

HOUSE FINANCE COMMITTEE
March 15, 2002
3:44 PM

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CALL TO ORDER

Co-Chair Mulder called the House Finance Committee meeting to order at 3:44 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 John Harris
Representative Bill Hudson
Representative Ken Lancaster
Representative Carl Moses
Representative Jim Whitaker

MEMBERS ABSENT

None

ALSO PRESENT

Representative Ethan Berkowitz; Representative Gary Stevens; David Teal, Director, Legislative Finance Division; Karen Rehfeld, Director, Division of Education Support Services, Department of Education and Early Development; Annalee McConnell, Director, Office of Management and Budget, Office of the Governor; Tom Lawson, Director, Administrative Services, Department of Community and Economic Development;

PRESENT VIA TELECONFERENCE

There were no teleconference testifiers.

SUMMARY

HB 403 "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."

The following amendments were considered:
Technical Amendments 1 -3
Language Amendments 1 - 6
Community & Economic Development Amendment - 6
Fish and Game Amendment 3
University Amendment 2
Health and Social Services Amendment 11
Environmental Conservation Amendment 1

HB 403 was Amended and HELD in Committee for further consideration.

HB 404 "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."

The following amendments were considered:
Technical Amendments 1 -3
Language Amendments 1 - 6
Labor Amendment 1
Fish and Game Amendment 3
University Amendment 2
Health and Social Services Amendment 11
Environmental Conservation Amendment 1

HB 404 was Amended and HELD in Committee for further consideration.

#hb403

#hb404

HOUSE BILL NO. 403

"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."

HOUSE BILL NO. 404

"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."

Co-Chair Mulder MOVED to ADOPT Amendment TEC-1.

DAVID TEAL, DIRECTOR, LEGISLATIVE FINANCE DIVISION, explained that Amendments TEC-1 and TECH-2 are corrections of errors by the Legislative Finance Division. Co-Chair Mulder observed that the substance of the amendments were included in the subcommittee reports.

There being NO OBJECTION, Amendment TEC- 1 was adopted.

Co-Chair Mulder MOVED to ADOPT Amendment TEC-2.

Insert:

No money appropriated in this appropriation may be expended for an abortion that is not a mandatory service required under AS 47.07.030 (a)

The money appropriated for Medical Assistance may be expended only for mandatory services require under Title XIX of the Social Security Act and for optional services offered by the state under the state plan for medical assistance that has been approved by the United States Department of Health and Human Services. This statement is a statement of the purpose of the appropriation for Medical Assistance and is neither merely descriptive language nor a statement of legislative intent.

It is the intent of the legislature that the amount appropriated in this appropriation is the full amount that will be appropriated for Medical Assistance for the fiscal year ending June 30, 2003. If the amount appropriated in this appropriation is not sufficient to cover the costs of Medical Assistance for all eligible persons, the department shall eliminate coverage for optional medical services that have a federal match and optionally eligible groups of individuals in accordance with AS 47.07.035. It is the intent of the legislature that requests for supplemental appropriations for Medical Assistance for the fiscal year ending June 30, 2003 will not be approved. This intent covers the budgeted reductions to Medicaid, but does not apply to any loss of funds that may occur if the department's "Fair Share" funding mechanism is not approved by the federal government.

Mr. Teal explained that the Legislative Finance Division failed to incorporate intended subcommittee language into the bill. This amendment corrects this omission. The amendment did not change the language of the Subcommittee.

Representative John Davies did not object to the adoption of the amendment, but felt that the language in the amendment recommended by the Subcommittee was unconstitutional and maintained that it has no effect on the budget. There being NO OBJECTION, TEC- 2 was adopted.

Co-Chair Mulder MOVED to ADOPT Amendment TEC-3.

* Sec. 10. LEGISLATIVE FINDINGS. The money appropriated by this Act may be expended only in accordance with the purpose of the appropriation under which the expenditure is authorized. Money appropriated by this Act may not be expended for or transferred to a purpose other than the purpose for which the appropriation is made unless the transfer is authorized by the legislature by law. See, Alaska Legislative Council v. Knowles, 21 P.3d 367 (Alaska 2001). All appropriations made by this Act are subject to AS 37.07.080(e). A payment or authorization of a payment not authorized by this Act may be a violation of AS 37.10.030 and may result in action under AS 37.10.030 to make good to the state the amount of an illegal, improper, or incorrect payment that does not represent a legal obligation under the appropriation involved.

