

SENATE FINANCE COMMITTEE

April 11, 2016

9:22 a.m.

9:22:14 AM

CALL TO ORDER

Co-Chair MacKinnon called the Senate Finance Committee meeting to order at 9:22 a.m.

MEMBERS PRESENT

Senator Anna MacKinnon, Co-Chair  
Senator Pete Kelly, Co-Chair  
Senator Peter Micciche, Vice-Chair  
Senator Click Bishop  
Senator Mike Dunleavy  
Senator Lyman Hoffman  
Senator Donny Olson

MEMBERS ABSENT

None

ALSO PRESENT

Jane Conway, Staff, Senator Cathy Giessel; Senator Bill Stoltz, Sponsor; Alexei Painter, Fiscal Analyst, Legislative Finance.

PRESENT VIA TELECONFERENCE

Ben Ellis, Director, Alaska State Parks; Dirk White, Pharmacist, Sitka; Jessica Geary, Finance Manager, Legislative Affairs.

SUMMARY

SB 101 STATE PARKS FEES & SALES OF MERCHANDISE

CSSB 101(FIN) was REPORTED out of committee with a "do pass" recommendation and with one new zero fiscal note from the Department of Natural Resources.

SB 196 POWER COST EQ FUND: RESERVE ACCT;DIVIDEND

SB 196 was REPORTED out of committee with a "do pass" recommendation and with one new fiscal impact note by the Senate Finance Committee and one new zero fiscal note from the Department of Commerce, Community and Economic Development.

SB 200 MANDATORY PHYSICAL ACTIVITY IN SCHOOLS

SB 200 was SCHEDULED but not HEARD.

SB 201 PHARMA BD & EMPLOYEES;DRUG DIST/MANUFAC

SB 201 was REPORTED out of committee with "no recommendation" and with one previously published fiscal note: FN1 (CED).

SB 210 COMM. REV. SHARING;PROP. TAX EXEMPTIONS

SB 210 was HEARD and HELD in committee for further consideration.

SJR 12 CONST. AM: ELECTED ATTORNEY GENERAL

SJR 12 was REPORTED out of committee with "no recommendation" and with two previously published fiscal notes: FN1 (LEG), and FN2 (GOV).

Co-Chair MacKinnon discussed the schedule.

#sb101

SENATE BILL NO. 101

"An Act relating to fees for use of state park system facilities; and relating to the sale of merchandise by the Department of Natural Resources."

[9:23:21 AM](#)

Co-Chair MacKinnon recalled that the committee had previously adopted the committee substitute (CS) for SB 101(FIN) (version E), which had included an amendment. She noted that the public hearing had been opened and closed on March 17, 2016.

Vice-Chair Micciche discussed the fiscal note, (OMB component 3001), from the Department of Natural Resources. The appropriation was for Parks and Outdoor Recreation with an allocation for Parks Management and Access. He conveyed that it was a zero fiscal note with no capital and no added employees.

BEN ELLIS, DIRECTOR, ALASKA STATE PARKS (via teleconference), addressed the fiscal note and shared that state parks was not looking for an appropriation to start a program. He thought there were many steps needed before the department was able to sell merchandise as proposed in the bill. He furthered that the department had not put any funds towards getting a trademark, but had done some preliminary work on a business plan. He thought the program would move forward by reallocating funds that would have been put toward park operations. He thought it was a modest way to grow the concept.

Co-Chair MacKinnon pointed out that the bill was taking a different direction from the previous committee. The CS would allow more flexibility for the department to sell products to benefit the parks, which she thought some might view as competition with private companies.

Vice-Chair Micciche MOVED to report CSSB 101(FIN) out of Committee with individual recommendations and the accompanying fiscal note.

CSSB 101(FIN) was REPORTED out of committee with a "do pass" recommendation and with one new zero fiscal note from the Department of Natural Resources.

