

MINUTES
SENATE FINANCE COMMITTEE
April 16, 2002
9:44 AM

TAPES

SFC-02 # 59, Side A
SFC 02 # 59, Side B

CALL TO ORDER

Co-Chair Dave Donley convened the meeting at approximately 9:44 AM.

PRESENT

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

Also Attending: CLIFF STONE, Staff to Senator Alan Austerman; BRUCE TANGEMAN, Fiscal Analyst, Division of Legislative Finance; ANNETTE KREITZER, Staff to Senator Loren Leman; LORETTA BROWN, Staff to Senator Jerry 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 subcommittee reports for the Department of Public Safety, the Department of Natural Resources, the Department of Transportation and Public Facilities, the Court System, the Office of the Governor, and the Legislature. No action was taken on the bills.

#hb403
#sb289
#hb404
#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."

This was the second hearing for these bills in the Senate Finance
Committee.

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

Department of Public Safety

Senator Alan Austerman, Chair
Senator Lyda Green, Vice-Chair
Senator John Cowdery
Senator Georgianna Lincoln
Senator Robin Taylor

CLIFF STONE, Staff to Senator Alan Austerman, referenced the prepared subcommittee Operating Budget Closeout Recommendations for the Department of Public Safety and noted that both the Senate bill number and the House of Representatives bill number have been inadvertently misidentified on page one of the report. He clarified that SB 289 is incorrectly identified as SB 288 and HB 403 is misidentified as HB 414.

Mr. Stone stated that the subcommittee chair intended to restore \$1,791,400 to the Department of Public Safety's "core elements for public safety." He stated that this endeavor was partly accomplished by eliminating \$869,100 in general funds identified for the Batterers Intervention Program, the Victims for Justice Program, and the Alaska Wing of the Civil Air Patrol.

Mr. Stone continued that the subcommittee members reversed the Chair's action and restored the funding for those programs in the subcommittee's proposal.

Mr. Stone noted that the Senate subcommittee additionally recommended a reversal of the House of Representatives' \$200,900 reduction for fire prevention programs and restoration of that funding to the Department's Administrative Services budget.

Mr. Stone then explained that the subcommittee adopted several amendments that "shifted" \$194,800 in general funds from the Department's Division of Administrative Services to the Regional Public Safety Officers program, and transferred other Division of Administrative Services funds to support the Council on Violence and Sexual Assault and recommended the Committee approve these changes.

Co-Chair Donley reminded the Committee that the Senate Majority's budget allocation for this Department is \$1,791,400 more than the amount contained in the budget adopted by the House of Representatives. He stated that the Senate Majority emphasized funding that would provide the Department with the "flexibility" to prioritize public safety and minimize reductions in front-line services that protect Alaskans.

Senator Olson commented that, historically, when general funds for aviation programs have been reduced or eliminated, there has been an impact on Rural Alaska; therefore, he asked whether the Civil Air Patrol funding has been restored to its original funding level.

Mr. Stone replied that the subcommittee recommends restoring those funds, and noted that approximately \$500,000 would be provided to fund the cost of fuel for the Civil Air Patrol.

Senator Olson asked for clarification that the subcommittee chair's \$869,100 general fund reduction proposal would have reduced funding for the Civil Air Patrol as well as funding for the Victims for Justice Program and the Batterers Intervention Program.

Mr. Stone detailed that the proposed \$869,100 reduction removed approximately \$120,000 in general funds from the Batterers Intervention Program; however, he noted that other funding remained available for this program. He continued that this reduction also removed approximately \$240,000 in general funds designated for the Victims for Justice Program, which would have eliminated all funding for that program, and he stated that the remaining balance was removed from the Civil Air Patrol general funding allotment.

Senator Olson asked for assurance that Civil Air Patrol rescue operations would be sufficiently funded in this budget recommendation.

Mr. Stone communicated that there are many "valid programs" to consider and that reducing or eliminating any program's funding is a very difficult decision. He asserted that while the subcommittee Chair recognizes the value of the Civil Air Patrol, the goal of providing adequate funding to support the core programs of the Department of Public Safety subcommittee was paramount in the decision.

Senator Olson voiced relief that the funds for the Civil Air Patrol remain "in place."

