

MINUTES
SENATE FINANCE COMMITTEE
April 15, 2002
4:07 PM

TAPES

SFC-02 # 58, Side A
SFC 02 # 58, Side B

CALL TO ORDER

Co-Chair Dave Donley convened the meeting at approximately 4:07 PM.

PRESENT

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

Also Attending: SUE ANN BEIERLY, staff to Senator Ward; LORETTA BROWN, staff to Senator Ward

Attending via Teleconference: There were no teleconference participants.

SUMMARY INFORMATION

HB 403-APPROP: OPERATING BUDGET/LOANS/FUNDS
SB 289-APPROP: OPERATING BUDGET/LOANS/FUNDS
HB 404-APPROP: MENTAL HEALTH BUDGET
SB 288-APPROP: MENTAL HEALTH BUDGET

The Committee heard budget subcommittee reports for the Department of Administration, Department of Environmental Conservation, Department of Corrections, Department of Community and Economic Development, Department of Fish and Game, Department of Health and Social Services, Department of Education and Early Development, Department of Law, and Department of Revenue. No action was taken.

#HB403

#SB289
#HB 404
#SB288

CS FOR HOUSE BILL NO. 403(FIN) am(brf sup maj fld)(efd fld)
"An Act making appropriations for the operating and loan
program expenses of state government, for certain programs,
and to capitalize funds."

SENATE BILL NO. 289
"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 FOR HOUSE BILL NO. 404(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."

SENATE BILL NO. 288
"An Act making appropriations for the operating and capital
expenses of the state's integrated comprehensive mental health
program; and providing for an effective date."

Co-Chair Donley announced no public testimony would be taken at
this meeting.

[Note: The budget subcommittee reports cited are on file.]

Department of Administration

Senator Ward, Chair
Senator Taylor
Senator Elton

SUE ANN BEIERLY, staff to Senator Ward, presented the subcommittee
report as follows.

The FY 03 General Fund allocation for the Department of
Administration is \$156,029,900. The Subcommittee began with
the Senate Intro Bill and made the following decrements,
increments and fund source changes to meet our General Fund
(GF) allocation.

The largest unallocated reduction was initially included in the Senate Intro bill for \$1,316,900. This entire amount has been spread back to the components that have General Funds in Personal Services.

The House had taken an additional \$85,000 in unallocated travel reductions. The Senate Subcommittee did not accept this unallocated reduction; instead, the \$85,000 GF cut was spread between Personnel travel (\$9,000), Public Broadcasting - Radio (\$69,900), and Public Defender Agency travel (\$6,100).

Senior Services:

- \$364,300 - Assisted Living Rate Increase (GF)
- \$ 39,500 - Eligibility Position for General Relief & Medicaid Clients (GF)
- \$491,000 - Fund switch to GF for General Relief/Assisted Living Program with a subsequent reduction in MHTAAR funds
- \$ 75,500 - Non-Permanent Position for Coordinated Public Awareness & Education (MHTAAR Funds)

Retirement & Benefits: \$792,300 (Other Funds) - Additions to the Division of Retirement and Benefits for various systems enhancements and increases due to retiree and benefit programs.

Leases: \$3,684,800 (GF and Other Funds) - Full funding for the Anchorage Jail Lease and increases for lease obligations (\$1,500,000 GF) and increased authority to receive receipts from tenant agencies (\$2,184,800 Other Funds)

State Owned Facilities: \$680,700 (Other Funds) - State Owned Facilities Public Building Operations Costs

Information Technology Group: \$12,650,000 (Other Funds) - Increased expenditure authority to handle pass-through moneys from other state agencies for services provided by the state's new telecommunications partner

Risk Management: (\$1,064,400) (Other Funds) - Increased Cost of Risk for Workers' Compensation and Other Insurance

Alaska Longevity Programs Management: (\$50,000) (Other Funds) - Partial Funding for Geriatric Nurse Consultant

Alaska Oil and Gas Conservation Commission: \$680,600
(Other Funds) - Increases for additional drilling
activity costs and for salary adjustments and position
reclassification costs

Summary

Reductions in General Fund expenditures necessary to meet the Department's General Fund allocation of \$159,026,900 were met. Approving the Department's other requested changes in funding and authorization brings the Department's total operating budget for FY 03 to \$300,514,400.

