

HOUSE FINANCE COMMITTEE
March 20, 2007
1:44 p.m.

CALL TO ORDER

Co-Chair Chenault called the House Finance Committee meeting to order at [1:44:01 PM](#).

MEMBERS PRESENT

Representative Mike Chenault, Co-Chair
Representative Kevin Meyer, Co-Chair
Representative Bill Stoltze, Vice-Chair
Representative Harry Crawford
Representative Richard Foster
Representative Les Gara
Representative Mike Hawker
Representative Reggie Joule
Representative Mike Kelly
Representative Mary Nelson
Representative Bill Thomas, Jr.

MEMBERS ABSENT

None

ALSO PRESENT

Sharon Kelly, Staff, Co-Chair Chenault; Pat Pitney, Vice President, Budget & Planning, University of Alaska; Paul Labolle, Staff, Representative Foster

PRESENT VIA TELECONFERENCE

None

SUMMARY

HB 95 "An Act making appropriations for the operating and loan program expenses of state government, for certain programs, and to capitalize funds; making appropriations under art. IX, sec. 17(c), Constitution of the State of Alaska; and providing for an effective date."

CSHB 95 (FIN) was heard and HELD in Committee for further consideration.

HB 96 "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."

CSHB 96(FIN) was heard and HELD in Committee for further consideration.

AMENDMENTS:

PERS

Department of Administration

Department of Commerce, Community and Economic Development

Courts

Department of Education and Early Development

Military and Veterans Affairs

[1:45:57 PM](#)

HOUSE BILL NO. 95

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

HOUSE BILL NO. 96

"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."

Co-Chair Chenault MOVED to ADOPT Amendment PERS #1:

OFFERED BY: Co-Chair Chenault
DEPARTMENT: Various
APPROPRIATION: Various
ALLOCATION: Various

ADD:	53.1	GE/Match (1003)
	2,377.0	GF (1004)
	31.9	GF/PR (1005)
	119.1	GFMH (1037)

EXPLANATION: In the Governor's request, about 750 employees were budgeted as participants in the defined contribution retirement plan, with an employer contribution rate of less than 11 percent. In the fixed rate retirement plan envisioned by the House Finance Committee, agencies will contribute 22 percent of all employees' salaries to retirement accounts. This amendment adds 11 percent of the general fund portion of salaries budgeted for defined contribution employees

in all agencies. Affected allocations and the amount and fund sources required to provide agencies with the money to pay a rate of 22 percent are listed on the attached seven pages.

Representative Hawker OBJECTED.

SHARON KELLY, STAFF, CO-CHAIR CHENAULT, explained Amendment PERS #1 is an addition of the general fund portion of PERS salaries budgeted for defined contribution employees in all agencies.

Representative Hawker WITHDREW his OBJECTION. There being NO further OBJECTION, it was so ordered.

[1:47:50 PM](#)

Co-Chair Chenault MOVED to ADOPT Amendment PERS #2:

OFFERED BY: Co-Chair Chenault
DEPARTMENT: Alaska Court System
APPROPRIATION: Alaska Court System

ALLOCATION: Appellate Courts
ADD: 493.5 General Funds (1004)

ALLOCATION: Trial Courts
ADD: 3,272.3 General Funds (1004)

ALLOCATION: Administration and Support
ADD: 43.6 General Funds (1004)

EXPLANATION: The Judicial Retirement System rate remains at 56.98%; it does not drop to the 225 applicable to PERS employees.

Representative Meyer OBJECTED.

Ms. Kelly explained that Court System information as it relates to retirement was consolidated. This amendment adds back funds to the appellate courts, to trial courts, and to administration and support.

Co-Chair Meyer WITHDREW his OBJECTION.

Representative Gara inquired if the payment rate for the Alaska Court System employees will remain at 56.98 percent. Ms. Kelly replied that the Judicial Retirement System was not addressed in TRS/PERS fixes. Representative Gara requested that that be addressed by the end of session.

There being NO further OBJECTION, it was so ordered.

[1:49:23 PM](#)

Co-Chair Chenault MOVED to ADOPT Amendment PERS #3:

OFFERED BY: Co-Chair Chenault
DEPARTMENT: Natural Resources
APPROPRIATION: Resource Development
ALLOCATION: Oil & Gas Development

ADD: \$0.7 General Funds (1004)
DELETE: \$0.7 Investment Loss Trust Fund
(1053)

EXPLANATION: This amendment removes excess Investment Loss Trust Fund receipts that were appropriated as part of the PERS adjustments made in the draft committee substitute.