Mr. Teal explained that the Health and Social Services Subcommittee added the language without direction as to its placement. The Legislative Finance Division placed the language at the beginning of Section 1. The Legislative Legal Section recommended that the language be placed in the language section. The wording is identical.

There being NO OBJECTION, TEC- 3 was adopted.

Co-Chair Mulder MOVED to ADOPT Amendment LANG-2. Co-Chair Williams OBJECTED for the purpose of discussion.

INSERT:

Section NATIONAL FOREST RECEIPTS. The unexpended and unobligated balance of federal money apportioned to the state as national forest income that the Department of Community and Economic Development determines would lapse into the unrestricted portion of the general fund June 30, 2003, under AS 41.15.180(j) is appropriated as follows:

- (1) The sum of \$170,000 is appropriated to the Department of Transportation and Public Facilities, commissioner's office, for road maintenance in the unorganized borough; and
- (2) The balance remaining is appropriated to home rule cities, first class cities, second class cities, a municipality organized under federal law, or regional educational attendance areas entitled to payment from the national forest income for the fiscal year ending June 30, 2003, to be allocated among the recipients of national forest income according to their pro rata share of the total amount distributed under AS 41.15.180(c) and (d) for the fiscal year ending June 30, 2003.

This section must have been unintentionally omitted when the language section was redrafted. This federally funded program allocates federal funding to communities based on formula. Due to various factors in the formula there are some funds that are not allocated to communities and that lapse each year. This language section appropriates \$170,000 of the lapse amount to the Department of Transportation and Public Facilities for road maintenance in the unorganized borough, and then allows the remaining amount to be spread again by the formula. Failure to include this language section would result in funding not being available to DOT-PF for unorganized borough road maintenance, plus allow federal funds to lapse into the general fund, which should be used by the communities entitled to it.

TOM LAWSON, DIRECTOR, ADMINISTRATIVE SERVICES, DEPARTMENT OF COMMUNITY AND ECONOMIC DEVELOPMENT, explained that the federal formula was changed and \$600 - \$700 thousand dollars were added. The amendment would reappropriate the funds and prevent a lapse into the General Fund.

Representative Hudson noted that it was an unintentional omission and that the language is needed to distribute the funds to the municipalities.

In response to a question by Representative John Davies, Mr. Lawson noted that the funds are used for maintenance of schools and roads. The balance is \$600 thousand dollars minus \$170 thousand dollars [\$430,000].

There being NO OBJECTION, Amendment LANG-2 was adopted.

Co-Chair Mulder MOVED to ADOPT LANG-3.

Sec. 15 LEARNING OPPORTUNITY GRANTS. The sum of \$12,372,000 is appropriated from the general fund to the Department of Education and Early Development for the fiscal year ending June 30, 2003, for payment as learning opportunity grants to school districts based on the school district's average daily membership to pay for supplemental student instructional programs intended to improve student performance. Learning opportunity grants will provide the opportunity to move schools toward standards-based education, including vocational education programs. The increased funding is available to pay for costs associated with improving student performance by developing standards-based programs, including implementation of standards, aligning student assessment to standards, adopting instructional models based on basic skills, performance tasks, and projects, and adopting a standards-based reporting system. Accomplishing this goal may include

acquisition of textbooks and other educational material.

Co-Chair Mulder observed that the Department has denied rural districts' applications to hire trainers. The trainers would be used to assist in transition to standards based programs similar to the Chugach School District. He explained that language would be clarified by the deletion of "supplemental student". There being NO OBJECTION, "supplemental student" was deleted from the amendment.

KAREN REHFELD, DIRECTOR, DIVISION OF EDUCATION SUPPORT SERVICES, DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT, stated that the Department understands the intent of the amendment. Since the funding is outside of the Foundation Program, the department has attempted to make sure that it can demonstrate to the legislature that school districts are accountable for the funds. The Department has been limited in their use of the funds.

Representative John Davies questioned how the funds were used before adoption of the amendment and how they would be used after the adoption of the amendment. Ms. Rehfeld explained this is the second year of the grants. Funding has been used for a variety of purposes. The grants are focused on supplemental student and instructional programs, such as tutoring and summer school. The original appropriation was specifically to assist students on the benchmark and exit exams. The language was expanded in the last year. School districts would be able to use the funds for activities related to professional development or transition to standards based programs. Outcomes would have to be measured in order to assure further funding.

