

MINUTES
SENATE FINANCE COMMITTEE
March 29, 2001
10:05 AM

TAPES

SFC-01 # 57, Side A
SFC 01 # 57, Side B

CALL TO ORDER

Co-Chair Dave Donley convened the meeting at approximately 10:05 AM.

PRESENT

Senator Dave Donley, Co-Chair
Senator Pete Kelly, Co-Chair
Senator Jerry Ward, Vice Chair
Senator Loren Leman
Senator Lyda Green
Senator Gary Wilken
Senator Alan Austerman
Senator Lyman Hoffman
Senator Donald Olson

SUMMARY INFORMATION

HB 103-APPROP: OPERATING BUDGET/LOANS/FUNDS
HB 104-APPROP: MENTAL HEALTH BUDGET

The Committee heard subcommittee budget reports for the Department of Revenue, Department of Environmental Conservation, Alaska Court System, Department of Law, Department of Education and Early Development, Department of Fish and Game, Office of the Governor, Department of Community and Economic Development, Department of Health and Social Services, Legislature, and the University of Alaska. All subcommittee budget reports were adopted.

#HB103

CS FOR HOUSE BILL NO. 103(FIN)(brf sup maj fld)

"An Act making appropriations for the operating and loan program expenses of state government, for certain programs, and to capitalize funds; and providing for an effective date."

CS FOR HOUSE BILL NO. 104(FIN)

"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."

Senator Leman complimented the departments he worked with for their cooperation in reviewing the budgets.

Department of Revenue

Senator Leman, Chair
Senator Phillips
Senator Ellis

Senator Leman said the Department of Revenue Management Plan for FY 01 was approximately \$12.1 million in general funds, and the subcommittee was directed by the Senate to prepare a budget of \$11.9 million general funds for FY 02. He noted this amount was just slightly below the Governor's requested amount of \$12.017.3 million.

Senator Leman reviewed the line items as follows:

Fully funded Child Support Enforcement and allowed for increase to Officer 1 upgrade

He expressed that the full funding of the child support budget request was the "highlight" of the \$11.9 million budget the subcommittee prepared.

Included front section language to allow Child Support Enforcement Division (CSED) to use minimum state required match for federal funds

Disallowed a \$58.0 request for Municipal Bond Bank Authority (MBBA) receipts after discussing with the Department the possibility of coming back with a supplemental request if bond sales do occur. This is distinct from the \$58.0 MBB Rcpt request in the Slow-Track Supplemental which does need to be funded.

Alaska Housing Finance Corporation (AHFC): Increased federal receipts (\$300.0) for 370 new Section 8 vouchers; but disallowed three additional positions to administer these vouchers. I've asked the Department to review its staffing levels and see if this work can be done with existing staff.

AHFC: Disallowed two PCNs and funding for HOME/Tax Credit compliance auditors. Requested Department to review its staffing levels and see if this work can be done with existing staff.

Slightly reduced the Department request for AHFC Receipts for programs moving from the Capital to the Operating Budget. (\$462.0 to \$435.0/AHFC Rcpts).

Alaska Mental Health Trust Authority (AMHTA): Allowed one intern and one permanent FT employee and some increased travel (Request was \$23.8 Mental Health Administration (MH Admin), funded \$11.0).

AMHTA; After seeing that thirteen out of twenty-one Deputy Directors are Range 23 or below, reduced the request for a Deputy Director from Range 25 to Range 23.

There were increases in Alaska State Pension Investment Board management fees.

Senator Lemman commented that while the increase of approximately \$4.5 million in management fees was not part of the general funds, he wanted to bring it to the Committee's attention.

Reduced Permanent Fund Corporation's request for additional travel, salaries, and equipment (\$58.7 request funded at \$47.1)

Senator Lemman clarified that even though the travel, salaries, and equipment funds were not general funds, the subcommittee wanted to be responsible for the allocations.

Allowed partial increment to Permanent Fund Division (request \$116.5, funded \$110.0)

Senator Lemman informed that this Permanent Fund Division request was to cover costs of mailing letters, instead of postcards, notifying residents that their Permanent Fund applications had been received.

