

**MINUTES**  
**SENATE FINANCE COMMITTEE**  
**April 11, 2006**  
**9:05 a.m.**

**CALL TO ORDER**

Co-Chair Gary Wilken convened the meeting at approximately [9:05:39 AM](#).

**PRESENT**

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

**Also Attending:** ART CHANCE, Director, Labor Relations, Department of Administration; MATT ROBUS, Director, Division of Wildlife Conservation, Department of Fish and Game; BOB BARTHOLOMEW, Chief Operating Officer, Alaska Permanent Fund Corporation, Department of Revenue; JAMES ARMSTRONG, Staff to Co-Chair Wilken; PETE KELLY, Director, Government Relations, University of Alaska; PAT PITNEY, Director of Budget Development and Institutional Planning, University of Alaska; SARA FISHER-GOAD, Alaska Energy Authority, Department of Commerce, Community and Economic Development;

**Attending via Teleconference:** There were no teleconference participants.

**SUMMARY INFORMATION**

HB 365-APPROP: OPERATING BUDGET/LOANS/FUNDS  
HB 366-APPROP: MENTAL HEALTH BUDGET

The Committee heard from the Department of Administration, the Department of Fish and Game, the Alaska Permanent Fund Corporation, the University of Alaska, and the Alaska Energy Authority. Amendments to the committee substitute were considered and the bill was reported from Committee.

#HB365  
#HB366

[9:07:29 AM](#)

CS FOR HOUSE BILL NO. 365(FIN) am(brf sup maj fld)  
"An Act making appropriations for the operating and loan program expenses of state government, for certain programs, and to capitalize funds; making appropriations for state aid to public schools, centralized correspondence study, and transportation of pupils; and providing for an effective date."

CS FOR HOUSE BILL NO. 366(FIN)  
"An Act making appropriations for the operating and capital expenses of the state's integrated comprehensive mental health program; and providing for an effective date."

This was the fifth hearing for these bills in the Senate Finance Committee.

The Committee had adopted SCS CS HB 365 (FIN), 24-GH2033\P, as a working document at a previous hearing. Unless otherwise noted, amendments are to this version.

[9:07:33 AM](#)

Co-Chair Wilken informed that this budget would fund K-12 education at \$90 million, as proposed by Governor Frank Murkowski.

[9:09:32 AM](#)

Department of Administration

DOA #1: This amendment inserts a new subsection to Section 27. SALARY AND BENEFIT ADJUSTMENTS., on page 68, following line 23 to read as follows.

(d) It is the intent of the legislature that the appropriations made in sec. 1 of this Act and in sec. 1 of the Act making appropriations for the state's integrated

comprehensive mental health program, include the arbitration award increasing the employers health insurance contribution amount for employees in the Alaska State Employees Health Trust.

Accompanying explanatory language reads as follows.

The recent arbitration award determined that the employer health insurance contribution amount for employees in the Alaska State Employees Health Trust should be increased \$4.45 per employee per month in FY 06; FY 07 will also reflect that increase. This amendment is offered in order for the legislature to express its approval of the award as a monetary term under AS 23.40.215(b). No additional funding is being requested.

Co-Chair Wilken moved for adoption of the amendment and objected to obtain an explanation.

ART CHANCE, Director, Labor Relations, Department of Administration, testified that this amendment relates to an arbitration ruling between the State and a bargaining unit, which he explained. The arbitrator ruled against both parties in this instance and the amendment represents the direction of the arbitrator. The Department is not requesting additional funding, but requires legislative authority to make a deposit to the Trust account.

Co-Chair Wilken removed his objection to the adoption of the amendment.

Without further objection the amendment was ADOPTED.

[9:12:00 AM](#)

Department of Corrections

COR #1: This amendment inserts a new subparagraph to Section 27(a) on page 69, following line 6 to read as follows.

(9) Alaska Correctional Officers Association,  
representing correctional officers;

This amendment also adds \$3,430,200 general funds to the Administration and Support Budget Request Unit (BRU) on page 8,

line 30 and the Institutional Facilities BRU on page 9, line 16, to be allocated in the following amounts to the following components.

Administration and Support:	
Correctional Academy	\$21,300
Classification and Furlough	21,300
Institutional Facilities:	
Inmate Transportation	28,100
Anchorage Correctional Complex	152,800
Anvil Mountain Correctional Complex	117,600
Combined Hiland Mountain Correctional Center	226,800
Fairbanks Correctional Center	224,400
Ketchikan Correctional Center	245,400
Lemon Creek Correctional Center	393,800
Mat-Su Correctional Center	95,300
Palmer Correctional Center	254,600
Spring Creek Correctional Center	838,700
Wildwood Correctional Center	247,800
Yukon-Kuskokwim Correctional Center	130,000
Pt. Mackenzie Correctional Farm	72,300

Accompanying explanatory language reads as follows.

Due to the recent Interest Arbitration award affecting the Alaska Correctional Officers Association, the bargaining unit reference is added to sec. 27, Salary and Benefit Adjustments and the funding is added to sec. 1.

The department cannot absorb these cost increases. It is already facing difficulties in managing a growing prison population. Reductions in any area would require the department to reduce non-security-related areas to maintain sufficient staff for public safety, including reductions in inmate education and job training programs.

Co-Chair Green moved for adoption of the amendment.

Co-Chair Wilken objected for discussion purposes.

Mr. Chance relayed that the Alaska Correctional Officers Association bargaining unit contract expires June 31, 2006. A new contract could not be agreed upon and this amendment reflects a three-year extension of the current contract. The employees represented by this bargaining unit are subject to a

no-strike provision. Funding appropriated through this amendment would be utilized for continued arbitration.

Co-Chair Wilken removed his objection.

There was no further objection and the amendment was ADOPTED.

AT EASE [9:13:33 AM](#) / [9:16:28 AM](#)

[9:16:40 AM](#)

Department of Administration (continued)

DOA #2: This amendment increases the appropriation made in subsection (d) of Section 11. DEPARTMENT OF ADMINISTRATION., on page 9, lines 9 through 11, by adding funding sources in addition to the general funds. The amended language reads as follows.

(d) The sum of \$2,847,900 is appropriated to the Department of Administration, commissioner's office, for distribution to state agencies to offset the increased chargeback rates for enterprise technology services for the fiscal year ending June 30, 2007, from the following sources in the amounts stated.

Federal Receipts	\$159,200
General Fund	2,306,800
FICA Administration Fund Account	600
Benefits Systems Receipts	12,100
Agricultural Revolving Loan Fund	2,200
International Airports Revenue Fund	74,000
Public Employees Retirement System Fund	22,300
Second Injury Fund Reserve Account	800
Fishermen's Fund	800
Teachers Retirement System Fund	8,900
Commercial Fishing Loan Fund	1,300
Real Estate Surety Fund	200
National Guard & Naval Militia Retirement System	400
Permanent Fund Dividend Fund	55,200
Capital Improvement Project Receipts	3,800
Fisheries Enhancement Revolving Loan Fund	100
Mental Health Trust Authority Authorized Receipts	1,900

Alaska Aerospace Development Corporation Receipts	1,400
Alaska Industrial Development & Export Authority Receipts	2,500
Alaska Permanent Fund Corporation Receipts	4,500
Alaska Post-Secondary Education Commission Receipts	41,500
Statutory Designated Program Receipts	800
RCA Receipts	4,000
State Land Disposal Income Fund	6,200
Timber Sale Receipts	700
Receipt Supported Services	87,800
Workers Safety and Compensation Administration Account	24,600
Alaska Oil & Gas Conservation Commission Receipts	13,200
Building Safety Account	9,400
Business License and Corporation Filing Fees and Taxes	700

Accompanying explanatory language reads as follows.

This amendment is needed to enable agencies to use \$541,100 of non-general fund funding sources to pay the increased chargeback rates anticipated by Enterprise Technology Services (ETS).

Co-Chair Wilken offered a motion to adopt the amendment and objected for discussion purposes.

Co-Chair Green offered a motion to amend the amendment to correctly reflect the provision pertains to the fiscal year ending June 30, 2007, rather than June 30, 1997, as stated in the original wording of the amendment.

There was no objection and the amendment was AMENDED.

Co-Chair Wilken spoke of attempts to restore funding for public broadcasting. This amendment would provide funding for agencies to contribute to the costs of Enterprise Technology Services through various funding sources. Subsequently, additional funding would be available to appropriate for public broadcasting.

[9:17:49 AM](#)

Co-Chair Wilken removed his objection to the adoption of the amendment.

The amendment was ADOPTED without further objection.

[9:17:54 AM](#)

DOA #3: This amendment appropriates an additional \$156,700 general funds to the Public Communications Services BRU, Public Broadcasting - T.V. component, on page 4, line 7. Accompanying explanatory language reads, "This amendment added to the \$470.3k (75%) funds Public TV at Governor's request."

Senator Hoffman moved for adoption.

Co-Chair Wilken objected.

Senator Hoffman spoke to the numerous public testimonials to the importance of public television.

Co-Chair Wilken expressed "growing concern" that public television is not a program that government should support. The reduced funding level is intended to "wean" the program from government support and convey a message to public television supporters to secure other funding sources.

[9:20:48 AM](#)

Senator Stedman asserted that public television, along with public radio, is advantageous to certain areas of state, particularly to rural areas of Southeast Alaska.

[9:21:22 AM](#)

Senator Olson furthered that public broadcasting would always be important to address a need. Many communities have access to only public broadcasting. Weather information is vital for hunters and other travelers. He is an "ardent supporter" of public television.

[9:23:27 AM](#)

Senator Hoffman acknowledged Co-Chair Wilken's comments about encouraging the securitization of additional financial support; however, many public broadcasting stations hold at least one fundraiser annually.

[9:24:25 AM](#)

Senator Olson added that public television affects people in addition to Alaskans. Russians and Canadians also listen to broadcasts.