Co-Chair Meyer OBJECTED.

Ms. Kelly explained that the PERS fix overspent the Investment Loss Trust Fund by \$700, and this amendment replaces that amount with general funds.

Co-Chair Meyer WITHDREW his OBJECTION. There being NO further OBJECTION, it was so ordered.

[1:50:01 PM](#)

Co-Chair Chenault MOVED to ADOPT Amendment DOA #1:

OFFERED BY: Co-Chair Chenault

DEPARTMENT: Administration
APPROPRIATION: Legal and Advocacy Services
ALLOCATION: Office of Public Advocacy

ADD: 231.2 GF

EXPLANATION: Increment for the support of Elder Fraud increased case load. Add Attorney II, Investigator and one Clerk II.

Attorney II	97,078
Investigator III	84,739
Clerk II	<u>49,382</u>
	\$231,199

Co-Chair Meyer OBJECTED.

Ms. Kelly explained that the case load for Elder Fraud has significantly increased, hence the need for more staff.

Co-Chair Chenault commented that Representatives Gara and Thomas have also been concerned with this issue. He pointed out the higher case loads regarding Elder Fraud.

Co-Chair Meyer WITHDREW his OBJECTION. There being NO further OBJECTION, it was so ordered.

[1:51:34 PM](#)

Representative Thomas MOVED to ADOPT Amendment DOA #2:

OFFERED BY: Representative Thomas
DEPARTMENT: ADMINISTRATION
APPROPRIATION: Centralized Administrative Services
ALLOCATION: Office of the Commissioner

Amendment to Sec. 11. DEPARTMENT OF ADMINISTRATION

The sum of \$1,267,600 [\$2,251,600] is appropriated from the general fund to the Department of Administration, commissioner's office, for distribution to state agencies to offset a portion of chargeback rates for enterprise technology services for the fiscal year ending June 30, 2008.

It is the intent of the legislature that state agencies receiving money under (b) of this section will reimburse the money [FROM VARIOUS FUND SOURCES] as required by the enterprise technology services federally approved statewide cost allocation plan.

The sum of \$740,000 is appropriated from the general fund to the Department of Administration, commissioner's office, for distribution to state agencies to offset the increased rates for facilities covered by the Alaska public building fund (AS 37.05.570) for the fiscal year ending June 30, 2008.

It is the intent of the legislature that state agencies receiving money under (d) of this section will reimburse the money [FROM VARIOUS FUND SOURCES] as required by the Alaska public building fund federally approved cost allocation plan. The amounts distributed are intended to cover a portion of the costs of increased rates resulting from fiscal year 2008 operations.

EXPLANATION: This amendment is needed to reflect the Governor's amendments for subsection (b) for the following three items:

- (1) an addition of \$825,000 general fund for the exchange/active directory maintenance costs and training,
- (2) an addition of \$250,000 general fund for security-anti-virus software and server hosting, and

(3) a reduction of \$1,826,000 for enterprise technology efficiencies.

(4) a reduction of \$232,000 of non-GF fund sources that are available due to the PERS rate adjustment

Subsections (c) and (e) are amended to reflect a more accurate description of the reimbursement of money required by the enterprise technology services federally approved statewide cost allocation plan.

Co-Chair Meyer OBJECTED.

Representative Thomas explained the amendment amalgamates three amendments proposed by the governor not acted upon in subcommittee.

Co-Chair Meyer WITHDREW his OBJECTION. There being NO further OBJECTION, it was so ordered.

[1:52:52 PM](#)

Representative Hawker MOVED to ADOPT Amendment DOA #3:

OFFERED BY: Representative Hawker

DEPARTMENT: Administration

APPROPRIATION: Legal and Advocacy Services

ALLOCATION: Public Defender Agency

DELETE: (\$106,100)

FUNDING SOURCE: 1092 Mental Health Trust Authority
Authorized Receipts

EXPLANATION: Available Mental Health Trust Authority Authorized Receipts are reduced by \$106,100 to match the Trust Authority's funding recommendation.

