

HOUSE FINANCE COMMITTEE  
March 8, 2011  
2:13 p.m.

[2:13:17 PM](#)

CALL TO ORDER

Co-Chair Stoltze called the House Finance Committee meeting to order at 2:13 p.m.

MEMBERS PRESENT

Representative Bill Stoltze, Co-Chair  
Representative Bill Thomas Jr., Co-Chair  
Representative Anna Fairclough, Vice-Chair  
Representative Mia Costello  
Representative Mike Doogan  
Representative Bryce Edgmon  
Representative Les Gara  
Representative David Guttenberg  
Representative Reggie Joule  
Representative Mark Neuman  
Representative Tammie Wilson

MEMBERS ABSENT

None

ALSO PRESENT

Pete Ecklund, Staff, Representative Bill Thomas; Joan Brown, Staff, Representative Bill Thomas.

SUMMARY

HB 108      APPROP: OPERATING BUDGET/LOANS/FUNDS

CSHB 108(FIN) was REPORTED out of committee with a "do pass" recommendation.

HB 109      APPROP: MENTAL HEALTH BUDGET

CSHB 109(FIN) was REPORTED out of committee with a "do pass" recommendation.

#hb108  
#hb109

HOUSE BILL NO. 108

"An Act making appropriations for the operating and loan program expenses of state government, for certain programs, and to capitalize funds; and providing for an effective date."

HOUSE BILL NO. 109

"An Act making appropriations for the operating and capital expenses of the state's integrated comprehensive mental health program; and providing for an effective date."

[2:13:48 PM](#)

Co-Chair Stoltze MOVED Amendment 1 (copy on file):

TO: CSHB 108(FIN)/CSHB 109(FIN)  
OFFERED BY: Representative Bill Thomas

STRUCTURE

1. DEPARTMENT: Natural Resources  
APPROPRIATION: Administration & Support Services

DELETE: It is the intent of the legislature that the budget for the AGIA Coordinator's Office be moved from the Department of Natural Resources into the Office of the Governor to more properly reflect the office's authorizing statute AS 43.90.250.

MOVE: Gas Pipeline Coordinator's Office allocation, including all funding and positions, to the Office of the Governor under the Executive Operations appropriation

EXPLANATION: This amendment transfers the Gas Pipeline Coordinator's Office (with associated funding and positions) from DNR to the Office of the Governor to align the office with AS 43.90.250.

2. DEPARTMENT: Natural Resources  
APPROPRIATION: Parks & Outdoor Recreation  
ALLOCATION: Parks Management

DELETE: \$24,500 UGF (1004)  
DELETE: The amount allocated for Parks Management includes the unexpended and unobligated balance on June 30, 2011, of the receipts collected under AS 41.21.026.

ALLOCATION: Parks Management & Access

ADD: \$24,500 UGF (1004)  
ADD: The amount allocated for Parks Management & Access includes the unexpended and unobligated balance on June 30, 2011, of the receipts collected under AS 41.21.026.

EXPLANATION: The fuel base increment for Parks & Outdoor Recreation was inadvertently added to an allocation in the Governor's budget structure. The increment should instead coincide with the House budget structure. This amendment moves the funding from the Parks Management allocation to the proper Parks Management & Access allocation and revises the carry forward language to conform to the structure change.

3. Move:  
DEPARTMENT: DCCED  
APPROPRIATION: Alaska Aerospace Corporation  
ALLOCATION: Alaska Aerospace Corporation  
\$ 3,361,800 Fed Rcpts (1002)  
\$ 1,152,400 CIP Rcpts (1061)  
\$ 131,100 AADC Fund (1101)  
22 Permanent, Full-time Positions

ALLOCATION: Alaska Aerospace Corporation  
Facilities Maintenance  
\$ 23,252,000 Fed Rcpts (1002)  
\$ 745,400 CIP Rcpts (1061)  
\$ 391,800 AADC Fund (1101)  
28 Permanent, Full-time Positions

To

DEPARTMENT: Military and Veterans Affairs  
(same appropriations and allocations)

EXPLANATION: This amendment moves all Alaska Aerospace Corporation funding and positions from the Department of Commerce, Community and Economic Development to the Department of Military and Veterans Affairs in accordance with Executive Order 115.

WORDAGE

4. DEPARTMENT: Environmental Conservation  
APPROPRIATION: Environmental Health  
ALLOCATION: Air Quality

DELETE: The amount allocated for Air Quality includes the unexpended and unobligated balance on June, 30, 2011, of the Department of Environmental Conservation, Division of Air Quality receipt supported services from fees collected under AS 46.14.250 and AS 46.14.250.

EXPLANATION: This wordage was inadvertently not deleted when replacement wordage was added in the subcommittee.

5. DEPARTMENT: Fish and Game  
APPROPRIATION: Commercial Fisheries

DELETE: The amount appropriated for Commercial Fisheries includes the unexpended and unobligated balance on June 30, 2011, of the Department of Fish and Game receipts from commercial fisheries test fishing operations receipts under AS 16.05.050(a)(14).

The amount appropriated for Commercial Fisheries includes the unexpended and unobligated balance on June 30, 2011 of the Department of Fish and Game's program receipts from commercial crew member licenses.

