

MINUTES
SENATE FINANCE COMMITTEE
April 19, 2002
4:08 PM

TAPES

SFC-02 # 72, Side A
SFC 02 # 72, Side B
SFC 02 # 73, Side A

CALL TO ORDER

Co-Chair Dave Donley convened the meeting at approximately 4:08 PM.

PRESENT

Senator Dave Donley, Co-Chair
Senator Lyda Green
Senator Gary Wilken
Senator Alan Austerman

Also Attending: JAY LIVELY, Commissioner, Department of Health and Social Services; JANET CLARKE, Director, Division of Administrative Services, Department of Health and Social Services; REMOND HENDERSON, Director, Division of Administrative Services, Department of Labor and Workforce Development; BARBARA RITCHIE, Deputy Attorney General, Civil Division, Office of the Attorney General, Department of Law; NICO BUS, Administrative Services Manager, Division of Support Services, Department of Military and Veterans Affairs and Department of Natural Resources; PAT POURCHOT, Commissioner, Department of Natural Resources; GLENN GODFREY, Commissioner, Department of Public Safety; KURT PARKAN, Deputy Commissioner, Department of Transportation and Public Facilities; CHRIS CHRISTENSEN, Deputy Administrative Director, Alaska Court System; MIKE NIZICH, Administrative Director, Division of Administrative Services, Office of the Governor;

Attending via Teleconference: From Anchorage: MARLA GREENSTEIN, Executive Director, Alaska Commission on Judicial Conduct; LARRY COHN, Executive Director, Alaska Judicial Council

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 from the Department of Health and Social Services, the Department of Labor and Workforce Development, the Department of Law, the Department of Military and Veterans Affairs, the Department of Natural Resources, the Department of Public Safety, the Department of Transportation and Public Facilities, the Alaska Court System, and the Office of the Governor on the impacts of the budget subcommittees' recommendations.

#HB403
#HB404
#SB289
#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 Health and Social Services

JAY LIVELY, Commissioner, Department of Health and Social Services, testified that some aspects of the budget "significantly and negatively impact the health and welfare of Alaskans."

JANET CLARKE, Director, Division of Administrative Services, Department of Health and Social Services, noted the proposed budget

contains no funds for labor cost increases and also makes a three-percent reduction to administrative service, and that as a result, it would be more difficult to accomplish duties.

Ms. Clarke pointed out the committee substitute contains no unallocated reduction and compared this to the "major unallocated reduction" passed by the House of Representatives. She also noted that many increments are not funded in the Senate Finance committee substitute, specifically the Governor's request for the Smart Start initiative.

Ms. Clarke addressed "cuts to the base." She listed a 20 percent reduction of \$4.4 million to alcohol treatment grants, and as a result, approximately 1,300 fewer people would receive treatment, waiting lists would be longer and the time before treatment is received would increase. She spoke of the "maintenance of effort" required of this program by the federal government to qualify for block grant funding. She explained that with the proposed amount of State funding, the federal block grant would be reduced in FY 04, and she translated this into a reduction of the number of residential treatment beds in all locations except Anchorage and Fairbanks. She added that the Youth Residential Services program in Anchorage would need to be closed as well.

Ms. Clarke informed the Committee of the Alcohol Safety Action Program that helps the court system monitor those arrested for Driving Under the Influence offenses. She stated the proposed budget would reduce funding for this program by \$528,100. She warned that this would eliminate the newly established Juvenile Alcohol Safety Action Program as well as require the closure of five of the eight grantee offices; those located in Dillingham, Ketchikan, Kodiak, Mat-Su and Seward.

Ms. Clarke next spoke to the \$289,100 reduction to the base funding amount for the community-based suicide prevention program, which would result in 19 fewer communities receiving grants. She commented these grants amount to approximately \$15,000 each and that "this program goes a long way to getting, in many villages, counselors in those villages to help in that area."

Ms. Clarke expressed concern about the \$2 million funding reduction to the Chronic and Acute Medical Assistance (CAMA) program, which serves those who are terminally ill, or have one of the following diseases: diabetes, seizure disorder, chronic mental illness or hypertension. She noted that recipients of these program benefits have no other insurance coverage and also have monthly income levels no greater than \$300 and no more than \$500 in assets. She informed this program currently serves over 1,200 Alaskans annually

and that the proposed funding amount would allow only 600 people to be served in FY 04.

Ms. Clarke then told of the impact of the proposed \$400,000 reduction to the public assistance field services office, which would require the elimination of 17 caseworker positions located in Anchorage, Fairbanks, Juneau, Mat-Su, Kenai and Bethel. She pointed out these caseworkers assist poor Alaskans to become more self-sufficient.

Ms. Clarke reminded the Committee that the budget passed by the House of Representatives contains a \$7 million unallocated budget reduction for the Department. She shared that the Department has identified methods to adjust to this reduction, including changing the infant learning program into a needs based program. She stated that the budget subcommittee implemented many of the identified methods into its recommendations. She stressed that the change to the infant learning program was proposed as a concept that has not been researched. Therefore, she advised that actual implementation and success of such a change is unknown. She assured that the Department "would make every effort" to implement the changes successfully. She relayed concerns of grantees questioning the feasibility of adapting to the budget reduction.