Senator Austerman informed the Committee that the Department of Military and Veterans Affairs and the Department of Labor and Workforce Development budget recommendations would return to the subcommittees for reconsideration.

Department of Environmental Conservation

Senator Leman, Chair
Senator Torgerson
Senator Olson

Senator Leman testified the subcommittee recommendation is within the general fund spending limitation established by the Senate Majority. He listed the Governor's request of \$55,059,300 compared to \$53,303,600 allocated in FY 02. He stated the subcommittee recommendation "generally disallowed most of the increments", did not provide increased funding for travel, and in most components, reduced the appropriation for travel. He noted the Department's travel budget would be \$2.8 million, which is \$200,000 more than allocated in FY 02.

Senator Leman stated the subcommittee's directive to the Department is to plan travel as far in advance whenever possible to obtain lower fares.

Senator Leman noted the subcommittee recommends holding harmless the Industry Preparedness and Pipeline Response component, recommends increased travel funding and recommends continued appropriation of \$600,000 from the BP/ARCO charter agreement for increased North Slope oversight.

Senator Leman commented that the Department "targeted" its water program several years ago, although not at the direction of the Legislature. As a result, he stated that neither the House of Representatives nor the Senate Finance budget subcommittee

recommends unallocated budget reductions for this program in FY 03 to avoid the complications incurred earlier.

Senator Leman noted the Food Safety and Sanitation program continues to be "problematic". He informed the subcommittee recommended utilizing a portion of the homeland security funds to replace general funds for this program, but was informed by the Department this is not possible. However, he noted the Budget Request Unit (BRU) is funded at approximately 70 percent not including homeland security funds, and if it were confirmed these funds could not be utilized, he would recommend receipt-supported services to fund the remainder of the program. He expressed intent in the future to transfer these duties in larger communities to local governments.

Department of Corrections

Senator Ward, Chair
Senator Cowdery
Senator Therriault
Senator Lincoln

LORETTA BROWN, Staff to Senator Ward, presented the subcommittee report as follows.

The FY 03 General Fund allocation for the Department of Corrections is \$148,268,500. The Subcommittee began with the Senate Intro Bill and made the following decrements, increments and fund changes to meet our General Fund (GF) allocation.

The unallocated reduction associated with GF labor costs in the Commissioner's Office was distributed to all components affected.

Lost Federal Violent Offenders Incarceration (VOI) and State Criminal Alien Assistance Program (SCAAP) funds were replaced with GF. We replaced 2.9 million VOI funds and 1.1 million SCAAP funds.

The new Anchorage Jail received a 1.8 million GF increment to fund the start up. The Sixth Avenue Correctional Center budget was transferred to the Anchorage Jail.

638.8 thousand in new PFD funds was allowed for the continuation of the Department's MIS development program.

The subcommittee honored the second year of a three-year commitment with the Mental Health Trust to fund a sub-acute and juvenile offender unit at Spring Creek Correctional Center by switching 25 thousand MHTAAR with State GF.

A weighted reduction in general funds was taken in each component with the exception of Community Residential Centers (CRC) in order to meet the general fund allocation.

Other changes in authority and funding that did not affect GF were accepted and incorporate into the Subcommittee's Proposed Operating Budget

Summary

Reductions in General Fund expenditures necessary to meet the Department's General Fund allocation of \$148,268,500 were met. Approving the Department's other requested changes in funding and authorization brings the Department's total operating budget for FY 03 to \$174,274,000.

Co-Chair Donley noted the Senate Majority target funding is several million dollars greater than approved by the House of Representatives.