Co-Chair Mulder clarified that use of the funds would not be constricted. School districts would have more flexibility in utilizing the funds. Rural school districts would be allowed to hire trainers to help transition into standards based curriculums.

Ms. Rehfeld added that the Department has directed districts to other fund sources in situations where the district's request did not fall under the grants. It's clear that the Legislature would like the Department to broaden the application of the grants as long as measurable gains can be demonstrated.

Co-Chair Mulder agreed that the connection should be made to results.

Co-Chair Mulder MOVED to ADOPT Amendment LANG-4.

* Sec. 32. SALARY AND BENEFIT ADJUSTMENTS. (a) The operating budget appropriations made to the University

of Alaska in sec. 1 of this Act include amounts for salary and benefit adjustments for university employees who are not members of a collective bargaining unit and for implementing the monetary terms of the following collective bargaining agreements with entities representing employees of the University of Alaska:

(1) Alaska Higher Education Crafts and Trades Employees;

(2) Alaska Community Colleges' Federation of Teachers;

(3) United Academics;

(4) United Academics-Adjuncts.

(b) The operating budget appropriations made to the executive branch of state government in sec. 1, 4, and 7 of this Act include amounts for salary and benefit adjustments for public officials, officers, and employees of the executive branch who are not members of a collective bargaining unit and for implementing the monetary terms of the following collective bargaining agreements:

(1) Alaska Public Employees Association, for the Supervisory Unit;

(2) Alaska State Employees Association, for the General Government Unit;

(3) Alaska Vocational Technical Center Teachers Association, representing teachers at the Alaska Vocational Technical Center

(4) Alyeska Correspondence School Education Association, representing teachers at the Alyeska Central School;

(5) Confidential Employees Association;

(6) Inlandboatmen's Union of the Pacific, representing the unlicensed marine unit;

(7) International Organization of Masters, Mates, and Pilots, Pacific Maritime Region, for the Masters, Mates, and Pilots Unit;

(8) Marine Engineers Beneficial Association, representing licensed engineers employed by the Alaska marine highway system;

(9) Public Employees Local 71, for the Labor, Trades and Crafts Unit;

(10) Public Safety Employees Association, for the Correctional Officers Unit;

(11) Public Safety Employees Association, representing state troopers and other commissioned law enforcement personnel;

(12) Teachers' Education Association of Mt. Edgecumbe.

(c) The operating budget appropriations made to the Alaska Court System in sec. 1 of this Act include amounts for salary and benefit adjustments for Alaska Court System employees.

(d) The operating budget appropriations made to the legislative branch of state government in sec. 1 of this Act include amounts for salary and

benefit adjustments for employees of the legislature and for benefit adjustments for legislators.

Co-Chair Mulder noted that the amendment reflects the acceptance of the state employee contracts. Representative John Davies clarified that the intent is that contracts be accepted, regardless of the level of funding. Co-Chair Mulder agreed.

There being NO OBJECTION, Amendment LANG-4 was adopted.

Representative Hudson MOVED to ADOPT Amendment LAB-1.

ADD

Department: Labor and Workforce Development
BRU: Office of the Governor

Component: Occupational Safety & Health

Federal Receipts 50,000

Workers' Safety Account 23,000

DESCRIPTION:

Representative John Davies OBJECTED for the purpose of discussion. Representative Hudson explained that the amendment corrects an error. This non-general funded increase was inadvertently excluded from the Finance Subcommittee budget proposal. This amendment would restore the additional matching funds to allow the Occupational Safety and Health component to fill an existing Industrial Hygienist position that has been held vacant for lack of sufficient state match for existing federal funds. Currently, the compliance assistance program has a two-month backlog on health consultation requests from Alaskan businesses. The amendment would allow the use of federal funds to hire the position.

There being NO OBJECTION, LAB-1 was adopted.

Representative John Davies MOVED to ADOPT Amendment LANG-5. Co-Chair Mulder OBJECTED for the purpose of discussion.

