

MINUTES
SENATE FINANCE COMMITTEE
May 5, 2005
4:55 p.m.

CALL TO ORDER

Co-Chair Green convened the meeting at approximately [4:55:06 PM](#).

PRESENT

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

Also Attending: SHALON SZYMANSKI, Staff to Representative Lesil McGuire; GLENN PETERSON, District Manager - Anchorage District, Carrs/Safeway Grocery Store; JASON MOLTON, Loss Prevention Director, Seattle Division, Carrs/Safeway; DEAN GUANELI, Chief Assistant Attorney General, Legal Services Section, Criminal Division, Office of the Attorney General, Department of Law; JANE PEARSON, Staff to Representative Jay Ramras; HEATHER NOBREGA, Staff to Norm Rokeberg, PEGGY ANN MCCONNOCHIE, Representative, Alaska Association of Realtors; HEATH HILLIARD, Staff to Representative Mike Kelly; DR. RICHARD MANDSANGER, Director, Division of Public Health, Department of Health and Social Services; JOSH APPLEBEE, Staff to Representative Tom Anderson; PAT DAVIDSON, Legislative Auditor, Division of Legislative Audit, Legislative Affairs Agency; MIKE BURNS, Chief Executive Officer, Alaska Permanent Fund Corporation, Department of Revenue; GINGER BLAISDELL, Staff to Co-Chair Green; CHERYL FRASCA, Director, Office of Management and Budget, Office of the Governor; JOHN MACKINNON, Deputy Commissioner of Highways and Public Facilities, Department of Transportation and Public Facilities; DAN SPENCER, Director, Division of Administrative Services, Department of Public Safety; JAMES ARMSTRONG, Staff to Co-Chair Wilken; NANCY SLAGLE, Director, Division of Administrative Services, Department of Transportation and Public Facilities; GUY BELL, Assistant Commissioner, Department of Labor and Workforce Development; ART CHANCE, Director, Labor Relations, Department of Administration;

Attending via Teleconference: From an Offnet Site: JIM TOWLE, Executive Director, Alaska Dental Society

SUMMARY INFORMATION

HB 61-GAMING: CALCUTTA POOLS & CRANE CLASSICS

The Committee heard from the bill's sponsor and reported the bill from Committee.

HB 149-CONTROLLED SUBSTANCES

The committee heard from the bill's sponsor, the Department of Law, and retail industry representatives. The bill was held in Committee.

HB 169-REAL ESTATE LICENSEES

The Committee heard from the bill's sponsor and a representative of the real estate industry. The bill reported from Committee.

HB 211-DENTISTS; HYGIENISTS; BD OF DENTAL EXAM.

The Committee heard from the bill's sponsor and took public testimony. The bill reported from Committee.

HB 225-MEDICAL EXAMINERS & AUTOPSIES

The Committee heard from the bill's sponsor and the Department of Health and Social Services. The bill reported from Committee.

HB 123-OCCUPATIONAL BDS: EXTENSION/RECEIPTS/PSYCH

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

HB 215-PERM FUND CORP. INVESTMENTS/REGULATIONS

The Committee heard from the Alaska Permanent Fund Corporation and reported the bill from Committee.

SB 46-APPROP: CAPITAL BUDGET

The Committee heard from Committee Staff, the Office of Management and Budget, the Department of Transportation and Public Facilities, the Department of Public Safety, the Department of Labor and Workforce Development, and the Department of Administration. The Committee considered amendments to the bill. The bill was held in Committee.

SB 108-INSURANCE

This bill was scheduled but not heard.

HB 257-STATE PROCUREMENT ELECTRONIC TOOLS

This bill was scheduled but not heard.

HB 275-TRANSPORTATION PROJECT BONDS

This bill was scheduled but not heard.

#hb61

SENATE CS FOR CS FOR HOUSE BILL NO. 61(L&C)

"An Act relating to Calcutta pools and crane classics as authorized forms of charitable gaming."

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

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Senator Dyson spoke to the concern he had raised during the first hearing on this bill regarding whether a for-profit entity might make a business out of helping charities with a Calcutta endeavor. While the answer had been that the inclusion of the term "operator" would deter such activity, he has learned that the term "operator" is simply defined as an entity that is licensed and bonded. Thus, "there is nothing that would keep enterprising individuals" from assisting in organizing a sporting event "and making a deal with some charity to conduct a Calcutta pool. While this activity would raise money for the charity, for-profit entities could also use this tactic as "an opportunity" to make money. This has been experienced in other states; a Calcutta pool was bid up and behind the scene deals were made in regards to which team would win. While he hoped that such a scenario would not occur in Alaska, he warned that it could occur in relationship to major sporting events.

Senator Stedman asked whether the intent was to move the bill from Committee.

Co-Chair Green affirmed.

Senator Stedman voiced being "uncomfortable with enlarging the gambling opportunities in the state in general". While he would not contest moving the bill from Committee, it was unlikely that he

would support it passing from the Senate.

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Co-Chair Green understood "the reality" to be that Calcutta games are occurring in the State. While that does not make that occurrence okay, this legislation would allow places such as the Palmer Golf Course to increase their business and raise money for charitable organizations.

Co-Chair Green asked whether the bill contains a mechanism through which to account for the money that would be raised during the auction associated with the event.

SHALON SZYMANSKI, Staff to Representative Lesil McGuire, the bill's sponsor, responded that Sec. 2 page two lines two through ten specifies that the event organizer must file a report with the Department of Revenue upon the conclusion of the event. The Department of Revenue would develop the report form, which would require an accounting of the money raised as well as the money provided to the charity.

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Co-Chair Green read the requirements listed in Sec. 2. She asked for clarification as to timeframe in which the report must be received by the Department of Revenue.

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Ms. Szymanski clarified that the report must be filed after the event.

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Co-Chair Green asked for an example of what information would meet the "amount and nature of each expense" requirement as specified in Sec. 2 page two, line eight.

Ms. Szymanski replied that expenses for such things as banners advertising the event must be reported.

Co-Chair Green asked for further information about the auction that would occur the night before the sporting event; specifically what allowable expenses the operator or the host of the event could conduct.

Ms. Szymanski stated that the auction would usually be held in a

banquet setting the night before the sporting event. The teams participating in the event would be auctioned off, and people would bid on the team they believed would win the tournament. After the conclusion of the sporting event, the high bidder on the winning team would receive up to 50-percent of the money raised. The organization holding the event could specify the percent of the revenue that would be contributed to the charity; it could range between a minimum of 50-percent and 100-percent of the revenue.

Co-Chair Green asked whether the amount specified for the charity would be 50-percent of the net or gross revenue.

Ms. Szymanski understood that it would be 50-percent of the money raised during the auction.

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

There being no objection, SCS CS HB 61 (L&C) was REPORTED from Committee with previous indeterminate fiscal note #2 dated April 14, 2005 from the Department of Revenue.

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#hb149

SENATE CS FOR CS FOR HOUSE BILL NO. 149(JUD)

"An Act relating to controlled substances regarding the crimes of manslaughter and misconduct involving a controlled substance; relating to the manufacture of methamphetamine and to the sale, possession, and delivery of certain substances and precursors used in the manufacture of methamphetamine; relating to listing certain anabolic steroids as controlled substances; relating to the listing of property that constitutes an illegal drug manufacturing site; amending Rule 41, Alaska Rules of Criminal Procedure; and providing for an effective date."

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

Co-Chair Green asked whether the bill's sponsor or any Committee Member desired to comment on the bill pursuant to the beginning of public testimony. The response was in the negative. She noted that she had been unable to be in attendance during the previous day's hearing on the bill.

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Co-Chair Wilken noted that the primary focus of the previous day's discussion pertained to the logbook issue. "The retailer's standpoint" of that issue would be provided today. This would be helpful in "filling in some of the blanks".

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GLENN PETERSON, District Manager - Anchorage District, Carrs/Safeway Grocery Store, introduced himself.

JASON MOLTON, Loss Prevention Director, Seattle Division, Carrs/Safeway, applauded the State's efforts to address the "very difficult problem" of methamphetamine addiction in the State. Prior to being Carrs/Safeway's Loss Prevention Director for the states of Washington, Oregon, Idaho, and Alaska, he had spent 30 years as a Special Agent with the Federal Bureau of Investigation (FBI). He is "accurately aware" of the growing "problems faced by retailers as the result of methamphetamine (meth) addiction". He is "very attuned" to the issue at hand due to his experience at Carrs/Safeway and his appointment to the Washington State Governor's Council on Substance Abuse and his membership on a variety of Washington countries' Methamphetamine Task Forces.

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Mr. Molton voiced strong support for the increased penalties associated with meth abuse proposed in the bill; particularly for those who show "reckless disregard for young children" by subjecting them to meth use in their home or residence.

Mr. Molton informed the Committee that two years prior, Carrs/Safeway took responsibility, as "a good corporate citizen", by removing, without regulatory directive, "high theft pseudoephedrine products", such as Sudafed, from its store shelves. Empty packages were placed instead on the over-the-counter medicine aisle. A person desiring to purchase that product would take that package up to the customer service counter where a store employee would provide the product to them. A three-box purchase limit was also implemented.

Mr. Molton shared that this could also be characterized as an act of self-defense as many of these products were targets of shoplifters. This action has assisted the store in curbing its losses, and the belief is that the action has also assisted in reducing the precursor of methamphetamine availability.

Mr. Molton noted that Carrs/Safeway is also the largest corporate sponsor of Meth Watch in Washington and Montana, and posters promoting Meth Watch are displayed in all four states in which the store operates. The belief is that the corporation's actions in regard to both Meth Watch and the removal of the products from store shelves have helped to reduce the meth problem in the state of Washington. At one time Washington had "the dubious honor of having the most meth labs in the country" with a reported high of 1,886 labs. That number was reduced to 1,339 in the year 2004 and 261 meth labs have been reported to date in 2005.

Mr. Molton disclosed however, that the cost of meth in Washington has remained constant or is slightly lower than it was a few years ago. Therefore, it must be assumed that the net affect of the action has not changed the overall situation since price "is based on the supply and demand theory of economics".

Mr. Molton directed Members to view the questdiagnostic.com website, which depicts that "there has been an extreme increase" each year "in the number of methamphetamine users who are being tested in the workplace". "The problem continues unabated." Another indicator of the growing use of meth in the state of Washington and possibly the State of Alaska "too, were the figures checked", is the increasing number of people who are receiving treatment through the federal or State aid such as Medicaid. People as young as fourteen have been treated for meth addiction. The most recent statistics available for the state of Washington indicate that in the year 2003, 12,000 individuals were treated for Meth addiction.

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Mr. Molton warned that Meth addiction, unlike cocaine or heroin addiction, could not be successfully treated in a 30-day treatment program. Meth addiction treatment is a difficult and long-term process. "It is like a barbed hook hooked into the mouth of the person; they simply can't get over it."

Mr. Molton shared that another indicator of meth usage is drug test submissions. Tracking of Washington law enforcement drug test submissions indicate that approximately 46-percent test positive for meth. Cocaine is second at 26 percent. All the other drugs are in the single digits. Meth is "clearly the drug of choice ... its the drug most frequently encountered by law enforcement" in Washington. He anticipated that similar statistics would apply to Alaska.

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Mr. Molton informed the Committee that Carrs/Safeway has prepared

comments in regards to HB 149. The State of Washington Governor's Council on Substance Abuse identified three key elements to be addressed in the effort against meth abuse: prevention; treatment; and law enforcement and justice. "It is a three-legged stool." HB 149 is an "excellent bill" in regards to the law enforcement and justice component; however, absent the prevention and treatment components the State would encounter difficulties. A lot of people would be incarcerated, but there would be "no ability to fund treatment and no ability to preclude them from getting into the problem" due to a lack of prevention funding.

Mr. Molton noted that a copy of the State of Washington Governor's Council on Substance Abuse recommendations [copy not provided] had been provided to Co-Chair Wilken. The report might provide guidance to the State of Alaska.

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Mr. Molton made specific suggestions to language in the bill. One suggestion would be that the language in Sec. 3(d)(3) on page four, beginning on line nine that would allow certain entities such as lodges to possess more than nine gram of pseudoephedrine, be amended to include such things as "boat orders". Carrs/Safeway and other retailers routinely handle orders from boats in fishing fleets that exceed the allowable 24-gram limit.

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Co-Chair Green asked whether Carrs/Safeway ships to Rural areas as well.

Mr. Peterson affirmed.

Co-Chair Green asked whether orders shipped to Rural areas might also exceed the limit restriction.

Mr. Peterson confirmed that such orders often exceed the limit.

Co-Chair Green understood therefore that the Rural order scenario could be likened to the boat order situation.

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Mr. Peterson agreed. He noted that often times, boat orders are received from vessels that spend months at sea.

Mr. Molton pointed out that an area that might not have been discussed in relation to this bill is the consideration of the fact

that the three crimes of methamphetamine production and use, identity thief, and mail thief "are inseparability connected". He informed that the majority of the time "that a search warrant is executed at the Meth production facility", such things as false identification and counterfeit checks or information to support such crimes are discovered.