Co-Chair Meyer OBJECTED.

Representative Hawker explained that the amendment conforms the budget to those authorities authorized by the board of directors of the Mental Health Trust Authority.

Representative Gara asked what the impact of the amendment on Therapeutic Courts would be. Representative Hawker responded that the amendment provides less MHTAAR authority for the Therapeutic Court System. It is expected that the department will continue to fund Therapeutic Courts with other available resources. Representative Gara wondered if the department was counting on the \$106,000 during the budget proposal process. Representative Hawker replied that the department was privy to this information during the budget process. He termed the change a technical amendment.

Co-Chair Meyer WITHDREW his OBJECTION. There being NO OBJECTION, it was so ordered.

[1:55:26 PM](#)

Representative Kelly MOVED to ADOPT Amendment DCCED #1:

OFFERED BY: Representative Kelly
DEPARTMENT: Commerce, Community and Economic
Development
APPROPRIATION: Corporations, Business and
Professional Licensing
ALLOCATION: Corporations, Business and
Professional Licensing

ADD THE FOLLOWING WORDAGE:

The amount appropriated by this appropriation includes the unexpected and unobligated balance on June 30, 2007, of the Department of Commerce, Community, and Economic Development, division of corporations, business and professional licensing, receipts from the fees under AS 08.01.065(a), (c), and (f)-(i).

EXPLANATION: This wordage was inadvertently left out of the Governor's request and is needed to allow the receipts collected from the various boards to be carried forward.

Co-Chair Meyer OBJECTED.

Representative Kelly explained that the wordage in this amendment was inadvertently left out of the governor's request and is needed to allow receipts from various boards to be carried forward.

Co-Chair Meyer WITHDREW his OBJECTION. There being NO further OBJECTION, it was so ordered.

[1:56:12 PM](#)

Representative Kelly MOVED to ADOPT Amendment DCCED #2:

OFFERED BY: Representative Kelly
DEPARTMENT: Commerce, Community & Economic
Development
APPROPRIATION: Alaska Seafood Marketing Institute
ALLOCATION: Alaska Seafood Marketing Institute
ADD: \$1,250.0 (One time Inc.)
FUNDING SOURCE: Receipt Supported Services

EXPLANATION: Increasing ASMI's RSS authorization to \$3M from \$1.725M will allow ASMI to complete the second year of the TV component of its consumer advertising campaign with only minor reductions and provide enough authorization industry generated funds to be used to match federal monies for the USDA Market Access Program which have been approved for this FY. The carry over of remaining industry funds will better level ASMI's financial picture in the coming fiscal year.

Co-Chair Meyer OBJECTED.

Representative Kelly explained that the amendment increases ASMI's receipt authority to \$3 million from \$1.725 million, which will allow ASMI to complete their TV campaign. He noted that it does not impact general funds.

Co-Chair Meyer WITHDREW his OBJECTION. There being NO further OBJECTION, it was so ordered.

[1:57:30 PM](#)

Representative Kelly MOVED to ADOPT Amendment DCCED #3:

OFFERED BY:	Representative Kelly
DEPARTMENT:	Commerce, Community & Economic Development
APPROPRIATION:	Qualified Trade Association Contract
ALLOCATION:	Qualified Trade Association Contract
ADD:	\$1,000.0
FUNDING SOURCE:	Vehicle Rental Tax
EXPLANATION:	Increase funding level for "Destination Marketing".

Co-Chair Meyer OBJECTED.

Representative Kelly explained that the amendment removes \$1 million from the vehicle rental tax and allocates it to Destination Marketing.

Representative Gara asked if the additional money compares to last year's marketing allotment. Representative Kelly said it would add \$1 million to the state's share, which was roughly \$5 million last year.

Representative Crawford thought the money had to come from the general fund. Representative Kelly explained that the vehicle rental tax becomes part of the general fund and permits the use of the funds in this fashion. This shows the significant impact of the vehicle rental tax and the cruise ship tax.

Representative Crawford agreed that more needs to be done to enhance marketing. He wanted to clarify that these are general fund dollars. Representative Kelly added that there are other sources of funding as well.

Co-Chair Meyer WITHDREW his OBJECTION.

[2:01:41 PM](#)

Representative Joule mentioned the relationship with ATIA regarding marketing. He related a personal story about tourism in rural areas. He hoped that tourism for rural areas would be marketed more effectively in the future.