ADD: The amount appropriated for Commercial Fisheries includes the unexpended and unobligated balance on June 30, 2011, of the Department of Fish and Game receipts from commercial fisheries

test fishing operations receipts under AS 16.05.050(a)(14), and from commercial crew member licenses.

EXPLANATION: This wordage streamlines the carry forward language.

6. DEPARTMENT: Fish and Game  
APPROPRIATION: Wildlife Conservation  
ALLOCATION: Wildlife Conservation

ADD: It is the intent of the legislature that the Department of Fish and Game may not import wood bison into the state or relocate wood bison to a new area of the state without prior legislative approval.

TECHNICAL CORRECTIONS

7. CHILDRENS TRUST EARNINGS  
DEPARTMENT: Revenue  
APPROPRIATION: Taxation and Treasury  
ALLOCATION: Treasury Division

DELETE: \$15,200 Children's Trust Earnings (1098)

ADD: \$15,200 Children's Trust Principal (1099)

EXPLANATION: Because statutes changed the Alaska Children's Trust to an endowment model, the Children's Trust Earnings fund code is no longer available. This appropriation replaces the funding used to manage the Alaska Children's Trust with an appropriation from the principal of the Alaska Children's Trust.

8. VEHICLE RENTAL TAXES  
DEPARTMENT: DOT/PF  
APPROPRIATION: Highways, Aviation, and Facilities  
ALLOCATION: Central Region Highways and Aviation

ADD: \$367,300 UGF (1004)

DELETE: \$367,300 Vehicle Rental Taxes (1200)

EXPLANATION: This amendment replaces over-appropriated Vehicle Rental Tax receipts with General Funds.

9. STEP FUNDS

DEPARTMENT: DLWD  
APPROPRIATION: Business Partnerships  
ALLOCATION: Business Services

ADD: \$ 150,000 STEP FUNDS (1054)  
DELETE: \$ 150,000 UGF (1004)

DEPARTMENT: Corrections  
APPROPRIATION: Offender Habilitation  
ALLOCATION: Vocational Education Programs

ADD: \$ 150,000 UGF (1004)  
DELETE: \$ 150,000 STEP FUNDS (1054)

EXPLANATION: This amendment consolidates all STEP funding in the Department of Labor.

10. PFD CRIMINAL FUNDS

DEPARTMENT: Multiple  
APPROPRIATION: Multiple  
ALLOCATION: Multiple

ADD/DELETE: PFD Appropriations in lieu of Dividends to Criminals (1171) and UGF (1004) funding as indicated in the "PFD Crim" and "GF" columns below.

EXPLANATION: This amendment does three things:

- It aligns the amount appropriated in the budget with the amount of funding that is available. (PFD Crim Funds were overspent by \$1,015.1 in the House CS).
- It replaces (with UGF) \$500.0 of the \$1,001.9 PFD Crim funds the Governor requested in the DV/SA allocation, for a net reduction of \$501.9 in that allocation.
- It consolidates PFD Crim funding in Corrections and the Violent Crimes Compensation Board. Consolidating the PFD Crim funds simplifies the budget process by reducing the annual swap of GF and PFD Crim funding as PFDs fluctuate.

Substantive

11. DEPARTMENT: Administration  
APPROPRIATION: Violent Crimes Compensation Board  
ALLOCATION: Violent Crimes Compensation Board

ADD: \$1,800,000 Crime Victim Compensation  
Fund (1220)

DELETE: \$7,300 UGF (1004)

DELETE: \$1,648,600 PFD Criminal (1171)

ADD: Language (following section 25(c)-fund  
capitalization) using PFD Criminal Funds (1171)  
as follows:

The sum of \$1,648,600 is appropriated from the  
permanent fund dividend fund (AS 43.23.045) from  
the portion of that fund that would have been  
paid to convicted or incarcerated individuals if  
those individuals had not been ineligible for  
dividends under AS 43.23.028(a)(4) to the Crime  
Victim Compensation Fund (AS 18.67.162) for  
purposes of the fund.

EXPLANATION: PFD criminal funds are now  
appropriated directly to the VCCB for operations,  
including the payment of awards to victims of  
crimes. This amendment:

1. Appropriates \$1.6 million of budgeted PFD  
Criminal funds to the Crime Victim Compensation  
Fund, so unspent funds will not lapse at year-  
end.

2. Appropriates \$1.8 million from the Crime  
Victim Compensation Fund to the VCCB to replace  
PFD Criminal Funds and \$7,300 UGF, as well as  
making \$144,100 of the \$459,200 balance of the  
Crime Victim Compensation Fund available for  
awards.

Additional funding will be on the grants line  
item. Although the Crime Victim Compensation Fund  
was established specifically to be used by the  
VCCB, the balance of the fund is not currently  
available to the VCCB. This amendment provides  
approximately \$90,000 less for awards than is  
available in FY11.

12. DEPARTMENT: Administration  
APPROPRIATION: Public Communications Services  
ALLOCATION: Public Broadcasting, Radio

ADD: \$200,000 UGF (1004)

EXPLANATION: To address Public Broadcasting engineering needs in underserved communities.

