

HOUSE FINANCE COMMITTEE
April 16, 2009
5:11 p.m.

5:11:35 PM

CALL TO ORDER

Co-Chair Hawker called the House Finance Committee meeting to order at 5:11 p.m.

MEMBERS PRESENT

Representative Mike Hawker, Co-Chair
Representative Bill Stoltze, Co-Chair
Representative Bill Thomas, Jr., Vice-Chair
Representative Allan Austerman
Representative Harry Crawford
Representative Anna Fairclough
Representative Richard Foster
Representative Les Gara
Representative Reggie Joule
Representative Mike Kelly
Representative Woodie Salmon

MEMBERS ABSENT

None.

ALSO PRESENT

Representative Jay Ramras; Representative Bob Lynn;
Representative Kurt Olson; Representative Mike Chenault;
Marie Darlin, AARP; Jane Pierson, Staff, Representative Jay
Ramras, Sponsor; Pat Davidson, Legislative Auditor,
Legislative Audit Division, Legislative Affairs Agency;
James Ellis, Staff, Representative Mark Neuman; James King,
Director, Division of Parks and Outdoor Recreation,
Department of Natural Resources; Michael Fokerts,
Recreational Boating Safety Specialist, U.S. Coast Guard;
Senator Joe Thomas; Eddy Jeans, Director, School Finances
and Facilities, Department of Education and Early
Development; Senator Charlie Huggins; Linda Zog, Staff,
Senator Bettye Davis; Ginger Blaisdell, Director, Division
of Administrative Services, Department of Revenue; Peter
Putzier, Senior Assistant Attorney General, Department of
Law; Robert W. Loescher, Tribal Judiciary Committee Member,
Central Council Tlingit & Haida Indian Tribes of Alaska; Max
Hensley, Staff, Senator Johnny Ellis; Guy Bell, Assistant
Commissioner and Director, Division of Administrative
Services, Department of Labor and Workforce Development;
Jake Hamburg, Staff, Senator Joe Paskvan; Lynn Smith,
Division of Corporation Licensing; James Armstrong, Staff,
Co-Chair Stoltze; Karen Rehfeld, Director, Office of

Management and Budget, Office of the Governor; Larry Persily, Staff, Co-Chair Hawker; Joe Balash, Inter-Governmental Coordinator, Department of Natural Resources; John Bitney, Staff, Speaker John Harris

PRESENT VIA TELECONFERENCE

Dale Fox, President, CHARR, Anchorage; Robert McCormick, Financial Manager, Glacier Brew House, Anchorage; Bill Bubbel, Pump House Restaurant, Fairbanks; Jack Amon, Owner, Marx Brothers Café, Fairbanks; Bruce Burnett, Self; Fred Rosenberg, Owner, Red Robin, Anchorage; Bob Winn, CHARR, Anchorage; Trina Johnson, Owner, LaMex, Anchorage; Deborah O'Regan, Alaska Bar Association; Todd Hindman, Teacher, Anvil City Academy, Nome; Ray DePriest, Director of Technical Education, MatSu Schools; Kiki Abrahamson, President, Alaska Charter School Association

SUMMARY

CSSB 1(FIN) "An Act increasing the minimum hourly wage; and providing for an effective date."

CSSB 1 (FIN) was REPORTED out of Committee with zero fiscal note and the recommendations of individual members.

HB 50 "An Act relating to limitations on mandatory overtime for registered nurses and licensed practical nurses in health care facilities; and providing for an effective date."

HB 50 was HEARD and placed in a Subcommittee chaired by Representative Stoltze, with members Hawker, Fairclough, Joule, Foster, and Gara.

HB 88 "An Act extending the termination date of the Board of Governors of the Alaska Bar Association; and providing for an effective date."

CSHB 88 (FIN) was REPORTED out of Committee with the attached zero fiscal note the recommendations of individual members.

HB 151 "An Act repealing the termination date of the statewide boating safety and education program; providing for an effective date by repealing the effective dates of secs. 3,5, 7, 9, 11, 14, 16,18, 20, 23, 26, and 27, ch. 28, SLA 2000, and sec. 3, ch. 119, SLA 2003; and providing for an effective date."

CASHB 151 (FIN) was REPORTED out of Committee with a "do pass" recommendation and with a new fiscal note by the Department of Natural Resources.

CSSB 57(FIN) "An Act relating to charter and alternative school funding."

CSSB 57 (FIN) was REPORTED out of Committee with a "do pass" recommendation and with fiscal note #2 by the Department of Education and Early Development.

CSSB 96(FIN) "An Act relating to nonpayment of child support, to the definition of the term "state" for the purposes of the Uniform Interstate Family Support Act, to certain judicial and administrative orders for medical support of a child, to periodic review and adjustment of child support orders, to relief from administrative child support orders, to child support arrearages, and to medical support of a child and the Alaska Native family assistance program; amending Rule 90.3, Alaska Rules of Civil Procedure; and providing for an effective date."

HCS CSSB 96 (FIN) was REPORTED out of Committee with a "do pass" recommendation and with zero fiscal note #1 by the Department of Revenue.

CSSB 170(FIN) "An Act modifying the Alaska unemployment insurance statutes by redefining the base period for determining eligibility for unemployment benefits; relating to contributions, interest, penalties, and payments under the Alaska Employment Security Act; and providing for an effective date."

CSSB 170 (FIN) was REPORTED out of Committee with a "do pass" recommendation and with a new zero fiscal note by the Department of Labor and Workforce Development.

CSSB 114(L&C) "An Act extending the termination date of the State Board of Registration for Architects, Engineers, and Land Surveyors; extending the term of a temporary member of the State Board of Registration for Architects, Engineers, and Land Surveyors; and providing for an effective date."

CSSB 114 (L&C) was REPORTED out of Committee with a "do pass" recommendation and with and with fiscal note #1 by the Department of Commerce, Community and Economic Development.

CSSB 75(FIN) "An Act making and amending appropriations, including capital appropriations, supplemental appropriations, and appropriations to capitalize funds; and providing for an effective date."

CSSB 75 (FIN) was HEARD and HELD in Committee for further consideration.

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#sb1

CS FOR SENATE BILL NO. 1(FIN)

"An Act increasing the minimum hourly wage; and providing for an effective date."

Co-Chair Hawker announced that public testimony for SB 1 would commence. He felt that the proposed tip credit amendment was appropriate for the legislation.

MARIE DARLIN, AMERICAN ASSOCIATION OF RETIRED PERSONS (AARP) CAPITAL CITY TASK FORCE, testified in favor of SB 1. She highlighted points from the letter submitted by AARP (copy on file). She expressed concern for older Alaskans working part-time at the minimum wage. She articulated the importance of a living wage for elderly Alaskans. She pointed out to the committee that the number of elderly workers earning the minimum wage was growing in size, and that policies should be implemented to insure that elderly employees are earning enough to cover essential living expenses.

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DALE FOX, PRESIDENT, ALASKA CABARET, HOTEL, RESTAURANT AND RETAILERS ASSOCIATION (CHARR), ANCHORAGE testified via teleconference. He stated that CHARR supports the minimum wage increase, provided the legislation includes a comprehensive tip credit proposal. He detailed several ways in which the tip credit would help employers. He explained that the proposed tip credit would provide incentives to businesses that provide an environment for highly compensated tipped employees. He stressed that the tip credit proposal that CHARR suggests differs from similarly titled laws in other states. For example, the tip credit proposed by CHARR would not reduce the tipped employee's wage of \$7.25. The tipped employee would need to make at

least \$14.50 per hour in order for the employer to qualify for the credit.

Co-Chair Hawker commented that the legislature was not prepared to move forward on the CHARR tip proposal legislation.

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ROBERT MCCORMICK, FINANCIAL MANAGER, GLACIER BREW HOUSE/ORSO RESTORANTE, ANCHORAGE, testified via teleconference. He stated that the majority of his employees make the minimum wage. In addition to paid wages, the employees also earn tips. In 2008, tipped employees averaged as much as \$13.99 per hour in tips. When added to the average hourly wage of \$7.83, the total hourly wage was 21.83. He stated that only the highest paid restaurant workers would benefit from the legislation. He explained that the tip credit proposed by CHARR would affect only persons making \$7.25 per hour or more in tip income. He opined that the restaurant industry has been burdened by challenges brought on by the current economic crisis. He stressed that if the minimum wage increase is to be considered it must include a tip credit amendment.

