

SENATE JOURNAL

ALASKA STATE LEGISLATURE

TWENTY-THIRD LEGISLATURE -- SECOND SESSION

Juneau, Alaska

Monday

January 12, 2004

First Day

Pursuant to adjournment the Senate was called to order by President Therriault at 11:18 a.m.

The roll showed twenty members present.

The prayer was offered by the Chaplain, The Venerable Mark Boesser, Archdeacon of Southeast Alaska for the Episcopal Church. Senator Hoffman moved and asked unanimous consent that the prayer be spread. Without objection, it was so ordered.

One of my favorite New Year's greetings goes:

I said to the man who stood at the Gate of the Year, Give me a light that I may go out into the unknown, and he replied, Go out into the darkness and put your hand into the hand of God. It will be to you more than light and safer than a known way.

King George VI spoke these words in his 1940 Christmas message when Britain stood alone in World War II.

My prayer at the gate of this new legislative session is that you will go into it with your hand in the hand of God as you understand Him, and that the coming days will be filled with blessings for you, for your families, and for Alaska. Amen.

Colors

The following members of the Tongass Alaska Girl Scout Flag Corps presented the colors: Amanda Empson, Kayleigh Gilbert, Ellie Hakari, Amanda Hoffman, Heather Hoffman, Chevelle Hogan, Bobbie Jo Koerperich, Jackie Koerperich, Heather Patterson and Summer Ward.

The Tongass Alaska Girl Scout Flag Corps led the Senate in the Pledge of Allegiance.

President Therriault appointed Senator Stedman and Senator Lincoln to inform the Governor that the Senate is ready to do business.

President Therriault appointed Senator Bunde and Senator French to inform the House that the Senate is ready to do business.

Certification

Senator Ben Stevens moved and asked unanimous consent that the journals for the one hundred nineteenth, one hundred twentieth, and one hundred twenty-first legislative days of the First Session of the Twenty-third Alaska Legislature, the Final Supplement, Senate Supplement No. 4, Senate Supplement No. 5 and House and Senate Joint Journal Supplement No. 10 be approved as certified by the Secretary. Without objection, it was so ordered.

Representative Kookesh and Representative Wilson called on the Senate to advise that the House of Representatives was in session and ready to do business.

Messages from the Governor

Message dated November 10, 2003 was received, stating:

Dear President Therriault:

Pursuant to my authority under article II, section 4 of the Alaska State Constitution, I have appointed Bert Stedman to fill the vacancy in the Alaska State Senate, District A.

Subject to confirmation by the Senate Majority, Bert Stedman will hold this office for the remainder of the unexpired term for Senate District A.

Sincerely Yours,

/s/

Frank H. Murkowski

Governor

Appointment Confirmation

The Senate Majority's response dated November 12, 2003 was received, stating:

Dear Governor Murkowski,

Members of the Senate Republican Caucus have met with Bert Stedman, your appointee to fill the Senate seat for District A, and by signing this letter have cast their vote for his confirmation.

Signing the letter: Senators Therriault, Bunde, Cowdery, Dyson, Green, Ogan, Seekins, Ben Stevens, Wilken.

Separate letters of support for the confirmation of Bert Stedman, dated November 10, 2003 and November 14, 2003 respectively, were received from Senators Wagoner and Gary Stevens.

Lt. Governor Loren Leman administered the Oath of Office to Mr. Stedman on November 20, 2003.

Oath of Office

I do solemnly swear that I will support and defend the Constitution of the United States and the Constitution of the State of Alaska, and that I will faithfully discharge my duties as Senator to the best of my ability.

/s/

Bert K. Stedman

President Therriault officially welcomed Senator Stedman as a member of the Twenty-third Alaska State Legislature.

SJR 17

Message dated August 25 and received August 26, 2003 was received, stating the Governor transmitted the engrossed and enrolled copies of the following resolution to the Lieutenant Governor's Office for permanent filing:

SENATE JOINT RESOLUTION NO. 17 Relating to the Alaska-Yukon Intergovernmental Relations Accord, to annual legislative exchanges, and to continuing intergovernmental work on matters of joint concern and mutual interest.

Legislative Resolve No. 19

SJR 10

Message dated August 25 and received August 26, 2003 was received, stating the Governor transmitted the engrossed and enrolled copies of the following resolution to the Lieutenant Governor's Office for permanent filing:

HOUSE CS FOR SENATE JOINT RESOLUTION NO. 10(JUD) Relating to the Pledge of Allegiance.

