

MINUTES
SENATE FINANCE COMMITTEE
April 24, 2002
8:42 PM

TAPES

SFC-02 # 76, Side A

CALL TO ORDER

Co-Chair Dave Donley convened the meeting at approximately 8:42 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: DAVID TEAL, Director, Division of Legislative Finance;

Attending via Teleconference: From Off-Net Site: LUCINDA KNOPP

SUMMARY INFORMATION

HB 402-ALASKA TEMPORARY ASSISTANCE PROGRAM

The Committee heard public testimony and the bill moved from Committee.

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

The Committee considered and adopted two amendments. The bill was held in Committee.

#HB402

SENATE CS FOR CS FOR HOUSE BILL NO. 402(HES)

"An Act relating to diversion payments, wage subsidies, cash assistance, and self- sufficiency services provided under the Alaska temporary assistance program; relating to the food stamp program; relating to child support cases that include persons who receive cash assistance or self-sufficiency services under the Alaska temporary assistance program; and providing for an effective date."

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

LUCINDA KNOPP testified via teleconference from an off-net site that this legislation would enable her to work, earn a salary and continue to receive benefits. She informed that she and her husband are disabled and require these benefits.

Co-Chair Kelly offered a motion "move House Bill 402 from Committee with individual recommendations and accompanying zero fiscal note."

There was no objection and SCS CS HB 402 (HES) MOVED from Committee with a zero fiscal note #1 dated 2/14/02 from the Department of Health and Social Services.

#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."

MULTI #1: This amendment to SCS CS HB 403, 22-LS1295\R, replaces the language in Section 10 on page 53, following line 6 to read as follows.

Sec. 10. LEGISLATIVE INTENT AND FINDINGS. (a) It is the intent of the legislature that the amounts appropriated by this Act are the full amounts that will be appropriated for those purposes for the fiscal year ending June 30, 2003.

(b) The money appropriated by this Act may be expended only in accordance with the purpose of the appropriation under which the expenditure is authorized. Money appropriated by this Act may not be expended for or transferred to a purpose other than the purpose for which the appropriation is made unless the transfer is authorized by the legislature by law. See, Alaska Legislative Council v. Knowles, 21 P.3d 367 (Alaska 2001). All appropriations made by this Act are subject to AS 37.07.080(e). A payment or authorization of a payment not authorized by this Act may be a violation of AS 37.10.030 and may result in action under AS 37.10.030 to make good to the state the amount of an illegal, improper, or incorrect payment that does not represent a legal obligation under the appropriation involved.

This amendment also deletes the language in Section 15 on page 54 lines 14 through 31 and page 55 lines 1 through 8 and inserts new language to read as follows.

Sec. 15. ALASKA HOUSING FINANCE CORPORATION. (a) The board of directors of the Alaska Housing Finance Corporation anticipates that the net income from the second preceding fiscal year will be available in each of the fiscal years 2004 through 2008. During fiscal year 2003, the board of directors anticipates that \$103,000,000 will be made available for payment of debt service, appropriation for capital projects, and transfer to the Alaska debt retirement fund (AS 37.15.011). Of that amount, approximately \$84,299,967 will be retained by the corporation for the following purposes:

(1) \$1,000,000 for debt service on University of Alaska, Anchorage, dormitory construction, authorized under ch. 26, SLA 1996;

(2) \$37,986,612 for debt service on the bonds

authorized under sec. 2(c), ch. 129, SLA 1998;

(3) \$12,013,355 for debt service on the bonds authorized under sec. 10, ch. 130, SLA 2000;

(4) \$33,300,000 for capital projects.

(b) After deductions for the items set out in (a) of this section are made, any remaining balance of the \$103,000,000 anticipated by the board of directors of the Alaska Housing Finance Corporation to be available in the fiscal year 2003 is appropriated to the Alaska debt retirement fund (AS 37.15.011).

This amendment also increases the amount appropriated to Learning Opportunity Grants from \$12,372,000 to \$16,510,000 in Section 24 on page 58, line 4.

This amendment also inserts a subsection to Section 24. LEARNING OPPORTUNITY GRANTS., on page 58, following line 15 to read as follows.