Senator Lemman commended to the full Senate Finance Committee the subcommittee's General Fund proposed budget of \$11,952,000 for the Department of Revenue.

Department of Environmental Conservation

Senator Leman, Chair
Senator Torgerson
Senator Olson

Senator Leman stated that the Department of Environmental Conservation had previously been funded with \$12.2 million in general funds out of a total department budget of close to \$50 million. He noted that the Governor's budget request included \$1.5 million in general funds and two positions, additional "Oil and Haz Mat funds" of close to \$700,000 and three positions, and Facility Receipt Funds of approximately \$150,000 and two positions. He continued that the Governor's budget consisted of a total increase of \$2.8 million and seven positions. He informed that the allocation for funding his subcommittee received for the Department of Environmental Conservation budget was a \$700,000 increase over the FY 01 Management Plan. He informed that the subcommittee recommended a budget of \$12.82 million dollars, which was \$100,000 under the allocation.

He highlighted other subcommittee recommendations as follows:

Disallowed a \$300.0/GF increment for Arctic Contaminants Program - there are funding sources in the Capital and Operating budgets if this is a priority for the Department.

Slight reduction in Solid Waste Management.

Allow increment for Water Quality due to passage of HB 361, and kept \$77.0 in Statutory Designated Program Receipts.

Increased funding to the Spill Prevention and Response Division to include \$609.4 in 470 Fund (Oil and Hazardous Substance Prevention and Response Fund) + two positions for new activities associated with British Petroleum/ARCO/Phillips merger. Additionally, \$77.5 Oil Haz & one position for SB 273 Cruise Ship/Railroad monitoring.

Funding for Local Emergency Planning committees to create, maintain and test oil/hazardous substance spill response plans (\$423.4 Oil Haz & zero positions).

Senator Leman noted the subcommittee had increased the funding approximately \$100,000 over last year for local emergency planning commissions.

Facility Construction & Operation: Funded one of two requested positions to administer operator certification requirements for Class A water systems.

Letter of Intent directing the Department to seek a waiver to exclude the smallest water systems that do not add chemicals to their systems from the operator certification requirements.

Senator Lemman concluded that the subcommittee met the spending limit determined by the Senate Majority, and he believed the Department is funded adequately to do its mission.

Alaska Court System

Senator Wilken, Chair
Senator Pearce
Senator Davis

Senator Wilken informed that the subcommittee's budget recommendation of \$50,923,500 was within the allocation for the Alaska Court System (ACS) He said this allocation was met with a .7 percent increase in general fund spending, almost all of which would be dedicated to the maintenance and operations cost of approximately \$337,700 for the new Fairbanks Courthouse (Trial Courts), scheduled to open in August 2001.

He stated the following receipt authority was approved:

An increment of \$150,000 from the Mental Health Trust Authority for a court coordinated resources project to assist mentally ill persons who have been convicted of a misdemeanor crime.

An increment of \$188,100 from the Department of Revenue interagency receipts to establish a pro se center to assist litigants in family matters before and after court proceedings.

An increment of \$216,000 from federal receipts to continue the Anchorage Drug Court pilot program.

Commission of Judicial Conduct - The Subcommittee approved a \$15,000 increment to help reduce the level of underfunding in its personnel budget.

Judicial Council - The subcommittee recommended the continuation of the Judicial Council's budget as funded in FY 01.

Senator Wilken continued that the budget approved an "increase in headcount of plus four" with zero general fund additions. He

informed that the Judicial Council came in the very last day of the budget work, with late information on some outstanding funding source issues and asked for a \$39,000 increment. He commented that while he was not able to put it in the budget, he understood their situation. He stated he wanted the Committee to know about the request so further discussion might garner another funding source.

Senator Leman asked for further details on the four new positions.

Senator Wilken responded that he did not have that information with him.

Co-Chair Donley said that they would come back to that.