Legislative Resolve No. 20

SJR 5

Message dated August 25 and received August 26, 2003 was received, stating the Governor transmitted the engrossed and enrolled copies of the following resolution to the Lieutenant Governor's Office for permanent filing:

CS FOR SENATE JOINT RESOLUTION NO. 5(STA) Urging the President of the United States and the Congress to act to ensure that federal agencies do not retain records relating to lawful purchase or ownership of firearms gathered through the Brady Handgun Bill instant check system.

Legislative Resolve No. 21

SJR 8

Message dated August 25 and received August 26, 2003 was received, stating the Governor transmitted the engrossed and enrolled copies of the following resolution to the Lieutenant Governor's Office for permanent filing:

HOUSE CS FOR SENATE JOINT RESOLUTION
NO. 8(JUD) Relating to the division of the Ninth
Circuit Court of Appeals.

Legislative Resolve No. 35

Letter from Governor Frank H. Murkowski dated January 9 was read, stating:

Under the provision of article III, section 18 of the Alaska Constitution, I am requesting the opportunity to address a Joint Session of the Twenty-third Alaska State Legislature on Tuesday, January 13, 2004, at 7:00 p.m. for presentation of a combined State of the State and State of the Budget address.

Introduction of Executive Orders**EO 112**

EXECUTIVE ORDER NO. 112

Transferring international trade functions and duties
from the Department of Community and Economic
Development to the Office of the Governor.

was read the first time and referred to the Labor and Commerce Committee.

The following fiscal information was published today:

Fiscal Note No. 1, zero, Office of the Governor

Governor's transmittal letter dated January 12:

Dear President Therriault:

Under the authority of article III, section 23, of the Alaska Constitution, and in accordance with AS 24.08.210, I am submitting an Executive Order relating to international trade. Under this Executive Order, responsibility for international trade functions and duties would be transferred from the Department of Community and Economic Development to the Office of the Governor. Reassignment of international trade functions and duties with other Office of the Governor functions will improve administrative efficiency.

In addition, this Executive Order is an important part of my effort to increase jobs and revenue from international trade. In the first nine months of 2003, growth in international trade created an estimated 2,650 new jobs for Alaskans. I want that trend to continue.

Having the Governor's Office handle international trade functions and duties also lends credibility to the process in the eyes of the state's trading partners. These nations will know trade functions are being managed directly under the Governor.

I urge your prompt and favorable action on this measure.

Sincerely yours,

/s/

Frank H. Murkowski
Governor

Communications

The following message dated September 14, 2003 was received, stating:

Dear Senator Therriault,

Please accept this letter as my official resignation from the Alaska State Senate effective midnight on Sunday, September 14th. It has been an honor to serve the state for over 19 years and I wish you and my fellow colleagues the very best in the upcoming session.

Sincerely,

/s/

Robin L. Taylor
Senator, District A

HCR 21

Letter dated September 12, 2003 from Senate President Gene Therriault was received, stating:

In accordance with the provisions of HOUSE CONCURRENT RESOLUTION NO. 21 establishing the Alaska Energy Policy Task Force (Legislative Resolve No. 24), and consulting with the Speaker of the House, I appoint:

Alaska Energy Policy Task Force

Meera Kohler

Letter dated October 14, 2003 from Senate President Gene Therriault was received, stating:

The recent resignation of Senator Robin Taylor has created a vacancy on the Legislative Council that by statute must be filled at this time. In addition, Senator Fred Dyson has expressed a desire to relinquish his seat on the Council due to the workload of his other legislative assignments. As a result, under the authority of AS 24.20, I am removing Senator Fred Dyson from the Legislative Council and appointing Senator Gary Stevens and Senator Tom Wagoner to fill the two vacancies.

Letter dated December 29, 2003 from Chief Justice Alexander O. Bryner was read, stating pursuant to AS 24.60.130(b)(3), he has nominated H. Conner Thomas (incumbent) and Ann Rabinowitz to serve terms as public members on the Select Committee on Legislative Ethics.

President Therriault referred the nominations to the Judiciary

Committee.

Standing Committee Reports

HB 209

The following updated fiscal information for CS FOR HOUSE BILL NO. 209(RLS) "An Act relating to municipal property tax adjustments for property affected by a disaster" was published today:

Fiscal Note No. 2, zero, Department of Community and Economic Development

The bill is on today's calendar.

Recess

Senator Ben Stevens moved and asked unanimous consent that the Senate stand in recess for a Committee on Committees meeting. Without objection, the Senate recessed at 11:29 am.

After Recess

The Senate reconvened at 11:52 a.m.