[9:24:47 AM](#)

A roll call was taken on the motion.

IN FAVOR: Senator Hoffman, Senator Olson and Senator Stedman

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

ABSENT: Senator Bunde

The motion FAILED (3-3-1)

The amendment FAILED to be adopted.

[9:25:31 AM](#)

Department of Commerce, Community and Economic Development

CC&ED #1: This amendment appropriates an additional \$600,000 in Vehicle Rental Tax Receipts to the Qualified Trade Association Contract BRU and component on page 6, lines 11 through 14. Accompanying explanatory language reads as follows.

This amendment increases the appropriation to the QTA contract to \$5.6 million. The VRTR fund source is earmarked for tourism marketing and development.

Fundamental changes in both the worldwide and Alaska travel markets over the past decade have resulted in a situation where growth in the visitation-level of independent travelers to Alaska has stagnated. Many Alaska-based businesses exist primarily to serve travelers visiting Alaska independently. Alaska-based businesses that are small, highway-based, and/or rural-based have been

particularly hard hit by the stagnating growth of Alaska's independent travel market.

On January 1, 2004 the State of Alaska began assessing and collecting a 10% tax on all passenger vehicle rentals and a 3% tax on all recreational vehicle rentals. This new vehicle rental tax results in economic hardship for all independent-traveler reliant businesses when increased vehicle rental prices make the cost of an independent Alaska travel experience less price-competitive with alternate non-Alaskan independent travel destinations and with other Alaska travel modes.

The Alaska Statute authorizing the vehicle rental tax (AS 43.52) directs the [Department] of Revenue to deposit all revenue from the vehicle rental tax into a special vehicle rental account in the General Fund. Statute further states that "the legislature may appropriate the actual balance of the vehicle rental tax account for tourism development and marketing."

The Department of Revenue estimates that approximately 80% of the rental car tax receipts are generated from independent travelers and generated during the tourism season, May through September.

This amendment was NOT OFFERED, due to a technical error.

CC&ED #2: This amendment inserts a new subsection to Section 12. DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT., on page 58, following line 3 to read as follows.

(c) the sum of \$5,000,000 is appropriated to the Department of Commerce, Community and Economic Development for payment as a grant under AS 37.05.316 to the Denali Commission for energy projects for the fiscal year ending June 30, 2007.

Senator Hoffman moved for adoption of the amendment.

Co-Chair Green objected.

Senator Hoffman stressed the importance of the Denali Commission. The State must assist in addressing the issues undertaken by the Commission.

[9:27:36 AM](#)

Co-Chair Green reiterated that at the time of the creation of the Denali Commission, representatives testified to its establishment and intentions and asserted that the Commission would never request State funding. She agreed the Commission was beneficial.

[9:28:25 AM](#)

Senator Olson contended that no projects in the state facilitated greater changes than new "tank farms", new health clinics and the other worthwhile projects undertaken by the Commission. While he did not recall Commission representatives stating it would request State funds for its activities, the funding provided in this amendment is at the recommendation of US Senator Ted Stevens. Lack of funding would delay projects. Senator Olson supported the amendment.

[9:29:45 AM](#)

Senator Stedman opined that the submission of this amendment is timely in relation to the recent address by Alaska's senior congressman to the Alaska State Legislature. However the policy decision of whether to allocate State funding to the Denali Commission is significant and better addressed during the next legislative session. This is part of a larger issue of the reduced federal funding that the State would be receiving in the future and should be considered in the context of longer range policy decisions.

[9:30:31 AM](#)

Senator Hoffman agreed with Senator Stedman. However, this funding is requested at a time in which the State has a budget surplus. The passage of legislation to enact a Petroleum Production Tax (PPT) would result in at least \$1 billion in additional revenue.

Senator Hoffman WITHDREW his motion to adopt the amendment.

[9:31:45 AM](#)

Co-Chair Wilken commented that with regard to reduced federal funding in future years, US Senator Ted Stevens "rang the bell and we all heard it". This matter should be addressed during the legislative interim with forethought.

[9:32:15 AM](#)

Alaska Court System

CRT #1: This amendment adds \$75,000 general funds to the Alaska Court System BRU, Trial Courts component on page 38, line 30. Accompanying explanatory language reads as follows.

The court system believes it is necessary to provide security screening services in court locations throughout the state. Screening services are available in Anchorage, Palmer, Kenai, Juneau and Fairbanks courts. The Bethel court is the next location at which the court desires to implement security screening.

The Bethel court is one of the busiest court locations in the state and serves as the hub for the communities in the Yukon-Kuskokwim Delta. The Court believes that high felony rates and high domestic violence rates require the court to pursue security screening to insure the on-going safety of the public, jurors, witnesses, victims, and court staff.

Senator Hoffman moved for adoption.

Co-Chair Wilken overviewed the explanatory statement.

The amendment was ADOPTED without objection.

[9:32:52 AM](#)

Department of Education and Early Development

E&ED #1: This amendment inserts language to the K-12 Support BRU, Foundation Program component on page 10, line 32 to read as follows.

A school district may not receive state education aid for K-12 support appropriated under sec. 1 of this Act and distributed by the Department of Education and Early Development under AS 14.17 if the school district:

(1) has a policy refusing to allow recruiters for the military, Reserve Officer Training Corps, Central Intelligence Agency, or Federal Bureau of Investigation to contact students on a school campus if the school district allows college, vocational school, or other job recruiters on a campus to contact students;

(2) refuses to allow the Boy Scouts of America to use school facilities for meetings or contact with students if the school makes the facility available to other non-school groups in the community; or

(3) has a policy of refusing to have an in-school Reserve Officer Training Corps program or a Junior Reserve Officers' Training Corps program.

Senator Dyson moved for adoption of the amendment.

Co-Chair Wilken objected.

Senator Dyson outlined the intent language.

[9:33:50 AM](#)

Senator Olson asked if this provision would impact private schools in any manner.

Senator Dyson answered it would not.

Co-Chair Wilken removed his objection.

Co-Chair Green pointed out that the intent language would not be legally enforceable. It appears to replicate existing policy. She asked if the provision would pertain to only the foundation funding or to other funding programs as well.

Senator Dyson replied he would research the question.

AT EASE [9:34:55 AM](#) / [9:36:00 AM](#)

Co-Chair Wilken announced that the Division of Legislative Finance has advised that the language of the amendment is conditional language rather than intent language and therefore carries the "force of law".

Co-Chair Green objected to the adoption of the amendment. She supported the intentions of the sponsor; however the provision

should have statutory backing and should undergo the legislative process as legislation.

[9:36:42 AM](#)

Senator Stedman understood that if this amendment were adopted, a school campus would forfeit the formula funding it would otherwise receive if that school denied access to recruiters for the Boy Scouts of America. This appeared to be a drastic consequence.

[9:37:04 AM](#)

Senator Dyson assured the loss of funding would only be for the year in which the school held the policy. Once the policy was changed to allow access, the school would be eligible to receiving foundation funding in future years.

AT EASE [9:37:27 AM](#) / [9:41:16 AM](#)

Co-Chair Wilken noted that an amendment to this amendment would be forthcoming. He ordered the motion to adopt the amendment WITHDRAWN and the amendment be HELD.

[9:41:30 AM](#)

Senator Dyson pointed out that the federal government has already adopted similar measures.

[9:42:10 AM](#)

E&ED #2: This amendment adds \$1 million general funds to the Teaching and Learning Support BRU, Statewide Mentoring Program component on page 11, line 13. Accompanying explanatory language reads as follows.

This amendment will bring the total for the mentoring program for teachers to \$3.5 million. This program is key to teacher retention and performance by providing a voluntary support system.

Co-Chair Wilken requested to Senator Hoffman that this amendment be HELD for later consideration.

[NOTE: This amendment was subsequently NOT OFFERED due to action taken in the adoption of E&ED #3.]

[9:42:31 AM](#)

Department of Fish and Game

F&G #1: This amendment was HELD to await the arrival of Senator Bunde. It was considered later in the hearing.

[9:42:57 AM](#)

Office of the Governor

GOV #1: This amendment inserts a new subsection to Section 20. OFFICE OF THE GOVERNOR., on page 61, following line 9 to read as follows.

(g) The sum of \$51,600 is appropriated from the Investment Loss Trust Fund to the Office of the Governor, division of elections, for the costs of consolidation elections for the City of Ketchikan and the Ketchikan Gateway Borough in the fiscal year ending June 30, 2007.

Accompanying explanatory language reads as follows.

The Local Boundary Commission is reviewing a consolidation petition and is expected to make a decision in late July. If the petition is approved, then the Division will conduct two elections by mail. The first will determine the consolidation and the second will determine the initial officers of the consolidated borough.

Co-Chair Wilken moved for adoption and objected to explain the amendment. He overviewed the explanatory statement.

[9:43:40 AM](#)

Senator Stedman objected to the motion to comment that it would be easier to represent a single entity than two separate governments of the same community. His objection was removed.

Without further objection the amendment was ADOPTED.

[9:44:26 AM](#)

GOV #2: This amendment changes the funding source from general fund to Investment Loss Trust Fund of the \$2,756,500 appropriation to the Division of Elections "for costs associated with conducting the statewide primary and general elections in the fiscal year ending June 30, 2007" as provided in Section 20(a) on page 59, lines 26 through 29.

Co-Chair Wilken overviewed the amendment and moved for its adoption.

There was no objection and the amendment was ADOPTED.

[9:44:58 AM](#)

Department of Health and Social Services

H&SS #1: This amendment inserts intent language to the Public Assistance BRU, Public Assistance Administration component on page 20, following line 15 to read as follows.

It is the intent of the legislature that the available balance of Temporary Assistance for Needy Families (TANF) bonuses be retained for use after FY 07.

Accompanying explanatory language reads as follows.

