

HOUSE FINANCE COMMITTEE  
March 16, 2002  
9:42 A.M.

TAPE HFC 02 - 51, Side A  
TAPE HFC 02 - 51, Side B  
TAPE HFC 02 - 52, Side A

CALL TO ORDER

Co-Chair Mulder called the House Finance Committee meeting to order at 9:42 A.M.

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 Gary Stevens; Representative Lisa Murkowski; Representative Sharon Cissna; Representative Ethan Berkowitz; Representative Brian Porter; Representative Norman Rokeburg; Mike Tibbles, Staff, Representative Williams; Kurt Parkin, Deputy Commissioner, Department of Transportation & Public Facilities; Annalee McConnell, Director, Office of Management and Budget, Office of the Governor; David Teal, Director, Legislative Finance Division

SUMMARY

HB 312 An Act relating to the delay of the reduction of supplementary public school funding; and providing for an effective date.

CS HB 312 (FIN) was reported out of Committee with a "do pass" recommendation and with new fiscal notes by the Department of Military & Veterans Affairs and two by the Department of Education & Early Development.

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.

CS HB 403 (FIN) was reported out of Committee with a "do pass" recommendation.

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.

CS HB 404 (FIN) was reported out of Committee with a "do pass" recommendation.

#HB312

HOUSE BILL NO. 312

An Act relating to the delay of the reduction of supplementary public school funding; and providing for an effective date.

Co-Chair Mulder pointed out the summaries attached to the fiscal notes indicate receipt of projected federal funds.

Representative Davies asked specifics regarding the reduction to the foundation program.

Co-Chair Mulder noted currently, the Challenge program receives assistance from the Alyeska Central School program. Those funds would be an offset to the calculated amount.

Vice-Chair Bunde pointed out that the fiscal notes reflect previous action taken by the Committee on adopting the amendment at the 3/15/02 meeting.

MIKE TIBBLES, STAFF, REPRESENTATIVE WILLIAMS, explained the fiscal notes. He pointed out that one of the three fiscal notes contains the combined previous language of the bill. The new note indicates a net of \$334 thousand dollars.

Vice-Chair Bunde asked if the program would cost the State an additional million dollars and inquired if any money was anticipated to be generated.

Mr. Tibbles explained that there are "three pieces to the picture". Suspending the flow of the foundation formula will cost \$1 million dollars. The amount generated by the kids through the Alyeska Central School was \$676 thousand

dollars. That money would be removed from the foundation formula, leaving the net at \$343 thousand dollars.

Vice-Chair Bunde thought that there would continue to be a need to remove funds from the foundation formula.

Mr. Tibbles acknowledged that was true.

Representative Lancaster questioned if the notes would have a negative effect on the rest of the school funding base.

Co-Chair Mulder explained that at that point, it could be built into the foundation.

Representative Hudson asked how much of an increase the original bill called for.

Mr. Tibbles replied that amount was \$1.10 million dollars. The net effect would be adding an additional \$349 thousand dollars.

Representative Foster MOVED to report CS HB 312 (FIN) out of Committee with individual recommendations and with the accompanying fiscal notes.

Vice-Chair Bunde OBJECTED.

Vice-Chair Bunde emphasized that the State currently is in a "financial bind" and that the proposed million dollars should be used in other places. He stressed that the money was being spent in places where "people want it", rather than in "places where people need it".

Representative Whitaker echoed sentiments voiced by Vice-Chair Bunde.

Representative Harris discussed that he supported the bill, noting that the State was waiting for an education cost study. The intent is to prevent the erosion of various schools. He pointed out that the bill does not affect most of the State's schools and that it will be an important step in providing relief for some school districts.

A roll call vote was taken on the motion.

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

The MOTION PASSED (10-1).

CS HB 312 (FIN) was reported out of Committee with a "do pass" recommendation and with new fiscal notes by the

Department of Military & Veterans Affairs and two by the Department of Education & Early Development.

#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.

**DEPARTMENT OF MILITARY & VETERANS AFFAIRS**

Agency-wide Unallocated Reduction

DMVA#1

Add Intent Language

"It is the intent of the Legislature that the Department of Military and Veterans Affairs eliminate the Technologies and Special Projects position, and not eliminate the State National Missile Defense Coordinator position."

Co-Chair Mulder explained that the choice of elimination of the National Missile Defense Coordinator position would limit Alaska's ability to respond to the development of the National Missile Defense activities in Alaska, thus, associated economic development. He thought that the duties of the Technologies and Special Projects should be absorbed within the Department.

Co-Chair Mulder MOVED to ADOPT DMVA#1.

Representative Croft OBJECTED. He stressed that the effect would affect how the work was done. He advised that the effect of the language could not be fully understood.

A roll call vote was taken on the motion.

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

The MOTION PASSED (8-3).