Special Committee Reports

Committee on Committees

Report dated January 12 was read, stating:

Mr. President:

Your Committee on Committees has met and submits to the Senate for its consideration the following changes to the Committee on Committees reports dated January 21 and February 23, 2003:

Community and Regional Affairs Committee

Senator Stedman replaces Senator Taylor

Senator Stedman replaces Senator Wagoner as Chair
Senator Wagoner remains on the Committee as Vice Chair

Finance Committee

Senator Dyson replaces Senator Taylor

State Affairs Committee

Senator Stedman replaces Senator Dyson

Transportation Committee

Senator Cowdery is changed from Chair to Cochair

Senator Wagoner is changed from Vice Chair to Cochair

Signing the report: Senator Therriault, Chair; Senators Ben Stevens, Wilken, Davis, Ellis.

Senator Ben Stevens moved and asked unanimous consent that the Committee on Committees Report be adopted. Without objection, it was so ordered.

**Introduction and Reference of
Senate Resolutions**

SJR 21

SENATE JOINT RESOLUTION NO. 21 BY SENATOR BUNDE,

Proposing an amendment to the Constitution of the
State of Alaska relating to initiative and referendum
petitions.

(Prefile released January 2, 2004)

was read the first time and referred to the State Affairs, Judiciary and
Finance Committees.

SJR 22

SENATE JOINT RESOLUTION NO. 22 BY SENATOR ELTON,

Relating to supporting the repeal of the Government Pension Offset and the Windfall Elimination Provisions from the Social Security Act.

was read the first time and referred to the State Affairs and Health, Education and Social Services Committees.

Introduction and Reference of Senate Bills

SB 1

SPONSOR SUBSTITUTE FOR SENATE BILL NO. 1 BY SENATORS WILKEN, Davis, Wagoner, Guess, entitled:

"An Act relating to the base student allocation used in the formula for state funding of public education; and providing for an effective date."

was read the first time and referred to the Health, Education and Social Services and Finance Committees.

SB 237

SENATE BILL NO. 237 BY SENATOR COWDERY, entitled:

"An Act relating to the Alaska Railroad workforce development scholarship program."
(Prefile released January 2, 2004)

was read the first time and referred to the Labor and Commerce and Health, Education and Social Services Committees.

SB 238

SENATE BILL NO. 238 BY SENATOR BUNDE, entitled:

"An Act relating to initiative and referendum petitions; and providing for an effective date."
(Prefile released January 2, 2004)

was read the first time and referred to the State Affairs, Judiciary, and Finance Committees.

SB 239

SENATE BILL NO. 239 BY SENATOR DYSON, entitled:

"An Act relating to the required number of days in a school year."

(Prefile released January 2, 2004)

was read the first time and referred to the Health, Education and Social Services Committee.

SB 240

SENATE BILL NO. 240 BY SENATOR THERRIAULT, entitled:

"An Act prescribing a definition of 'damages' that a landowner may claim for injury to or interference with the owner's use of property by a person entering upon the land under the state reservation of oil, gas, mineral, material, or related interests, addressing the determination of the form, amount, and security of the surety bond determined by the director of lands to secure the landowner payment for damages, directing preparation of notice to the landowner for subsurface activities on the land, and setting a limitation on actions against a landowner resulting from entry upon land under the state reservation of interests."

(Prefile released January 2, 2004)

was read the first time and referred to the Resources, Judiciary, and Finance Committees.

SB 241

SENATE BILL NO. 241 BY SENATOR THERRIAULT, entitled:

"An Act making an appropriation to the Alaska Natural Gas Development Authority; and providing for an effective date."

(Prefile released January 2, 2004)

was read the first time and referred to the Resources and Finance Committees.

SB 242

SENATE BILL NO. 242 BY SENATOR COWDERY, entitled:

"An Act relating to gaming."

(Prefile released January 2, 2004)

was read the first time and referred to the Labor and Commerce and Finance Committees.

SB 243

SENATE BILL NO. 243 BY SENATOR ELTON, entitled:

"An Act relating to immunization of postsecondary students for meningitis; and providing for an effective date."

(Prefile released January 2, 2004)

was read the first time and referred to the Health, Education and Social Services Committee.

SB 244

SENATE BILL NO. 244 BY SENATORS WILKEN, Ben Stevens, entitled:

"An Act relating to fines for offenses committed within school zones."

(Prefile released January 2, 2004)

was read the first time and referred to the Judiciary and Finance Committees.

SB 245

SENATE BILL NO. 245 BY SENATOR ELTON, entitled:

"An Act relating to retirement contributions and benefits under the public employees' retirement system of certain harbor officers."
(Prefile released January 2, 2004)

was read the first time and referred to the State Affairs and Finance Committees.