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To that point, Mr. Molton explained that the current record keeping system used by most major retailers is referred to as the point of sale system. It utilizes a scanner to scan each item in the sale, and, at the end of the transaction, money in the form of cash, a credit card, a debit card, a gift card, an EBT card, or a check is tendered as payment. The entirety of the transaction data is stored in a computer and is available for retrieval in the retailer's database for a period of ninety days. However, with extra effort, information could be retrieved for as long as five years. Stores also utilize digital closed circuit television and camera surveillance to record the entrance/exit, aisle, and checkout counter activity in its stores. It is possible that the store could access a record of the person entering the store, choosing items off the shelf, purchasing the items, and exiting the store.

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Mr. Molton opined that the logbook process being proposed is unnecessary; "it is redundant", and would be an expense to retailers. No "useful purpose beyond" the information that is already maintained by stores "in the normal course of business" would be provided. Stores currently comply with subpoenas and search warrants on a regular basis, and "voluntarily provide closed circuit television evidence routinely to law enforcement upon request". In addition, such things as vehicle license plate numbers of people suspected of buying "precursors for the use of methamphetamine" are also provided to law enforcement officers through the Carrs/Safeway's Meth Watch Program. These activities would continue.

Mr. Molton stated that another objection to the log is in regard to the information that would be required. It is anticipated that in order for the log to be helpful, its information must "be sortable in some fashion". As learned from his FBI experience, sortable fields of information should include the purchaser's last name, first name, middle initial, date, type and quantity of the item, the amount of the transaction as well as the employee conducting the transaction. This activity would extend the amount of time required to complete the transaction beyond the typical transaction

time of less than 30 seconds. In addition, each city in Alaska could impose its own requirements. Further compounding the burden that would be placed on a store is the fact that each state could establish differing requirements. The state of Oklahoma requires that the logbook information be transmitted electronically. This would require additional hardware and database programs. Administration of the program across the State of Alaska and from state-to-state could be tedious to comply with.

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Mr. Molton observed that when such rules are enacted, someone must be responsible for verifying such things as whether retailers are maintaining the logs properly or are not selling more than the allowed quantities. He asked whether consideration has been provided to the imposition of penalties for non-compliance.

Mr. Molton stated that Carrs/Safeway has "conservatively calculated" that the cost of implementing the logbook system in its 25 stores would incur \$250,000 in labor costs. Other costs would be associated with training efforts. Additional costs would be incurred were electronic data transmission required.

Mr. Molton reiterated the support for the proposed "stiffening of the sentences" associated with this issue.

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Mr. Molton concluded his remarks by stating that the store would like to work further with Representative Ramras and Senator Guess in regards to the logbook issue.

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Co-Chair Green voiced appreciation for the "enlightening" testimony.

Co-Chair Green asked the percentage of the State's population that might be served by major retailers with similar scanning systems to that utilized by Carrs/Safeway.

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Mr. Peterson expressed that it is likely that all major retailers in the State's metropolitan areas utilize such systems. The systems are available in its stores in communities such as Dutch Harbor and Nome. It is questionable whether small village retailers utilize such systems.

Co-Chair Green clarified that the gist of her question was to determine how much redundancy might be incurred by the implementation of the logbook. Some Members are concerned about the logbook section of the bill. "We want to be sure we get this on its way, but have it in a condition that is acceptable for all of us. We certainly want to work with the sponsor as well."

Senator Olson asked whether other alternatives to the log have been considered in the desire to track purchases.

Mr. Molton shared that programs such as the Meth Watch program are being utilized in the State of Washington. When an individual is observed repeatedly visiting the store and purchasing meth lab materials such as pseudoephedrine, batteries, acetone, and coffee filters, it is an alert that a meth lab might be functioning. In that case, law enforcement personnel would be notified and information such as license plate numbers and names and pictures of the individuals would be provided. Were a subpoena or a search warrant delivered, the store would provide the information contained in the store's files relating to the transaction. This "is a very viable alternative to the log".

Co-Chair Wilken thanked the gentlemen for their testimony. Continuing he asked, with the exception of the "boat orders" and the log issue, whether other sections of bill were acceptable.

Mr. Molton stated that other sections of the bill were acceptable. The penalty "enhancements", specifically the ones relating to the endangerment of those under the age of 18, "are commendable".

Senator Stedman shared that some pharmacies in his district have also voiced concern about the log, specifically in regards to how it would be maintained and the time that would be involved in that process. While pharmacists are supportive of the direction of the legislation, there is concern about its affect on "small mom and pop" stores that might not have a sophisticated point of sale system.

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Co-Chair Green again thanked the Carrs/Safeway representatives for their insight on the matter. Continuing, she invited the Department of Law and the bill's sponsor to join the discussion in order to develop a compromise in regard to the log section of the bill. She reiterated that several Members have voiced concern about that issue.

Co-Chair Green, voicing an understanding of the intent of the log requirement, asked whether methods such as the aforementioned Carrs/Safeway Meth Watch program have been considered as alternatives to that requirement.

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DEAN GUANELI, Chief Assistant Attorney General, Legal Services Section, Criminal Division, Office of the Attorney General, Department of Law stated that the bill would only require that the purchase of the specified products must be logged. While other states, including the state of Washington, require the logging of other "suspicious transactions", such burden would not be imposed on retailers by this bill. Carrs/Safeway operates stores in other states whose requirements are more labor intensive than those being proposed in HB 149. It should be noted that the restrictions imposed by other states "have been effective". This legislation is viewed as "a reasonable accommodation".

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Co-Chair Green understood that Mexico is one of the greatest sources of the finished meth product. While the import of the product, which is contributing to its usage, is not being addressed in bill, such importation might be the reason that meth use in other states is not being reduced even though such efforts have been made.

Mr. Guaneli noted that Interstate 5 (I-5), which transits from Mexico through the states of Washington, Oregon and California, is difficult for law enforcement officers to monitor. Thankfully, I-5 does not transit to Alaska. Alaska State Troopers would be appreciative were the results of this legislation to mirror the reduction in meth production that has occurred in other states that have adopted similar legislation. Such legislation would provide them the ability to concentrate on other sources such airports and the mail.

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JANE PEARSON, Staff to Representative Jay Ramras, the bill's sponsor, informed the Committee that Representative Ramras "is in favor of the logs". Representatives of the Department of Public Safety should be provided an opportunity to speak to the reasons for their support of the logs.

Mr. Guaneli spoke to the importance of the logbooks. He noted that language in Sec. 6(a), page six, beginning on line 13 makes the

purchase or possession of more than nine grams of the identified drugs within a 30-day period, a crime. Absent the logbook, "positive proof of such action" would be difficult to prosecute. Tips from the store or from other Meth users would be insufficient. The log entries are important to the "overall effectiveness" of the bill.

Mr. Guaneli restated his May 4, 2005 comments to the Committee regarding the fact that the logbooks would be "an effective deterrent", as people who purchase pseudoephedrine to provide to meth manufacturers are often users themselves and, as a result, become paranoid and would not desire to use identification. The logbook requirement "would make a difference".

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Mr. Guaneli voiced being uncertain as to what Carrs/Safeway "is proposing "in exchange" for the log books. While their stores do have cameras, the information that could be provided by them is unclear. "Even if you have cameras showing people coming into the store and showing people going up to the counter; unless you can really tie that to a specific transaction; tie that to a specific amount; tie that to a specific person, its going to be maybe interesting information but not anything that can really be used by an investigator to pursue it further."

Mr. Guaneli stated that another point he had made in the May 4th hearing is that before the state of Iowa enacted their pseudoephedrine legislation, an Iowa university had conducted a survey to gauge public reaction to it. The result was "overwhelmingly" public support for the identification and signature requirements as well as the purchase quantity limitations. The public "understood the importance of doing so". Given that there is both public and law enforcement support of such legislation would identify the action as "an important step".

Mr. Guaneli opined that the bill's sponsor has endeavored to be responsive to retail industry concerns. The specification of a logbook termination date would provide an opportunity to review the success of the effort. The fact that the Department of Public Safety would be required to establish the logbook guidelines would provide retailers another opportunity to provide input.

Mr. Guaneli stated that while there are many large retailers who have sophisticated point of sale technology, many small stores might not. The logbook being proposed, "was chosen" because it would provide a uniform method of collecting information that would work for both small and large stores. Similar logbook provisions

have worked well in other states and should work well in Alaska.

Co-Chair Wilken characterized this as being a good bill. "A lot of work has gone into it ... by a lot of different authors." The implementation of many of its provisions would do some good; however, he voiced concern about the logbook issue. While he respected Mr. Guaneli's remarks, he also heard the concerns raised by retailers. Therefore, in an effort to move the bill forward, he suggested that the logbook language be removed from the bill. The bill's sponsor could work with retailers over the Interim to determine how to make the logbook "less intrusive". "Even if that weren't to happen", such an event as a "reverse sunset" might eventually occur in that, while the provisions of the bill might be having an affect, Legislators might choose at some point to include the logbook as a means to further enhance the effort.

Co-Chair Wilken stated he would support the bill were the log provisions removed. Not "enough work" has been conducted in regards to its affect on either large or small retailers or consumers. There is also a question as to the level of benefit that would be provided by the log and whether it might also be an invasion of privacy.

Co-Chair Green doubted whether the bill would move forward were the logbook language included. Perhaps another component of the bill could "be strengthened in exchange" for the logbook's removal.

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To that point, Co-Chair Green suggested that language in Sec. 11 (a) page nine beginning on line 16 could be changed to read as follows.

(a) A wholesaler, manufacturer, or distributor of products containing ephedrine, pseudoephedrine, or phenylpropanolamine, or their salts, isomers, or salts of isomers, or iodine or crystal iodine, has an affirmative duty to report to a law enforcement agency or offices suspicious purchases, shall keep complete records of all transactions involving those products, including the names of all parties involved in the transaction, the date of the transaction, and the amount of the drug products involved. The records shall be kept readily retrievable for inspection by law enforcement officers and separate from all other invoices or records of transactions not involving those products and shall be maintained for one year, or a shorter period of time established by the Department of Public Safety by regulation, and must allow for inspection of the records by law enforcement officers.

Co-Chair Green also suggested that language in Sec. 11 (d) page ten lines 19 through 21 could be "strengthened as a reporting standard".

Mr. Guaneli agreed that there was an opportunity to strengthen that language; however, that determination could be made via regulations adopted by the Department of Public Safety. The Department could outline what would constitute a suspicious purchase that "would then trigger some reporting".

Co-Chair Green asked whether current language in Sec. 11 on pages nine and ten of the bill would provide the Department of Public Safety sufficient "leeway in making those kinds of requirements".

Mr. Guaneli conveyed that the Legislative Review Committee carefully assesses the specifics of language that provides agencies the authority to adopt administrative regulations" and when it is not "crystal clear, agencies are criticized for doing so". Specific regulation making authority" language could be included in the bill.

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Mr. Guaneli expressed that Co-Chair Wilken's idea of some kind of "reverse sunset" is an interesting idea. The question would be whether it would be "the desire to have this matter come before the Legislature again or" at a specified time in the future, the Commissioner of the Department of Public Safety might "certify that there has not been any significant reduction in the diversion of pseudoephedrine from legitimate sources to the manufacturers of methamphetamine", and that action would allow for the adoption of logbooks at that point.

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Mr. Guaneli continued therefore that the question is whether the desire would be for the Legislature to revisit the legislation in, for example, a year or whether some sort of certification by the Department of Public Safety would suffice.

Co-Chair Green interjected that rather than the Legislative action being to preordain anything, it would simply provide for a review of the process, by a date certain.

Mr. Guaneli acknowledged.

Co-Chair Green stated that rather than this being a decision made

solely by the Committee, Representative Ramras, Senator Guess and others should be involved in the discussion. Language in written form should be developed for further consideration.

Mr. Guaneli affirmed that he would "work in that direction".

Co-Chair Green ordered the bill HELD in Committee.

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#hb169

CS FOR HOUSE BILL NO. 169(FIN)

"An Act relating to the educational requirements for certain real estate brokers, associate brokers, and salespersons with new or suspended licenses; relating to review of real estate transactions by attorneys or associate brokers; relating to the requirements for a real estate broker license and an associate real estate broker license; and providing for an effective date."

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

HEATHER NOBREGA, Staff to Norm Rokeberg, the bill's sponsor, stated that this bill would require newly licensed real estate professionals to undergo 20 hours of practical education courses, as determined by the Alaska Real Estate Commission, during the first year after they receive their license. The bill would also allow a real estate broker to retain an attorney or associate broker to assist in reviewing each real estate transaction before the transaction closed, as reflected in Sec. 12 page seven lines 25 through 28. This would assist larger brokerage firms with the onerous "duty" of having to review each file before it closes.

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Co-Chair Green understood that in that case, the primary broker would still be responsible.

Ms. Nobrega affirmed.

Senator Olson asked regarding the current continuing education requirements.

Ms. Nobrega responded that the current continuing education requirement is 20 hours every two years. That requirement would

continue unaffected. The 20 hours of practical education that newly licensed real estate professionals must undergo during their first year of practice would involve such things as contract writing and client interaction. Currently, the broker assists with teaching the everyday practices. There is no established education guideline for new realtors, and each firm differs in its actions in this regard.

PEGGY ANN MCCONNOCHIE, Representative, Alaska Association of Realtors, explained that a person endeavoring to receive their real estate license must undergo 20 hours of prescribed pre-licensing education. After receiving the license, the individual must take 20 hours of specified education courses and an additional 12 hours chosen from a list of course options developed by the Commission.