**DEPARTMENT OF TRANSPORTATION & PUBLIC FACILITIES**

DOT/PF #3

ADD:

AGY: Department of Transportation & Public Facilities

BRU: Highways & Aviation

Component: Northern Region

<u>Fund Source</u>	<u>Amount</u>
General Fund	\$1,044,200

Representative Davies MOVED to ADOPT DOT/PF #3. Co-Chair Mulder OBJECTED.

Representative J. Davies explained that the amendment would be used to restore funding and avoid closing four Northern Region highway maintenance stations:

- Birch Lake - \$135,000
- Coldfoot - \$150,000
- Chitina - \$371,700
- Trims - \$387,500

He pointed out that services would be greatly reduced in the Birch Lake area, with 53 miles of Richardson Highway responsibility being spun off to the Fairbanks and Delta Stations. Some roads in that area would be closed, and all would see delays with implications for safety. In addition to service failures, the facilities would suffer maintenance problems.

Representative J. Davies added that closing the Trim Station on the Richardson Highway another 35 miles of roadway would see curtailed maintenance, acutely in the winter, with repair work limited to the emergency calls only. Shutting

down the generator would curtail power service to other buildings nearby.

Representative J. Davies pointed out that closing of the Cold foot Station would chiefly affect commercial traffic on the Dalton Highway and local aviation facility service, with an increase in safety concerns for stranded vehicles. The building will react negatively to harsh weather conditions, with increased maintenance requirements if it is closed.

He added that closing the Chitina Station would impact winter service for local, residential and school transportation traffic on the Edgerton Highway, in addition to summer dust control during the tourist season.

Representative J. Davies recommended accessing the motor fuel tax to maintain the road system throughout the State. He stressed the importance of maintaining the fundamental infrastructure.

Representative J. Davies emphasized that there is going to be a series of problems within the budget that relate to highway maintenance. He warned that the State is heading toward an emergency supplemental down the road. If the responsibilities are to be transferred to local entities, those locations will need time to plan for that obligation. He urged that the Committee reconsider the proposed reduction.

Co-Chair Mulder spoke against the amendment. He commented that it is not a new proposal. Each year, the State attempts to solve the problem for those local communities. He noted that the Department should be able to address that concern, pointing out the unallocated reduction within the Department's budget. He commented that he did not agree with the characterization proposed by Representative Davies, suggesting that this is the first stop along the process of considerations within that Department. He indicated that it was his intent to work with the Department of Transportation & Public Facilities.

Representative Croft countered statements made by Representative J. Davies, pointing out the significant impact to the Department of Transportation & Public Facilities that the reductions would bring. A cut of that magnitude reaches throughout the State in each district.

Co-Chair Mulder interjected that he did not intend to claim that the Department was unfairly targeting certain areas. He admitted that there will be statewide impacts. When making a general fund reduction, the Department of Transportation & Public Facilities is one Department that would be dramatically impacted. He reminded members that there is a revenue problem in the State of Alaska and that

fiscal restraint needs to be displayed to the public. The State is living its' fiscal means.

Representative Davies voiced concern with impacts to the Northern Region, referencing the vast area the Northern region encompasses. He added that there are other reasons why closing maintenance stations should not be possible. He stressed that the proposed reduction was not feasible. He asked to hear from the Department regarding how the reduction will impact the State.

KURT PARKIN, DEPUTY COMMISSIONER, DEPARTMENT OF TRANSPORTATION & PUBLIC FACILITIES, advised that the proposed cuts were four times greater than the one implemented in FY00 when four maintenance stations were closed. He noted that the cut would be spread throughout the entire State. The Northern region will experience a large portion of the hit, as it is the largest region.

Representative Davies urged that the amendment be adopted. He reminded members that it does not make sense not to maintain the infrastructure. People are paying motor fuel taxes and expect that the roads will be maintained. That is one of the fundamental jobs of government. If revenue is taken into consideration, these responsibilities must be addressed. Representative J. Davies advised that the budget reductions were being driven from a wrong point of view.

Representative J. Davies urged that all the amendments be considered together as they each address "real" concerns.

Representative Harris admitted that the reductions do affect the roads that he uses almost daily. He recommended that there be a discussion on how to use the implemented reductions. He noted that the subcommittees had asked the departments how to use the reductions and that now the departments are evaluating what the most important cuts would be. He added that the choices have been made.

A roll call vote was taken on the motion.

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

The MOTION FAILED (3-8).

DOT/PF #10

ADD:

AGY: Department of Transportation and Public Facilities  
BRU: Marine Highway System  
Component: Marine Vessel Operations

<u>Fund Source</u>	<u>Amount</u>
1076 Marine Hwy Fund	\$4,234,400

AMEND: Section 15 to read:  
The sum of \$45,769,800 [\$40,968,400] is appropriated  
Alaska marine highway system fund (AS 19.65.060).