[9:26:47 AM](#)

AT EASE

[9:28:58 AM](#)

RECONVENED

#sb201

SENATE BILL NO. 201

"An Act relating to the Board of Pharmacy; relating to the licensing and inspection of certain facilities located outside the state; relating to drug supply chain security; and creating a position of executive administrator for the Board of Pharmacy."

9:29:03 AM

Co-Chair MacKinnon referred to a document from Senator Cathy Giessel dated April 9, 2016, in response to questions from the committee (copy on file).

JANE CONWAY, STAFF, SENATOR CATHY GIESSEL, addressed the document that answered the questions that had come up at the previous hearing of the bill:

1. Would SB 201 apply to regulation of international wholesalers? (sub question.....do our AK licensees do business with wholesalers in Mexico or Canada or similar?) But even so, we can't regulate a business in another country could we?

Alaskan pharmacies do not do business with wholesalers in Mexico or Canada since they presumably don't sell US FDA approved drugs and as such the FDA does not allow import of said drugs.

Ms. Conway specified that drugs must be licensed in the United States and be approved by the United States Federal Drug Administration (FDA).

Co-Chair MacKinnon restated that her question had been if an international or foreign country could market directly to Alaskans, and somehow bypass the FDA.

Co-Chair MacKinnon referred to the first question, and asked for professional feedback on the matter.

DIRK WHITE, PHARMACIST, SITKA (via teleconference), relayed that he recently finished his term as president of the Board of Pharmacy. He stated there had been ongoing conversation regarding importation of drugs from foreign countries. He recounted that in the Clinton era, the importation of pharmaceuticals was going to be allowed but was later quashed by the U.S. Justice Department. He discussed the Drug Quality Security Act (DQSA), and informed that there was a practice called "track and trace," under which pharmacists were ensured as to the provenance and pedigree of the items that had been ordered. He noted that he received an electronic file every time he placed an order from a wholesaler, which would show the pedigree of each item that was ordered. He discussed

prevention efforts by the Board of Pharmacy to ensure that wholesalers were following DQSA regulations. He pointed out that the board had no jurisdiction over international pharmacies or wholesalers, and added that there were loopholes.

9:34:01 AM

Co-Chair MacKinnon was unclear as to Mr. White's response on the matter of directly accepting drugs from wholesalers. She wondered if the bill should endeavor to prevent the ability to purchase drugs from a wholesaler that marketed internationally. She wondered if the committee should amend the bill to ban the ability to purchase internationally.

Mr. White clarified that the prohibition she described was essentially what pharmacists had been operating under. According to regulations, he should not be able to purchase from an international pharmacy or wholesaler, but he was sure there was a way around the rule, which is why he had mentioned a loophole. He referred to copious amounts of packages that were being sent from out of state, and thought the FDA was unable to inspect them all. He asserted that he would always order from a major national wholesaler. There were also small regional businesses which were licensed and certified and inspected, and were able to ship into other states. He did not see that the international concern was a priority.

Ms. Conway spoke to the regulation of internet sales on the first page of the document:

2. Are internet sales regulated? Sub question - would AK licensees purchase off the internet? Are they even allowed to do that?

Alaskan Pharmacies may purchase off the internet from Wholesalers licensed in the United States and purchase FDA approved drugs. Alaskan pharmacies may not purchase and then dispense drugs from wholesalers (presumably out of the country) that are NOT FDA approved.

Ms. Conway stated that individuals could purchase medications over the internet. She noted that there had been discussion about an internet corporation forming to address the dot-com pharmacy industry; so that a person

could look up an internet pharmacy to see if it was certified as handling FDA-approved drugs.

Co-Chair MacKinnon related that the committee had addressed the fiscal note on April 9, 2016. She noted that public testimony had opened and closed on the same date.

Vice-Chair Micciche MOVED to report SB 201 out of Committee with individual recommendations and the accompanying fiscal note.

SB 201 was REPORTED out of committee with "no recommendation" and with one previously published fiscal note: FN1 (CED).