Senator Ward explained the House of Representatives version of the budget relies on funding community jails with funds from the permanent fund as stipulated in HB 20. He stated the Senate Finance budget subcommittee recommends funding the community jails with general funds.

Department of Community and Economic Development

Senator Kelly, Chair
Senator Phillips
Senator Torgerson
Senator Lincoln

Co-Chair Kelly testified the Senate Majority general fund limit for FY 03 is \$2,601,300 less than the FY 02 Management Plan. He described how this was accomplished by citing the subcommittee report as follows.

There has been an updating of the DCED cost allocation plan. This has resulted in \$22,400 in Receipt Supported Services from Investments and \$13,700 in Commercial Fishing Revolving

Loan funds from Banking, Securities and Corporations being transferred to the Commissioner's Office component. This allows for a reduction of \$36,100 in GF. This also results in \$108,200 in Receipt Supported Services from Investments and \$138,900 in Commercial Fishing Loan Fund receipts from Banking, Securities and Corporations being transferred to the Admin Services component. This allows for a reduction of \$247,100 in GF.

In an attempt to have programs that bring in revenue pay for themselves and others that benefit them. Business License Receipts (BLR) will be used in three different components. There is a fund source switch of \$546,600 from GF/PR to BLR in Occupational Licensing. There is a fund source switch of \$300,000 from International Trade and Development funds to BLR in International Trade and Market Development. And there is a fund source switch of \$1,053,400 from GF to BLR in International Trade and Market Development.

In the Qualified Trade Association Contract, there is recommended a decrement of \$600,000 in general funds. This is to bring the contract to \$4,005,100, the state funding level called for in statute and recommended by the Governor's budget.

In the Department of Community and Economic Development State Rent component, there is a \$188,900 increment in I/A Receipts coming in to pay for state rent. These funds are \$74,700 in receipt supported services from Occupational Licensing, \$57,600 in receipt supported services from Insurance Operations, \$42,600 in receipt supported services from Banking, Securities and Corporations and \$14,300 in Commercial Fishing Revolving Loan funds from Investments.

In the Commissioner's Office there has been a department wide unallocated reduction of \$284,100 that was necessary to reach our allocation.

Co-Chair Donley surmised the subcommittee recommends fully funding tourism marketing.

Co-Chair Kelly affirmed and clarified the funding would be provided at the "agreed upon statutory level".

Department of Fish and Game

Senator Kelly, Chair
Senator Austerman

Senator Cowdery
Senator Halford
Senator Hoffman

Co-Chair Kelly noted the subcommittee recommended eliminating certain services. He read from the subcommittee report as follows.

Commercial Fisheries

In the Westward Region Fisheries Management component, general funds of \$741,000 for the Bering Sea/Aleutian Islands Shellfish Management Program have been eliminated. The State is not statutorily required to manage this program and has been doing it under delegation from the federal government. There is almost \$2 million in federal funding for this program, although the expectation is that the federal government will probably begin to hire their own people to manage it.

In the Headquarters Fisheries Management component, general funds of \$744,700 for the Commercial Fisheries Genetics Program have been eliminated. In weighing the possible programs for elimination, this was lower on the priority list for the Department. There is \$815,000 in non-GF funds in this program.

Wildlife Conservation

In the Wildlife Conservation Restoration Program, general funds of \$223,700 for Wildlife Conservation Non-Game Programs have been reduced. This will result in a reduction in federal funds into this program. However, there may be options to replace the match with other funds and still receive the same level of federal funding. This reduction was necessary to reach our allocation for the department.

Co-Chair Kelly commented it was determined to eliminate these programs rather than reduce funding for all programs.

Senator Austerman voiced concern about reducing funding for this Department because it involves natural resources. He stressed that in order to assert rights to manage these resources, Alaska must have the ability to manage them. He also emphasized the importance of managing renewable resources for the time when nonrenewable resources are depleted. He warned that by eliminating the Westward Region Fisheries Management component, the Legislature is eliminating the State's ability to manage the crab fisheries in the Bering Sea.