Representative Croft MOVED to ADOPT DOT/PF #10. Co-Chair Mulder OBJECTED.

Representative Croft explained that this two-part amendment would:

- Restore operating weeks of the Alaska Marine Highway System to the FY99/00 planned service levels;
- Add new service by the Metlakatla shuttle in the Spring 2003;
- Support fuel price increases from FY99/00; and
- Fund the general fund portion of the FY03 labor contracts.

Representative Croft pointed out that the Municipality of Anchorage does support full funding of the Alaska Marine Highway Transportation System. He emphasized that the Taku would be off for 33 weeks. Through the proposed cut, the Bartlett would be taken off line. He informed members that the State of Alaska built that ferry system when there was not much money in the State coffers knowing that it was essential for a portion of the State. He warned that this Legislature was "dis-mantling" that system.

Co-Chair Mulder admitted that the arguments provided by Representative Croft were persuasive. He interjected that there is \$80 million cost dollars of which only half comes from program receipts. He emphasized that the State is attempting to provide a level of service given the funds that are available.

He acknowledged that many of the seats are currently booked. The projected hope is to provide the same level of service as provided last year. He added that all highway areas are taking reductions this year.

Representative Hudson emphasized that the proposed reduction is the most problematic one in the budget. The net effect reduces 48 full-time positions in Ketchikan. He compared the ferry system to the road system throughout Northern Alaska.

**TAPE HFC 02 - 51, Side B**

Representative Hudson stated that the Department would be hit two times. He urged that a solution be addressed and that there be alternative means for the State to get more revenue.

A roll call vote was taken on the motion.

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

The MOTION FAILED (5-6).

**DEPARTMENT OF PUBLIC SAFETY**

DPS#5

ADD:

AGENCY: Department of Public Safety

BRU: VPSO Program

Component: Program Support

<u>Fund Source</u>	<u>Amount</u>
General Fund	\$1,129,000

Representative Davies MOVED to ADOPT DPS#5. Co-Chair Mulder OBJECTED.

Representative J. Davies stated that the amendment would restore the general fund reduction to the Village Public Safety Officer (VPSO) support component. He pointed out that the House Finance Subcommittee proposal would result in the elimination of six of the nine State Trooper positions funded in that component.

Representative J. Davies advised that the troopers were the first responders to felony crimes throughout Rural Alaska. The VPSO's do not have authority to make arrests and investigate felonies.

Representative J. Davies reiterated that State troopers eliminated by the subcommittee proposal were directly involved in daily oversight of the VPSO's and response to more serious crimes in the villages. Oversight troopers travel to villages and provide on-going training for VPSO's. Those activities help establish relationships between the VPSO's and the troopers that are important to the local community.

Representative J. Davies emphasized that the reduction would also eliminate four Regional Public Safety Officers (RPSO), which were funded in the last legislative session. The RPSO program was established to provide a local certified police officer to the rural areas of the State. RPSO's are intended to augment trooper patrol activities. RPSO's would be trained and certified by the Alaska Police Standards Council as police officers.

Vice-Chair Bunde agreed that public safety should be a core function. When that Department received their allocations, the Subcommittee determined which core services could be added back and concluded that they were the VPSO's in supervisory roles. That cut was an attempt to do the least harm.

Representative Croft stated that the VPSO program is efficient because partially trained officers are placed in the village areas. The cost savings is in having the trooper forward. Trooper's work is very important.

Representative Davies added that these are some of the positions that respond to felony crime circumstances and provide the basic training for the VPSO's. The program will not function without this type training. It is the key component of the program.

A roll call vote was taken on the motion.

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

The MOTION FAILED (4-7).

#### DEPARTMENT OF HEALTH AND SOCIAL SERVICES

HSS#4

ADD:

AGENCY: Department of Health & Social Services  
BRU: Family and Youth Services  
Component: Front Line Social Workers

<u>Fund Source</u>	<u>Amount</u>
General Fund	\$977,500

Representative Davies MOVED to ADOPT HSS#4. Representative Harris OBJECTED.

Representative J. Davies discussed the concern that social

workers are the front line workers for the Department of Health & Social Services, Division of Family and Youth Services. They provide services to abused and neglected children and their families trying to find the best solution for a child that has been removed from the home due to neglect or abuse. Alaska has one of the highest rates of child abuse and neglect in the nation. The proposed cuts would result in the following actions:

- Lay off of 18 social workers statewide (Fairbanks, Palmer, Delta, Kodiak, Ft. Yukon, Haines, Wrangell, Petersburg, Sitka). Coupled with layoffs in other areas (Balloon project 14), approximately 32 social workers could lose their jobs. That would increase the remaining social workers caseload by five cases. Social workers in this Division already have one of the highest caseloads in the nation, more than double the national standard of 15 cases. A cut like this will result in social workers leaving their jobs, as it is an area where turn over rate is already high.
- Elimination of the Dual Track projects in Mat-Su. Under the Dual Track program, the Division of Family and Youth Services (DFYS) grantee provides services to clients determined to be at low-risk. With that project, DFYS is able to respond to 100% of the legitimate reports of harm in that area.
- Increased caseload will affect social workers ability to investigate reports of harm. They will be unable to investigate all reports of harm leaving some children in danger. Ability to investigate may be reduced by as much as 15 to 22% when all cuts are factored in.
- Increased caseloads will affect social workers ability to perform crisis intervention, case planning, and other services that support children and families. Children will stay in foster care longer, costing the State more money.

