34 was ADOPTED.

[6:07:49 PM](#)

Amendment #35: This amendment inserts a new subsection into Section 52. DEPARTMENT OF ADMINISTRATION., on page 119, following line 26 to read as follows.

(c) The sum of \$4,350,000 is appropriated from the general fund to the Department of Administration, commissioner's office, for distribution to state agencies to offset the increased chargeback rates for statewide services as identified in the statewide federal cost allocation plan.

Co-Chair Green moved for adoption.

Ms. Blaisdell explained this appropriation, plus the appropriation proposed in Amendment #36, would provide funding to offset some of the expenses incurred through delivery of centralized services to other State agencies that would otherwise be reimbursed by those agencies.

Co-Chair Green remarked that inadequate funding has been allocated for these reimbursements. This amendment would allow departments to continue to receive centralized administrative services.

There being no objection, Amendment #35 was ADOPTED.

AT EASE [6:10:44 PM](#) / [6:16:27 PM](#)

Co-Chair Green reiterated the intent of Amendment #35 in appropriating funding to all agencies for reimbursement of the cost

of centralized services.

Ms. Blaisdell stated that normally general funds would be appropriated directly to the agencies, and the agencies would reimburse the Department of Administration for the costs of the centralized services. Conversely, this amendment would allow the Department of Administration to provide the general funds to each agency based on a cost-allocation plan. A similar provision was adopted several years prior. She would verify the legality of this action.

Co-Chair Green noted that this amendment is generally not allowed, although an exception would be made in this instance.

[6:17:43 PM](#)

Amendment #36: This amendment inserts two new subsections into Section 20. FUND TRANSFERS., on page 96, following line 18 to read as follows.

(d) The sum of \$12,000,000 is appropriated from the general fund to the Alaska public building fund (AS 37.05.570).

(e) The amount necessary to have an unobligated balance of \$5,000,000 in the state insurance catastrophe reserve account in accordance with AS 37.05.289 is appropriated from the general fund to the state insurance catastrophe reserve account (AS 37.05.289).

This amendment also deletes "\$300,000" from subsection (b) of Section 52. DEPARTMENT OF ADMINISTRATION., on page 119, line 25 and inserts "\$40,300,000". The amended language reads as follows.

(b) The sum of \$40,300,000 is appropriated from the general fund to the information services fund (AS 44.21.045(a)).

Co-Chair Green moved for adoption.

Ms. Blaisdell explained the \$12 million appropriated to the Alaska public building fund would be distributed to those state agencies that participate in the public building fund. The monies would be utilized for maintenance expenses.

Ms. Blaisdell next reminded that the State of Alaska is self-insured. The appropriation made in Sec 20(e) would be utilized for management costs.

Ms. Blaisdell spoke to the fund transfer of \$40.3 million to the information services fund. The information services fund is utilized to pay expenses including payroll associated with information services activities, communications and the enterprise technology fund.

[6:19:46 PM](#)

Ms. Blaisdell clarified that the effective date of the provisions in the amendment should be July 1, 2005.

Senator Stedman asked if the original dollar amount of \$300,000 appropriated in Section 52(b) page 19 was a typographical error.

Ms. Blaisdell affirmed.

Co-Chair Green reminded the Committee of the discussions relating to this matter beginning six to eight weeks prior, in which it was determined that no more than 30 percent of the amount requested would be appropriated for the information services fund. Many of the participating agencies have received less than sufficient funding for this purpose for several years.

There being no objection, Amendment #36 was ADOPTED.

AT EASE [6:21:36 PM](#) / [8:25:39 PM](#)

The bill was HELD in Committee.

#

ADJOURNMENT

Co-Chair Green adjourned the meeting at 08:25 PM.