There being NO further OBJECTION, it was so ordered.

[2:04:54 PM](#)

Representative Gara MOVED to ADOPT Amendment DCCED #4:

OFFERED BY: Representative Gara
DEPARTMENT: Department of Commerce, Community & Economic Development.
APPROPRIATION: Community Assistance & Economic Development
ALLOCATION: Community Advocacy
ADD: \$250.0 GF

EXPLANATION: This amendment will provide funding for the Alaska Legal Services Corporation (ALSC). ALSC provides legal advice and representation to help resolve serious legal problems of low-income Alaskans, promotes family, social and economic stability by upholding the rule of law and reduces the legal consequences of poverty. For more than 40 years, ALSC has responded to the civil legal needs of low-income Alaskans who would otherwise go without legal assistance. Their efforts improve the quality of life for our children, our families, the elderly and disadvantaged, and our community.

Co-Chair Meyer OBJECTED.

Representative Gara related that the amendment addresses funding for legal representation for low-income Alaskans who have not committed a crime. The item was funded until two years ago. The debate earlier this year centered on the mechanism to maintain this funding. He related the history of the allocation.

Co-Chair Meyer MAINTAINED his OBJECTION.

Co-Chair Chenault commented that the funding source for this item had been debated earlier. He did not support the amendment.

Representative Crawford thought that if something is worth being funded it should be funded out of the general fund. He spoke in support of Amendment DCCED #4.

Representative Kelly recalled that this item was not addressed in the subcommittee.

[2:09:32 PM](#)

Representative Gara argued that the amendment provides funding on a level basis through the general fund. He recalled favorable discussion earlier this session.

Representative Stoltze thought it was not a funding priority.

A roll call vote was taken on the motion.

IN FAVOR: Joule, Nelson, Crawford, Gara
OPPOSED: Kelly, Stoltze, Thomas, Foster, Hawker, Chenault, Meyer

The MOTION FAILED (4-7).

[2:12:04 PM](#)

Representative Nelson MOVED to ADOPT DCCED #5:

OFFERED BY: Representative Nelson
DEPARTMENT: Commerce, Community & Economic
Development
APPROPRIATION: State Revenue Sharing
ALLOCATION: State Revenue Sharing
ADD: \$51,500.0 GF

EXPLANATION: This appropriation would continue funding for the Municipal Revenue Sharing program at \$48.1 million plus \$3.4 million for unincorporated

communities in Alaska. This is based on the Governor's proposal of \$40,000 minimum for municipal governments and \$25,000 for unincorporated communities. An additional allocation for municipal governments—cities and boroughs—would be allocated on a per capita basis.

To many Alaskan communities revenue sharing is money for essential services such as basics such as heating and electricity, insurance, and city clerks. Revenue sharing has helped fund community safety needs such as snow removal, street lights, and fire protection. In larger communities revenue sharing helps ease the burden off of local tax payers who are often the community's largest source of revenue. Revenue sharing is an important component of the State's overall economic health.

Many Alaskan communities have made a stable revenue sharing program their top legislative priority.

Co-Chair Meyer OBJECTED.

Representative Nelson explained that the amendment would continue funding for the Municipal Revenue Sharing program. She pointed out that while some municipal assistance would be provided to communities regarding the PERS/TRS retirement fund, not all communities participate in the PERS/TRS retirement system. She highlighted increased costs to municipalities. She thought municipal revenue sharing could be funded out of the capital budget this year. She provided statistics regarding the failure of small communities.

Co-Chair Meyer agreed that revenue sharing was important, but this was not the method to achieve it. He suggested waiting for the PERS/TRS fix.

[2:15:30 PM](#)

Representative Joule recalled the loss of a building due to a fire in a small rural community, which could not be replaced due to loss of revenue sharing. He argued in favor of including Amendment DCCED #5 in the operating budget.

Representative Crawford spoke of research regarding what other states do to provide for rural communities and local governments. Generally, Alaska ranks mid-range as far as assistance. All states provide some sort of assistance. He agreed it is right to include revenue sharing in the operating budget.

Representative Gara opined that the term is incorrect; it is life-line funding and tax-relief funding. He recalled when municipal revenue sharing began to decline in the 90's. He

thought the costs would have to be made up somewhere else if they are not funded in municipal revenue sharing.