13. DEPARTMENT: DCCED  
APPROPRIATION: Corporation, Businesses, and Professional Licensing  
ALLOCATION: Corporation, Businesses, and Professional Licensing

ADD: \$65,000 RSS (1156) as an IncOTI, and one Temp PCN

EXPLANATION: The funding would be used to hire an additional investigator for the Big Game Commercial Services Board to ensure compliance with transporter license requirements. Over the last several years there has been increasing user conflict in game units and the Big Game Commercial Services Board needs an additional investigator to begin to work on the growing problem. The investigator would focus primarily on transporter issues in areas of the state having the greatest concerns and would compile a report to the Legislature to be presented in 2012. Last year an investigator was hired but didn't get started until late in the season so the data is not as complete as it could be. Enforcement measures will include inspecting transporter licenses and conducting inspections at places of business and in the field. This increment is a one-time item.

14. DEPARTMENT: DCCED  
UNDER SUBSECTION 12(f) ADD THE FOLLOWING NEW SUBSECTION:

Further, it is the intent of the legislature that the Alaska Seafood Marketing Institute evaluate and consider in-state advertising firms to

provide advertising services before using an out-of-state advertising firm.

15. DEPARTMENT: DEED  
APPROPRIATION: Education Support Services  
ALLOCATION: Unallocated Reduction

ADD: \$150,000 UGF (1004)

EXPLANATION: This amendment restores an unallocated reduction.

16. DEPARTMENT: DEED  
APPROPRIATION: Education Support Services  
ALLOCATION: Administrative Services

DELETE: \$85,000 UGF (1004)

EXPLANATION: This amendment reduces funding in this allocation.

17. DEPARTMENT: DEED  
APPROPRIATION: Teaching and Learning Support  
ALLOCATION: Student and School Achievement

ADD: \$200,000 Interagency Receipts (1007)

EXPLANATION: A position in the Department of Education and Early Development was funded in the FY11 budget via RSA from a \$3 million UGF appropriation to the Governor's Office for funding for Domestic Violence and Sexual Assault Prevention Programs in various departments. The health and safety coordinator position was created through this funding and the subcommittee's position is that the funding should remain as interagency receipts from the Governor's budget.

18. DEPARTMENT: DEED  
APPROPRIATION: Teaching and Learning Support  
ALLOCATION: Unallocated Reduction

ADD: \$2,000,000 UGF (1004)

ALLOCATION: Statewide Mentoring Program

DELETE: \$2,000,000 UGF (1004)

EXPLANATION: This amendment switches the reduction of \$2 million in general funds from an Unallocated Reduction in the Teaching and Learning Support appropriation to the Statewide Mentoring Program within the Teaching and Learning Support appropriation. Although this reduction would allow for fewer mentors, assistance could still be offered in the most needed areas of the state. The department could still offer the service to districts for a fee to offset costs.

Currently, the Department of Education and Early Development contracts with the University of Alaska to operate this program via RSA. The University charges indirect costs of 12% to operate this program which results in approximately \$420,000 in interagency services.

In reviewing the Statewide Mentoring Program in the finance subcommittee, no specific analytical data was given to substantiate student achievement growth; teacher retention rates were also unverified.

The mentoring program was established to increase the retention of teachers in hard-to-fill positions. With this reduction, this program can still encompass rural schools and/or schools with a 50% teacher turn-over for first and second year teachers, new to Alaska. A full-time mentor could be placed in some of the most remote areas: Bering Strait, Kodiak, Lake & Peninsula Borough, Lower Kuskokwim District, Lower Yukon, Northwest Arctic, Southwest Region and Yupiit. The mentor, if allowed to stay in one particular area, could more easily serve as a daily advisor and understand the hardships for that respective location.

19. DEPARTMENT: DEED  
APPROPRIATION: Teaching and Learning Support  
ALLOCATION: Early Learning Coordination

ADD: \$300,000 UGF (1004)

EXPLANATION: This increment is for use with Intervention districts (Lower Yukon and Yupiit School Districts).

20. DEPARTMENT: DEED  
APPROPRIATION: Teaching and Learning Support  
ALLOCATION: Student and School Achievement

ADD: \$112,000 MHTAAR (1092)

DEPARTMENT: DNR  
APPROPRIATION: Administration and Support Services  
ALLOCATION: Mental Health Trust Land Office

DELETE: \$112,000 MHTAAR (1092) and one PFT

EXPLANATION: This amendment maintains the FY11 source and level of authorization for a grant to the Alaska Autism Resource Center. It also reduces an increment to the Mental Health Trust Land Office in DNR by \$112.0.

21. DEPARTMENT: DEED  
APPROPRIATION: Commissions and Boards  
ALLOCATION: Unallocated Reduction

ADD: \$50,000 UGF (1004)

EXPLANATION: This amendment restores an unallocated reduction.

22. DEPARTMENT: DEED  
APPROPRIATION: Alaska Library and Museums  
ALLOCATION: Unallocated Reduction

ADD: \$50,000 UGF (1004)

EXPLANATION: This amendment restores an unallocated reduction.