Ms. Clarke listed the approximately \$200,000 reduction to Emergency Medical Service (EMS) grants and described the "critical lifesaving volunteer medical services" and "a lot of bang for the buck" provided by this program.

Co-Chair Donley asked the total budget of this program and whether the amount the witness characterized as a reduction from the prior year is actually a request for additional funds that was denied.

Ms. Clarke listed the total budget of \$1.7 million in FY 02 and stated the committee substitute appropriates \$200,000 fewer funds for FY 03.

Senator Austerman asked if the program is funded entirely with general funds.

Ms. Clarke responded that general funds primarily fund the program.

Ms. Clarke next addressed tobacco-related programs, informing that the proposed FY 03 budget does not reduce the FY 02 base funding of \$2.5 million. However, she pointed out that the additional \$4 million requested by the Governor is necessary due to legislation passed the previous year establishing the Tobacco Education And Cessation Fund. She explained this fund requires the use of 20

percent of all settlement receipts for tobacco education and cessation programs.

Co-Chair Donley asked the amount necessary to reach the 20 percent requirement of the Tobacco Education and Cessation Fund legislation.

Ms. Clarke answered approximately \$2 million.

Ms. Clarke stated that the appropriation proposed for Community Mental Health Services is a \$900,000 reduction to the FY 02 base funding amount. She stated that the Department would be required to reduce all support for general community mental health and limit grants to those with severe emotional disturbance or those who are chronically mentally ill, as these are the people requiring immediate service. She warned that state services would not be available to the remainder of people diagnosed with a mental illness, and consequently, early intervention could not occur.

Ms. Clarke stressed that the Division of Family and Youth Services, is critical to protecting children from abuse and neglect. She noted the committee substitute contains no reductions to "front line" social workers, foster care and subsidized adoption; however it proposes to reduce funding for family preservation grants. She described the prevention aspects of this program, including assisting parents, reunification activities, intensive pre-placement services, and follow-up care for families. She summarized that although no new increments are funded, child protection is funded at the FY 02 level.

Ms. Clarke listed other "critical functions" that are funded in the committee substitute at the FY 02 level, including increased labor costs: juvenile justice, epidemiology services, public health nursing, developmentally disabled grants and the Alaska Psychiatric Institute.

Senator Wilken asked if the entire amount of EMS Grants is utilized for equipment purchases or whether any portion is utilized for staff expenditures.

Ms. Clarke replied that most of the funds are used for training activities. She noted none of the grant funding is expended on equipment.

Mr. Livey added that volunteers primarily operate this program and that this program provides training for search and rescue teams and fire fighters throughout the State.

Senator Wilken indicated his priority is to obtain the best equipment possible for this program.

Senator Wilken referenced a letter addressed to him from the Fairbanks North Star Borough [copy not provided] regarding changes to the Community Matching Grant Program. He asked for an explanation of said changes.

Ms. Clarke affirmed the committee substitute proposes changes to the Community Matching Grant Program, which is a "pass through" program to Anchorage and Fairbanks. She informed that the unallocated budget reduction contained in the budget approved by the House of Representatives included the elimination of this program. She said the initial recommendation of the Senate Finance budget subcommittee was to retain the program but reduce it 50 percent. She noted that after hearing the concern of the Fairbanks North Star Borough, the subcommittee's final recommendation was to reduce funding for the program by 25 percent, or approximately \$425,000 from FY 02.

Senator Wilken asked if the reduction to this program would be "spread equally across all programs".

Ms. Clarke emphasized this program only provides funds to the Municipality of Anchorage and the Fairbanks North Star Borough.

Senator Green pointed out that since the subcommittee report was submitted, legislative staff and representatives of the Department have been making efforts to secure alternate funding for the EMS Grants program.

Senator Olson cited the Department's impact statement [copy on file], noting the elimination of funding for alcohol and drug abuse residential treatment programs in all locations except Anchorage and Fairbanks. He asked why the Anchorage and Fairbanks locations were "preserved".

Ms. Clarke understood the decision was based upon the number of people served, the size of the urban programs along with "the belief that they could cover the rest of the State". She stated that it was determined "this was the best of a very bad situation - retrenchment into those large communities."

Senator Olson asked the number of treatment center programs that would be eliminated.

Ms. Clarke replied that she would provide that information.

Department of Labor and Workforce Development

REMOND HENDERSON, Director, Division of Administrative Services, Department of Labor and Workforce Development, thanked the Committee for passing SB 262, which establishes the building safety fund. He noted this proposed budget does not provide funding for inspectors although the other legislation provides necessary funding for these positions.

Senator Olson asked the consequences of failing to inspect the boilers.

Mr. Henderson replied it is a matter of safety of the 6,000 boilers that must be inspected and could possibly explode if not properly maintained.

Senator Olson asked the locations of the boilers needing inspection.

Mr. Henderson noted distribution is statewide. He listed the number of uninspected boilers in various communities.