On February 8, 2006, the President [George W. Bush] signed the Deficit Reduction Act of 2005, reauthorizing Temporary Assistance for Needy Families (TANF). The bill revised the caseload reduction credit (i.e. the TANF bonus) provisions so that Alaska is unlikely to receive bonuses and may be subject to penalties. The HSS Subcommittee Chairs in both bodies would like to reserve unused TANF bonuses for future uses, including potential payment of penalties.

Co-Chair Green offered a motion to adopt the amendment.

Co-Chair Wilken objected to receive an explanation.

Co-Chair Green informed that TANF bonus funds would no longer be appropriated. Additionally, if the State failed to maintain the existing level of service, it would be penalized and owe the federal government money.

9:46:05 AM

Co-Chair Wilken surmised this amendment would provide that the bonus funds received in FY 07 would be saved to address future needs.

Co-Chair Green affirmed.

Co-Chair Wilken removed his objection.

The amendment was ADOPTED without further objection.

9:46:20 AM

H&SS #2: This amendment adds \$220,400 Investment Loss Trust Fund funds to the Children's Services BRU, Children's Services Training component on page 18, line 14. Accompanying explanatory language reads as follows.

Continued base funding for Children's Service Training.

This amount was identified by Legislative Finance in FY 06 as a one-time item and was subsequently removed from the base in FY 07. The department disagrees with this classification as these costs are for on-going costs as slated in the FY 06 increment narrative. Funds are for on-going staff training and staff development for existing front-line and management staff, as well as providing training to new social workers as they are hired. Approximately 200 social workers will receive initial and on-going training with these funds.

This funding is an integral part of meeting our federal requirements as well as ensuring Office of Children's Services staff is adequately trained to perform their functions in protecting children at risk.

Co-Chair Green moved for adoption.

Co-Chair Wilken objected.

Co-Chair Wilken ascertained this was a priority item.

Co-Chair Green affirmed.

Co-Chair Wilken removed his objection.

There was no further objection and the amendment was ADOPTED.

[9:46:56 AM](#)

H&SS #3: This amendment adds \$126,900 General Fund/Mental Health funds and \$137,100 Federal Receipts to the Behavioral Health BRU, Behavioral Health Administration component on page 17, lines 26 and 27.

This amendment also deletes \$40,000 General Fund/Mental Health funds and \$40,000 Federal Receipts from the Children's Services BRU, Children's Services Management component on page 18, lines 12 and 13.

This amendment also adds \$60,000 General Fund/Mental Health funds and \$60,000 Federal Receipts to the Juvenile Justice BRU, Probation Services component on page 19, line 23.

Accompanying explanatory language reads as follows.

Bring the Kids Home Gate-Keeping

The staffing supported with these funds is an integral part of bring[ing], or keeping, children in-state rather than in out-of-state treatment. This group will work as a placement committee to ensure that a standardized approach is used for custody and non-custody children in need of treatment placement. In addition, the Division of Behavioral Health requires utilization review staff to support these efforts.

A group has been working with the Alaska Mental Health Trust Authority to determine the appropriate staff level for gate-keeping. They have determined that, rather than the seven positions initially requested, staff can be reduced to four plus one project manager.

Co-Chair Green offered a motion to adopt the amendment.

Co-Chair Wilken objected.

Co-Chair Green overviewed the explanatory statement.

Co-Chair Wilken noted the amendment would add \$146,900 to the Bring the Kids Home project.

Co-Chair Wilken removed his objection.

Without further objection, the amendment was ADOPTED.

[9:47:33 AM](#)

H&SS #4: This amendment adds \$300,000 general funds to the Alaska Pioneer Homes BRU, Pioneer Homes component on page 17, line 12. Accompanying explanatory language reads, "This amendment will increase general fund funding available to Alaska Pioneer Homes by \$300,000.

Co-Chair Green moved for adoption.

Co-Chair Wilken objected.

Co-Chair Green explained this amendment would provide funding for salaries of employees newly hired during the fiscal year.

[9:48:11 AM](#)

Co-Chair Wilken had been "surprised" by the testimony about the need for additional staff at the Homes. He supported this amendment, which he co-sponsored.

Co-Chair Wilken removed his objection.

The amendment was ADOPTED without further objection.

[9:48:33 AM](#)

H&SS #5: This amendment adds \$250,000 general funds to the Human Services Community Matching Grant BRU and component on page 23, line 33 through page 24, line 5. Accompanying explanatory language reads, "Provides partial funding of the Governor's FY 07 request.

Co-Chair Green moved for adoption.

Co-Chair Wilken objected for an explanation.

Co-Chair Green remarked that the funding appropriated in this amendment would be a "good investment".

Co-Chair Wilken summarized that Governor Murkowski had requested \$2.7 million for this program. With the adoption of this amendment, the appropriation would be \$1,475,300.

Co-Chair Wilken removed his objection.

There was no further objection and the amendment was ADOPTED.

AT EASE [9:49:25 AM](#) / [9:54:19 AM](#)

[9:54:24 AM](#)

H&SS #6: This amendment adds \$51,850 general funds to the Public Health BRU, Community Health/Emergency Medical Services component on page 21, lines 7 and 8. Accompanying explanatory language reads, "This amendment will increase GF funding available to community EMS by \$51,850 for FY 07."

Senator Stedman moved for adoption.

Co-Chair Wilken objected for discussion purposes.

Senator Stedman deferred to Senator Olson, co-sponsor of the amendment.

Senator Olson relayed his personal experience early in his medical career in which he was a "health aid". He witnessed the training that was necessary but that was beyond his expertise to provide. Since that time, training has advanced significantly.

[9:55:52 AM](#)

Co-Chair Wilken remarked upon the significant public testimony on this issue and of his realization that this program had received no funding increases since 1991. He removed his objection to the adoption of the amendment.

Without further objection the amendment was ADOPTED.

[9:56:23 AM](#)

H&SS #7: This amendment adds \$176,000 general funds to the Public Health BRU, Emergency Medical Services Grants component on page 21, lines 10 and 11. Accompanying explanatory language reads, "This amendment will increase funding for Emergency Medical Services Grants by \$176,000."

Senator Stedman offered a motion to adopt the amendment.

Co-Chair Wilken objected for an explanation.

Senator Stedman stated that this amendment would increase funding by ten percent. This item differs from the previous amendment in that the funding would be directed to different emergency medical services providers. These programs are necessary across the state due to the harsh environment and high accident rates.

Co-Chair Wilken removed his objection, noting the combined allocation would be \$457,000 higher than the amount requested by the Governor. Co-Chair Wilken intended that the amount approved by the House of Representatives would receive favorable consideration by the conference committee appointed to resolve differences between the versions of this legislation adopted by each body.

The amendment was ADOPTED with no further objection.

[9:57:55 AM](#)

H&SS #8: This amendment adds \$352,000 general funds to the Public Health BRU, Emergency Medical Services Grants component, and adds \$103,700 general funds to the Community Health/Emergency Medical Services component.

Senator Olson stated this amendment would be NOT OFFERED based on actions taken on H&SS #6 and H&SS #7.

Co-Chair Wilken pointed out this amendment would have funded the request at 100 percent, while the previous amendments provided half of the amount.

[9:58:35 AM](#)

H&SS #9: this amendment adds \$103,700 general funds to the Public Health BRU, Community Health/Emergency Medical Services component. Accompanying explanatory language reads as follows.

This amendment will increase GF funding available to community EMS by \$103.7k to \$947.6k for FY 07. This will bring the total appropriation with all funds to \$5275.2k which is the same funding passed by the House.

FY	GF Funding
06	810.4
05	732.1
04	857.5
03	816.0
02	1,353.7
01	849.8
00	777.5
99	695.5
98	680.2

Senator Stedman announced that this amendment would be NOT OFFERED.

[9:58:46 AM](#)

Department of Labor and Workforce Development

LWD 1: this amendment inserts \$300,000 Investment Loss Trust Fund receipts to the Workforce Development BRU, Kotzebue Technical Center Operations Grant component on page 25, lines 22 and 23. Accompanying explanatory language reads as follows.

This one-time funding source increment replaces federal training grants from the Workforce Investment Act (WIA).

Senator Olson offered a motion to adopt the amendment.

Co-Chair Wilken objected for an explanation.

Senator Olson emphasized the broad support of this facility expressed during public testimony on this budget. He spoke to the success rate of students completing programs at the Center.

Co-Chair Wilken removed his objection.

With no further objection the amendment was ADOPTED.

[9:59:54 AM](#)

LWD #2: This amendment adds \$300,000 general funds to the Workforce Development BRU, Kotzebue Technical Center Operations Grant component. Accompanying explanatory language reads, "This increment replaces federal training grants from the Workforce Investment Act (WIA)."

Senator Olson announced this amendment would be NOT OFFERED.

AT EASE [10:00:08 AM](#)

[10:00:58 AM](#)

LWD #3: This amendment deletes \$300,000 general funds from the Workforce Development BRU, Business Services component on page 25, line 18. Accompanying explanatory language reads as follows.

This amendment corrects an error made by the Legislative Finance Division in preparing the Committee Substitute bill. Legislative Finance was directed to remove partial funding of a Governor's increment but the increment remained in the bill.

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

The amendment was ADOPTED without objection.

[10:01:39 AM](#)

Department of Law

LAW #1: This amendment adds \$290,000 general funds to the Criminal Division BRU, Third Judicial District: Outside Anchorage component on page 26, lines 24 and 25. Accompanying explanatory language reads as follows.

Currently the Palmer District Attorney's Office provides service to the communities of Valdez, Glennallen, and Cordova. In 2005, the Palmer Office handled 4524 case referrals with eight attorneys. Almost six hundred of these referrals are attributable to the communities of Valdez, Glennallen, and Cordova.

Establishing a new District Attorney's Office in Valdez would relieve the caseload in Palmer and also improve the quality of service, interaction and working relationships with local law enforcement entities in these communities.