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Representative Gara shared that he understood the difficulties faced by the restaurant industry. He reasoned that it made sense to adjust the minimum wage to reflect the rising cost of living. He noted that the prices on restaurant menus have risen while the wage paid to servers has not.

Mr. McCormick contended that the average percentage tipped employees receive for their service is based on sales, and therefore, rises with inflation. He felt that because of this, the raising of the hourly wage would be unnecessary. Representative Gara asked if Mr. McCormick's employees were currently making the same wage of \$7.15 per hour now, as in 2006. Mr. McCormick said that was correct.

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BILL BUBBEL, OWNER, PUMP HOUSE RESTAURANT, FAIRBANKS testified via teleconference. He inquired about the proposed amount of the minimum wage increase. Co-Chair Hawker replied that the legislation would raise the minimum wage by \$.50 after January 1, 2010. Mr. Bubbel felt that the amount was acceptable. He stressed that Department of Labor and Workforce Development (DOL) statistics, which state that 22 thousand Alaskans are currently earning minimum wage, do not take into account tipped employees. He felt that the statistics on restaurant employee earnings were flawed in

various ways. He explained that restaurant employers pay a 10 percent tax on employee tips. For example; when his employees earn a total of \$400,000 a year in tips, he is responsible for paying \$40,000 in taxes on those tips. This is comparable to a yearly wage that he was unable to pay to another employee. The tip credit is a way to mitigate the extra expense to employers. He expressed concern for the possibility of a financially unsuccessful tourist season. He reiterated Mr. McCormick's rhetoric about the rise of tip percentage with inflation.

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JACK AMON, OWNER, MARX BROTHERS CAFÉ, ANCHORAGE testified via teleconference. He stressed that most restaurant employees already make well over the minimum wage. He added that for all financial purposes, tipped earnings are wages. He shared that the average earnings for tipped employees in the restaurant industry are \$25,000 to \$40,000 per year. He stated that the structure of minimum wage laws in the state unfairly restrict the restaurant industry from receiving compensation for tipped employees. He felt that the intent of the bill was unfair and contrary to law.

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Representative Gara pointed out that the minimum wage has not gone up in six years. Mr. Amon questioned the logic of forcing the restaurant industry to pay a higher minimum wage. Representative Gara countered that only the tip portion of the employee salary has risen with inflation.

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BRUCE BURNETT, OWNER, TGIFRIDAYS, ANCHORAGE, testified via teleconference. He stated that none of his employees make less than \$9.00 per hour. He said that the bartenders and waiters that work for him make \$30.00 to \$40.00 per hour, including tips. He felt the tip credit was necessary to balance a raise in the minimum wage.

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Representative Kelly summarized that Mr. Burnett didn't want the government controlling employer ability to set pay scales for their establishments. Mr. Burnett felt that the amount employers would be asked to spend on the raises could be excessive.

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FRED ROSENBERG, OWNER, RED ROBIN, ANCHORAGE testified via teleconference. He echoed the previous testimony. He spoke in support of raising the minimum wage, but emphasized the

need for a tip credit. He said that the federal government recognizes all wages as income. Waiters in his restaurant average \$22 per hour in reported tip income, in addition to the hourly wage. The tip credit is recognized in forty-three states across the country as way to balance the wages of all restaurant employees. It provides the employers with a way to pay non tipped employees a comparable wage.

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BOB WINN, CHARR, ANCHORAGE testified via teleconference, agreed with the previous testimony. He felt that the tip credit was crucial to ensure the survival of small businesses in the current economic climate.

Representative Gara commented that as a restaurant owner, he is aware that restaurant profit margins are not large; however, as a policy maker, he is advocating for the employee.

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TRINA JOHNSON, OWNER, LAMEX, ANCHORAGE testified via teleconference. She agreed with the previous testifiers. She shared her experience in the restaurant industry. She said that the minimum wage increase of five years ago forced her to close one of her restaurants. She referred to a letter she submitted to the committee (copy of file). She related that she no longer is able to provide any benefits to her employees. She testified strongly in support of the addition of a tip credit to the legislation.

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Co-Chair Hawker solicited further public testimony. There being none, public testimony was closed.

Representative Gara shared his decision not to offer Amendment 2, which had been handed out to the committee for discussion. He referred to the Legislative Research Report on the deletion of the inflation proofing provision on the minimum wage (copy on file). He explained that under the Murkowski administration the inflation proofing provision was deleted from the minimum wage, stalling the minimum wage at \$7.15 per hour. Had the provision remained and the minimum wage kept up with inflation it would now be \$8.50 per hour. He maintained that there would be no significant employee impact if wages were raised a maximum of 10 per cent a year. He spoke in favor of raising the minimum wage to make up for the inflation losses that workers have incurred since 2003. The amendment would have increased the minimum wage by 70 cents per year for the next 2 years. He pointed out that 10,000 people earn less than \$8 per hour in the state. He thought fair pay for hard work was important.

He related that the wage increase was necessary for employees that might not be courageous enough to demand wage increases, which are necessary to offset the rise in the cost of living.

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Representative Fairclough voiced support for the minimum wage increase. She requested an expansion of the conversation to include global business issues. She informed the committee that the United States is currently indebted to China for \$3 trillion. She asserted that people in America can't afford to buy American made products. She stressed that increasing labor costs would force companies to raise prices on goods and services. She emphasized the importance of supporting a tip credit in order to save American jobs. She felt the minimum wage increase, without the tip credit, was inappropriate given the current economic climate.

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Vice-Chair Thomas spoke of his experience as a commercial fisherman. He felt with the current price of fish being low, an increase in the minimum wage could harm the commercial fishing industry. He expressed alarm that 10,000 people in the state were making less than minimum wage. He asserted that DOL distributes a substantial amount of money to train Alaskans for jobs that pay above the minimum wage and wondered why there were so many low paid residents throughout the state.

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Representative Crawford commented that the proposed \$.50 rise of the minimum wage was inadequate. He felt that the lack of benefits and low wages presented to the workforce were appalling. He spoke against the tip credit and stressed that the minimum wage should be higher. He also stressed the need for employees to receive health care benefits from their employers. He expressed frustration with the legislation.

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Co-Chair Hawker referred to a document distributed to the committee by Representative Gara's office entitled, "Estimate Alaska 2007 Employment by Industry and Below Certain Wages" (copy on file). The numbers, provided by DOL, show that approximately 9,000 workers in the state earn \$7.75 per hour. About 22,000 earn less than \$8.75 per hour.

Representative Gara commented that Alaska used to have the highest minimum wage in the country, and now has the lowest minimum wage on the West Coast.

Vice-Chair Thomas requested that DOL provide a report on how many of Alaska's unemployed workers have been offered job training.

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Co-Chair Hawker noted the zero fiscal note represented the impact to the State of Alaska as an entity, but not to private employers.

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Representative Kelly expressed disappointed that there had not been more support for including the tip credit in the legislation.

Vice-Chair Thomas MOVED to report CSSB 1 out of Committee with individual recommendations and the accompanying fiscal note. There being NO OBJECTION, it was so ordered.

CSSB 1 (FIN) was REPORTED out of Committee with the attached zero fiscal note and the recommendations of individual members.

[6:07:36 PM](#)

#hb88

HOUSE BILL NO. 88

"An Act extending the termination date of the Board of Governors of the Alaska Bar Association; and providing for an effective date."

Vice-Chair Thomas MOVED to adopt CS for HB 88, 26-LS410\R as a working document. There being NO OBJECTION, it was so ordered.