SB 246

SENATE BILL NO. 246 BY SENATORS LINCOLN, Davis, entitled:

"An Act relating to the commission of an offense or a juvenile delinquency act involving the victim's race, sex, color, creed, physical or mental disability, sexual orientation, ancestry, or national origin; relating to sentencing, informal adjustment, and adjudication for those offenses and acts; relating to a diversity tolerance program for certain juvenile delinquency acts; relating to a civil cause of action for certain acts involving discriminatory harassment; and providing for an effective date."
(Prefile released January 2, 2004)

was read the first time and referred to the State Affairs and Judiciary Committees.

SB 247

SENATE BILL NO. 247 BY SENATOR WAGONER, entitled:

"An Act amending the definition of 'project' in the Act establishing the Alaska Natural Gas Development Authority; and providing for an effective date."
(Prefile released January 2, 2004)

was read the first time and referred to the Resources and Finance Committees.

SB 248

SENATE BILL NO. 248 BY SENATORS GUESS, Elton, Davis, entitled:

"An Act relating to secondary school competency examinations, graduation requirements, and diplomas; and providing for an effective date."
(Prefile released January 2, 2004)

was read the first time and referred to the Health, Education and Social Services and Finance Committees.

SB 249

SENATE BILL NO. 249 BY SENATOR WILKEN, entitled:

"An Act relating to a provisional driver's license and to issuance of a driver's license; and providing for an effective date."
(Prefile released January 2, 2004)

was read the first time and referred to the State Affairs and Finance Committees.

SB 250

SENATE BILL NO. 250 BY SENATOR GARY STEVENS, entitled:

"An Act establishing a moratorium on the issuance of state shallow natural gas leases in the vicinity of Kachemak Bay, and directing the commissioner of natural resources to reacquire shallow natural gas leases on the Kenai Peninsula within the moratorium area; and providing for an effective date."
(Prefile released January 2, 2004)

was read the first time and referred to the Community and Regional Affairs, Resources, and Finance Committees.

SB 251

SENATE BILL NO. 251 BY SENATORS FRENCH, Davis, Elton, entitled:

"An Act making an appropriation for longevity bonus grants; and providing for an effective date."
(Prefile released January 2, 2004)

was read the first time and referred to the Health, Education and Social Services and Finance Committees.

SB 252

SENATE BILL NO. 252 BY SENATOR FRENCH, entitled:

"An Act relating to state budget information that must be included on permanent fund dividend application forms; and providing for an effective date."

(Prefile released January 2, 2004)

was read the first time and referred to the State Affairs and Finance Committees.

SB 253

SENATE BILL NO. 253 BY SENATOR THERRIAULT, entitled:

"An Act exempting contracts of the Alaska Natural Gas Development Authority from the State Procurement Code; and providing for an effective date."

(Prefile released January 2, 2004)

was read the first time and referred to the State Affairs and Finance Committees.

SB 254

SENATE BILL NO. 254 BY SENATOR THERRIAULT, entitled:

"An Act relating to the levy and collection of an assessment on certain tourism-related and recreation-related goods and services, and repealing the levy of excise taxes of certain passenger and recreation vehicles; and providing for an effective date."

(Prefile released January 9, 2004)

was read the first time and referred to the Labor and Commerce and Finance Committees.

SB 255

SENATE BILL NO. 255 BY SENATOR THERRIAULT, entitled:

"An Act relating to traffic preemption devices."
(Prefile released January 9, 2004)

was read the first time and referred to the State Affairs, Judiciary, and Finance Committees.

SB 256

SENATE BILL NO. 256 BY THE SENATE RULES COMMITTEE BY REQUEST OF THE GOVERNOR, entitled:

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

was read the first time and referred to the Finance Committee.

Governor's transmittal letter dated January 12:

Dear President Therriault:

The operating budget bill delivered today contains my proposal for the 2005 fiscal year.

The Fiscal Year 2005 operating budget marks the administration's second opportunity to demonstrate its commitment to fiscal discipline. Our budget plan is straightforward: control spending, make government smaller and more effective, stabilize revenues over the short-term, and increase revenues over the long-term.

The proposed budget is built on one principle: that we must take responsibility today for Alaska's tomorrow. Jobs, hope, and accountability are the reasons for the administration's work to align

state spending in a way that promotes economic development and jobs in Alaska and provides hope for the future to our younger generations.