23. DEPARTMENT: Environmental Conservation  
APPROPRIATION: Environmental Health  
ALLOCATION: Air Quality

ADD: \$10,000 Federal Receipts (1002)

\$10,000 General Fund Match (1003)

EXPLANATION: This request is for additional funding to assist DEC in working with the companies and federal agencies to address the interface between gas pipeline construction and air quality issues in Fairbanks.

24. DEPARTMENT: Fish and Game  
APPROPRIATION: Wildlife Conservation  
ALLOCATION: Wildlife Conservation

ADD: \$200,000 UGF (1004)

EXPLANATION: To establish and fund Region IV leadership positions.

25. DEPARTMENT: Fish and Game  
APPROPRIATION: Commercial Fisheries  
ALLOCATION: Commercial Fisheries Special  
Projects

ADD: \$200,000 UGF (1004)

EXPLANATION: This funding will support the following projects:

- \$30.0 to implement a small-scale reconnaissance stock assessment survey for Dungeness crab in the Yakutat Area.
- \$75.0 to expand the pilot stock assessment surveys to fully cover the major pot shrimp fishing grounds in Southeast Alaska.
- \$95.0 for an annual Central Region Large-mesh Trawl Survey to assess abundance of crab and groundfish species.

26. DEPARTMENT: Fish and Game  
APPROPRIATION: Commercial Fisheries  
ALLOCATION: Southeast Region Fisheries  
Management

ADD: \$75,000 UGF (1004)

EXPLANATION: A one-time increment approved for FY11 funded a collaborative effort between the department, industry and fishermen to research the biomass of the red king crab fishery in

southeast Alaska. The red king crab fishery has only occurred in three of the past ten years and better understanding of the biomass could lead to more accurate openings of the fishery and more revenue to the state.

27. DEPARTMENT: Fish and Game  
APPROPRIATION: Commercial Fisheries  
ALLOCATION: Westward Region Fisheries  
Management

ADD: \$160,000 UGF (1004)

EXPLANATION: This reestablishes optimal timing of weir operations at Ayakulik, Dog Salmon/Frazer Lake, Karluk, and Upper Station systems by reinstating historic installation, operation, and removal dates of weirs and funding the Frazer fish pass to allow better estimates of escapements. The goal would be to improve management precision to maximize harvest opportunity and improve forecasts of future production.

28. DEPARTMENT: Fish and Game  
APPROPRIATION: Commercial Fisheries  
ALLOCATION: Westward Region Fisheries  
Management

ADD: \$275,000 UGF (1004)

EXPLANATION: Reestablish sockeye salmon smolt enumeration and sampling programs at key sockeye systems, including the Karluk and Frazer Lake systems, to understand sockeye salmon productivity and evaluate the production capabilities of the freshwater environment; and to help ADF&G to improve forecasting accuracy, evaluate existing biological escapement goals, develop preseason harvest strategies and assess overall salmon production.

29. DEPARTMENT: Fish and Game  
APPROPRIATION: Commercial Fisheries  
ALLOCATION: Westward Region Fisheries  
Management

ADD: \$32,500 UGF (1004) (OTI)

EXPLANATION: Year-one equipment expenses for reestablishment sockeye salmon smolt enumeration and sampling programs at key sockeye systems, including the Karluk and Frazer Lake systems, to understand sockeye salmon productivity and evaluate the production capabilities of the freshwater environment; and to help ADF&G to improve forecasting accuracy, evaluate existing biological escapement goals, develop preseason harvest strategies and assess overall salmon production.

30. DEPARTMENT: Office of the Governor  
APPROPRIATION: Executive Operations  
ALLOCATION: Domestic Violence & Sexual Assault

CONVERT FUNDING FROM IncOTI to INC: Convert the entire appropriation (currently \$3.0 million) from an IncOTI to a base increment.

31. DEPARTMENT: Health and Social Services  
APPROPRIATION: Office of Children's Services  
ALLOCATION: Family Preservation

ADD: \$225,000 GF/MH (1037)

EXPLANATION: This funding will provide clinical substance abuse treatment and recovery services for parents who have a substantiated report of harm, where substance abuse is a factor of continued risk of harm for the child(ren). The availability of substance abuse treatment will prevent the removal of children from their home in some instances, and will reduce the length of stay in out-of-home placement in other cases.

32. DEPARTMENT: Law  
APPROPRIATION: Criminal Division  
ALLOCATION: Criminal Appeals/Special Litigation

ADD: \$500,000 UGF (1004)

EXPLANATION: In FY2010 and FY2011 three federal grants that employ approximately 17 prosecutors

and staff were slated to expire and the FY2011 Governor's budget for the Department requested \$2,300.0 in General Funds to continue these efforts. The grants funded attorney, paralegal and law office assistant positions located in Bethel, Barrow, Nome, Kenai, Palmer, Anchorage and the Office of Special Prosecutions and Appeals to aid in the prosecution of domestic violence as well as adult and child sexual assault cases. The Department was able to extend two of the grants, reducing the FY2011 request by \$500.0 with the understanding that maintaining the program at its current levels will require the funding to be added in the FY2012 budget. The two grants expired and as of January 1st all of these positions are now funded by state general funds. This amendment reinstates the amount requested in the Governor's budget.