Ms. McConnochie noted that 18 other states have adopted similar post-licensing legislation, boosted by the concern that the newly licensed realtors should "have actual practical education as to how to do the job they are supposed to do". The states that have implemented the post-licensing regulations have experienced a dramatic reduction in public complaints caused by the realtor's lack of experience. The industry has determined that this action would improve the industry overall. The new regulations would also require that an associate broker who upgrades to a broker take the 20 hours of practical education during their first year as a broker.

Senator Olson ascertained therefore that the real estate industry is supportive of the legislation, even though taking the additional courses would incur an expense.

Ms. McConnochie affirmed the industry's support of the additional education requirement.

Co-Chair Green asked for confirmation that Legislators would not receive complaints from those affected by the legislation.

Ms. McConnochie shared that 95-percent of the respondents to a survey of both long and short-term realtors that was conducted by the Alaska Association of Realtors "wholeheartedly" supported the bill. The other five percent indicated acceptance of the requirement. She shared that while she, a broker, had been initially concerned about having to provide the additional education to new licensees she is now convinced of its merit. "No phone calls will come your way."

Co-Chair Green asked regarding the schedule of the post-licensing requirement, specifically if it would typically occur over two weekends.

Ms. McConnochie responded that the schedule would be dependent on the needs specific to the licensee or an area as well as the instructor. The training could be delivered in a variety of formats, including via the Internet, in order to insure that new licensees had access to the required courses. The courses would require a minimum of three days. That time could be stretched out over several weeks.

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Senator Stedman understood therefore that individuals would not be required to travel to a central location such as Anchorage.

Ms. McConnochie stated that that is "correct"; there would be no desire "to burden people with the cost of a plane trip". The only requirement is that the education be received. The courses would be available throughout the State. She informed that in her role as an educator she has conducted training by correspondence. "Quality education would transpire no matter where the licensee practices."

Senator Stedman asked for further information as to how the distance delivery would be accomplished.

Ms. McConnochie expressed that there would be a variety of delivery systems, including "face to face" or correspondence courses. The licensee could choose the method they preferred.

Senator Stedman understood that each real estate office would continue to be limited to having one broker. Therefore, he understood that other brokers in that office would be deemed associate brokers.

Ms. McConnochie affirmed. She noted that while there could only be one broker, there could be any number of associate brokers. Rather than setting up their own real estate office, these individuals have chosen to associate with another broker. The allowance of only one broker would assure that there was one person responsible for the proceedings at that particular office.

[5:53:56 PM](#)

Senator Stedman opined that there is a difference between 20 hours conducted in a classroom setting and 20 hours conducted via correspondence.

Ms. McConnochie understood Senator Stedman's position because, in her role as an educator, she has conducted both face-to-face and

correspondence formatted courses. The Real Estate Commission would be responsible for developing, reviewing, and approving the courses. As she also serves as chair of the Commission's education subcommittee, she shared that the subcommittee is developing "matrixes for the Real Estate Commission" that would enable them to determine what hands-on material should be addressed in, for example, a Contracts class. This effort would assist in developing a program that would meet the spirit and purpose of the statutes and regulations.

[5:55:25 PM](#)

Senator Stedman noted that there are national firms that could provide continuing education correspondence courses for a variety of professions. Those firms utilize computerized test forms. He asked whether such firms would be utilized or whether the Commission would develop its own program.

Ms. McConnochie stated that the Commission would be developing its own program. Individuals could not enroll with a national company to meet the 20-hour requirement, as the goal would be to develop a program specific to the needs of, for instance, the real estate market in Juneau. National courses would not address issues associated with the various parts of the State. For instance, the Juneau course would address such local issues as avalanche or hazard zones, and a course in Fairbanks would address issues related with ice conditions. In general, continuing education courses would "assume" that one would already possess the basic knowledge of the field. Therefore, the effort would be "to improve upon those skills" and provide a "better class" of realtors. This would further protect the public.

Senator Stedman asked for further clarification regarding the frequency of the 20-hour requirement proposed in this bill. In addition, he asked whether the requirement would apply to all licensed realtors.

[5:58:06 PM](#)

Ms. McConnochie clarified that all licensed realtors must take 20-hours of continuing education courses every two years. This legislation would specifically require that, within the first year of a new realtor acquiring his or her license, they must take an additional one-time only 20-hour post-licensing practical education course. This would also be a requirement were a licensed realtor to upgrade to an associate broker position or were an associate broker to upgrade to a broker position. The industry's belief is "that everything changes" and it is the industry's "responsibility to

keep up on new information" in order for provide quality service to clients.

Senator Stedman asked for confirmation that all brokers, regardless of how long they had their broker's license, must undergo continuing education courses every two years.

Ms. McConnochie affirmed that there were "no exclusions". All licensed realtors, associate brokers, and brokers must take 20 hours of continuing education courses every two years.

Senator Olson asked regarding the cost of the course.

Ms. McConnochie responded that the cost could not be determined until the program was developed. "A variety of different types of courses" would be anticipated. Major brokerage firms in large communities such as Anchorage and Fairbanks would likely provide "in-house post licensing education". How much or whether they would charge their agents is an unknown. The price would depend on what the market would bear, and what the licensees would be willing to pay. The bill would allow the Commission to have until January 1, 2006 to develop the program. This time would be sufficient.

[6:00:34 PM](#)

Senator Hoffman ascertained that the 20-hour course would not be a pass/fail type of program.

[6:00:49 PM](#)

Ms. McConnochie responded that the State's Real Estate Commission currently requires that an individual must pass a correspondence course with at least a 75 percent or better test grade; testing in a face-to-face course is determined by the instructor. The Commission's education subcommittee would be recommending to the Commission that, in order to pass the practical post-licensing course, the individual must demonstrate the ability to complete the work taught.

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

There being no objection, CS HB 169(FIN) was REPORTED from Committee with previous zero fiscal note #1 dated April 6, 2005 from the Department of Commerce, Community and Economic Development.

[6:02:01 PM](#)

#hb211

CS FOR HOUSE BILL NO. 211(FIN)

"An Act extending the termination date of the Board of Dental Examiners; and relating to dentists and dental hygienists."

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

HEATH HILLIARD, Staff to Representative Mike Kelly, the bill's sponsor, explained that, while this bill would "essentially" extend the Board of Dental Examiners, it would impose a few changes to existing Statutes to make them "more relevant to existing situations". All involved entities, including the Alaska Dental Society (ADS), the Alaska State Dental Hygiene Association (ASDHA), and the Division of Occupational Licensing, Department of Commerce, Community and Economic Development, have agreed to the proposed changes. The changes would include the implementation of continuing education requirements for Dental Hygienists, modifying the inspection period for radiological equipment used in dentistry, clarifying licensing qualifications regarding impairments that might impair an applicant's ability to practice dentistry, and clarifying the statutes for specialty licensure by requiring that the applicant meet certain qualifications for dentists in the State. The extension of the Board, as well as some of the changes included in the bill, were supported in the findings of a Legislative Audit report for Audit Control Number 08-20031-04, [copy on file] conducted in August 2004.

Co-Chair Green noted that the Committee had recently adopted legislation regarding foreign trained medical doctors. To that point, she asked whether that bill would affect dentists.

Mr. Hilliard voiced being unsure of the impact of that legislation on the dental profession. However, he noted that there such a concern in regards to the status of one dental practitioner.

Co-Chair Green voiced that the impact of that bill on the dental field should be established, as this could be the opportunity to address issues that might be occurring in regards to foreign trained dentists.

[6:04:50 PM](#)

JIM TOWLE, Executive Director, Alaska Dental Society, testified via teleconference from an offnet site and voiced being unfamiliar with

the bill pertaining to foreign trained medical doctors. He understood that currently a dentist could not get licensed in the State of Alaska unless they had graduated from a dental school accredited by the Commission of Dental Accreditation, which is a quasi-governmental operation supported by the American Dental Association.

In response to a question from Co-Chair Green, Mr. Towle stated that in order to be licensed in the State of Alaska, a dentist must be a graduate of a school in either the United States or Canada that is accredited by the Commission. Therefore a graduate of a foreign dental school would be ineligible to be licensed as a dentist in Alaska unless they had attended and graduated from one of the accredited schools.

Co-Chair Green asked whether Mr. Towle was aware of the legislation that had recently been passed regarding medical doctor licensure in the State.

Mr. Towle communicated that he was unaware of that legislation.

Co-Chair Green stated therefore, that the question is whether that legislation would affect the licensure of foreign trained dentists.

Senator Olson conveyed that that bill pertained to medical doctors/physicians.

Co-Chair Green asked whether that terminology might include a Doctor of Dentistry (DDS).

Mr. Towle responded that some dentists "are dual degreed" as a DDS/MD.

Senator Olson, who was a medical doctor, affirmed that only a DDS/MD would be affected by the legislation on foreign trained medical doctors.

Co-Chair Green acknowledged. She noted that were this an issue with dentists, it could be addressed separately.

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

There being no objections, CS HB 211(FIN) was REPORTED from Committee with fiscal note #1 dated March 29,2005 from the Department of Commerce, Community and Economic Development. This note depicts an expense of \$124,100 in fiscal year FY 07.

#hb225

SENATE CS FOR HOUSE BILL NO. 225(HES)

"An Act relating to medical examiners and medical death examinations."

[6:08:41 PM](#)

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

SHALON SZYMANSKI, Staff to Representative Lesil McGuire, the bill's sponsor, explained that this bill would require the Commissioner of the Department of Health and Social Services to appoint a second medical examiner in the State. Currently, only one medical examiner is required. The workload of the State's Medical Examiner is increasing as exemplified by the fact that approximately 1,100 cases were filed with the Office the previous year. The duties of the medical examiner range from conducting autopsies to administrative duties and legal duties, which require him to testify in Court. Current State law requires that autopsies be conducted in cases involving a crime or a suspicious death. However, on occasion, due to current workloads, no autopsy is conducted on the latter.

Ms. Szymanski noted that there is currently "no backup" were the State's lone medical examiner unable to fulfill his duties.

Co-Chair Wilken communicated that he had participated in the discussions on this bill during its Senate Health, Education, & Social Services Committee, of which he is a member. His concern then was that the Legislature "was doing the job" of the Governor Frank Murkowski Administration; continuing that point, he stated that the question is whether the Administration could hire a deputy medical examiner without this legislation.

Ms. Szymanski responded that a second medical examiner could be hired provided funding was available. The issue therefore, is that, absent this legislation, those funds might not be constant. Therefore, the State might continue to be served by one medical examiner and, as a result, many cases might not receive the attention they deserve.

[6:11:07 PM](#)

Co-Chair Wilken voiced that it "bothers me structurally" that one or several Legislators might decide that a position was needed and that, without question, that decision might be approved by the

Legislature. There is a reason for the budgeting process and the separation of powers. The merits of hiring another medical examiner should be determined through the budgeting process. Furthering this legislation might establish an unwanted precedence. Were a second medical examiner deemed necessary, the Administration should advance it through the budgetary process.

Ms. Szymanski "expressed" the sponsor's concern that the problem with the medical examiner position is one that "would not go away". The State's population is increasing and would warrant a second medical examiner. "It's an issue that needs to be dealt with, and that's the only reason why we bring this forward."

Co-Chair Wilken acknowledged.

Senator Olson, a medical doctor, spoke to the need of there being a second medical examiner. The current medical examiner is nearing retirement age and "is overworked". He has been "worked to the bone and has done a very good job of trying to keep up, but he only human". The requirements of the position are numerous. Therefore, he would support adding a Deputy Medical Examiner position due "to the intensity of the need".

Co-Chair Green voiced concern to the fact that the bill was accompanied by a Department of Health and Social Services zero fiscal note, as the funding mechanism of the second medical examiner position was unclear.

[6:13:49 PM](#)

Co-Chair Green joined Co-Chair Wilken in his concern of the process being forwarded by this legislation, as, in her tenure as a member of the Legislature, she could not recall ever entertaining a request to add a staff position "through this process". Such requests have historically been advanced through the budgetary process.

DR. RICHARD MANDSANGER, Director, Division of Public Health, Department of Health and Social Services informed the Committee that the Department currently has sufficient funding in its budget for two medical examiners. He informed the Committee that an individual was offered the job as deputy medical examiner the previous day. This legislation would "mandate" that the State would always have a minimum of two medical examiners. That number is warranted. No fiscal expense accompanies this bill, as funds are currently available through which to support two medical examiners. While the Department has had the ability to have two medical examiners, this legislation would include in State Statute the

language "shall appoint" a deputy medical examiner.

Dr. Mandsanger acknowledged Co-Chair Wilken's comments about adhering to budgetary process procedures, and informed the Committee that, in all likelihood, he would be testifying in support of the needs of the Medical Examiners' Office during future budgetary proceedings.

[6:15:41 PM](#)

Dr. Mandsanger informed the Committee that a \$100,000 increment was included in the Governor's FY 06 operating budget proposal to support the infrastructure and needs of two medical examiners.

Co-Chair Green ascertained therefore that that was the reason for there being a zero fiscal note with this legislation. The Governor's budget would include the funding needed to support the second medical examiner position.

Dr. Mandsanger concurred.

[6:16:07 PM](#)

In response to a question from Co-Chair Green, Co-Chair Wilken stated that his concerns, as previously stated, are on the record.

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

AT EASE [6:16:39 PM](#) / [6:17:37 PM](#)

There being no objection, SCS HB 225(HES) was REPORTED from Committee with zero fiscal note #1 dated March 30, 2005 from the Department of Health and Social Services.