Department of Law

BARBARA RITCHIE, Deputy Attorney General, Civil Division, Office of the Attorney General, Department of Law testified that the committee substitute proposes a budget for the Department that is approximately \$2.5 million less than the amount requested in the Governor's budget and approximately \$1.6 million less than the FY 02 appropriation. She stated that the committee substitute contains a \$983,000 budget reduction and does not appropriate \$680,000 to fund increased labor expenses and position reclassification expenses or the \$531,700 necessary to implement recently passed crime-related legislation.

Ms. Ritchie spoke to the difficulty in determining how the "reductions of this magnitude" would be absorbed. She asserted that although the budget subcommittee attempted to assist in this endeavor, "there aren't any really good choices here" and impacts would be experienced.

Ms. Ritchie informed the Committee that the directed \$250,000 reduction to the Civil Division and could require the elimination of two attorney positions, or one attorney position, one paralegal and support staff positions. She characterized this Division as having "the largest grouping of general fund activities," in which the Department is "loathe to reduce" as those activities have direct impact on the health and safety of Alaskans, particularly

children.

Ms. Ritchie noted the denial of funding for the Balloon Project, relating to child protection, warning that this would result in the elimination of one attorney position dedicated to this project. She explained these funds are received from the Department of Health and Social Services as a reimbursable services agreement (RSA).

Senator Green clarified that the budget subcommittee recommended the Committee restore almost all funding not provided in the budget passed by the House of Representatives.

Ms. Ritchie stated this is a "preferred scenario" and that one attorney position could be retained for the Balloon Project, thus necessitating the loss of one-half attorney position.

Ms. Ritchie continued that legal services for natural resources and fish and game efforts would be reduced, given the dependence on general funds for these activities.

Ms. Ritchie pointed out that almost all work conducted by the Department is "incoming". She explained that the Department is defending the State against lawsuits, prosecuting those who commit crime or protecting children. She stressed the Department has little control over the amount of legal work produced and stated this is the reason it would be difficult to determine how reductions would be made.

Ms. Ritchie spoke to the \$250,000 proposed reduction to the Criminal Division. She noted this would result in a reduction of the number of prosecuting attorneys and support staff positions; stressing this is the only option as over 70 percent of the Division's budget is for personnel. She stated that the position reductions would be made in the largest of the 14 district attorney offices in the State, likely those offices located in Anchorage and Fairbanks. She noted that the local Fairbanks government recently repealed ordinances relating to domestic violence and as a result, this workload is transferred to the State.

Ms. Ritchie next addressed the reduction of \$442,500 general funds to Oil and Gas Litigation programs. She commented that the budget for these activities have been reduced "pretty dramatically" over the past several years, although the Department has been able to adjust to the reductions because many of the major cases have been resolved. However, she advised that gasoline issues must be addressed in the upcoming year. She noted the Department has more control over the workload in this area in that it could determine whether to pursue cases but she stressed the importance of

undertaking cases to obtain tax revenue, etc.

Ms. Ritchie then detailed the fiscal notes of recently passed legislation that were not funded in the committee substitute, including the collection of victim restitution. She described the program whereby the Collections Section of the Civil Division undertakes these activities and noted the Section is ideal for this as it currently conducts other collection efforts utilizing paralegals and administrative support staff. She informed that judgments are being received under this operation, but cautioned that without the remainder of the \$106,000 requested for this purpose, the Section would have an insufficient number of staff to undertake the collection of approximately 5,000 court-ordered judgments annually.

Co-Chair Donley referenced testimony heard from other states that contract collections to private entities with success rates of up to 70 percent. He asked why the success rate is only 30 percent in Alaska, given the existence of the Alaska Permanent Fund Dividend (PFD) program.

Ms. Ritchie questioned the accuracy of the 30 percent success rate information, as she understood the efforts to be considerably more successful. She told of the collection of almost \$400,000 primarily through permanent fund dividend garnishments. She relayed the negative experience of a previous attempt to contract other collection activities to an outside entity, in which the State had to terminate the contract. She offered to research the matter of contracting versus in-house operation of collection activities.

Ms. Ritchie spoke to newly adopted legislation relating to Driving While Intoxicated (DWI) offenses and therapeutic courts, which require funding to implement. She reminded of the fiscal note request for an additional attorney position in the Criminal Division to enforce the DWI legislation and pointed out that this increment was not funded in the committee substitute. She questioned the ability to meet the "public expectation" of the "level of prosecution" without adequate funding. She also noted the additional attorney position requested in the fiscal note to implement the therapeutic courts legislation was not funded. She described the importance of this program to rehabilitate offenders and the efficiency of utilizing an attorney rather than a judge, who could then focus on other court matters such as child protection.

Ms. Ritchie informed the Committee that the Fairbanks Courthouse would close on July 1, 2002 and the State's district attorney's office in that city must be relocated. She said a request for

proposals (RFP) has been issued to secure a new facility and that a \$100,000 to \$200,000 impact is expected.