Department of Law

Senator Wilken, Chair
Senator Taylor
Senator Ellis

Senator Wilken reported that the proposed budget allocation for FY 02 Operating Budget for the Department of Law was met with \$25,473,600 in general fund spending. He commented that this was an overall 1.55 percent reduction in general funds spending. He added that the subcommittee approved the addition of eight new positions for the Department, two of which would be funded by general funds.

He continued that in addition to the baseline management plan, the subcommittee approved the following "significant" items:

Criminal Division, Criminal Justice Litigation

Approved an increment for \$117,500 for the Victim Witness Notification and Support program to provide for more reliable notification to victims of crime.

Civil Division, Collections and Support

Approved a reduction in excess General Fund Program Receipt Authority in the amount of \$53,700.

Civil Division, Environmental Law

Approved a reduction in excess General Fund Program Receipt Authority in the amount of \$33,500.

Civil Division, Governmental Affairs Section

Approved an increment for \$90,000 for an Associate Attorney (paralegal) position to conduct specialized research and assist within the Governmental Affairs Division.

Civil Division, Human Services Section

Approved an increment for \$137,000 for a Juvenile Delinquency Attorney position in Anchorage to handle the significant increase in the number of cases handled by this section over the past two years.

Oil and Gas Litigation and Legal Services, Oil and Gas Litigation

Approved a reduction in General Fund support for this division by \$91,600.

Senator Wilken noted that the subcommittee asked the Division of Oil and Gas to help absorb new general fund allocation increases by shouldering a \$91,600 reduction.

Senator Wilken informed there were outstanding issues the Department of Law was involved in, one of which was an on-going lawsuit against the Bank of America. Senator Wilken explained that the Department of Law had asked for \$250,000 to continue that lawsuit with an anticipated rate of return of between \$50 and \$80 million. He continued that he felt this would be money well spent, but there were two other avenues of funding that could be available for funding which he would support, rather than through the operating budget.

Co-Chair Donley commented that this funding was not in the House of Representatives budget either.

Senator Wilken replied that was correct.

Department of Education and Early Development

Senator Wilken, Chair
Senator Elton
Senator Torgerson

Senator Wilken reported that the Department of Education and Early Development (DEED) allocation was \$29,795,800 and did not include budget recommendations for the foundation formula or pupil transportation. He informed the full Senate Finance Committee would address those items. He noted the overall reduction of \$188,300 in general fund spending was a .6percent reduction from the FY 01 Management Plan. He continued that the budget includes six new positions, one fulltime and one temporary position funded with general funds.

He outlined the highlights of the proposed budget as follow:

Executive Administration, Commissioner's Office.

Approved a travel allocation reduction by 3 percent department-wide, realizing a decrement of \$50,000.

Teaching and Learning Support, Special & Supplemental Services
Approved a \$2,000,000 and a \$6,645,800 increase in federal receipt authority for Special Education and Title I Grant programs that provide direct assistance to local school districts.

Approved receipt for \$100,000 Mental Health Trust Authority funds to aid the transition of students with disabilities from high school to the community.

Teaching and Learning Support, Quality Schools
Approved an increment request for \$74,300 for the Correspondence Program Review Program

Senator Wilken explained that there were now over 9,000 students taking correspondence courses, which reflects tremendous growth since the program's inception. He said \$74,300 would cover the cost of complying with federally mandated programs and would focus on two pilot programs: one in Delta and one in Nenana. He said the assessments of these programs would help determine whether other correspondence programs could use these pilot programs.

Approved a \$1,200,000 increase in federal receipt authority for RightStart, Extended Day Kindergarten, and Academic Intervention Coordinator programs.

Approved a \$4,620,600 increase in federal receipt authority for the Eisenhower, Innovative Education and Classroom Size Reduction, and Teacher Recruitment and Retention programs that provide direct assistance to local school districts.

Early Development, Child Nutrition
Approved a \$1,075,000 increase in federal receipt authority to reimburse school districts for increased freight costs for shipping United States Department of Agriculture (USDA) commodities (\$75,000) and additional costs involved with the free and reduced meals provided daily to students (\$1,000,000).