The cost estimate [copy on file] from the Department of Law to establish this office totals \$387,900. This request is reduced to 75% of that amount to reflect less than a year's operating due to time lag in hiring, remodeling facilities, etc. The eventual establishment of a Grand Jury in Valdez would substantially reduce the amount of travel depicted in this estimate.

Co-Chair Wilken moved for adoption and objected to provide an explanation.

Co-Chair Wilken stated this funding would provide for a new prosecutor position to be located in Valdez. He objected to the adoption of the amendment primarily because of its late submission and failure to follow normal appropriation decisions procedure.

[10:02:22 AM](#)

Co-Chair Green clarified that this request was made earlier in the legislative session. However, when the Department was asked to review the proposal, officials determined it not appropriate for the upcoming fiscal year. She supported the eventual creation of a District Attorney Office to serve the three communities because it would reduce the workload of the Palmer Office.

Co-Chair Wilken predicted it would be considered for inclusion in the FY 08 Governor's proposed budget.

[10:03:03 AM](#)

Senator Stedman remarked that this issue was not presented in the budget subcommittee process. Attempts are underway to address salaries for prosecutors. He did not support the amendment.

[10:03:26 AM](#)

Co-Chair Wilken maintained his objection to the adoption of the amendment.

The amendment was WITHDRAWN.

[10:04:06 AM](#)

Department of Military and Veterans Affairs

M&VA #1: This amendment deletes \$289,200 I/A Receipts from the Military and Veterans' Affairs BRU, Alaska Military Youth Academy component, on page 28, lines 9 and 10. Accompanying explanatory language reads as follows.

The Department of Military and Veterans Affairs submitted a revised student count for the Alaska Military Youth Academy. The reduced count reduces the need for funding from the Department of Education and Early Development. This amendment reduces Interagency Receipt authority from DEED so that funding levels in both agencies match.

Co-Chair Wilken moved for adoption and objected to read the explanatory statement into the record.

The amendment was ADOPTED without further objection.

[10:04:33 AM](#)

Department of Natural Resources

DNR #1:

Action on this amendment was HELD to await the arrival of Senator Bunde. The amendment was considered later in the hearing.

DNR #2: This amendment adds \$267,700 Receipt Supported Services (RSS) to the Resource Development BRU, Parks Management component on page 29, line 24. Accompanying explanatory language reads as follows.

During the subcommittee process, we deleted all \$409,300 in possibly uncollectible receipt supported services in Parks Management. This amendment is an attempt to help the Parks

system by giving them back the option to use the RSS in the event they do collect more than they had anticipated.

This amendment was NOT OFFERED to defer to anticipated actions on DNR #1.

[10:04:52 AM](#)

DNR #3: This amendment adds \$50,000 general funds to the Fire Suppression BRU, Fire Suppression Preparedness component on page 30, lines 14 and 15. Accompanying explanatory language reads as follows.

Residents in Homer are at high risk of loss from wildfires due to the thousands of acres of beetle-killed spruce remaining in the area. As the population grows on the southern Kenai Peninsula and climate change produces warmer, drier summers, it is especially important that we maintain firefighting readiness. Without an office in Homer, DNR firefighters will not be able to respond quickly enough when fires are reported.

Co-Chair Wilken moved for adoption of this amendment on behalf of Senator Bunde and objected for discussion purposes.

Co-Chair Wilken outlined the explanatory statement. This allocation appeared to be appropriate, given the circumstances. He removed his objection.

Without further objection the amendment was ADOPTED.

[10:05:43 AM](#)

DNR #4: This amendment adds \$120,000 Investment Loss Trust Fund (ILTF) to the Resource Development BRU, Forest Management and Development component on page 29, lines 13 - 16. Accompanying explanatory language reads as follows.

#### Forest Inventory Program

The Division of Forestry is working to simultaneously sustain local mills in southeast Alaska, help support chipping operations and local mills in southcentral, and increase timber processing in interior Alaska. The success of these efforts requires that we can provide the industry with sufficient information on timber quality and quantity

for them to determine the viability of harvest. Timber industry development and sound forest management require an ongoing timber inventory program to collect, analyze, and disseminate timber supply data. Existing inventory information is limited throughout the state, nonexistent in some areas and outdated at best.

The State has an opportunity to secure the development of a new wood processing facility in the interior and create a significant new employment opportunity for residents, but the project won't move forward without a detailed forest inventory of the resource to ensure the log volume is present to support a large private sector investment.

Senator Stedman moved for adoption of the amendment.

Co-Chair Wilken objected to request an explanation.

Senator Stedman detailed the explanatory statement.

Co-Chair Wilken removed his objection.

The amendment was ADOPTED with no further objection.

[10:06:27 AM](#)

DNR 5: This amendment adds \$858,700 ILTF to the Resource Development BRU, Oil & Gas Development component on page 28, line 26. Accompanying explanatory language reads as follows.

Continuation of Oil & Gas and Gasline Increased Workload  
Without additional funding the division will see a slowdown in many functions of the division that could adversely affect the state's oil and gas development. These include:

- Administration of royalty settlements. Arbitration and potential settlements will slow down. Could delay or lose potential revenue based on arbitration and settlement.
- Action on royalty modification agreements will slow down. Could delay or lose potential revenue based on arbitration or settlement.
- Development in the field could be delayed because producers won't develop until agreement in place.
- Unable to quickly respond to gasline questions or implementation issues.

Co-Chair Wilken moved for adoption and overviewed the information in the explanatory statement. He noted the priority of Governor Murkowski was to focus attention of the Division of Oil and Gas on the bulleted items.

Co-Chair Wilken removed his objection.

There being no further objection the amendment was ADOPTED.

[10:07:00 AM](#)

Department of Public Safety

DPS #1: This amendment adds \$1,664,600 federal receipts and deletes \$1,393,200 general funds from the Alaska State Troopers BRU, Narcotics Task Force component on page 31, line 9. Accompanying explanatory language reads as follows.

This amendment corrects a technical error. The Senate DPS Sub-Committee replaced unrealizable federal receipts with general funds in Section 1 of the operating budget. However, the Committee Substitute bill incorporated language appropriating \$1.4 million for the same purpose. This amendment eliminates the duplication of funding requests and leaves the language intact.

Co-Chair Wilken moved for adoption, and objected to read the explanatory statement into the record. He removed his objection.

The amendment was ADOPTED without further objection.

[10:07:47 AM](#)

DPS #2: This amendment adds \$500,000 ILTF and \$500,000 general funds, and deletes \$1 million Interagency Receipts (I/A Receipts) from the Council on Domestic Violence and Sexual Assault BRU and component on page 32, lines 11 through 17. Accompanying explanatory language reads as follows.

Replace TANF funding

The Governor's Amended FY 2007 Budget included \$1 million in federal TANF funds for the Department of Health and Social Services (DHSS) for CDVSA shelter grants. The Senate Finance Subcommittee deleted the federal TANF funds in the DHSS budget so the funds are not available to transfer to

CDVSA. This amendment replaces the unrealizable TANF funds with general funds and investment loss trust funds.

Co-Chair Green moved for adoption.

Co-Chair Wilken objected to request an explanation.

Co-Chair Green noted this item relates to the federal Temporary Assistance for Needy Families (TANF) program.

Co-Chair Wilken surmised that this amendment would provide funding for the Council on Domestic Violence and Sexual Assault, a priority of the budget subcommittee, although utilizing different funding sources. He removed his objection to the adoption of the amendment.

Without further objection the amendment was ADOPTED.

[10:08:45 AM](#)

DPS #3: This amendment adds \$350,000 general funds to the Council on Domestic Violence and Sexual Assault BRU on page 32, lines 11 and 12, for operating costs of the Maniilaq Association-Family Crisis Center in Kotzebue.

Senator Olson moved for adoption.

Co-Chair Wilken objected.

Senator Olson remarked on the effectiveness of the Kotzebue facility in addressing the needs of victims of abuse and their dependants. The incidences of women and families who have been victimized by someone of greater strength occur in all areas of the state. This is an issue that has great awareness. These victims are viewed with pity; however, legislators must provide for their needs. Emergency housing and other services are important also as a prevention to stop abused children from becoming abusers in the future.

[10:11:02 AM](#)

Senator Dyson identified with the previous remarks. When the issue of funding the Maniilaq Association-Family Crisis Center was discussed in the budget subcommittee, the Governor's request was for \$250,000. The funding would be allocated by the

Department of Public Safety and categorized as a new item with the anticipation that a different agency would assume oversight the following year. The commissioner of the Department of Public Safety had testified that federal funds would be available for this program. Senator Dyson therefore would not vote for the adoption of this amendment.

[10:12:41 AM](#)

Senator Stedman told of several domestic violence shelters located in the election district he represents. He questioned the funding mechanism proposed for the Kotzebue facility and why it should be different from the structures governing all other shelters in the state. With the closures of pulp mills, domestic violence has become a significant issue in the Southeastern region. Improvements in the economy would hopefully alleviate this problem somewhat.

[10:13:48 AM](#)

Senator Olson responded that the Maniilaq center has been eligible to receive federal funding in the past and was therefore categorized separately from other domestic violence shelters. The commissioner of the Department of Public Safety supports this amendment. After FY 07, this center would be included in the budgetary process with the other shelters.

[10:15:31 AM](#)

Co-Chair Green shared that when first contacted with this request for a special appropriation during the FY 06 budgetary process, the intent was to allow this exception for one year only, because the Kotzebue facility had not been included with the funding allocation for the other shelters. She was unsure why the Center was not included in the process for FY 07 and she did not intend to fund it as a separate line item. The Kotzebue facility should participate in the regular grant process required of the other shelters.

[10:16:23 AM](#)

Senator Hoffman indicated he favored adoption of the amendment.

A roll call was taken on the motion.