Senator Hoffman noted that the FY 03 \$76,241,500 Budget Recommendation for the Department of Public Safety is approximately \$520,000 less than the FY 02 Management Budget Plan of \$76,767,500, and he asked which programs would be affected by the Department's funding reduction.

Mr. Stone responded that most of the reductions recommended by the subcommittee would affect the Division of Administrative Services and the Office of the Commissioner.

BRUCE TANGEMAN, Fiscal Analyst, Division of Legislative Finance, informed the Committee that the subcommittee recommendation reduces approximately \$95,000 from the Office of the Commissioner and the balance is removed from the Division of Administrative Services budget.

Senator Hoffman asked how these reductions would affect the Department's management ability.

Co-Chair Donley informed the Committee that the Department would be presenting testimony to the Committee in a forthcoming meeting.

Senator Austerman relayed that the Department has determined that these reductions would occur in the Division of Administrative Services, which, he asserted, would result in a reduction in the number of State Troopers on patrol. He explained that his approach to the Department's budget focused on funding reductions to non-core programs, rather than issuing across-the-board funding cuts that might result in weakening the entire Department. He explained that programs such as the Victims for Justice program and the Civil Air Patrol programs are programs that were "added to" the Department and are not considered to be core components. He qualified that his recommendation, as subcommittee chair, was to reduce \$869,000 in funding from the non-core programs in order to maintain funding for core programs such as the number of troopers on duty. He recounted that the subcommittee members decided otherwise.

Senator Austerman spoke to the amendments adopted by the subcommittee through which funding for various programs was reduced rather than eliminated or transferred, and pointed out that some programs are proposed to be alternatively funded by receipt-support services rather than general funds. He stated that further discussion should ensue to clarify the validity of some of the receipt-support funding proposals.

Mr. Tangeman elaborated that current State statute prohibits the collection of fees as a receipt-supported funding mechanism for some of the programs identified in the subcommittee report. He communicated that even though the revenue could be collected; it could not be expended because the Department does not currently have the necessary authorization. He stated that a change in State statute would be required to accommodate this funding mechanism; specifically the collection and expending of monies generated from concealed handgun permit fees and license fees for private security guard personnel. He summarized that the intent would be to use the revenue generated from these fees, rather than general funds, to support specific programs.

Co-Chair Donley paraphrased that existing law allows for the collection of these fees; however, the revenue is currently deposited into the State's general fund and is not earmarked to support the programs. He expressed that State statutes would need to be revised in order to allow the program receipt revenue to be designated to fund the program.

Mr. Tangeman concurred.

Co-Chair Donley reiterated that current State law does not provide the Department with the required statutory authorization to expend the program receipts to support the program.

Mr. Tangeman agreed.

Senator Austerman reminded the Committee that while the subcommittee's FY 03 budget recommendation for the Department provides \$1,791,400 more funding than the House of Representative's budget; the total budget recommendation is approximately \$500,000 less than the FY 02 Management Plan.

Senator Wilken asked whether this budget recommendation provides for an overall "increase, decrease or status quo" in the number of Alaska State Troopers (Blue Shirts), Fish and Wildlife Protection Officers (Brown Shirts), and Village Public Safety Officers (VPSOs).

Senator Austerman responded that while "each of those categories remains the same;" the Division of Administrative Services, which has received across-the-board cuts, ultimately makes the decision as to where reductions would occur. He explained that the Division has the authority to decide, for example, whether to reduce the number of troopers on patrol or to reduce the level of funding for purchasing ammunition.

Co-Chair Donley clarified that "staying the same" means that the Senate subcommittee report does not specify any reductions in the numbers as compared to FY 02. He noted that the House subcommittee report specifically recommends a reduction in the number of troopers.

Senator Green informed the Committee that the FY 03 Senate subcommittee budget report specifically provides funding to employ individuals currently undergoing VPSO training after graduating from the program. She explained that while the funding for training was included in the FY 02 budget; employment funding was not. She voiced uncertainty as to whether this employment would result in a net increase of VPSO employees; however, she affirmed that funding for four positions is provided.

Co-Chair Donley asked whether the House budget provides funding for these VPSO positions.

Mr. Tangeman replied that the House budget specifically reduces funding to the VPSO program in addition to funding reductions in the Office of the Commissioner and the Division of Administrative

Services. He noted that the Department's impact statement specifies that this funding reduction would result in the elimination of 23 trooper positions.