Sec. 29. CONDITIONAL EFFECT OF APPROPRIATIONS. Notwithstanding any contrary provision of this Act, no money may be expended under the authority of an appropriation made by this Act, unless and until

(1) A bill or bills that will generate at least \$410,000,000 new state revenue annually is passed by the Twenty-Second Alaska State Legislature and enacted into law; and

(2) A bill or bills that (A) establishes a municipal dividend program, (B) changes the amount available for distribution from earnings of the permanent fund to a formula based on a percentage

of the market value of the permanent fund, and (C) authorizes 50 percent of the amount available for distribution from the income of the permanent fund to be transferred to the dividend fund (AS 43.23.045) and the other 50 percent of the amount available for distribution from the income of the permanent fund to be transferred to the general fund is passed by the Twenty-Second Alaska State Legislature and enacted into law."

Representative John Davies explained that the amendment would condition the entire operating budget on the adoption of a fiscal plan. The amendment would direct the Legislature to establish bills that would: generate approximately \$410 million dollars in new state revenues, establish a municipal dividend program, change the calculation of the earnings of the Permanent Fund to a percent of market approach and authorize a 50/50 split of the dividend stream to dividends and the General Fund. He explained that this would satisfy the intent of the Policy Fiscal Caucus.

Representative Croft added that the amendment not only incorporates the sense of the caucus, but that it implements many of the details. It also establishes a permanent fund dividend and municipal dividend. He felt that it was the most important amendment before the Committee. He stressed that a budget must include a plan. He stated that it would be impossible to adequately address the needs of the state of Alaska without a plan. The two are linked. He acknowledged that the provision could be removed in the other body. He stressed the need to make a statement that a budget would not be passed without a plan. The amendment is specific and balances the budget, which would provide stability and allow the state to have a budget for decades.

Representative John Davies observed that one of the arguments made to pass the budget before the plan was that it was necessary to demonstrate that there is discipline. He maintained that if that is the message, it should be part of the plan. The amendment would tie the operating budget with the revenue and send the message that there is commitment to budget discipline. He stressed the importance for the House to send the message that it views the two as a package. He clarified that the language does not proscribe or prevent the option of phasing the impact of any new revenues.

Representative Hudson agreed with many of the statements of Representative John Davies and Representative Croft. He noted that the Caucus has attempted to develop a plan where revenues on a recurring basis were appropriate to expenditures. He observed that he would oppose the amendment with deference to an amendment that he would offer at another time. He showed respect for the leadership decision to move the budget ahead of the fiscal plan.

Representative Whitaker agreed with comments of the previous speakers, but noted that the amendment infers that the state of Alaska is at the point of "no return". He maintained that while the state is close, it is not yet at the point of "no return". He felt that there was strategic wisdom with a cautious approach in regards to the linkage of the budget to a long-term plan.

Co-Chair Mulder emphasized that the Co-Chairs are serious about placing a revenue package before the Committee and that it is their goal to move a package from Committee by the end of the next week.

Representative Lancaster reiterated that there were assurances from the Co-Chairs that a fiscal plan would be developed.

Representative John Davies stressed the merit of linking the [budget to a plan].

A roll call vote was taken on the motion to adopt LANG-5.

IN FAVOR: Croft, Davies, Moses

OPPOSED: Bunde, Foster, Harris, Hudson, Lancaster, Whitaker, Williams, Mulder

The MOTION FAILED (3-8).

Representative Hudson amended Amendment LANG-1 by reducing "\$750" million to "\$600" million and MOVED to ADOPT an amended Amendment LANG-1.

* Sec. 38. CONSTITUTIONAL BUDGET RESERVE FUND. (a) Deposits in the budget reserve fund (art. IX, sec. 17, Constitution of the State of Alaska) for fiscal year 2002 that were made from sub funds and accounts other than the operating general fund (state accounting system fund number 11100) by operation of art. IX, sec. 17(d), Constitution of the State of Alaska, to repay appropriations from the budget reserve fund are appropriated from the budget reserve fund to the sub funds and accounts from which they were transferred.

(b) If the unrestricted state revenue available for appropriation in fiscal year 2003 is insufficient to cover the general fund appropriations made for fiscal year 2003, the amount necessary to balance revenue and general fund appropriations, not to exceed \$600,000,000, is appropriated to the general fund from the budget reserve fund (art. IX, sec. 17, Constitution of the State of Alaska).