(b) The unexpended and unobligated general fund balance of that portion of the appropriation made by sec. 1, ch. 60, SLA 2001, page 11, line 30, that is allocated on line 31 (Foundation Program - \$665,017,700) is reappropriated to the Department of Education and Early Development for the fiscal year ending June 30, 2003, for payment as learning opportunity grants to the school districts based on the school district's average daily membership to pay for instructional programs intended to improve student performance. Learning opportunity grants will provide the opportunity to move schools toward standards-based education, including vocational education programs. The increased funding is available to pay for costs associated with improving student performance by developing standards-based programs, including implementation of standards, aligning student assessment to standards, adopting instructional models based on basic skills, performance tasks, and projects, and adopting a standards-based reporting system. Accomplishing this goal may include acquisition of textbooks and other educational materials.

This amendment also inserts a new bill Section 41 on page 64 following line 18 to provide that Section 24 (b) takes effect June 30, 2002.

This amendment also reduces the general fund appropriation to the Alaska debt retirement fund (AS 37.15.011) from \$27,710,800 to \$14,663,600, in Section 34 (c) on page 62 line 2.

This amendment also deletes Section 34(k) on page 63, lines 2

through 10 and inserts four subsections to read as follows.

(k) The sum of \$2,061,400 is appropriated from the tobacco use education and cessation fund (AS 37.05.580) to the Alaska debt retirement fund (AS 37.15.011).

(l) The sum of \$100,000 is appropriated from the investment loss trust fund (AS 37014.300) to the Alaska debt retirement fund (AS 37.15.011).

(m) The sum of \$783,100 from the fiscal year 2003 dividend that is declared by the Alaska Commission on Postsecondary Education is appropriated from the education loan fund (AS 14.42.210) to the Alaska debt retirement fund (AS 37.15.011).

(n) The balance, including unobligated and unencumbered earnings, of the international trade and business endowment (AS 37.17.400) on July 1, 2002 is appropriated to the Alaska debt retirement fund (AS 37.15.011).

This amendment also increases the appropriation of fee supported services funds to the State Health Services Budget Request Unit (BRU), Community Health/Emergency Medical Services component on page 21, lines 14 and 15, to increase the total allocation from \$17,833,000 to \$17,933,000.

This amendment also inserts a new bill section on page 57, following line 26 to read as follows.

Sec. 23. DEPARTMENT OF HEALTH AND SOCIAL SERVICES. The amount appropriated to the Department of Health and Social Services for community health/emergency medical services under the appropriation for state health services in sec. 1 of this Act includes the unexpended and unobligated receipts from business license endorsement fees collected under AS 43.70.075 by the Department of Community and Economic Development during the fiscal years ending June 30, 2002, and June 30, 2003.

This amendment also inserts a new bill Section 42 on page 64 following line 18 to provide that the new Section 23 takes effect June 30, 2002.

This amendment also inserts intent language to the Department of Labor and Workforce Development, Labor Standards and Safety BRU, Alaska Safety Advisory Council component on page 24 lines 12 and 13 to read as follows.

The amount appropriated by this appropriation includes the unexpended and unobligated balance on June 30, 2002, of the Department of Labor and Workforce Development, Alaska Safety

Advisory Council receipts under AS 18.60.840.

Accompanying explanatory language to this portion of the amendment reads as follows.

This amendment is identical to language the House accepted and provides the Alaska Safety Advisory Council the ability to expend receipts received for the Governor's annual safety conference.

This amendment also inserts intent language to the Department of Natural Resources, Forestry Management and Development BRU and component on page 28 lines 9 through 12 to read as follows.

The amount appropriated by this appropriation includes the unexpended and unobligated balance on June 30, 2002, of the timber receipts accounts (AS 38.05.110).

Accompanying explanatory language to this portion of the amendment reads as follows.

This amendment is identical to language the House accepted and provides the Forestry Management and Development increased timber receipt authority.

This amendment also adds and deletes funds in the amounts specified to agencies as follows.

Department of Administration

Motor Vehicles BRU and component
Page 5, lines 17 and 18
\$100,600 general funds
281,700 General Fund Program Receipts

Department of Community and Economic Development

Community Assistance & Economic Development BRU
Community and Business Development component
Page 6, lines 13 and 14
(\$160,000) general funds

Community Assistance & Economic Development BRU
International Trade and Market Development component
Page 6, lines 15 and 16
\$100,000 general funds

Insert intent language to read, "This appropriation includes \$100,000 for a grant to a named recipient, the

World Trade Center, for a project development grant."