[6:18:04 PM](#)

#hb123

CS FOR HOUSE BILL NO. 123(RLS) am
"An Act relating to occupational licensing fees, fines, and penalties and to regulatory board fines; extending the termination dates of the Boards of Barbers and Hairdressers, Social Work Examiners, Pharmacy, Professional Counselors, Psychologist and Psychological Associate Examiners, and Veterinary Examiners; relating to psychologist licensing by credentials; relating to an exemption that allows one bill to continue more than one board, commission, or agency program;

and providing for an effective date."

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

JOSH APPLEBEE, Staff to Representative Tom Anderson, the bill's sponsor, informed the Committee that this legislation would provide for the extension of six different State Boards slated to be terminated. The Division of Legislative Audit has recommended that each of the six boards be extended. This bill would extend the Board of Barbers and Hairdressers to the year 2011; the Boards of Social Work Examiners, Pharmacy, Professional Counselors, Psychologist and Psychological Associate Examiners to the year 2010, and the Board of Veterinary Examiners to the year 2009.

Mr. Applebee shared that the bill would also allow the Board of Psychologist and Psychological Associate Examiners to adopt regulations that would recognize other credentialing organizations beyond the current American Board of Professional Psychology. To this point, the Board must insure that this expansion would be limited to recognizing only those organizations whose credentials were similar or higher than the licensing requirements specified in State Statute.

[6:19:51 PM](#)

Co-Chair Green asked whether the extensions of these Boards could be characterized as "routine" extensions.

Mr. Applebee affirmed.

Co-Chair Green noted that the one exception would be the expansion of the credential language pertaining to the Board of Psychologist and Psychological Associate Examiners.

PAT DAVIDSON, Legislative Auditor, Division of Legislative Audit, Legislative Affairs Agency commented in regards to the proposed extension dates. She noted that the Division was required to conduct audits of 12 boards and commissions that were due to terminate this year. Therefore, in an effort to avert overlaying auditing of numerous boards in the future, the Division utilized extension timeframes ranging between four to six years, as opposed to the standard four-year extension. In addition, the audit noted that contrary to previous audit findings in which the Board of Barbers and Hairdressers licensing fees had not sufficiently covered the expenses of operating its Board, the increased license fees are now sufficient in that regard. However, the Division would

recommend that the licensing fees of both the Boards of Pharmacy and Psychologist and Psychological Associate Examiners be increased.

AT EASE [6:21:50 PM](#) / [6:22:37 PM](#)

Senator Olson understood that the credentialing expansion pertaining to the Board of Psychologist and Psychological Associate Examiners, as reflected in Sec. 7(3) page two lines 25 through 28, would serve to allow a person meeting the specified credentials to obtain their license.

Mr. Applebee affirmed that to be correct, provided that the individual's credentials were the same or higher than those specified in Statute.

[6:23:21 PM](#)

Senator Olson asked the reason for expanding the credentialing organizations in that regard.

Mr. Applebee responded that the goal would be to increase the number of people practicing in that field.

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

There being no objections, CS HB 123(RLS) am was REPORTED from Committee with zero fiscal note #1 dated February 3, 2005 from the Department of Commerce, Community and Economic Development.

[6:24:27 PM](#)

#hb215

CS FOR HOUSE BILL NO. 215(FIN)

"An Act relating to the investment responsibilities of the Alaska Permanent Fund Corporation; relating to regulations proposed and adopted by the Board of Trustees of the Alaska Permanent Fund Corporation and providing procedures for the adoption of regulations by the board; and providing for an effective date."

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

MIKE BURNS, Chief Executive Officer, Alaska Permanent Fund

Corporation, Department of Revenue, stated that the issue at hand is the question as to "why the Prudent Investor Rule even be considered as the primary overarching policy governing the investment of the Alaska Permanent Fund." The initial step in addressing this question would be to review the Alaska Permanent Fund Corporation (APFC)'s "mission, which is to maximize the value of the Permanent Fund through prudent long-term investment and protection of principal to produce income to benefit all generations of Alaskans".

Mr. Burns read portions of his written testimony [copy on file] as follows.

It is not difficult to see the many challenges inherent in the Permanent Fund's mission and equally easy to see that they often are in conflict. Maximizing returns in a manner that is prudent, doing so over the long-run (indeed perpetuity) and still protecting Fund principle while at the same time producing and distributing substantial levels of income annually in perpetuity (across future generations) is a major challenge for those charged with investing the Fund's assets.

For several hundred years, most trustees facing similar challenges have operated under a "prudent" policy implemented by a simple constraint: permit the investment of fund assets in only those instruments which, when viewed individually, were likely to produce income and protect the nominal value of the fund. These instruments were few and primarily focused on fixed income. This particular foundation for a prudent investment policy succeeded in some respects, but has generally failed to meet the full spectrum of requirements such as those expressed in the Permanent Fun's Mission. IN particular:

- The predominate, and in some cases, exclusive use of fixed income and related securities left the real corpus extremely vulnerable to inflation.

Over the last three decades, trustees facing challenges highly similar, and in some cases identical, to those facing the Alaska Permanent Fund, have been abandoning the "restrictive list" foundation for implementing a prudent investment policy and instead have adopted the Prudent Investor Rule as the guiding policy for investment fund assets.

Mr. Burns noted that 44 of the 50 states in the United States have moved away from the restrictive or statutory lists.

The Prudent Investor Rule's underlying premise is that the primary responsibility of the fiduciaries is to ensure that the estimated risk and return of the *total portfolio* is appropriate in light of risk tolerances and the particular objectives of the assets. This focus on the least estimates of the total portfolio's long-term behavior along with the development of modern portfolio theory has fundamentally changed the foundation for "prudent" fiduciary behavior...

In current law, this emphasis on the whole portfolio rather than individual investment categories the fiduciary is said to have " a duty to evaluate investments *in the context of the portfolio as a whole* while the duty to select reasonable levels of risk are targeted to the fund and diversification itself becomes as a fiduciary obligation...

The relevant point for the Alaska Permanent Fund is that it is quite possible that either now or at some time in the future, the inability to access a broader range of asset classes may result in the creation of a Fund that contains either excess risk or unnecessarily lower long-term returns.

Mr. Burns referred Committee Members to the "'Efficient Frontier' of Investments" graph on page four of the Alaska Permanent Fund Corporation handout titled "Reducing Risk, Increasing Return" [copy on file]. The graph's horizontal axis measures risks and the vertical axis measures expected returns. The lower graph-line in the chart depicts the "Efficient Frontier" for the Alaska Permanent Fund "as constrained by the current statutory list". Each of the dots on that line reflects the "risk and return characteristics of different asset allocations". The square mark on that line, referred to as "#8 March 2004 Target" is indicative of the risk and return level of the Fund today, which is a 7.83 percent return with 10.29 percent standard deviation.

Mr. Burns continued that the upper graph line would reflect the Permanent Fund's portfolio were it instead constrained by the Prudent Investor Rule. The points on that line also reflect differing asset allocation categories. The "green square" on the upper graph line would reflect the 7.83 percent return being currently experienced. Under the Prudent Investor Rule that level would be obtained with lesser risk. The level of risk currently being experienced is reflected on the upper line by mark "6"; however, under the proposed Prudent Investor rule, that level of risk would be accompanied by a one percent increase in returns.

Mr. Burns stressed that, "the constraints of the statutory list today are pushing us in the direction of higher risks for lower

returns and that is not what any of us are seeking".

[NOTE: Co-Chair Wilken assumed chair of the Meeting.]

[6:31:32 PM](#)

Senator Stedman, referencing the differences between the aforementioned marks "6" and "8", asked "how accurate is the measurement of that when you have static investments that aren't actively traded". He noted that the Alaska State Pension Investment Board (ASPIB) had provided testimony to the effect that standard deviations were difficult to estimate and therefore not included in their reports.

Mr. Burns asked whether Senator Stedman was referring to real estate or private equities.

Senator Stedman clarified that his remarks pertained to private equities.

Mr. Burns explained that the APFC includes "those in our financial projections with their expected internal rate of return." The determination is that that is the most accurate manner in which to reflect it. Private equities, at a level of \$2,900,000, are a small asset, and at this time, do not have much affect. He pointed out that the graph depicts "expected return and expected risk" based on "historical factors for these asset categories".

[6:33:03 PM](#)

Senator Stedman recalled that the APFC asset allocation had been increased by five-percent the previous year in order to allow the Fund "to have more liquid assets classes" to help it "increase its return and, in theory, decrease its volatility at the same time". He asked whether that level had been obtained to date.

[6:33:42 PM](#)

Mr. Burns replied that that level has not been reached. He exemplified that the University of Alaska Foundation has specified that 18-percent of its assets would go into what is referred to as "alternative investments", which "are basically basket clause type of investments" to which Senator Stedman has referred. Even though the University is having difficulty reaching the 18-percent, there are now commitments to increase that level to 24-percent. "You don't control when the money goes out the door and you don't control when it comes back on some of these private type of investments, so you need to over-commit if you are going to get to

your target." APFC Trustees, through "the powers granted to us through the additional basket clause made a commitment of \$600,000,000 to private equity". \$240,000,000 of that \$600,000,000, allocation has been committed, and of that \$240,000,000, "\$2,900,000 is out the door. It is a very lengthy process." It is necessary to over-commit in order to reach the level desired. The mechanism to avoid a situation of over-commitment is to include "contractual obligations and a statutory limitation". Those are necessary even though "it would be highly unlikely" for all of the commitments "to be called at one time".

[6:35:20 PM](#)

Senator Stedman acknowledged.

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

Senator Stedman spoke to the "bigger issue" of the underfunding of the Public Employees Retirement System (PERS) and the Teachers Retirement System (TRS). Efforts are being taken to address that \$5,700,000,000 under-funding situation. To that point, he questioned whether this would be the appropriate time to consider the proposal being advanced in this bill. He suggested that a better time would be to address it in January and February 2006 when the Committee could review the portfolio of the PERS and TRS Trust Assets and the Permanent Fund (PF). He noted that ASPIB does not currently operate under the auspice of a statutory list, and that they currently "have more volatility, and they seem to have a little higher return on the upside and a lower one on the down side." He argued that it would be "a nice fit" for the Finance Committee to address "this issue at the same time because they are very closely related. The education" that would be gained on the part of both the public and the Legislature were those efforts to "run simultaneously" or in close sequence would be beneficial.

[6:37:31 PM](#)

Senator Stedman noted that the five-percent allocation increase the Legislature had provided APFC through the basket clause does not appear to be "maxed out yet" so a delay in addressing this legislation would not place "the PF at any major disadvantage". He "recognized" that over the last decade the PF has endeavored to move away from the statutory list.

[6:37:48 PM](#)

Mr. Burns spoke to the timing issue by conveying that APFC is convinced that the proposal being forwarded "is the right concept".

In addition, APFC is convinced that the current process is "hurting the Fund's performance". Yesterday, for example, the Fund increased in value for approximately \$250,000,000, which is less than one-percent. To that point, he questioned whether waiting to act on this proposal would be the right thing to do considering the Fund's volatility. "We would love to be part of the State's process "of re-thinking how the State invests its assets", however, it should be noted that, were this legislation adopted, it would not become effective until January 1, 2006. Adopting this proposal now would allow time for regulations to be developed so that the process could begin in January. It would also allow APFC to develop a report "as a precursor to how you deal with the new" PERS and TRS Board and the PERS/TRS assets. That "would be very timely".

[6:39:23 PM](#)

Senator Stedman pointed out that many of the asset classes being considered "are already liquid". Therefore, he questioned "the accuracy of pricing; at best they're estimates". The true value is provided when the asset is liquidated.

[6:39:39 PM](#)

Mr. Burns agreed to Senator Stedman's comments as they pertain to "the real estate side". Those prices are re-evaluated every other or every third year. While those changes in value are not reflected in the Fund's financial statements, they are considered in the Fund's performance. "You don't know what real estate's worth until you sell it." Some of the Fund's longer term liquid assets in terms of the Efficient Frontier", as opposed to assets we have, again, are historical performances of these asset categories". Each dot on the aforementioned graph represents "historical costs". Therefore rather than reflecting performance, the graph would present asset allocation.

[6:40:41 PM](#)

Senator Stedman stated that in order "to calculate standard deviation, you have to have a movement in price". Absent a movement in price, "you have to estimate or guesstimate it". Therefore when considering "inactively traded security you've got daily monthly or weekly pricing" which could be used "to gauge that standard deviation that moves over time".

[6:41:14 PM](#)

Mr. Burns agreed, with the exception being for instance that such things as private equity "is a liquid, it's not priced daily, but

the standard deviation is figured from its historical movement", or "its actual movement over time". There is enough history from which to develop standard deviations and historical returns for all these asset classes. The historical performance upon which we are basing asset allocation is "there for all the asset categories".

[6:41:57 PM](#)

Senator Stedman responded "that, at best it's a smoothing issue with the price movements". Absent movement in the market from which "to actually gauge what it is, you're going to have points when you sell it and points when you buy it".

Senator Stedman reiterated that ASPIB, which does not operate with statutory list constraints, would appear to have more volatility than the PF, "with higher highs and lower lows". He was uncertain as to whether the Legislature "wouldn't be better served" to address these situations "at a similar timeframe" when time could be provided to thoroughly make a decision.

[6:43:18 PM](#)

Co-Chair Green noted that "it has been interesting ... to watch the transition over the years and how it's moved very slowly ... from the different percentages and the changes It is always a tough conversation."