Representative Harris responded that this was a difficult section of the Department of Health and Social Services budget to reduce. He admitted that there is a case overload. He warned that there is a fundamental problem within the State. What is causing this harm to these children and what is the State's responsibility versus local responsibility.

Representative Harris addressed the supplemental funding request from last year for Department of Health and Social Services. He commented that there are "other" problems throughout the State that contribute to the reports of harm and what government's responsibility is. He thought that no

matter how much funding was provided, the problem will continue.

A roll call vote was taken on the motion.

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

The MOTION FAILED (3-8).

### DEPARTMENT OF LABOR

#### Labor #6

#### ADD:

AGENCY: Department of Labor & Workforce  
Development

BRU: Office of the Commissioner

Component: Alaska Safety Advisory Council

<u>Fund Source</u>	<u>Amount</u>
Statutory Designated Program Receipts (SDPR)	\$108,400

Co-Chair Mulder explained that the Intent Language would read as follows:

"The amount appropriated by this appropriation includes the unexpended and unobligated balance on June 30, 2002, of the Department of Labor and Workforce Development, Alaska Safety Advisory Council receipts under AS 18.60.840."

Co-Chair Mulder explained that the amendment would restore the Alaska Safety Advisory Council (ASAC) by funding activities through Statutory Designated Program (fee) receipts (SDPR). In effect, the general fund budget reduction remains. The ASAC operates entirely on fee receipts from contracts with participants (entrance fees, booth rental space and corporate sponsorships), who attend the annual safety and health conference, thereby, qualifying the program as a fee receipt program.

ASAC provides the following services which would be eliminated:

- Coordination with official and unofficial organizations and agencies to reduce accidental death and injury;

- Recommendations to the governor, the legislature, State departments and federal agencies, who develops law, policies and programs addressing safety programs and accident prevention;
- Annual safety conference that brings together over 500 participants interested in safety and health matters.

Co-Chair Mulder added that the staff would include one seasonal clerical position and 13 non-compensated appointed positions, consisting of individuals representing labor, industry, and local, state and federal government.

Co-Chair Mulder MOVED to ADOPT Labor #6. There being NO OBJECTION, the amendment was adopted.

**DEPARTMENT OF TRANSPORTATION & PUBLIC FACILITIES**

DOTPF#11

ADD:

AGENCY: Department of Transportation & Public Facilities

BRU: Marine Highway System

Component: Marine Vessel Operations

<u>Fund Source</u>	<u>Amount</u>
Marine Highway Funds 1076	\$4,000.0

Representative Hudson explained that the amendment would allow the marine highway system to increase its revenue charges to offset operating cost increases.

Representative Hudson MOVED to ADOPT DOTPF #11. Representative Davies OBJECTED.

ANNALEE MCCONNELL, DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET, OFFICE OF THE GOVERNOR, discussed inconveniences that would occur with summer bookings. The amendment would create a lot of changes for this summer season.

Co-Chair Mulder thought that the Department could look at alternative means beyond the scope of the amendment. He suggested that the proposed amendment would not be a total answer, rather a partial remedy.

Representative Croft commented that the amount could not come close to the \$4 million dollars. He pointed out that it would affect new bookings this summer, a small number.

He stressed that this is a tax that will fall on local residents. It would be an increased tax and would be revenue. He recommended that all taxes be discussed in a package of taxes. He stated that proposing the tax was backward. The action does not discuss the revenue in any way. Representative Croft emphasized that this is not systematic and it is being hidden in the budget as an allowance to raise taxes.

Representative Davies WITHDREW his OBJECTION to the amendment. There being NO further OBJECTION, DOTPF#11 was adopted.

RECESS: 11:10 A.M.  
RECONVENED: 11:35 A.M.

### LANGUAGE

Co-Chair Mulder introduced Language Amendments #6, #7, #8 & #9.

#### Language #6

Insert in the beginning of the language section of the operating appropriation bill:

Sec. A. R.EAPPROPRIATION OF UNEXPENDED AND UNOBLIGATED BALANCE.

The unexpended and unobligated balance on December 31, 2002, of an appropriation made in Section B of this Act is reappropriated to the Department to which the *appropriation* was made for operating expenses of that Department during January 1, 2003, through June 30, 2003.