The administration set two parameters within which it built the proposed Fiscal Year 2005 budget: spend less than this year and use no more than \$400 million from the state's reserve account. This later limit is important because over the last 13 years the state has spent more than \$5 billion from this reserve in order to prop up spending at a level the state otherwise could not afford. When we took office the rate of withdrawals from the reserve account was projected to deplete the reserve by February 2006.

Today there is less than \$2 billion in the reserve. It would be irresponsible to continue spending-as-usual and run the reserve account down to zero. Currently 84 percent of state revenue comes from oil and gas. The reserve was set up to serve as a buffer against swings in oil prices. Without such a cushion, dramatic revenue drops would mean dramatic mid-year reductions in state-supported services. To prolong the life of the reserve, the administration is prudently using it so it will last longer and serve as a "bridge" to the day when increased revenue is realized from natural resource development. Because of our fiscal discipline, the reserve account is extended to January 2008. But it also is important that the reserve maintain a balance of at least \$1 billion to serve as a cushion against oil price fluctuations. Based on our spending and revenue proposals, the reserve is expected to drop to \$1 billion in July 2006.

Spending more than we can afford has created unrealistic expectations of what government can and should provide and has created services that can't be supported over the long-term unless new revenues are found. This uncertainty has discouraged private business from making serious investments in Alaska.

Until new state revenues are generated, we ask all Alaskans to recognize that we must share the responsibilities—and make sacrifices—to put the state on course.

In developing the Fiscal Year 2005 proposed budget, every department engaged in a process of self-examination in which it got down to the basics:

- Why does the department and program exist—what is its mission?
- Does each program effectively contribute to achieving the department’s mission?
- What results are programs supposed to be getting—and are they?
- How efficient is the program in using public dollars to get these results?

This process, called “Missions and Measures,” was initiated by the Legislature several years ago. My administration has built on the Legislature’s work and expanded it into a management tool. We recognize that these frameworks not only communicate to Alaskans the “bang for the buck” that the state receives, but they also provide program managers with feedback on a program’s effectiveness, where changes may be needed to improve services, and just as importantly, which programs should be stopped because they are not effective. In addition to reporting these results to the Legislature as part of the annual budget process, we also will report to Alaskans throughout the year via the State of Alaska’s home page on the World Wide Web.

The spending proposed in Fiscal Year 2005 also reflects policy priorities and increases the state’s investment in areas of traditional responsibility—protecting the public’s safety and education:

- Enforcing the Laws: Twenty Troopers, six criminal prosecutors, and six public defenders are added to improve the safety of communities throughout the state;
- Protecting the Vulnerable: Twenty social workers and nine civil attorneys, including attorneys for Child in Need of Aid, sexual and violent assault, juvenile delinquency, and human services cases, are added to increase the state’s protection of those who are most vulnerable; and
- K-12 foundation formula is funded at the higher per student funding level approved by the Legislature last session. In

addition, local school districts are reimbursed for school construction debt and the pupil transportation program is funded at the level required by law.

The top priority for this administration is to develop Alaska's natural resources in order to generate state revenue and create jobs to support the quality of life that we want not only for those who are in Alaska today, but also for those that will be here in the future. Economic growth is the best way to balance a budget. If the economy is growing and expanding thanks to policies that encourage job creation and innovation, Alaskans will be able to better provide for their families and communities. The administration has built a budget that encourages private investment.

But the receipt of revenues from resource development takes time - it took eight years for the state treasury to get revenues from Prudhoe Bay. While we diligently work to develop these resources, we must have "bridge financing" to assist in getting us to when these new revenues will start to flow into the treasury. Our reserve account serves as this "bridge" and must be prudently used between now and then.

Investment in our resource departments is necessary as we expand our development efforts. The proposed budget adds key staff to the Department of Natural Resources Oil and Gas Division to aggressively work on the gas line, an expedited Alaska Peninsula oil and gas lease sale, opening of National Petroleum Reserve-Alaska, and further streamlining of our permit process.

The Department of Environmental Conservation also is proposing to assume primacy for issuance of Clean Water Act permits from the federal government. Not only will this mean Alaskans are making decisions instead of outside bureaucrats, but we will be able to have more responsive decision-making that advances resource development and protects the environment.

In terms of spending level, the proposed operating budget is about the same level as the current year. To maintain flat spending, a total of \$145 million in reductions had to be taken in order to cover

unavoidable increases, which include:

- Retirement system costs of an additional \$29 plus another \$5 million in unemployment insurance and workers' compensation increases;
- Medicaid, foster care, and other formula-driven program increases that went up \$62 million due to higher medical care costs and increased caseloads; and
- State debt service obligations that increased \$42 million, of which \$13 million is to reimburse school districts for locally approved school construction (bringing the program's total cost to \$79 million), and another increase of \$27 million to pay for school construction and transportation bonds approved by voters in 2002.