Department of Corrections

Administration and Operations BRU
Agency-Wide Unallocated Reductions new component
Page 9
\$1,000,000 general funds

Department of Education and Early Development

K-12 Support BRU
Foundation Program component
Page 11, line 15
\$4,138,000 general funds
Note: This transaction brings LOGs [Learning Opportunity Grants] to a total of \$16.51 million. This amount plus a reappropriation of FY 02 lapsing balance brings LOGs to a total of \$23.32 million, which offsets inflation of 2.9 percent.

Teaching and Learning Support BRU
Quality Schools component
Page 11, line 26
\$130,000 general funds

Kotzebue Technical Center Operations Grant BRU and component
Page 12, lines 29 through 32
\$470,000 general funds
(470,000) ACPE [Alaska Commission on Postsecondary Education] Dividend

Alaska Postsecondary Education Commission BRU
WWAMI Medical Education component
Page 13, line 27
\$63,100 general funds
(63,100) ACPE Dividend

Department of Environmental Conservation

Environmental Health BRU
Food Safety & Sanitation component
(\$ 654,000) Federal Receipts
613,200 general funds
(1,576,100) GF Program Receipts
1,576,100 Receipt Supported Services

Environmental Health BRU
Solid Waste Management component
Page 11, line 10
\$230,400 general funds
(230,400) GF Program Receipts

Air and Water Quality BRU
Air Quality component
Page 14, line 14
(\$175,000) Federal Receipts
25,000 GF Program Receipts
150,000 general funds

Non-Point Source Pollution Control BRU and component
Page 14, lines 21 and 22
\$715,400 Federal Receipts

Department of Fish and Game

Commissioner's Office BRU
Agency-wide Unallocated Reduction new component
Page 15, following line 13
(\$1,485,700) general funds

Commercial Fisheries BRU
Westward Region Fisheries Management component
Page 15, lines 24 and 25
\$741,000 general funds

Commercial Fisheries BRU
Headquarters Fisheries Management component
Page 15, lines 26 and 27
\$744,700 general funds

Department of Health and Social Services

Public Assistance BRU
Adult Public Assistance component
Page 18, line 18
(\$1,250,000) general funds

Medical Assistance BRU
Medicaid Services component
Page 18, line 28
(\$3,230,000) general funds
(1,000,000) Tobacco Education

Purchased Services BRU

Foster Care Special Need component
Page 19, line 31
(\$250,000) general funds

Purchased Services BRU
Subsidized Adoptions & Guardianship component
Page 20, lines 3 and 4
(\$1,500,000) general funds

State Health Services BRU
Tobacco Prevention and Control component
Page 21, lines 23 and 24
\$1,000,000 Tobacco Education

Alcohol and Drug Abuse Services BRU
Alcohol and Drug Abuse Treatment Grants component
Page 21, lines 31 and 32
\$1,000,000 general funds

Department of Labor and Workforce Development

Labor Standards and Safety BRU
Wage and Hour Administration component
Page 24, line 8
(\$102,000) general funds

Labor Standards and Safety BRU
Mechanical Inspection component
Page 24, line 9
(\$110,000) general funds

Department of Military and Veterans Affairs

Local Emergency Planning Committee Grants BRU
Local Emergency Planning Committee component
Page 26, lines 30 and 31
\$50,000 general funds
(50,000) ILTF [Investment Loss Trust Fund]

Alaska National Guard Benefits BRU
Educational Benefits component
Page 27, line 13
\$250,000 general funds
(250,000) ACPE Dividends

Department of Natural Resources

Oil and Gas Development BRU and component

Page 28, line 14
\$400,000 general funds
(400,000) I/A [Inter-Agency] Receipts

Parks and Recreation Management BRU
Parks Management component
Page 28, line 31
(\$1,445,000) GF Program Receipts
2,225,800 Receipts Supported Services

RS2477 Navigability Assertions & Litigation Support BRU
and component
Page 29, lines 13 through 15
\$150,000 general funds
(75,000) CIP [Capital Improvement Project]
Receipts

Department of Public Safety

Alaska State Troopers BRU
Search and Rescue component
Page 30, line 26
\$50,000 general funds
(50,000) ILTF

Alaska State Trooper Detachments BRU and component
Page 30, lines 31 and 32
\$2,200,000 general funds

Statewide Support BRU
Alaska Criminal Records and Identification component
Page 31, lines 31 and 32
\$200,000 Receipts Supported Services

Department of Revenue

"Replace all non-general fund year three salary
reductions removed by the subcommittee."