(c) The sum of \$125,000 is appropriated from the budget reserve fund (art. IX, sec. 17, Constitution of the State of Alaska) to the Department of Revenue, treasury

division, for the fiscal year ending June 30, 2003, for investment management fees for the budget reserve fund (art. IX, sec. 17, Constitution of the State of Alaska).

(d) The appropriations in (a) - (c) of this section are made under art. IX, sec. 17(c), Constitution of the State of Alaska.

Representative Croft OBJECTED. He pointed out that Amendment LANG-5 articulated the specifics of a fiscal plan, which would fill the gap. Amendment LANG-1 does not provide the specifics. He maintained that the amendment is an attempt to "scare yourself out of going over" the cliff.

Representative Hudson stated that his intent in limiting the amount of money that could be taken from the Constitutional Budget Reserve (CBR) was to require action to increase revenues from other sources. The amendment intends to set up a bar of \$600 million dollars for withdraws from the CBR. Under the Fiscal Policy Caucus' plan, funds would be generated from a statewide sales tax and a percentage of the earnings of the Permanent Fund would reduce [the draw on the CBR]. He pointed out that it would not be wise to take more than \$350 million dollars out of the economy in the first year. The intent of the amendment is to spur or require action on other revenue generating measures. With a \$600 million dollar cap on the CBR the state-operating budget would be approximately \$400 million dollars short.

ANNALEE MCCONNELL, DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET, OFFICE OF THE GOVERNOR, maintained that there is broad support for increasing revenues and stated that the Governor would do all that he could to help. She noted that there is a practical problem of the cash flow in the state of Alaska. In 1999, the state estimated a \$685 million dollar draw on the CBR (based on \$15.32 a barrel oil). At the same time the first cap of \$700 million dollars was placed on the CBR. After adjournment the price of oil dropped to an average of \$12.70 per barrel oil. The amount needed to fill the budget gap was greater than the cap. The state borrows from the CBR at the beginning of the year due to a variety of factors. In FY 02, the state has borrowed \$700 million dollars for cash flow purposes and anticipates the need for another \$100 million dollars. When the Legislature came back into session it authorized an increase in the CBR cap. She questioned how the state would operate under similar circumstances if the Legislature were not in session and able to increase the cap. She pointed out that even if the ultimate expenditures were within the cap that the state might need a greater amount in the beginning of the fiscal year for cash flow purposes.

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In response to a question by Representative Whitaker, Ms. McConnell explained that the Legislature would have to change the ultimate dollar amount from the original. Assuming flat funding, the fiscal 2003 deficit would be close. A drop of \$600 million dollars would be difficult to implement in 6 months.

Vice-Chair Bunde questioned if the Administration is more concerned with the method or the amount and questioned if the concern would remain at a \$750 million dollar cap. Ms. McConnell stated that they would retain their concerns because it is impossible to know the outcome from projections. She noted that the bigger the cap the less the concern.

Representative Whitaker questioned what occurs if the [CBR draw] is not paid back. Ms. McConnell explained that the CBR could be used to the extent needed to complete the budget. During the year the state borrows and returns these funds when the cash flow allows. The final total is not known until the books are closed. Representative Whitaker asked if the Administration would not simply ask the next legislature for a ratification of the amount spent. Ms. McConnell expressed concern that the state of Alaska's bond ratings could be affected. Ratifications could present problems. She did not think it would set a good precedent.

Representative Whitaker did not think it would have more than a minimal affect on the bond rating.

Ms. McConnell pointed out that there is uncertainty for those receiving services or state payments.

Representative Davies expressed concern that the language could be used by the other body in ways that the House does not intend.

Representative Davies MOVED to Amend the amendment by substituting: It is the intent of the House that in preparing the FY 03 Budget that the CBR draw be limited to \$600 million dollars and that the remaining \$400 million dollars be derived from new revenues.

The Motion was Held.

Representative Hudson pointed out that use of the CBR is always a loan and it is repayable. He observed that \$4.5 billion dollars have been borrowed from the CBR, which has not been paid back. The amendment is a statement of the intent to come up with supplemental revenues. The goal is to restrain the draw down on the CBR so that it could act as a shock absorber to the General Fund. The earnings of the Permanent Fund would be next if the CBR is depleted in the

next year. He felt that the proposed amendment by Representative Davies would be a reasonable substitute.

