

**MINUTES**  
**SENATE FINANCE COMMITTEE**  
**March 22, 2002**  
**9:38 AM**

**TAPES**

SFC-02 # 40, Side A

**CALL TO ORDER**

Co-Chair Pete Kelly convened the meeting at approximately 9:38 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 Donald Olson  
Senator Lyman Hoffman

**Also Attending:** REPRESENTATIVE FRED DYSON; DEBORAH GRUNDMANN, Staff to Senator Ben Stevens; PAUL GROSSI, Director, Division of Workers' Compensation, Department of Labor and Workforce Development

**Attending via Teleconference:** There were no teleconference participants.

**SUMMARY INFORMATION**

HB 349-AGENCY PROGRAM AND FINANCIAL PLANS

The Committee heard from the sponsor. The bill moved from Committee.

SJR 38-CONST AM: PRIORITY OF EXPENDITURES

The Committee heard from the sponsor of HB 349. The bill moved from Committee.

SCR 29-HIRING FREEZE

The Committee heard from the sponsor. The bill moved from Committee.

SJR 37-CONST AM: HIRING FREEZE

The Committee heard from the sponsor. The bill moved from Committee.

SB 299-WORKERS' COMPENSATION BOARD PANELS

The Committee heard from the sponsor and the Department of Labor and Workforce Development. An amended amendment was adopted and the bill moved from Committee.

SB 338-INELIGIBILITY FOR PFD/ CRIME VICTIMS COMP

The Committee heard from the sponsor. A committee substitute was adopted and the bill moved from Committee.

#HB349

HOUSE BILL NO. 349

"An Act relating to agency programs and financial plans."

This was the second hearing for this bill in the Senate Finance Committee.

REPRESENTATIVE FRED DYSON commented that nothing has changed since the previous meeting except that he has become more convinced of the "wisdom" of the Administration prioritizing budget requests.

Representative Dyson reminded of Senator Wilken's suggestion to rate priorities in categories rather than a "strict" numerical ranking of all department activities, which he supported.

Representative Dyson also supported the proposed constitutional amendment that would allow the Legislature to enforce this legislation.

Co-Chair Donley offered a motion to report HB 349 from Committee with a zero fiscal note from the Office of Management and Budget for all state agencies.

Without objection the bill MOVED from Committee.

#SJR38

SENATE JOINT RESOLUTION NO. 38

Proposing amendments to the Constitution of the State of Alaska relating to information regarding proposed expenditures.

This was the first hearing for this resolution in the Senate Finance Committee.

Co-Chair Kelly noted this constitutional amendment allows the previous bill, HB 349, to be implemented.

Representative Dyson relayed his experiences serving on the Anchorage Assembly where a similar prioritization process is in use. He noted this process was never codified in law, but is nonetheless effective and had been "greatly refined".

Representative Dyson shared discussions on this legislation with Annalee McConnell, former leader of the budget department in the Municipality of Anchorage and current director of the state's Office of Management and Budget. He noted they talked about the process employed in the Municipality, whereby the budget analysts were required to calculate the "exact cost of every component of every output of every department." He relayed Ms. McConnell's concerns that these efforts were wasted for those programs that were of either very high priority, and would not be eliminated, or low priority and would not receive funding. He countered there is a benefit for the legislative body to know the cost of all operations regardless of whether those functions were considered for reductions.

Senator Ward asked how the items in the Municipality of Anchorage budget are prioritized.

Representative Dyson replied that the services and outputs are ranked from most valuable to least valuable by the departments.

Senator Olson asked about transferring this method from a single municipality to the state, which has more complexity.

Representative Dyson replied this principal is universal, is practiced by individuals and businesses, and is therefore reasonable to expect of the state.

Representative Dyson noted the municipality system identifies those expenditures that are statutory required, those that are constitutionally mandated, and those that are supported by user

fees. He suggested the state employ this method as well. These functions, he stressed, would become higher priorities. He stressed his intention is not to "take a sledgehammer or meat cleaver approach" but rather one that is thoughtful and rational.

Senator Austerman asked what timeframe would be provided to the Administration to allow this prioritization process to be undertaken within the normal budget cycle.

Co-Chair Kelly responded this constitutional amendment only allows the Legislature the authority to require the Administration to perform prioritization. He stated that statutes would be the appropriate venue to provide for an implementation timeframe. He anticipated statutory changes would be necessary to "refine the process".

Senator Green offered a motion to report SJR 38 from Committee with a \$1,500 fiscal note from the Office of the Governor, Division of Elections.

The bill MOVED from Committee without objection.

#SCR29

SENATE CONCURRENT RESOLUTION NO. 29

Relating to urging the Governor to institute a hiring freeze on state government.

This was the second hearing for this resolution in the Senate Finance Committee.

Co-Chair Kelly noted this resolution would implement a hiring freeze identical to one implemented in 1999. He was unsure the effects of the earlier freeze, but stressed it is reasonable for a governor to implement a hiring freeze when there are budget difficulties similar to the current situation.

Co-Chair Kelly mentioned a similar hiring freeze currently occurring in the State of Washington and noted other Governors are implementing similar hiring freezes.

Co-Chair Kelly commented that the current Administration, in the face of budget gaps, has actually proposed increasing expenditures and has not made an adequate effort to manage the budget problem.

Co-Chair Kelly referenced a 1999 press release issued by Governor Tony Knowles when he implemented the earlier hiring freeze, and

articles from the Seattle Post Intelligence regarding the Washington State hiring freeze [copies on file.]

