

HOUSE FINANCE COMMITTEE
January 24, 2001
3:20 PM

TAPE HFC 01 - 19, Side 1

CALL TO ORDER

Co-Chair Williams called the House Finance Committee meeting to order at 3:20 PM.

MEMBERS PRESENT

Representative Eldon Mulder, Co-Chair
Representative Bill Williams, Co-Chair
Representative Con Bunde, Vice-Chair
Representative Eric Croft
Representative John Davies
Representative Richard Foster
Representative Carl Moses
Representative John Harris
Representative Bill Hudson
Representative Ken Lancaster
Representative Jim Whitaker

MEMBERS ABSENT

NONE

ALSO PRESENT

Annalee McConnell, Director, Office of Management and Budget, Office of the Governor; David Teal, Director, Legislative Finance Division.

SUMMARY

HB 45 "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, from the constitutional budget reserve fund; and providing for an effective date."

HB 45 was heard and HELD in Committee for further consideration.

HB 46 "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."

HB 46 was heard and HELD in Committee for further consideration.

#hb45

HOUSE BILL NO. 45

"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, from the constitutional budget reserve fund; and providing for an effective date."

ANNALEE MCCONNELL, DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET, OFFICE OF THE GOVERNOR reviewed the Governor's FY02 Operating Budget as contained in HB 45 and HB 46. She observed that changes to the automative system have allowed additional information to be presented to the public, via the Internet. Information on the operating and capital budgets can be found on the Office of Management and Budget's web page <http://www.gov.state.ak.us/omb/akomb.htm>. She reviewed information contained on the Internet. Budget detail for the capital and operating budget is available. The operating budget is reviewed by department summary, budget request units and components. The capital budget can be reviewed by program area, election district, community and department. Performance measures are contained in each department summary and as a separate item.

Ms. McConnell expressed hope that subcommittee discussions would encompass recommendations of additional measures or changes to existing measures by the Office of the Governor. The intent is not to write performance measures for every item, but to focus on the most critical items. There has been progress in the move toward consensus between the Legislature and Administration. Additional work is needed to develop a common vocabulary. The Administration has plans to revise the automative budget system to better address the needs of the Legislature and the Administration.

Representative John Davies expressed appreciation for the automative budget system.

Ms. McConnell discussed primary goals of the Governor's FY02 budget. She identified four focus areas: promotion of state resources in order to develop areas that will create jobs, education, protection for families and children, and the maintenance of a responsible level of state services. She maintained that there has been an erosion of services, which has resulted in increased wait times for some state services and poor performance in some measures.

Ms. McConnell highlighted areas contained in the FY02 budget. She noted that the \$7.2 billion dollar FY02 budget is approximately \$300 million dollars above the FY01 level.

A third of the budget comes from the state's investments. The majority of the state's investments are from the Permanent Fund and are reinvested back into inflation proofing and permanent fund dividends: \$1.9 billion dollars of the total \$7.2 billion dollar budget. The state expects to receive approximately \$100 million dollars more federal funds in FY02 than were received in FY01. There is a \$145 million dollar general fund increase in FY02. She stressed that the shift toward looking at the entire budget rather than the general fund amount has been beneficial.

Ms. McConnell expressed confidence that the budget has retained the same level of scrutiny given to previous budgets. The Administration anticipates that oil prices will not remain as high through FY02. The budget assumes a deficit of \$500 million dollars, which would be drawn from the Constitutional Budget Reserve.

Ms. McConnell looked at specific areas. She noted that there will be a supplemental request for the gas line. She observed that transportation improvements in the capital budget continue and acknowledged the difficulty of keeping pace with maintenance costs. The Administration proposes to reinvest welfare reforms savings to programs that assist families to get off and stay off of welfare.

Ms. McConnell referred to education and early development programs. There will be a substantial amount of federal money for education and early development programs. Recommendations will come from the Governor's Quality Education Task Force for additional education resources. She noted that the governor has requested \$16.9 million dollars for the University of Alaska.

Ms. McConnell discussed issues concerning public safety. She observed that a pay increase is needed to encourage longevity in village public safety officers. Work needs to be done in programs addressing juvenile and adult defenders, and child protection, child support enforcement and senior services. She observed that there are also a number of concerns in the area of emergency services.

Ms. McConnell noted that substantial work is proposed in the area of alcohol. There is a package of proposals to address rural and urban issues regarding alcohol.

Ms. McConnell noted that one area addressed early, is the cost of maintaining existing services. She noted that \$80 million dollars in general funds is needed to keep pace with current service levels. There is a \$28 million dollar increase to pay debt service in FY02 due to new debt and the exhaustion of debt retirement funds. Seven million dollars for the public health laboratory and the Anchorage jail were funded for part of FY01. There are statutory and contract

obligations that need to be continued including \$15 million dollars in services, which were funded from one-time appropriations or the last year of multiple year federal grants. Approximately \$4 million dollars is needed to address areas where the workload has outstripped the ability to keep up with need. For example, miners at the annual Fairbanks mining conference indicated that their ability to create jobs was hampered by the state's inability to permit. She concluded that the state of Alaska needs to continue to pay its obligations.

HB 45 was heard and HELD in Committee for further consideration during the meeting.

#hb46

HOUSE BILL NO. 46

"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."

Ms. McConnell explained that the summary information combines the mental health and non-mental health expenditures, although they are passed separately. The Governor works with the Alaska Mental Health Trust Authority to promote new programs that can make improvements.

HB 46 was heard and HELD in Committee for further consideration.

#hb45

HOUSE BILL NO. 45

"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, from the constitutional budget reserve fund; and providing for an effective date."

Representative Harris noted that there would be a \$500 million dollar deficit if the Governor's proposal were followed. He questioned if the Governor is prepared to lead the way on revenue enhancements. Ms. McConnell responded that discussions have occurred regarding a trigger that would kick in when the Constitutional Budget Reserve reached the \$1 billion dollar level. She stressed that there needs to be further discussions with the public. A combination of measures would be more effective than one. She emphasized that presenting a plan to the public will be difficult without public discussions. The process will be as important as what is developed in the end. Representative Harris reiterated the need for a leader and questioned if the Governor is willing to be the one. Ms. McConnell stressed

that discussions need to proceed before a specific legislative plan can be developed.

Representative Hudson emphasized that there needs to be legislation and funding to bring the issue to the public. He stressed that the state is \$500 million dollars in arrears for the FY02 budget. He stressed the need to discuss specifics. Ms. McConnell responded that there needs to be a combination of tools and that the key words are "working with".

Vice-Chair Bunde pointed out that there are bills in the current Legislature that would develop revenue sources.

Co-Chair Williams commented that missions and measures help legislators and the public to understand which services are needed.

HB 45 was heard and HELD in Committee for further consideration.

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ADJOURNMENT

The meeting was adjourned at 4:00 p.m.