Vice-Chair Bunde observed that the intent is to limit the CBR draw to \$600 million dollars, thus requiring new revenue development.

Representative Davies reiterated the motion: It is the intent of the House that in preparing the FY 03 Budget that the CBR draw be limited to \$600 million dollars and that the remaining \$400 million dollars be derived from new revenues.

Representative Davies emphasized that nothing will come to fruition without the passage of new revenue measures.

Co-Chair Mulder noted that the draw from the CBR is still needed.

Ms. McConnell clarified that the \$400 million dollars might not be seen.

There being NO OBJECTION, Amendment LANG-1 as amended was adopted.

Representative Lancaster MOVED to ADOPT Amendment CED-6. He explained that the amendment would restore State Revenue Sharing and the Safe Communities Program to the FY02 level. He spoke in support of the amendment and observed that communities have lost 50% of their state support over the years.

Co-Chair Mulder OBJECTED. He pointed out that HB 20 would provide a \$10 million dollar increment for State Revenue Sharing and the Safe Communities Program.

Representative Croft MOVED to ADOPT an amendment to Amendment CED-6: "The appropriation in this amendment does not become effective if HB 20 becomes law, with a community dividend raising and distributing to municipalities at least \$50 million dollars." The appropriation and limitation would be one unit in the budget.

There being NO OBJECTION, it was so ordered.

Representative John Davies stressed that they have to vote on the budget before the passage of HB 20.

Representative Croft spoke in support of the amendment. He pointed out that the amendment would provide assurance to municipalities. Representative Davies added that the fate of HB 20 is uncertain.

A roll call vote was taken on the motion to adopt Amendment CEC-6.

IN FAVOR: Lancaster, Moses, Croft, Davies, Hudson
OPPOSED: Whitaker, Bunde, Foster, Harris, Williams, Mulder

The MOTION FAILED (5-6).

Representative Croft MOVED to ADOPT Amendment FG-3.

DELETE

Department of Fish and Game

BRU: Administration and Support

Component:State Subsistence

<u>Fund Source</u>	<u>Amount</u>
I/A Receipts	538,100
Federal Receipts	2,253,500
Statutory Designated Receipts	70,100
EVOSS	369,200

ADD

Department of Fish and Game

BRU: Subsistence

Component:Subsistence

<u>Fund Source</u>	<u>Amount</u>
General Funds	224,100

Component:Research and Monitoring

<u>Fund Source</u>	<u>Amount</u>
General Funds	924,000
I/A Receipts	497,500

Component:Subsistence Special Projects

<u>Fund Source</u>	<u>Amount</u>
Federal Funds	2,253,500
I/A Receipts	40,600
Statutory Designated Receipts	70,100

Component:Subsistence EVOS Restoration Projects

<u>Fund Source</u>	<u>Amount</u>
EVOSS	369,200

Representative Croft noted that the amendment restores all general funds to the Division of Subsistence, and transfers federal and other receipt authority from the Administration and Support BRU to the Subsistence BRU. The Division of Subsistence gathers the information that provides the basis for what is the highest priority use of fish and game resources. Elimination of the Division would have a most dramatic effect. Information would be lost. Statutes identify subsistence as the highest use of fish and game. The data provided by the Division allows the identification of resource for sport and commercial fishing and hunting. He maintained that sport and commercial use would be jeopardized by the deletion of the Division. He stressed the affect on the rural/urban divide. He questioned how state control could return without a Division of Subsistence.

Co-Chair Williams maintained that the federal government does not listen to the state's recommendations and that Native foods are being depleted. He pointed out that the Governor has a bill to address subsistence concerns.

Vice-Chair Bunde thought that the State should "do the least harm". He pointed out that there are few options for general fund reductions in the Department's budget. He explained that reductions were taken from the Division of Subsistence as the area of least harm. He observed that the Division of Subsistence retains \$3 million dollars in federal funding.

A roll call vote was taken on the motion.

IN FAVOR: Croft, Davies, Foster, Moses
OPPOSED: Whitaker, Bunde, Harris, Hudson, Lancaster,
Williams, Mulder

The MOTION FAILED (4-7).

UNIVERSITY

Representative John Davies MOVED to adopt University #2.