Ms. Ritchie stated that the approximate \$500,000 unallocated reduction to the Office of the Attorney General for unfounded labor cost increases would make it difficult for the Department to fulfill the obligations described in its Missions Statement to represent the State in litigations and in prosecuting crimes. She stated that a significant portion of the reduction could be allocated to Oil and Gas Litigation activities, as the Department has greater control over the workload in this area than in prosecution of crimes. She also predicted a greater backlog in all cases. She expressed that efforts would be made to adjust to the budget reduction in a manner that would have the least impact to the health and safety of Alaskans.

Senator Olson asked for a comparison of the level of service this budget would allow to the level of service the Department currently provides.

Ms. Ritchie answered that 71 percent of the Department budget is utilized for personnel expenses and that the budget reduction would result in the elimination of some positions. She stated that service would be reduced to natural resource related areas and that other departments would receive less legal council. She also noted that prosecution of criminal offenders would be reduced in urban areas. She stressed that funding to address child abuse and child neglect would not be reduced, as these functions are critical and already "overburdened".

Senator Olson was troubled by the recently repealed domestic violence ordinances of the Fairbanks North Star Borough and asked how this would impact the Department.

Ms. Ritchie described the screening process of determining which cases would be brought to trial. She predicted delays could occur and that less attention would be devoted to each case because of limited staff.

Senator Olson next asked how the therapeutic courts would specifically deal with "those criminals whose problem stems from alcoholism".

Ms. Ritchie was unsure. She stressed the program is very resource intensive and involves a different court system. She stated the intent is to determine whether this process would reduce repeat alcohol and drug related offenses. She warned that by not fully funding the program, the results would be indeterminate.

Senator Olson asked the proposed funding amount would jeopardize the Therapeutic Courts program and "the success we've seen thus far."

Ms. Ritchie replied not necessarily, although it would impact the Department's ability to fully participate.

Department of Military and Veterans Affairs

NICO BUS, Administrative Services Manager, Division of Support Services, Department of Military and Veterans Affairs and Department of Natural Resources, testified that the Department of Military and Veterans Affairs has determined the proposed \$640,000 budget reduction would be taken in the Alaska Military Youth Academy. He stated this would be done with the anticipation that HB 312 would pass and that general funds for this program would be replaced with inter-agency receipts (I/A Receipts).

Mr. Bus stated that otherwise the proposed FY 04 funding is status quo, with the exception of increased actuarial costs of \$442,000 in retirement and benefits due to poor performance of the stock market.

Co-Chair Donley asked for an explanation of HB 312.

Mr. Bus explained the legislation would fund the operations of the Alaska Military Youth Academy similar to a school, by providing funding based on each student or cadet. He exerted this would provide a stable funding source for the Academy and as the population of students increases and decreases, the amount of funding would as well. He noted the program was initially federally funded as a pilot program and that the State contribution has increased to the current 40 percent funding.

Senator Wilken clarified HB 312 "stops the transition from the old formula to new foundation formula" as it relates to education funding and noted that the Alaska Military Youth Academy was included in a committee substitute.

Senator Olson asked how many fewer students would be accepted into the program.

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Mr. Bus stated if the alternate funds were not received, the

Department would no longer qualify for a federal grant and the entire program could be eliminated.

Senator Olson asked the total budget of the academy program.

Mr. Bus answered the federal grant is \$3.5 million, of which \$2.1 million is provided by the federal government and \$1.4 million is State general funds.

Co-Chair Donley asked if the stipends paid to students is a federal grant requirement.

Mr. Bus replied that stipends are a federal requirement and that other states address the matter differently.

Mr. Bus detailed the three stages of the academy program, including the final stage after graduation whereby graduates are paid a stipend up to 12 months if they continue to participate in the program. He explained the post graduation requirements of meeting with mentors and staying in school and noted this allows the success of the program to be monitored. He qualified that the federal government could not mandate the stipend payments, although it "strongly encourages" stipends through it's grant program. He relayed that the federal government has indicated that not providing the stipends could result in loss of the grants because other states are willing to offer the stipends.

Mr. Bus informed that many graduates of the youth academy utilize the stipend payments to enroll in secondary education programs.

Senator Ward asked if any states receive the federal grants but do not pay stipends to graduates.

Mr. Bus replied that most states do pay stipends although "a couple" do not. He stated he would provide further information.

Senator Olson asked if the Department's level of service would be reduced if the proposed budget were passed.

Mr. Bus responded that if the Department did not receive the \$654,000 in alternate funding, the youth academy must be eliminated.

Department of Natural Resources

PAT POURCHOT, Commissioner, Department of Natural Resources, testified that the budget subcommittee allowed the Department to provide input in determining ways to accommodate for the "very

problematic" budget restriction. He was particularly appreciative of the subcommittee's accommodation in oil and gas activities as well as with a mining project located in the Denali "block".