Adjust internal section references accordingly. Section B is the bill section that makes operating appropriations for the first half of fiscal year 2003.

#### Language #7

Insert in the beginning of the language section of the operating appropriation bill:

Sec. C. EARLY EXPENDITURE AUTHORITY.

Notwithstanding Section D of this Act, an appropriation made in Section D of this Act may be expended for the stated purpose of that appropriation before January 1, 2003, contingent upon compliance with the program review provisions of AS 37.07.080(h).

Adjust internal section references accordingly. Section D is the bill section that makes operating appropriations for the second half of fiscal year 2003.

Language #8

Insert on Page 61, following line 3, a new subsection to read:

(c) The unexpended and unobligated balances on December 31, 2002, of the appropriations made in (a) and (b) of this section are reappropriated to the Office of the Governor for operating costs of the Office of the Governor for the period of January 1, 2003, to June 30, 2003.

Language #9

Lead-in Language for the Full Year Appropriation

\* Section 1. The following appropriation items are for operating expenditures from the general fund or other funds as set out in Section 2 of this Act to the agencies named for the purposes expressed for the fiscal year beginning July 1, 2002 and ending June 30, 2003, unless otherwise indicated. A department-wide, agency-wide, or branch-wide unallocated reduction set out in this section may be allocated among the appropriations made in this section to that department, agency or branch.

Lead-in Language for the First-Half Year Appropriation

\* Section 1. The following appropriation items are for operating expenditures from the general fund or other funds as set out in section 4 of this Act to the agencies named for the purposes expressed for the portion of the fiscal year beginning July 1, 2002 and ending December 31, 2002, unless otherwise indicated. A department-wide, agency-wide, or branch-wide unallocated reduction or increase set out in this section may be allocated among the appropriations made in this section or in section 1 to that department, agency, or branch.

Lead-in Language for the Second-Half Year Appropriation

\* Section 1. The following appropriation items are for operating expenditures from the general fund or other funds as set out in Section 8 of this Act to the agencies named for the purposes expressed for the portion of the fiscal year beginning January 1, 2003 and ending June 30, 2003, unless otherwise indicated. A department-wide, agency-wide, or branch-wide unallocated reduction or increase set out in

this section may be allocated among the appropriations made in this section or in section 1 to that department, agency, or branch.

1) The following appropriations are excluded from the process (i.e., they receive full year appropriation in Sections 1, 2 and 3 of the bill):

- Language Appropriations
- All formula programs
- University of Alaska
- Courts
- Legislature
- Other Allocations (included in attached list)

2) The remainder of the budget is split in half. The half-year appropriations will appear as Sections 4 through 9. (Sections 5 and 7 are fund roll-ups by agency and Sections 8 and 9 are fund roll-ups statewide.) Appropriations in Section 4 are for the portion of the fiscal year beginning July 1, 2002 and ending December 31, 2002. Appropriations in Section 6 are for the portion of the fiscal year beginning January 1, 2003 and ending June 30, 2003.

3) In Sections 4 and 7 reduce each allocation by 10%, and appropriate the 10% to new *Agency-wide Unallocated Increases* components.

4) Unexpended, unobligated balances from the first half-year are reappropriated to the respective *Agency-wide Unallocated Increases* components for the second half of the year. The amount of money appropriated at the end of the process is identical to the amount appropriated at the starting point.

5) There is a Legislative Budget and Audit review process to move money from a second-half appropriation to the same appropriation for the first half-year.

Department of Administration

Special Systems

Unlicensed Vessel Participant Annuity Retirement Plan  
Elected Public Officers Retirement System Benefits

Longevity Bonus Grants

Longevity Bonus Grants

Department of Community and Economic Development State

Revenue Sharing

National Program Receipts  
State Revenue Sharing

Municipal Assistance  
Fisheries Business Tax

Safe Communities Program  
Safe Communities Program

Qualified Trade Association Contract  
Qualified Trade Association Contract

Alaska Aerospace Development Corporation  
Alaska Aerospace Development Corporation  
Alaska Aerospace Development Corporation Facilities  
Maintenance

Fisheries Enhancement Tax Receipts  
Fisheries Enhancement Tax Receipts

Alaska Industrial Development and Export Authority  
Alaska Industrial Development and Export Authority  
Alaska Industrial Development Corporation Facilities  
Maintenance  
Alaska Energy Authority Statewide Operations and  
Maintenance

Rural Energy Programs  
Energy Operations  
Circuit Rider

Alaska Science and Technology Foundation  
Alaska Science and Technology Foundation

Alaska Seafood Marketing Institute  
Alaska Seafood Marketing Institute

Department of Education and Early Development

K-12 Support  
Foundation Program  
Tuition Students  
Boarding Home Grants  
Youth in Detention  
Schools for the Handicapped  
Community Schools

Pupil Transportation  
Pupil Transportation

Department of Environmental Conservation

Air and Water Quality  
Air and Water Director  
Air Quality  
Water Quality  
Commercial Passenger Vessel Environmental Compliance

