

HOUSE FINANCE COMMITTEE

March 11, 2008

2:58 P.M.

RECONVENED:

March 12, 2008

[11:53:19 AM](#)

CALL TO ORDER

Co-Chair Chenault called the House Finance Committee meeting to order at [2:58:03 PM](#).

MEMBERS PRESENT

Representative Mike Chenault, Co-Chair
Representative Kevin Meyer, Co-Chair
Representative Bill Stoltze, Vice-Chair
Representative Harry Crawford
Representative Les Gara
Representative John Harris
Representative Mike Hawker
Representative Mike Kelly
Representative Mary Nelson
Representative Bill Thomas Jr.

MEMBERS ABSENT

Representative Reggie Joule

ALSO PRESENT

Representative Mark Neuman; Karen Rehfeld, Director, Office of Management and Budget; Bruce Botelho, Mayor, City and Borough of Juneau; Win Gruening, Chair, Alaska Committee, Juneau; Thomas Buzard, Self, Denali Rose Properties, Juneau; Katherine Eldemar, Self, Juneau; Sharon Kelly, Staff, Representative Mike Chenault; Pete Ecklund, Staff, Representative Kevin Meyer; Karen Rehfeld, Director, Office of Management and Budget

PRESENT VIA TELECONFERENCE

Paul Kendall, Energy For Our Homes, Anchorage

SUMMARY

HB 54 An Act relating to construction of a legislative hall; and repealing provisions relating to relocating the capital, the legislature, or any of the present functions of state government.

HB 54 was HEARD & HELD in Committee for further consideration.

HB 311 An Act making appropriations, including capital appropriations, supplemental appropriations, and appropriations to capitalize funds; and providing for an effective date.

HB 311 was HEARD & HELD in Committee for further consideration.

CSSB 256 (FIN) am(efd fld)

An Act making supplemental appropriations, capital appropriations, reappropriations, and other appropriations; making an appropriation to the senior benefits payment program; amending certain appropriations; ratifying certain expenditures; and making appropriations to capitalize funds.

HCS CS SB 256 (FIN) was reported out of Committee with a "do pass" recommendation.

#HB311

HOUSE BILL NO. 311

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

[2:59:51 PM](#)

Vice-Chair Stoltze MOVED to ADOPT work draft 25-GH12007\C, Kane, 3/8/08 as the version of the bill before the Committee. There being NO OBJECTION, it was adopted.

Co-Chair Meyer commented that the adopted work draft is a stripped down version of the Governor's proposed capital projects including federal funds and associated matches.

It will provide a base capital budget. He noted the Senate had adopted a companion bill to HB 311. Co-Chair Meyer invited Ms. Rehfeld to speak to the \$42 million dollars mostly for specified technology (IT) system-wide changes.

[3:01:31 PM](#)

KAREN REHFELD, DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET, OFFICE OF THE GOVERNOR, discussed how the Administration arrived at the proposed budget. In December 2007, the Administration rolled out a two year plan, which anticipated additional expenditures in FY08 to be funded through the supplemental bills. Additionally, they had requested the use of FY08 surplus for additional costs associated with capital projects. Overall, the intent for the FY09 budget was to keep total General Fund dollars including the capital & operating expenditures with an increase over FY08 of about 4.5%.

When the Administration moved through the budget process, identifying areas that needed change for FY09, including some "must haves" even though, all of the projects were not included. There were many projects the Administration hoped to include in the budget, but simply did not have adequate General Funds. In FY08, the Administration requested a total of \$34 million General Fund surplus dollars. She believed the intention was clear and included in the capital budget bill with a June 30th effective date. The total amounted to \$29 million General Fund dollars. For FY09, there are twenty-seven requested IT projects, totaling \$24 million of which, \$2 million of which are General Fund dollars.

[3:05:30 PM](#)

Representative Gara questioned if even though the IT expenses are necessary, the Administration decided not to place them in the operating budget because then they could not meet the 4.5% limit funding for FY09. Ms. Rehfeld clarified that the 4.5% increase was a benchmark number the Administration attempted to achieve for FY09 capital and operating budgets. Additionally, the Administration requested the use of \$34 million dollars from the FY08 surplus.

Representative Gara understood that the Governor was attempting to reach a 4.5% budget increase projection and

in order to meet that goal was proposing use of funds outside FY09 dollars. He emphasized that action creates an artificial budget goal. Ms. Rehfeld countered that the Administration has attempted to separate the two years in isolation but rather roll out a comprehensive package indicating expenditures and savings. She acknowledged that clearly the Legislature will have opportunities to change that plan.

[3:08:13 PM](#)

Representative Hawker identified the \$2.66 million federal fund sources & the \$5.2 million IT funding source services. He asked where those dollars originated from. Ms. Rehfeld replied that fund capitalization occurred in the past Enterprise Technology Services (ETS) fund.

Representative Hawker pointed out that the "other funds" had not been reported as General Funds. Ms. Rehfeld thought it could have originated from other funds used to pay agency charge-backs. She added that a discussion of the Information Services Fund (ISF) would require other testimony. She commented that the capitalization had been included in the operating budget and that the \$5 million is a General Fund expenditure. Representative Hawker pointed out that nearly all of the \$36.8 million dollars originated from the General Fund. Ms. Rehfeld agreed.

[3:09:54 PM](#)

Co-Chair Chenault asked if the Administration had used the master lease line of credit to pay for the IT projects. Ms. Rehfeld deferred that question because the Administration is not proposing to use that for the budget. She did not know if it had been used in the past. Co-Chair Chenault stated that the credit line is an issue currently on the table and he wanted to know if it was intended to use for IT projects.

Representative Gara asked if the Governor's proposal to pay down Teacher Retirement System/Public Employees Retirement System (TRS/PERS) debt was included in the operating budget. Ms. Rehfeld responded that in the Administration's proposal that expenditure comes out of the FY08 surplus.

Representative Gara stressed it is important to make payment toward that debt and be included in the capital

budget this year. Ms. Rehfeld advised that the plan is to pay down the TRS portion of the unfunded liability so that it would reduce the annual contribution by about \$43 million dollars. The Alaska Retirement Management (ARM) Board supports that choice.

Representative Gara questioned if paying down the debt could save long-term dollars for the State. Ms. Rehfeld stated the goal is intended to relieve some of the pressure on the direct contribution by paying down the unfunded liability. In order to pay it down more quickly, the State will need to be more aggressive, and some discussed options are using Pension Obligation (P.O.) bonds.

[3:12:49 PM](#)

Co-Chair Meyer stated that HB 311 would be HELD in Committee for further consideration.