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JANE PIERSON, STAFF, REPRESENTATIVE JAY RAMRAS, SPONSOR, explained that the bill would extend the termination date of the Board of Governors of the Alaska Bar Association to June 30, 2013. She informed the committee that the Alaska Bar Association was established in 1955. The two primary functions of the association are to screen applicants for admission, and to provide discipline by investigating grievances against members of the bar. The association also provides classes for continuing legal education, lawyer referral service, pro-bono services, and lawyer fee arbitration. The board consists of 12 members; nine are

attorney members, elected by the active membership of the Bar Association, three are non-attorney public members, elected by the governor and confirmed by the legislature. The Division of Legislative Budget & Audit (LB&A) concluded in a November 4, 2008 report that the board, through the Alaska Supreme Court, protects the public by insuring persons licensed to practice law are qualified, and provides for the investigation of complaints. The division recommended the termination of the board be extended to June 30, 2017. The board is scheduled to terminate on June 30, 2009. Upon termination, the board would have one year to conclude its administrative operations.

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PAT DAVIDSON, LEGISLATIVE AUDITOR, LEGISLATIVE AUDIT DIVISION, LEGISLATIVE AFFAIRS AGENCY, explained the extension audit was conducted as required by statute. The division recommended that the board be extended for the next eight years. Since the audit, conducted two years ago, the bar dues have been reduced from \$550.00 to \$410.00. The audit recommended mandatory continuing legal education for members. Another prior recommendation included improving the association's website to make discipline information regarding attorneys available to the general public. The division also recommended amending the bar bylaws to meet public notice requirements.

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Co-Chair Hawker opened public testimony.

DEBORAH O'REGAN, ALASKA BAR ASSOCIATION testified via teleconference. She offered to stay online to be available to answer questions.

Co-Chair Hawker closed public testimony.

[6:14:02 PM](#)

Co-Chair Hawker addressed the zero fiscal note.

Representative Foster referred to page 3 of the Alaska Bar Association 2007 Annual Report (copy on file). He asked how many lawyers were members of the Alaska Bar Association. Co-Chair Hawker understood that Anchorage had the highest number of lawyers per capita of any city in America.

Ms. O'Regan reported that there are 38,000 members of Alaska Bar Association. Of those, 1000 are either inactive or outside the state. This brings the total of in-state members to 28,000.

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Vice-Chair Thomas MOVED to report CSHB 88, 26-LS0410\R (FIN) out of Committee with individual recommendations and the accompanying fiscal note. There being NO OBJECTION, it was so ordered.

CSHB 88 (FIN) was REPORTED out of Committee with the attached zero fiscal note the recommendations of individual members.

[6:16:21 PM](#)

#hb151

HOUSE BILL NO. 151

"An Act repealing the termination date of the statewide boating safety and education program; providing for an effective date by repealing the effective dates of secs. 3, 5, 7, 9, 11, 14, 16, 18, 20, 23, 26, and 27, ch. 28, SLA 2000, and sec. 3, ch. 119, SLA 2003; and providing for an effective date."

JAMES ELLIS, STAFF, REPRESENTATIVE MARK NEUMAN, explained that the bill would extend the sunset date of the Statewide Boating Safety and Education Program. The program has reduced boating related deaths in the state by 20 percent since 2000. Timely expedition of the legislation would allow the state to receive federal funding.

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Co-Chair Hawker noted that the original bill had asked for the sunset date to be extended through 2018. The potential CS for HB 151 provides a one-year extension, with the intention of revisiting the issue during the 2010 session. He wondered if the sponsor was comfortable with the compromise. Mr. Ellis replied in the affirmative.

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JAMES KING, DIRECTOR, DIVISION OF PARKS AND OUTDOOR RECREATION, DEPARTMENT OF NATURAL RESOURCES, highlighted the importance of the Kids Don't Float program. He shared that the Boating Safety and Education program has been a major contributor to the 514 life-jacket loaner boards, in 153 communities, throughout the state. The Kids Don't Float program has provided education to over 63,000 people in communities all across the state. Mr. King detailed other educational programs that benefit under the Boating Safety and Education Program. He stated that since the program began, recreational boating fatalities have declined by 20 percent. He emphasized his support for the one year extension.

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Co-Chair Stoltze moved to adopt the CS for HB 151 26-LSO422\P as a working document. There being NO OBJECTION, it was so ordered.

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MICHAEL FOKERTS, RECREATIONAL BOATING SAFETY SPECIALIST, U.S. COAST GUARD, read from the White Paper (copy on file). He testified that the Coast Guard, through the Secretary of Homeland Security, is directed to carry out a national recreational boating safety program under chapter 131 of title 46 of the United States Code. The goal of the program is to encourage states to assume the role in assisting and enforcing the carrying out of boating safety education and activities. Under this program the Coast Guard allocates and distributes funds to eligible states to assist in developing and implementing boating safety programs. Federal financial assistance is provided through the Boating Safety account of the Aquatic Resources Trust Fund, also known as the Sport Fish Restoration and Boating Trust Fund. Alaska met the eligibility requirements to receive the funds in 2000 with the passing of HB 108, the Alaska Boating Safety Act. The Alaska Boating and Safety Program is funded almost entirely by the federal grant. The program has now been in place for nearly ten years. Under the program recreational boaters are safer and more educated and boating fatalities have declined. He relayed that the Coast Guard will continue to maintain a working relationship with the state.

Co-Chair Hawker solicited further testimony.

JEFF JOHNSON, BOATING LAW ADMINISTRATOR, DEPARTMENT OF NATURAL RESOURCES (DNR), was available, via teleconference, for questions.

Representative Foster commended DNR for their good work.

Co-Chair Hawker closed public testimony.

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Representative Joule spoke in support of the bill. He hoped the program would help provide closure for mourning families by aiding in the quick recovery of drowning victims.

Vice-Chair Thomas remarked that he had seen the Kid's Don't Float program working in action. He asserted there should be a similar program for adults.

Co-Chair Hawker noted the one year sunset from June 30, 2010 to June 30, 2011. He pointed out to the committee the fiscal note showing an additional expenditure needed in 2010. He

asked if the fiscal note was in the 2010 budget or if it was an incremental. Mr. King replied that the fiscal note reflected boat registration fees. He said that those fees would be for 2010. Co-Chair Hawker asked if the appropriations and capital expenditures were already in the 2010 budget. He added that the note reflected inter-agency receipts being spent for personal services. He wondered if the expenditures were already in the 2010 budget. Mr. King replied in the affirmative. Co-Chair Hawker clarified that it was not an incremental fiscal note. He asked if the capital expenditure was already in the 2010 budget. Mr. King replied that the division receives a federal grant and that the receipt authority for that grant is in the 2010 budget.

Co-Chair Hawker summarized that the division has the amounts already in the budget and that the fiscal note was presented for information purposes only. He asked the committee to forward the bill with the zero fiscal note to prevent the duplication of authority. Mr. King requested confirmation from Mr. Johnson.

Mr. Johnson stated that it was a continuation of the budget that has always existed. He said that it varies from year to year, but that the department was in the capital budget for the specified amount.

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Co-Chair Hawker MOVED to change the fiscal note to show a zero appropriation in FY 2010, leaving in what the department already has budgeted. There being NO OBJECTION, it was so ordered.

Co-Chair Stoltze commented on the dissimilarities between the federal and state fiscal year, and recognized this could pose a problem when applying for federal grants. He said that he had drafted the CS for the one year sunset extension with the intention of examining the complexities of the program. He mentioned his concerns with the regulation of responsible adults and DNR bureaucrats and hoped that the bill would reflect the ways in which Alaskans could benefit from their own natural resources.

Co-Chair Stoltze MOVED to report CSHB 151 (FIN) out of Committee with individual recommendations and the accompanying fiscal note. There being NO OBJECTION, it was so ordered.

CSHB 151 (FIN) was REPORTED out of Committee with a "do pass" recommendation and with a new fiscal note by the Department of Natural Resources.

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Representative Foster wondered about school involvement in the Kid's Don't Float program. Mr. King replied that the program was taught in schools throughout the state. He stressed that the effort to educate children is an absolute priority.

#sb57

CS FOR SENATE BILL NO. 57(FIN)

"An Act relating to charter and alternative school funding."