33. DEPARTMENT: Military & Veterans Affairs  
APPROPRIATION: Military & Veterans Affairs  
ALLOCATION: Veterans Services

ADD: \$108,500 UGF (1004)

EXPLANATION: This funding will provide for two new VSO contracts located at the University of Alaska-Southeast and -Fairbanks campuses. There is no overhead cost due to the partnership between DMVA and the University of Alaska.

This is needed to enhance Veterans Services capability to best serve the needs of 77,000 veterans in Alaska. Today the highest numbers of veterans are returning from war; the increase in population means a greater number of veterans need access to the Veterans Services Office. These positions will help Veterans Services manage the current, and expected increase in demand, services pertaining to the post 9-11 GI Bill.

34. DEPARTMENT: DNR  
APPROPRIATION: Agriculture  
ALLOCATION: North Latitude Plant Material  
Center

ADD: \$100,000 UGF (1004)

EXPLANATION: This amendment allows continuation of the Certified Seed Potato Program.

35. DEPARTMENT: Public Safety  
APPROPRIATION: Council on Domestic Violence and Sexual Assault  
ALLOCATION: Council on Domestic Violence and Sexual Assault

ADD: \$181,500 UGF (1004)

EXPLANATION: This amendment would add \$181,500 of general funds for staff travel and emergency travel for victims and their children to a regional hub facility. This was a governor's request for funding.

36. DEPARTMENT: Public Safety  
APPROPRIATION: Council on Domestic Violence and Sexual Assault  
ALLOCATION: Council on Domestic Violence and Sexual Assault

ADD: \$400,000 Interagency Receipts (1007) as an IncOTI

EXPLANATION: These interagency receipts are a component of the Governor's DVSA Prevention initiative. The Council on Domestic Violence and Sexual Assault will contract with the University of Alaska - Anchorage Justice Center to continue its work to conduct a statewide victimization survey in order to have a definitive measure of the incidence and prevalence of domestic violence and sexual assault in our state.

This is year two of this project, funded by a reimbursable services agreement from the Office of the Governor. Without these funds, the Council will be limited in their ability to provide quality baseline data to measure the effectiveness of the DVSA Prevention initiative.

37. DEPARTMENT: Public Safety

APPROPRIATION: Council on Domestic Violence and Sexual Assault

ALLOCATION: Council on Domestic Violence and Sexual Assault

ADD: \$497,400 UGF (1004)

DELETE: \$497,400 Federal Receipts (1002)

EXPLANATION: This request replaces expiring federal Grants to Encourage Arrest earmark funding with general funds. The fund source change will retain five full time legal advocates in high use areas - Anchorage (AWAIC), Kenai, Bethel, Fairbanks and Palmer; four part time legal advocates in medium use areas - Anchorage (STAR), Juneau, Ketchikan and Dillingham; and one full time legal advocate to provide statewide telephonic support to those regions without full or part time legal advocates. Advocates are employees of several of the nonprofit agencies supported by Council grant funding.

Legal advocates assist both domestic violence and sexual assault victims with filing protective order petitions, violent crimes compensation applications, safety planning and navigating the civil and criminal courts. They accompany victims to meetings with prosecutors and law enforcement and explain victims' legal rights and options. Assistance with petitions for domestic violence, sexual assault or stalking protective orders is one of the most sought services when victims contact victim service providers. The programs listed in the preceding paragraph assisted over 1,700 victims with the filing of protective orders last year. Reducing the availability of legal advocates practically reduces the number of victims who will successfully navigate the system.

38. DEPARTMENT: Revenue

REVISE SUBSECTION 9(e) AS FOLLOWS:

(e) The amount necessary to pay the custody, investment management, and third-party fiduciary fees of the Alaska permanent fund (art. IX, sec.

15, Constitution of the State of Alaska), not to exceed [\$90,300,000] \$95,300,000, is appropriated for that purpose from the receipts of the Alaska Permanent Fund Corporation to the Alaska Permanent Fund Corporation for the fiscal year ending June 30, 2012.

EXPLANATION: This amendment aligns the appropriation to cover contractual manager fee obligations with the anticipated need.

39. DEPARTMENT: Revenue  
APPROPRIATION: Taxation and Treasury  
ALLOCATION: Tax Division

ADD: \$150,000 UGF (1004)

EXPLANATION: The subcommittee removed the Chief Economist position (04-3255) and \$150.0 UGF; \$140.0 of personal services, \$5.0 of travel, and \$5.0 of commodities. The department was unable to fill this position for nearly 3 years. The department has had a difficult time filling the position due to the collective bargaining salary restrictions the position is currently classified under. Adding the funding back in under contractual services will give the department the flexibility and ability to hire a contractor to complete the work on a long-term, continuous basis.

40. DEPARTMENT: University of Alaska  
APPROPRIATION: University of Alaska  
ALLOCATION: Anchorage Campus

ADD: \$100,000 UGF (1004), \$15,000 UA Receipts (1048), Total: \$115,000 as an IncOTI

EXPLANATION: The purpose of the amendment is for the University of Alaska Anchorage Honors Program to add one staff member (for student support) and faculty labor costs for honors courses. The University Honors College supports the UAA disciplinary schools and colleges. The Honors College recruits exceptional students, providing academic advising and student support, partnering to bridge undergraduate research experiences with

post-graduate opportunities, and partnering to support student opportunities in the community.