[9:38:36 AM](#)

AT EASE

[9:42:06 AM](#)

RECONVENED

#sjr12

SENATE JOINT RESOLUTION NO. 12

Proposing amendments to the Constitution of the State of Alaska relating to the office of attorney general.

[9:42:10 AM](#)

Vice-Chair Micciche discussed FN 1, (OMB component 0) which had no department appropriation or allocation and was a zero fiscal note.

Vice-Chair Micciche discussed FN 2 (OMB component 21), for the Office of the Governor, with an appropriation for the Division of Elections. He specified that FN 2 was a zero fiscal note from FY 17 through FY 22. The note assumed the election would be an addition to the regular election on the governor's cycle.

Co-Chair MacKinnon asked for explanation as to why there was an OMB component number of zero, and a fiscal note from the Legislative Affairs Agency.

JESSICA GEARY, FINANCE MANAGER, LEGISLATIVE AFFAIRS (via teleconference), relayed that she was asked by the sponsor of the legislation to prepare a fiscal note. She had

prepared a zero fiscal note because the bill had zero fiscal impact on the agency.

SENATOR BILL STOLTZ, SPONSOR, discussed the bill. He specified that the bill was based on the premise of providing a "people's lawyer," and that 43 other states elected the attorney general. He stated that the primary motivation was not to adhere to the practices of the rest of the country, but rather to provide for a people's lawyer. He wanted to put the matter before voters so they could make the final decision.

Senator Olson referred to the formation of the Alaska Constitution and pondered the discussion of the framers on the topic of an elected attorney general. He recounted that there had been strong proponents of not having an elected attorney general, and the framers had considered the Missouri Plan. He mentioned the Judiciary Committee and Ralph Rivers [former territorial legislator and member of the constitutional convention]; and wondered what disagreement the sponsor had with the original rationale and arguments of the Judiciary Committee.

Senator Stoltz agreed that the constitutional framers had been the prevailing voice on the matter of choosing an attorney general. He recalled that former Governor Bill Egan, the chairman of the constitutional convention, had an opposing view but had been in the minority. He continued that the Missouri Plan applied to the selection of judicial officers.

[9:46:34 AM](#)

Senator Olson thought the Missouri Plan had considered matters in the Judiciary Committee, which had decided to have the prevailing vote and have an appointed attorney general.

Senator Stoltz thought that there had been a decision to have a governor's appointment of the judiciary, with a voter retention plan. The judiciary committee had also dealt with the attorney general, and appointment had been the majority view in the years of 1955 and 1956.

Senator Hoffman asked if the sponsor had any concerns that there would be a qualified individual outside of the major population centers. He thought everyone was well aware that

it would be difficult for people outside of major metropolitan areas to get elected statewide.

Senator Stoltz mentioned former Governor Bill Egan, former Governor Jay Hammond, as well as Governor Bill Walker as examples of major elected officials from smaller cities within the state. He thought the system had worked well in spite of the geography of the state.

Senator Olson discussed historical gubernatorial elections in which unique circumstances had contributed to the victory. He remembered that there had been a split vote in 1974, and Jay Hammond had won.

Senator Stoltz recalled that Governor Hammond, when he won the election in 1874, had beat every former Governor of Alaska both through the primary and general election.

Vice-Chair Micciche MOVED to report SJR 12 out of Committee with individual recommendations and the accompanying fiscal notes.

SJR 12 was REPORTED out of committee with "no recommendation" and with two previously published fiscal notes: FN1 (LEG), and FN2 (GOV).

[9:50:06 AM](#)

AT EASE

[9:52:38 AM](#)

RECONVENED

Co-Chair MacKinnon noted that SB 200 [scheduled but not heard], pertaining to mandatory physical activity in schools, would be addressed in the afternoon meeting. She detailed that the committee was waiting for a CS, and wanted to share it with the sponsor prior to the bill hearing. She recalled discussion from the previous day regarding an exception if there was inclement weather or a safety issue. The CS would address the exception, and the committee was waiting for the sponsor to review the language to see if it was acceptable.