ADD

Department: University of Alaska

BRU:

Component: Unallocated addition/reduction

Fund Source: Amount:

General Fund \$5,665,300

Co-Chair Mulder OBJECTED.

Representative Davies explained that the amendment fully funds the Board of Regents' University of Alaska FY03 request, which is necessary to pay negotiated pay increases for university faculty and staff including those in collective bargaining units. The University's budget is flat, at last year's level. However, the University is required to pay \$5,665,300 dollars in salary costs, as an unallocated reduction. This is 7 percent of the University's initiative money over the last three years and would prevent the pursuit of new initiatives, such as business development or additional training for nurses and teachers. A lack of funding restricts the ability of the University to function as an economic and academic engine to add to the state's future. He added that if the economic downturn continues at the state level and job losses continue

that people will turn to the University for retraining. He provided examples of situations in which those circumstances had occurred.

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Representative Davies continued his support of the amendment. He pointed out that the amendment would take away the mandated, unallocated reduction.

Co-Chair Mulder spoke against the amendment. He spoke to the size of the financial problem facing the State. He hoped that the University would be able to work within the level of funding that they have been provided in the past. He urged members of the Committee not to support the amendment and to hold the line on spending.

Representative John Davies stressed that all "other" funds and federal funds are directed to specific items, such as tuition receipts or federal research grants. There is little opportunity to translate that into the general fund portion of the University's budget. The University usually leverages \$1.4 dollars for each dollar provided. He thought that a lack of support would have a negative impact on the ability of the University to raise other funds. The cut is very "real". The University must have stability within their program structure. He stressed the need to insulate the University from the swings of funding inherent in the appropriation process in order to provide continuity in the University's delivery of services to students.

Representative Whitaker stated that the amendment is too small. He expressed fear that if the reduction is accepted that there would be no impetus for additional funds. He indicated that he would introduce an amendment for additional funds at a later time.

Representative Hudson observed that failure to adopt the amendment would not impact the University's ability to pay negotiated pay increases.

A roll call vote was taken on the motion to adopt Amendment UNIV-2.

IN FAVOR: Croft, Davies, Moses

OPPOSED: Bunde, Foster, Harris, Hudson, Lancaster,
Whitaker, Williams, Mulder

The MOTION FAILED (3-8).

Representative Croft MOVED to ADOPT Amendment HSS-11.

RESTORE COMMUNITY DEVELOPMENTAL DISABILITIES GRANTS

Agency: Health and Social Services
BRU: Substance Abuse and Mental Health Developmental
Disabilities Services
Component: Community Developmental Disabilities Grants

Fund Source: General Fund/MH
Amount: 1072.2

This program administers statewide community-based services for people who experience developmental disabilities (DD).

Impacts

- Approximately 133-167 individuals and 300-358 families will lose services.
- For one DD grantee agency in a rural area, 25 families will lose respite care.
- Cuts to vocational programs would cause two job coaches to be laid off, resulting in the loss of jobs for 10 individuals with DD. (Job coaches assist people with DD in maintaining paying jobs in the community).
- The number of people on the DD waitlist will rise to an all time estimated high of 2,500. (People will remain on the list until someone dies or moves to another state. Only 22 people in FY 01 came off the DD Waitlist as a result of death or someone leaving the state.)
- A 5.7 percent reduction to the small rural program in Nome would translate to a reduction of 1,140 hours of direct care and support services to consumers, many of who have no primary caregiver beyond overburdened family members.

Co-Representative Harris OBJECTED.

Representative Croft referred to persons with disabilities in his district and retold stories of persons involved with the "Key" campaign. He observed that with support services disabled persons are able to live on their own in the community. The reduction from FY02 for the Community Developmental Disabilities Grant would result in a loss of 133 - 167 individuals from the program. The waitlist would also be increased. Cuts would cost more in the future due the institutionalization of these individuals. The restoration would save both people and money.

Representative Harris acknowledged that it is a \$1 million dollar reduction. He pointed out that the Department of

Health and Social Services' budget is the largest in the state, taking over 20 percent of the budget and affecting over 100,000 people. It is a difficult budget to "rein" in. The department was given the opportunity, with the combining of BRU's, to maneuver funds. The overall budget is up \$200 million dollars in federal funds and \$18 million dollars in general funds.