#HB54

[3:13:03 PM](#)

HOUSE BILL NO. 54

An Act relating to construction of a legislative hall; and repealing provisions relating to relocating the capital, the legislature, or any of the present functions of state government.

REPRESENTATIVE MARK NEUMAN, SPONSOR, directed his comments to the legislation. He stated that the relative isolation of Juneau from the rest of the State is of concern to many Alaskans, particularly at a time when the legislature has come under increasing public scrutiny. Due to the location, many Alaskans are unable to afford the airfare, food and lodging to travel to Juneau to participate in the process. He added, over 25% of Alaskans do not have access to media outlets for watching Gavel to Gavel. The net effect is that during the legislative session, legislators remain isolated from the vast majority of Alaskans, being accessible only to lobbyists and special interest groups.

HB 54 addresses the concerns voiced by Alaskans about access. The legislation provides an opportunity for all interested Alaskan entities to submit proposals to host the Alaska State Legislature. The proposals will compete on

their merit and ability to meet the present and future needs of Alaska.

Representative Neuman noted that the bill does not affect the State Capital, only the Legislature. HB 54 would create an environment, where the public and private sector partner together to share the benefits of hosting the legislature and the cost. He concluded his testimony, indicating that the bill would improve access to the legislative process for ordinary Alaskans by easing their physical access and improving the serviceable nature of the facilities.

[3:16:47 PM](#)

Representative Nelson asked what purpose Juneau would serve without the Capital seat. Representative Neuman responded that even if the Legislature is not located in Juneau, it would still stand as the State Capitol. Many of the current functions would remain in Juneau. He added that the proposal does not preclude Juneau from participating in the process.

Representative Nelson pointed out that presently, the majority of the current Administration operates outside of Juneau, pointing out that only one commissioner lives in Juneau. Representative Neuman agreed, commenting that was the Administration, not the Legislature. As members of the Legislature, legislators are responsible to the people of their districts. To allow access to those people in the public process is critical.

Representative Nelson noted support for the public process. She indicated that the 90-day session hinders that process. She inquired the Mat-Su's participation rate in their City Council and school board meetings. Representative Neuman responded that there have been over 250 people at one meeting.

Representative Nelson asked about the weekly assembly meetings. Representative Neuman responded often times, there is only standing room.

[3:19:45 PM](#)

Representative Gara asked how many people comprises "standing room only". Representative Neuman suggested that

depends on the issue and that their assembly hall is not that large.

Representative Gara suggested that Representative Neuman's response to the number of people attending those meetings were for the issues that are the most heated and emotional. The question was how many "normally" attend. Representative Neuman responded, it is fair to say a good amount participates. Representative Gara reiterated the question of how many people attend a normal assembly meeting. He noted that the question was asked and that it was not answered.

Representative Gara understood that the bill proposed that communities that want a bid to build the legislative hall would have to offer a certain amount of acreage. He asked where in the bill that language was located. Representative Neuman replied that there is nothing in the bill indicating that specifically. The bill does state that if a community selects acreage on State land, the State should attempt to facilitate a transfer of that land over to that community. He supported the provision as it would help communities expand their land base.

[3:22:53 PM](#)

Representative Gara asked where the verbiage regarding acreage donation was located in the bill. Representative Neuman referenced Section C, Page 4.

Representative Gara clarified that the bill moves only the legislature not the capitol. Representative Neuman stated that the intent of the bill is to allow communities to submit a proposal to the Legislature for either approval of construction for a legislative hall. The bill does not stipulate that the Legislature will move.

Representative Gara asked if there could be a situation in which Juneau proposes another site and the capitol moves there. Representative Neuman responded that if Juneau selected a different site, other than the existing properties, it would be up to the community to undertake the bidding procedure. There had been consideration of reconstruction or renovation of the existing site.

[3:26:00 PM](#)

Representative Gara questioned if one of the purposes of the bill was to get the capital closer to more people. Representative Neuman responded that the entire purpose is to allow communities to submit proposals for construction of a legislative hall. He hoped to see a legislative hall located on the road system. There are 60 legislators who participate in that process with only three living in Juneau. He acknowledged that the issue is popular with his constituents.

[3:27:40 PM](#)

Representative Gara agreed that one of the considerations is better access; however, there are arguments both pro and con for moving the legislature. One of the pro arguments is better access and that one could make a convincing case for moving it to Anchorage where the bulk of the population lives. However, moving it 40-miles away from Anchorage does not give the majority of Alaskans any better access. The bill as written has every chance of moving the legislation to a place just as unavailable to the Alaskan citizens as it is now.

Representative Gara urged that a determination be made that the legislature not be moved to Eagle, Beaver or Willow, because there is no better access to those small communities. Representative Neuman pointed out that the bill does state "anywhere on the road system"; it allows communities to come up with a proposal, which they can be submitted for consideration. Accessing Juneau because of the weather and ferry system delays. He added, over half of all high school students reside in Anchorage and those students would like to participate in their legislative system.

[3:31:27 PM](#)

Representative Hawker referenced the many comments made by Representative Neuman as the legislation providing an "opportunity" for communities to prepare proposals for a legislative hall. As he [Representative Hawker] read the bill, there is no language indicating the "offering the right to propose to communities". He understood the language to provide the "solicitation of proposals for construction of the legislative hall". He asked if it was the intent of the sponsor that it was available to an innovative adventure-development corporation to step

forward with a proposal. Representative Neuman said yes; he intended to provide a proposal for any entity to partner with a community, to submit a proposal.

[3:33:06 PM](#)

Representative Thomas questioned if the sponsor would oppose language providing "the right of first refusal" amendment. He worried about the already depressed economy in Southeast Alaska. He questioned why the sponsor would strip one part of the State's economy to enhance another area that is already thriving. He pointed out that in Juneau, there are only three legislators that get to go home at night and be with their family. Having the capitol in Juneau, creates a "level playing field". He urged that legislators take care of one another.

Representative Neuman stated that the bill is not an attempt to place hardship on any community. He noted that Juneau has over one million tourists a year pass through. Every community in the State has its ups and downs and that Kenai also is suffering these days. He questioned if it is the Legislature's obligation to insure financial responsibility to any one community.

[3:36:54 PM](#)

Representative Thomas responded that the Legislature did that when they rallied behind Anchorage and Fairbanks by not shutting down the military bases. Those communities were protected through actions taken by the full Legislature.

[3:37:21 PM](#)

Representative Crawford read the back-up material including a conversation the sponsor had with a private developer and determination of a location of 1,000 land acres. He asked the profit motives to build on such a big and remote area that would only be occupied for three months a year. He questioned the inclusion of a judicial hall. He reiterated his question regarding the profit motives of the developer.