Department of Transportation and Public Facilities

Statewide Facility Maintenance and Operations BRU
Central Region Leasing and Property Management component
Page 35, lines 24 and 25
\$46,200 GF Program Receipts

Statewide Facility Maintenance and Operations BRU
Northern Region Leasing and Property Management component

Page 35, lines 26 and 27
\$16,100 GF Program Receipts

Traffic Signal Management BRU and component
Page 35, line 29
\$362,700 general funds

Highways and Aviation BRU
Central Region Highways and Aviation component
Page 36, lines 13 and 14
\$359,200 general funds
130,000 GF Program Receipts

Highways and Aviation BRU
Northern Region Highways and Aviation component
Page 36, lines 18 and 19
\$729,500 general funds

Highways and Aviation BRU
Southeast Region Highways and Aviation component
Page 36, lines 20 and 21
\$41,100 general funds

University of Alaska

University of Alaska BRU
Budget Reductions/Additions-Systemwide component
Page 37, lines 32 and 33
\$8,000,000 general funds

Alaska Court System

Alaska Court System BRU
Appellate Courts component
Page 38, line 29
\$96,700 general funds

Alaska Court System BRU
Trial Courts component
Page 38, line 30
\$747,600 general funds
25,000 MHTAAR [Mental Health Trust Authority
Authorized Receipts]

Alaska Court System BRU
Agency-wide Unallocated Reduction component
Page 38, lines 32 and 33
\$1,655,700 general funds

This amendment also makes necessary conforming changes to incorporate the provisions of this amendment into the bill.

This amendment also states that HB 262-STATE PROGRAM RECEIPTS/BLDG.SAFETY ACCT would be amended to reflect fund source changes from general fund program receipts, funding source 1005, to receipts supported services, funding source 1156, to the following components of the Department of Health and Social Services in the amounts indicated.

Medical Assistance BRU
Medicaid Services component
Add: \$364,000 Receipt Supported Services
Delete: \$364,000 GF Program Receipts

Public Assistance Administration BRU and component
Add: \$42,000 Receipt Supported Services
Delete: \$42,000 GF Program Receipts

Purchased Services BRU
Foster Care Base Rate component
Add: \$991,500 Receipt Supported Services
Delete: \$991,500 GF Program Receipts

State Health Services BRU
Nursing component
Add: \$112,100 Receipt Supported Services
Delete: \$112,100 GF Program Receipts

State Health Services BRU
Maternal Child and Family Health component
Add: \$340,500 Receipt Supported Services
Delete: \$237,700 GF Program Receipts

State Health Services BRU
Community Health and Emergency Medical Services component
Add: \$151,000 Receipt Supported Services
Delete: \$51,000 GF Program Receipts

State Health Services BRU
Public Health Laboratories component
Add: \$72,700 Receipt Supported Services
Delete: \$72,700 GF Program Receipts

Alcohol and Drug Abuse Services BRU
Alcohol Safety Action Program component
Add: \$650,800 Receipt Supported Services

Delete: \$150,800 GF Program Receipts

Institutions and Administration BRU
Mental Health and Developmental Disabilities
Administration component

Add: \$10,100 Receipt Supported Services

Delete: \$10,100 GF Program Receipts

This amendment also states that HB 262-STATE PROGRAM RECEIPTS/
BLDG.SAFETY ACCT would be amended to reflect fund source changes
from general fund program receipts, funding source 1005, to
receipts supported services, funding source 1156, to the following
components of the Department of Transportation and Public
Facilities in the amounts indicated.

Administrative Services BRU
Regional Administrative Services component

Add: \$155,000 Receipt Supported Services

Delete: \$150,000 GF Program Receipts

Statewide Aviation BRU and component

Add: \$226,300 Receipt Supported Services

Delete: \$226,300 GF Program Receipts

Design and Engineering Services BRU
Central Design and Engineering Services component

Add: \$234,500 Receipt Supported Services

Delete: \$234,500 GF Program Receipts

Design and Engineering Services BRU
Northern Design and Engineering Services component

Add: \$121,200 Receipt Supported Services

Delete: \$121,200 GF Program Receipts

Design and Engineering Services BRU
Southeast Design and Engineering Services component