41. DEPARTMENT: University of Alaska  
APPROPRIATION: University of Alaska  
ALLOCATION: Fairbanks Campus

ADD: \$150,000 UGF (1004); \$40,000 Univ Rcpt (1048), Total: \$190,000

EXPLANATION: This increment was requested in the governor's budget and will fund the UAF Individual Technology Based Math and Summer Bridge Programs. The programs cannot be continued without continuing funding. The purpose of the program is to prepare students for college-level math courses.

42. DEPARTMENT: University of Alaska  
APPROPRIATION: University of Alaska  
ALLOCATION: Fairbanks Campus

ADD: \$75,000 UGF (1004); \$45,000 Univ Rcpt (1048), Total: \$120,000

EXPLANATION: This increment was requested in the governor's budget and will fund the UAF Alaska Summer Research Academy - Engineering Components. The purpose of the program is to provide an opportunity for students in grades 8-12 to live on the UAF campus and work with university faculty, staff, and industry professionals. It is a two-week program. In FY11, one time funding was provided by the Legislature. This additional funding will provide continuation of the program.

43. DEPARTMENT: Alaska Court System  
APPROPRIATION: Therapeutic Courts  
ALLOCATION: Therapeutic Courts

ADD: \$250,000 GF/MH (1037)

EXPLANATION: This increment, requested in the governor's budget, will provide funding for treatment services for therapeutic court participants. Therapeutic courts are an extremely

cost-effective way to divert offenders from jails, while reducing recidivism rates.

Vice-chair Fairclough OBJECTED for discussion.

PETE ECKLUND, STAFF, REPRESENTATIVE BILL THOMAS, stated that Amendment 1 was technically correct, with a change needed related to Item 34 on page 14.

Co-Chair Stoltze MOVED Conceptual Amendment 1A to Amendment 1: Item 34; change from \$100,000 to \$120,000 unrestricted general funds.

There being no objection, it was so ordered. Conceptual Amendment 1A to Amendment 1 was ADOPTED.

2:15:40 PM

AT EASE

2:16:02 PM

RECONVENED

Vice-chair Fairclough WITHDREW her OBJECTION to Amendment 1. There being no further objection, it was so ordered. Amendment 1 as amended was adopted.

Representative Gara referred to item 3 in Amendment 1, and asked whether aerospace positions would be added or moved.

JOAN BROWN, STAFF, REPRESENTATIVE BILL THOMAS, replied that two aerospace components would be moved from the Department of Commerce, Community and Economic Development (DCCED) to the Department of Military and Veterans Affairs. One component had 22 positions and the other had 28.

Representative Gara verified that the total number of positions would be the same as the current number.

2:18:35 PM

Representative Costello MOVED Amendment 2 (27-GH1737\E.4, Bailey, 3/4/11):

Page 59, line 22, through page 60, line 2:

Delete all material and insert:

"(g) The sum of \$2,700,000 is appropriated from the general fund to the Department of Commerce,

Community, and Economic Development for a contract under AS 44.33.125(a) with a qualified trade organization for destination tourism marketing for the fiscal year ending June 30, 2012.

(h) The sum of \$6,300,000 is appropriated from the general fund to the Department of Commerce, Community, and Economic Development for a supplemental marketing contract under AS 43.33.125(d) for the fiscal year ending June 30, 2012."

Reletter the following subsections accordingly.

Page 60, line 10:

Delete "(i) of this section"

Insert "(j) of this section"

Page 79, line 27:

Delete "sec. 12(k)"

Insert "sec. 12(l)"

Page 80, line 2:

Delete "12(m)"

Insert "12(n)"

Co-Chair Thomas OBJECTED.

Representative Costello explained that Amendment 2 would amend the CS in terms of the tourism marketing for the qualified trade association [Alaska Travel Industry Association (ATIA)] by keeping the \$2.7 million match under AS 44.33.125(a), the portion of the law requiring returning to the 50/50 match on July 1. Amendment 2 would also add \$6.3 million under AS 44.33.125(d), which stipulates that additional funding appropriated for tourism marketing in the state was not subject to the match requirement. She referred to oversight provided by the commissioner of DCCED; the commissioner "may" impose a match requirement to the amount.

Representative Costello reminded the committee that the legislature had changed the match requirement from 50/50 to 70/30 three years before, with the industry contributing 30 percent. The industry had three years to come up with a stable funding source, but had not succeeded in doing so. The law then required returning to the 50/50 match. She argued that the requirement would cause the industry to

triple their match requirement. The previous year, ATIA had been able to raise \$2.7 million, and had testified that that was their ability to match. The state would effectively be funding the industry's marketing at \$5.4 million without Amendment 2.