Representative Neuman commented on the need for legislators to introduce legislation that is "reasonable". Instead of just introducing the bill, he acknowledged that he had moved through the steps to determine how feasible the idea

is. He had proposed the idea to the Mat-Su Mayor & the community, which determined some acreage & proposed the development rights to a developer, using that land. The investment consideration was around \$200 million dollars, providing enough economic base to cover the cost of a legislative hall for an economic base of \$70 million dollars. The remainder could go into housing projects & high-scale homes to help the developer recoup their initial development. The State would be able to lease the legislative hall. It would be private investment money going into a community, which could provide assistance to the Mat-Su Borough for reduction in property values. He maintained that there is a lot of investment consideration for communities to utilize for a plan.

Representative Neuman pointed out that the Legislature is in charge of the recall process and because of that, it was recommended that the proposal provide for the capacity of a judicial hall in case those types of proceeding need to move forward.

[3:42:28 PM](#)

Representative Crawford asked clarification about the intended community that would be built around the structured legislative hall with regard to how the developer would recoup their investment. He asked who would be providing the infrastructure, roads & the sewer systems. He questioned where the profit would come from. Representative Neuman did not know. He only wanted to be able to offer communities the option of submitting a proposal.

Representative Crawford assumed that the conversation has happened in which the developers assumed there was a proposal possibility for this profitable option. He asked where that possibility currently is at. Representative Neuman responded that he had meet with the Mat-Su Mayor and local developers in his district.

[3:44:32 PM](#)

Vice-Chair Stoltze thanked Representative Neuman for his work on the legislation. He mentioned the history and passion of Juneau's capital position. He disputed comments made by Representative Thomas. He asked if the bill was proposing a plan like that previously proposed by Jim Clark

and Mayor Botelho. Representative Neuman responded that the money that was spent on the previous plan came from the City & Borough of Juneau and that he did not know if those funds had been State subsidized. The bottom-line is to determine if communities can come up with a plan to move forward with the proposal.

[3:47:24 PM](#)

Representative Kelly elaborated on the "death by a 1,000 cuts", indicating that he was not passionate about moving the capital. He inquired if members had determined that the current building is an inadequate space. He mentioned the good merit of the Fiscally Responsible Alaskans Needing Knowledge (FRANK) initiative. He wanted to see the entire issue and prices associated with a move. He pointed out that there are many capitols located in the smaller towns and that by placing it in the largest population center is disconcerting because of the concentration of power.

Representative Neuman viewed the bill as "Juneau's opportunity to put the baby to bed". He pointed out that the current building does not meet fire codes and that the building is inadequate. The FRANK initiative attempts to define and uncover the social and economic deficiencies for the cost of moving the legislature. The proposed bill recommends that a building be built by private industry developers. He emphasized that the bill is about Alaska, not about Juneau and/or the Legislature.

[3:53:16 PM](#)

Representative Gara advised that the issue is delicate because moving the capitol will destroy the economy in Juneau and that is not addressed in the bill. One option would be to insure for 20-years, all State Office building functions stay in Juneau even if the Legislature moves. He questioned if consideration had been made in the bill on how to minimize the damage to the local community. Representative Neuman responded that maybe it wouldn't move.

[3:54:26 PM](#)

BRUCE BOTELHO, MAYOR, CITY AND BOROUGH OF JUNEAU, testified on behalf of Juneau in opposition to HB 54. He listed issues in which, he disagreed. He clarified that the bill

is not a simple competition for a legislative hall. As noted by Representative Crawford, the bill requires a building that is designed to house not only the Legislature but also the Judiciary Supreme Court including a chamber.

The another point of disagreement is that Juneau could look at renovation of the current building. To examine the specifications as directed by the Legislative Counsel for the building, one would find that it would be an impossibility to construct on the present site. Generally, for any community to have the capacity to fund the construction required for a new capitol, virtually eliminates most communities' ability to bond. He compared the proposed bill to HB 60, as submitted by previous Representative Rokeberg, the precursor legislation from which HB 54 was modeled.

[3:57:57 PM](#)

Mayor Botelho reported that HB 54, which purports to be a competition for a legislative hall, is actually beyond that. It achieves that result by what he assumes is the most difficult part of the bill, repealing the FRANK initiative. He added, 37 states have their capitols outside of the major populated areas of that state.

Mayor Botelho commented on the point of agreement and the source of commonality with Representative Neuman, quoting from the Alaska State Constitution, Article 1, Sec. 2., Source of Government.

"All political power is inherent in the people. All government originates with the people is founded upon their will only, and is instituted solely for the good of the people as a whole."

Mayor Botelho elaborated that language is the source of commonality in when Representative Neuman declares that all parts of the State should be able to participate in the legislative process. The difficult issue is the repeal of the FRANK initiative. The point is that there is no issue in the State's history over which the people of Alaska have been called upon to exercise their sovereign power found in the above listed section of the Constitution than over the question of where their government should be seated. It has been reaffirmed repeatedly, a three part proposition.

- The people have the right to know and approve in advance, all costs of relocating the capitol or the legislature;
- The people must be given the opportunity to make an informed & objective decision on relocating the capitol or the Legislature with all pertinent data concerning the costs to the State; and
- The costs of relocating the capitol or legislature will not be incurred by the State without the approval of the electorate.

Mayor Botelho advised that HB 54 repeals the FRANK initiative. He maintained that there will be costs to the State and if the sponsor believes there will be no costs to the State, why does the bill seek to repeal the initiative.

[4:01:35 PM](#)

Mayor Botelho discussed the reasons that the bill attempts to repeal the FRANK initiative:

- While Section 2 of the bill does propose that the option not require a lease payment, the provision can be repealed or amended by any future legislature or simply circumvented by using any financing mechanism, which does not obligate the State through lease payments.
- The bill authorizes the transfer of an unlimited amount of State land to a municipality, at no cost, as long as the selected proposal includes language: "A site wholly or partially on State land".

Mayor Botelho noted that a transfer of State land for relocation of the capitol or legislature is an appropriation and will be a cost to the State, just as a direct appropriation of money.

Mayor Botelho raised the question regarding that the true cost of the proposal is withheld from the people until the project is complete. He asked if Alaskans should be deprived of an impartial review of what the costs are of the move. He stated that the message being conveyed by the bill is that the people should not be entrusted with the power to know the costs.

Mayor Botelho urged members to determine any compelling reason, to override the repeated expressions of the people of the State through the FRANK Initiative.