Senator Austerman referred the Committee to page one of the Senate subcommittee report and the recommendation to restore funding for the VPSO program eliminated in the budget passed by the House of Representatives.

Senator Hoffman asked what items are included in the \$2,245,600 miscellaneous expenses budget reduction on page three of the Senate subcommittee report.

Mr. Tangeman responded that this "Miscellaneous unallocated reduction" pertains to the "salary adjustments that were added in the introduction bill."

Senator Hoffman asserted that since the Commissioner would determine where the reductions would occur, it could negatively affect the VPSO or Brown Shirts' budget.

Mr. Tangeman responded that it could.

Senator Hoffman expressed, "this is a substantial amount of unallocated reduction."

Department of Natural Resources

Senator Loren Leman, Chair
Senator Randy Phillips
Senator John Torgerson
Senator Ben Stevens
Senator Georgianna Lincoln

Senator Leman informed the Committee of the difficulties of working within the parameters of the Senate Majority designated budget limitation for this Department, as the challenges presented by some of the missions charged to this Department are "daunting"; particularly those involving divisions responsible for producing revenue from the State's natural resources. He commented that as the availability of non-general fund dollars has decreased, fund shifting has become an option; however, this option is less available than it has been in the past. He reviewed the FY 03 Operating Budget Subcommittee Report as follows.

A \$400.9 increase in timber receipt authority to propel value-added processing and continue timber sales in the Interior and Southeast.

Senator Leman stated that these receipts, combined with a federally funded hazard fuels capital improvement project (CIP) assessment, would provide a funding increase to forestry management programs. He continued that additional funding has been provided, in the subcommittee recommendations, to the Clean Water Act, Section 319, to support Forestry Practices Act activities.

A \$325.1 GF increase to address the Division of Oil and Gas priorities: a Royalty Valuation Commercial Analyst, a Natural Resource Officer I for Leasing (to bring in \$10 million in deferred or lost bonus/rentals), and a Petroleum Reservoir Engineer for reservoir management.

Senator Leman stated that the Division of Oil and Gas "is inadequately staffed," and that increasing the number of staffing positions is necessary to prevent further leasing delays that prevent the State from collecting lease monies.

A fund source change of \$400.0 to the Division of Oil and Gas from General Fund to Coastal Impact Assistance Funds for the activities of the division related to the Coastal Plain of ANWR.

Senator Leman informed the Committee that discussions are continuing with the Department to identify whether this funding source or another funding avenue would be available.

Authorizing \$160.0 GF for assumption of the Denali Block, a mineral rich conveyance requiring this funding for archaeological work. The State estimates it will collect approximately \$120.0 in revenues when the conveyance is final.

Senator Leman stated that the Denali Block formation is located on the east end of the Denali Highway near Paxson. He stated that while this work was approved in FY 02, shifting priorities within the Department prevented it from occurring; however, he noted, the subcommittee has "clearly" identified this work as a priority for the upcoming year.

Senator Leman informed the Committee the subcommittee recommended against funding the requested Natural Resources Officer II position for Shallow Gas Leasing; however, he opined that possible funding for the position might be available from statutory Designated Program Receipts.

Authorizing the Natural Resource Position Classifications as the department must fund the results of the classification

study. The Subcommittee has funded this through an unallocated reduction in the Commissioner's office of \$343.2, allowing the department to use the other than GF funds.

A \$530.8 GF/Prgm decrement to the Division of Parks \$5,850.0 budget.

Senator Leman stated that to meet the Senate Majority's budget amount and to provide funding for the Division of Oil and Gas, a \$530,000 reduction in funding has been proposed for the Division of Parks. He noted that this decrement is half of the amount recommended by the House of Representatives. He stated that the subcommittee supports funding this program shortfall with receipt-supported services, however, he stated that the Legislature would need to address this issue.

Supporting RS 2477 Assertions by retaining \$40.0/GF and adding \$75.0 CIP Rcpts from Land & Water Conservation Grants.

Senator Leman noted that this is a funding source switch to allow this "navigability assertions and litigation support component" to move forward.

Establish a new BRU (not a new program) for the Natural Resource Conservation and Development Board showing the subcommittee's support for the work of the Board and the Soil and Water Conservation Districts.

Senator Leman stressed that while this is not a new program, a new budget request item (BRU) has been established "to highlight the activities of the Board and its Soil and Water Conservation Districts." He stated that interagency receipt funds, provided through Section 319 of the Clean Water Act, would provide for the \$25,000 increase.