Add: \$81,400 Receipt Supported Services

Delete: \$81,400 GF Program Receipts

Statewide Facility Maintenance and Operations BRU
Central Region Leasing and Property Management component

Add: \$579,600 Receipt Supported Services

Delete: \$579,600 GF Program Receipts

Statewide Facility Maintenance and Operations BRU
Northern Region Leasing and Property Management component

Add: \$571,500 Receipt Supported Services

Delete: \$571,500 GF Program Receipts

Highways and Aviation BRU
Central Region Highways and Aviation component
Add: \$705,300 Receipt Supported Services
Delete: \$705,300 GF Program Receipts

Highways and Aviation BRU
Northern Region Highways and Aviation component
Add: \$760,100 Receipt Supported Services
Delete: \$760,100 GF Program Receipts

Highways and Aviation BRU
Southeast Region Highways and Aviation component
Add: \$377,400 Receipt Supported Services
Delete: \$377,400 GF Program Receipts

Description: These changes allow the Department to collect receipts and reimburse the State's expenditure to offer the specific program and/or service. Specifically, these receipts are from airport property leasing, utility right-of-way permits and the Highway Damages Program.

Co-Chair Kelly moved for adoption of the amendment.

DNR #1: This amendment inserts a new bill section to read as follows.

Sec. __. MCKINLEY MEAT PACKING PLANT. The sum of \$300,000 is appropriated from the agriculture revolving loan fund to the Department of Natural Resources, Division of Agriculture, for the fiscal year June 30, 2003, for part time operating and preparation for transfer to the private sector of the McKinley meat packing plant. The Department of Natural Resources will provide a report to the legislature by February 1, 2003, on actions taken toward implementation of a plan to transfer the meat packing plant to the private sector.

Accompanying explanatory language reads as follows.

The McKinley Meat Packing Plant is owned by the ARLF and has been operated by the Department of Corrections for a number of years at a cost of \$300,000 per year. This appropriation is intended to keep the plant open for one year and help move the meat plant to the private sector.

Co-Chair Donley instructed that this amendment is to be included in MULTI #1, thus amending MULTI #1.

Co-Chair Donley announced another amendment to MULTI #1 to change the \$1,000,000 general fund appropriation to the Department of Corrections, Administration and Operations BRU, Agency-Wide Unallocated Reduction component. The amended amendment appropriates \$750,000 to the Division of Institutions component and \$250,000 to the Office of the Commissioner component.

Co-Chair Donley began to detail the entire amendment, noting the first change inserts intent language into the bill.

DAVID TEAL, Director, Division of Legislative Finance spoke to the changes to Section 15. Alaska Housing Finance Corporation. (AHFC), which changes the method that AHFC dividends are allocated to the general fund. He explained the original language of HB 403 stipulates that the entire \$103 million amount available for the dividend is allocated to the State with the Legislature reappropriating a portion of the funding to the Corporation for AHFC capital projects. He stated this amendment provides that the appropriation process for the AHFC dividend is the same as traditionally employed, in which approximately \$84 million of the FY 03 dividend amount would be retained by the Corporation. He noted this change is to alleviate concerns that the original language would adversely affect the Corporation's bond rating.

Senator Hoffman referenced the \$33.3 million specified for use by the Corporation for capital projects. He had understood the actual amount needed for capital projects was approximately \$18 million. He wanted to know the purpose of the additional \$15 million expenditures.

Mr. Teal responded that the AHFC requested over \$40 million for capital projects. He informed that the State earned approximately \$8 million from the sale of the tobacco settlement fund to the Northern Tobacco Securitization Corporation, which would be used to fund capital projects. He noted he was unsure which capital projects would be undertaken with the funds provided to the AHFC, although the Governor's proposed budget contained zero AHFC dividend funds for use in the FY 03 operating budget. With the changes in this amendment, he stated, \$18.7 million would be appropriated from the AHFC dividend to the debt retirement fund, which allows the same amount of general funds to be available for other purposes. He furthered that many of the remaining changes in this amendment relate to the expenditure of these general funds.

Co-Chair Donley noted the increase to the learning opportunity grants utilizing lapsed funding from the FY 02 K-12 Education funding, as proposed in this amendment.

Mr. Teal calculated the total FY 03 funding for education is \$23.3 million, including this increase for the learning opportunity grants.