Senator Olson asked if the programs would be eliminated entirely.

Co-Chair Kelly affirmed the aforementioned programs would be eliminated with the exception of the Wildlife Conservation Non-Game Programs, which would be reduced. He qualified that the Department indicated eliminating these programs is the preferred method to operate with the proposed budget reductions.

Senator Olson asked if other "mechanisms" were available to assume management of the shellfish.

Co-Chair Kelly answered yes, the federal government could undertake these duties.

Department of Health and Social Services

Senator Green, Chair
Senator Kelly
Senator Therriault
Senator Davis

Senator Green presented the subcommittee recommendations as follows.

After netting out the FY 02 supplementals and the double counted "fair-share" and "pro-share" money in Medicaid, the total real new spending for Health and Social Services is around \$105 million. Most of this increase is in Medicaid, much of the increase in Medicaid is in community based services for older Alaskans and Disabled Alaskans. This increase will result in hundreds of new healthcare related jobs throughout Alaska. Over the past ten years, the population of Alaska has increased by about 20% while the number of jobs in the healthcare industry has increased by about 60%.

The Subcommittee budget supports efforts of the Legislature to provide regional youth corrections facilities throughout Alaska. Full operating funding for these facilities is provided, including a full year of funding for the new facility in Ketchikan.

The Subcommittee budget supports efforts to downsize API and to operate API at its current level until new community support infrastructure is developed.

The Subcommittee budget supports the efforts of this Legislature to provide the necessary Social Workers to respond to reports of harm.

The Subcommittee budget supports to the efforts of the Legislature to respond to concerns over the nursing shortage by funding increases to nurses' salaries.

The Subcommittee budget seeks to eliminate the need for supplemental appropriations by funding formula programs nearly at the requested level. Also by funding the Balloon Program the budget seeks to reduce future foster care costs.

The Subcommittee budget addresses the need to increase administrative efficiencies by cutting funding for administrative functions in the Department by 3%-5%.

The Subcommittee budget reduces alcohol and drug abuse grants by some 20%, while protecting some specific functions such as the dual diagnosis program in Anchorage that helps keep people out of API. These cuts need to be looked at in light of increased direct federal and private foundation grants that are used for these same clients and an increased use of Medicaid funding to address these clients medical needs.

Tobacco cessation programs are funded at the current year level. Additional tobacco settlement funds are being directed to Medicaid to help fill the gap in match money that was left when the Governor failed to request funds to cover the \$10.8 million FMAP change

Senator Austerman asked about a statute passed the previous year that stipulates 20 percent of the tobacco settlement funds be appropriated to smoking cessation and tobacco prevention programs.

Senator Green replied the funding is the same as the year prior.

Department of Education and Early Development

Senator Wilken, Chair
Senator Torgerson
Senator Elton

Senator Wilken stated the total funding for this Department recommended by the subcommittee is \$992,500,000; of which \$748,523,000 is general funds, \$179,000,000 is federal funds, and \$65,000,000 is other funds. He compared the general funding to \$723,804,000 in FY 01 and \$754,442,000 in FY 02. He listed the funding target established by the Senate Majority is \$748,523,400 and includes pupil transportation and the foundation funding formula. He stated this represents a .78 percent reduction in total

general funds and a 5.4 percent reduction in agency-only general funds. He noted the Senate Majority amount is \$465,000 more than approved by the House of Representatives.

Senator Wilken read from the subcommittee report, specifically the comments column of the spreadsheet titled, "Department of Education and Early Development, Passed by the Finance Subcommittee on April 10, 2002, General Purpose Fund Group Only".