Early Development, Child Care Assistance and Licensing
Approved a \$3,873,500 and \$1,717,000 increase in federal receipt authority to offer Child Care Development Fund money to low-income working families to help pay for local child care.

Approved a \$3,000,000 increase in Inter-agency (IA) Temporary Assistance to Needy Families (TANF) receipts for Child Care Assistance.

Approved a \$2,000,000 increase in federal receipt authority for Child Care Assistance.

Early Development, Head Start Grants

Recognized a \$3,783,000 increase in federal receipts for the expansion of the Head Start Program that will be available directly to local Head Start managers.

Accepted a \$100,000 Investment Loss Trust Fund (ILTF) increase for local Head Start Match.

Early Development, Special Programs

Approved a \$100,000 increase in federal receipt authority for Sequenced Training for Early Childhood Professionals in Alaska.

Approved a \$475,000 increase in IA receipt authority for EvenStart grants (Family Literacy).

Requested the Department of Education and Early Development to consider the merits of the organizational structure proposed by the House and implement the appropriate changes.

Education Support Services, District Support Services

Recommended a reappropriation of K-12 Support FY 01 lapse funds in the amount of \$350,000 for a District Cost Study (language section). This is a one-time cost.

Commissions and Boards, Alaska State Council on the Arts

Approved an increment of \$11,500, a 2.5 percent increase.

Kotzebue Technical Center, Kotzebue Tech Operations Grant

Eliminated the General Fund appropriation as directed in the FY 00 Operating Budget Intent Language. This vocational facility is eligible and will receive funding under the Alaska Technical and Vocational Education program, established in House Bill 289, Ch. 132, SLA 2000.

Alaska Vocational Technical Center

Accepted \$634,200 increase in Receipt Support Services funds for Rent Receipts, First Alaskan Foundation Grant, and Certified Nurse Assistance programs.

Mt. Edgecumbe Boarding School

Approved a partial increment request for \$131,100 for the

Dormitory Services and Management contracts.

Alaska Library and Museums, Library Operations

Approved an \$98,700 increment for the Gates Foundation Project.

Alaska Library and Museums, Museum Operations

Approved a \$40,400 increase of Museum Grants to provide grants to local museums.

Alaska Postsecondary Education Commission,
Student Loan Operations

Recommended the acceptance of \$250,000 from Alaska Commission on Postsecondary Education (ACPE) Dividend receipts for the National Guard Continuing Education Benefits (language section).

Alaska Postsecondary Education Commission,
Student Loan Operations.

Approved \$63,100 increase in ACPE Dividend for increase costs for the Washington, Wyoming, Alaska, Montana, Idaho Medical Education Program (WWAMI).

Senator Wilken outlined some outstanding issues regarding daycare and qualifications for daycare and transportation. Although the transportation issue was not a charge of this subcommittee, Senator Wilken expressed that support of the allocation of approximately \$50 million be adopted by the Senate Finance Committee to fully fund pupil transportation in the FY 02 budget.

Senator Olson commented that it certainly was troubling to look at withholding funding from the Kotzebue Technical Center, and he did not see the advantage in not funding it, especially at a location where training for pipeline jobs was available. Senator Olson added that he had not been involved in earlier discussions about the Technical Center and would like to know what agreements had been made.

Senator Wilken responded he agreed about the programs the Technical Center offered and gave some background information about the subcommittee discussions on the University's Chukchi Campus and the Kotzebue Technical Center. He continued that the two facilities are a short distance from each other and perhaps the two could be joined together to operate more efficiently without jeopardizing any programs. He commented that there were a lot of resources in a small amount of production and perhaps it could be more effective. He said that this was the third year of discussions to advance this theory.

Senator Olson commented that he was not sure "what deals were being made," but he did not see how the two could be combined since they has entirely different focuses. He voiced that the Chukchi College had an academic environment while the Technical Center focuses on vocational technical skills. He said that the two entities have different goals.

Senator Wilken answered that he had been part of the discussions the Committee has had prior to Senator Olson's participation on the Finance Committee. Senator Wilken said he would be able to review the matter with Senator Olson.