Senator Green offered a motion to report SCR 29 from Committee.

There was no objection and the bill MOVED from Committee.

#SJR37

SENATE JOINT RESOLUTION NO. 37

Proposing an amendment to the Constitution of the State of Alaska relating to officers and employees of the executive branch.

This was the first hearing for this resolution in the Senate Finance Committee.

Co-Chair Kelly testified this constitutional amendment gives the Legislature authority to "cross the separation of powers lines" and direct the Executive Branch to implement a hiring freeze. He noted this would not affect the current Governor, but could be utilized by future legislatures during budget shortfalls.

Co-Chair Kelly spoke to the use of hiring freezes during budget crises by "managers all over the world" and "governments all over the country".

Senator Ward offered a motion to move from Committee, SJR 37 with \$1,500 fiscal note from the Office of the Governor, Division of Elections.

Without objection the bill MOVED from Committee.

#SB299

SENATE BILL NO. 299

"An Act relating to the establishment of an additional southcentral panel to the Alaska Workers' Compensation Board and to appointments to that panel; and providing for an effective date."

DEBORAH GRUNDMANN, Staff to Senator Ben Stevens, Chair of the Labor and Commerce Committee, testified this legislation would amend the Workers' Compensation Act to provide for an additional panel for the Alaska Workers' Compensation Board in the "southcentral venue". She referenced a map of the affected area [copy on file.]

Ms. Grundmann stated this legislation is necessary to allow more hearings to occur in that area of the state and subsequently reduce the "lag time" between the date a worker files a claim, and a hearing date. She noted it would also relieve a growing caseload.

Senator Leman asked if these hearing panels function for the duration of one hearing then disband, or whether they are standing committees that address multiple cases.

PAUL GROSSI, Director, Division of Workers' Compensation, Department of Labor and Workforce Development, explained the panels are comprised of members of the Workers' Compensation Board. He detailed how the members are appointed by the Governor, confirmed by the Legislature and serve a term of office.

Senator Olson asked how this legislation would benefit the "common worker", aside from timely resolution of claims.

Mr. Grossi answered the worker benefits from decisions rendered sooner. He noted this also benefits employers in that administrative and legal expenses are incurred over a shorter period of time and additionally benefits the Department in that fewer resources are necessary. He explained this legislation would impact the disputed cases.

Senator Olson spoke to the high cost of workers compensation to employers. He asked if small businesses and small municipalities would be adversely impacted financially by this legislation.

Mr. Grossi replied this legislation would have no impact on the panel. He stated that if the time lag were reduced, the overall costs would be somewhat reduced as well.

AT EASE 10:00 AM / 10:25 AM

Amendment #1 as AMENDED: This amended amendment deletes "take effect" and inserts "be made" and deletes "July 1, 2002" and inserts "January 1, 2003" on page 2, line 6. The amended language reads as follows.

TERMS AND INITIAL APPOINTMENTS. (a) The governor shall expeditiously make initial appointments to the new southcentral panel of the Alaska Workers' Compensation Board, authorized by sec. 1 of this Act. The appointments made under this subsection may not be made before January 1, 2003.

This amendment also deletes Sections 3 and 4, relating to effective

dates, on page 2, lines 14 and 15 and inserts a new bill section to read as follows.

Sec. 3. This Act takes effect January 1, 2003.

Senator Lemman offered a friendly amendment to the original amendment, which did not include "take" in language to be deleted from page 2, line 6. He moved for adoption of the amended amendment.

Without objection the amended amendment was ADOPTED.

Senator Wilken spoke as a business operator, stressing that workers' compensation is one of the most expensive aspects of his business. He expressed he would do whatever he could as a legislator to make the workers' compensation process more efficient and less burdensome, while also recognizing that injured workers must be compensated.

Senator Green offered a motion to move CS SB 299 (FIN) from Committee with \$5,000 fiscal note from the Department of Labor and Workforce Development.

The bill MOVED from Committee with no objection.

#SB338

SENATE BILL NO. 338

"An Act making certain individuals convicted of crimes ineligible for permanent fund dividends and relating to certain payments of compensation from the crime victim compensation fund; and providing for an effective date."

This was the second hearing for this bill in the Senate Finance Committee.

Co-Chair Donley spoke to a proposed committee substitute to address language in the original bill that he was informed was unconstitutional relating to the Child Support Enforcement Division in the Department of Revenue. He explained the committee substitute provides that the Division retains access to permanent fund dividends of those Alaskans who owe child support.

Co-Chair Donley moved for adoption of CS SB 338, 22-LS1190\S as a working draft.

Senator Green clarified that Section 10 is current practice and would not be perceived as the Legislature "taking money" from the

Division.

Co-Chair Donley affirmed and explained this is the same process applicable to funds "reprogrammed" from convicts' dividends to Alaska Council on Domestic Violence and Sexual Assault and the Victims' Compensation Fund.

Co-Chair Donley anticipated new fiscal notes for the committee substitute.

Co-Chair Donley offered a motion to report CS SB 338 (FIN) from Committee with forthcoming fiscal notes from the Department of Administration, Department of Education and Early Development, Department of Law, Department of Public Safety, and Department of Revenue.

The bill MOVED from Committee without objection.

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**ADJOURNMENT**

Co-Chair Pete Kelly adjourned the meeting at 10:32 AM