[2:21:01 PM](#)

Co-Chair Chenault brought up the PERS/TRS crisis as a reason for not putting funds into municipal revenue sharing. He recalled the many ways the state funds services to municipalities. He agreed that many communities are not involved in the PERS/TRS issues. He emphasized that the state needs to cut back on deficit spending. He spoke against Amendment DCCED #5 and in favor of a long-term fix.

[2:26:47 PM](#)

Representative Nelson explained the reasoning behind the \$51,500.0, which includes an amount for unincorporated communities.

Co-Chair Meyer MAINTAINED his OBJECTION. He thought revenue sharing could be in other ways the state supports municipalities. He noted that Alaska pays up to 70 percent of new school construction, which many other states do not do.

[2:29:16 PM](#)

Representative Thomas commented that there is a bill on revenue sharing coming up. He recalled what happened when revenue sharing was taken away in his community. He spoke in favor of having a sustained program rather than a one-year fix.

Representative Joule summarized that everyone agrees that there is a need for helping communities and that a long-range plan is needed. He spoke in favor of Amendment DCCED #5.

A roll call vote was taken on the motion.

IN FAVOR: Joule, Nelson, Crawford, Gara
OPPOSED: Kelly, Stoltze, Thomas, Foster, Hawker, Chenault, Meyer

The MOTION FAILED (4-7).

[2:34:04 PM](#)

Co-Chair Chenault MOVED to ADOPT Amendment Courts #1:

OFFERED BY: Co-Chair Chenault
DEPARTMENT: Alaska Court System
APPROPRIATION: Alaska Court System

ALLOCATION: Appellate Courts \$ 32,500
 Trial Courts \$293,300
 Administration \$ 31,000
 Total \$356,800

ADD: 356.8 GF

EXPLANATION: Creates a "G" Step for front line, Range 14 and below, employees allowing long term knowledgeable staff the opportunity and incentive to remain with the Court System. This increment will bring the court system on an even keel with the executive branch and in compliance with AS 22.20.037(c).

Co-Chair Meyer OBJECTED.

Co-Chair Chenault explained that the amendment creates a "G" Step for front line, Range 14 and below, employees.

Co-Chair Meyer WITHDREW his OBJECTION. There being NO further OBJECTION, it was so ordered.

[2:36:02 PM](#)

Co-Chair Chenault MOVED to ADOPT Amendment Courts #2:

OFFERED BY: Co-Chair Chenault

DEPARTMENT: Alaska Court System
APPROPRIATION: Alaska Court System
ALLOCATION: Trial Courts

ADD: \$100.0 GF

EXPLANATION: The court system has been excluded from the "trigger" distribution of fuel to be administered by the Governor's Office. This amendment adds funding included in the Governor's budget that was removed in anticipation of the "trigger" distribution.

Co-Chair Meyer OBJECTED.

Co-Chair Chenault related that the court system has been excluded from the "trigger" distribution of fuel to be administered by the Governor's Office. This amendment expends funds to the court system for fuel.

Co-Chair Meyer WITHDREW his OBJECTION.

[2:37:30 PM](#)

Representative Nelson MOVED to ADOPT Amendment Courts #3:

OFFERED BY: Representative Nelson

DEPARTMENT: Alaska Court System
APPROPRIATION: Alaska Court System
ALLOCATION: Trial Courts

ADD: \$75.0 GF

EXPLANATION: The court system received funding in FY 07 to pay for ½ year cost for screening services. This appropriation will provide operating funds for the full year court security screen at the Bethel courthouse. The Bethel court is one of the busiest court locations in the state and serves as the hub for communities in the Yukon-Kuskokwim Delta.

Co-Chair Meyer OBJECTED.

Representative Nelson explained that this is funding for a security system for the Bethel court system, which is one of the busiest in the state with a very high number of felony and domestic violence rates.

Co-Chair Chenault noted that this issue was looked at in subcommittee. He thought it was not a major issue.

Co-Chair Meyer MAINTAINED his OBJECTION.

[2:39:09 PM](#)

Representative Joule asked if this is the second year for this request. Representative Nelson said it was. Co-Chair Chenault thought that last year \$150,000 was requested and \$75,000 was approved. Representative Joule thought the requested amount is to finish paying for the screening services.