In spite of reductions to cover these increases, the departments are making every effort to maintain the current level of direct services. This is not to say there will not be changes in how services are delivered to Alaskans—but no roads will close in winter nor will any state parks close.

To manage reductions, departments were asked to identify how to achieve administrative-type savings. Human resource functions have been consolidated in the Department of Administration instead of being spread out across 15 departments. Not only will this result in a savings of \$640,000, there are other efficiencies including consistent management administration of personnel law, labor contracts, and policies.

The Department of Corrections is consolidating administrative responsibilities to save over \$760,000 while the Department of Health and Social Services has reorganized and continues to reduce layers of mid-management. The Department of Administration has led an enterprise-wide information technology (IT) review that resulted in creation of IT standards and coordination of technology within and between departments. The standards will translate into at least a five percent savings in computer purchases. Improved IT coordination will mean the results of technology investments are shared between

programs and departments, thereby avoiding future costs. A new decision-making board is tasked with making IT investment decisions from an enterprise-perspective and a group of technology professionals has been tasked with offering enterprise-wide advice.

In terms of the number of state employees, the proposed budget deletes 409 full-time positions, of which 69 percent (283) currently are vacant. Elimination of vacant positions represents an effort to have the budget better reflect the actual level of resources (both dollars and staffing) necessary to deliver program services, which is important in a cost/benefit analysis.

In terms of revenues, the state is enjoying higher oil prices. But in spite of this, the administration's overall proposed spending for Fiscal Year 2005 requires an additional \$75 million (this is above the \$400 million from the state's reserve account.) To protect prudent use of the state's reserve, the administration will be introducing several measures to generate additional revenues.

Sincerely yours,

/s/

Frank H. Murkowski

Governor

SB 257

SENATE BILL NO. 257 BY THE SENATE RULES COMMITTEE
BY REQUEST OF THE GOVERNOR, entitled:

"An Act making capital appropriations and supplemental appropriations; capitalizing funds; making other appropriations; making appropriations under art. IX, sec. 17(c), Constitution of the State of Alaska; and providing for an effective date."

was read the first time and referred to the Finance Committee.

Governor's transmittal letter dated January 12:

Dear President Therriault:

The capital budget bill delivered today contains my proposal for the 2005 fiscal year. Overall, the capital budget totals \$1.4 billion of which \$1.3 billion is federal funds.

As you know, a capital budget is how state government meets its most basic responsibilities to citizens, such as safe transportation infrastructure and protecting the public's health. For Fiscal Year 2005, the capital budget proposes to spend \$977 million in federal transportation funds for road, highway, ferry, and airport projects throughout Alaska.

An area of major investment in protecting the public's health is water and sewer projects. A total of \$89 million is proposed for water, sewer, and solid waste projects. Of this amount, \$62 million is federal funding. Grants for municipal projects total \$8 million and \$79 million is proposed for village safe water projects.

In comparing the proposed capital budget to the current year, the overall proposed total spending is \$124 million higher. Spending of general funds has decreased \$45 million, while spending of other state funds is down \$102 million. Federal funds have increased \$270 million.

In addition to maximizing federal funds, the administration is making every effort to identify ways to leverage limited state funds. Using the bond capacity of state corporations is one way to stretch state dollars, continue to meet traditional responsibilities, and at the same time prudently save the state's reserves while we work on new revenue from resource development.

To this end, the Fiscal Year 2005 budget relies on \$100 million in corporation issued bond proceeds. The Alaska Housing Finance Corporation will use its general obligation debt capacity to sell \$25 million in bonds that primarily will be used to finance water and sewer projects.

Another \$75 million will come from the sale of bonds by the Alaska Student Loan Corporation (ASLC) as part of a multi-year plan by which ASLC will repay the state for its initial investment of \$300

million in student loan programs. The proposal reflects its desire to assist the state in bridging the current fiscal gap. This proposal will have *no impact on student loan programs*. Additional bond issues are planned for 2005 and 2006. ASLC plans to repay the state up to \$260 million by the end of FY 2007.

I look forward to working closely with this Legislature to jointly craft a capital budget that efficiently provides Alaska residents essential state services at a cost that the state can afford over the long-term.