Department of Fish and Game

Senator Kelly, Chair
Senator Pearce
Senator Austerman
Senator Hoffman

Co-Chair Kelly reported that the subcommittee came in approximately \$37,000 under the Senate Majority determined allocation and recommended the FY 02 funding for the Department of Fish and Game at \$30,719,000 in general funds and \$127,759,400 in total funds. He continued that this budget is an increase of \$372,000 over the FY 01 budget and \$10,513,900 over the FY 01 Authorized total budget. However, it was a reduction of \$275,000 in general funds from the Governor's requested FY 02 budget.

Senator Kelly continued that the subcommittee fully funded the Department's requests for the Division of Commercial Fisheries, the Division of Sport Fisheries, the Division of Subsistence, State Facilities Maintenance, and the Commercial Fisheries (Limited) Entry Commission. He noted that the subcommittee had also funded all second-year labor contracts.

Senator Kelly outlined changes the subcommittee had made to the Governor's request:

Wildlife Conservation

In the Conservation and Reinvestment Act (CARA) Implementation component, The Department requested \$2,425,000 in new federal funding for Conservation and Reinvestment Act implementation. The subcommittee has proposed funding of \$1,510,000 along with intent language requesting that the Department of Fish and Game seek approval of the Legislative Budget and Audit Committee to receive and expend any additional federal receipts in the event Conservation and Reinvestment Act funding is reauthorized in Congress.

Administration and Support

In the Boards of Fisheries and Game, the Department requested an increment of \$76,700 in general funds. The subcommittee has recommended funding of \$56,700 in general funds, which equals the amount of the reduction the Boards took in the FY 01 budget.

In the Advisory Committees, the Department requested an increment of \$45,000 in general funds. The subcommittee has recommended funding of \$15,000 in general funds, which equals the amount of the reduction the Advisory Committees took in the FY 01 budget.

Habitat

In the Habitat component, the Department increment request of \$225,000 in general funds for Oil and Gas Permitting & the Kenai River Center has been denied.

Department of Community and Economic Development

Senator Kelly, Chair
Senator Pearce
Senator Torgerson
Senator Lincoln

Senator Kelly explained that the subcommittee recommended the FY 02 funding for the Department of Community and Economic Development to consist of \$41,767,300 in general funds and \$147,835,500 in total funds. He stated that this budget is an increase of \$266,500 general funds and \$14,759,100 total funds over the FY 01 Authorized Department of Community and Economic Development budget. He stated the subcommittee has reduced the Department's request by \$454,800 in general funds.

Co-Chair Kelly said that the subcommittee fully funded the Department's requests for Executive Administration and Development, Municipal Revenue Sharing, Investments, the Alaska Aerospace Development Corporation (AADC), Alaska Industrial Development and Export Authority (AIDEA), Alaska Science and Technology Foundation (ASTF), Alaska Seafood Marketing Institute (ASMI), Banking, Securities & Corporations, the Division of Insurance, Occupational Licensing, and Department of Community and Economic Development State Facilities Rent. He continued that the subcommittee had also funded all second-year labor contracts. He noted that the subcommittee had updated the Executive Administration Support Cost Allocation Plan at the request of the Department.

Senator Kelly listed the changes the subcommittee had made to the

Department's request as follows:

Community Assistance & Economic Development

In the Community and Business Development component, the Department request of a fund source change of \$99,800 from Rural Development Initiative funds to general funds has been denied.

In the Community and Business Development component, the Department request of \$100,000 in general funds for an Economic Development Administration planning grant has been denied.

In the Community and Business Development component, the Department requested \$35,000 in general fund program receipts for Made In Alaska and other miscellaneous increases. The subcommittee has recommended funding of \$20,000 in statutory designated program receipts for the miscellaneous increases.

In the Community and Business Development component, the Department requested \$20,000 in general fund program receipts for the official state highway map. The subcommittee has recommended full funding of \$20,000 in statutory designated program receipts.