Senator Leman informed the Committee that the Governor's request of \$38.2 million general fund dollars for this Department is approximately \$2.5 million above the FY 02 Management Plan, and that the Governor's All Funds budget request totals approximately \$81 million dollars and includes 992 positions. In comparison, he noted that the Senate Majority designated general fund allocation is \$34.1 million with an All Funds total of approximately \$78 million and 941 positions.

Senator Leman acknowledged the efforts exerted by: the subcommittee members; Anna Kim, the subcommittee's Fiscal Analyst; and the efforts of the Department staff who worked constructively with the subcommittee to "creatively" develop a budget to meet the

Department's obligations.

Senator Wilken asked how the \$400,000 increase in timber receipt authority compares with the House of Representatives budget recommendations on this subject.

Senator Lemman responded that the amount established by the Senate Majority is an increase over the amount proposed by the House of Representatives.

Senator Wilken asked how the FY 03 timber sales funding level compares to FY 02 funding, as that funding level caused concern in Interior Alaska.

ANNETTE KREITZER, Staff to Senator Loren Lemman, stated that the subcommittee, with assistance from the Department, attempted to hold the Division of Forestry's budget at its prior year's level by shifting funding sources. She reported that the FY 03 funding amount is the same as FY 02.

Senator Hoffman noted that the FY 02 Management Plan totaled \$35.7 million; however the FY 03 limit is \$34.1 million. He asked which Department programs, in addition to the identified \$500,000 decrement to the Division of Parks, would be negatively affected by the total \$1.6 million shortfall.

Senator Lemman asked Ms. Kreitzer to explain how the remaining \$1.1 million funding reduction would affect the Department.

Ms. Kreitzer confirmed that the \$530,000 decrement to the Division of Parks is a large portion of the \$1.6 million shortfall, and she reminded the Committee that the FY 03 salary increases would be absorbed by the Department. She stressed that efforts were undertaken to locate alternate funding sources for the Department by such means as fund shifting. She furthered that the Division of Oil and Gas and the Department's administration would absorb some of the shortfall. She stated that a more detailed breakout could be provided.

Senator Hoffman stated that a breakout would be appreciated, as a \$1.1 million general fund shortfall is a substantial amount for the Department to absorb.

Senator Lemman clarified that while the budget reflects a \$1.1 million general fund shortfall; the decrease is not indicative that program funding is being reduced, but rather that alternative funding sources have been identified to replace general fund allocations.

Senator Hoffman requested a list detailing the alternate funding sources that would replace the projected general fund shortfall.

Senator Leman affirmed that this information would be supplied.

Senator Austerman commented that when comparing the FY 03 budget to the FY 02 Management Plan, it appears that numerous reductions have occurred, such as a \$338,000 reduction in the Office of the Commissioner's budget and approximately a million dollar reduction in the Division of Parks budget.

Ms. Kreitzer responded that the amounts reflect the actions taken by the House of Representatives as she noted, the House, not the Senate subcommittee, reduced the Division of Parks' budget by approximately one million dollars.

Senator Austerman echoed Senator Hoffman's request that further information be supplied to clarify the proposed funding sources for Department programs.

Co-Chair Donley stated that Senator Leman would supply the requested information.

Department of Transportation and Public Facilities

Senator Jerry Ward, Subcommittee Chair
Senator John Cowdery
Senator Robin Taylor
Senator Lyman Hoffman

LORETTA BROWN, Staff to Senator Jerry Ward, informed the Committee that the subcommittee recommends a FY 03 general fund allocation of \$96,863,700 for the Department of Transportation and Public Facilities. She explained that the subcommittee acted in accordance with the Senate Majority budget allocation recommendations.

Ms. Brown read from the report as follows.

A weighted reduction in GF was taken in each component with the exception of Highways & Aviation. A second reduction was taken to distribute an unallocated reduction in the Commissioner's Office to each component.

Ms. Brown testified that the subcommittee focused on allocating the general fund reductions throughout the Department; however the budget for the Division of Highways & Aviation remained intact with the intent of "protecting maintenance stations." She continued that

the subcommittee, in its recommendation, additionally redistributed the unallocated reduction resulting from the general fund salary increases adjustment, in the Office of the Commissioner to the actual affected Department components.