Program

Department of Health and Social Services

Medical and Public Assistance Services

Alaska Temporary Assistance Program  
Adult Public Assistance  
General Relief Assistance  
Old Age Assistance-Alaska Longevity Bonus (ALB) Hold Harmless  
Permanent Fund Dividend Hold Harmless  
Tribal Assistance Programs  
Child Care Benefits  
Children's Health Eligibility  
Medicaid Services  
Catastrophic and Chronic Illness Assistance (AS 47.08)

Family and Youth Services

Foster Care Base Rate  
Foster Care Augmented Rate  
Foster Care Special Need  
Foster Care Alaska Youth Initiative  
Subsidized Adoptions & Guardianship  
Court Orders and Reunification Efforts

Department of Military and Veterans Affairs

Alaska National Guard Benefits  
Retirement Benefits

Department of Revenue

Permanent Fund Corporation  
Permanent Fund Corporation  
  
Alaska Housing Finance Corporation  
Alaska Housing Finance Corporation Operations

Department of Transportation & Public Facilities

International Airports  
International Airport Systems Office

International Airports  
Anchorage Airport Administration  
Anchorage Airport Facilities  
Anchorage Airport Field and Equipment Maintenance  
Anchorage Airport Operations  
Anchorage Airport Safety  
Fairbanks Airport Administration  
Fairbanks Airport Facilities  
Fairbanks Airport Field and Equipment Maintenance  
Fairbanks Airport Operations

Fairbanks Airport Safety  
Marine Highway System  
Marine Vessel Operations  
Marine Engineering  
Overhaul  
Reservations and Marketing  
Southeast Shore Operations  
Southwest Shore Operations  
Vessel Operations Management  
Southeast Vessel Operations  
Southwest Vessel Operations

University of Alaska

University of Alaska  
Budget Reductions/Additions - System wide

Statewide Programs and Services  
Statewide Services  
Statewide Networks (ITS)

University of Alaska Anchorage  
Anchorage Campus  
Kenai Peninsula College  
Kodiak College  
Matanuska-Susitna College  
Prince William Sound Community College

University of Alaska Fairbanks  
Cooperative Extension Service  
Bristol Bay Campus  
Chichi Campus  
Fairbanks Campus  
Fairbanks Organized Research  
Interior-Aleutians Campus  
Kuskokwim Campus  
Northwest Campus  
Rural College  
Tanana Valley Campus

University of Alaska Southeast  
Juneau Campus  
Ketchikan Campus  
Sitka Campus

Alaska Court System

Alaska Court System  
Appellate Courts  
Trial Courts  
Administration and Support  
Commission on Judicial Conduct  
Commission on Judicial Conduct

Judicial Council  
Judicial Council  
Court-watch

Legislature

Budget and Audit Committee  
Legislative Audit  
Ombudsman  
Legislative Finance  
Committee Expenses  
Legislature State Facilities Rent

Legislative Council  
Redistricting Board  
Salaries and Allowances  
Administrative Services  
Session Expenses  
Council and Subcommittees  
Legal and Research Services  
Select Committee on Ethics

Legislative Operating Budget  
Legislative Operating Budget

Debt Service and Special Appropriations Debt Service

Debt Retirement Fund  
Certificates of Participation  
School Debt Reimbursement  
Alaska Clean Water Fund Revenue Bonds  
Alaska Drinking Water Fund Revenue Bonds  
International Airport Revenue Bonds  
Special Appropriations  
Anchorage Jail Lease

Fund Transfers  
Alaska Children's Trust  
Alaska Clean Water Fund  
Alaska Drinking Water Fund  
Disaster Relief Fund  
Fish and Game Fund  
Marine Highway Stabilization  
Municipal Capital Project Matching Grant Fund  
Oil and Hazardous Substance Release Prevention Account  
Oil and Hazardous Substance Release Response Account  
Power Cost Equalization and Rural Electric  
Capitalization Fund  
Permanent Fund Dividend Fund  
Storage Tank Assistance Fund  
Unincorporated Community Capital Project Matching  
Grant Fund  
Power Project Fund

Co-Chair Mulder explained that Language Amendments #6, #7, #8 and #9 would bifurcate the budget. Half of the budget would be appropriated through December 31<sup>st</sup>, 2002 and the other half would be appropriated through June 30<sup>th</sup>, 2003. He noted the list of amendments showing the division of funding. The programs that the Administration has direct control over would be funded at 50%. If there is a problem within a Department, the Administration would have the ability to come before the Legislative Budget and Audit Committee (LBA) to request more funds.

Co-Chair Mulder noted that he was offering the amendments Language #6, #7, #8 & #9.

DAVID TEAL, DIRECTOR, LEGISLATIVE FINANCE DIVISION, explained that Amendment #6 would move any unspent balance from the 1<sup>st</sup> half of the year to the second half of the year.