K-12 Support BRU

Foundation Program component

- (1) Include \$12,372,000 for Learning Opportunity Grants (LOG) (in language section)
- (2) Fund the Foundation Program at the FY 02 student dollar level
- (3) Reduction in GF due to increase required local contribution and reduction of funding floor, an increased PL874 payments
- (4) Increase in Public School Trust Fund revenues (\$665,700)
- (5) Reduction of \$500,000 GF to match the GF/PR amount for Alyeska Central School Summer Program

Senator Wilken cited Summer 2000 enrollment for the Alyeska Central School Summer Program was 4,170 courses at the beginning of the summer; however only 33 percent of those courses were completed. He noted the Department must provide staff and materials, whether a course is completed or not. As a result, he informed, the subcommittee proposes intent language to authorize the Department to collect \$100 per course. He surmised this would provide financial incentive to complete courses.

Senator Wilken next pointed out the Tuition Students, Boarding Home Grants, Youth in Detention, and Schools for the Handicapped components within the K-12 Support BRU are each funded at the FY 02 Management Plan level. He noted the Community Schools component was not funded in the House of Representatives approved budget, although the Senate Finance budget subcommittee includes \$300,000, which is \$200,000 less than appropriated in FY 02.

Senator Wilken stated subcommittee recommends fully funding the Pupil Transportation BRU at \$3.69 million. He remarked this amount reflects the increases in negotiated contracts.

Senator Wilken then addressed the Executive Administration BRU, directing attention to the proposed \$30,000 reduction for personal services and travel in the Commissioner's Office component. He explained. "This is where the unallocated reduction for salaries is

imbedded." He summarized that the total budget, as recommended by the subcommittee, contains a reduction of \$710,600 in personal services and travel divided between all BRUs.

Senator Wilken continued that the subcommittee recommends the Special and Supplemental Service component in the Teaching and Learning Support BRU receive the same funding as in FY 02. He commented the Quality Schools component should receive partial increment of \$429,400 for McGraw-Hill contract costs for assessment and bookmarking for the purposes of the high school graduation and benchmark examinations. In addition, he said the subcommittee recommends the Education Special Projects component maintain \$50,000 funding for the Alaska Minerals and Energy Resources Education Fund (AMEREF) program.

Senator Wilken spoke to the Early Development BRU, noting the subcommittee recommends transferring \$350,000 general funds from the Child Care Assistance and Licensing component to the Head Start Grants component. He explained these funds replace one-time funding with the net result that the Head Start Grants component remains at the FY 02 Management Plan level. He furthered the subcommittee recommends authorizing \$3,859,100 Temporary Assistance for Needy Families (TANF) funds from the Department of Health and Social Services to the Child Care Assistance and Licensing component.

Senator Wilken commented the Children's Trust Programs BRU, the Alaska Community Service BRU and the Alaska State Council on the Arts component in the Commissions and Boards BRU are "insignificant in this budget", and that the Education Support Services BRU receives a reduction of \$190,000 general funds for personal services and travel, according to the subcommittee report.

Senator Wilken told the Committee that the subcommittee recommended the House of Representatives proposal to replace \$470,000 general funds with Alaska Commission on Postsecondary Education (ACPE) funds and deleted \$130,000 general funds for the Kotzebue Technical Center BRU, Kotzebue Tech Operations Grants component.

Senator Wilken continued that the Alaska Vocational Technical Center (AVTEC) BRU, AVTEC Operations component is suggested to receive \$75,000 fewer general funds from the FY 02 appropriation and the Mt. Edgecumbe Boarding School BRU and component is suggested to receive a reduction of \$50,000 general funds; these are to be taken from personal services and travel.

Senator Wilken stated the State Facilities Maintenance BRU, EED State Facilities Rent component would maintain the FY 02 Management Plan level of funding under the subcommittee's proposed budget.

Senator Wilken pointed out the subcommittee recommends the elimination of the Statewide Library Electronic Doorway (SLED) program within the Alaska Library and Museums BRU, Library Operations component. He stated this could result in the loss of one position at the University of Alaska-Fairbanks; however, "given the budget constraints this may be the time to find other ways to fund SLED".