Mr. Pourchot referenced both a 16 page impact statement and a two page summary [available on the Office of Management and Budget website] but expressed his testimony would focus only on two items. The first item he listed as a \$400,000 fund source change to the Division of Oil and Gas from general funds to a federal grant called the Community Impact Assistance Program. He described the grant program whereby federal funds are appropriated to the Division of Governmental Coordination in the Office of the Governor. He informed that the Department of Natural Resources had been unfamiliar with this program and upon review, is concerned that the funds are "one time monies". He warned that if these funds were utilized for FY 03, "serious problems" could occur the following fiscal year if funds were not appropriated for the Division of Oil and Gas. In addition, he noted that approximately \$12 million in requests have been submitted although only \$2 million is available. He furthered that the federal public involvement process for developing a plan have been completed and approved by the US Secretary of Commerce. He stated that any amendments to the plan would require additional public involvement and reapproval. He was unsure the outcome of such review, although stressed that significant time would be required.

Mr. Pourchot next addressed proposed ten-percent general funding reduction of \$530,000 to the Division of Parks. He warned this would result in the closure of approximately 21 park units across the State. He shared that an analysis has been conducted to determine which parks generate the most revenue, as program receipts are utilized for operation expenses, as well as identifying the parks with heavier usage and the maintenance expenses of each park. He surmised that such a large number of park closures would be unacceptable for the public. He relayed a recommendation of the subcommittee to introduce legislation allowing receipt supported services of park revenue to allow the expenditure of the approximately \$2 million in receipts. He predicted this would fully fund the park operations plus other Department activities.

Senator Wilken referenced correspondence relating to forestry projects in Interior Alaska [copies not provided] and asked how the proposed budget would impact these projects.

Mr. Pourchot reminded that the House of Representatives adopted a budget that contains reductions that "would definitely affect" timber harvesting projects, especially those located in Interior

Alaska. He assured that the Senate Finance committee substitute does not contain any specific general fund reductions to the timber harvesting projects; however, close attention must be paid to maximize timber generated revenue to enable utilization of non-general fund receipts for additional projects. He stated that Southeast Alaska, with its bigger trees and denser timber growths is likely to generate higher revenue than in other areas of the State, such as in Interior Alaska. He added that less emphasis would be made on value added local processing, which generates less income for the State than the export of raw materials. He assured the Department still intends to maintain a "credible" value added program.

Senator Austerman asked the number of employees in the Division of Oil and Gas.

Mr. Pourchot answered approximately 60 to 65 positions are located in the Division.

Senator Austerman cited the impact statement summary stating that employees would be laid off if the \$400,000 were not received. He asked the number of employees that would be laid off.

Mr. Pourchot responded that because the salaries of employees of the Division of Parks are significantly less than the Division of Oil and Gas, fewer employees would be laid off from the Division of Oil and Gas. He estimated that four or five personnel would be eliminated from the Division of Oil and Gas if the aforementioned \$400,000 were not provided.

Senator Austerman next referenced the proposed reduction to the Division of Parks is equal to ten percent of the general funds to the parks program. He asked the amount of fee increases that would be necessary to replace the lost appropriation.

Mr. Pourchot replied the Division currently receives approximately \$2 million of the total \$5,5 million Division budget in program receipts, including day use fees, campground fees and boat launch fees as well as some concessionaire contracts. He informed that in January 2002 fees for day use, season passes and boat launch permits were increased, resulting in complaints from users and legislators. He surmised the current fees are "pushing the limit" in "what Alaskans expect to pay for access to their public parks."

Senator Austerman clarified that in the 21 parks that would be closed, the lands would remain available for use although the parks and facilities would not be maintained or staffed.

Mr. Pourchot responded that the identified parks would be "physically barricaded" with the "hope" that people would not continue to use the parks. He stressed there would be no garbage service, septic pump operation or management of the units. He admitted people might still utilize the parks, but expressed that such use would "create other problems" with other financial implications.

Senator Austerman agreed that the closure of 21 parks "would not be good" and he hoped the parks would not be misused. However, he emphasized the parks are State land and would be accessible for use.

Mr. Pourchot clarified that the parks would remain available for "non developed recreational use" but that park facilities would be barricaded.

Senator Olson asked how the Department would determine which parks would be closed

Mr. Pourchot stated the Department determined that the closures should be distributed statewide. He detailed the review of the cost of managing each unit, noting that some remotely located parks incur higher transportation costs. He also noted that the parks that generate significant revenue would not be closed as well as those parks with high use patterns. He qualified that most State parks receive considerable use.

Senator Olson wanted to know how the proposed budget reductions would affect the level of service compared to the FY 02 budget.

Mr. Pourchot answered that the Governor's proposed budget for the Division of Parks includes a "modest increment" necessary to maintain the level of service the public is accustomed to. Therefore, he stated that the Senate Finance committee substitute would result in significant less service.

Senator Wilken asked if more or less timber sales would occur.

Mr. Pourchot replied that most of the planned timber sales in Interior Alaska would proceed as planned. He noted that a few sales could be deferred or superceded by timber sales in Southeast Alaska, due to the higher revenue possible for those sales.

Senator Ward asked the number of parks that would close if the committee substitute were passed and the legislation relating to funding park operations with receipt supported services also passed.

Mr. Pourchot answered that no parks would be closed, although the legislation he earlier mentioned has not been introduced.

Co-Chair Donley asked the ratio of supervisors to "line workers" in the Department.