Sincerely yours,

/s/

Frank H. Murkowski
Governor

SB 258

SENATE BILL NO. 258 BY THE SENATE RULES COMMITTEE
BY REQUEST OF THE GOVERNOR, entitled:

"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."

was read the first time and referred to the Finance Committee.

In accordance with AS 37.14.003(b) a report of the differences between the Governor's proposed budget and the recommendations of the Alaska Mental Health Trust Authority was transmitted.

Governor's transmittal letter dated January 12:

Dear President Therriault:

I am today transmitting a separate FY2005 appropriations bill for the state's comprehensive mental health program. As required by statute, it includes both operating and capital appropriations and is accompanied by a report outlining the differences between my budget and the recommendations of the Alaska Mental Health Trust Authority.

The proposed mental health budget represents a cooperative effort between state agencies, the Trustees, and Trust Authority staff. Coupled with the resources that have been appropriated in recent years, these productive working relationships have made a positive difference for Alaska's mental health beneficiaries. Given the state's overall financial position, we are not in a position for the state to augment many of the Trust's requests that required state general funds. These difficult decisions are part of our work to take responsibility today for Alaska's tomorrow.

I look forward to working with the Legislature this session.

Sincerely yours,

/s/

Frank H. Murkowski
Governor

SB 259

SENATE BILL NO. 259 BY THE SENATE RULES COMMITTEE
BY REQUEST OF THE GOVERNOR, entitled:

"An Act establishing the SeniorCare program and relating to that program; and providing for an effective date."

was read the first time and referred to the Health, Education and Social Services and Finance Committees.

The following fiscal information was published today:

Fiscal Note No. 1, Department of Health and Social Services
Fiscal Note No. 2, Department of Health and Social Services
Fiscal Note No. 3, Department of Health and Social Services
Fiscal Note No. 4, Department of Health and Social Services
Fiscal Note No. 5, Department of Health and Social Services

Governor's transmittal letter dated January 9:

Dear President Therriault:

Under the authority of article III, section 18 of the Alaska

Constitution, I am transmitting a bill establishing the "SeniorCare" program.

Prescription drug prices have spiraled upwards for years, placing a heavy financial burden on Alaska's seniors. This past year my administration has initiated a number of reforms to our Medicaid program that will help assure that seniors receive the safest and most clinically appropriate prescription drugs they need at a reasonable cost. Among these reforms is the development of a preferred drug list, requiring prior authorization for certain drugs, and expanding case management of high-cost clients; often persons with chronic conditions that require a large number of medications.

This fall, Congress approved a comprehensive package of Medicare prescription drug subsidies. However, these subsidies are not fully effective until 2006. This creates a gap for seniors who need immediate assistance. SeniorCare is an innovative program, which bridges that gap for Alaska's seniors. The Senior Assistance Program, which I established this year to help Alaska's neediest seniors, has been brought under SeniorCare.

The SeniorCare program would provide two levels of subsidies, based on income. An individual who has an annual income of up to 135 percent of the federal poverty level for Alaska, and who is not already receiving a prescription drug benefit through Medicaid, may choose to receive up to \$1,600 a year in prescription drug subsidies or to receive a monthly cash payment of \$120. An individual who has an annual income of more than 135 percent but no more than 150 percent of the federal poverty level for Alaska may receive up to \$1,000 a year in prescription drug subsidies, but would not be eligible for the alternative cash payment. In addition, under federal law separate from this bill, the temporary Medicare prescription drug subsidy would add an extra \$600 per year of prescription drug coverage to the first group.

Eligibility for the program would be limited to Alaska's most needy seniors. The program would not pay for prescription drug subsidies for seniors who already receive coverage under Medicaid or certain similar prescription drug subsidy programs. Eligibility for the program would be further defined by regulations developed by the Department of Health and Social Services under authority granted in this bill. Until

those regulations are in effect, the eligibility requirements that govern the Alaska Senior Assistance Program (established by regulation in 2003) would govern the SeniorCare program. This would ensure that the SeniorCare program could go into operation without delay.

Prescription drug subsidies under the program would cover almost all prescription drugs, insulin and insulin syringes, and would require that, if available, cheaper and therapeutically equivalent generic drugs must be used unless a medical professional indicates that a brand name is medically necessary. This requirement would ensure that the subsidies would cover the maximum amount possible of each recipient's prescription drug costs.

The SeniorCare program is designed to help Alaska's seniors meet their financial and prescription drug needs. When the new Medicare prescription drug subsidy administered by the federal government begins, SeniorCare would be discontinued.

I urge your prompt and favorable action on this measure.