Mr. Teal next detailed the portion of the amendment reflecting the reduced amount of general funds appropriated to the Alaska debt retirement fund due to the increased appropriation of AHFC dividend funds, as explained above. He noted this amendment also appropriates to the debt retirement fund: \$2,061,400 from the tobacco use education and cessation fund, \$100,000 from the investment loss trust fund, and \$783,100 from the Alaska Commission on Postsecondary Education (ACPE) dividend fund. He stated these amounts were appropriated to the funds in FY 02 and not spent. He commented that these reappropriations would streamline the operating budget in part to ease the workload of the budget subcommittee for the following year.

Co-Chair Donley added that this is consistent with the FY 02 budget process of reappropriating lapse funds from various funding sources to the debt retirement fund, which allowed general funds to be utilized for other purposes.

Senator Hoffman asked if funds would be appropriated for tobacco education and cessation programs.

Co-Chair Donley affirmed.

Mr. Teal furthered that the unobligated and unencumbered earnings of the international trade and business endowment fund would also be reappropriated to the Alaska debt retirement fund.

Senator Hoffman asked the balance of this fund.

Co-Chair Donley answered approximately \$5 million.

Mr. Teal next addressed the increase of \$100,000 receipt supported services funds to the Department of Health and Social Services as reflected in the insertion of Section 23. He noted the language allows the excess funds earned in FY 02 from tobacco endorsements on businesses licenses to be spent in FY 03. He explained that the predicted earnings of FY 02 were approximately \$100,000, of which \$87,000 has been earned to date, although authorization to expend these earnings was not granted to either the Department of Community and Economic Development or the Department of Health and Social Services. He stated that rather than lapsing these funds, this amendment authorizes expenditure by the Department of Health and Social Services.

Mr. Teal spoke to intent language this amendment inserts in the Department of Labor and Workforce Development, Labor Standards and Safety BRU, Alaska Safety Advisory Council component authorizing the funds appropriated for the 2002 Governor's annual safety conference to be spent for the same purpose in FY 03.

Mr. Teal noted similar intent language inserted in the Department of Natural Resources, Forestry Management and Development BRU and component to allow the expenditure of the unexpended and unobligated balance of FY 02 timber receipts accounts.

Senator Hoffman asked the estimated amount of funds of the previous two items.

Mr. Teal replied that the Alaska Safety Advisory Council usually spends approximately \$108,000 annually and that it is uncertain whether this amount would be expended during FY 02. He did not know the amount of timber receipt funds. He qualified this intent language does not increase the authorized expenditures as specified in Section 1 of the committee substitute.

Co-Chair Donley then listed the increases and reductions in Section 1 to each department as contained in the amendment.

Mr. Teal pointed out the \$4,138,000 general fund appropriation to the Department of Education and Early Development, K-12 BRU, Foundation Program component, is not a duplicate transaction, but rather the same transaction, which appears in this section as well as the Language section.

Senator Wilken spoke to the \$130,000 general fund increase to the Department of Education and Early Development, Teaching and Learning Support BRU, Quality Schools component. He explained relates to a special education assessment contained in SB 133 and "corrects a close-out issue" of the conference committee of the previous year.

Senator Leman addressed the funding changes to the Department of Environmental Conservation, noting discussions on the matter were held during the budget subcommittee process. He stated the increase to the Environmental Health BRU, Food Safety & Sanitation component would fully fund the Food Safety and Sanitation program. He explained this increase involved replacing GF/Program Receipts funding in other components in the Division of Environmental Health to Receipt Supported Services funding.

Senator Leman explained the funding changes to the Environmental Health BRU, Solid Waste Management component as "putting back some

monies that we were short."

Senator Leman stated that the funding change to the Air and Water Quality BRU, Air Quality component is a correction. He added that the Water Quality component funding changes utilize general funds made available through other actions in the amendment.

Senator Leman spoke to the Non-Point Source Pollution Control BRU and component, saying the funds involved are "Section 319 monies"; of which \$250,000 is allocated to the Division of Forestry Management, Forest Practices Act, and \$500,000 allocated to the Soil and Water Conservation Districts. He furthered that of the \$500,000 allocation, \$475,000 would be awarded as various grants for Section 319 projects.

Senator Hoffman was under the impression the State is eligible for \$1 million federal funds if matched with \$750,000 general funds.

Senator Leman replied that "quite a bit of that still stays in the Department."