#sb196

SENATE BILL NO. 196

"An Act relating to the use of certain unexpended earnings from the power cost equalization endowment fund."

[9:53:34 AM](#)

Co-Chair MacKinnon discussed SB 196. She noted that the public hearing had been opened and closed on March 16, 2016.

Vice-Chair Micciche discussed the fiscal note (OMB component 2602) from the Department of Commerce, Community and Economic Development (DCCED). He stated that it was a zero fiscal note with no added capital or added employees.

Vice-Chair Micciche discussed the fiscal note (OMB component 0) for various departments from the Senate Finance Committee. He informed that the note was for informational purposes only, and had to do with the dividend funds from the PCE Endowment Fund. He read from the bottom of the fiscal note:

Why this fiscal note differs from previous version:  
Initial version. This fiscal note for information purposes only. Beginning in FY16, it assumes a six percent earnings rate and two percent program growth rate for each fiscal year. In FY18 through FY22, Power Cost Equalization Endowment funds (DGF) would be available to replace Unrestricted General Funds (UGF) expenditures for Community Assistance and Rural Energy Programs. Depending on actual earnings in a fiscal year the amount available to replace UGF will vary from zero to \$55 million.

Vice-Chair Micciche specified that the fiscal note showed a \$17 million displacement in FY 18, with no impact in FY 17. He continued that there was a \$17.2 million displacement in FY 19, a \$17.5 million displacement in FY 20, a \$17 million displacement in FY 21, and a \$16.6 million displacement in FY 22.

Co-Chair MacKinnon asked if Vice-Chair Micciche had been referring to the dividend coming from the PCE Endowment Fund.

Vice-Chair Micciche answered in the affirmative.

Senator Hoffman stated that he had introduced the legislation primarily to reflect the original intent of funding the PCE program. He clarified that the endowment was never meant to have additional funds for any other purpose. He explained that the bill would stipulate that any additional earnings would be used for other state purposes.

Senator Dunleavy commented on the \$4 billion budget deficit, and wondered why the state would not use the fund to backfill some of the deficit. He understood that the fund gave assistance to some Alaskan communities, and asked if anyone wanted to comment on the matter.

[9:57:15 AM](#)

Senator Hoffman thought that the purpose of the PCE Endowment Fund was discussed and brokered prior to his tenure in the legislature. He recounted that the fund had been in existence for well over 30 years. He mentioned that the funds were split when the Four Dam Pool [four hydroelectric facilities (dams and lake tap projects) built by the State of Alaska in the early 1980s] was being built. The fund was intended to address the high electricity costs (for heating) in rural Alaska, and was an attempt to equalize the power throughout the state of Alaska. He thought by keeping the funds in the endowment it was not a drain on the GF, but rather a long-term solution to address higher costs throughout the state. Conversely, if the funds were taken it would be a one-time use, and people in rural Alaska would end up paying substantially more in electrical costs. He noted that the PCE program only gave credit for the first 500 kilowatt hours (kWhs) of electricity use per month. He discussed electricity use in rural and urban areas of the state. He saw the bill as a commitment to lower costs and make the state a more affordable place to live.

Senator Dunleavy acknowledged the history of the PCE program and supported the concept of helping people in rural Alaska with energy costs. He hoped that the state would be able to drive down the overall cost of state government so that it could continue to have funds such as the PCE endowment fund. He referred to proposed use of the permanent fund and potential new taxes, and thought that it was important to have discussions about all potential sources of funding. He thought the issues were complex and

was not sure the legislature would be able to come up with a complete financial package to address the deficit by the end of session. He wanted to use care in examining all funds to see how each might help with the \$4 billion deficit. He had lived in rural Alaska and experienced the cost differential. He thought the legislature needed to be prepared to answer questions about the PCE Fund as well as the Higher Education Fund.