Qualified Trade Association Contract

In the Qualified Trade Association Contract, the subcommittee has recommended a reduction of \$200,000 in general funds. This will still fund the Contract at \$4,600,000 which is still \$100,000 in state funds higher than the Millennium Plan calls for.

Investments

In Investments, the subcommittee has recommended funding of \$43,000 in Rural Development Initiative Funds for compensation for servicing loans. This is at the request of the department.

Alaska Aerospace Development Corporation

In the AADC Facilities Maintenance component, the subcommittee has recommended that in place of the language section, the AADC receive \$9,000,000 in AERO Receipt authority from launch activities in the numbers section of the budget.

Alaska Science and Technology Foundation

In ASTF, the subcommittee has recommended that in place of the language section, the ASTF receive \$1,500,000 in ASTF Funds for grants in the numbers section of the budget.

AK Seafood Marketing Institute

In ASMI, the subcommittee has recommended that in place of the language section, ASMI receive \$700,000 in receipt supported services to match the FY 01 carryforward.

Insurance

In Insurance Operations, the subcommittee has recommended an increment of \$10,000 in receipt supported services for the yearly dues of the National Conference of Insurance Legislators.

Regulatory Commission of Alaska (RCA)

In the RCA, the Department requested \$352,900 in RCA receipts for seven positions to deal with the increased workload. The subcommittee has recommended funding of \$277,200 in RCA receipts for five of those positions.

Senator Lemman asked if Co-Chair Kelly could explain why the Tourism budget was \$100,000 over the Millennium Plan, and was there a reason that this budget was not reducing as rapidly as targeted.

Senator Kelly responded that, even with \$100,000, the subcommittee still came in under the spending limit agreed upon by the Senate Majority.

Senator Lemman queried "so one year after they agreed to the plan they have come back" claiming to be unable to follow the plan.

Co-Chair Kelly surmised this to be the case.

Department of Health and Social Services

Senator Green, Chair
Senator Kelly
Senator Davis
Senator Therriault

Senator Green reported the Department of Health and Social Services budget "was the largest single piece of the state budget", and it was "awe inspiring". She commented that "100 percent of all Alaskans' PFDs", would "not pay for this budget". She informed that the subcommittee has presented a "very generous budget and came in right at our cap" with a total budget of \$470 million general funds and \$1.2 billion total funds, an increase of approximately \$15 million in general funds and \$100 million total funds.

Senator Green noted the changes in the Senate subcommittee's budget as compared to the House of Representatives FY 02 budget as

follows: the inclusion of the Alaska Housing Finance Corporation (AHFC) money for nurses' salaries was included in the fast-track; \$200,000 in general funds was restored to the public assistance field services to ensure the maintenance efforts for Temporary Assistance to Needy Families (TANF); all medical assistance fund money was properly shown as a GF match; a \$350,000 increase to fund transcription services to free up approximately 20% of each social workers' time; funding of \$700,000 for the Infant Learning Program (ILP) by shifting money from the alcohol drug abuse grant to the infant program thereby fully restoring that program.; and a \$40,000 increment to fund one position in the Vital Statistics staff.

Senator Green noted a request for \$188,600 general funds for Tobacco Prevention and Control in the Governor's request that the subcommittee recommended against because it should be funded through the Tobacco Settlement account instead of general funds. She continued that with further clarification, the component could be restored.

Senator Green informed that the subcommittee approved five of the requested seven new positions with \$100,000 general funds for Community Health Emergency Service.

Senator Green continued that the subcommittee approved the transfer approximately \$423,000 from Statutory Designated Program Receipts to the Alaska Psychiatric Institute (API).

Senator Green explained "the funding for all designated BRUs is transferred to purchase services, state health services, alcohol and drug abuse services, and community health grants with the intent of this transfer to place all grants in the competitive grant line for types of services to allow the Department to better match the grant to the ability of the grantee to generate funds from alternative sources including Medicaid and direct federal grants."

Senator Green informed that the subcommittee learned that "many of our sites across the state are receiving direct federal grants," "Indian Health Service money", Medicaid filings, and third party payments, so that their budgets are being "supplemented" significantly above state funding. She explained that this currently benefits some agencies, but the subcommittee felt the BRUs should be reallocated to assist smaller rural programs that could benefit from additional funding.