Co-Chair Meyer mentioned that he preferred the proposal over his own legislation as it offers any community the option to participate in the process. He referenced comments about the number of states that do not have their capitol city in the largest populated areas of their state; noting that in all states except Hawaii, citizens can drive to their capitol city and that makes Alaska unique. He disputed the message of the "cost to the State", explaining that this is the "people's government" & wanted to know the cost to the people, when airfare cost over \$500 for each trip out of Juneau. Most citizens of Alaska can not afford that seat fare.

[4:05:14 PM](#)

Vice-Chair Stoltze asked clarification between the City & Borough of Juneau, the taxpayers and the Alaska Committee. Mayor Botelho responded that the City and Borough of Juneau (CBJ) has regularly funded the Alaska Committee and the activities undertaken by that Committee such as Gavel to Gavel.

Vice-Chair Stoltze believed that some of the general election ballot expenditures exceeded costs of running the Gavel to Gavel program. Mayor Botelho responded that was true during election campaigns in 2002.

Vice-Chair Stoltze argued that in 2004, CBJ attempted to facilitate passage of measures that would make the initiative process more difficult to put forward. He mentioned the costs associated with the Cruise Ship Initiative costing around \$35 thousand dollars. Mayor Botelho responded that the expenditures for Gavel to Gavel far exceeds that amount every year.

Vice-Chair Stoltze questioned if CBJ had been involved in the 2004 ballot measure to change the rules regarding petitions. Mayor Botelho requested that Mr. Gruening from the Alaska Committee answer questions about those expenditures. The CBJ does make yearly appropriations to the Alaska Committee.

Co-Chair Meyer asked if Alaska Airlines still offers the Constituency Fare. Mayor Botelho replied they do. Co-Chair Meyer asked if it was for only one trip per person. Mayor Botelho understood that was correct.

Vice-Chair Stoltze stated that there had previously been a measure proposed that would require more voter participation & major expenditures on capitol location initiatives. Mayor Botelho advised that the voice of the people came through in the FRANK Initiative. That measure was again before the voters in 2002 and that 77% of the electorate turned the proposal down.

Vice-Chair Stoltze emphasized that the people of the State opposed a measure to expand the FRANK Initiative for applying to any major expenditure. Mayor Botelho acknowledged that the City and Borough of Juneau thought it made no sense to require a vote of the people to decide whether the building should be relocated.

[4:09:42 PM](#)

Representative Thomas asked if the building designed in Juneau several years ago, would meet the requirements proposed in HB 54. Mayor Botelho replied it would not as it did not provide for the Supreme Court to be located in the same building.

Representative Thomas inquired the costs associated with that that building. Mayor Botelho noted that CBJ had directed the design consultants to look at a building that would cost approximately \$100 million dollars and that was costs from three years ago. At that time, the consultants anticipated that the cost of design & building in Alaska would supersede those costs.

In response to comments made by Vice-Chair Stoltze, Representative Gara noted that if someone attempted to do something as proposed in the bill, decimating a community, he would expect that community to spend local monies to protect it from happening. He applauded the actions taken by Juneau in the past. He maintained, it would be a mistake to take a capitol that has been labeled inaccessible and move it to a place that is still inaccessible and requesting money to do that. There are many arguments for and against moving the legislature but

the biggest argument against it is the dislocation that would happen to Juneau.

Mayor Botelho added, it is important to look at this as not only Juneau but the entire Southeast region. Much of the activity that happens in Southeast Alaska has direct ties to Juneau.

[4:12:49 PM](#)

Representative Gara asked the history of votes for and against the move of the capitol.

Mayor Botelho relied on information provided by the Alaska Division of Elections:

- 1960 - votes for 18,865, opposed 23,972
- 1962 - votes for 26,542, opposed 32,325
- 1974 - calling for the construction of a new Alaskan city, which passed for 46,659, opposed 35,683
- 1976 - That vote presented the question of where the capitol should be moved, choosing Willow and received 56,219 votes
- 1978 - General election, the FRANK initiative arose. The proposition was that there should be a termination of all bondable costs presented and approved by the voters. The requirement passed, for 69,414, oppose 55,253
- Simultaneously, there was the general obligation (GO) bond before the voters, which was rejected with supporting votes of 31,491 & opposing 88,783
- 1982 - The issue to relocate & considering the costs, determining if the capitol should be moved to Willow. The vote for was 91,049, oppose 102,083
- 1994 - The initiative called to move the State Capitol from Juneau to Wasilla. The votes for were 96,398, opposing 116,277.

Co-Chair Meyer asked that a copy of the above referenced material be submitted to Committee members.

[4:17:02 PM](#)

WIN GRUENING, CHAIR, ALASKA COMMITTEE, spoke in opposition to HB 54. The Alaska Committee, which is a volunteer, non-profit group, has been dedicated to improving & enhancing

Juneau as Alaska's capitol city. He recognized that while citizens of Alaska have repeatedly voted down efforts to move the capitol or legislature, the issue in the minds of some, still has not been settled. The Alaska Committee does take seriously the issue of capitol access. Those efforts are the reason for many of the improvements to access and facilities. He acknowledged that there are additional improvements that can be made to make Juneau a more attractive capitol. He noted that CBJ has funded many initiatives that have improved access to the State Capitol such as Gavel to Gavel, discounted air fares, pier & port improvements, as well as donations of real estate and buildings for use by the Legislature.

Mr. Gruening maintained that technology has been and will continue to be the most efficient and least expensive way for constituents to have access. That is why Gavel to Gavel coverage has continued to be the flag-ship program for accessing the capitol. Approximately 60% of the \$535 thousand dollars spent on the program is supported by the community of Juneau; no State funds are used. Mr. Gruening stated that technology, not relocation of buildings, is the key. The intent is to begin video-streaming all committee hearings, which will require fixed cameras in all the committee rooms. Unfortunately, HB 54 takes the opposite view and purports to relocate government & the capitol by relocating the capitol building & all the government functions associated with it. The sponsor's stated intent is to "address the concerns expressed by Alaskan's about access & the relative isolation of Juneau". It is difficult to see how Juneau could possibly win the bid.

[4:22:45 PM](#)

Mr. Gruening noted that the operation and maintenance costs of funding a new building have not been identified. The decision on something of this magnitude, will be decided under the bill by a small committee of 14 people in the legislature with no opportunity for the public to review the true costs. The people's right is seeking to be repealed in HB 54. He stated the bill was a blank check for a full capitol move and that ultimately, the legislation would economically impoverish Juneau and Southeast Alaska. The issue is divisive & controversial. He urged that the bill be held in Committee and that the Committee instead consider less expensive alternatives that are available.