Representative John Davies stressed that the need is up about \$40 million dollars. An \$18 million dollar increase does not meet the need. He acknowledged that delivery of health care is an underlying problem. There is an obligation to figure out how costs are delivered and care given to the needy. Just cutting the budget does not do justice. The legislature would need more than one session to deal with the problem. A triage bandage is not the right solution. The onerous is on those that need the most help. Another tack is needed. Work is needed to solve the problem. You can't change the facts through legislation: you can cut the budget but you can't cut the disease. Health problems will continue to exist. This is the most cost effective and humane way to deal with the problem. There is a trend toward de-institutionalization.

A roll call vote was taken on the motion to adopt Amendment HSS-11.

IN FAVOR: Croft, Davies, Moses

OPPOSED: Bunde, Foster, Harris, Hudson, Lancaster, Whitaker, Williams, Mulder

The MOTION FAILED (3-8).

Representative Croft MOVED to ADOPT Amendment DEC-1.

ADD

Department: Environmental Conservation

BRU: Environmental Health

Component: Food Safety and Sanitation

Fund Source Amount

General Fund \$ 218,200

General Fund/Program Receipts 1,260,900

Total \$1,479,100

DESCRIPTION: Restore Food Preparation Inspections
Program

This amendment restores the State's Food Preparation Inspections Program - the public health safety net for retail food and sanitation aimed at reducing the risk of food borne illnesses and resultant economic impacts to businesses and to the tourism and hospitality industries. This includes the State oversight of all

restaurants, grocery stores, food booths, school kitchens, day care centers, tattoo parlors, and public accommodations.

The House Finance Subcommittee proposes elimination of the program and hopes that all communities statewide will step up to the plate to provide oversight. Right now, Anchorage provides most of these services. We cannot compel other communities to provide these services. Each community must make a choice. For small communities with limited facilities, this will be an expensive choice. For example, Tenakee Springs has 4 of these facilities, Pelican - 8, Prince of Wales Island, - 15, Gulkana - 1, Delta Junction - 60, Tok -71, all of the Haines Borough has just 75. Many of these are seasonal. Services provided by the state have an economy of scale, and ensure that Alaskans and our visitors are not faced with unnecessary public health risks in any Alaskan community.

Federal funding to the Department of Education and Early Development for child nutrition programs would be jeopardized if government (State or local) inspectors don't inspect the particular facilities' programs.

Oversight of commercially available food is a core governmental function done to protect public health - and is something that Alaska has done since before statehood. Whether the state or local governments should oversee retail food safety and sanitation of public facilities is a legitimate public policy debate. But the debate and the decision need to happen before these essential services are simply eliminated.

Co-Chair Williams OBJECTED.

Representative Croft explained that the amendment would fund the people that inspect restaurants. He noted that in the words of Janice Adair, "Mexico does this." He stressed the dramatic impact for outbreaks. Bad occurrences could seriously damage the image of Alaska. He noted that there have been problems in the state. It could cost a restaurant \$75 thousand dollars and would be severely damaging. The USDA reimburses for the school lunch programs and adult day care but they require inspections. He thought that the school lunch program could be jeopardized. He maintained that there is no plan for local governments to take over the program. Even if there were a plan it would be an un-funded mandate. It is an important aspect of public safety.

Co-Chair Williams agreed with Representative Croft but emphasized that there is little left to cut [in the Department of Environmental Conservation's budget]. The Commissioner suggested that programs be eliminated as

opposed to a thousand cuts. He emphasized that "we can't be everything to everybody any more." He expressed the hope that communities would carry on the program.

Representative John Davies pointed out that there is a \$1.4 million dollar reduction on a program that generates \$1.3 million dollars in program receipts. The reduction to the fiscal gap would be minimal. He noted that communities have not been agreeable to taking over the service. He maintained that the program is more cost effective and works better as a coordinated program. He suggested a fund source switch to statutory designated program receipts. Communities should have more notice if the service is going to be deleted.

Representative Whitaker agreed with Representative John Davies but stated that he would vote against the amendment.

A roll call vote was taken on the motion.

IN FAVOR: Croft, Davies, Moses
OPPOSED: Bunde, Foster, Harris, Hudson, Lancaster,
Whitaker, Williams, Mulder

The MOTION FAILED (3-8).

HB 403 and HB 404 were Held in Committee.

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ADJOURNMENT

The meeting was adjourned at 6:12 PM