IN FAVOR: Senator Hoffman and Senator Olson

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

The motion FAILED (2-5)

The amendment FAILED to be adopted.

[10:17:36 AM](#)

DPS #4: This amendment adds \$763,400 general funds to the Village Public Safety Officer Program BRU, VPSO Contracts component on page 31, line 32. Accompanying explanatory language reads as follows.

This amendment restores \$200,000 for VPSO recruitment, and returns the lapsed funds of \$563,400 to VPSO contracts to enable DPS to full the vacant positions.

Senator Hoffman moved for adoption.

Co-Chair Wilken objected.

Senator Hoffman explained that this amendment would reverse earlier actions. He recognized that the lapse of funds had occurred in the past, but stressed this was due to position vacancies. The vacancies are justification for the argument that the Department must make a greater effort in training and hiring. Many improvements could be made. These funds could be utilized to recruit local high school graduates. Salaries for Village Public Safety Officers (VPSO) should be increased from the current rate of \$16 per hour to improve retention.

Senator Hoffman emphasized that these actions would be preferable to "returning millions to the federal government" and preferable to the creation of a new program involving designating some positions at a lower salary. He questioned the logic of expecting to retain employees at a lower salary, given the difficulty in retaining them at the current salary. This idea is "ill conceived" and public safety problems would continue.

Senator Hoffman reported he had discussed the issue with Co-Chair Wilken to no avail. Senator Hoffman therefore offered this amendment.

[10:21:08 AM](#)

Senator Dyson supported the VPSO program, although it has problems. An average amount of \$600,000 appropriated to this program has lapsed for the past several years. He therefore concluded that the problem is not a lack of funding. The program should be reorganized and he understood that the commissioner intended to do so. An open discussion was held on how a separation would be executed.

[10:22:18 AM](#)

Senator Bunde agreed to the importance of salaries; however, recruitment was an issue for some areas as well.

[10:22:54 AM](#)

Senator Olson agreed, but stressed that the VPSO program has been successful in the past. The primary mission of maintaining law and order must be retained. He had heard of no support from residents and officials in rural communities for the proposed new program. Increased salaries and benefits that are commensurate with the job would assist in recruitment and retention. Local residents holding VPSO positions are aware of the "troublemakers" and are able to determine whether assistance from outside the community is required.

[10:25:21 AM](#)

A roll call was taken on the motion.

IN FAVOR: Senator Hoffman and Senator Olson

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

The motion FAILED (2-5)

The amendment FAILED to be adopted.

[10:25:50 AM](#)

Department of Natural Resources (continued)

DNR #1: This amendment adds \$513,400 Vehicle Rental Tax Receipts to the Resource Development BRU, Parks Management component on page 29, line 24. Accompanying explanatory language reads as follows.

This amendment increases the appropriation to Parks Management to \$7,355,000. Because of heavy tourism use in Alaska's parks, a portion of the VRTR (a newly-created fund source earmarked for tourism and marketing and development) is being used for Park's development and maintenance.

Senator Bunde moved for adoption.

Co-Chair Wilken objected for discussion purposes.

Senator Bunde relayed that during the budget subcommittee meetings, it was learned that although efforts were made by the Division of Parks to generate sufficient revenue to allow the program to be self-supportive, this goal was not achieved. Utilizing a portion of revenues generated from tourism to supplant the Park's operations would be a "wise investment" and appropriate use of the funds.

Co-Chair Wilken removed his objection.

The amendment was ADOPTED with no further objection.

[10:27:47 AM](#)

Department of Fish and Game

F&G #1: This amendment adds \$1,330,700 ILTF to the Wildlife Conservation BRU and component on page 14, line 9. Accompanying explanatory language reads as follows.

This amendment restores funding for Wildlife Conservation to the level in the Fish and Game subcommittee report.

Co-Chair Wilken moved for adoption and objected for discussion purposes. He noted this funding would be utilized to implement a new program.

MATT ROBUS, Director, Division of Wildlife Conservation, Department of Fish and Game, testified that the Board of Game identified areas of the state in which intensive game management would be appropriate for consideration. In the past year, the Division began an analysis of the wildlife populations and conditions in these areas and allocated all capital improvement project funding for this purpose for the current year. Most programs would require multiple years to complete.

Mr. Robus remarked that the funding requested in this amendment would allow the Division to continue these efforts in existing survey areas as well as begin analysis in at least one new area. The Board of Game requires sufficient information to make decisions pertaining to hunting and trapping.

Mr. Robus reported that hunting and trapping license fees have not increased since 1993. The stagnant revenue has hampered the Division's efforts, especially in the past four to five years. The funding that adoption of this amendment would provide would allow the Division to focus on areas with higher demand on moose and caribou populations with the goal of providing for maximum hunting opportunity.

[10:31:11 AM](#)

Senator Bunde spoke in favor of the amendment. Lawsuits sponsored by those who oppose intensive game management would continue without sufficient data to support the Board of Game's decisions. The State would lose these lawsuits and be vulnerable to additional suits. Effective game management does not only benefit hunters and trappers, as many tourists visit Alaska to see wildlife. He supported legislation to allow tourists to contribute funding for game management activities.

[10:33:08 AM](#)

Co-Chair Wilken asked if the intent would be to secure additional funding.

[10:33:13 AM](#)

Mr. Robus responded that the program must be expanded and that additional funding options were under consideration. Whether license fee increases would be appropriate has yet to be determined. The goal of the program is to achieve "full

capability for standard wildlife management" in addition to addressing predator control issues. The program has experienced some success, which would benefit the future of the game populations.

Senator Bunde commented that the membership of the Senate Finance Committee the following legislative session could be comprised of Senators who do not support hunting. Therefore, this program should be supported at this time.

Co-Chair Wilken withdrew his objection to the adoption of the amendment.

There being no further objection, the amendment was ADOPTED.

[10:33:50 AM](#)

Department of Revenue

REV #1: This amendment adds \$300,500 Permanent Fund Corporate Receipts to the Alaska Permanent Fund Corporation BRU, APFC Operations component on page 34, line 17. Accompanying explanatory language reads as follows.

This amendment will provide funding for 2 permanent full-time positions, an investment officer and senior accountant.

APFC requires these new positions for the following reasons:

- The Fund's movement into absolute return and private equity has created additional work for the investment and finance staff.
- The Board has placed greater responsibility on APFC staff for due diligence on new and existing managers over the last few years.
- Changes in strategy have lead to a 75% increase in the number of equities managers over the last two years. This requires additional due diligence and almost doubles the number of equity portfolios that the finance staff must track.
- The real estate portfolio is in an acquisition phase, creating additional due diligence and increasing the number of properties that must be accounted for.

These are the first new PCN's that the APFC has asked for in seven years.

Co-Chair Wilken moved for adoption and read the explanatory statement into the record.

[10:34:47 AM](#)

Senator Stedman announced that he would oppose this amendment.

[10:35:17 AM](#)

BOB BARTHOLOMEW, Chief Operating Officer, Alaska Permanent Fund Corporation, Department of Revenue, testified that as the size of the Fund has grown, the Corporation made efforts to continue to manage the fund with the existing staffing level. However, activities of the Corporation have expanded into the new asset classes of private equity and absolute return or hedge funds, which require additional oversight. Also, the size of the Alaska Permanent Fund is continuing to grow overall, thus increasing workload.

AT EASE [10:37:12 AM](#) / [10:40:47 AM](#)

[10:40:52 AM](#)

Senator Dyson relayed conversations he had with Mike Burns, Executive Director of the Corporation, in which he learned that in addition to expanded investment, a major petroleum project would create new investment opportunities. Those recruited for the requested positions would have the expertise necessary for the new types of investment.

[10:41:51 AM](#)

Senator Stedman did not support adoption of the amendment. The budget subcommittee recommended approval of a one-time appropriation of \$376,000 to increase the Corporation's "due diligence in response to the more complex investments scenarios presented ... in the alternative investment classes." The intent was to consider a request of funding for FY 08 if funding were still needed the following year. The legislature has the responsibility to govern the assets of the Permanent Fund in a manner that is in the best interest of the state.

[10:44:13 AM](#)

Senator Bunde qualified that if general funds were proposed as the funding source he would oppose the amendment. However, the Corporation has benefited Alaskans in achieving high earnings. This increase in success has necessitated the need for the additional positions. He supported adoption of the amendment.

[10:44:47 AM](#)

Senator Stedman asked the last time new positions were added.

[10:45:11 AM](#)

Mr. Bartholomew replied that the Corporation added a new position in July 1999. Efficiencies were maximized and the growth of the Fund has been managed with existing staff; however, staff is currently working at full capacity.

[10:46:07 AM](#)

Senator Olson, citing the success of the Corporation and its high investment returns, deemed the amount of this funding request inconsequential.

[10:47:34 AM](#)

Senator Stedman reminded that during the legislative process of the previous session to amend statute to expand the investment classes, the Corporation submitted a zero fiscal note indicating that implementation would be done with existing staffing levels.

A roll call was taken on the motion to adopt the amendment.

IN FAVOR: Senator Olson, Senator Bunde, Senator Dyson, Co-Chair Wilken and Co-Chair Green

OPPOSED: Senator Stedman and Senator Hoffman

The motion PASSED (5-2)

The amendment was ADOPTED.

[10:48:22 AM](#)

Department of Transportation and Public Facilities

DOT #1: This amendment adds funds to the Highways, Aviation and Facilities BRU on page 36, following line 14, in the following amounts to the following components.

\$58,700 ILTF - Central Region Highways and Aviation  
\$85,000 ILTF and  
\$10,000 Capital Improvement Project (CIP) Receipts  
- Northern Region Highways and Aviation  
\$91,300 ILTF - Southeast Region Highways and Aviation

Accompanying explanatory language reads as follows.