[6:36:20 PM](#)

SENATOR JOE THOMAS, SPONSOR, read from the Sponsor Statement (Copy on File). He explained that the legislation was about supporting school choice by extinguishing the charter school penalty. He shared that charter schools are public schools, open to all children free of charge. Charter Schools must comply with state laws and employ state certified teachers, who are employees of their local school district. The schools are managed by a parent- teacher board of directors, which determine school curriculum and teaching methods, within the guidelines of state statute. Current law results in charter schools with fewer than 150 students receiving 30 to 45 percent less state funding than neighborhood schools of comparable size. He referred to the chart, "Adjusted Student Count for Charter Schools vs. Neighborhood Schools" (copy on file). He stated that the legislation would provide charter schools, with fewer than 150 students, a student count adjustment equal to that of neighborhood schools with 400 students. The bill would also address the problem created for school districts when charter and alternative schools unexpectedly enroll fewer students than is required by the state to fund them as separate schools. Presently, the number of students a charter school must have enrolled in order to be funded as a school is 150, an alternative school must have 200. When these schools fall one student below the threshold, the state cuts funding by \$500,000 to \$700,000. This is detrimental not only to the school but to the district as well. CS for SB 57 contains a one year "hold harmless" provision for schools that unexpectedly fall below the threshold in their first year of operation, or were above the threshold the previous year and then fell below. For one year the schools would receive 95 percent of the per student rate that they would have received at the threshold. During the "hold harmless" year the school would be required to submit a budget to their local school board laying out the plan for the following year if their enrollment does not rise. Finally, the CS lowers the separate schools threshold for alternative schools from 200 to 175 students. He shared that Alaska has a serious problem with school achievement and high school graduation, and that what works well for one

student may not work best for all students. Charter schools and alternative schools offer parents choice within the public school system. The legislation has been shown strong support by school districts throughout the state. He expressed concern that the school funding system has limited communities in their ability to create and sustain innovative programs and urged committee support for the bill.

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Representative Gara wondered if the legislation would affect the funding of traditional schools. Senator Thomas answered no.

EDDY JEANS, DIRECTOR, SCHOOL FINANCES AND FACILITIES, DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT, introduced himself.

Representative Gara reiterated his concerns that the legislation could negatively impact funding for traditional K-12 schools. Mr. Jeans replied that, provided the fiscal note was passed along with the bill, the funding of other schools in the state would not be affected.

SENATOR CHARLIE HUGGINS, WASILLA, shared that he assisted in opening the first two charter schools in Mat-Su. He discussed the commonalities between charter schools and alternative schools, which at one time had the same minimum student count. He explained that when a charter school drops from 150 to 149; alternative school 200 to 199, the school incurs a loss of \$500,000 to \$700,000. Both are schools of choice. The difference between the two programs is stark. Charter schools traditionally have a strong support system, alternative schools do not. For many, alternative schools are usually the last stop before dropping out of school. He stated that charter and alternative school programs throughout the state face multiple challenges.

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Senator Huggins described agreement worked out between proponents of alternative schools and proponents of charter schools. He stated that he thought the measure was rational and urged the committee to support the legislation.

Vice-Chair Thomas asked how many charter schools were in the Haines district. Mr. Jeans replied that there were none.

Vice-Chair Thomas wondered if passing the measure would encourage all schools to expect more money. Mr. Jeans replied that he could not make the assurance that schools would not ask for increased funding in the future. He believed that the legislation addresses the problem by

allowing schools that are on the verge of losing funding to transition to a new funding level should their enrollment decrease, instead of being forced to shut down.

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Senator Huggins noted that the number of students required for adequate funding in neighborhood schools is dramatically different than charter or alternative schools.

Vice-Chair Thomas reiterated concerns about increased expectations for funding from traditional schools.

Senator Thomas referred to the chart, "Adjusted Student Count for Charter Schools vs. Neighborhood Schools"(copy on file). He shared that the traditional schools have less participation in enrollment.

Representative Gara wondered what the student count for traditional school funding was based on. Mr. Jeans explained the Rule of 10. He said that traditional schools do not lose funding at 10 students, but the funding is substantially reduced. He pointed out that that policy was put in place by the legislature in 1998, to encourage small schools in the state to close. Representative Gara stated that he supported the legislation.

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Co-Chair Hawker opened public testimony.

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TODD HINDMAN, TEACHER, ANVIL CITY SCIENCE ACADEMY, NOME, testified via teleconference, related that small charter schools are vital in order to provide specific educational needs in both rural and urban communities in the state. The small size of charter schools allows for flexibility to provide unique educational opportunities for students. Teachers are able to develop and implement lessons in which students can use the community and their environment as educational resources. He furthered that the small school size creates a culture around family values, ensuring student success through daily engagement of parents. He concluded that charter schools are identifying and meeting specific needs within Alaskan communities.

[6:53:56 PM](#)

RAY DEPRIEST, DIRECTOR OF CAREER TECHNICAL EDUCATION, MATSU SCHOOL DISTRICT, testified via teleconference, in support of the bill. He stated that there are four charter schools and three alternative schools within the district, which enroll 1500 students. He believed that the bill would correct the

funding problem in an impartial and fiscally dependable manner. He relayed that in 2008, the district suffered a loss of \$780,000, when the enrollment numbers of one alternative school in the district unexpectedly dropped from 200 to 194. He spoke in strong support of the "hold harmless" provision contained in the legislation.

KIKI ABRAHAMSON, PRESIDENT, ALASKA CHARTER SCHOOL ASSOCIATION testified via teleconference, She spoke in favor of the legislation. She pointed out that innovation; alternatives and accountability were necessities in education, to meet the changing needs of the workforce, financial situations, and communities. She strongly urged committee support for the bill.

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Co-Chair Hawker closed public testimony.

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Mr. Jeans detailed the fiscal notes. The second page of the fiscal notes highlights the impact of the funding changes for carter school with less than 150 students. The third page illustrates the impact of the "hold harmless" provision on the Mid-Valley Alternative High School in Mat-Su.

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Co-Chair Stoltze clarified for the committee that charter schools are public schools.

[6:59:20 PM](#)

Co-Chair Stoltze MOVED to report CSSB 57 (FIN) out of Committee with individual recommendations and the accompanying fiscal note. There being NO OBJECTION, it was so ordered.

CSSB 57 (FIN) was REPORTED out of Committee with a "do pass" recommendation and with fiscal note #2 by the Department of Education and Early Development.

[7:01:00 PM](#)

#sb96

CS FOR SENATE BILL NO. 96(FIN)

"An Act relating to nonpayment of child support, to the definition of the term "state" for the purposes of the Uniform Interstate Family Support Act, to certain judicial and administrative orders for medical support of a child, to periodic review and adjustment of child support orders, to relief from administrative child

support orders, to child support arrearages, and to medical support of a child and the Alaska Native family assistance program; amending Rule 90.3, Alaska Rules of Civil Procedure; and providing for an effective date."

LINDA ZOG, STAFF, SENATOR BETTYE DAVIS, introduced the bill and read from the Sponsor Statement (copy on file). Senate Bill 96 brings the state into compliance with the federal government regulations adopted in July 2008, which requires states to have guidelines addressing how either or both parents will provide for a child's health care needs. If a parent is ordered to pay for health care including cost medical support, the Child Support Services Division (CSSD) must enforce the ongoing medical support obligation as well as collect any cash medical support arrears. Failure to satisfy these mandated requirements jeopardizes \$85 million in federal funding for both the Alaska Child Support Program and Temporary Assistance for Needy Families (TANF). The bill adds an "Indian tribe" and the "United States Virgin Islands" to the definition of state. The bill adds to existing law the authority for a tribunal to order either or both parents to pay cash medical support, if warranted. In addition, the bill directs CSSD to review child support orders for modification on a federally mandated three-year cycle. The bill adds "cash medical support" to the definition of arrears, and to the definition of support order, enabling Child Support Enforcement to use existing enforcement tools to collect a cash medical support obligation on behalf of the child. Finally, the bill removes the language of who may request the correction of a clerical mistake in an administrative order, or request the vacation of an administrative order based on defaulted information. The bill assures \$85 million to the state for child support enforcement and TANF.

[7:04:48 PM](#)

GINGER BLAISDELL, DIRECTOR, DIVISION OF ADMINISTRATIVE SERVICES, DEPARTMENT OF REVENUE, presented a list of people available to answer specific questions regarding the bill.