Mr. Pourchot was unsure but noted that divisions have been consolidated and subsequently management at upper and middle levels have been "collapsed" over the past several years. He gave the formally separate Divisions of Mining, Water and Lands as well as the position held by Nico Bus with the Department of Natural Resources and the Department of Military and Veterans Affairs as examples.

Co-Chair Donley requested the number of employees covered by the General Government Unit (GGU) versus those covered by the Supervisors Unit.

Mr. Bus stated he would supply that information.

Department of Public Safety

GLENN GODFREY, Commissioner, Department of Public Safety, noted the budget proposed in the Senate committee substitute is almost \$1.8 million higher than the amount approved by the House of Representatives; however, it would still negatively impact the Department and result in reductions of up to 47 positions, including at least 17 trooper positions and 19 seasonal fish and wildlife protection aides statewide. He stated that the Division of Fish and Wildlife Protection would be required to terminate its seasonal fish and wildlife aide program.

Mr. Godfrey informed that an additional \$3.3 million is required to maintain the FY 02 level of service in FY 03. He noted this does not include increments for additional child abuse investigations and other programs recommended by the public.

Mr. Godfrey expressed that the proposed \$1.7 million unallocated reduction to the Office of the Commissioner would "have a definite impact on public safety services across the State." He recalled that over the past several years the Department has eliminated mid level and upper level managers, particularly in the uniformed divisions. He informed that the Department attempts to maximize field positions and minimize administrative support positions. He stated that no programs within the Department would be able to absorb the unallocated reduction "of this magnitude". He warned that because the Division of Alaska State Troopers and the Division

of Fish and Wildlife Protection represent the largest budget components, these divisions would "shoulder the majority of these cuts." He furthered that other programs, including the Division of Fire Protection would be negatively impacted as well. He testified that field positions would be reassigned to perform the necessary administrative functions, as the proposed budget would "cripple" the centralized administration.

Mr. Godfrey pointed out that \$960,000 is necessary to accommodate for fixed cost increases for general funded support services, such as fuel cost increases, emergency guard hires and prisoner transport expenses, increased costs for forensic examinations associated with sexual assaults and increased trooper housing expenses.

Mr. Godfrey informed that Alaska is "already well below, by about half" the national average of the ratio of troopers to population. He noted this does not take geographical areas into consideration. He stressed that recently passed legislation along with proposed legislation, such as HB 4 relating to drunken driving penalties, would be less effective without adequate law enforcement.

Mr. Godfrey shared the terrorist events of September 11, 2001 have affected all states and have resulted in additional public safety responsibilities. He listed the Alyeska Pipeline as a facility requiring the protection of the Department. He stressed these additional responsibilities are difficult to assume given the current resources. He stated that the available funding should be increased rather than decreased.

Mr. Godfrey expressed intent to continue efforts to obtain adequate funding to provide public safety at the current level.

Senator Olson asked the level of service that would be provided in rural Alaska in FY 03.

Mr. Godfrey answered that currently response time to incidents located both along the road system and off of the road system would be affected. He relayed complaints he receives weekly about delayed response time. He qualified that once a trooper arrives at the scene of an incident, the involved parties seem to be satisfied with the level of service received.

Senator Olson asked if the Department has requested supplemental funding for FY 02 expenses.

Mr. Godfrey described the request for approximately \$488,000 for a homeland security package in addition to a supplemental request for

over \$1 million for normal expenditures. He detailed the homeland security package including \$288,000 to fund a temporary checkpoint established at the Yukon River and \$135,000 for homeland security. He told of an upcoming training exercise involving federal and municipal agencies to prepare for possible terroristic attacks. He stated this drill would cost the State over \$64,000.

Senator Olson asked the number of "brown shirts" (fish and wildlife protection officers) and "blue shirts" (Alaska State Troopers) positions would be eliminated under the proposed Senate committee substitute budget.

Mr. Godfrey listed 17 blue shirts, six court services officers, or "gray shirts", and 19 brown shirt seasonal aides, for a total of 47 positions lost.

Senator Austerman stated the Department of Public Safety gave the budget subcommittee a list of programs that could be reduced. As a result, he recommended the elimination of the Civil Air Patrol and the Batterers Intervention Program to maintain funding for core services. He reminded that the two programs are recent additions to the Department's operations and expressed his preference to eliminate programs rather than "weaken" the entire Department. He noted however that the subcommittee disagreed with this approach and recommended funding for avalanche related programs.

Senator Olson noted the significant funding reductions proposed for administrative services. He asked the impact on the trooper programs.

Mr. Godfrey responded that many outlying posts would be affected by the loss of administrative assistance resulting in uniformed support troopers performing these functions instead of operating in the field.

Senator Olson next spoke to the proposed reduction to the Village Public Safety Officers (VPSO) program emphasizing the dependence upon this program in rural area.

Mr. Godfrey explained that support troopers are those who travel to rural villages to provide support and training to the VPSO staff stationed in those locations. He clarified these are not positions stationed in urban areas performing administrative support duties. Therefore, he stressed the VPSO program would be impacted by reduced funding for support troopers.