Air carriers including Alaska Airlines, Northern Air Cargo, ERA, and Frontier have repeatedly asked for extended hours of operations at several of the State's rural airports. Air carriers are increasing hours of operations into these airports, and need to be assured that the runways are free of ice and snow, and that emergency services are available. Last year we received an increment to provide this service in Bethel and Dillingham, but did not receive the full amount needed for both airports so Dillingham was not funded. This year we would like to accommodate the requests at Dillingham, Unalaska, Nome, Kotzebue, Petersburg and Wrangell.

To effectively extend the hours of operations for the air carrier's requested increased service levels at these airports, full funding is needed for each location. Currently these airports are staffed an average of 12 hours per day. This amendment will cover payroll costs and some additional utility and commodity costs. Customer satisfaction will improve for those people traveling to and from these communities or receiving goods that arrive via aircraft.

Senator Olson moved for adoption.

Co-Chair Wilken objected for discussion purposes.

Senator Olson stressed this funding is necessary for aviation safety.

[10:49:39 AM](#)

Senator Bunde pointed out that these carriers serve other airports, such as those in Fairbanks and Anchorage, and pay landing fees at those locations. He asked whether the carriers pay landing fees to offset operation and other costs at the rural airports listed in this amendment.

Co-Chair Wilken answered that landing fees are not levied for the rural airports.

[10:50:17 AM](#)

Senator Stedman supported adoption of the amendment.

[10:51:26 AM](#)

Senator Bunde protested that if landing fees are required at some airports, such fees should be assessed for all airports.

[10:51:51 AM](#)

Co-Chair Green reported that Alaska Airlines had contributed funding to assist in the costs of extended hours of operation at these airports. However, other airlines did not contribute and would utilize the airport facilities for longer time periods than did Alaska Airlines. As a result, Alaska Airlines stopped paying. The intent should be implementation in the following year of a system to allow all commercial and recreational carriers to pay landing fees.

[10:52:58 AM](#)

Co-Chair Wilken reminded that this was attempted six years prior unsuccessfully. Such a system would require statutory change.

[10:53:12 AM](#)

Senator Stedman commented that the matter was worthy of discussion. He would review the issue over the legislative interim.

[10:53:31 AM](#)

Senator Olson informed that the contributions of Alaska Airlines occurred before the airline industry was federally deregulated. Since that occurrence, many airlines have gone bankrupt and

ceased operations. He cautioned against imposing a system that would cause hardship for Alaska Airlines and other carriers.

[10:54:23 AM](#)

A roll call was taken on the motion.

IN FAVOR: Senator Dyson, Senator Hoffman, Senator Olson, Senator Stedman, and Co-Chair Wilken

OPPOSED: Senator Bunde and Co-Chair Green

The motion PASSED (5-2)

The amendment was ADOPTED.

[10:54:56 AM](#)

DOT #2: This amendment changes the funding source of \$95,000 allocated to the Highways, Aviation and Facilities BRU, Northern Region Highways and Aviation component on page 36, lines 23 and 24, from federal receipts to ILTF. Accompanying explanatory language reads as follows.

Maintenance of the Galena Airport has long been partially funded by the U.S. Air Force because of its strategic location as a Forward Operating Location to deploy fighter aircraft. Due to the Base Realignment and Closure (BRAC) recommendations and potential savings to the federal government, the existing contract with the U.S. Air Force was terminated on March 31, 2006.

Negotiations with the U.S. Air Force and the Governor's Office have resulted in a new contract with reduced services and funding. The U.S. Air Force will continue to provide funding for two maintenance workers, maintenance equipment and utilities to operate and maintain the Galena Airport. The State will need to provide fuel, commodities (such as sand and equipment parts), and travel associated with ongoing supervision of employees and negotiations with the U.S. Air Force on the eventual transition to a complete state responsibility. The agreement is anticipated to continue through October of 2008. The additional funds are necessary to assure safe airport operations that serve the surrounding villages and commercial activities.

Senator Olson moved for adoption.

Co-Chair Wilken objected for discussion purposes.

Senator Olson read the explanatory statement into the record.

AT EASE [10:56:04 AM](#) / [10:58:43 AM](#)

Senator Bunde asked about a local contribution to assist in keeping the airport operational.

[10:59:14 AM](#)

Co-Chair Wilken responded that the intent of the agreement would be to combine efforts with the federal government.

[10:59:21 AM](#)

Senator Dyson added that maintenance and operation of this is important to the viability of the village and to the local vocational institution.

[10:59:41 AM](#)

A roll call was taken on the motion.

IN FAVOR: Senator Stedman, Senator Dyson, Senator Hoffman, Senator Olson and Co-Chair Wilken

OPPOSED: Senator Bunde and Co-Chair Green

The motion PASSED (5-2)

The amendment was ADOPTED.

[11:00:16 AM](#)

University of Alaska

UNIV #1: This amendment deletes the appropriations to the University of Alaska BRU and the allocation to every component within that BRU, on page 37, line 29, through page 38, line 23, and adds new appropriations and allocations as follows.

University of Alaska BRU

Appropriation Items: \$767,011,100  
General Funds \$276,385,400  
Other Funds 490,625,700

Budget Reductions/Additions	\$9,245,900
- Systemwide	
Statewide Services	42,027,500
Statewide Networks (ITS)	16,468,900
Anchorage Campus	213,898,700
Kenai Peninsula College	10,796,500
Kodiak College	3,865,300
Matanuska-Susitna College	8,621,800
Prince William Sound Community College	6,223,200
Cooperative Extension Service	7,958,300
Bristol Bay Campus	3,131,600
Chukchi Campus	1,820,200
Fairbanks Campus	208,122,700
Fairbanks Organized Research	105,661,300
Interior - Aleutians Campus	3,823,700
Kuskokwim Campus	5,993,500
Northwest Campus	2,901,800
College of Rural and Community Development	11,720,200
Tanana Valley Campus	9,308,000
Juneau Campus	38,543,000
Ketchikan Campus	4,503,100
Sitka Campus	7,375,900

Accompanying explanatory language reads as follows.

- At the funding level currently contained in SCS CSHB 365(FIN), the University of Alaska's budget is a 14.0% general fund increase over FY 06.
- This amendment reduces the University of Alaska's budget by \$3063.8k in general funds bringing it inline with the number passed by the House.
- This new budget number will be a 12.7% increase over the University's FY 06 operating base, will cover all of the University's fixed costs (\$19,052k) and still include \$12,168k to pay for the costs of new programs and other operating expenses.
- This will be the largest GF increment the University of Alaska has ever had.

Senator Stedman moved for adoption.

Co-Chair Wilken objected.

Senator Stedman stated that this amendment would appropriate the same amount as approved by the House of Representatives, which is \$4 million less than would be appropriated in the Senate Finance Committee substitute that was adopted as a working document. Fixed increases would be addressed as well as some increase would be provided for in this amendment.

Senator Stedman recounted that the University of Alaska received an increase of \$8 million general funds two years prior. This amendment would provide an additional \$12.7 million increase, which would be the largest increase provided to the University in its history.

Senator Stedman acknowledged the consensus as to the direction of the University's activities to prepare a workforce for the forthcoming natural gas pipeline project. The issue is therefore the "magnitude" of the funding increase rather than the direction of the increase. The rate of student enrollment has remained unchanged, garnering "flat production" from "historically high funding".

[11:04:27 AM](#)

Senator Dyson requested clarification of the funding totals.

[11:04:57 AM](#)

JAMES ARMSTRONG, Staff to Co-Chair Wilken, outlined that the \$276,385,400 general funds and \$490,625,700 other funds totals \$767,011,100.

[11:05:15 AM](#)

Senator Dyson asked if the total general fund reduction of 1.3 percent is calculated to the committee substitute version or the Governor's proposed budget amount.

[11:05:47 AM](#)

Senator Stedman responded that Governor Murkowski requested an increase of 17 percent; the Board of Regents requested a 17.8 percent increase; the Senate Finance Committee substitute proposed a 14.7 percent increase; and this amendment would provide a 12.7 percent increase.

[11:06:22 AM](#)

Senator Stedman noted that although reductions are proposed for specified components, sufficient flexibility would remain to allow funding transfers between campuses.

[11:07:06 AM](#)

Senator Bunde declared for the record that his son-in-law is a University of Alaska Regent. He sent a communiqué indicating that the amount requested by the University was "reasonable".

[11:07:33 AM](#)

Co-Chair Wilken disagreed with Senator Stedman's opinion on the need for this amendment. The direction Co-Chair Wilken provided to Senator Stedman as chair of the budget subcommittee was the same as given for all other agencies. This included a prohibition against creating new programs, no "automatic backfill" of State funds to offset the loss of federal funds received in previous years, and no significant expansions. This budget goal was required of all subcommittees. However, Senator Stedman did not agree with the amount of the funding increase to the University. Co-Chair Wilken deemed the increase appropriate.

Co-Chair Wilken informed that Senate Leadership, primarily through the efforts of Senator Gary Stevens, created an oversight committee of the University of Alaska. An outcome of the activities of that committee was a determination that the University of Alaska is different from other institutes of higher learning in that it "reaches out" to the needs of the state. President Mark Hamilton made significant changes to accomplish this. He focused efforts on education of nurses, engineers, and other professionals for which the state had a need. Thousands of skilled workers would be needed for the proposed natural gas pipeline project and the University is addressing this as well. The funding appropriated in the Senate Finance Committee substitute would continue these efforts.

Co-Chair Wilken continued that President Hamilton also expanded research activities when he assumed his position. In 1997, research programs were "primed" with general funds. Since that year \$130 million in additional funding from other sources has been generated for these programs. Each dollar of State general funds has realized a return of six dollars. Therefore the approximate \$3 million general funds requested for FY 07 is appropriate because it would allow the University to continue to "reach out" and to "train Alaskans".