Mr. Burns stated that when discussing "the valuations of some of these assets..." it must be noted that the PF is not solely basing the standard deviation on how the PF assets perform, but also on the information of APFC's consultant who has a universe of a 110 funds similar to the PF. "It's how these assets perform over that universe." He "agreed completely with the assessment that as we get into these in small amounts, our experience won't be that additive to what the universe is for quite a while, but the universe is there and, for our purposes and planning, it's a very valid timeframe and returns."

Co-Chair Wilken recalled this being the third time that APFC has asked this Committee to change the Statute that controls how the Fund could be invested. Both of the previous requests were approved and the Fund continues, "to exceed all of our expectations". While being appreciative of Senator Stedman's concerns, he calculated that a one percent change that would equate to \$300,000,000 a year or \$6,000,000 a week, could be lost were this legislation not advanced. That would fund a lot of education needs in the State. Therefore delaying this legislation a year would cost the State a significant amount of money.

Mr. Burns affirmed that Co-Chair Wilken's calculations were correct. "Time is not your friend on this." Delaying this process would not correct "what all of our experts and consultants" have concluded we are doing to ourselves. "This fund is very deliberate in its approach to things", and therefore, a lengthy process is involved. This issue has been discussed for quite a while and APFC is "convinced that this is the right thing to do".

[6:46:39 PM](#)

Senator Stedman argued against the correctness of the math, as it is dependent on the market. Were the market to advance "sharply higher", he would expect the returns to be larger. Were the market to continue flat or to decline, as reflected by ASPIB's portfolio, the results might be "average or worse". Therefore, the movement from the point at which the policy was implemented "to the measuring point" would be a factor. "Markets do not always go up" and were the measurements taken "on an up day that's one measurement period" and were they taken on a "down day" that would be another period. "It's not a linear relationship."

Mr. Burns concurred that markets move both ways. He had considered Co-Chair Wilken's remarks to reflect "the opportunity" that might be there.

Co-Chair Wilken remarked that that is a measure of risk. However, he noted that, as reflected on the aforementioned Efficient Frontier graph that the State would not be changing its risk factor were this legislation adopted. "The fluctuation up and down would be the same regardless" of whether the status quo was continued or changed to the asset allocation being proposed.

Mr. Burns affirmed that changing to the proposed asset allocation would not alter the standard deviation. "What is equally important" to note is that the point at which the proposed allocation would achieve the same yield as the status quo, as reflected by the "Expected Return" point on the proposed asset allocation graph-line, would be a point of reduced risk. This would provide "quite an opportunity".

Co-Chair Wilken voiced appreciation for the inclusion of the language reflected at the bottom of page four on the aforementioned handout that reads as follows.

Increasing the Fund's investment options would allow the Trustees greater flexibility in managing the Fund for the benefit of all Alaskans, whether it is for greater return,

lower risk or both. This is especially important as the Legislature begins to contemplate the use of Fund earnings for more than just the dividend program.

Senator Stedman understood that "the Efficient Frontier is a dynamic instrument" and would change according to the measurement period being considered. "It's not static line." The line would appear different according to the time period.

[6:49:43 PM](#)

Mr. Burns clarified that the Efficient Frontier chart being referenced "is not a point in time, that is an accumulation of time; those are historical numbers". He was uncertain as to whether the graph depicted the scenario for either the past five or ten years.

Senator Stedman understood that to be the case. His point is that the line would change for any ten-year rolling average.

Mr. Burns concurred that the slope of the line on the graph would change according to the timeframe.

Senator Stedman agreed that, "theoretically, these investments should produce and allow the portfolio to receive a higher return for less volatility".

Mr. Burns responded that that is exactly the point.

[6:50:43 PM](#)

Senator Olson asked how significant the three-percentage point standard deviation reflected on the aforementioned Efficient Frontier graph is when compared to other investment scenarios.

Mr. Burns responded that the standard deviation in relationship to today's 10.29 percent return would be "pretty significant".

Senator Olson asked how the three percent standard deviation would compare to other similar investment portfolios.

Mr. Burns communicated that the PF portfolio is a fairly "conservative asset mix". It is very different from a pension fund, which has fixed liabilities. While he did not consider the Fund's standard deviation to be "out of line", he expressed that it is out of line when considered the return it is generating. "That's the ratio" that should be considered.

[6:52:06 PM](#)

Senator Stedman commented that the portfolio's assets have evolved to a 60-percent equities and 40-percent bonds balance. He understood that since the market experienced "turbulent" times around the year 2000, there has been a tendency "for asset managers to look out away from the equity markets that are traded" on such things as the New York stock exchange and to "try to go into other asset classes to tone down the volatility" and to achieve more diversitility.

[6:53:03 PM](#)

Mr. Burns affirmed this to be true. The PF has a very diverse portfolio including investments in worldwide equity markets; in small, mid, and large capitalized markets; and emerging markets. Efforts are exerted to achieve a good balance. He anticipated that "the bigger change" would be the shift "to absolute return strategies" rather than fixed income markets in an effort to remove volatility.

AT EASE [6:54:00 PM](#) / [6:54:23 PM](#)

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

AT EASE [6:54:42 PM](#) / [6:56:35 PM](#)

There being no objection, CS HB 215(FIN) was REPORTED from Committee with zero fiscal note #1 dated April 8, 2005 from the Department of Revenue.

[6:56:53 PM](#)

AT EASE [6:57:21 PM](#) / [7:12:54 PM](#)

#sb46

SENATE BILL NO. 46

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

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

Amendments are considered to the working draft committee substitute, Version 24-GS1074\Y, unless otherwise noted.

Amendment #64: This amendment increases the general fund appropriation made in subsection (B) of Section 32. DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES., on page 102, lines 16 and 17, to the Department for emergency and nonroutine maintenance from \$743,400 to \$1,631,400. Accompanying explanatory language reads as follows.

This increase is needed in the FY 05 Supplemental for emergency and non routine maintenance and is allocated for the following:

\$486,000 Susitna River Road, Trapper Creek

\$402,000 M.P. 13 Tok Cutoff

Co-Chair Wilken moved for adoption.

GINGER BLAISDELL, Staff to Co-Chair Green, stated the increased funding would be utilized to address some emergency projects revealed in the last few weeks.

Co-Chair Green told of "gaping holes" in roads near Tok and Trapper Creek. The Department would have made these repairs and requested supplemental funding for the costs if the legislature had not been in session. Because this bill is still under consideration, it was deemed appropriate to include funding in its appropriation.

There being no objection, Amendment #64 was ADOPTED.

[7:14:24 PM](#)

Amendment #65: This amendment deletes reduces the general fund appropriation to the UAF - Biological and Computational Sciences Facility (HD [house district] 7-11) component of the University of Alaska on page 89, lines 14 through 16 from \$32 million to \$24.2 million.

Co-Chair Wilken moved for adoption.

Ms. Blaisdell clarified the amendment reduces the appropriation by \$7.8 million.

There being no objection, Amendment #65 was ADOPTED.

Amendment #66: This amendment increases the appropriation to the Fairbanks Virology Laboratory Replacement (HD 1-40) component of the Department of Health and Social Services on page 88 lines 21 through 23 from \$4.8 million to \$24.2 million. The amendment indicates the funding source as Certificates of Participation fund

code 1163. Accompanying explanatory language reads as follows.

This project is the Department's number 1 priority. The amount of \$4,800,000 is not sufficient to construct a lab. The original requested amount of \$24,200,000 needs to be restored to the bill. Funds would be used for the design, construction and equipping of a new virology laboratory located on the University of Alaska Fairbanks campus. Virology laboratory functions are a vital component of public health. This is a service that the state simply cannot afford to live without. The existing virology lab is old, undersized, and unsafe. An independent report refers to the lab as "an accident waiting to happen".

Co-Chair Wilken moved for adoption.

Ms. Blaisdell outlined the explanatory statement.

Co-Chair Green understood the Committee would receive separate legislation for consideration that would provide for this project.

Ms. Blaisdell affirmed.

[7:15:57 PM](#)

Senator Stedman requested clarification.

Ms. Blaisdell explained that this amendment would increase the appropriation the amount requested in the Governor's proposed FY 06 capital budget, and change the funding source from general funds as originally proposed.

Senator Stedman asked if this appropriation is in addition to the \$4.2 million appropriated for a separate science facility.

Ms. Blaisdell replied that the total appropriation for the two projects would be \$48.4 million. The funding source of the \$4.2 million appropriation is general funds.

Co-Chair Green informed of separate legislation to provide for the construction of a virology laboratory utilizing certificates of participation.

Senator Stedman requested further information regarding the certificates of participation funding source at a later time.

Senator Hoffman questioned the reference to the project as located in house districts 1 through 40, although the next project listed,

the Anchorage Integrated Science Facility, is classified as house districts 17 through 32.

Co-Chair Green replied that the virology facility would be operated by the Department of Health and Social Services and would be utilized for all house districts.

Senator Hoffman asked if the virology facility project would be calculated in the total appropriations for each district, specifically for the Fairbanks area districts. He suggested uniformity in comparison to other projects.

Co-Chair Green responded that further information would be forthcoming.

[7:20:48 PM](#)

Co-Chair Green presumed the determination was made based on the function of the building. The proposed virology laboratory would function statewide versus the University science facility, which would serve the University of Alaska Anchorage primarily.

[7:21:20 PM](#)

CHERYL FRASCA, Director, Office of Management and Budget, Office of the Governor, suggested that to clarify that the project were "statewide in nature" "Fairbanks" could be deleted from the project title. The facility would be intended to service the entire state.

Co-Chair Green stated that the amendment could be amended later if deemed necessary.

Co-Chair Green announced that Amendment #66 was ADOPTED.

[7:22:19 PM](#)

Amendment #67: This amendment changes the name of the Willow Creek State Recreation Area - Shallow Water Boat Launch and Winter Access Trailhead at Mile 49.7 (HD 13-16) component of the Department of Natural Resources on page 42, line 30 through page 43, line 3. The amended component reads, "Willow Creek State Recreation Area - Phase II: Parking lot at crude shallow water boat launch site at Mile 49.7."

Co-Chair Wilken moved for adoption.

Co-Chair Green stated this amendment was requested by Senator Charlie Huggins.

There was no objection and the amendment was ADOPTED.

[7:22:49 PM](#)

Amendment #68: This amendment deletes the Fairbanks North Star Borough - Chena River State Recreation Area / Extend Fire Control Line (HD 7-11) component and \$184,000 general fund appropriation to the component from the Grants to Municipalities (AS 37.05.315) BRU, Department of Commerce, Community and Economic Development on page 14, lines 4 through 7.

This amendment also inserts a new Chena River State Recreation Area / Extend Fire Control Line (HD 7-11) component to the Department of Natural Resources on page 39, line 13 and appropriates \$184,000 general funds to the component.

Accompanying explanatory language reads as follows.

This amendment transfers the funding from the Fairbanks North Star Borough to the Department of Natural Resources, as the Chena River State Recreation Area is a state park.

Co-Chair Wilken moved for adoption.

Co-Chair Green overviewed the explanatory statement.

There being no objection, Amendment #67 was ADOPTED.

Amendment #69: This amendment reads as follows.

1. Amendment #5 and #13 created a slight imbalance: Amendment #13 should change the amount for the Alaska Siberia Research Center to \$100,200 rather than \$105,200. This correction creates the "net zero" reallocation of projects.
2. Point of clarification only: Amendment #30 does not reduce the total amount of the NPR-A impact grant program anticipated receipts it clarifies the anticipated distribution of the grants to affected communities. The difference of the amount of grant awards compared to the amount of the anticipated receipts is the amount that is distributed by statute to the Public Education Fund and the Power Cost Equalization fund.
3. Point of clarification only: Amendment #33 Sport Fish Hatcheries projects are contingent on the sale of the Revenue Bonds. The projects are funded in the amount of the revenue bonds.
4. Amendment #35 and #36: add the following intent: "It is the intent of the Legislature that the Department of

Administration, Commissioner's Office distribute the general fund appropriation of \$4,350,000 across appropriation lines to other state agencies to assist with the statewide services chargeback obligations." And "It is the intent of the Legislature that all state agencies will reimburse the funds as required by the Statewide Federal Cost Allocation Plan chargeback to the level that the funds have been capitalized for future statewide services needs."

5. Amendment #37 technical correction: Near the bottom of the amendment, where the Sec__ EFFECTIVE DATE (a) Section XX(a) is effective July 1, 2005 - the second (a) should have referenced "(c)".

6. Point of clarification only: Amendment #38 Marine highway fuel increase is appropriated directly to the Department of Transportation and Public Facilities, Marine Vessel Operations and not into the marine highway system fund.

7. Point of clarification only: Amendment #39 - the last allocation list should be \$1,000,000 to the Cold Bay Airport Terminal Redevelopment (not Sand Point).

8. Clarification to the amended amendment #50 that the project title for \$125,000 is for the "Arctic Winter Games Team Alaska"

9. Amendment #55 states "Municipality of Anchorage - 74th Ave Pedestrian Facilities - Arctic Boulevard to Chad St." and should state 76th Ave...

10. Amendments #52 through #56 were reallocating priority projects that were originally identified under Grants to Municipalities Page 24, lines 13-15. With the addition of amendments #52 - #56, Page 24, lines 13-15 are deleted.