[4:24:28 PM](#)

Vice-Chair Stoltze asked about the Alaska Committee's involvement on Ballot Issue 1 in 2004. Mr. Gruening responded that the amount of money spent on that issue was not large. He noted that the Committee took the position that getting signatures in only downtown Anchorage was not representing the views of the entire State when attempting to pass an initiative. A belief continues to exist that it would be more democratic to guarantee signatures were gathered from all over the State, not just one area. The Alaska Committee did back that legislation.

Vice-Chair Stoltze expounded that the dollars submitted by the Alaska Committee was the "only real money" in the campaign and that it was not a small amount. He maintained that there was involvement by the Alaska Committee in that vote, now making it more difficult for citizens to "do initiatives". Mr. Gruening argued that the Alaska Committee made the process more democratic.

[4:26:49 PM](#)

Representative Gara deliberated that the amount of money that the City & Borough of Juneau has to spend every time the capitol move issue comes up, is substantial. He agreed that the stronger the public access is in Juneau, the less often the issue will come forward. He urged consideration of changing the Gavel to Gavel program in offering interviews during the quiet times to make the process more educational. He did not think enough people watch the show and that it could be improved.

Mr. Gruening pointed out that recently Gavel to Gavel went into full coverage with the advent of 360 North. It is now a full time station, year-round. The program coverage will be expanded and other things will be shown besides legislative coverage. He explained that coverage must be a-political.

Representative Gara hoped to see it becoming more educational, addressing politics in the Legislature, helping to make the capitol process more accessible.

[4:30:48 PM](#)

THOMAS BUZARD, SELF, DENALI ROSE PROPERTIES, JUNEAU, testified in opposition of HB 54. He stated that it does not make sense to bolster the economy of one community at the expense of another.

Mr. Buzard encouraged that the focus of the Legislature be on the development for the State of Alaska. He pointed out that access to Juneau is better than ever. If the true concern is about access, he urged that the road be built. The health of Southeast Alaska continues to erode as the issues of moving the capitol arise and real estate values drop each time. The people that come on cruise ships only provide a small fraction of the economy. He maintained that the vote has come before the people and time after time, they vote not to spend State dollars for moving the capitol; over 77% of the electorate indicated that the FRANK initiative be left in place.

[4:35:09 PM](#)

Representative Gara reiterated that he was sympathetic to the argument of moving the capitol. He identified that the access to Juneau is not good and that the road would not help that. No one will drive that road in the winter. The point to making the capitol accessible is Gavel to Gavel and vibrant telecommunications. He maintained that driving 24 hours will not make Juneau more accessible. Getting in and out of Juneau is difficult. There are more important issues that need to be addressed but access should not be minimized. Mr. Buzard understood the difficulty that legislators go through to maintain a life outside of Anchorage. Juneau is not blind to that. The argument does remain with a established economic base because of the hundreds of millions of dollars that the State would be spending. He concluded, many people already do not trust government and would be appalled eliminating the law of the FRANK initiative.

[4:39:19 PM](#)

KATHERINE ELDEMAR, SELF, JUNEAU, testified that she does watch Gavel to Gavel every day. She suggested that government be here for the people, commenting that individual responsibilities and family obligations do not permit her to be at the Capitol everyday, so she depends on Gavel to Gavel. She agreed that Alaskans should have access to government. She recommended increasing the

coverage. She maintained that moving the capitol from Juneau, would break up families and communities. She urged that the video-conferencing capabilities be increased in the rural communities.

Ms. Eldemar pointed out that HB 54 does not identify the resources that will be utilized with passage. She stressed that the State's "resources" are finite and should be spent on more pressing issues. In the rural communities, there are people just attempting to stay warm during the winter. She urged that all Alaskan children have adequate education instead of neglected buildings and insufficient staffing. She urged the use of Alaska's resources being spent on something other than HB 54.

[4:44:58 PM](#)

Ms. Eldemar recommended setting aside the drive to move the capitol and sit quietly as a parent & member of all of Alaska. The challenge rests with the leadership to address needs in the rural communities throughout the State. HB 54 would take the State off the course of helping all of Alaska.

[4:47:05 PM](#)

PAUL KENDALL, ANCHORAGE (Testified via teleconference), requested that his concern be addressed with the obvious problems for everyone. He emphasized that technology is not the answer & that access should not be divided. He pointed out that the 15% of the population in Juneau is a small microcosm of the entire State's population. He claimed that the State has taken care of Juneau for too many years, which he believes is a "self indulgent" community. He attempted to contain his discontent. He stated that Juneau does not have the dignity to satisfy the statewide needs for accessibility. Mr. Kendall continued testimony in support of moving the capitol out of Juneau to an Anchorage area, which he maintains has over 85% of the State's population.

[4:54:46 PM](#)

PUBLIC TESTIMONY CLOSED

HB 54 was HELD in Committee.

RECESSED: [4:57:11 PM](#) March 11, 2008
RECONVENED: [11:53:19 AM](#) March 12, 2008

#SB256
[11:53:55 AM](#)

CS FOR SENATE BILL NO. 256 (FIN) am(efd fld)

An Act making supplemental appropriations, capital appropriations, expropriations, and other appropriations; making an appropriation to the senior benefits payment program; amending certain appropriations; ratifying certain expenditures; and making appropriations to capitalize funds.

Co-Chair Meyer MOVED to ADOPT work draft 25-GS2009\W, Kane, 3/10/08 as the version of the bill before the Committee. There being NO OBJECTION, it was adopted.

[11:54:54 AM](#)

SHARON KELLY, STAFF, REPRESENTATIVE MIKE CHENAULT, stated that the House draft contains \$4.415 billion general fund dollars, a reduction of \$5.313 million dollars in federal funds and a reduction of \$40.868 million dollars other funds.

[11:56:05 AM](#)

Ms. Kelly pointed out the two packets of available information, one labeled Total House changes, including a summary sheet of the bill and changes from Sec. 1-32, excluding Sec. 13-15. There is a separate packet showing Sec. 13-15. (Copies on File).

There are five changes to the operating section of the bill.

- Sec. 1-3 Salary contract funding. The draft adds appropriations to cover the Non Covered employees in the Executive, Judicial and Legislative branches. Those increases are normally tied to the Supervisory Unit. The increased amount to \$9.986 million general fund dollars.
- Sec. 4-6 Enterprise Technology Services (ETS) adjustments, no changes were made in the work draft.