Department of Transportation and Public Facilities

KURT PARKAN, Deputy Commissioner, Department of Transportation and Public Facilities, testified the proposed Senate Finance budget would have a substantial impact on Department operations. He listed the loss of 187 positions, closure of two maintenance stations, partial closure of a third maintenance station, and reduced road maintenance throughout the State.

Mr. Parkan furthered that a six to seven week reduction in Alaska Marine Highway (AMH) ferry service would occur: service of the M/V Columbia could be reduced by one and one half months, the M/V Malaspina, which currently provides service to the northern Lynn Canal, would be surplussed, the M/V Bartlett would be surplussed in May 2003, the M/V Aurora would be in lay-up status from July 2002 through May 2003, then relocated to the Prince of Wales route formerly service by the M/V Bartlett, the M/V Taku, which provides service between Prince of Wales and Skagway, would be laid up from October 31, 2002 through June 1, 2003. In addition he stated that a fee increase would be implemented for all passengers and vehicles and prices for on board food service would be raised.

Senator Olson asked the level of service to rural Alaska in FY 03.

Mr. Parkan answered that service would be reduced for the roads in the Nome area. He referenced the Department's impact statement as containing further details [copy on file.] He qualified that the budget proposed by the Senate Finance Committee is "kinder" to the Nome area than the version passed by the House of Representatives.

Senator Olson expressed concern that the Department would not "turn the lights out on the runway".

Mr. Parkan assured that the Department has determined that airport service is critical to many parts of Alaska, as they provide the only access to several communities, and that the levels of service would be maintained to ensure the airports retain certification.

Senator Austerman asked the number of maintenance stations located outside of major urban areas.

Mr. Parkan estimated the State currently has approximately 50 maintenance stations.

Senator Austerman wanted to know how many stations would be closed.

Mr. Parkan answered four: Kalson Bay, Kodiak, Chitna, and Birch Lake, noting that operations at other stations would be reduced due to staff restraints. He gave the station located in Willow as an example, in that staffing would be reduced by fifty percent.

Senator Austerman asked if the positions located at the closed maintenance stations would be eliminated or transferred to urban areas.

Mr. Parkan replied that in some instances the positions are eliminated and in other instances the staff are relocated to an adjoining maintenance station. He added that equipment is either transferred to another station or surplussed.

Alaska Court System

CHRIS CHRISTENSEN, Deputy Administrative Director, Alaska Court System, testified that the Court System is unique and that the impacts of the proposed budget reductions would be "magnified". He explained that the Court System operates one program: to provide a forum for the resolution of civil and criminal cases filed by individuals, businesses and governmental entities. He stressed that the trial courts are not allowed to refuse to hear a case presented, and that the Court is required to administer the program within a certain mandated time frames as stipulated in the constitution and in statute.

Mr. Christensen informed that the proposed budget in the Senate committee substitute contains a reduction of almost six percent in "available dollars" from FY 02, which is almost \$3 million. He noted this amount includes the \$2.5 million necessary for increased costs plus a \$597,000 unallocated reduction. He listed the increased costs not funded: pay raises approved by the Legislature two years prior, \$146,000 for the second year of operations of the Driving While Intoxicated (DWI) Courts in Anchorage and Bethel, and \$680,000 for required increased contributions to the Judicial Retirement System. He noted the retirement fund had been over funded in recent years and those funds had been available for reappropriation, although this year, a portion of the funds must be returned to maintain the actuarial value of the account.

Mr. Christensen stressed that fewer resources to handle an increased caseload would result in slower processing of that caseload. However, he reiterated that a majority of the cases could not be delayed.

Mr. Christensen asked how the Court System would manage the funding reduction "of this magnitude". He suggested the Court System could discontinue operations in some locations, although he pointed out this does not stop the demand for services: people would still get divorced and crimes would continue to be committed. He also noted that closing the third largest courthouse in the State located in

Palmer, for example, would only realize a savings of approximately \$1.5 million, which is only half the amount necessary.

Mr. Christensen did anticipate that some smaller magistrate courts, with smaller caseloads, would be closed, as well as some larger courts located along the road system. He furthered that the larger courts, notably those in Anchorage and Fairbanks, would have significant layoffs.

Mr. Christensen told of efforts of the past several years to quicken the casework process, which he stated would be reversed as a result of these layoffs and court closures. He stressed that because the State constitution mandates that criminal cases be prioritized civil cases and family cases would be delayed. He noted that approximately 30,000 felony and misdemeanor cases were filed in Alaska during the previous year, and of that amount four "fell through the cracks" and were dismissed under the "speedy trial rule." He predicted more such dismissals would occur if the layoffs and court closures were instituted.

Mr. Christensen spoke to the consequences of delaying some civil cases, including the loss of federal funding. He continued that family law cases do not have a statutory or constitutional mandate for resolution in a certain timeframe. Therefore, he stated these cases would be delayed the most, and he surmised these are the cases that should be delayed the least.