\$130.0 was moved from the Northern Region Highways & Aviation, \$30.0 from Southeast Highways & Aviation and \$40.0 from Central Region Highway & Aviation with the intent to maintain the Willow Maintenance Station.

Ms. Brown stated that \$750,000 in federal receipts were identified in the subcommittee report for the Central Region Highways & Aviation budget, specifically for the operation and maintenance of Mitchell Field in Adak.

The Subcommittee denied authority for a \$3.9 million increment to the Alaska Marine Highway. The legislature appropriates money directly to the Marine Highway Stabilization Fund. If additional authority is needed it can be done by the full committee. Other changes in authority and funding that did not affect GF were accepted and incorporated into the Subcommittee's Proposed Operating Budget.

Fuel and utility cost increments were denied.

Ms Brown explained that the subcommittee recommended adoption of the following two structure changes.

At the request of the City of Anchorage, a Traffic Signal Management funding component was added. Funding for the new component was transferred from the Statewide Facility Maintenance and Operations component and received the same weighted reduction as all other components.

To assure the spring road openings it is recommended that a funding component be added for Northern Region Road Openings. Funding for the new component was transferred from the Northern Region Highways and Aviation component and received the same weighted reduction as Highways and Aviation.

In summary, Ms. Brown stated that, "recommended reductions in general fund expenditures necessary to meet the Department's General Fund allocation were met. Approving the Department's other requested changes in funding and authorization brings the total operating budget of All Funds to \$345,936,000."

Co-Chair Donley commented that the goal of providing continued road maintenance prompted the Senate Majority's general fund allocation

to be more than that allocated by the House of Representatives. He asked Senator Ward how the subcommittee addressed this endeavor.

Senator Ward responded that the difference between the general fund allocation proposed by the Senate and the House was allocated entirely to the highway maintenance stations component. He continued that while maintenance stations would not be funded at the level requested by the Department, they would be able to remain "open and operational." He noted that the House of Representatives proposal closed some maintenance stations as a means to offset the Department's unallocated budget cuts.

Senator Ward commented that rather than closing some maintenance stations to compensate for the unallocated general fund reductions specified for salary increases as the House of Representatives has proposed, the Senate subcommittee recommended reallocating the unallocated reduction for salary increases to the affected Divisions.

Senator Hoffman affirmed that the subcommittee concentrated on providing continuing road maintenance; however, he asserted, road maintenance abilities might be compromised by the lack of a funding increment to address increasing fuel costs.

Senator Ward acknowledged that fuel costs have been rising, and he asserted that a request for updated fuel cost projections has been submitted to the Department. He specified that this issue would be presented to the Committee for action.

Senator Austerman commented that while the proposed Senate budget is an increase of \$3,173,000 over that proposed by the House of Representatives, the overall FY 03 funding for the Department is approximately \$689,000 lower than the FY 02 Management Plan.

Co-Chair Donley clarified that Senator Austerman is referring to general funds rather than total funds.

Senator Austerman specified that his comments primarily focus on the \$3,173,000 difference in general funds between the two entities as specified on page four of the subcommittee report. He asked whether the \$689,000 reduction from the FY 02 Management Plan is the result of the subcommittee budget's omission of such things as fuel, labor contracts, and inflation.

Senator Ward confirmed that the budget recommended by the subcommittee does not provide for any increase in fuel expenses; however, he stated that the unallocated reduction is factored into the budget. He continued that the unallocated reductions for pay

raises were removed from the Office of the Commissioner and reallocated to affected Department components. He stressed that, in order for the subcommittee's budget to match the specified Senate Majority allocation, reductions had to be made. He reiterated that the subcommittee's priorities were to "not have unallocated reductions" and to assure that road maintenance funding was provided.

Senator Austerman acknowledged the subcommittee's efforts; however, he insisted that there is a need to understand how the Department's programs would be affected by the funding reduction; particularly since the increases in fuel costs and other inflationary measures would need to be absorbed.

Senator Ward agreed that increasing fuel costs are a concern as fuel costs have increased approximately 18 percent in the last year. He reiterated that the Department has been asked to provide updated fuel costs, which would be presented to the Committee for action. He affirmed the impact that this expense would have on the Department's operations.

Senator Ward acknowledged the cooperative efforts exerted by the Department in working with the subcommittee.