Co-Chair Wilken admitted the amount of the increase is significant and unforeseen in previous years. However, other programs would receive "extraordinary increases"; the Department of Health and Social Services budget would increase 21 percent; the Department of Revenue budget would increase 19 percent; the Department of Transportation and Public Facilities budget would increase 15 percent; the Department of Fish and Game budget would increase 14 percent; and the Department of Labor and Workforce Development budget would increase 12 percent. The proposed increase for the University of Alaska would be ranked as average in comparison.

Co-Chair Wilken shared a publication of accountability measures [copy not provided] presented by President Hamilton at a recent legislative committee. Such a report was "unheard of eight years ago." The legislature is constitutionally prohibited from "micromanaging" the activities of the University of Alaska, and past University administrators submitted a budget request with little explanation or indication of efforts to meet the needs of the State. This accountability report assures legislators that continued support of the University is warranted.

Co-Chair Wilken opposed adoption of this amendment.

[11:13:00 AM](#)

Senator Olson asked the detrimental impacts of this amendment. He realized that the University of Alaska would not close, but asked if reduction of services and programs would be significant.

[11:13:46 AM](#)

PETE KELLY, Director, Government Relations, University of Alaska, told of the "red book" prepared each year and

distributed to legislators that details the University's budget request. The costs and the anticipated programs that would be funded after the costs are paid are listed in the publication. The appropriation proposed in this amendment would cover the fixed costs and provide "a little bit beyond that". A category of the budget titled, "Continuing Programs and State Needs" contains several programs, many of which are rural programs. These include programs providing education for "high-demand jobs", distance learning, and vocational training. He continued to outline programs and their associated costs that would be funded after fixed costs were paid. However, these programs would have insufficient funding under the provisions of the amendment. The overall impact would be to programs that would provide training for "immediate jobs" in the fields of nursing, engineering, mining, construction and other fields associated with the anticipated needs for the gas pipeline.

[11:16:35 AM](#)

Senator Olson acknowledged the adverse affect on rural programs, but asked why these programs were not given first priority.

[11:16:55 AM](#)

Co-Chair Kelly corrected that they would have first priority after fixed costs were funded.

[11:17:06 AM](#)

Senator Stedman identified \$26.7 million in fixed costs. This amendment would appropriate \$31 million, which would provide \$5.5 million in addition to funding for the fixed costs. Although the University of Alaska administration calculates the fixed costs to be higher, he utilized figures provided by the Division of Legislative Finance. The University would have flexibility in the allocation of the funds and he hoped reductions would not be made to rural programs.

[11:19:02 AM](#)

Senator Bunde asked about the multiple components for rural campuses in addition to the College of Rural and Community Development component.

[11:19:10 AM](#)

PAT PITNEY, Director of Budget Development and Institutional Planning, University of Alaska, testified that the College of Rural and Community Development encompasses all of the smaller rural campuses, including the Bristol Bay Campus, the Chukchi Campus and the Northwest Campus. Distance education and other programs, such as rural development, are delivered from these rural campuses and administered from the College of Rural and Community Development.

[11:20:03 AM](#)

Senator Bunde surmised that the \$11.7 million allocation to the College of Rural and Community Development component would be for administrative and overhead costs. He asked therefore the purpose of the \$3 million allocation to the Bristol Bay Campus.

[11:20:17 AM](#)

Ms. Pitney replied that the components are complimentary and represent the structure of the combination of the rural campuses and the College of Rural and Community Development.

[11:20:33 AM](#)

Senator Bunde asserted that too much funding would be allocated to administration and not enough would be allocated to "classrooms".

Senator Bunde asked the cost per student.

[11:21:01 AM](#)

Ms. Pitney responded that recent findings from a Division of Legislative Audit study determined that the costs vary in the rural campuses from \$7,000 to \$40,000 per student. In the early 1990s, the cost per student at the Chukchi Campus was approximately \$50,000; the amount is currently less than \$25,000. However, the distribution of fund sources for those costs is now over 50 percent non-general funds versus the previous ratio of 70 percent non-general funds. This represents a significant improvement. Although the costs are higher, the "price of education is much less than the price of the alternative."

[11:21:58 AM](#)

Senator Bunde disagreed with the assertion that because a person attends college, he or she would not be incarcerated.

[11:22:23 AM](#)

Senator Stedman stated that the "breakeven point" of the FY 07 budget would be achieved with revenues generated from oil at a price of \$49 per barrel. With the proposed funding increases, the price of oil necessary to balance the budget would be \$50 per barrel. The State could not sustain funding increases of this magnitude.

Senator Stedman emphasized that he supports the University of Alaska.

[11:23:38 AM](#)

A roll call was taken on the motion.

IN FAVOR: Senator Stedman and Co-Chair Green

OPPOSED: Senator Hoffman, Senator Olson, Senator Bunde, Senator Dyson and Co-Chair Green

The motion FAILED (2-5)

The amendment FAILED to be adopted.

AT EASE [11:24:11 AM](#) / [1:07:30 PM](#)

[1:08:07 PM](#)

#### Language Section

LANG #1: This amendment reduces the amount of the dividend anticipated by the board of directors of the Alaska Housing Finance Corporation (AHFC) from \$86,616,678. The amended language of Section 7(a) on page 54, following line 11, reads as follows.

Sec. 7. ALASKA HOUSING FINANCE CORPORATION. (a) The board of directors of the Alaska Housing Finance Corporation anticipates that the net income from the second

preceding fiscal year will be available in fiscal year 2007. during fiscal year 2007, the board of directors anticipates that, contingent upon passage by the Twenty-Fourth Alaska State Legislature in 2006 and enactment into law of a bill changing the formula for calculating the amount of the dividend paid to the state by the Alaska Housing Finance Corporation, \$80,616,678 will be available for payment of debt service, appropriation in this Act, appropriation for capital projects, and transfer to the Alaska debt retirement fund (AS 37.15.011).

This amendment also reduces the estimated amount available for repayment of debt service from \$23,441,712. The amended language of Section 7(c) on page 55, lines 1 through 5 reads as follows.

(c)After deductions for the items set out in (b) of this section, the remainder of the amount set out in (a) of this section is used for the following purposes in the following estimated amounts.

- (1) \$17,441,712 for debt service;
- (2) \$31,240,000 for capital projects

This amendment also reduces the amount of the general fund appropriation to the debt retirement fund (AS 37.15.011) in subsection (a)(4) of Section 24. FUNDS TRANSFERS., on page 63 line 11, from \$61,491,900 to \$41,491,900.

This amendment also makes a conforming change to Section 24(a)(7) on page 63, line 17 to reflect the reduction of the appropriation from the AHFC fiscal year 2007 dividend to the debt retirement fund from \$23,441,712 to \$17,441,712.

This amendment also inserts new language to the committee substitute and specifies a June 30, 2006 effective date of the provision of that language, which reads as follows.

The sum of \$26,000,000 is appropriated from the general fund to the debt retirement fund (AS 37.15.011).

Accompanying explanatory language reads as follows.

AHFC recently informed the Finance Committee Chairmen [sic] that the FY 07 AHFC dividend was overstated by \$6 million when the Governor prepared his budget. This amendment:

1. Corrects information regarding the amount of the FY 07 dividend is available;
2. Replaces \$6 million in the FY 07 AHFC dividend appropriated to the Debt Retirement Fund with \$6 million general funds;
3. Replaces \$20 million of FY 07 general funds appropriated to the Debt Retirement Fund with \$20 million of FY 06 general funds.

Co-Chair Wilken moved for adoption and objected to provide an explanation.

Co-Chair Wilken outlined the explanatory statement.

AT EASE [1:08:56 PM](#)

Co-Chair Wilken removed his objection.

Without further objection the amendment was ADOPTED.

[1:10:07 PM](#)

Department of Education and Early Development (continued)

E&ED #3: This amendment adds \$2 million ILTF to the Teaching and Learning Support BRU, Statewide Mentoring Program, on page 11, line 13. Accompanying explanatory language reads as follows.

This additional money would restore the successful Mentoring Program back to the \$4,500,000 level. An additional \$500,000 is being requested from the University of Alaska through intent language.

Co-Chair Green moved for adoption.

Co-Chair Wilken reminded that the mentoring project has been discussed extensively and received significant public testimony. This amendment would provide "one-time money" and therefore the issue would be before the Committee again the following legislative session. The funding provided in this amendment would enable the teacher mentoring portion of the program to be funded at the entire amount requested, and the principal mentoring portion of the program to be funded at one-half the requested amount. The Department could chose to expand the

teacher mentoring portion of the program with the funding provided for the principal portion of the program.

The amendment was ADOPTED with no objection.

[1:11:08 PM](#)

University of Alaska (continued)

UNIV #2: This amendment inserts intent language to read as follows.

It is the intent of the legislature that the University of Alaska continues its partnership with the Department of Education and Early Development in support of the Alaska Statewide Mentor Project.

Accompanying explanatory language reads as follows.

Two years ago the Department of Education and Early Development created the Alaska Statewide Mentor Project in partnership with the University of Alaska. The goals of the program are to increase teacher retention, increase student achievement, and equip principals with the skills to be instructional leaders and effective managers.

The Intent Language strongly encourages the continued partnership.

Co-Chair Wilken moved for adoption and objected to offer an explanation.

Co-Chair Wilken stressed that the University of Alaska must be linked with the mentoring program to ensure the program's success.

Co-Chair Wilken removed his objection.

There being no further objection the amendment was ADOPTED.

[1:12:04 PM](#)

Language Section (continued)

LANG #2: This amendment to subsection (d) of Section 20. OFFICE OF THE GOVERNOR., on page 60, line 26, specifies that \$1.2 million would be distributed to State agencies to offset the increased fuel and utility costs under the provisions of subsections (b) and (c) if the year-to-date average price of Alaska North Slope Crude Oil is \$54. The committee substitute provides that the price be "\$54 or less".

This amendment also deletes "September 30" and inserts "July 1" to subsection (a) of Section 21. POWER COST EQUALIZATION., on page 61, lines 10 through 16. The amended language reads as follows.