Representative Nelson said it is to update the system.

Representative Gara commented on a need for security in the Bethel court system.

Co-Chair Chenault argued that security might be impossible to assure. Representative Gara agreed that it is unknown how much is adequate.

A roll call vote was taken on the motion.

IN FAVOR: Joule, Nelson, Crawford, Gara
OPPOSED: Kelly, Stoltze, Thomas, Foster, Hawker, Chenault, Meyer

The MOTION FAILED (4-7).

[2:42:39 PM](#)

Co-Chair Meyer MOVED to ADOPT Amendment DEED #1:

OFFERED BY: Representative Meyer
DEPARTMENT: Education and Early Development
APPROPRIATION: Mt. Edgecumbe Boarding School
ALLOCATION: Mt. Edgecumbe Boarding School

ADD: \$26,000 GF - Inc. OTI

EXPLANATION: The Subcommittee's intent was to replace grant funds of \$140,000 (funding for 4 live-in residential staff positions) with \$70,000 to fund 2 positions. This appropriation, when coupled with a \$44,000 remaining AASB grant, should be sufficient to hire 2 live-in residential staff.

Representative Stoltze OBJECTED.

Co-Chair Meyer explained that Mt. Edgecumbe had a soon-to-expire grant for four staff positions. The amendment would allocate \$26,000 to be combined with money from a remaining AASB grant to fund two of those positions.

Representative Stoltze WITHDREW his OBJECTION. There being NO further OBJECTION, it was so ordered.

[2:44:00 PM](#)

Representative Gara MOVED to ADOPT Amendment DEED #2:

OFFERED BY: Representative Gara
DEPARTMENT: Education and Early Development
APPROPRIATION: Alaska Postsecondary Education Commission
ALLOCATION: Program Administration and Operations

ADD: \$3,000,000 GF

EXPLANATION: Appropriates money to fund need-based education grants for Alaskan students attending Alaskan institutions. Alaska has ranked last in the country for the percentage of low-income students attending college for 13 of the past 14 years (8.6%). It ranks 49th in the level of financial aid it provides to low-income students. This appropriation will help educate students who seek higher education but cannot afford to do so, and will implement a recommendation by the University regents to fix an estimated \$4 to \$7 million shortfall in needs-based aid.

Co-Chair Meyer OBJECTED.

Representative Gara addressed the explanation behind Amendments DEED #2 and DEED # 4. He explained that the amendments appropriate money to fund need-based education grants for Alaskan students attending Alaskan institutions. He related statistics to support his request. He recalled a study which graded Alaska with an "F" in the areas of financing low income students.

[2:48:00 PM](#)

PAT PITNEY, VICE PRESIDENT, BUDGET & PLANNING, UNIVERSITY OF ALASKA, spoke to the need for financial aid for low-income students. She noted that the aid should be provided at the state level. If the state funded needs-based aid at the national average, it would be just over \$6 million. She reported that many Alaskan low-income families do not see higher education as an option. She termed this funding as a "state investment" against the use of social service funds in the future. She reported that low-income families do save for college education.

[2:51:06 PM](#)

Co-Chair Chenault questioned the income level eligibility for student aid regarding other financial aid packages. Ms. Pitney noted that the \$50,000 family income figure is when it becomes hard to afford college costs. She related information about the PELL Grant, which pays for 40 percent of the cost of higher education.

Co-Chair Meyer asked how the Alaska system's tuition rate compares to other states. Ms. Pitney replied that for four-year tuition, Alaska ranks in the lower third. Co-Chair Meyer asked who qualifies for the UA Scholars program. Ms. Pitney replied that the top ten percent of graduating students qualify for the program; however, UA Scholars no longer pays for full tuition. Co-Chair Meyer suggested taking the top five percent for UA Scholars and the next five percent for financial aid assistance for low income students. Ms. Pitney addressed the university's role in the needs-based approach, including the Tuition Assistance Grant.

[2:55:48 PM](#)

Representative Kelly wondered if this amendment item was included in the regents' request. Ms. Pitney said it was not.

Representative Gara clarified that this amendment request is at the recommendation of the regents. He spoke of Alaska's ranking in affordability and the lack of aid provided to

needs-based students. He explained the difference between the Alaska Advantage program and university grants for higher and lower income ranges.