Senator Wilken noted funding for the Student Loan Operations component and the Washington, Wyoming, Alaska, Montana, Idaho (WWAMI) Medical Education component in the Alaska Postsecondary Education Commission BRU are transfers.

Senator Wilken detailed a handout he provided, which reads as follows.

| | |
|---|-------------|
| FY 03 K-12 Public Education GF Requirement | |
| Change from FY 02 to FY 03 | |
| Based on Per Student Value of \$4,010 per student | |
| (dollars expressed in 1000s) | |
| | |
| FY 02 - Enrollment and Authorized Funding | |
| Total Average Daily Membership | 133,304 |
| Total K-12 Education General Fund State Support | |
| (including LOGs) | \$663,781.0 |
| | |
| FY 03 - Projected Enrollment and Funding | |
| Projected Total Average Daily Membership | |
| (Plus 151 New Students) | 133,455 |
| Projected K-12 Education General Fund State Support | |
| (including LOGs) | 656,921.9 |
| | |
| Change from FY 02 to FY 03 | (\$6,859.1) |
| | |
| FY 03 - K-12 Education Funding Formula | |
| Increased General Fund Requirement | |
| Increase State Support due to | |
| Increase Enrollment | |
| (151 Students) | \$764.4 |
| Decrease in Federal Impact Aid | |
| Deductible | \$94.9 |
| Increase of Quality School Grant | |
| due to New Student Enrollment | \$7.8 |
| Total Increased General Fund Requirement | \$867.1 |
| | |
| Decreased General Fund Requirement | |
| Increase in Required Local Taxpayer | |

| | | |
|--|-------------|-------------|
| Effort | | |
| (4 mils/45% of Basic Need) | (\$5,916.6) | |
| Transition Supplemental Funding | (\$1,143.9) | |
| Increase in Public School Trust | | |
| Fund Support | | |
| (Results in GF Savings) | (\$665.7) | |
| Total Decreased General Fund Requirement | | (\$7,726.2) |

Net General Fund Requirement (\$6,859.1)

Senator Wilken suggested the fund savings reflected above should remain in the K-12 Education BRU.

Senator Wilken then addressed the FY 02 Supplemental budget, noting a \$498,000 request for contractual obligations to McGraw Hill relating to the high school graduation and benchmark examinations, of which he is "fully supportive".

Senator Wilken next spoke to proposed intent language to accompany the following components and to read as follows.

Teaching and Learning Support

Teaching Certification

Conditional Language

The amount appropriated by this appropriation includes the unexpended and unobligated balance on June 30, 2002, of the Department of Education and Early Development receipts from teacher certification fees under AS 14.20.020(c).

Alyeska Central School

Intent

It is the intent of the legislature that Alyeska Central School adopt course fees for its summer school program that will encourage high school students to complete required course assignments and to help offset the cost of course materials and instruction.

It is also the intent of the legislature that Alyeska Central School provide a partial fee refund upon successful course completion.

AK Vocational Technical Center

Intent

It is the intent of the legislature that the \$75.0 personal services and travel reduction not result in the cancellation or delay of the Certified Nurse Assistant Training Program offered by the Alaska Vocational Technical Center.

Senator Wilken listed the "head count of this budget" is "plus 12", although there is no general fund increase. He stated that approximately 20 were requested and all generally funded increments were denied, with the approved increases funded with federal funds.

Senator Wilken told of an error of \$130,000 in the FY 02 operating budget regarding SB 133 and relating to assessment of special education children. He explained the 24-hour time lapse between the budget closeout and passage of SB 133. He referenced a letter he authored addressed to Co-Chair Donley addressing this matter [Copy not provided] and informed that the same amount is contained in the subcommittee's recommendation for FY 03. He remarked that the Division of Legislative Finance agrees this amount should be included in the FY 03 operating budget.

