

MINUTES
SENATE FINANCE COMMITTEE
April 16, 2002
4:28 PM

TAPES

SFC-02 # 60, Side A

CALL TO ORDER

Co-Chair Dave Donley convened the meeting at approximately 4:28 PM.

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

Also Attending: Cliff Stone, Staff to Senator Austerman; DAVID TEAL, Director, Division of Legislative Finance

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 reports from the budget subcommittees of the Department of Labor and Workforce Development and the Department of Military and Veterans Affairs, and considered the University of Alaska budget as a Committee of the Whole and adopted recommendations. No action was taken on the bills.

HB 4-MOTOR VEHICLES & DRUNK DRIVING

Co-Chair Donley announced a committee substitute would be prepared for the Committee's consideration. No action was taken on the bill.

#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."

Department of Labor and Workforce Development

Senator Austerman, Chair
Senator Torgerson
Senator Elton

Cliff Stone, Staff to Senator Austerman, presented the subcommittee report as follows.

Gov Amended	\$12,146,900
FY 02 Mgt Plan	\$12,228,100
SB 289 Intro	\$12,233,000
HB 403 House Final	\$10,775,300
Senate Allocation	\$11,494,400
Senate Subcommittee	\$11,494,400

Since our allocation was \$719,100 above the final House numbers we did not accept their decrement of \$503,400 GF to the Job Training Programs component under Employment Security, and we did not accept their decrement of \$3,700 general funds to the Alaska Labor Relations Agency.

As in the House budget, we fully funded the increased labor costs. We also fully funded the department's request of \$102,000 for a wage and hour technician and \$92,000 for an additional electrical inspector. An extra \$9,100 was directed towards the Mechanical Inspection component.

In addition, we allowed the third and final year for the fund source changes to the Occupational Safety and Health component (\$343,500) and the Workers' Compensation component (\$625,400). This action completes the conversion of federal grant matching funds from general funds to fee based funding.

The subcommittee also reiterated that the Senate structure has eight separate budget appropriations vs. the three budget appropriations in the FY 03 House structure.

Finally, the subcommittee expressed support for the passage of HB 262 that in part establishes a building safety account and supports the positions that would be authorized for boiler inspections and elevator inspections.

Senator Austerman stated that he had initially proposed utilizing \$212,000 of the amount allocated to the Department's budget by the Senate Majority to increase the budget of the Department of Military and Veterans Affairs. However, he informed the Committee that Co-Chair Donley rejected the recommendation.

Department of Military and Veterans Affairs

Senator Austerman, Chair
Senator Davis
Senator Phillips
Senator Therriault
Senator Wilken

Mr. Stone presented the subcommittee report as follows.

Gov Amended	\$9,896,200
FY 02 Mgt Plan	\$8,517,500
SB 289 Intro	\$8,517,500
HB 403 House Final	\$8,924,400
Senate Allocation	\$8,517,400

Senate Subcommittee \$8,517,400

As you can see from the numbers above, this department's allocation is funded at the FY 02 management plan level. Regardless of this fact, the subcommittee was able to fully fund the increased labor costs of \$110,000, the increased grant for Veterans' Services of \$200,000, the Air Guard's Anchorage Airport Joint User Fees of \$41,000, the Air Guard's New Facilities operational costs in the amount of \$52,700 (which is \$4,200 under the House authorization) and the increase in actuarial costs to retirement benefits of \$442,700.

In addition, we accepted the House GF decrements (Governor amended) to the Air Force Association Air Show Grant of \$12,000 and a small technical adjustment of \$700 to the State Active Duty component of the Guard. The subcommittee allowed a small technical addition of the words "Naval Militia" to the Educational Benefits component of the Alaska National Guard Benefits BRU. This was an oversight by the department and should have been included in the Governor's request, as well as the House version.

After funding the core services of the department, the allocation still left the subcommittee the decision of where to take an additional cut of \$654,700. The department recommended and we approved to take a decrement of \$654,700 GF and replace it with interagency receipts of \$654,700 in the Alaska Military Youth Academy.

The subcommittee also commented that if HB 312 (Relating to funding the Alaska Challenge Youth Academy program) becomes law as written, then the fiscal note will reduce the GF to zero for the entire component and be funded with I/A receipts from the Department of Education and Early Development. The Senate Finance Committee may also want to consider creating a new BRU/Component for the Academy within the DMVA budget structure if HB 312 passes.

Senator Lemman asked the reason for the reduction in funding for the air show.

Mr. Stone responded this was the recommendation of General Phil Oates, Commissioner of the Department of Military and Veterans Affairs.

Senator Lemman expressed he disagreed with this recommendation.

Senator Austerman commented the air show, as well as the youth academy program, are not part of the original "design" of this Department. Because of this, he stated, the subcommittee chose to recommend reductions to these services rather than across-the-board reductions to the remaining programs. He noted that if HB 312 does not pass, all funding for the youth academy would be eliminated.