Representative Croft asked if the budget had ever been bifurcated before.

Mr. Teal did not know of a time it had occurred.

Co-Chair Mulder interjected that something "similar" had been done before.

Representative Croft warned that dramatic consequences could result by cutting the budget as proposed.

Mr. Teal advised that there would be problems. For the accounting purposes, there would need to be a close out process in December 2002. If there are problems, it will be an accounting situation, not a budget problem.

Co-Chair Mulder advised that there is a flexibility tool contained in Language #9, which reduces the appropriation within each BRU by 5% for each half year and places it back into the Commissioner's Office. He believed that it could increase the flexibility within that office.

Co-Chair Mulder MOVED to ADOPT Language #6. Representative Croft OBJECTED.

Ms. McConnell commented on the implications of proposing an amendment of that magnitude without providing any lead-time for ample consideration. She emphasized that if Language #6 was adopted, it would substantially affect all administrations coming into office. Ms. McConnell advised that closing out of a budget is not a small matter.

Ms. McConnell noted that there often is tremendous amount of difference between the first half of the fiscal year and the second half. It is not an even type matter for the budget to be split like that. She stressed that the amendment

deserves further consideration. She commented that there are no good elements within the proposal and pointed out that the amendment would create a budget every six months and will complicate any new administration coming into office 25 days before the end of the first fiscal year half. She added that the Division of Finance would be asked to do more with less money also. She could not project the practical implications of the motion.

In response to Representative Hudson, Ms. McConnell explained that the process begins after the close of the fiscal year. She pointed out the statutory reference. Ms. McConnell noted the many national level changes regarding what has to be reported and that process is very involved. She added that there would be additional complications because of all the work for the federal fiscal year.

Representative Hudson voiced concern bifurcating the budget and the labor contracts. He advised that is a complicated process for the Departments. He noted that he did not feel comfortable with the language amendment package.

Mr. Teal explained that the amendments are a package and that it is difficult to address them individually. The language gives the Governor the ability to do things differently, however, does not force him to do anything differently. He reminded members that right now there has been a significant "holding the line" on the budget. The language would provide "flexibility" to the Governor. Through the amendment, the unallocated reduction could be taken and placed into a program that does not have as much money as the department would like it to have and then place it into another area. The amendment would provide more flexibility to the Executive Branch. The Governor will have the option to do it or not.

Representative Lancaster asked if the amendments would "force" anything on the Administration.

Mr. Teal acknowledged that it would provide the Administration a tool.

Representative J. Davies asked what would happen if Legislative Budget and Audit (LBA) met and denied the request.

Mr. Teal replied that if they denied the request, the Governor could implement it anyway.

**TAPE HFC 02 - 52, Side A**

Co-Chair Mulder voiced concern that the current Administration could "tie" the next administration's hands. The amendment package does provide some flexibility. He warned that the amendments provide a clear division, as this Administration would spend beyond their full share. He added that it was the intent to provide the next administration with the maximum flexibility to make necessary adjustments. He referenced a situation last year when the LBA Committee turned down a proposed expense and the Governor continued to proceed with the project.

Representative Croft requested greater clarification of the language amendments.

Co-Chair Mulder advised that under the current guidelines, the amendments would not "totally hamstring" the Administration and would have practical implications.

Mr. Teal clarified that even if the Governor chooses to disregard the bifurcation portion of it, which he could do through the LBA process, the other portion is that it takes 5% of the budget and places it into an unallocated increase so that it gives the administration more flexibility than it has now as it would allow them to cross the appropriation line.

Representative Davies elaborated that the amendment was clearly a statement of "lack of trust and respect" for the Administration. He emphasized that this was a partisan attempt to bifurcate the budget into two pieces at a time when the State is attempting to struggle with important issues that need bipartisan support. Representative J. Davies reiterated that proposing the language amendments was a transparent bipartisan attack on the current Governor.

Representative Davies MOVED to TALBE all the language amendments before the Committee. Co-Chair Mulder OBJECTED.

Co-Chair Williams interjected that a tabling motion was not debatable.

A roll call vote was taken on the motion to table the language amendments #6, #7, #8 and #9.

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

The MOTION FAILED (3-8).

Representative Croft advised that no other Governor has taken such action as proposed in Language #6.

A roll call vote was taken on the motion to adopt #6.

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

The MOTION PASSED (7-4).

Mr. Teal spoke to Language #7 which would allow an agency to come forward and go to LBA for their requests.

Co-Chair Mulder MOVED to ADOPT Language #7. Representative Davies OBJECTED.

Representative Croft asked why the amendments had been faxed to the Chairs office on March 14, 2002, two days prior. He asked why they had not been included in member's packets for consideration with that much lead-time.

Co-Chair Mulder responded that the Majority Leadership was "working through the amendments" to make sure that they fit in anticipation of any possible problems.