Senator Olson asked for further information on the maintenance operation funding for the Northern Region Roads Opening.

Ms. Brown explained that the Northern Region Roads Opening component currently exists within another component of the Statewide Facilities and Maintenance Program budget; however, the subcommittee recommends that it be awarded a stand-alone BRU, and that the money originally allocated to those activities, be transferred to the new BRU. She clarified that no funding reduction has incurred other than the same weighted reductions applied to other Department programs.

Senator Ward stated that representatives of the Northern Region requested this funding transfer.

Senator Olson thanked the subcommittee for addressing this concern, as some of the communities in the region require roads to be open in order to be re-supplied.

Senator Wilken asked why the majority of the funds transferred to the Willow Maintenance Station are from the Northern Region Highways budget.

Senator Ward responded that the subcommittee had understood that

the maintenance station funding was in place; however, the Department's Commissioner, Joe Perkins, informed the subcommittee that \$200,000 in additional funding would be required to continue the operations of the Willow Maintenance Station. Senator Ward stated that, at the request of the subcommittee, the Commissioner, who has voiced dissatisfaction with the overall level of Department funding, identified the funding sources for the Willow Station. Senator Ward conveyed that the Commissioner stated that the areas affected by the funding reductions would retain enough funding to provide for "bare bones minimum" operations service.

Court System

Senator Gary Wilken, Subcommittee Chair
Senator Ben Stevens
Senator Bettye Davis

Senator Wilken informed the Committee that actual expenditures for the Department amounted to \$49,650,000 in FY 00; \$50,500,000 in FY 01, were specified at \$51,500,000 under the FY 02 Management Plan, and that the Senate Majority target for FY 03 is \$51,877,000. He stated that the proposed FY 03 budget is a \$646,700 decrease, or a 1.3 percent reduction, from the FY 02 Management Plan. He stated that the budget is "relatively simple" and consists of three primary BRUs: the Alaska Court System BRU with a recommended budget of \$49,839,000; the Commission on Judicial Conduct BRU which would be funded at slightly above the FY 02 level; and the Judicial Council BRU which would be approximately five percent lower than its FY 02 Management Plan allocation, according to the subcommittee recommendation. He stated that the subcommittee report contains an unallocated reduction of \$2,043,000 to the Court System BRU that the Department would "spread across the BRU."

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Senator Wilken continued that the GF Maintenance Level Operating Budget Requirements' spreadsheet in the subcommittee report identifies the components of the subcommittee's proposed budget as compared to the budgets proposed by the Office of the Governor and the House of Representatives. He voiced two concerns about the subcommittee budget: the first being that the mandatory Retirement System contributions, referred to in the report as JRS Contributions Rate Increase, would need to be absorbed by the Department; and secondly, that the Felony Look Back provision included in HB 132 and the Therapeutic Court language included in HB 172, which were adopted in FY 02, are not funded in the FY 03

budget recommendation.

Senator Wilken commented that regardless of how simple the budget appears, it is difficult to manage because it contains approximately 99 percent general funds. He stated that the proposed budget maintains the staffing levels currently funded by general funds, and that there are no bifurcation issues.

Senator Hoffman asked for further information about the \$3.9 million specified for Improved Court Security in the Governor's proposed budget, but which is eliminated in the subcommittee's budget.

Senator Wilken responded that this initiative was to provide for improved security across the State.

Senator Hoffman asked whether this component was included in the FY 02 budget.

Senator Wilken answered that it was not included in the FY 02 budget.

Governor's Office

Senator Dave Donley, Subcommittee Chair
Senator Pete Kelly
Senator Rick Halford
Senator Randy Phillips
Senator Donny Olson

Co-Chair Donley informed the Committee that the Senate Majority's allocation for the Office of the Governor budget is \$17,741,900 which is the same amount adopted by the House of Representatives. He shared that this is a three percent reduction from the FY 02 Management Plan.

Co-Chair Donley highlighted the incremental requests for the Governor's Office budget that were recommended for approval by the subcommittee, including: \$350,000 in general funds to provide for transitional expenses incurred by the election of a new governor in the upcoming November 2002 gubernatorial election; \$2,421,000 in general funds for the State's November general election expenses; and \$80,000 general funds for maintenance of the State's Voter Registration Election Management System which supports the State's AccuVote System. He specified that the subcommittee is also recommending allocation of \$400,000 in contingency funds; however, he noted that this amount is slightly lower than the FY 02 Management Plan allocation.