[10:01:02 AM](#)

Senator Olson stated that the PCE Fund was put together at a time when natural gas and hydro-electric power were being developed in the state. In order for rural Alaska to reap benefits of the natural gas investments and pricing, as well as the Four Dam Pool; the compromise was the creation of the PCE Endowment Fund. He discussed the idea of adding a surcharge on natural gas coming out of Cook Inlet, which was semi-subsidized by the state, to help pay for the budget deficit. He discussed the difference in power cost between his residences in Anchorage and Golovin.

Senator Dunleavy did not disagree. He thought there were people in the state who did not benefit from Cook Inlet gas subsidization (through tax credits) by the state; and there were people in the state who did not benefit from PCE. He believed the points being addressed were important to feature in ongoing conversations.

Vice-Chair Micciche pointed out that it was the first time the state had asked the PCE Fund to help offset costs in other areas. For the purposes of the legislation, the aid would be for community assistance and rural energy programs. He noted that there were discussions about the level of subsidy in Cook Inlet. He was relatively supportive of the bill.

[10:05:10 AM](#)

Senator Bishop stated that if there was a PCE Endowment Fund dividend, the excess earnings would be split between the community assistance program (50 percent), the renewable energy grant fund (30 percent), and the PCE Endowment Fund (20 percent). He recalled that the previous year the committee had strengthened the PCE Fund by using the prudent investor rule. He thought the committee was doing its job working towards maximizing state assets. He

agreed with Senator Dunleavy that it would take continued work to solve the budget problem.

Co-Chair MacKinnon recalled a PCE bill from the previous year, in which more prudent investment was implemented. She thought the bill went an additional step in reducing the draw from 7 percent to 5 percent, in aid of trying to keep the corpus of the fund whole. She recalled priorities that were articulated in a Senate Majority press conference that included how to positively impact the bottom line of the state budget, which she thought the bill accomplished. She pointed out that the bill left all of the PCE Fund available for appropriation in a future year. She asserted that the House had proposed accessing the fund for the University, and she did not concur with the idea. She explained that there were excess earnings above the funding to the PCE program, after which the funds would roll off to different areas and reduce the call on cash to the GF. The bill would reduce GF spending, and she thought it was worth consideration by both bodies. She thought if the bill was not passed, the PCE Fund would be at risk. She discussed a reduction in tax credits that would result in an increase in gas bills.

[10:09:26 AM](#)

AT EASE

[10:16:34 AM](#)

RECONVENED

Vice-Chair Micciche MOVED to report CSSB 196(FIN) out of Committee with individual recommendations and the accompanying fiscal notes.

CSSB 196(FIN) was REPORTED out of committee with a "do pass" recommendation with one new fiscal impact note from the Senate Finance Committee, and one new zero fiscal note from Department of Commerce, Community and Economic Development.

[10:17:15 AM](#)

AT EASE

[10:21:30 AM](#)

RECONVENED

#sb210

SENATE BILL NO. 210

"An Act relating to the community revenue sharing program; changing the name of the community revenue sharing program to the community assistance program; and relating to the municipal property tax exemption on the residence of a senior, a disabled veteran, and a widow or widower of a senior or disabled veteran."

10:21:43 AM

Co-Chair MacKinnon discussed the CS for SB 210, which had been adopted on April 6, 2016. Public testimony had opened on closed on the same date. She clarified that the committee was considering bill version H.

10:22:11 AM

AT EASE

10:23:06 AM

RECONVENED

Vice-Chair Micciche discussed the fiscal note, from DCCED (OMB component 2879); with appropriation and allocation to Community and Regional Affairs. He shared that the note showed \$6.1 thousand of fiscal impact in FY 17 with no additional costs, positions, or capital. He relayed that the committee believed that the department could handle the minor amount of work resultant from the bill, and it intended to zero out the fiscal note.

Co-Chair MacKinnon asked for the support of the committee to zero out the fiscal note. The fiscal note was amended to zero. She informed that the committee would request the Legislative Finance Division (LFD) to provide a forthcoming zero fiscal note.