- Sec. 7-9 The House draft adds:
 - (A) - Department of Revenue adds \$100 thousand dollars for implementation of HB 2001. The Department's requested amount was reduced because the master auditors have not been hired yet.
 - (B) Department of Transportation and Public Facilities requested dollars to cover increased fuel utilities, lease and commodity costs. The funding amount was \$1.875 million dollars.
 - (C) Department of Transportation and Public Facilities requested \$393.9 thousand dollars to cover arbitration settlements.
 - (D) University of Alaska was funded at \$1.390 million dollars to cover increased fuel costs. The University requested general funds to cover 100% of fuel increases, however, the increment funds 60% of the amount requested in the supplemental and funds 80% of the fuel costs. The FY09 funding requests will fund fuel at the appropriate ratio between General Fund and other University fund sources.

[11:57:46 AM](#)

Representative Kelly questioned the numbers used to determine University fuel costs. Ms. Kelly advised they are about \$1 million dollars short on the request. Representative Kelly asked if that was the final decision. Ms. Kelly explained that was the determination; however, there are other supplemental items coming up in the capital budget.

[11:59:24 AM](#)

PETE ECKLUND, STAFF, REPRESENTATIVE KEVIN MEYER, addressed the capital portions of the bill.

- Sec. 10-12 A \$1.1 million dollar addition to Department of Commerce, Community and Economic Development for climate change grants ranging from \$50-\$100 thousand dollars to help communities plan for erosion problems.
- A similar request for \$230 thousand dollars was made by Department of Environmental Conservation to help fund the Governor's climate sub-cabinet, created through an executive order (EO). The House is

working with the Senate to have them include \$184 thousand dollars to be added to the operating bill as a one time item.

[12:00:12 PM](#)

Mr. Ecklund continued the overview of capital items. He explained that Co-Chair Meyer's office went over the criteria and guidelines the Governor used to determine the vetoes made in last year's capital budget from a letter dated 2/8/08. All items were reviewed from that veto. The office attempted to be as consistent as possible in applying the guidelines to the vetoed projects. A narrow and conservative view was taken on the projects being added to the draft to guarantee that they met those guidelines. He admitted the exercise was subjective.

Mr. Ecklund continued. All House members were invited to discuss projects in their districts & how they met the Governor's guidelines. Some project titles were slightly modified & changed the recipients of school district projects. Some dollar amounts were modified downward as appropriate. From that point, the committee substitute was drafted.

The total added by the House is \$69.227 million general fund dollars and \$750 thousand federal funds.

[12:02:54 PM](#)

Mr. Ecklund pointed out additional funds added to the following departments:

- Department of Environmental Conservation reappropriation requested by the Governor for \$17.19 million dollars for village safe water funds. A new account was established, sweeping the General Fund, federal funds and the Alaska Housing Finance Corporation (AHFC) funds from projects that have been completed or cancelled. The Department will use the following method to redistribute those funds, with previously legislatively appropriated projects, with no change in scope. The oldest came first & prioritized in the same year as before.
- The effective dates have been added back into the bill in Sec. 36-38.

[12:03:42 PM](#)

Representative Gara summarized that the capital budget items listed in the proposed budget total \$69.977 million dollars. He asked how much more that amounted to from what the Senate had proposed. Mr. Ecklund replied that it was \$17.5 million dollars higher than the Senate number.

Representative Gara inquired if that information had been listed in the packet. Mr. Ecklund stated it was included in the distributed handout. (Copies on File).

Representative Gara asked if there was a list. Mr. Ecklund explained that the packet contains three various scenarios. The information sought by Representative Gara is contained in the "House Changes" material, indicating all projects added by the House.

[12:04:31 PM](#)

Co-Chair Meyer noted through Page 14, includes the House additions; after Page 14 are House & Senate combined.

Representative Gara asked if there was a comparison between what the Senate proposed and that of the Governor. Mr. Ecklund advised that the Governor did not propose any of the listed items. Discussion followed between Mr. Ecklund and Representative Gara regarding the crafted projects.

[12:06:15 PM](#)

Co-Chair Meyer clarified the approach taken. The only items being reconsidered in those sections are items vetoed by the Governor last year. Last year, the Governor vetoed about \$200 million dollars of projects. Of that, the major portion was from the Rail belt Energy Fund monies. Of the \$69 million, \$50 million were projects vetoed that the Senate also supports reconsideration of. The House determined other projects not included by the Senate, but still meeting the Governor's guidelines. The House proposed draft does include those items.

[12:07:51 PM](#)

PUBLIC TESTIMONY CLOSED

[12:08:32 PM](#)

Representative Gara discussed inclusion of the \$10 million dollar port expansion project. He asked how that number had been determined. Co-Chair Meyer noted the amount had been submitted by the Municipality of Anchorage (MOA) and that it had been vetoed last year by the Governor. He emphasized the importance of the Port of Anchorage to the entire State, pointing out that 80% of the goods sold throughout Alaska come through the port. The program is matched through the federal government. The port needs to be prepared in order to be able to address the pipe for the Gas Pipeline.

Representative Gara reiterated how the specific amount had been determined. He pointed out that there have been no hearings since the project was vetoed. He requested a determination of the actual amount before it is awarded. Co-Chair Meyer reiterated it would be a federally matched option. He had faith that Mayor Beguich and the Anchorage Assembly had placed the item as their #1 priority. He did not question the request. The project is important to the entire State.

[12:11:52 PM](#)

Vice-Chair Stoltze recalled that after the veto, the Mayor commented that the funding is a critical part of supporting the war effort & our national security. The port project was ratified in agreement and was included in the Senate approach.

[12:13:11 PM](#)

Representative Gara reiterated the question regarding the correct funding amount for the port project. He realized the port is an important project; however, there has been no analysis that the \$10 million dollars is the correct amount. He voiced concern when comparing that number to other necessary State funding projects.

Co-Chair Meyer argued that an email had been sent to all member's for submitting their considerations of important issues. He stipulated that the concern should have been discussed last week.

Representative Gara maintained that budget issues must be discussed publically rather than inside the Chairman's

office. Co-Chair Meyer fully supported the request by MOA, emphasizing that the issue has had public hearings. All the office meetings had been scheduled to review projects. He elaborated that the Committee should not now be dissecting this issue. He did not want to see the process held up. He added the blue book, distributed to all members's, highlights all the detailed items for the Anchorage projects.

[12:15:59 PM](#)

Representative Gara ascertained that the requested item had not shown up in any public forum this year; he wanted to see a hearing on the issue. The item had not been presented in a House Finance Committee bill or meeting until today. He realized that it is a priority of MOA and that he does support the project. He pointed out that when he requests money for projects, they are analyzed closely, and he maintained that all project requests should also be as closely considered.