Representative Costello maintained that the amendment would keep the status quo in place for the operating budget; the governor had included additional funding in the capital budget, which would bring the total to \$18 million, the amount ATIA had the previous year. She pointed out that visitors to Alaska were down 6 percent for the year. She emphasized that the industry did not have exclusive rights to the product. She asked, "Who owns Mt. McKinley?" She felt the marketing dollars spent on a qualified trade association would increase travel to Alaska. Once travelers were in Alaska, small businesses paid for additional marketing, comprising an in-kind contribution not taken into account in the match requirement.

Representative Costello emphasized that nearly 25 percent of the 202 people testifying during public testimony on the budget were from the tourism industry. She listed the locations from which testifiers had called: Nome, Juneau, Anchorage, Palmer, Fairbanks, Unalaska, Sitka, Seward, Valdez, Chitna, Glennallen, Ketchikan, Homer, Kodiak, and other places. She wondered what the legislature would say to the people about not supporting them.

Representative Costello stressed that the industry brought \$138 million in contributions to the state budget. She listed amounts brought in through various sources:

- \$46.4 million—Commercial passenger vehicle tax
- \$6.3 million—Passenger gambling tax
- \$4 million—Ocean Ranger Program
- \$1 million—Commercial passenger vehicle environmental compliance program
- \$17.1 million—Non-resident fishing/trapping licenses and tags
- \$17.1 million—Alaska Marine Highway
- \$19.4 million—Alaska Railroad
- \$5.6 million—Vehicle rental tax
- \$21.4 million—Corporate income tax
- \$69.8 million—Municipal revenues

- \$23.5 million—Bed-tax revenues (\$15.6 million in Southcentral, \$5.6 million in the Interior, and \$1.7 million in Southeast)
- \$17.4 million—Dockage and moorage revenues

Representative Costello continued that recently a voter initiative had levied \$70 million in additional taxes on the industry; after that, the cruise-ship industry no longer contributed to the state's marketing effort. She felt that to more than triple the industry's contribution would cost small Alaskan businesses.

Representative Costello stated that for every \$10.78 that the state invested in the travel industry, it got \$378 back. In 2008, for every dollar invested, the state coffers increased by \$15.42. The same dollar also brought \$7.75 to the various municipalities around the state. In tax revenues alone, \$23.18 was gained for every dollar. She stressed that all the state had to do for the revenues was contribute to the marketing campaign.

[2:23:58 PM](#)

Representative Costello asked why the state was hesitant to invest. She wondered whether the reason was that ATIA did not come to the table with a plan. She stressed that the industry was the third largest in the state and employed 36,200 people. She acknowledged that ATIA had promised a plan and had not presented one. However, she did not want to penalize small business owners or to fund at last year's level while hammering out a long-term solution in HB 160. She thought that more than tripling the contribution on the state's third-largest industry was imprudent.

Representative Gara pointed to a typographical error on line 9 of Amendment 3; he noted that there was no statute number AS 43.33.125 and thought the number should be AS 44.33.125.

Representative Gara recollected that the legislature had adopted a 50/50 match. Representative Costello responded that he was correct.

Representative Gara suggested that there could be a debate about changing the statute, but he did want an appropriation outside a statute that had been adopted.

Representative Costello responded that there were two statutes under consideration. One was reverting back to the 50/50 match; however, AS 44.33.125(d) existed in statute already and allowed for additional tourism marketing funding that did not fall under the match requirements. She emphasized that there was already the statutory ability to address tourism marketing that was not subject to the percentage either in the past or the future.

[2:27:02 PM](#)

Co-Chair Stoltze spoke as a co-sponsor of the amendment. He stressed that the proposal was allowed under statute, since there were two sections. He concurred that the industry had had three years, but argued there had also been a recession during the time period. In addition, the cruise-ship tax had created a great deal of uncertainty. He compared the situation with the botulism scare at an earlier time. He opined that the increment was the most important thing that could be done for tourism in the state and was about supporting the economy in his region. He declared himself on firm ground in his support of his region, which depended heavily on the sport fisheries.

Co-Chair Stoltze maintained that while many people had economic challenges in his region because of their connections with the tourism industry, he thought the issue affected the entire state. He wanted to continue to support ATIA in spite of concerns about the leadership in the organization.

Co-Chair Stoltze stated that he wanted the tourism industry at the table in a meaningful way to address both the problems and the solutions.

[2:31:17 PM](#)

Representative Wilson spoke against the amendment. She noted that her vote on the amendment would not reflect her position on tourism, which she agreed had brought a lot to the state. She felt that the industry had been supported for three years and had not met its commitments. She felt it was wrong to reward an entity for doing nothing. She disagreed that supporting tourism was the issue; the issue for her was the industry not coming through on the three-year agreement. She pointed out that there had been continued attention to the issue. She questioned the

effects of lowering the head tax. She wanted to hold the industry accountable, and at the same time she strongly supported small businesses. She referred to HB 160, which could allow for further discussion.

Representative Neuman stated his opposition to the amendment. He noted that most of his district depended heavily on tourism through small businesses, including guided fishing and tours. He did not believe ATIA had come through with what they had been charged with. He felt that there were other mechanisms in place to address the issue, including HB 160. He acknowledged the difficulty of his decision to not support the amendment. He strongly supported the tourism industry, but he wanted to follow the established legislative process and to expect accountability. He did not feel the amendment would be the best for the state.