Co-Chair Hawker asked if the department and the governor support the bill. Ms. Blaisdell reported that they do.

[7:05:59 PM](#)

Vice-Chair Thomas MOVED to adopt Amendment 2:

Page 2, line 8, following "order.":
Delete "In adopting UIFSA conforming amendments, the legislature does not intend to grant or restrict tribal jurisdiction to enter, modify, or enforce child support orders, and the amendments are not intended, either

directly or impliedly, to acknowledge, expand, or restrict tribal jurisdiction."

Insert "In adopting UIFSA conforming amendments, the legislative intent is:

- (1) to remain neutral on the issue of the underlying child support jurisdiction, if any, for the entities listed in the amended definition of "state."
- (2) not expand or restrict the child support jurisdiction, if any, of the listed "state" entities in the amended definition; and
- (3) not to assume or express any opinion about whether those entities have child support jurisdiction either in fact or in law."

Renumber accordingly.

Co-Chair Hawker OBJECTED for discussion.

[7:06:30 PM](#)

PETER PUTZIER, SENIOR ASSISTANT ATTORNEY GENERAL, DEPARTMENT OF LAW, explained that Amendment 2 relates to the legislative intent language. The legislative intent language applies only to the Uniform Interstate Family Support Act (UIFSA) portion of the legislation and is related to State of Alaska Statute 25.25. The intent was to specify, with the writing of the amendment, that the department was not reshaping or restructuring state tribal governmental relationships, or making a broad jurisdictional statement. Rather, the intent was to make a technical amendment to unify Alaska with the rest of the nation and with the federal act.

Co-Chair Hawker WITHDREW his objection. There being NO OBJECTION, Amendment 2 was ADOPTED.

[7:09:37 PM](#)

Co-Chair Hawker requested that legislative legal be allowed to make technical changes to the amendment. Mr. Putzier pointed out that many parties had negotiated in determining the final language of the amendment. He requested that it go forward as written.

Co-Chair Hawker withdrew his request to grant authority to legislative legal to make technical changes to the amendment. He requested that the amendment be drafted as written.

[7:11:56 PM](#)

Representative Foster asked Mr. Robert Loescher to discuss the amendment.

ROBERT W. LOESCHER, TRIBAL JUDICIARY COMMITTEE MEMBER, CENTRAL COUNCIL TLINGIT & HAIDA INDIAN TRIBES OF ALASKA, shared that the amendment being offered was satisfactory to the council and urged committee support.

[7:13:17 PM](#)

Co-Chair Hawker opened public testimony, none being offered, public testimony was closed.

[7:15:09 PM](#)

Representative Gara asked if it would be possible to work with the bill's sponsors and the chairs of both finance committees, to incorporate foster care reform legislation into the bill. Co-Chair Hawker was hesitant to hold the bill in committee. Representative Gara said that he would speak to the necessary channels before the bill was heard on the House floor.

Co-Chair Hawker noted the zero fiscal note.

Ms. Blaisdell pointed out that the passing of the legislation would be of no additional cost to the department. She warned that there was a chance that the state could lose up to \$85 million if the legislation did not pass.

[7:17:38 PM](#)

Vice-Chair Thomas MOVED to report HCS CSSB 96 (FIN), as amended, out of Committee with individual recommendations and the accompanying fiscal note. There being NO OBJECTION, it was so ordered.

HCS CSSB 96 (FIN) was REPORTED out of Committee with a "do pass" recommendation and with zero fiscal note #1 by the Department of Revenue.

[7:19:02 PM](#)

#sb170

CS FOR SENATE BILL NO. 170(FIN)

"An Act modifying the Alaska unemployment insurance statutes by redefining the base period for determining eligibility for unemployment benefits; relating to contributions, interest, penalties, and payments under the Alaska Employment Security Act; and providing for an effective date."

MAX HENSLEY, STAFF, SENATOR JOHNNY ELLIS, explained that SB 170 would make two minor amendments to the unemployment insurance statutes. The first change, found in sections 13 and 20, would update eligibility standards for unemployed workers receiving benefits from the Unemployment Insurance Trust Fund. Current eligibility is based on employers meeting a minimum earnings standard in the first four of the previous five calendar quarters. The change would allow workers failing to meet the standard to recalculate their eligibility using the last four completed quarters. This would expedite the receiving of unemployment benefits. The change would make the state eligible for \$15.6 million in federal stimulus funding to the trust fund, and \$1.1 million in administrative costs. He stressed that, as long as a portion of the federal stimulus dollars were deposited into the trust fund, there would be no increase in the unemployment insurance taxes paid by businesses and workers that support the fund. Any additional funds would be spent on targeted job training. He referred to letters of support for the bill in committee members' packets (copy on file). The second change is the addition of federally recognized tribes to the list of reimbursable employers. Alaska has been out of compliance with federal law since 2002. The language would require the state to treat tribes like non-profit employers and municipalities, and would allow tribal entities to reimburse the unemployment trust fund for the benefits drawn by employees, after the funds are drawn, rather than before. He referred to the letter from the State of Alaska Department of Labor (DOL) to the federal DOL (copy on file). The letter notes that most tribal entities will not take advantage of the change, but must be offered the option to do so, in order for the state to be in compliance with federal law. He cited a list of tribal entities that would be affected by the legislation (copy on file).

[7:23:34 PM](#)

GUY BELL, ASSISTANT COMMISSIONER AND DIRECTOR, DIVISION OF ADMINISTRATIVE SERVICES, DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT, reported that the administration was neutral on the bill, but the preference of the administration was that the two sections be separated.

Co-Chair Hawker asked if the administration had a position on either section. Mr. Bell related that the governor sponsored the Native Entity Compliance component of the legislation. He added that the state would be subject to federal sanctions, if the provision was not adopted.

Co-Chair Hawker wondered why the other portion of the legislation had not been endorsed by the administration. Mr. Bell referred to the administrations belief that there were strings attached to the federal stimulus dollars.

[7:25:55 PM](#)

Co-Chair Hawker asked what the attached strings might be. Mr. Bell thought there was a required statutory change that would have an impact on the systems liability. Co-Chair Hawker wondered what the benefit to the state would be if the statutory changes were made. Mr. Bell reported that the state would be eligible to apply for and receive \$15.6 million in the Unemployment Insurance Trust Fund.

[7:27:00 PM](#)

Representative Gara asked how much of the federal funds would be available for the general fund in FY 2010 and FY 2011. Mr. Bell explained that the money would go automatically into the Unemployment Insurance Trust Fund. He stated that there were over \$1 million general fund dollars being invested in the trust fund. A future legislature could make the determination to exchange some of the \$15.6 million in federal funds for the \$1 million general fund dollars.

[7:28:37 PM](#)

Mr. Hensley added that the stimulus dollars were available for a limited time, but once procured, could be spent at any time going forward. He noted that it was Senator Ellis' intent that employees and employers be held harmless on the increased liability.

Representative Gara wondered if there would be enough in the \$15.6 million to replace \$1 million of the general fund in other areas. Mr. Bell concluded that he did not know.

Co-Chair Hawker ruminated that the actuarial calculation was fairly sophisticated.

[7:31:08 PM](#)

Co-Chair Hawker opened public testimony, none being offered, public testimony was closed.

[7:33:24 PM](#)

Co-Chair Hawker commented that there was a zero fiscal note.

[7:33:48 PM](#)

Vice-Chair Thomas MOVED to report CSSB 170 (FIN) out of Committee with individual recommendations and the accompanying fiscal note. There being NO OBJECTION, it was so ordered.

CSSB 170 (FIN) was REPORTED out of Committee with a "do pass" recommendation and with a new zero fiscal note by the Department of Labor and Workforce Development.

[7:35:16 PM](#)

#sb114

CS FOR SENATE BILL NO. 114(L&C)

"An Act extending the termination date of the State Board of Registration for Architects, Engineers, and Land Surveyors; extending the term of a temporary member of the State Board of Registration for Architects, Engineers, and Land Surveyors; and providing for an effective date."