Senator Green continued that the subcommittee supported the following: 4 percent reduction in funding to Purchase Services Family Preservation; 8 percent reduction in funding to State Health

Services Community Health Grants; 2 percent reduction in funding for Alcohol, Drug and Abuse Services, a part of which went to fund the ILP; \$5,000 grant to help fund front line staff in rural services programs, \$3.25 million federal grant to Epidemiology.

Senator Green said that the Child Protection Legal Assistance Program was relocated to the Department of Administration.

Senator Green shared that the subcommittee recommended a 1 percent decrease to the Governor's request for Medicaid and emphasized that the roll of Medicaid, Welfare and associated costs should be seriously reviewed, as they are "the driver" of increasing costs to the Health and Social Services budget. She continued that the Medicaid Taskforce was working on how to control these costs and alternative ways to provide health care, medical care, and insurance more cost effectively.

Senator Green said the subcommittee also supports a request to fund eleven different rural medical providers each with a minimum of a \$200,000 grant to adequately staff their offices.

Senator Wilken asked Senator Green if this ILP she spoke of was the same one the Key Campaign spoke about on their recent visit.

Senator Green responded yes, that ILP had been funded with general fund money.

Senator Hoffman voiced support for the funding of the Infant Learning Program, but was concerned it received an increase at the expense of the Alcohol and Drug Abuse programs. He urged the Committee to rethink the logic of this funding since the State suffers from such rates of high alcohol and drug abuse.

Senator Hoffman also asked, regarding the competitive grants, if there had been a reduction in past grants to Anchorage and Fairbanks.

Senator Green responded no, that Anchorage and Fairbanks "are competitive grant providers themselves." She continued that Anchorage and Fairbanks "receive a block grant" and save the state money because the state does not have to evaluate those competitive grants.

Senator Hoffman concurred that competitive grant providers save the state money, but so do other non-profit organizations. He voiced his concern that some groups seem to be "punished for going out and getting additional federal dollars." He stated "the reduction of the past few grants and only in Rural Alaska, does not seem fair to

me and then putting them into one BRU on a competitive basis also doesn't make sense."

Senator Hoffman reiterated that this "budget is treating Rural Alaska unfair" and that having no reduction in the urban pass-through programs in Anchorage and Fairbanks puts the "balancing of this budget on the backs of Rural Alaska," and "at the expense of the alcohol and drug program."

Senator Green acknowledged what Senator Hoffman had said, but said, nonetheless, in a competitive grant process, a grant has just as much potential for additional funds as a detriment. She continued that the funding in those grant lines has been essentially the same since 1981, with perhaps one reduction. She noted that it is difficult to determine whether an "arbitrary figure was there to begin with" or the funding was based on actual costs. She said, however, that the competitive grant process allows for new people to come in and compete, and assesses no-growth programs. She said there is "interesting information" available on who has been able to attract new funding.

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Senator Green continued some groups have acquired sophistication in their funding endeavors while other groups have not. She voiced concern that this imbalance should be addressed.

Senator Hoffman said he talked to the Chief Executive Officer of the Yukon Kuskokwim Health Corporation who said that, as a result of these program cuts, there would be direct cuts in services. Senator Hoffman opined there would be more reductions of services in rural Alaska, and he felt the whole state should be treated equally.

Senator Green explained that because only two communities (Anchorage and Fairbanks) oversaw their own grants, every other area in the state was in the competitive grant process and were subject to the same scrutiny. She expanded that through the grant process, there could be some efficiencies in funding through a department or each BRU.

Senator Hoffman remarked that all areas, both urban and rural, including Anchorage and Fairbanks, should be in the same pool, with "one pot of funds and let them all compete equally for those dollars. That would be fair, and then you would see efficiencies".