[2:35:46 PM](#)

Representative Neuman believed there were other ways to deal with the issue, including through the capital budget and HB 160. He stated that he would use those mechanisms to support tourism and the people in his district making a living from tourism.

Co-Chair Thomas commented that he was pro-tourism but wanted to follow the law.

Representative Costello stated that there were two sections in statute dealing with tourism funding; section (a) had the match that would revert back to 50/50, and section (d) allowed for additional tourism funding not subject to a match.

Co-Chair Thomas MAINTAINED his OBJECTION.

A roll call vote was taken on the motion.

IN FAVOR: Costello, Fairclough, Stoltze  
OPPOSED: Doogan, Edgmon, Gara, Guttenberg, Joule, Neuman, Wilson, Thomas

The MOTION FAILED (3/8). Amendment 2 was not adopted.

[2:38:09 PM](#)

AT EASE

2:42:28 PM

RECONVENED

Co-Chair Thomas MOVED Amendment 3 (27-GH1737\E.6, Bailey, 3/8/11):

Page 59, line 30, through page 60, line 2:

Delete:

(3) the amount appropriated under this subsection shall be reduced by twice the amount of any other state money appropriated to a qualified trade association for tourism marketing activities for the fiscal year ending June 30, 2012.

There being no OBJECTION, Amendment 3 was ADOPTED.

Vice-chair Fairclough MOVED to give the Legislative Finance Division and Legislative Legal Services the authority to incorporate amendments made and to make any appropriate conforming or technical changes to HB 108 and HB 109. There being NO OBJECTION, it was so ordered.

2:43:24 PM

RECESS

6:20:10 PM

RECONVENED

Vice-chair Fairclough proposed committee substitute, work draft CSHB 108(FIN) (27-GH1737\X, Bailey, 3/8/11) as a working document before the committee.

Representative Gara questioned the incorporation of the various items in Amendment 1. Mr. Ecklund responded that all the approved amendments were incorporated into the CS.

There being no OBJECTION, it was so ordered.

Co-Chair Thomas commended the work done.

Representative Doogan commended the work done on the budget. He recalled past budget processes, which had been easier. He called attention to several appropriations included in Amendment 1: Items number 32 (\$500,000) and 37 (nearly \$500,000), which reflected the legislature's use of general funds to fill fiscal gaps created by changes in the

federal budget. He opined that the issue had to be addressed in the near future as he believed federal funds would continue to decline. He did not have a solution, but warned that the issue would have to be addressed along the way. He emphasized that agencies would have to be told they could no longer afford items that had been funded in the past.

[6:25:26 PM](#)

Representative Gara commended the work done during the budget process. He thought there were more good things in the budget than things he would criticize. Items he appreciated in the budget included:

- Early education money
- \$300,000 for Head Start
- \$2 million unallocated cut to the Department of Education and Early Development that would not come out of early learning
- Funding left in for the Parents as Teachers program and Best Beginnings
- University of Alaska funds for the Honors program, the Math Bridge program, and engineering training
- Substance abuse funding, including for therapeutic courts
- OCS (Office of Children's Services) money to keep families together

Representative Gara expressed disappointment that the pre-K pilot program had been cut.

Co-Chair Stoltze thought the budget process had been collaborative. He pointed out that issues related to oil production would have to be addressed in the near future. He referred to legislation (HB 110) coming to the committee related to developing oil in the state.

[6:29:21 PM](#)

Representative Neuman highlighted intent language on page 30 of the bill:

It is the intent of the legislature that significant resources be deployed for enforcement efforts for the highway safety corridors located on the Parks Highway

between Milepost 44.5 and Milepost 53 and on the Knik Goose Bay Road between Milepost .6 and Milepost 17.2.

Representative Neuman informed the committee that there had already been three deaths and several severe accidents that put people in the hospital for months. He emphasized that addressing the highway safety corridors was very important to him and he appreciated the language being included in the bill.

Representative Guttenberg referred to Finance Committee budgeting history. He noted how "simple and straightforward" the process had been in the late 1990s when oil was \$12 per barrel. There were then years when it was harder to read the budget as funding got shifted back and forth between years. He appreciated a return to a budgeting process that was more transparent and accessible to the public.

Vice-chair Fairclough MOVED to report CSHB 108(FIN) out of committee with individual recommendations. There being NO OBJECTION, it was so ordered.

CSHB 108(FIN) was REPORTED out of committee with a "do pass" recommendation.

Vice-chair Fairclough proposed committee substitute, work draft CSHB 109(FIN) (27-GH1738\I, Bailey, 3/8/11) as a working document before the committee. There being no OBJECTION, it was so ordered.

Vice-chair Fairclough MOVED to report CSHB 109(FIN) out of committee with individual recommendations. There being NO OBJECTION, it was so ordered.

CSHB 109(FIN) was REPORTED out of committee with a "do pass" recommendation.

[6:32:49 PM](#)

Mr. Ecklund commended the work of Legislative Finance Division and co-chair staff members.

#

ADJOURNMENT

[6:34:02 PM](#)

The meeting was adjourned at 6:34 PM.