Senator Hoffman asked about the discrepancy between the \$1.7 million federal receipts available and the \$750,000 indicated in this amendment.

Senator Leman responded that \$750,000 refers only to the funds impacted by this amendment.

Co-Chair Donley continued by addressing the funding changes of the amendment to the Department of Fish and Game. He explained that funding is allocated to the Commercial Fisheries BRU, Westward Region Fisheries Management component and Headquarters Fisheries Management component, although the same amount is deleted from the Commissioner's Office BRU, Agency-wide Unallocated Reduction component, resulting in a net zero impact. He commented this change provides the Department flexibility.

Co-Chair Donley stated that funding reductions to the Department of Health and Social Services reflects the adjustment of needs estimates for the following year to "lower case scenarios".

Senator Green explained that the budget of the previous year funded these programs based on low case scenarios, although this year, the budget subcommittee proposed funding the programs using high case scenarios. She stated this also applied to the federal Medicaid program, as it was assumed that the percentage of matching federal funding would not change. Because the amount of federal funding the State would receive is unknown, she said this amendment proposes to

employ "middle ground" scenarios to allow distribution of approximately \$4 million to other programs.

Senator Hoffman comments that this portion of the amendment "retreats ground" gained by the efforts of the budget subcommittee. He referenced his earlier question regarding funding for tobacco prevention and cessation programs, and also noted this amendment allocates \$1 million, of the \$4 million requested for alcohol and drug abuse services.

Co-Chair Donley agreed the amount of funding for these programs is below the amounts passed by the House of Representatives. However, he pointed out an additional \$1 million is appropriated for tobacco education and an additional \$1 million is appropriated for alcohol and drug abuse treatment services.

Co-Chair Donley furthered that although the House of Representatives version of the budget includes more funding for some programs, it also contains a larger unallocated reduction amount, which could significantly influence the actual funding for each program.

Senator Hoffman cautioned, "This sets the State up for a massive supplemental next year" if not addressed at this time.

Senator Green remarked, "We have funded this budget so there is no possibility of a supplemental" and stressed that the Governor's proposed budget did not account for the potential \$10.8 million federal Medicaid funding shortfall, although the committee substitute does. Since the shortfall is not certain, she opined the committee substitute is actually "over funding" the Medicaid program.

Senator Hoffman conceded this is one theory, however he stressed, it anticipates low usage of services and if the need is actually higher, supplemental funds would be necessary.

Senator Green countered that the committee substitute provides adequate funds in anticipation of significantly higher usage of Medicaid programs.

Senator Hoffman stated this accounts for growth that is uncontrolled by the Legislature.

Co-Chair Donley next noted the funding source changes to the Department of Military and Veterans Affairs reflects a replacement of one-time fund sources with general funds.

Mr. Teal addressed the funding source changes to the Department of Natural Resources, relaying that the Department does not anticipate that the funds previously listed could be transferred from the Division of Governmental Coordination and therefore general funds would be used.

Co-Chair Donley pointed to the "large increase" of \$2.2 million for the Department of Public Safety, Alaska State Trooper Detachments BRU and component.

Senator Hoffman asked if this retains the same number of positions funded the previous year.

Co-Chair Donley was unsure, noting the Department would determine how to utilize the funds. However, he stressed this appropriation reflects an increase of approximately \$1.7 million more than the expenditures of the previous year, which is adequate to pay the salary increases. He surmised this appropriation is adequate to maintain all existing State Trooper, Fish and Wildlife Protection Officer and Village Protection Safety Officer positions.

Mr. Teal spoke to the changes to the Department of Revenue noting that the budget subcommittee, in its recommendation, had not included funding for salary increases for all employees except those of the Permanent Fund Dividend Division. He stated this portion of the amendment provides general funds for the salary increases, thus allowing the other fund sources that would have been used for the salary increases, to be expended for other purposes.

Co-Chair Donley commented this is "just maximizing the use of non-general fund monies ... in the salaries component."

Co-Chair Donley then noted this amendment increases funding to the Department of Transportation and Public Facilities by approximately \$1.6 million.

Co-Chair Donley next pointed out that the committee substitute includes the same amount of funding for the University of Alaska as appropriated the year prior. He noted this amendment adds \$8 million general funds to that amount.