Senator Olson asked the definition of "Naval Militia".

Senator Wilken shared the question was raised in the subcommittee hearing and the Department provided a written description [copy on file].

University of Alaska

Committee of the Whole

Co-Chair Donley proposed adopting an allocation of \$197,815,000 general funds, which is the amount established by the Senate Majority, and is \$2.315 million higher than the FY 02 Management Plan.

Co-Chair Donley also suggested replacing science and technology foundation funds in the FY 02 budget with funds from the science and technology endowment. He stated this would increase funding for the University of Alaska to the FY 02 level and equal to the general fund appropriation approved by the House of Representatives.

Co-Chair Donley then recommended that the Committee approve the following transactions contained in the budget adopted by the House of Representatives.

- general fund increment to replace the \$2 million one-time Alaska Commission on Postsecondary Education (ACPE) Dividend funds
- increment of \$36,800 Mental Health Trust Authority Authorized Receipts (MHTAAR) to expand statewide delivery of the Bachelor of Social Work degree
- accept all non-general fund increments and changes, totaling approximately \$14,836,000 in new federal receipt authority and \$35,727,700 in new authority for other funds: inter-agency (I/A) receipts, University receipts and Capital Improvement Project (CIP) receipts

Co-Chair Donley next suggested an additional transaction of an

estimated \$13,200 statutory designated program receipts (SDPR) to be included in the language section of the budget legislation for net receipts from the sale of the University of Alaska license plates. He explained this would allow the proceeds of the license plate sales to go directly to the University.

Co-Chair Donley noted recommendation of a net zero technical funding source change between University receipts and I/A receipts for internal reporting purposes.

Co-Chair Donley summarized these changes would be identical to the House of Representatives' budget with the exception that the Senate Finance Committee version would utilize science and technical foundation endowment funds rather than general funds. He pointed out the appropriation is the same as approved by the House of Representatives.

Senator Wilken respectfully suggested, "This is a good place to start". He spoke of the "struggles" of funding all state agencies, stressing the University is different from the agencies. He reminded that President Hamilton promised the Committee four years ago, "If you give me some of your money, I'll make it into new money," which Senator Wilken attested has occurred. He pointed out that the Legislature has appropriated approximately \$35 million additional funds to the University, which has resulted in \$110 million increase to the University budget. He asserted that investing in the University of Alaska is investing in the State's economy. He spoke of fixed costs and additional programs that must be funded to continue to educate Alaskans. He hoped the Legislature would "continue the momentum."

Senator Hoffman asked for clarification of the discrepancy between the amount of I/A receipts approved by the House of Representatives and that proposed for the Senate Finance Committee.

AT EASE 4:45 PM / 4:46 PM

DAVID TEAL, Director, Division of Legislative Finance, explained the University considers funds transferred within the university system to be interagency receipts and funds that are transferred from other state agencies to be university receipts. However, he stated, it is often assumed that university receipts are new funds, rather than "duplicated out of the budget". He stated the Division of Legislative Finance, the Office of Management and Budget and the University of Alaska reclassified those funds transferred from other state agencies as I/A receipts and those funds transferred within the University as Intra-University Transfers. He explained this has no impact on the budget except to add a new fund code and

clarify funding sources.

Co-Chair Kelly suggested that rather than the Committee of the Whole debate each component, the proposed report should be adopted. He informed, however, that "the University is very near and dear to me" and that he intended to identify additional funding sources that could be appropriated. He advised he would prepare amendments for consideration by the full Committee.

Co-Chair Donley commented that Co-Chair Kelly and Senator Wilken have been "great champions of the University" and successful in securing increased funds.

Senator Austerman shared he would not oppose adoption of the recommendations at the subcommittee level. He did have concerns about the science and technology endowment and stressed that if the intent were to use the corpus of the endowment to fund operating expenses, the matter would merit "solid concrete" discussion before the full Committee as to the intended future of the endowment. He qualified that he would not oppose utilizing the endowment's interest earnings.

Co-Chair Kelly moved for adoption of the recommendations for the University of Alaska budget.

Without objection the Committee of the Whole ADOPTED the recommendations.

Co-Chair Donley noted a committee substitute would be drafted to incorporate the recommendations in the subcommittee reports.

#HB4

SENATE CS FOR CS FOR HOUSE BILL NO. 4(JUD)

"An Act relating to motor vehicles and to operating a motor vehicle, aircraft, or watercraft; and providing for an effective date."

Co-Chair Donley informed he had prepared an amendment to HB 4 relating to proof of insurance requirements. He spoke to the merits of this proposed amendment.

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ADJOURNMENT

Co-Chair Dave Donley adjourned the meeting at 04:55 PM