Co-Chair Hawker detailed the life of the bill as it had traveled through different committees. He believed that the bill before the committee was the same version the committee had heard prior.

JAKE HAMBURG, STAFF, SENATOR JOE PASKVAN, agreed.

[7:35:58 PM](#)

Representative Foster pointed out that the 10 members of The State Board of Registration for Architects, Engineers and Land Surveyors, and their staff, meet four times per year. He wondered how travel expenses were funded, and what kind of work was being done.

[7:36:30 PM](#)

LYNN SMITH, DIVISION OF CORPORATIONS, BUSINESS AND PROFESSIONAL LICENSING, replied that at the meetings the board reviews license applications and certifications.

[7:37:18 PM](#)

Representative Gara understood that the \$454,000 in travel expenses comes from license fees collected from architects and engineers, and was of no cost to the state. Ms. Smith reported that the board is self-supporting.

[7:38:05 PM](#)

Co-Chair Hawker opened public testimony, none being offered, public testimony was closed.

Co-Chair Hawker commented on the fiscal note.

[7:38:53 PM](#)

Co-Chair Stoltze MOVED to report CSSB 114 (L&C) out of Committee with individual recommendations and the accompanying fiscal note. There being NO OBJECTION, it was so ordered.

CSSB 114 (L&C) was REPORTED out of Committee with a "do pass" recommendation and with and with fiscal note #1 by the Department of Commerce, Community and Economic Development.

[7:40:01 PM](#)

Co-Chair Stoltze assumed the gavel.

AT-EASE: [7:41:54 PM](#)

RECONVENED: [8:13:57 PM](#)

#sb75

CS FOR SENATE BILL NO. 75(FIN)

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

Co-Chair Hawker MOVED to adopt HCS CSSB 75 (FIN) as a working document before the committee. There being NO OBJECTION, it was so ordered.

[8:14:42 PM](#)

JAMES ARMSTRONG, STAFF, CO-CHAIR STOLTZE, reported that there were three additional legislative finance reports; numbers and language differences only, numbers and language differences statewide, and numbers and language detailed by agency.

[8:17:05 PM](#)

Mr. Armstrong listed the changes to the bill. Page 2, Line 13, adds the appropriation mechanism of \$2,500,000, for the Enterprise Security Projects.

Representative Gara asked for clarification on the first change. Mr. Armstrong replied that in the previous draft the Senate added the funding for the Enterprise technology in the language section, but due to a technical error, the actual funding allocation mechanism allowing the agency to spend the money, was omitted. The change adds that allowance language back in.

Mr. Armstrong continued. Page 2, Line 27, adds \$4.5 million in general funds match to Alaska Energy Authority-Renewable Energy Projects. It also adds \$1 million in Statutory

Designated Program Receipts and Inter Agency Receipts. Page 3, Line 17, adds intent language to the \$10 million appropriation to the Port of Anchorage. The appropriation is contingent upon the municipality assembly adopting a resolution identifying the specific ferry landing location for M/V Susitna. Line 22, requests that the Municipality of Anchorage assist the Mat-Su borough in grant applications for port projects to the United States Department of Transportation.

[8:18:23 PM](#)

Representative Gara wondered where the corresponding change could be found in the numbers and language section of the bill. Mr. Armstrong replied that the language had been added to the general fund portion of the ports appropriation. He added that he would point out intent language in the bill as it came up.

[8:19:11 PM](#)

Mr. Armstrong continued to Line 27, the Kenai River Bluff Project. The project was not in the original bill. The Corps of Engineers has \$13 million slated for the project. The Kenai borough has added \$2 million to the project, which the state has matched. Language has been added to specify that the appropriation is contingent upon the fund from the Corps of Engineers. Mr. Armstrong noted that the bonds had been approved, but not issued, in anticipation of the \$13 million.

Vice-Chair Thomas asked when an answer from the Corps of Engineers could be expected. Mr. Armstrong said that the corps was still in deliberation.

Co-Chair Stoltze pointed out that the project had been introduced by the administration.

[8:20:06 PM](#)

Mr. Armstrong continued to Page 19, Line 19, which adds 40 percent of the deferred maintenance funds requested by Alaska Housing Finance Corporation (AHFC) for the AHFC Building System Replacement Program. Page 19, Line 33, adds \$1,380,000 to AHFC Fire Protection Systems, also 40 percent of the deferred maintenance receipts requested by the corporation.

[8:21:03 PM](#)

Mr. Armstrong explained that AHFC had bonded for deferred maintenance receipts in the past. The bonding has run out and regular program receipts are now being requested.

Representative Kelly asked if the administration had made the request on behalf of the corporation. Mr. Armstrong replied that it had.

[8:21:59 PM](#)

Mr. Armstrong continued to page 20, Line 15. He stated that \$3.5 million had been added to the third phase of the AHFC Loussac Manor renovation and replacement in Anchorage. Line 18 notes a third of the deferred maintenance for AHFC Security Systems Replacement/Upgrades for public housing. Congress has given AHFC \$600,000 for the Weatherization Program, as noted on Page 20, Line 32.

[8:22:45 PM](#)

Mr. Armstrong informed the committee that \$400,000 for the Alaska Aviation Safety Program had been added on Page 21, Line 10. Those funds have been matched by the Federal Aviation Administration and The Medallion Foundation.

[8:23:22 PM](#)

Mr. Armstrong relayed that Page 21, Lines 20, 21 and 22 notes the administrative intent language for the Alaska Marine Highway System. Page 21, Line 31 notes the 60 percent of the funding for the Harbor Program Development was restored at the request of the administration. This project had been overlooked, but will be moved in 2010 to the operating budget.

Representative Foster pointed out that in the past the administration had vetoed capital projects. Mr. Armstrong assumed that the administration would not veto its own request.

[8:24:50 PM](#)

Representative Gara asked if all the changes mentioned were governor's requests. Mr. Armstrong reported that after the Senate version of the bill had passed, projects that could capture a match had been identified. He said that some of the matches would not flow through the appropriation process. Co-Chair Stoltze added that a list of projects had been presented that had match funds, but through errors, some projects had not made the list.

Representative Gara restated his question. Mr. Armstrong explained that the back-up had been reviewed twice. He elaborated that some of the back-up did not illustrate whether there had been an accompanying federal match. Representative Gara asked if the items had been in the governor's original budget.

[8:26:57 PM](#)

Mr. Armstrong pointed out that Page 34, Line 14 and Page 36, Line 9, were both oversights in the amendment process between the Department of Transportation stimulus legislation and the original capital budget. The line changes restore funding for FY 2009 projects that were already on the STIP in the original capital budget.

[8:28:22 PM](#)

Mr. Armstrong turned to Section 4, Page 44, Line 10. The title for the appropriation has been changed from Egan Center Upgrades to Passenger Staging Upgrades.

Representative Gara returned to the Egan Center appropriation. He wondered if the money would come from cruise ship funds. Mr. Armstrong said yes. All of Section 4 pertains to cruise ship funds.

Mr. Armstrong continued reading from the bill. Page 45, Line 9 is related to the Baranof Park Project in Kodiak, which was in the original CS from the senate, and was not a qualifying project. Another project is slated for \$1.3 million, making the addition a net zero addition.

[8:30:54 PM](#)

Mr. Armstrong continued to Page 45, Lines 19 and 20, which are a title change. The words "and Construction" have been added. Page 46, Line 22, title change inserts the work "passenger" between "marine" and "service". Page 46, Line 29, is the Fort Abercrombie Tourist Bus Parking, which is the \$1.3 million project previously mentioned. If you add the appropriation on Page 45, Line 9 to Page, 46, Line 29, and take out the Baranof Park Project, the addition is net zero.

[8:32:46 PM](#)

Mr. Armstrong informed the committee that the \$6 million in allocations from the original bill sent by the Senate have been collapsed into one separate appropriation, and intent language has been added to the top of page 47.

Vice-Chair Thomas wondered how the numbers of people who utilize parks were accounted for. Mr. Armstrong deferred to the administration.