Sincerely yours,

/s/

Frank H. Murkowski
Governor

SB 260

SENATE BILL NO. 260 BY SENATOR BEN STEVENS, entitled:

"An Act relating to metropolitan planning organizations and to establishment of a metropolitan planning organization for the Anchorage metropolitan area; and providing for an effective date."

was read the first time and referred to the Community and Regional Affairs and Transportation Committees.

Consideration of the Calendar

Third Reading of House Bills

HB 209

CS FOR HOUSE BILL NO. 209(RLS) "An Act relating to municipal property tax adjustments for property affected by a disaster" was read the third time.

Senator Cowdery, Rules Chair, moved and asked unanimous consent that CS FOR HOUSE BILL NO. 209(RLS) be returned to the Rules Committee. Without objection, the bill was returned to the Rules Committee.

Unfinished Business

Senator Wilken moved and asked unanimous consent to be excused from the Senate, not subject to a call, from afternoon plane time, January 15, to evening plane time, January 19 and from afternoon plane time, January 23, to evening plane time, January 25. Without objection, Senator Wilken was excused.

Announcements

Announcements are at the end of the journal.

Adjournment

Senator Ben Stevens moved and asked unanimous consent that the Senate stand in adjournment until 6:45 p.m., January 13, 2004. Without objection, the Senate adjourned at 12:05 p.m.

Kirsten Waid
Secretary of the Senate

January 2004

Announcements

Americans with Disabilities Act Notice - Persons with disabilities who require special accommodation or alternative communication formats to access committee meetings may contact the appropriate committee office or the Legislative Information Office in their community. Reasonable advance notice is needed to accommodate the request. For further information, call the ADA Coordinator at 465-3854 Voice/465-4980 TDD.

STANDING COMMITTEES

+ indicates teleconference

= indicates bill previously heard/scheduled

COMMUNITY & REGIONAL AFFAIRS

Jan 12	Monday No Meeting Scheduled	Fahrenkamp 203	1:30 PM
Jan 14	Wednesday No Meeting Scheduled	Fahrenkamp 203	1:30 PM
Jan 16	Friday No Meeting Scheduled	Fahrenkamp 203	1:30 PM

FINANCE

Jan 12	Monday No Meeting Scheduled	Senate Finance 532	9:00 AM
Jan 13	Tuesday No Meeting Scheduled	Senate Finance 532	9:00 AM
Jan 14	Wednesday No Meeting Scheduled	Senate Finance 532	9:00 AM
Jan 15	Thursday No Meeting Scheduled	Senate Finance 532	9:00 AM
Jan 16	Friday No Meeting Scheduled	Senate Finance 532	9:00 AM

HEALTH, EDUCATION & SOCIAL SERVICES

Jan 14 Wednesday Butrovich 205 1:30 PM
 + SB 259 SENIORCARE

JUDICIARY

Jan 12 Monday Beltz 211 1:00 PM
 No Meeting Scheduled

Jan 14 Wednesday Beltz 211 1:00 PM
 No Meeting Scheduled

Jan 16 Friday Beltz 211 1:00 PM
 No Meeting Scheduled

LABOR & COMMERCE

Jan 13 Tuesday Beltz 211 1:30 PM
 No Meeting Scheduled

Jan 15 Thursday Beltz 211 1:30 PM
 No Meeting Scheduled

RESOURCES

Jan 12 Monday Butrovich 205 3:30 PM
 No Meeting Scheduled

Jan 14 Wednesday Butrovich 205 3:30 PM
 No Meeting Scheduled

Jan 16 Friday Butrovich 205 3:30 PM
 No Meeting Scheduled

SENATE JOURNAL

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STATE AFFAIRS

Jan 13 Tuesday Beltz 211 3:30 PM
No Meeting Scheduled

Jan 15 Thursday Beltz 211 3:30 PM
No Meeting Scheduled

TRANSPORTATION

Jan 13 Tuesday Butrovich 205 1:30 PM
No Meeting Scheduled

Jan 15 Thursday Butrovich 205 1:30 PM
No Meeting Scheduled

Jan 20 Tuesday Butrovich 205 1:30 PM
Overview of Knik Arm Bridge and Toll
Authority

JOINT COMMITTEES

LEGISLATIVE BUDGET & AUDIT

Jan 15 Thursday House Finance 519 11:00 AM
Legislative Budget and Audit

SALMON INDUSTRY TASK FORCE

Jan 18 Sunday House Finance 519 1:00 PM
Final Discussion of Subcommittee
Recommendations to the Task Force

Jan 19 Monday House Finance 519 8:00 AM
Final Discussion of Subcommittee
Recommendations to the Task Force