Senator Hoffman remarked that the increased funding for the Department of Transportation and Public Facilities "made quite a bit of headway in the Department," but he asserted that "attention" must be given to the Alaska Marine Highway System (MHS). He asked the intention of the Committee on this matter.

Co-Chair Donley replied that the amount of funding for the MHS is the same as provided in the budget passed by the House of Representatives.

Senator Hoffman countered that the current proposal contains approximately \$1 million more in reductions over the House of Representatives version, which he calculated as a "hole" of over \$5 million in the amount needed to fully fund the program.

Co-Chair Donley then stated this amendment provides an additional \$2.5 million for the Alaska Court System, which is an increase over the appropriation of the previous year and should provide adequate funding for the salary increases and prevent any delays in the trial system.

Senator Hoffman appreciated the co-chair's efforts to fund the programs indicated in this amendment. He expressed, "it goes a long way;" however he noted that other needs remain unaddressed. He listed \$4 million for the Department of Corrections to ensure a safe and protected correctional system, and funds to operate the PCE program.

Senator Wilken recognized the efforts to increase funding to the University of Alaska, commenting the university is "well on its way to maintaining [the] momentum that President Hamilton has started; the majority of that momentum has been funded at this table." He informed he would continue to work to provide additional funding to "satisfy their needs". He expressed concern about the K-12 Education component, although he noted the additional funds is beneficial. He announced he would offer amendments at the next hearing on this bill and would continue efforts with the co-chair to identify additional funds.

Senator Hoffman stated that the Constitutional Budget Reserve (CBR) fund contains adequate funds to address Senator Wilken's concerns.

Co-Chair Donley summarized this amendment maintains the Senate Majority "target" to remain below FY 02 general fund expenditures, although it increases funding for public safety from the past year and fully funds the impacts of salary increases. He continued that the committee substitute and this amendment increases funding to the Alaska Court System pointing out this branch depends significantly on general funds for personnel costs, making it difficult to absorb salary increases. He reiterated the additional funding for K-12 education is sufficient to meet the foundation funding formula. He qualified that PCE continues to be funded in the fiscal note of SB 185.

Senator Hoffman remarked that funding to alcohol and drug abuse treatment grants is of major concern to the State. He expressed interest in reaching a resolution to the \$3 million difference in funding for this program.

Senator Austerman appreciated the efforts to "live within the means". However, he had concerns about the Department of Fish and Game budget and he reminded the co-chairs of their assurances to adequately fund this Department.

Co-Chair Donley thanked Co-Chair Kelly for his efforts and Senator Green for addressing the challenge of the Department of Health and Social Services subcommittee, which he asserted is the most difficult. Co-Chair Donley thanked Senator Lemman for working to find ways to shift general funds and locate additional receipt supported services, Senator Wilken for his efforts to fund education. Co-Chair Donley also thanked Senator Austerman and thanked and Senator Ward, noting the Department of Corrections involves a difficult budget and this version provides significantly more funds than included in the budget passed by the House of Representatives.

Senator Ward commented that if Alaska's government was a dictatorship, he would simply shift funds to programs he determined were of higher priority. However, he thanked the Committee for spending less general funds than the previous year. He expressed that although the State would be, "reaching into the savings account" to obtain all necessary funds, the fund is not depleted.

Co-Chair Donley furthered this proposed budget is "the product of a team effort" of the Senate Finance Committee.

Co-Chair Donley informed of his intent to adopt MULTI #1 as amended at this meeting, and allow minority members an opportunity to consider its impacts and offer additional amendments at the following meeting.

Co-Chair Donley next thanked the members of the House of Representatives for exercising fiscal discipline.

Senator Hoffman shared Senator Ward's concerns about the fiscal gap but asserted the State's primary concern is public safety, health and education, and warned of the consequences if these needs are not addressed. He spoke of an incident in St. George involving a report of sexual abuse of a child and the delay in responding to the situation. He warned that not funding these programs is "sorely neglecting responsibility".

There was no objection to the adoption of MULTI #1 as AMENDED, and the amended amendment was ADOPTED.

Senator Lemman offered a motion that "the intent and directive language that appears in the House version of the budget that may have inadvertently been left out of this working document be incorporated by reference in the new committee substitute."

There was no objection and it was so ordered.

Co-Chair Donley ordered the bill HELD in Committee.

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ADJOURNMENT

Co-Chair Dave Donley adjourned the meeting at 09:29 PM