[8:33:39 PM](#)

Representative Crawford asked about the funding source for line 32, page 46, State Parks Deferred Maintenance and Emergency. Mr. Armstrong related that when the bill was

first released by the governor, projects in the section were to be funded, within the fast track supplemental, using cruise ship gambling proceeds. However, the administration, upon consultation with the legislature, decided to classify the gambling funds as general funds. As a result, \$6 million of the cruise ship head tax dollars have been allocated for statewide deferred maintenance projects.

[8:34:44 PM](#)

Co-Chair Hawker clarified that the head tax has very specific legal requirements as to how it can be spent. The Office of Management and Budget (OMB) and the state had originally thought of the gambling tax as a new and separate fund source. Upon reflection, it was understood that the gambling tax was just like all other taxes and was meant to feed the general fund. He made clear that where the tax was indicated on earlier spreadsheets was to be treated as an anachronism, and will always be treated as general funds going forward.

[8:35:42 PM](#)

Mr. Armstrong continued to read from the bill. On Page 53, Lines 15 and 17, corrections have been made to rectify the incorrect House District numbers. Page 63, Lines 1 through 28, are intent language that covers an appropriation in the language section. Co-Chair Stoltze recommended deferring those line budget items to Co-Chair Hawker at a later time. Mr. Armstrong continued to Page 67, Line 23.

[8:37:13 PM](#)

Co-Chair Hawker reported that there are three sections in the bill that could arguably be called operating appropriation for the year. The sections are; Section 21, Page 67, Section 20, Page 67, and associated intent language on Page 63. There has been ongoing discussion in the legislature concerning state investment in in-state gas development, while attempting to reconcile development of a gas line with high fuel costs. Section 20 appropriated an additional general fund appropriation into the Department of Health and Social Services (DHSS) to continue to build the Low Income Home Energy Assistance Program fund (LIHEAP). The funds augment the federal Alaska Heating Assistance Program.

[8:39:17 PM](#)

Co-Chair Hawker stressed that money for in-state gas development was the top budgetary priority for the governor. He gave that \$9 million in general funds have been added to Office of the Governor for gasline development. He read from the legislative intent language in Section 13, Page 63, Lines 3-6. He emphasized that the project is not related to

Alaska Gasline Inducement Act (AGIA), but to continue to work to develop in-state gas for in-state use. It is meant expedite the efforts needed for private enterprise to complete the project. The money was appropriated to the Office of the Governor to ensure the governor the latitude to distribute the funds where she deemed most appropriate.

[8:42:11 PM](#)

Representative Crawford inquired the funds could be used for the Alaska Natural Gas Development Authority (ANGDA). Co-Chair Hawker reported that it could be used for ANGDA.

Representative Kelly understood that the funds could be used at the governor's discretion. Co-Chair Hawker clarified it the intent to make the money available to the governor to utilize, within parameters, as she deemed fit.

[8:43:44 PM](#)

Representative Gara asked how the decision to appropriate the \$9 million was made. Co-Chair Hawker reported that the governor had requested \$9.3 million. The LIHEAP appropriation was already benchmarked at \$9 million, which aided in the decision. Representative Gara wondered when the discussion on the amount of the appropriation had taken place. Co-Chair Hawker believed the discussion had taken place within the sphere of the administrations specialized knowledge. Representative Gara requested discussion from the administration as to what the state would receive for \$9 million, and why that specific amount was requested.

[8:45:05 PM](#)

Representative Gara voiced concern about the language on page 63, Line 15. He felt it would allow the administration to spend state money as a subsidy to a private entity. Co-Chair Hawker explained that intent is to provide funds to facilitate progress on in-state gas development.

[8:46:40 PM](#)

Representative Gara hoped that there would be more discussion on the matter. Co-Chair Hawker pointed out that every year funds are added to departments in the pursuit of in-state gas development, regardless of progress. He termed it a policy call. Co-Chair Stoltze added that it was a pronounced request from the administration.

Co-Chair Hawker pointed out that there are laws to prevent the administration from giving away assets.

[8:47:57 PM](#)

Vice-Chair Thomas requested an audit of ANGDA. Co-Chair Hawker replied that that was possible. He recommended that the request be directed to Legislative Budget and Auditing (LB&A). Vice-Chair Thomas suggested that the audit be done before the money is given to ANGDA. Co-Chair Hawker noted the funding is provided directly to the governor's office. In recognition of the concerns about ANGDA, he reported that the funds under discussion are entrusted specifically to the governor. He thought the governor's office would use the money wisely.

[8:50:06 PM](#)

Representative Gara felt that the appropriation was a huge policy call, with no limitations, and unenforceable intent language. He thought it should be reconsidered in an open committee process. He strongly questioned its transparency.

Co-Chair Hawker understood that the governor had stated that the intent for the \$9 million was that it be invested in in-state gas development.

[8:51:32 PM](#)

KAREN REHFELD, DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET, OFFICE OF THE GOVERNOR, informed the committee that this item has been a priority for the governor and has been discussed in various committees.

LARRY PERSILY, STAFF, CO-CHAIR HAWKER, explained that Harry Noah, an executive branch employee, has been designated the governor's in-state gas line coordinator and has been discussing the issue with as many legislators as possible. He has presented suggestions as to the best way an in-state gasline could be developed; discussing timelines, necessary funds and the right of way permits that would be required. Representative Gara wondered which legislators Mr. Noah had spoken to. He understood that the governor presented bills to the legislature, and that those bills had parameters as to how the money would be spent. He maintained that the bills had not passed. He voiced concern that the \$9 million was just an award to the governor's office. He alleged that full disclosure for use of the funds had not been discussed with the entire committee before the intent language was written into the bill.

Ms. Rehfeld reported that Mr. Noah has spent time in the building talking to lawmakers, and those lawmakers have confidence in the design and detail that was presented to them. Co-Chair Hawker added that there had been many discussions on the issue.

[8:55:54 PM](#)

Representative Austerman reported that the administration had not sent a representative to his office to discuss the issue. He expressed regret that he had not been better informed.

Co-Chair Stoltze recalled that Mr. Noah had contacted his office to discuss the issue.

Co-Chair Hawker communicated his frustration with the governor's current lack of connection with the legislature. He felt that she gave the appearance that she was more concerned with her national ambitions than with what was transpiring in her home state. He expounded that it was insulting, personally, and to the people of the state, that the administration had not followed up with leadership throughout the building on the issue.

Vice-Chair Thomas stated for the record that no one had contacted him.

JOE BALASH, INTER-GOVERNMENTAL COORDINATOR, DEPARTMENT OF NATURAL RESOURCES, reported that the work plan had been presented in a public manner in the governor's conference room, as well as broadcast on Gavel to Gavel in early March. Since that time, Mr. Noah has held several meetings with a legislative working group, coordinated through the presiding officers in both bodies. Various documents were distributed at the meetings, which detailed the work plan by date, schedule, activity, and approximate budget for each step. He offered to provide copies of the documents at a later date.

[8:59:13 PM](#)

Representative Gara emphasized that while working together to make the gasline a reality, it was important that the administration keep the committee informed. He revealed that he had not heard of the legislative working group mentioned by Mr. Balash. He wondered if the group had a title. Mr. Balash replied it had been labeled the "working group" at administrative meetings. He recalled that, at the meetings he participated in, there had been legislative representatives present. He said that he could provide a list of those present.

Representative Gara requested written documentation of the administration's plan for the funds, and for a commitment that the funds would be spent according to the plan. Mr. Balash related that meetings on the issue had occurred in early March. At that point, Mr. Noah was introduced by the governor as her project director. A three part approach was then laid out; funding had been identified, legislation on right of way and pipeline acts had been introduced, and legislation broadening the purpose of the Alaska Natural Gas

Authority. He believed that the administration had been responsive to points of inquiry.

[9:02:05 PM](#)

Representative Gara stated that he had seen Mr. Noah in the building, but had not spoken to him. He maintained that there has not been deliberative discussion with all legislators regarding the plan.

Representative Austerman stated it would have been appropriate for a representative of the administration to have briefed committee members on Section 13 of the bill.