[12:17:26 PM](#)

KAREN REHFELD, DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET, noted that there are many pieces to the supplemental program, particularly the Senior Benefits Program and requested by the Administration for early consideration. She indicated the Administration's concern with last year's vetoed projects being included in the current bill. The Administration has attempted to work diligently with both bodies to come up with an overall spending plan for the next two fiscal years.

Ms. Rehfeld understood the legislative frustration with the Governor's vetoes last summer and hoped that the Legislature and the Governor could continue to work together on determining an overall level of spending.

Co-Chair Chenault noted the Legislature has been attempting to work with the Administration and will continue to do that through the process.

[12:19:33 PM](#)

Representative Gara inquired if each project had been run individually through the Governor's Office. Ms. Rehfeld responded that the Administration had not addressed

specifics of any project & whether or not they would meet the Governor's criteria. The Administration is attempting to determine the appropriate level of spending & if that can be agreed upon, they realize there will be changes and additions to the Governor's proposed budget. She hoped to come to agreement on the overall size of the budget and not the individual projects.

Representative Gara addressed identifying the overall level of spending and how much the Governor would accept in terms of the extra capital projects. Ms. Rehfeld responded that there has been no discussion about specific dollar amount of legislative discretionary projects. She maintained the need to determine an overall budget target.

[12:22:08 PM](#)

Representative Gara asked if the Governor had been presented information on the port expansion since the veto was made. Ms. Rehfeld noted that the request originated from Governor Sheffield and was in the amount of \$20 million dollars a year, for five years. Governor Palin included \$10 million general bond dollar proposal in the FY09 budget. She did not know if the Legislature had determined from where to take the funding.

[12:23:25 PM](#)

Representative Nelson noted she supports the proposed supplemental bill, which she believes is appropriate. The bill includes a large amount of money for the Revenue Sharing Program, the weatherization program and money for the hero's list to those communities needing to cover increased retirement costs. The vetoed capital projects from last year's budget were unanticipated and consequently, the proposed supplemental is an unanticipated budget dealing with unforeseen costs and disasters. Many communities have bedded the recommendations out, including public hearings, prioritizing their requests. She added that for many of the projects, time is of the essence especially for those in remote Alaska.

Representative Nelson added that the current Administration is on of the most powerful by Constitution in the Nation. Currently, the Legislature is in a 90-day session and constitutionally, the Legislature is the appropriating body. The Legislature recognizes that there is a large

surplus and that the State has a lot of unmet needs in terms of major maintenance and capital projects. It is appropriate to spend some of that money for the life, health, education and safety needs within the State. She reiterated her support for the proposed bill.

[12:26:36 PM](#)

Representative Hawker addressed the changes made in the Senate version adding \$3.6 billion dollars into the budget reserve accounts. He asked if the Administration was supportive of those appropriations into savings. Ms. Rehfeld commented that the Governor is comfortable with the idea of saving. The CBR is an important element to any savings plan. The Governor proposed last year that the entire surplus go into the CBR; however, there is a broader issue with the addition of many significant pieces. There exists a lot of dynamics within the legislation.

[12:28:42 PM](#)

In response to Representative Hawker, Ms. Rehfeld clarified that the \$2.6 billion dollar appropriation into the CBR is an area she believed the Governor would be supportive of. They had not discussed the use of the Statutory Budget Reserve.

Representative Hawker inquired about the Administration's position on the \$300 million dollar appropriation to the Weatherization Program through Alaska Housing Finance Corporation. Ms. Rehfeld advised that the Administration has had conversations with Alaska Housing Finance Corporation and that there is a great deal of support for increasing funding available for those programs. She could not guarantee that \$300 million dollars is the number that the Governor would support.

[12:31:04 PM](#)

Representative Kelly noted that the combination of the \$300 million weatherization in addition to the annuity revenue sharing, brings the State close to ½ billion dollars. He asked if the Administration would prefer that the savings be increased by that amount. Ms. Rehfeld clarified the need for a "bigger picture discussion". Energy is one of the big considerations including the Energy Fund and a funding source for Revenue Sharing. The Governor does

support the pieces of the bill, but wants to address the overall procedure.

[12:32:58 PM](#)

Co-Chair Meyer agreed with comments made by Representative Nelson that the supplemental request is large @ \$4.3 billion dollars, noting that the key is the \$3.6 billion dollars appointed for savings. He added that last year, when the capital items were vetoed, the State did not have the extra oil tax dollars. The State now is in a different environment.

Representative Thomas echoed the comments made by Representative Nelson. He identified the surplus money available to the State. He reiterated the inconsistencies where vetoes were made last year. The State is ahead of revenue expectations.

[12:36:28 PM](#)

Representative Nelson understood that the proposal is large and that the State is constitutionally required to reimburse the CBR. In previous comments, she expressed that the Legislative Branch is the appropriating body; she hoped that the two bodies could get past the disagreements and be non-adversarial. The House has been the Body that takes a more temperate approach to resolving conflicts.

[12:37:40 PM](#)

Representative Gara agreed that there are projects that meet the health and safety guidelines issued by the Governor, but that there are some that do not. He maintained that there is a disconnect in the budget when not funding certain operating budget items and then over-funding in the capital budget. He maintained that the decisions are a matter of leadership, emphasizing that there are important projects in the State that do not get funded. He urged that priorities be ranked.

[12:39:15 PM](#)

Representative Nelson MOVED to ADOPT Amendment 1. Co-Chair Chenault OBJECTED.

Agency: Department of Commerce, Community and
Economic Development Municipal Grants AS 37.05.315

Project: Platinum Solid Waste Landfill Design & Build

Amount: \$732,000

Funding Source: General Funds

Representative Nelson noted that the Department of Commerce, Community and Economic Development, Project of Platinum Solid Waste landfill design and build (HD38) in the amount of \$732 thousand general fund dollars. She explained that the new landfill is needed to serve both the community and the new \$30 million seafood processing plant that coastal Villages Region Fund (CVRF) is building in Platinum construction of the plant is already underway, with the facility for 126 processing employees completed in 2007. The new plant is expected to open for operation in 2009. The plant is largest capital project in the 15-year history of the Western Alaska community Development Quota (CDQ) Program, funded entirely by CVRF.

Representative Nelson WITHDREW Amendment 1.

Co-Chair Chenault realized that the issue needs to be addressed as it provides an opportunity for jobs in rural Alaska. He offered to continue to work with Representative Nelson.

[12:41:27 PM](#)

Representative Nelson MOVED to ADOPT Amendment 2. Co-Chair Chenault OBJECTED.

Representative Nelson explained the amendment.

Co-Chair Chenault pointed out that there are a number of communities that are having similar problems; there are discussions happening with the Corps of Engineers for federal funding. He noted he is working with Representative Joule at this time.