(a) If the fiscal year-to-date average price of Alaska North Slope crude oil exceeds the Department of Revenue's spring 2006 projected fiscal year 2007 price of \$53.60 a barrel on July 1, 2006, the amount of money corresponding to the year-to-date average price, rounded to the nearest one-half dollar, as set out in the table in (c) of this section is appropriated from the general fund to the power cost equalization and rural electric capitalization fund (AS 42.45.100) to make grants under the power cost equalization program.

This amendment also deletes "March 31" and inserts "January 1" to Section 21(b) on page 61, lines 17 through 22. The amended language reads as follows.

If the fiscal year-to-date average price of Alaska North Slope crude oil exceeds the Department of Revenue's spring 2006 projected fiscal year 2007 price of \$53.60 a barrel on January 1, 2007, the amount of money corresponding to the year-to-date average price, rounded to the nearest one-half dollar, as set out in the table in (c) of this section is appropriated from the general fund to the power cost equalization and rural electric capitalization fund (AS 42.45.100) to make grants under the power cost equalization program.

Additionally, this amendment specifies to Section 21(c) on page 62 line 7 that \$325,000 general funds would be appropriated to the power cost equalization and rural electric capitalization fund under subsections (a) and (b) of the section if the year-to-date average price of Alaska North Slope crude oil is \$54.00.

The committee substitute provides that the price be "\$54.00 or less".

This amendment also deletes "October 1" and inserts "July 1" and deletes "April 1" and inserts "January 1" to Section 21(d) on page 62, lines 8 through 11. The amended language reads as follows.

(d) It is the intent of the legislature that payment under (a) of this section on July 1, 2006, be used to offset the effects of higher fuel and utility costs for the first half of fiscal year 2007 and a payment under (b) of this section on January 1, 2007, be used to offset the effects of higher fuel and utility costs for the second half of the fiscal year 2007.

This amendment also provides that the effective date of Section 20(a) is July 1, 2006, and that the effective date of Section 21(b) is January 1, 2007.

Accompanying explanatory language reads as follows.

This amendment shifts the conditional PCE appropriations to the beginning of each half of the fiscal year (July and January) in order to simplify administration of the program.

The three month shift allows AEA to avoid prorating payments for three months and then increasing payments retroactively if and when additional money is appropriated.

This amendment also clarifies that the conditional appropriations in sections 20 (fuel) and 21 (PCE) are zero unless the price of oil exceeds the official forecast of \$53.60.

Co-Chair Wilken moved for adoption and objected to provide an explanation.

Co-Chair Wilken informed that the Alaska Energy Authority requested the date changes.

[1:12:40 PM](#)

SARA FISHER-GOAD, Alaska Energy Authority, Department of Commerce, Community and Economic Development, testified to the benefits of changing the dates in which additional appropriations would be calculated and possibly provided.

Co-Chair Wilken surmised this method would be more efficient for utilities and the Department.

Ms. Fisher-Goad affirmed.

Co-Chair Wilken's objection was withdrawn.

The amendment was ADOPTED without further objection.

[1:13:24 PM](#)

Department of Education and Early Development (continued)

E&ED #2: This amendment adds \$1 million general funds to the Teaching and Learning Support BRU, Statewide Mentoring Program component on page 11, line 13. Accompanying explanatory language reads as follows.

This amendment will bring the total for the mentoring program for teachers to \$3.5 million. This program is key to teacher retention and performance by providing a voluntary support system.

Senator Hoffman announced due to action taken in the adoption of E&ED #3, this amendment would be NOT OFFERED.

[1:13:59 PM](#)

E&ED #1A: This amendment inserts language to the K-12 Support BRU, Foundation Program component on page 10, line 32 to read as follows.

It is the intent of the legislature that no school district:

(1) has a policy refusing to allow recruiters for the military, Reserve Officer Training Corps, Central Intelligence Agency, or Federal Bureau of Investigation to contact students on a school campus if the school district allows college, vocational school, or other job recruiters on a campus to contact students;

(2) refuses to allow the Boy Scouts of America to use school facilities for meetings or contact with students if the school makes the facility available to other non-school groups in the community; or

(3) has a policy of refusing to have an in-school Reserve Officer Training Corps program or a Junior Reserve Officers' Training Corps program.

Co-Chair Wilken explained that the conditional language of the original version of the amendment has been changed to intent language.

1:14:16 PM

Senator Dyson moved for adoption. The original conditional language would require a statutory change to implement.

There was no objection and the amendment was ADOPTED.

1:15:51 PM

Department of Commerce, Community and Economic Development  
(continued)

CC&ED #1B: This amendment creates a new Qualified Trade Association Grant component in the Qualified Trade Association Contract BRU on page 6, lines 11 and 12 and appropriates \$600,000 in Vehicle Rental Tax Receipts to the new component. Accompanying explanatory language reads as follows.

This amendment creates a separate allocation for a \$600,000 unmatched grant for the purpose of increasing independent marketing efforts. The VRTR fund source is earmarked for tourism marketing and development.

Fundamental changes in both the worldwide and Alaska travel markets over the past decade have resulted in a situation where growth in the visitation-level of independent travelers to Alaska has stagnated. Many Alaska-based businesses exist primarily to serve travelers visiting Alaska independently. Alaska-based businesses that are small, highway-based, and/or rural-based have been particularly hard hit by the stagnating growth of Alaska's independent travel market.

On January 1, 2004 the State of Alaska began assessing and collecting a 10% tax on all passenger vehicle rentals and a 3% tax on all recreational vehicle rentals. This new vehicle rental tax results in economic hardship for all independent-traveler reliant businesses when increased vehicle rental prices make the cost of an independent Alaska travel experience less price-competitive with alternate non-Alaskan independent travel destinations and with other Alaska travel modes.

The Alaska Statute authorizing the vehicle rental tax (AS 43.52) directs the [Department] of Revenue to deposit all revenue from the vehicle rental tax into a special vehicle rental account in the General Fund. Statute further states that "the legislature may appropriate the actual balance of the vehicle rental tax account for tourism development and marketing."

The Department of Revenue estimates that approximately 80% of the rental car tax receipts are generated from independent travelers and generated during the tourism season, May through September.

This amendment was NOT OFFERED.

CC&ED #1B: This amendment creates a new appropriation for \$600,000 unmatched grant for the purpose of increasing independent tourism marketing efforts. Accompanying explanatory language reads as follows.

This amendment creates a separate allocation for a \$600,000 unmatched grant for the purpose of increasing independent marketing efforts. The VRTR fund source is earmarked for tourism marketing and development.

Fundamental changes in both the worldwide and Alaska travel markets over the past decade have resulted in a situation where growth in the visitation-level of independent travelers to Alaska has stagnated. Many Alaska-based businesses exist primarily to serve travelers visiting Alaska independently. Alaska-based businesses that are small, highway-based, and/or rural-based have been particularly hard hit by the stagnating growth of Alaska's independent travel market.

On January 1, 2004 the State of Alaska began assessing and collecting a 10% tax on all passenger vehicle rentals and a 3% tax on all recreational vehicle rentals. This new vehicle rental tax results in economic hardship for all independent-traveler reliant businesses when increased vehicle rental prices make the cost of an independent Alaska travel experience less price-competitive with alternate non-Alaskan independent travel destinations and with other Alaska travel modes.

The Alaska Statute authorizing the vehicle rental tax (AS 43.52) directs the [Department] of Revenue to deposit all revenue from the vehicle rental tax into a special vehicle rental account in the General Fund. Statute further states that "the legislature may appropriate the actual balance of the vehicle rental tax account for tourism development and marketing."

The Department of Revenue estimates that approximately 80% of the rental car tax receipts are generated from independent travelers and generated during the tourism season, May through September.

Mr. Armstrong explained the changes to earlier versions of this amendment in that the appropriation would be made to Independent Traveler Grants. The intent of the amendment is unchanged, only technically corrected.

[1:16:23 PM](#)

Co-Chair Wilken stated that this grant would benefit small business operators who are dependent on independent travelers.

[Note: No formal motion was made to adopt this amendment, although it was assumed that the motion made to adopt CC&ED #1, which was earlier withdrawn, applied to this amendment as well.]

Co-Chair Wilken declared the amendment ADOPTED, as no objection was raised.

AT EASE [1:16:54 PM](#) / [1:18:00 PM](#)

Co-Chair Green moved offered a motion to adopt CS HB 366, 24-GH2035\Y, as amended through actions taken in the adoption of amendments to HB 365, as a working document.

[1:19:14 PM](#)

Co-Chair Green offered a motion to report CS HB 365, 24-GH2033\P, as amended, from Committee with individual recommendations.

Co-Chair Wilken objected for the purposes of thanking the Members, staff and department representatives for their cooperation and efforts.

Co-Chair Wilken informed that this budget represents an increase of approximately 13.4 percent from the FY 06 budget. This increase is less than the increase of the previous year. A reduction of approximately \$154 million was made to the Governor's proposed budget, due to concerns with establishing unsustainable budgets. Some worthwhile programs were not funded to avoid a situation in which oil prices dropped and sustainable revenues were not generated.

Co-Chair Wilken removed his objection to the motion.

Without further objection CS HB 365 (FIN) was MOVED from Committee.

[1:21:09 PM](#)

Co-Chair Green offered a motion to report CS HB 366, 24-GH2035\Y, as amended, from Committee with individual recommendations.

There was no objection and CS HB 366 (FIN) was MOVED from Committee.

[1:21:34 PM](#)

Co-Chair Wilken offered a motion to authorize the Division of Legislative Finance and the Division of Legal and Research Services to make conforming changes as necessary.

The motion was ADOPTED without objection.

#

**ADJOURNMENT**

Co-Chair Gary Wilken adjourned the meeting at [1:22:17 PM](#)