Department of Law

Senator Wilken, Chair
Senator Taylor
Senator Ellis

Senator Wilken listed the total agency expenditures in FY 01 at \$26,515,400; \$26,737,100 in FY 02, and the Senate Majority established amount for FY 03 of \$25,132,900.

Senator Wilken cited recommended funding amounts from the spreadsheet titled "Department of Law, Considered by the Finance Subcommittee on April 12, 2002, General Purpose Fund Group Only" as follows.

| | |
|---|--------------|
| Office of the Attorney General | (\$161,500) |
| Criminal Division | \$13,558,800 |
| Civil Division | \$7,309,800 |
| Statehood Defense | \$1,114,500 |
| Oil & Gas Litigation and Legal Services | \$2,721,300 |
| Administration and Support | \$590,000 |

Senator Wilken next referenced the Change Detail spreadsheet [copy on file], indicating that it summarizes the Governor's requested amounts compared to the subcommittee recommendations.

Senator Wilken stated the subcommittee recommendations include three additional positions.

Department of Revenue

Senator Leman, Chair

Senator Phillips
Senator Ellis

Senator Lemman appreciated the constructive assistance from this Department in developing the subcommittee budget recommendation.

Senator Lemman listed the Governor's proposed FY 03 budget for this Department is \$12.7 million, the FY 02 Management Plan is \$12.4 million and the FY 03 Senate Majority established amount is approximately \$11.7.

Senator Lemman stated the subcommittee recommendation "generally did not fund the general fund increment requests".

Senator Lemman suggested that the full Senate Finance Committee consider the Alcohol Beverage Control (ABC) Board request of funding for additional enforcement. He opined this is a reasonable request, but that given the budget limitations imposed by the Senate Majority, the decision whether to fund it could not be made at the subcommittee level.

Senator Lemman continued that the subcommittee recommends accepting the \$432,000 savings of the Permanent Fund Corporation. He stated the subcommittee also recommends authorizing allocation of federal receipts as requested by the Alaska Housing Finance Corporation (AHFC) for temporary labor, although the subcommittee does not recommend the additional positions and instead suggests the Department employ an outside contractor. He commented he is "hesitant" to increase staffing utilizing non-continuing funding.

Senator Lemman next addressed the Long Term Care Ombudsman, stating the subcommittee recommends fully funding this position and support staff positions.

Senator Lemman pointed out the Division of Treasury, Investment Officer salary increases request is funded in the subcommittee recommendation as well. He commented that a valid argument was made to maintain the salaries of these positions at a level close, although not equal, to counterparts in private industry; this is to avoid "hemorrhaging" of the State's top investment officers.

Department of Law (cont.)

Senator Wilken clarified the subcommittee recommendation of an unallocated reduction of \$506,300 to the Office of Attorney General. He explained this includes funding for salary increases plus an additional \$40,700 reduction. He summarized the allocation to this BRU would be \$344,800 according to the subcommittee report

and the reduction of \$506,300 "would be spread throughout the budget, which when you net it out, shows the negative \$161,500" reflected on the spreadsheet.

Co-Chair Donley noted a large increment of this Department's budget has traditionally been for oil and gas litigation activities and he noted the subcommittee proposes reduced funding for this. He asked if the activities are "winding down" and inquired as to the nature of Department testimony to the subcommittee on this matter.

Senator Wilken stated the subcommittee recommends the same amount as approved by the House of Representatives. He qualified that funding for this BRU is estimated each year and, if inadequate, a supplemental appropriation is made.

SFC 02 # 58, Side B 04:55 PM

Co-Chair Donley understood the same.

Senator Wilken stressed this is an important expenditure because these efforts generate more than expended. He agreed with Co-Chair Donley that the BRU requires less funding since the resolution of the 1995 "tax issue".

#

ADJOURNMENT

Co-Chair Dave Donley adjourned the meeting at 04:56 PM