Representative Harris agreed that the bill was not the appropriate vehicle for addressing the problem. The Legislature has attempted to deal with the erosion issues for quite a period of time. He stated that the Corps of

Engineers is putting the project out to bid and is looking for matching funds. Evacuation of the areas will happen sooner or later. He recommended inclusion of the concern in the capital budget.

Representative Nelson stated that recognizing the strong sense of cooperation and the money placed into the supplemental for Department of Commerce, Community and Economic Development grant, she WITHDREW Amendment 2.

[12:46:10 PM](#)

Representative Crawford MOVED to ADOPT Amendment 3, 25-GS2009\VA.1, Kane, 3/11/08. Co-Chair Chenault OBJECTED.

Representative Crawford explained the amendment would do away with the appropriation to the Statutory Budget Reserve and places it instead into the Constitutional Budget Reserve (CBR).

[12:48:56 PM](#)

Representative Crawford read from the statute that establishes the budget reserve fund:

"There is established as a separate fund, the State treasury, the budget reserve fund. The budget reserve fund consists of appropriations to the fund, money received by the State that is subject to the appropriation limit under (b) of this section and exceeds that limit may be appropriated to the budget reserve fund."

Representative Crawford maintained that the proper place for those funds is the CBR and encouraged that the dollars be placed into that fund. Additionally, he added his support to the legislation proposed by Representative Samuels.

Co-Chair Chenault clarified that it has been proposed to place the \$1 billion dollars into the Statutory Budget Reserve and \$2.6 billion dollars in to the CBR. He maintained that any dollars not spent through the budgeting process are "true savings". He understood the complications of withdrawing money from the CBR with the ¾ voting system. He stated that there are two savings accounts within the CBR; one short term and one long term,

which allows the opportunity to look further forward in the budget process. Co-Chair Chenault maintained his OBJECTION to Amendment 3.

[12:54:54 PM](#)

Representative Crawford hoped there could be more discussion because of the long term effect for the State. He characterized the Statutory Budget Reserve (SBR) fund as a deferred spending account. He emphasized that the CBR is a fund that is better thought-out in how to administer the fund. Only taking 25% a year is problematic. He asked if the fund would continue infinitely.

Co-Chair Chenault pointed out that if the Legislature is only able to withdraw 25% of the SBR in one year, perhaps the entire amount should be placed into that fund, because if left in the CBR, 100% can be accessed in any given year.

Representative Gara advised that it does not matter what the SBR states, it is a statute and no one can tell the Legislature how to spend their money next year. Any account is only advisory and is non-binding. He stated that Amendment 3 is correct, which proposes placing \$3.6 billion dollars into the CBR, which is where it would stay because it could not be accessed without a super majority vote. By placing those dollars into the SBR, the money could be withdrawn next year. He supported the recommendation made by Representative Crawford.

[12:58:28 PM](#)

A roll call vote was taken on the motion.

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

Representative Joule was not present for the vote.

The MOTION FAILED (3-7).

[12:59:14 PM](#)

Representative Gara MOVED to ADOPT Amendment 4. Co-Chair Meyer OBJECTED.

Representative Gara explained that the amendment emphasizes the previous point made that there are a lot more important things that the State could accomplish with directed dollars in the capital budget. He pointed out that there are 48 other states that provide more aid to people attempting to get vocational education than Alaska does. Roughly 70% of Alaska kids do not go to college. He believed that some of the surplus money should be used for creating opportunity instead of putting it into capital projects. He maintained that some of the proposed projects are not public safety, health or education related.

The amendment proposes deleting \$2.5 million dollars for the Port of Anchorage expansion and placing those dollars into the Department of Education and Early Development, Alaska Postsecondary Education Commission, (new) Alaska Advantage Education grants. He added that the Alaska Student Loan program provides a \$2.5 million dollar dividend that should stay within the corporation for financial aid for Alaska students. That is how it was proposed by the Governor. He pointed out that Co-Chair Meyer's maintains those dollars should instead be placed into the Capital budget.

[1:01:14 PM](#)

Co-Chair Meyer responded that ASLC dividend as well as the dividends from the other statewide corporations have been placed into the capital budget versus operating budget because once they are in the operating budget, they become ongoing funding obligations. The dividend amounts are not known from year to year & are typically used in the Capital budget. Amendment 4 places them into the Department of Education and Early Development, Alaska Advantage Education grants. Representative Gara pointed out that Alaska is the only state that does not provide money to low income students. Co-Chair Meyer argued that Alaska is the only state that pays a Permanent Fund Dividend (PFD), which can be applied to State tuition, which [Alaska University tuition] is in the lower third nationwide.

Co-Chair Meyer mentioned the top-ten scholars program, an incentive program not discriminating between economic classes. He maintained that keeping the dividends in the capital budget was appropriate.

[1:03:31 PM](#)

Representative Nelson noted that she supports the intent of the amendment, but maintained that the budget under consideration is the supplemental budget for unanticipated costs of the State. She stated she would be a no vote on the amendment.

Co-Chair Chenault noted that he had been working with Representative Gara on the issue. He pointed out that 300 low income college students did receive funding, which is 24% of the money spent in that program. The remaining dollars went to students over 25 years old. He noted that his original intent of the advantage program was for the younger students, not those over 25 years of age. He agreed that the program is worth discussing and probably worth funding through a different vehicle.

[1:06:39 PM](#)

Representative Crawford agreed that both young & old students need help in pursuing their college education. Every year there are students in the scholars program that have to drop out because it only pays the tuition and not other living costs. He concurred that it is not correct that a State such as Alaska, does not do more than any other state in the Union for their student's educational concerns.

[1:09:08 PM](#)

Representative Gara addressed the dividends coming from the Alaska Student Loan Program, which have always totaled more than \$1 million dollars; that is not a reason to place it in the capital budget every year. He pointed out that 90% of the students that qualified for the low income aid did not get it. There is not the funding available to provide an education option to most low income students. He maintained that a \$2.5 million dollars grant dedicated to a specific class of students would be a great enhancement. He added that 75% of the vocational education in the State is provided at the University.

Representative Gara WITHDREW Amendment 4.

AT EASE: [1:11:45 PM](#)
RECONVENE: [1:12:20 PM](#)

Co-Chair Meyer MOVED to REPORT HCS CS SB 256(FIN) out of Committee with individuals recommendations. There being NO OBJECTIONS, it was so ordered.

HCS CS SB 256 (FIN) was reported out of Committee with a "do pass" recommendation.

#

ADJOURNMENT

The meeting was adjourned at 1:12 P.M.