Representative Kelly related other financial aid options for students.

[2:58:39 PM](#)

Representative Hawker observed that university funding has been increased to \$335 million in general funds over the past two years.

Co-Chair Meyer MAINTAINED his OBJECTION. He pointed out that Alaska's tuition is in the lower third, scholarships are offered to students, Native Corporations offer student grants, and students receive PFD's.

Representative Gara emphasized that it is difficult to attend college in Alaska without financial aid.

A roll call vote was taken on the motion.

IN FAVOR: Crawford, Gara, Joule, Nelson
OPPOSED: Stoltze, Thomas, Foster, Hawker, Kelly, Meyer, Chenault

The MOTION FAILED (4-7).

[3:02:08 PM](#)

Representative Gara MOVED to ADOPT DEED Amendment #3:

OFFERED BY: Representative Gara
DEPARTMENT: Education and Early Development
APPROPRIATION: Teaching and Learning Support
ALLOCATION: Head Start Grants
ADD: \$630,000 GF

EXPLANATION: This amendment will provide additional general funds to the grants line of the Head Start program. State Head Start funding has remained flat for many years, and the current budget proposes flat state funding again. In real terms, that constitutes a funding reduction. National studies show that children who participate in quality preschools are more likely to graduate from high school than other children, are less likely to need expensive special education or remedial services, and are more likely to attend college and be employed later in life.

Alaska has no statewide early education program, and Head Start has been struggling to meet growing demand with flat or decreased funding. Since 2003, the Head Start program has been forced to eliminate services to 361 children, close services in 6 communities, reduce classroom hours, change program options, scale back transportation services, freeze staff wages, defer on-going maintenance and repairs to facilities, and rely more heavily on in kind donations from the communities for the provision of some essential services. The proposed increment would help keep this proven successful program in place until a statewide pre-school program can be implemented.

Co-Chair Meyer OBJECTED.

Representative Gara spoke in support and explained the amendment would add \$630,000 for Head Start. He pointed out how federal funding has been reduced for Head Start.

Co-Chair Meyer acknowledged the good of the program and stressed that the amendment would be exceeding the amount needed for a federal match. He related other early learning programs and maintained that the funds were not needed for them.

Representative Crawford observed the degree of importance the program has for his constituents. He maintained that it is "one of those right things to do."

Representative Nelson noted that the program is flat funded. She pointed to the price of inflation and maintained that there is an 11 - 13 percent cut with expenses factored in. Six programs have been closed, affecting 361 students. Children that are not read to, come to school disadvantaged. Early education counters the lack of parental involvement.

Representative Gara noted that there would be no additional classrooms. The intent is to open opportunities. Fewer kids will have early learning opportunities if there is no action.

[3:12:11 PM](#)

A roll call vote was taken on the motion.

IN FAVOR: Crawford, Gara, Joule, Nelson
OPPOSED: Stoltze, Thomas, Foster, Hawker, Kelly, Meyer, Chenault

The MOTION FAILED (4-7).

Representative Gara MOVED to ADOPT Amendment DEED 4:

OFFERED BY: Representative Gara

DEPARTMENT: Language Section
APPROPRIATION: Fund Capitalization
ALLOCATION: Education Loan Fund

ADD: "The sum of \$20,000,000 is appropriated from Alaska Student Loan Corporation receipts to the education loan fund (AS 14.42.210)."

FUNDING SOURCE: Alaska Student Loan Corporation receipts

EXPLANATION: Appropriates money to fund need-based education grants for students attending Alaskan institutions, reinserting what was in the language section of the Governor's original budget. The transfer of \$20 million from the Alaska Student Loan Corporation to the Education Loan Fund will provide approximately \$1 million/year in income to be used for needs-based financial aid grants. Because it would restrict use of corporate assets to a non-loan purpose the ASLC regards this appropriation as a return of capital to the State. ASLC intends to complete the return of capital in FY 09 with \$40 million transfer of bond proceeds. The principal will not be spent and could be returned to the state for appropriation for other purposes in the future.

Co-Chair Meyer OBJECTED.

Representative Gara observed that the amount requested was in the governor's budget and would be a fund transfer, not a fund expenditure.

Ms. Kelly explained that the concern was the transfer from the Alaska Student Loan Corporation receipts. The transfer was removed in order to allow the fund to be set up for its own purpose.