Co-Chair Donley stated that the subcommittee proposes the Governor's Office budget include an unallocated reduction of \$834,000. He explained that the Senate budget proposal matches the budget approved by the House of Representatives with the exception that the House of Representatives' budget allocates a smaller unallocated reduction and does not fund the maintenance of the Voter Registration Election Management System or the interactive polling website.

Senator Hoffman asked why \$390,000 specified for the Tribal Affairs Office was eliminated from the budget recommended by the subcommittee.

Co-Chair Donley clarified the Tribal Affairs Office item is a request for new funds rather than an elimination of previous funds. He noted that the Office of the Governor's request for the Tribal Affairs Office proposed to transfer savings generated by the elimination of two positions in the Office of Management and Budget to fund this request.

Senator Hoffman asked for confirmation that the \$390,000 funding in question would be considered a "denied increment" rather than a reduction from last year's budget.

Co-Chair Donley, after a sidebar with David Teal, Legislative Fiscal Analyst, Legislative Finance Division, responded, that is correct.

LEGISLATURE

Senator Dave Donley, Subcommittee Chair
Senator Pete Kelly
Senator Rick Halford
Senator John Cowdery
Senator Lyman Hoffman

Co-Chair Donley noted that the Senate Majority imposed allocation for the Legislature is \$31,112,000, which is a six percent reduction from the FY 02 Management Plan; however, it is \$700,000 more than the budget adopted by the House of Representatives. He expressed that this six percent reduction in the Legislature's budget is double the three percent reduction imposed on the Office of the Governor's budget and higher than reductions being suggested for any other State department.

Co-Chair Donley continued that in addition to the funding reduction, the Legislature would be absorbing approximately

\$1,240,000 in fixed-cost increases resulting from such things as an increase of \$4,100 in national association dues for the National Conference of State Legislatures (NCSL) and the Council of State Governments (CSG); a \$17,300 dollar increase in rental expenses [Note: Co-Chair Donley inadvertently misstated that the rental expenses would increase by \$17 million dollars; however \$17,300 is the correct number as identified in the written Subcommittee report]; \$308,000 in health premiums, and \$910,000 increases in salaries and per diems for Legislative and Executive branch employees. He noted that Legislators' salaries are not included in this amount, as Legislators' salaries have been "frozen" for a number of years. He commented that Legislators' salaries are comparable to a Range 9 State employee pay level.

Co-Chair Donley informed the Committee that the Division of Legislative Budget and Audit (LB&A), the Legislative Council, and the Ombudsman Office compile individual budgets to submit to the subcommittee. He stated that upon review, the subcommittee recommends the following reductions.

- (\$600,000) - delete funding for the Redistricting Board (under the Legislative Council BRU)
- (\$933,600) - reductions to the discretionary funding portions of the Legislative Budget as follows:
 - (\$100,000) from LB&A Committee Expenses (under the Budget & Audit BRU)
 - (\$75,000) from Session Expenses (under the Legislative Council BRU)
 - (\$134,400) from Council & Subcommittees (under the Legislative Council BRU)
 - (\$624,200) from the Legislative Operating Budget BRU)

Co-Chair Donley commented that funding is included in the subcommittee's recommendation to provide for an increase of \$442,700 in Permanent Fund Dividend (PFD) felon funds for the full-year operation of the Office of Victim's Rights.

Senator Hoffman stated that a section of the subcommittee report specifies that the Legislative Council's budget would be reduced by \$808,000; however, this amount is not included in the budget reduction listing that Co-Chair Donley presented. He asked for an explanation.

Co-Chair Donley responded that the \$808,000 is "basically unallocated reductions" consisting of portions of requests that the subcommittee did not recommend.

Senator Hoffman asked the FY 02 level of funding provided for the

Legislative Council.

Co-Chair Donley commented that the FY 02 budget included some one-time expenses, and that the total FY 02 budget for the Legislative Council was \$23,009,000.

Senator Hoffman calculated that the FY 03 proposed budget for the Legislative Council would be approximately \$600,000 less than the FY 02 budget.

Co-Chair Donley concurred.

#

ADJOURNMENT

Co-Chair Dave Donley adjourned the meeting at 10:45 AM