Office of the Governor

Senator Donley, Chair
Senator Halford
Senator Kelly
Senator Olson
Senator Pearce

Senator Donley said that the Governor's Office budget target established by the Senate Majority is \$15,536,800 general funds and the Senate subcommittee's recommendation is the same as the House of Representatives recommendation. He said the main issue was how to deal with \$12.85 million in federal funds from the Conservation and Reinvestment Act (CARA) He said that, like the House subcommittee, the Senate subcommittee recommended \$100,000 of these funds be designated for the Governor's Office for determining how to use the CARA money.

He continued that the Division of Elections was another area of focus. He explained that since it was not an election year, there was a reduction of five temporary positions and one full time position in the Human Rights Commission, but there was the addition of fourteen temporary positions in Elections due to redistricting.

Senator Donley stated that a major change in this budget was the transfer of the International Trade and Market funding of approximately \$1 million, from the Governor's Office to the Department of Community and Economic Development.

Legislature

Senator Donley, Chair
Senator Kelly
Senator Hoffman
Senator Pearce
Senator Halford

Senator Donley said the subcommittee's recommendation of \$37,287,000 in general funds for this budget is the same as that of the House. He informed that this budget consisted of zero federal funds and minor transfers and adjustments within the budget. He detailed that the largest of these adjustments was the addition of \$250,000 of receipts to Legislative Audit to formalize a reimbursable services agreement (RSA) with the Department of Administration for auditing executive branch agencies. He continued that the next largest one was the transfer of interagency receipts of \$60,000 in Administrative Services for increased print shop receipts. He said the subcommittee added one permanent full-time

position to Administrative Services for data processing and one equivalent position for Legislative Council. He said there was a transfer of \$11,000 for dues increases for NTSL and Energy Council. He summarized that there were a few other transfers that are less than \$20,000.

Co-Chair Donley announced that Senator Leman's report on the Department of Natural Resources, and Senator Ward and Senator Austerman's committee reports would be heard the next day.

University of Alaska

Committee of the Whole

Co-Chair Donley presented the close out of the University of Alaska budget. He informed that the Committee's recommendation was the same as the House recommendation of \$193,500,000 in General Funds. He said that within the budget, the Committee recommended a change to the Legislative Intern Program at the request of the University. He continued that the University wished to remove the Intern Program as a line item in the budget to be instead handled internally. Co-Chair Donley stated that the Committee supports that request.

Co-Chair Donley clarified that on the FY 02 Senate Subcommittee worksheet, under University of Alaska Budget Reductions/Additions-Systemwide, General Fund column, the Committee recommendation amount would change from \$9,227,100 to \$9,363,100. Co-Chair Donley shared that this budget reflects a 5.08 percent increase over last year.

Senator Wilken questioned information referring to the Post Secondary Education allocation of a \$2 million dividend that the House had accepted, but that was not included in the Senate Committee recommendations. He asked how this would impact the overall increase the University would receive over FY 01.

Co-Chair Donley replied the recommendation before the Committee is a \$9.3 million general fund increase.

Senator Wilken said he hoped to do more for the university in response to the pleas of many people and University President Mark Hamilton's mission to make it a "university system the state can be proud of."

Senator Green made a motion to adopt the university subcommittee report.

Senator Austerman objected to state for the record that he felt the same as Senator Wilken. Senator Austerman said he plans to readdress any concerns he might have about the University budget when the budget comes back before the Committee.

There were no further objections and the University subcommittee report was ADOPTED.

Co-Chair Kelly moved to adopt the other previously discussed subcommittee reports of that day.

Co-Chair Donley stated there being no objections, the subcommittee reports were ADOPTED.

Senator Wilken provided the information on the four positions in the Alaska Court System Budget that Senator Leman had asked about earlier. He said the positions consisted of one project manager for the Mental Health Court funded entirely by the Mental Health Trust, and an attorney and two paralegals for the Anchorage pro se center fully funded by Federal Funds.

Senator Wilken thanked all of the people of the various departments and his staff who had worked hard, cooperatively, and respectfully with his subcommittees on the budgets.

Co-Chair Donley thanked the Committee and the staff for their efforts on all the budgets.

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ADJOURNMENT

Co-Chair Dave Donley adjourned the meeting at 11:06 AM