11. Page 121, Sec 56(b), line 9

Delete: \$2,723,800

Insert: \$2,723,000 (corrects a mathematical error)

12. One section was mission from Section 61. CONSTITUTIONAL BUDGET RESERVE FUND. This section is required so that the Department of Revenue can balance the State's cash flow at the fiscal year end.

Add: (c) Unrestricted interest earned on investment of the general fund balances for the fiscal year ending June 30, 2006, is appropriated to the budget reserve fund (art. IX, sec. 17, Constitution of the State of Alaska). The appropriation made by this subsection is intended to compensate the budget reserve fund (art. IX, sec. 17, Constitution of the State of Alaska) for any lost earnings caused by use of the fund's balance to permit expenditure of operating and capital appropriations in the fiscal year ending June 30, 2006, in anticipation of receiving unrestricted general fund revenue. The amount appropriated by this subsection may not exceed an amount equal to the earnings lost

by the budget reserve fund as the result of the use of money from the budget reserve fund to permit expenditure of operating and capital appropriations in the fiscal year ending June 30, 2006, in anticipation of receiving unrestricted general fund revenue.

13. Page 123, Sec 61(c), line 16

Delete: \$25,000

Insert: \$167,000

14. Section 65. EFFECTIVE DATE.

(a) include "Sections 4 and 5"

(c) "Sections 1-5" is changed to "Sections 1-3"

Co-Chair Wilken moved for adoption.

Ms. Blaisdell stated this amendment corrects errors in amendments previously adopted by the Committee. She read the language of the amendment into the record.

Ms. Blaisdell noted item #7 should read as follows.

7. Point of clarification only: Amendment #39 - the last allocation listed should be \$1,000,000 to Sand Point.

[7:26:36 PM](#)

Senator Olson requested clarification of item #7.

Ms. Blaisdell explained the allocation of funds would be made to Sand Point.

[7:27:32 PM](#)

Ms. Blaisdell continued reading the language of the amendments language.

Without objection, Amendment #69 was ADOPTED. [No formal action was taken on the proposed amendment to the amendment. The Committee's intent is assumed that the amendment was amended.]

[7:30:33 PM](#)

Amendment #70: This amendment deletes the language of Section 6. DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES., on page 91, lines 1 through 16 and inserts a new bill section to read as follows.

Sec. 6. DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES. Subject to Sec. 62 of this Act, the sum of

\$62,000,000 is appropriated from the Alaska capital income fund to the Department of Transportation and Public Facilities for the following projects in the amounts stated, subject to reallocation among the projects under AS 37.07.080(e):

	AMOUNT
	From the General Fund
McCarthy Road, major maintenance	\$2,000,000
Denali Borough, Stampede Road Improvements	5,000,000
Chena overflow bridge for gas pipeline	
DeLong Mountaion, port expansion EIS	2,000,000
Completion	
North Slope, Foothills West Road EIS	4,000,000
North Slope, Bullen Point EIS	5,000,000
Dalton Highway, surfacing upgrades	9,000,000
Dalton Highway, Washington Creek Bridge	3,500,000
Richardson Highway, highway passing lanes	7,500,000
Mile Post 265-341	
Richardson Highway, Shaw Creek Bridge	2,500,000
Kenai Peninsula: Kalifornsky Beach Road	11,000,000
Rehabilitation	
Industrial Roads	7,000,000

Accompanying explanatory language reads as follows.

Note: all of the above road projects are classified as "Resource Development Projects" and are using revenues from the interest earnings of the AMHESS settlement.

Co-Chair Wilken moved for adoption.

Co-Chair Wilken then offered a motion to amend the amendment to reduce the allocation to Industrial Roads from \$7 million to \$3.5 million and insert a new Wickersham Street Upgrade - Fairbanks project and allocate \$3.5 million to that project.

Co-Chair Green clarified the amendment to the amendment would have a net zero impact on the provisions of the amendment.

Senator Hoffman asked the location of the industrial roads and which of those industrial road projects would be eliminated by the amendment of the amendment.

[7:32:19 PM](#)

Ms. Blaisdell replied that most of the roads were included as projects in the Governor's proposed FY 06 capital budget. She detailed the location of each road listed in the amendment.

Co-Chair Wilken and Ms. Blaisdell established the location of the roads.

Co-Chair Green clarified that Senator Hoffman was inquiring about the industrial roads.

Ms. Blaisdell explained that the classification of industrial roads is discretionary by the Department and are "high use roads" utilized by heavy equipment.

[7:34:50 PM](#)

Co-Chair Green announced that the Committee amended Amendment #70, as proposed by Co-Chair Wilken. She requested the Department respond to Senator Hoffman's question.

JOHN MACKINNON, Deputy Commissioner of Highways and Public Facilities, Department of Transportation and Public Facilities, was unable to immediately state which projects would be eliminated. Some of the funds proposed for this item are intended for "projects of opportunity that come along". The reduced amount would be adequate.

Senator Hoffman requested identification of some industrial roads.

[7:36:19 PM](#)

Mr. MacKinnon told of a suspended project on the Culver River Road, efforts undergoing on the "Pebble Copper" including reconnaissance engineering, preliminary environmental impact statement (EIS) activities and coordination work with Northern Dynasty.

Senator Stedman clarified the allocation to the industrial roads item is a discretionary fund for use projects intended to expand resource development.

Mr. MacKinnon affirmed the characterization.

Co-Chair Green announced that Amendment #70 was ADOPTED.

Ms. Blaisdell stated that although the amendment stipulates general funds as the funding source, the appropriation would be made from interest earnings from the commonly referred to Amerada Hess account of the Alaska Permanent Fund.

Senator Hoffman called a point of order in that no action was taken on the motion to amend the amendment.

Co-Chair Wilken moved for adoption of Amendment #70 as AMENDED.

Without objection the amended amendment was ADOPTED.

[7:37:45 PM](#)

Amendment #71: This amendment reads as follows.

The following projects are appropriated under a new program classification called "Congestion Mitigation and Safety Initiative"

Technical Change:

Assign this program classification to the projects listed on page 47, lines 7-19

Add the following projects to this project classification:

	AMOUNT
	From the General Fund
Dowling Road East	\$19,000,000
*Fairbanks, Wilbur Street Extension	1,000,000
*Fairbanks, 2nd Avenue, Moore Street Realignment and New Airport Way Intersection	2,500,000
Glenn Highway Corridor	30,500,000
Tudor Bragaw Intersection	7,000,000

*The two Fairbanks projects reflect the passage of Amendment #29 and are not intended to duplicate funding for these projects.

Co-Chair Wilken moved for adoption.

Co-Chair Green announced this amendment would be NOT OFFERED to defer to Amendment #71A.

Amendment #71A: This amendment reads as follows.

The following projects are appropriated under a new program classification called "Congestion Mitigation and Safety Initiative"

Technical Change:

Assign this program classification to the projects listed on page 47, lines 7-19

Add the following projects to this project classification:

	AMOUNT
	From the General Fund
Dowling Road East	\$19,000,000
*Fairbanks, Wilbur Street Extension	1,000,000

*Fairbanks, 2nd Avenue, Moore Street Realignment and New Airport Way Intersection	2,500,000
Glenn Highway Corridor	30,500,000
Tudor Bragaw Intersection	7,000,000
Prince of Wales: Hollis to Klawock Pavement	5,000,000
Sitka: Rocky Guitierrez Airport Access Improvements	3,500,000
Fairbanks: Gaffney Road Upgrade	6,250,000
Fairbanks: Cartright Road Extension	3,650,000
Nome: City Streets, Phase 2	5,000,000
Juneau: Glacier Highway Road Extension	5,000,000
Kodiak: Rezanof Drive Rehabilitation Lighting and Intersection Safety Improvements	4,300,000

*The two Fairbanks projects reflect the passage of Amendment #29 and are not intended to duplicate funding for these projects.

Co-Chair Green, sponsor of the amendment, amended the amendment to reduce the appropriation to the Kodiak project from \$4.3 million to \$1 million and insert a new Otmeloi Way Rehabilitation project and \$3.3 million appropriation to that project.

Co-Chair Wilken moved for adoption of the amendment as AMENDED.

[7:39:09 PM](#)

Senator Hoffman asked whether the Governor requested funding for all the listed projects or whether some were included at the request of the House of Representatives.

[7:39:21 PM](#)

Ms. Blaisdell listed the Dowling Road, Glenn Highway and Tudor Bragaw projects as included in the Governor's budget request. The two projects marked with an asterisk had been amended by an earlier amendment. The remaining projects included in the unamended amendment were proposed by the House of Representatives and the amendment to the amendment reflects intent of the Senate Finance Committee.

Co-Chair Wilken pointed out that all the projects located in Fairbanks are included in the Fairbanks Metropolitan Area Transportation System (FMATS) "allocation for Fairbanks".

Co-Chair Green restated the amendment to the amendment.

Co-Chair Green asked if there was any objection to Amendment #71A, as amended.

AT EASE [7:41:28 PM](#) / [7:43:01 PM](#)

Co-Chair Green directed attention to Amendment #70 as amended and announced a "point of clarification" that the Wickersham Street Upgrade - Fairbanks project and corresponding \$3.5 million appropriation should be deleted from that amendment and inserted into the language of Amendment #71A.

Ms. Blaisdell informed that such changes would reduce the amount of the appropriation from the interest earnings of the fund source commonly referred to as Amerada Hess from \$62 million to \$58.5 million.

Senator Hoffman asked the total appropriation made by Amendment #71A.

Ms. Blaisdell listed the amount as \$95.2 million.

AT EASE [7:45:20 PM](#) / [7:45:58 PM](#)

Co-Chair Wilken offered a motion to rescind action taken in the adoption Amendment #70 as amended.

Without objection the action adopting the amendment was RESCINDED.

Co-Chair Wilken offered a motion to amend Amendment #70, as amended, to reflect the reduction of the total appropriation amount. The amended amendment as amended reads as follows.

Sec. 6. DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES. Subject to Sec. 62 of this Act, the sum of \$58,500,000 is appropriated from the Alaska capital income fund to the Department of Transportation and Public Facilities for the following projects in the amounts stated, subject to reallocation among the projects under AS 37.07.080(e):

	AMOUNT
	From the General Fund
McCarthy Road, major maintenance	\$2,000,000
Denali Borough, Stampede Road Improvements	5,000,000
Chena overflow bridge for gas pipeline	
DeLong Mountaion, port expansion EIS	2,000,000
Completion	
North Slope, Foothills West Road EIS	4,000,000
North Slope, Bullen Point EIS	5,000,000
Dalton Highway, surfacing upgrades	9,000,000
Dalton Highway, Washington Creek Bridge	3,500,000

Richardson Highway, highway passing lanes Mile Post 265-341	7,500,000
Richardson Highway, Shaw Creek Bridge	2,500,000
Kenai Peninsula: Kalifornsky Beach Road Rehabilitation	11,000,000
Industrial Roads	3,500,000

[7:47:08 PM](#)

Senator Hoffman understood the interest earnings of that account is approximately \$30 million annually and asked if the undertaking of the projects would therefore be made over three fiscal years.

Ms. Blaisdell affirmed.

Senator Hoffman asked which projects would be constructed first.

Mr. MacKinnon replied that a schedule was yet to be made. He predicted the upgrades to the Dalton Highway would begin as soon as possible. The majority of the projects would be started in the summer of 2006.

[7:48:20 PM](#)

Senator Hoffman remarked that the funds would not be available until three fiscal years had lapsed. The projects could not be undertaken without funding. He asked the timeframe of the projects.

Mr. MacKinnon indicated that construction would be scheduled to "meet the cash flow."

Senator Hoffman again asked the prioritization of the proposed projects.

Mr. MacKinnon listed the Foothills West Road EIS and the Bullen Point EIS as priorities. The Department would consult with the Murkowski Administration to determine further prioritization.

Co-Chair Green announced that Amendment #71A, as amended, was AMENDED.

[Note: It is assumed that the Committee's intent is that the amendment to the amendment is the aforementioned insertion of the Wickersham Street Upgrade - Fairbanks project and \$3.5 million general fund appropriation. It is assumed that the Committee's intent was that Amendment #71A, as twice amended, was ADOPTED.]

[Note: It is assumed that the Committee's intent is that the motion

to AMEND Amendment #70, as amended, was incorporated. It was assumed that the Committee's intent is that Amendment #70, as twice amended, was ADOPTED.]

Amendment #72: This amendment increases the amount of the appropriation made in subsection (a) of Section 28. DEPARTMENT OF NATURAL RESOURCES., on page 101, lines 6 through 8 from \$36,902,700. The amended language reads as follows.

(a) The sum of \$43,350,400 is appropriated from the general fund to the Department of Natural Resources, fire suppression activity, for operating costs for the fiscal year ending June 30, 2005.

Co-Chair Wilken moved for adoption.

The amendment was ADOPTED without objection.

Amendment #73: This amendment increases the general fund appropriation to the Aircraft and Vessel Repair and Maintenance (HD 1-40) component of the Department of Public Safety on page 43, lines 10 and 11 from \$1.2 million to \$1.8 million. Accompanying explanatory language reads as follows.

This amendment restores partial funding requested in the Governor's capital budget. This project allow the department to overhaul and repair department aircraft airframes, landing gear and engines to ensure that aircraft are airworthy, safe and dependable. This is necessary so that the department can carry out its public safety, law enforcement, and search and rescue responsibilities. This project also allows for some of the needed repairs, conversions, servicing and maintenance for the larger patrol vessels as well as the smaller vessels to ensure their safe and dependable operations during FY 06 and beyond. Vessels are used for commercial fisheries enforcement and other trooper duties including search and rescue missions.