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Mr. Christensen reminded the Committee that judges are required to provide a sworn affidavit every two weeks attesting they are "caught up on their work" or their paycheck is withheld until the work is up to date. He advised, as a lawyer, that this law is likely unconstitutional, although, as a court manager, he characterized this law as "a great tool". However, he opined that judges should not lose their paycheck due to lack of resources available to complete their duties.

MARLA GREENSTEIN, Executive Director, Alaska Commission on Judicial Conduct, testified via teleconference from Anchorage, that the Commission is constitutionally mandated to address complaints related to judicial ethics. She noted the Commission has no control over the caseload. She informed that two full time positions are necessary to fulfill the normal duties and that outside council is contracted to handle serious cases involving formal hearings. She stated that the proposed funding allocation for the Commission is

inadequate and fewer funds would be available to hire the outside council.

Ms. Greenstein shared the history of repeated supplemental budget requests. She warned that if the Commission is not funded fully, it would "severely impact" the ability to enforce the judicial ethics code. She predicted that some difficult cases would not be processed and that the quality of the prosecutions would diminish.

LARRY COHN, Executive Director, Alaska Judicial Council, testified via teleconference from Anchorage, that the proposed Senate Finance budget of \$742,000 for the Council is approximately seven percent less than the current budget and the same as the budget of eight years prior. He stated that approximately \$39,000 of the reduction is a result of the Council's completion of a comprehensive criminal justice study. He informed that the Council has proposed a new study relating to self-represented litigants that would require an additional \$39,000, although he did not anticipate receiving those funds. He asserted that the Council has few discretionary responsibilities, as the constitution or statutes mandate almost all the work undertaken.

Mr. Cohn noted the Council has not requested supplemental funding in over 20 years, although the proposed budget provides less funding "at a time when the Council has increased responsibilities." He listed one of the additional responsibilities, as contained in HB 172 passed the previous session, to evaluate the performance of two new therapeutic courts. He furthered that the pending HB 515 would require the Council to establish performance measures for the Alaska Court System.

Mr. Cohn commented that the Legislature has considered funding the development of fisheries, mining and other resource development and he stressed that funding the Council is an investment in justice.

Senator Olson asked how the level of service of the Alaska Court System would be affected by the proposed budget allocations.

Mr. Christensen responded that some criminal cases would not be processed and that there would be "a complete loss of service" to some small communities. He asserted that the Alaska Court System would be unable to fulfill its constitution mandates with the proposed level of funding.

Senator Olson asked if the court located in Nome would be closed.

Mr. Christensen answered that decisions have not been made as to which courts would close. He spoke to the criteria used in

reviewing whether layoffs or closures would be made at each location. He listed available alternative facilities for a community and the quality of employees at each court, as some are able to work more efficiently.

Senator Olson referenced the testimony of the Alaska Judicial Council claiming that the funding for evaluation of the therapeutic courts is insufficient. He asked the long-term consequences to the program.

Mr. Cohn replied that the Council was not provided with funding to undertake the duties required of it in the enabling legislation establishing the therapeutic courts. He described the studies scheduled for the next three to four years to collect, analyze, and report data. He stated the lack of funding for the evaluation process should not affect the on-going operations of the court for the next several years, although the absence of a complete evaluation would affect the information available to the legislature for determining whether the courts are worthwhile.

Senator Olson commented that it would be difficult to be "hard on crime" if the necessary information is not provided.

Mr. Cohn affirmed that more information is beneficial. He suggested that recidivism could be reduced by the use of the therapeutic courts, but this would be unknown without proper evaluation.

Office of the Governor

MIKE NIZICH, Administrative Director, Division of Administrative Services, Office of the Governor, testified to two areas of concern regarding the proposed \$1.65 million general fund reduction over the amount requested. The first he listed as the year-three labor cost increases of \$267,600, which he stressed are statutory salary increases and that the Office does not have the option to forgo these raises. As a result, he informed that three positions must be eliminated.

Mr. Nizich stated the second concern as the \$567,000 unallocated budget reduction. He cautioned this is a significant reduction to the Office's base operating budget and that it would impede the resources available to the next governor and lieutenant governor who would take office at the mid point of the fiscal year. He pointed out that the Office of the Governor operates primarily with general funds for personnel services. Therefore, he informed that the reductions must be taken in the number of positions funded, and that nine full time positions must be eliminated. He was unable to speculate on which positions would be eliminated as the priorities

of the next governor were unknown.

Senator Olson asked for elaboration on the assertion that the proposed funding level would impede the new administration.

Mr. Nizich, replied that at the start of FY 03, only five months remain of the current Governor's term of office. Speaking from his experience of working during multiple administration transitions, newly elected governors establish agendas and expect to implement them once taking office. He stressed that, unlike any previous governor, the next administration would not have the financial or human resources available to address their priorities. He furthered that no discretionary funds would be available to address "public outcry" issues, such as fisheries, an oil spill, etc.

Senator Olson asked if the proposed budget reductions would impact every aspect of the Office of the Governor operations.

Mr. Nizich affirmed that every component would be affected.

University of Alaska

It was established that no representative was present to speak to the impacts to the University of Alaska.

ADJOURNMENT

Co-Chair Dave Donley adjourned the meeting at 06:02 PM