Representative Gara WITHDREW Amendment DEED #4.

[3:15:43 PM](#)

Representative Nelson MOVED to ADOPT Amendment DEED #5:

OFFERED BY: Representative Nelson

DEPARTMENT: Education and Early Development
APPROPRIATION: See attached language section.

ADD: \$250.0 GF

EXPLANATION: This amendment will provide funding for charter schools around the state that have less than 150 students. These charter schools receive less funding per student because they are funded as if they are part of the largest school in their district. The marginal funding received for each additional student at a large school is insufficient to operate a charter school. For the past three years, the legislature has appropriated \$106,000 - \$250,000 to the small charter schools to partially compensate for this huge discrepancy.

Page 60, following line 8:

Insert a new subsection to read:

"(d) The sum of \$250,000 is appropriated from the general fund to the Department of Education and Early Development for the fiscal year ending in June 30, 2008, for payment as grants to each school district that operates a charter school with an average daily membership of less than 150 for support of those charter schools in those districts. The amount appropriated for grants by this subsection is to be allocated among eligible school districts in the proportion that the average daily membership of the eligible charter schools in a district bears to the total average daily membership of all eligible charter schools in all school districts that operate an eligible charter school."

Co-Chair Meyer OBJECTED.

Representative Nelson observed that the amendment would affect charter schools [and others] with under 150 students. Schools with less than 150 students receive funding at a reduced rate as part of the largest school in their district. She spoke in support of the amendment.

Co-Chair Chenault acknowledged the advantage of having smaller class size.

Representative Nelson observed that Juneau, Bethel, Homer, Fairbanks, and Nome have charter schools.

[3:19:24 PM](#)

Co-Chair Meyer explained why the number 150 was determined. He argued against continued subsidizing of the charter schools.

Representative Gara spoke in support of the funding.

Co-Chair Chenault argued against it.

[3:23:16 PM](#)

Representative Nelson noted that this item has been funded for the past three years. She offered to amend Amendment DEED #5.

Co-Chair Meyer argued against continued funding. He MAINTAINED his OBJECTION.

Representative Stoltze spoke highly of charter schools, but agreed that this is a temporary fix. He preferred to look at this issue through statute.

Representative Nelson noted that she would continue to work on this issue.

A roll call vote was taken on the motion.

IN FAVOR: Joule, Nelson, Crawford, Gara
OPPOSED: Kelly, Stoltze, Thomas, Foster, Hawker, Chenault, Meyer

The MOTION FAILED (4-7).

[3:27:22 PM](#)

Representative Foster MOVED to ADOPT Amendment DMVA #1:

OFFERED BY: Representative Foster

DEPARTMENT: Military and Veterans Affairs

APPROPRIATIONS: Military and Veterans Affairs

ALLOCATION: Veterans Services

ADD: \$50.0 GF

ADD WORDAGE: "It is the intent of the legislature that, whenever possible, the Department of Military and Veterans Affairs use existing services to provide formal recognition and discharge for Alaska Territorial Guard members in the most expedient manner possible."

APPROPRIATION: Alaska National Guard Benefits

ALLOCATION: Educational Benefits

ADD: \$30.0 GF

ADD WORDAGE: "It is the intent of the legislature that the Alaska National Guard's education tuition assistance program be funded at a level adequate to provide the benefit to all qualified applicants. If the appropriation under this section is insufficient to provide the benefit to all qualified applicants, the

Department of Military and Veterans' Affairs shall make a request for supplemental to cover the shortfall."

Adjust the funding sources accordingly.

Co-Chair Meyer OBJECTED.

PAUL LABOLLE, STAFF, REPRESENTATIVE FOSTER, explained that the first part of the amendment allows members of the Alaska Territorial Guard to receive formal recognition and discharge.

Representative Stoltze asked about benefits for Alaska National Guard members. Mr. Labolle said this is the same issue.

Representative Gara spoke in support of the amendment.

[3:29:59 PM](#)

Mr. Labolle explained the second part of DMVA #2. There was an under funding of educational benefits and the amendment helps to correct that.

Co-Chair Meyer WITHDREW his OBJECTION. There being NO further OBJECTION, it was so ordered.

ADJOURNMENT

The meeting was adjourned at 3:31 PM.