Without adequate funding for repair and maintenance, the department likely will not be able to maintain all aircraft and vessels at an appropriate level, and would have to take some of these out of serve. This will significantly curtail the department's enforcement, search and rescue, and incident response capabilities.

Co-Chair Wilken moved for adoption.

Ms. Blaisdell overviewed the explanatory statement.

[7:50:54 PM](#)

Senator Olson understood Ms. Blaisdell to suggest that overhauls to airplane engines at a cost of \$600,000 would be undertaken in one year.

[7:51:38 PM](#)

DAN SPENCER, Director, Division of Administrative Services, Department of Public Safety, testified that the entire \$600,000 would not be utilized to fund aircraft-related projects. He listed airframe overhauls of amphibian vessels, engine overhauls, other modifications, as well as funding set aside for emergency repairs.

There being no objection, Amendment #73 was ADOPTED.

Amendment #74: This amendment increases the appropriation to the manufacturing extension program made in subsection (a) of Section 14. DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT., on page 93, line 30 through page 94, line 4, from \$1.2 million to \$1.5 million and designates the funding source of the additional \$400,000 as Business License & Corporation Filing Fees and Taxes. Accompanying explanatory language reads as follows.

Description: This amendment will provide full funding for Alaska participation in the National Manufacturer's Extension Program (MEP). The national program aims to give a competitive edge to small businesses through overcoming known barriers to success for small manufacturers including limited budgets, lack of in-house expertise, and lack of access to the newest technologies. The national program has assisted more than 149,000 firms through over 400 MEP centers whose sole purpose is to assist small manufacturers in process improvement, application of technology and business practices. Communities are anxious to participate in this program because a "virtual store" is a viable way to expose their products to market and raise the local economy. This program opens those communities to a nationwide network of expertise in how to improve their product, the delivery of their product and their other business practices. The General Accounting Office found that the MEP had a positive effect on performance in areas of profits, sales, product quality, workplace technology, productivity, and customer satisfaction. In addition to the federal and state funds, the communities will contribute "in kind".

Co-Chair Wilken moved for adoption.

Co-Chair Green outlined the explanatory statement.

There being no objection, Amendment #74 was ADOPTED.

[7:53:18 PM](#)

Amendment #75: This amendment increases the general fund appropriation to the Statewide Facilities Maintenance (HD 1-40) component of the Department of Public Safety on page 44, lines 7 and 8 from \$200,000 to \$500,000. Accompanying explanatory language reads as follows.

This amendment restores funding to the amount requested by the Governor. The department has 17 facilities around the state that need repair and maintenance funding. The department has only received repair and maintenance funding twice in the last ten years, and some of the repairs for these facilities have reached the point where it need[s] to be addressed as soon as possible. This includes heating and electrical repairs, significant roof repairs to the Anchorage hangar, and other deferred maintenance issues.

Co-Chair Wilken moved for adoption.

Co-Chair Green noted the locations of the proposed projects would be statewide.

There being no objection, Amendment #75 was ADOPTED.

[7:53:52 PM](#)

Amendment #76: This amendment inserts a new subsection to Section 22. OFFICE OF THE GOVERNOR., on page 98, following line 18 to read as follows.

(d) The sum of \$500,000 is appropriated from the general fund to the Office of the Governor, executive office, for work related to the state gas pipeline and to bringing North Slope natural gas to market, and other oil and gas projects for the fiscal years ending June 30, 2005 and June 30, 2006.

This amendment also provides for an effective date of July 1, 2004 for the provision in the new subsection.

Co-Chair Wilken moved for adoption.

Co-Chair Green gave a brief explanation

There was no objection and the amendment was ADOPTED.

[7:54:23 PM](#)

Amendment #77: This amendment inserts a new Municipality of Anchorage - Raspberry Road Extension - Minnesota Drive to Rovenna Street component to the Grants to Municipalities (AS 37.05.315) BRU, Department of Commerce, Community and Economic Development on page 8, lines 11 and 12 and appropriates \$2.4 million general funds to the component. Accompanying explanatory language reads as follows.

MOA will match the state funds in the amount of \$1,550,000. This minor arterial is a missing transportation link and the municipality plans to construct the Rovenna Street to Arctic Boulevard link. Construction funding for the State's larger project to connect Raspberry Road to Dowling Road in this area is not expected before 2010. In 2003, the project was a high priority of the MOA 70/30 program, which has been discontinued. The residents of the area of this project support it wholeheartedly but only if both the State and the Municipal sections of the extension are done at the same time. The Municipal section is up for design and construction and the design and construct for the State extension should happen at the same time. This project serves to relieve congestion and is necessary to complete the long-term plan to connect Raspberry and Dowling for a much needed additional East-West corridor.

Co-Chair Wilken moved for adoption.

AT EASE [7:54:35 PM](#) / [8:03:40 PM](#)

There being no objection, Amendment #77 was ADOPTED.

Amendment #78: This amendment inserts a new Municipality of Anchorage - Pavement Rehabilitation Projects, 50/50 Matching Grant component in to the Grants to Municipalities BRU, Department of Commerce, Community and Economic Development on page 8, lines 11 and 12 and appropriates \$2,275,000 general funds to the component. Accompanying explanatory language reads as follows.

The MOA will match the state funds for a total of \$1,000,000. The combined amounts will fund approximately 10 MOA projects area-wide.

Co-Chair Wilken moved for adoption.

The amendment was ADOPTED without objection.

Amendment #79: This amendment inserts a new Municipality of Anchorage - Strawberry Road/Jewel Lake Road Intersection Improvements component in to the Grants to Municipalities BRU, Department of Commerce, Community and Economic Development on page 8, lines 10 and 11, and appropriates \$1.3 million general funds to the component. Accompanying explanatory language reads as follows.

This project will include signalization, channelization, and pedestrian improvements at the intersection of Strawberry Road and Jewel Lake Road.

The municipality is providing matching funds for the Strawberry Road portion, which is municipally owned.

Co-Chair Wilken moved for adoption.

Co-Chair Green announced that Amendment #79 was WITHDRAWN.

[NOTE: This Amendment was re-considered later.]

Co-Chair Green announced that Amendment #80 was WITHDRAWN.

[NOTE: This Amendment was re-considered later.]

Co-Chair Green announced that Amendment #81 was WITHDRAWN.

[NOTE: This Amendment was re-considered later.]

Co-Chair Green announced that Amendment #82 was WITHDRAWN.

[NOTE: This Amendment was re-considered later.]

AT EASE: [8:04:44 PM](#) / [8:05:23 PM](#)

Amendment #79: This amendment inserts a new Municipality of Anchorage - Strawberry Road/Jewel Lake Road Intersection Improvements component in to the Grants to Municipalities BRU, Department of Commerce, Community and Economic Development on page 8, lines 10 and 11, and appropriates \$1.3 million general funds to the component. Accompanying explanatory language reads as follows.

This project will include signalization, channelization, and pedestrian improvements at the intersection of Strawberry Road and Jewel Lake Road.

The municipality is providing matching funds for the Strawberry Road portion, which is municipally owned.

Co-Chair Wilken moved for adoption.

Co-Chair Green overviewed the explanatory statement.

Senator Hoffman requested an explanation of the municipality-provided matching funds.

[8:06:40 PM](#)

JAMES ARMSTRONG, Staff to Co-Chair Wilken, informed of the recent bond issuance by the Municipality of Anchorage. Revenues generated from these bonds would be appropriated to match the State appropriation.

[8:07:18 PM](#)

Co-Chair Green asked if the ratio of municipal funding to State funding would be equal

Mr. Armstrong understood this to be so.

Without objection the Amendment #80 was ADOPTED.

[8:07:41 PM](#)

Amendment #80: This amendment inserts a new Municipality of Anchorage - Pintail Street at Huffman Road Safety Improvements component in to the Grants to Municipalities BRU, Department of Commerce, Community and Economic Development on page 8, lines 10 and 11 and appropriates \$490,000 general funds to the component. Accompanying explanatory language reads as follows.

This project will construct safety and channelization improvements on Pintail Street. Improvements are expected to include pavement, a northbound right-turn lane onto Huffman Road, and street lighting. Project design has been funded. The project will improve safety.

Co-Chair Wilken moved for adoption.

The amendment was ADOPTED without objection.

Amendment #81: This amendment inserts a new Municipality of Anchorage - Flooding and Glaciations Projects, 50/50 Matching Grant component in to the Grants to Municipalities BRU, Department of Commerce, Community and Economic Development on page 8, lines 10 and 11 and appropriates \$500,000 to the component. Accompanying explanatory language reads as follows.

The MOA will match the state funds for a total of \$1,000,000. The combined amounts will fund approximately 18 MOA projects area-wide.

Co-Chair Wilken moved for adoption.

There being no objection, the amendment was ADOPTED.

[8:08:06 PM](#)

Amendment #82: This amendment inserts a new Municipality of Anchorage - Pedestrian Safety Projects, 50/50 Matching Grant component in to the Grants to Municipalities BRU, Department of Commerce, Community and Economic Development on page 8, lines 10 and 11 and appropriates \$500,000 general funds to the component. Accompanying explanatory language reads as follows.

The MOA will match the state funds for a total of \$1,000,000. The combined amounts will fund approximately 13 MOA pedestrian safety projects area-wide.

Co-Chair Wilken moved for adoption.

Without objection the amendment was ADOPTED.

[8:08:24 PM](#)

Amendment #83: This amendment inserts a new bill section to read as follows.

Section X. DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT. The sum of \$275,000 is appropriated from the general fund to the Department of Commerce, Community and Economic Development for a grant to the Atwood Foundation to assist with the review of the CDQ Program including state regulations.

This amendment also provides an effective date of May 10, 2005 for FY 05 and FY 06 for the added section.

Senator Hoffman announced that the amendment would be NOT OFFERED.

AT EASE [8:08:55 PM](#) / [8:09:49 PM](#)

Amendment #84: This amendment inserts a new Inuit Circumpolar Conference - Alaska component to the Grants to Named Recipients (AS 37.05.316 BRU, Department of Commerce, Community and Economic

Development on page 3, lines 30 and 31 and appropriates \$150,000 general funds to the component.

Senator Olson moved for adoption.

There being no objection the amendment was ADOPTED.

Amendment #84 Part II: This amendment deletes the City of Unalakleet - Unalakleet Equipment Purchase and Repair (HD 40) component from the Grants to Municipalities BRU, Department of Commerce, Community and Economic Development on page 12, lines 31 through 33, and deletes the \$75,000 general fund appropriation to the component.

This amendment also inserts a new Inuit Circumpolar Conference - Alaska component in to the Grants to Named Recipients BRU, Department of Commerce, Community and Economic Development on page 3, lines 30 and 31, and appropriates \$75,000 to the component.

Co-Chair Green announced this amendment would be NOT OFFERED.

AT EASE [8:10:21 PM](#) / [8:12:26 PM](#)

Amendment #85: This amendment inserts a new Alaska Works Partnership Pipeline Training Equipment component in to the Grants to Named Recipients BRU, Department of Commerce, Community and Economic Development on page 3, lines 30 and 31, and appropriates \$1.5 million to the component. The funding source is not indicated. Accompanying explanatory language reads as follows.

Alaska Works Partnership desires to participate in the Alaska Technical and Vocational Education Program (TVEP) by increasing the contribution from .10% to .130% for pipeline training and equipment needs. This increase should raise an additional \$1.5 million per year for federally registered jointly administered labor/management training trusts in Alaska.

Co-Chair Green announced this amendment would be NOT OFFERED.

Amendment #86: This amendment increases the appropriation to the City of Delta Junction - Road Improvements component in the Grants to Municipalities BRU, Department of Commerce, Community and Economic Development on page 9, lines 14 and 15 from \$100,000 to \$300,000. The funding source of the additional amount is not specified.

Co-Chair Wilken moved for adoption.

Co-Chair Green noted the increase of \$200,000 to this project.

There being no objection, Amendment #86 was ADOPTED.

[8:12:38 PM](#)

Amendment #87: This amendment increases the appropriation to the Chickaloon Fire Service Corp. - Equipment and Training (HD 7-11) component of the Grants to Municipalities BRU, Department of Commerce, Community and Economic Development, on page 5, lines 13 through 15 from \$30,000 to \$55,000. The funding source of the additional amount is not specified.

Co-Chair Wilken moved for adoption.

Co-Chair Green noted the increase of \$25,000 to this project.

There being no objection, Amendment #87 was ADOPTED.

[8:12:53 PM](#)

Amendment #88: This amendment reads as follows.

Department of Commerce, Community and Economic Development
Grants to Municipalities
\$500,000 is appropriated to the Department of Commerce, Community and Economic Development, Office of the Commissioner, as a grant to the City of Galena for the engagement of experimental legal and technical analysis in the preparation of a series of required white papers to address public concerns and regulation requirements for the proposed mini-nuclear power plant at Galena.

Co-Chair Wilken moved for adoption.

Co-Chair Green noted a friendly amendment to the amendment, of which she is the sponsor, to delete "experimental" and insert "expert". No Committee action is required and the amendment was AMENDED.

Ms. Blaisdell furthered that "Office of the Commissioner" should also be deleted from the language of the amendment. She then outlined the amendment.