Vice-Chair Micciche relayed a concern from his district and mentioned a spreadsheet that showed an increase in community revenue sharing in some communities, and a larger proportion of decrease of community revenue sharing in other communities. He asked if Co-Chair MacKinnon could explicate and confirm that no communities in the state would receive an increase.

Co-Chair MacKinnon asked LFD staff to explain the breakdown of how the state would assist communities under the bill.

ALEXEI PAINTER, FISCAL ANALYST, LEGISLATIVE FINANCE, discussed the spreadsheet "FY 17 Community Revenue Sharing Estimates," (copy on file). He explained that under the status quo distribution of \$60 million versus the proposed distribution of SB 210 (under any amount), no community would receive more funding under the formula in the Community Revenue Sharing Program. The bill would change the way that pro-rating worked, so if one were to compare a pro-rated base in the status quo program to a pro-rated base in the new program, it was true that some communities would be better or worse off. He reiterated that when compared to the original \$60 million program, no community would receive more funding under SB 210.

Vice-Chair Micciche thought that when some people had initially looked at the calculations; it had showed an actual increase for Aleutians East, False Pass, and some other areas. He asked if Mr. Painter could explain the logic of the bill and its relationship to the PCE program.

Co-Chair MacKinnon stated that there was a policy decision, and referred to the SB 196, which had just passed from committee. She explained that SB 196 had proposed a change to the PCE Fund structure, in which excess earnings would be diverted to the revenue sharing program. It was estimated to be in the amount of \$17 million for FY 17. She considered the two bills to be interrelated.

[10:27:36 AM](#)

Vice-Chair Micciche stated that the bill being considered (SB 210) would change the name of the program from Community Revenue Sharing to Community Assistance. He continued that the program funding had been reduced from \$60 million to \$38.2 million, half of which was expected to come from PCE Endowment Fund earnings.

Co-Chair MacKinnon stated that for FY 17, if the fund was not re-charged, there would be \$38,200,000 available under the current stepdown in statute. She continued that under SB 210, the pro-rated share would be changed. If there was expected earnings on the PCE Fund, there would be \$17 million to go to the Community Revenue Sharing Program.

Senator Hoffman stated that the governor's proposal was to spend \$50 million on the revenue sharing program in the

current year, and increase the amount to \$60 million in subsequent years. The committee was evaluating whether or not the state could continue to fund the program at the same high level. Since the state no longer had surplus revenue to share, he thought the title change to the Community Assistance Program was more appropriate. He thought by changing it to a \$30 million program, it would not necessitate funding an additional \$35 million in the current year. He noted that the fund had \$115 million, and in order to get a three-year average the fund would have to contain \$150 million. Subsequently, the governor had requested the additional \$35 million. If the legislature moved forward and reduced the program, the state would not have to come up with \$35 million, and there would be enough funding already to cover a \$30 million program. He did not believe the state could continue on the path it was on. He thought it was more likely that the program could survive at the lower funding level. He noted that each legislature would have to consider the financial conditions of the state at the time.

10:31:00 AM

Vice-Chair Micciche thought it was unjustified to simply end the program, and thought the bill was an appropriate action. He referred to other bills that impacted municipalities, and thought that SB 210 had a much smaller impact. He thought that the bill was a healthy compromise.

Co-Chair MacKinnon stated that the bill was from the Senate Finance Committee, and asked that any input be directed to her office. She referred to discussion regarding the definition of "community" and how large a community should be. She recounted the same discussion pertaining to the size of schools. She had heard conversation about considering 50 residents to constitute a community, or whether 11 members in a geographic area qualified for community assistance of \$96,000. She clarified that the bill did not propose a change to definitions of community, but noted that there was an anomaly in the Aleutians East Borough that had a population of 39 and received state assistance in the amount of \$385,000.

Mr. Painter clarified that the population of Aleutians East Borough was actually higher, and the 39 individuals were those that did not live in an incorporated borough.