Representative Croft responded that the Minority had worked "very hard" to get their 80 amendments to the Chairman's office by the cut off deadline. He stated that with issues this large, the minority should have been given time to consider the legal implications of the language amendments being proposed.

Representative Croft pointed out that there had been a significant shift that the current Legislature has created during the past four years. The formula programs are funded at a low case scenario knowing that a supplemental would be coming. Representative Croft stressed that the Finance Committee was doing a dis-service to both administrations with the proposed bifurcation. The implications will be dramatic. Overspending on one hand and under-funding on the other. He requested that the language amendments be offered on the House floor in two days.

Co-Chair Mulder took exception to the accusation that the Committee was "knowingly" under funding certain budgets. He claimed that many of the numbers funded were the ones brought forward by the Governor.

Representative Harris interjected that there are formula programs that are not subject to bifurcation.

A roll call vote was taken on the motion to adopt #7.

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

Representative Hudson was not present for the vote.

The MOTION PASSED (7-3).

Co-Chair Mulder MOVED to ADOPT Language #8.

Mr. Teal explained that the amendment refers to the election costs and the transition costs that the Governor requested. The amendment would allow for any money that has not been spent by December 31<sup>st</sup> to be reappropriated to the Office of the Governor.

Representative Davies OBJECTED.

A roll call vote was taken on the motion to adopt #8.

IN FAVOR: Lancaster, Whitaker, Bunde, Foster, Harris,  
Mulder, Williams

OPPOSED: Croft, Moses, Davies

Representative Hudson was not present for the vote.

The MOTION PASSED (7-3).

Co-Chair Mulder MOVED to adopt Language #9. Representative Davies OBJECTED.

Mr. Teal explained the amendment would provide the language that would lead into the number sections of the bill.

Representative Whitaker asked to respond to accusations made through previous testimony regarding that the legislation as a manifestation of partisan politics. He agreed with the notion and need for parties to disagree. He stressed that the disagreements should not be mischaracterized as being a negative thing.

A roll call vote was taken on the motion to adopt #9.

IN FAVOR: Lancaster, Whitaker, Bunde, Foster, Harris,  
Mulder, Williams

OPPOSED: Davies, Moses, Croft

Representative Hudson was not present for the vote.

The MOTION PASSED (7-3).

Representative Davies MOVED to WITHDREW all remaining Minority amendments in view of the "nature of the process".

Vice-Chair Bunde MOVED to ADOPT an amendment, which would allow the Division of Legislative Finance to make technical adjustments to the legislation. There being NO OBJECTION, it was adopted.

Vice-Chair Bunde MOVED to report CS HB 403 (FIN) and CS HB 404 (FIN) out of Committee with individual recommendations. Representative Davies OBJECTED.

Representative J. Davies maintained that the proposed budget is an unfair and incomplete effort at addressing the needs of Alaska. He stressed that a "hold the line" budget should maintain the same level of service and the proposed budget clearly does not do that. The proposed budget holds the line in nominal dollars but requires a high reduction of services in the amount of \$80-\$90 million dollars. He asserted that the proposed budget should be characterized as a flat-line budget.

Representative Croft advised that the Minority had offered only nine of the twenty-six amendments proposed. The nine amendments totaled \$17 million general fund dollars, which represents less than a 1% increase to last year's budget. Representative Croft stated that if those amendments had been adopted, they were designed to support the developmentally disabled, the front line social workers and the Division of Family and Youth Services to protect children. He stressed that adoption of the proposed amendments would have made a far better budget.

Vice-Chair Bunde interjected that the budget is more than just numbers as it is also about philosophy.

Representative Lancaster acknowledged that everyone has areas of concerns within the proposed budget. He reminded members that next week, the Committee would be considering revenue measures.

Representative Whitaker commented that each of the amendments presented had merit. Transcending individual amendments is the need to provide for a stable fiscal future for the State. He added that there are necessary components for creating a long-term fiscal need and concluded that the proposed budget is not irresponsible.

Representative Harris agreed that everyone has problems with the proposed budget, however, the State cannot spend its way out of the problems nor can it tax its way out of trouble. Part of the solution has to be a restrain on spending. He noted that the public has the option to turn down revenue sources that the Legislature proposes. He added that services and dividends are going to be affected and stressed that through taxation, less money will be going to the public.

Co-Chair Mulder claimed that that the proposed budget was a responsible one. He admitted that it had been a difficult process. He advised that the number of services that the

public wants is unlimited. The budget "holds the line", which is the responsible thing to do.

A roll call vote was taken on the motion to move the bill from Committee.

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

The MOTION PASSED (8-3).

CS HB 403 (FIN) and CS HB 404 (FIN) were reported out of Committee with "do pass" recommendations.

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ADJOURNMENT

The meeting was adjourned at 12:31 P.M.