Without objection the amended amendment was ADOPTED.

[The intent of the Committee is assumed that the deletion suggested

by Ms. Blaisdell was made to the language of the amendment.]

[8:14:12 PM](#)

Amendment #89: This amendment inserts a new Cook Inlet Tribal Council - Development of Delancey Street and Hchanlyut component to the Grants to Named Recipients BRU, Department of Commerce, Community and Economic Development on page 3, lines 30 and 31, and appropriates \$100,000 to the component. The funding source is not specified.

Co-Chair Wilken moved for adoption.

Co-Chair Green announced this amendment would be WITHDRAWN.

Amendment #90: This amendment inserts a new City of Valdez - Harbor Improvements and Maintenance component in to the Grants to Municipalities BRU, Department of Commerce, Community and Economic Development, on page 8, lines 10 and 11, and appropriates \$500,000 to the component. The funding source is not specified. Accompanying explanatory language reads as follows.

This appropriation will in essence turn over the operation of the Valdez City Harbor to the city.

Co-Chair Green announced this amendment would be NOT OFFERED.

[8:14:31 PM](#)

Amendment #91: This amendment inserts a new Alaska Loggers Association Retirement Plan and Trust (for payment to the Pension Benefit Guaranty Corporation) component in to the Grants to Named Recipients BRU, Department of Commerce, Community and Economic Development on page 3, lines 30 and 31, and appropriates \$500,000 general funds to the component.

Co-Chair Wilken moved for adoption.

The amendment was ADOPTED without objection.

Amendment #92: this amendment increases the general fund appropriation to the Facilities Deferred Maintenance and Critical Repairs (HD 1-40) component of the Department of Transportation and Public Facilities on page 46, lines 7 through 9, from \$1.25 million to \$4 million.

This amendment also inserts a new Statewide: Airport Lease Lots Development component to the Department of Transportation and

Public Facilities on page 45, line 32, and appropriates \$2 million general funds to the component.

Co-Chair Wilken moved for adoption.

Ms. Blaisdell outlined the amendment.

Senator Hoffman asked what airports would be involved in the second component of the amendment.

[8:15:43 PM](#)

NANCY SLAGLE, Director, Division of Administrative Services, Department of Transportation and Public Facilities, testified that several rural airports would be appropriate for the development of lease lots, including those located at Barrow, Deadhorse, Nome, Birchwood, Bethel, Willow, Sitka, Hoonah, and Haines. Land in the selected locations would be cleared, graded and otherwise prepared for development by private investments.

[8:16:28 PM](#)

Co-Chair Green asked if the airports would subsequently become income producing.

Ms. Slagle answered yes.

Senator Olson questioned the demand for the land located near the Haines airport.

[8:16:56 PM](#)

Ms. Slagle replied that some land could be developed for aircraft hangers.

[8:17:22 PM](#)

There being no objection, Amendment #92 was ADOPTED.

[8:17:31 PM](#)

Amendment #93: This amendment increases the appropriation to the AHFC Birch Park Window Replacement (HD 7-11) component of the Alaska Housing Finance Corporation BRU, Department of Revenue, on page 44, lines 25 and 26, from \$650,000 to \$1,323,000 other funds. Accompanying explanatory language reads as follows.

This amendment restores the full funding request for the Birch

Park Window Replacement project.

The project utilized Corporate (AHFC) funds to replace all the windows at Birch Park I and Birch Park II in Fairbanks. Replacement of these windows will reduce energy loss and increase comfort for the residents. These windows need to be replaced to maintain the structural integrity of the buildings. The new windows will be commercial grade with standardized hardware. This project will lower routine maintenance costs and provide for health and safety issues i.e. fire egress and security.

Co-Chair Wilken moved for adoption.

Co-Chair Green clarified the changes made to the amendment before it was submitted for consideration.

Co-Chair Green announced the amendment was ADOPTED.

Amendment #44: This amendment inserts a new subsection into Section 22. OFFICE OF THE GOVERNOR., on page 98, line 9 to read as follows.

(a) Section 8(a), ch. 6, SLA 2005, is amended to read:

(a) The sum of \$375,000 is appropriated from the general fund to the Office of the Governor for direct support of national efforts to open the coastal plain of the Arctic National Wildlife Refuge for oil and gas exploration and development, and other oil and gas and natural resource development projects, for the fiscal years ending June 30, 2005, and June 30, 2006.

New Text Underlined

This amendment then renumbers the existing subsections of Section 22 accordingly. Accompanying explanatory language reads, "Description: This extends the purpose of the appropriation."

This amendment was tabled at the previous hearing.

Co-Chair Wilken offered a motion to withdraw the motion to adopt the amendment.

Without objection the amendment was WITHDRAWN.

Amendment #85: This amendment inserts a new Alaska Works Partnership Pipeline Training Equipment component in to the Grants to Named Recipients BRU, Department of Commerce, Community and Economic Development on page 3, lines 30 and 31, and appropriates

\$1.5 million to the component. The funding source is not indicated. Accompanying explanatory language reads as follows.

Alaska Works Partnership desires to participate in the Alaska Technical and Vocational Education Program (TVEP) by increasing the contribution from .10% to .130% for pipeline training and equipment needs. This increase should raise an additional \$1.5 million per year for federally registered jointly administered labor/management training trusts in Alaska.

Co-Chair Green had announced earlier in the meeting that this amendment would not be considered.

Senator Hoffman asked the reason for this action and whether the State appropriation would garner federal funding to "bring in substantial training dollars to the State."

Co-Chair Green replied that she had not received adequate information on the merits of the proposal.

Senator Hoffman requested the Department of Labor and Workforce Development respond to questions on the amendment.

[8:19:41 PM](#)

GUY BELL, Assistant Commissioner, Department of Labor and Workforce Development, testified that the Technical Vocational Education Program is a fund derived from employee contributions. These contributions are statutorily limited to .10 percent of an employee's earnings. The funds are distributed to various entities and would be insufficient to fund the new component.

Senator Hoffman stressed that the training would be necessary to provide jobs constructing the proposed natural gas pipeline.

Mr. Bell reiterated that increasing the percent withheld from employee earnings would require statutory changes.

Mr. Bell also noted the appropriation would not secure federal funding, only State funds would be involved.

Amendment #45: This amendment adds "and other oil and gas and natural resource development projects" to subsection (a) of Section 22. OFFICE OF THE GOVERNOR., on page 98, lines 9 through 12. The amended subsection reads as follows.

(a) The sum of \$125,000 is appropriated from the Alaska

Permanent Fund Corporation receipts to the Office of the Governor for direct support of national efforts to open the coastal plain of the Arctic National Wildlife Refuge for oil and gas exploration and development, and other oil and gas and natural resource development projects, for the fiscal years ending June 30, 2005, and June 30, 2006.

Accompanying explanatory language reads, "Description: This expands the purpose of the appropriation."

A motion to adopt the amendment was tabled at the previous hearing.

Co-Chair Wilken reoffered his motion for adoption. He read the language of the amendment into the record.

[8:24:04 PM](#)

Co-Chair Green clarified this language would not duplicate language adopted in a separate amendment.

Ms. Blaisdell affirmed.

There being no objection, Amendment #45 was ADOPTED.

Amendment #52: This amendment inserts a new Fraternal Order of Alaska State Troopers (FOAST) Photo/Video Project Program Implementation component to the Grants to Named Recipients BRU, Department of Commerce, Community and Economic Development on page 3, lines 30 and 31 and appropriates \$50,000. The fund source is not specified.

[Note: A motion to adopt the amendment was tabled at the previous hearing.]

Co-Chair Wilken moved for adoption. At Co-Chair Green's request he outlined the amendment.

There being no objection, Amendment #52 was ADOPTED.

[8:25:16 PM](#)

Amendment #53: This amendment inserts a new City of Adak - Adak Arctic Shuttle Pre-Feasibility Study component to the Grants to Municipalities (AS 37.05.315) BRU, Department of Commerce, Community and Economic Development on page 8, lines 11 and 12 and appropriates \$50,000 to the component. The fund source is not specified.

[Note: A motion to adopt the amendment was tabled at the previous hearing.]

Co-Chair Wilken moved for adoption.

There being no objection, Amendment #53 was ADOPTED.

AT EASE [8:25:42 PM](#) / [8:34:59 PM](#)

Co-Chair Green announced that Amendment #63, which was tabled at the previous hearing, would be reviewed and possibly amended.

Amendment #83: This amendment inserts a new bill section to read as follows.

Section X. DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT. The sum of \$275,000 is appropriated from the general fund to the Department of Commerce, Community and Economic Development for a grant to the Atwood Foundation to assist with the review of the CDQ Program including state regulations.

This amendment also provides an effective date of May 10, 2005 for FY 05 and FY 06 for the added section.

[Note: Senator Hoffman announced earlier in the meeting that this amendment would not be offered and no action was taken on the amendment.]

Senator Olson, at the direction of Co-Chair Green, offered a motion to rescind Committee action taken on Amendment #83 and moved to adopt the amendment.

Without objection the amendment was ADOPTED.

Co-Chair Green understood that Amendment #83 would have a FY 06 effective date.

Senator Olson affirmed.

[8:36:57 PM](#)

Co-Chair Green directed attention to information distributed to members [copy not provided.] She described the information as "a letter, a copy of a packet of letters that are the result of an adverse decision."

ART CHANCE, Director, Labor Relations, Department of

Administration, testified that the State lost in arbitration, a dispute with the teachers unit at the Mt. Edgecumbe school involving compensation for a preparatory period during the workday. The school schedule had been changed to include this additional period and the arbitrator ruled that the teachers must be compensated for the additional hours they were required to work. A decision was made to maintain the schedule for the remainder of the school year. As a result, approximately \$170,000 in additional funding is needed. The class schedule would be changed for the next school year.

Co-Chair Green remarked that the information was provided as a proposed amendment. It was not her intent to offer the amendment because such a precedent should not be set.

[8:40:30 PM](#)

Mr. Chance informed of the statutory requirement that the Department report this information to the legislature, as it implicates monetary terms for consideration at the discretion of the legislature. The possibility that the arbitration ruling could be reversed in court was considered and deemed unlikely by the Department of Law. He stated, "Absent your telling us that you disapprove under Section 215 of [indiscernible], we are bound by the lawful award of the arbitrator."

Co-Chair Green avowed, "We do object to paying this."

AT EASE [8:41:40 PM](#) / [8:48:53 PM](#)

Amendment #45: This amendment adds "and other oil and gas and natural resource development projects" to subsection (a) of Section 22. OFFICE OF THE GOVERNOR., on page 98, lines 9 through 12. The amended subsection reads as follows.

(a) The sum of \$125,000 is appropriated from the Alaska Permanent Fund Corporation receipts to the Office of the Governor for direct support of national efforts to open the coastal plain of the Arctic National Wildlife Refuge for oil and gas exploration and development, and other oil and gas and natural resource development projects, for the fiscal years ending June 30, 2005, and June 30, 2006.

Accompanying explanatory language reads, "Description: This expands the purpose of the appropriation."

[Note: This amendment was adopted earlier in the meeting.]

Co-Chair Wilken offered a motion to rescind action previously taken in adopting the amendment.

There being no objection, the action in adopting the amendment was RESCINDED.

Amendment #95: This amendment changes the language of subsection (a) of Section 22. OFFICE OF THE GOVERNOR., on page 98, lines 9 through 12. The amended language reads as follows.

(a) The sum of \$125,000 is appropriated from the general fund to the Office of the Governor for direct support of national efforts to open the coastal plain of the Arctic National Wildlife Refuge for oil and gas exploration and development, and other oil and gas and natural resource development projects, for the fiscal years ending June 30, 2005, and June 30, 2006.

Accompanying explanatory language reads, "This expands the purpose of the appropriation."

Co-Chair Green noted this language would replace the language of Amendment #45.

There being no objection, Amendment #95 was ADOPTED.

Amendment 94: This amendment changes the funding sources of appropriations made in Section 21, GAS PIPELINE, on page 96, line 19, through page 98, line 8, from general funds and Alaska Permanent Fund Corporation receipts, to general funds exclusively.

Co-Chair Wilken moved for adoption.

Co-Chair Green outlined the amendment.

Co-Chair Wilken noted the appropriation is for activities intended to prepare for a natural gas pipeline.

[8:49:55 PM](#)

Senator Hoffman asked if the only change is the funding source.

Co-Chair Green affirmed the Alaska Permanent Fund Corporation receipts would be replaced with general funds.

There being no objection, Amendment #94 was ADOPTED.

[8:50:30 PM](#)

Senator Olson clarified that the effective date of Amendment #83 should be May 10, 2005.

AT EASE [8:51:08 PM](#) / [8:52:40 PM](#)

Senator Olson further reiterated that the effective date of May 10, 2005 applies to the fiscal years ending June 30 2005, and June 30, 2006.

Co-Chair Green deemed that the clarification was adopted.

[8:53:11 PM](#)

Co-Chair Green announced the conclusion of consideration of amendments to the operating budget.

Ms. Blaisdell requested the Committee grant authority to the Division of Legislative Finance and the Division of Legal and Research Services to make any necessary technical and conforming changes.

Co-Chair Green affirmed, for the record, that this is the intent of the Committee.

The bill was HELD in Committee.

#

ADJOURNMENT

Co-Chair Green adjourned the meeting at 08:54 PM.