Co-Chair MacKinnon asked Mr. Painter to discuss why Aleutians East would get extra compensation if communities were already receiving funds from other sources.

Mr. Painter stated that there were boroughs with incorporated communities that received the borough share of the program.

Co-Chair MacKinnon clarified that the boroughs were overlaid upon the city or village designations, and both were getting assistance.

Mr. Painter answered in the affirmative.

Co-Chair MacKinnon asked Mr. Painter to create a spreadsheet to illustrate the cities with the boroughs overlaid atop, with associated revenues, to better understand how the program gave assistance to the boroughs. She thought the information would also be helpful in the next committee of referral if the bill was successful on the Senate floor.

10:35:04 AM

AT EASE

10:39:14 AM

RECONVENED

Senator Dunleavy thought that he would benefit greatly from additional consideration of the bill. He wanted to discuss some questions about the bill with staff from LFD.

Senator Olson referred to an earlier discussion about communities that did not have city governments. He commented that he would like a list of such communities, the population, and how much money each community was receiving from the revenue sharing program.

Co-Chair MacKinnon stated she would be happy to hold the bill until the afternoon meeting.

Vice-Chair Micciche opined that there were a lot of legislators that thought that it was time that the communities with tax authority and/or a fund balance move beyond community revenue sharing. He thought the bill was a healthy compromise. He acknowledged that the program was slightly advantaged to smaller communities that (in some

cases) had the revenue sharing program as its only state support. He thought there were communities that objected to the proportional differences. He thought it was a healthy shift for larger communities that had a greater ability to provide for themselves.

10:41:30 AM

Co-Chair MacKinnon stated that the conversation around the creation and reduction of the revenue sharing program had to do with Senator Hoffman's comments regarding the fact that the state could no longer afford to share funding it did not have. She pointed out that the governor was proposing multiple ways to provide revenues through taxing different industry groups and individual Alaskans. She suggested that larger communities had the ability (provided by the legislature) to tax themselves, and thereby had a greater ability for self-determination. She noted that the smaller communities, which had not already done so, still had the opportunity to tax themselves.

Co-Chair MacKinnon relayed that some of her constituents, as well as other residents, had asked that all of Alaska be incorporated as boroughs so as to tax residents and contribute to education and other activities funded by the state. She thought the bill was a compromise. Instead of eliminating all revenue assistance to communities with taxing authority, the compromise was to reduce to a \$30 million program and utilize earnings from the PCE Fund. She referred to the suite of interlocked bills, including one that concerned the Public Employees' Retirement System (PERS) and the Teachers' Retirement System (TRS). The committee had heard from a variety of people, including those that were highly vocal and critical of the legislature and cost-shifting. She discussed PERS and TRS liability. She thought it was fair to say that more conversation was needed on the topic. She agreed that proportionally, smaller communities were protected in a better way; and noted that if the previous bill went forward, part of the PCE fund would help lower GF spend.

10:45:08 AM

Vice-Chair Micciche thought Co-Chair MacKinnon's remarks were well stated. He related that he tried to be able to put himself in other people's shoes. He referred to his 5-year tenure as mayor of an Alaskan community. He thought as

mayor he would have taken issue with the proportional change proposed in the bill. He acknowledged the difference of his current role, as well as the changed fiscal climate. He reiterated that the bill was an appropriate compromise, especially considering a PCE Fund shift.

SB 210 was HEARD and HELD in committee for further consideration.

Co-Chair MacKinnon discussed the afternoon schedule, at which time the committee would do a full walk-through of the capital budget. She noted that she would work to move out SB 210 and SB 196 together so that they could travel together. She reiterated that the two bills were a portion of the same suite of bills.

10:46:37 AM

AT EASE

10:47:02 AM

RECONVENED

Co-Chair MacKinnon discussed the afternoon schedule.

#

ADJOURNMENT

10:47:43 AM

The meeting was adjourned at 10:47 a.m.