[9:03:41 PM](#)

Co-Chair Hawker related that the bill is a legislative budget. The administration did not know this section would be included. The issue has been in discussion among the Co-Chairs of both House and Senate Finance and the administration. Ultimately, the governor's desire prevailed and the request was included in the budget. He clarified that the addition of Section 13 was made by the legislature and not Mr. Balash. Representative Austerman expressed frustration that the issue had not come up in minority caucus meetings. Co-Chair Hawker argued that he would not discuss caucus matters on the table. He voiced his amazement with the administration's lack of communication with the other members of the committee.

[9:05:50 PM](#)

Ms. Rehfeld communicated that the administration has had the appropriation in its budget since December 2008. A request for \$5 million was put in specifically for ANGDA in December. It was then increased to \$8 million in the amended budget. She felt that as the approach to the plan evolved, the administration had maintained clear communication with the committee. She added that the governor has been consistent in her dialogue on in-state gas.

Representative Kelly pointed out that Mr. Noah had spoken to him about the project. He confirmed that he has also had discussions with Ms. Rehfeld about the request for ANGDA and was familiar with the section.

[9:07:58 PM](#)

Representative Gara remarked that the earlier request for \$5 million for ANGDA, to follow a statutory purpose, had not caused him alarm. He emphasized that the change grants \$9 million to the governor to spend without a statutorily authorized purpose.

[9:09:17 PM](#)

Mr. Balash explained the work plan entails, as a first step, an alternatives analysis to identify the cost of transportation and the various routes. In June, information would be gathered for applying for major permits, including rights of way. In parallel, the deliverability and reserve life in Cook Inlet would be evaluated. Ways to make reserves last longer and the possibility of stop-gap importation, in order to bridge any gap until natural gas can be delivered, will also be examined. More funds will likely be requested in 2010 as the customers and potential suppliers of gas are identified. The goal is to be in a position by 2011; to take the collection of major permits and regulatory approvals, and the identified suppliers and customers, and present the information to a private party, who will then construct the gasline. In return, the private party would reimburse the state for the costs incurred by the state for the package of permits and regulatory authorizations.

[9:12:56 PM](#)

Representative Austerman pointed out that the change in the budget would need to be reviewed by the Senate Finance Committee. He wondered if the section had been discussed in that body.

Co-Chair Stoltze thought that the Senate leadership would embrace the idea in order to move forward on in-state gas.

Representative Crawford expressed concern with the switch in priority from ANGDA based spur line to ENSTAR bullet line.

[9:14:05 PM](#)

Mr. Persily pointed out that ANGDA's operating budget is still funded from previous appropriations and can continue to operate fully. He shared his understanding that the additional funding was to ensure, should gas availability become scarce, that the state will have access to in-state gas.

Co-Chair Stoltze suggested Mr. Balash talk to any committee members he may have missed in his first round of meeting on the issue.

Representative Gara requested binding representation that legislative approval would be required for any project from the governor's office concerning the issue.

Mr. Balash asked for clarification as to what kind of representation would be satisfactory. Representative Gara suggested a letter from governor ensuring that the state

would get full value for work done on the project, upon approval of legislature. Mr. Balash agreed to do that. He perceived that a pipeline would not be built for \$9 million.

Co-Chair Hawker related that the legislature has sole appropriation power.

[9:17:37 PM](#)

Representative Foster stated that he had not been invited to the meetings on the subject. He remarked that many House members are tied up in committee during the day. He felt and that the best way to be sure each member has the appropriate information on a bill was for department heads to go office to office. He felt that the committee had been caught off guard by the section.

[9:18:40 PM](#)

Representative Kelly felt that the intent language could be more specific.

[9:19:49 PM](#)

Mr. Armstrong returned to explaining changes in the bill. On Page 79, Line 6 to Page 80, Line 17 there are structural changes to the legislature's lapsing funds. The reappropriations are for legislative audit, legislative council and the legislative operating budget. Limitations were placed in Section C, Line 24, appropriations for 50th statehood; display of historical art and artifacts. An appropriation for statewide energy plans were removed and put into Section D, which begins on Line 29 of Page 79. He said that the bill matches the Senate version except the Senate had some funds going to LBA that are now going to Legislative Council.

[9:21:48 PM](#)

Representative Foster commented on Lines 26 and 27 regarding Legislative Council. He wondered if it would be possible to make the work of Legislative Council more accessible to communities outside of Juneau. Mr. Armstrong suggested bringing it to the attention of the Legislative Council chair when they next meet.

Vice-Chair Thomas asked about a statewide energy plan. Mr. Armstrong said that in the version of the bill sent out by the other body, there had been \$300,000 lined out for a statewide comprehensive energy plan, to be conducted by LB&A. The plan was removed, and the funds were rolled back into section D of the appropriation. Co-Chair Stoltze added that the item is in the legislative branch and open for discussion. Vice-Chair Thomas stated that he would rather

hire a state employee for the job, rather than an out-of-state consultant.

[9:23:54 PM](#)

Representative Crawford questioned the language on page 80, Lines 2 and 3, "for necessary legislative capital projects". Mr. Armstrong explained that Legislative Council has control of the building operations during the interim. He added that it must be an agenda item to expend funds. Representative Crawford asked for an estimated amount. Mr. Armstrong said \$2 million.

Representative Gara thought that the reappropriations from LB&A to Legislative Council were excessive. Mr. Armstrong replied that most of the funds had been expended for the projects listed in Section 40.

[9:27:17 PM](#)

Mr. Armstrong continued to Page 81, Line 25, which lists the appropriation set out for federal stimulus funds for DHSS health care services, for a statewide electronic health information exchange system. The contingent language on Page 84, Line 20, states that SB 133 needs to pass for the mechanism in Section 43 to be funded.

Mr. Armstrong continued with the final changes to the bill in Sections 22-39, which correct a series of technical typos.

Mr. Armstrong explained that additional appropriations had come in after the March 25, 2009 deadline, and were added to the bill. He listed reappropriations by district.

[9:30:05 PM](#)

Mr. Armstrong noted that the change from Senate to House Finance funds is outlined on the bottom right hand corner of Page 2 of the Legislative Finance report.

[9:31:05 PM](#)

Representative Salmon asked for clarification on the appropriation amount listed on Page 67, Lines 5 to 11.

JOHN BITNEY, STAFF, SPEAKER JOHN HARRIS, explained that the reappropriation request for that district. The original appropriation to the city of Delta Junction of \$1.2 million was to pay a litigation settlement in a lawsuit with a private prison developer. Per the appropriation in 2000, the city was required to pay 50,000 each year out of the city's revenue sharing. Currently there is an unpaid balance of \$1 million on the loan. The original language contained the contingency that the loan would be forgiven if the community

incorporated as a borough. The new language removes the contingency.

[9:34:33 PM](#)

Representative Kelly asked if the language on Line 28 on Page 67, extends the LIHEAP general fund increase for two more years. Co-Chair Hawker replied that it is a single \$9 million appropriation to DHSSto be spent between June 30, 2009 and June 30, 2010. Representative Kelly asked it was in addition to funds given during the 2008 session. Co-Chair Hawker replied yes.

[9:35:59 PM](#)

Mr. Armstrong reported that the Constitutional Budget Reserve management fees had been removed from the bill and could be found in the operating budget.

Representative Gara asked if all projects in the bill were reinstatements of the governor's requests. Mr. Armstrong said that was correct, except for the cruise ship items.

Representative Gara wondered about Page 63 of the bill, which details legislative intent on gas line money. He understood that the funds could be used only for a private sector project and that the project would go from The North Slope to Fairbanks and down to the Kenai Peninsula. He remarked that the project sounded like the ENSTAR project.

Co-Chair Hawker disagreed. He contended that this was the generic investigation of a bullet line and that many companies have discussed the possibility of involvement in the project. He said the funds were to facilitate private sector construction, ownership and management, and that all interested in the project are welcome into the discussion. Representative Gara relayed that he was not interested in a project headed by ENSTAR.

[9:39:12 PM](#)

Representative Fairclough shared that ENSTAR had not talked to her office.

Mr. Armstrong said that the legislative finance reports will not show \$9 million as those are considered operating expenditures.

CSSB 75 (FIN) was heard and HELD in Committee for further consideration.

ADJOURNMENT

The meeting was adjourned at 9:40 PM.