

MINUTES
SENATE FINANCE COMMITTEE
April 25, 2002
8:04 PM

TAPES

SFC-02 # 78, Side A
SFC 02 # 78, Side B
SFC 02 # 79, Side A
SFC 02 # 79, Side B

CALL TO ORDER

Co-Chair Dave Donley convened the meeting at approximately 8:04 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: ANNALEE MCCONNELL, Director, Office of Management and Budget; MARGARET PUGH, Commissioner, Department of Corrections; DWYANE PEEPLES, Director, Division of Administrative Services, Department of Corrections; DAN SPENCER, Director, Division of Administrative Services, Department of Administration; JEFF BUSH, Deputy Commissioner, Department of Community and Economic Development; KAREN REHFELD, Director, Education Support Services, Department of Education and Early Development; FRANK RUE, Commissioner, Department of Fish and Game; JANET CLARKE, Director, Division of Administrative Services, Department of Health and Social Services; BARBARA RITCHIE, Deputy Attorney General, Civil Division, Department of Law; NICO BUS, Administrative Services Manager, Administrative Services Division, Department of Military and Veterans Affairs, and Division of Support Services, Department of Natural Resources; GLEN GODFREY, Commissioner, Department of Public Safety; KURT PARKAN, Deputy Commissioner, Department of Transportation and Public Facilities; DAVID TEAL, Director, Division of Legislative Finance;

Attending via Teleconference: There were no teleconference participants.

SUMMARY INFORMATION

HB 403-APPROP: OPERATING BUDGET/LOANS/FUNDS

HB 404-APPROP: MENTAL HEALTH BUDGET

The Committee considered amendments to a committee substitute and the bills moved from Committee.

#HB403

#HB404

SENATE CS FOR CS FOR HOUSE BILL NO. 403(FIN)

"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."

The Committee considered amendments to SCS CS HB 403 (FIN), 22-LS1295\R, which was adopted as a working draft at the previous hearing.

Department of Community and Economic Development

C&ED #1: This amendment changes the funding source of \$160,000 general funds to Inter-Agency (I/A) Receipts for the Community Assistance & Economic Development Budget Request Unit (BRU), Community and Business Development component on page 6 lines 13 and 14.

Co-Chair Kelly moved for adoption.

Co-Chair Donley noted this amendment involves a fund source change and has a net zero affect.

There was no objection and the amendment was ADOPTED.

Department of Health and Social Services

H&SS #1: This amendment adds \$204,300 general funds to the State Health Services BRU, Emergency Medical Services (EMS) Grants component, and \$204,300 general funds to the Community Health Grants component on page 21 lines 16, 17 and 18. Accompanying explanatory language reads as follows.

This amendment moves \$204,300 from Community Health Grants to EMS Grants. The Community Health Grants line is larger and can more readily absorb a cut of this size. In addition the Community Health Grantees are receiving increasing amounts of federal and other funds to make up the general fund shortfall.

Co-Chair Kelly moved for adoption.

Co-Chair Donley stated this is a technical amendment and also has a net zero affect.

The amendment was ADOPTED without objection.

Department of Labor and Workforce Development

L&WD #1: This amendment deletes \$8,900 general funds from the Employment Security BRU, Employment Services component on page 23 line 18, and adds \$8,900 general funds to the Labor Standards and Safety BRU, Mechanical Inspections component on page 24 line 9. Accompanying explanatory language reads as follows.

This technical amendment corrects an error made in the previously approved amendment titled MULTI #1, which reduced the Mechanical Inspection component by \$110,000. The \$110,000 reduction to Labor and Workforce Development should have been a reduction of \$101,100 in the Mechanical Inspection component for FY 03 Governor increases to this component (funded by Senate Finance Subcommittee) and a reduction of \$8,900 for FY 03 Governor increases in the Employment Services component.

Co-Chair Kelly moved for adoption.

Co-Chair Donley informed the Committee that this net zero amendment is offered at the recommendation of the chair of the Department of Labor and Workforce Development budget subcommittee.

Without objection the amendment was ADOPTED.

ANNALEE MCCONNELL, Director, Office of Management and Budget

testified that significant improvements were made with the adoption of MULTI #1 at the previous hearing, but stressed that funding to other programs need to be addressed because "we are not holding the line on services for Alaska for the coming year." She noted that testimony from representatives of other State agencies at this hearing would focus on those areas in which the proposed amount of funding would be inadequate to maintain the current level of services.

Ms. McConnell reminded the Committee of the approximately \$80 million in increased costs during the previous year and replacement of one-time funding sources. She noted these increases "were for the most part accepted in last year's budget." She indicated that approximately \$15 million of the increases involved replacement of one-time federal or other funds no longer available in the current fiscal year. She compared this to the approximately \$43 million that would no longer be available for appropriation in FY 03, including federal grants for beds in corrections and halfway house programs, and federal funds for Medicaid Pro-Share.

Ms. McConnell pointed out additional expenses would be incurred in FY 03 for negotiations of labor contracts and private contracts for goods and services, including bulk fuel purchases. She warned that if sufficient funds are not appropriated for these fixed cost increases as well as to compensate for inflation, "you are actually going backwards with respect to programs." She noted this impacts all State services and the University of Alaska.

Ms. McConnell expressed that consideration should be made that "holding the line can mean one of two things: it can mean holding the line on general fund dollars, or it could mean holding the line on the services that we provide to the State." She opined that the previous year, the Committee experienced a significant amount of "public support and pride" in the budget efforts. She surmised this public support would continue if necessary adjustments were made this year to provide for the increased costs to maintain existing levels of service.

Ms. McConnell qualified that her statements are not intended to indicate that Governor Tony Knowles finds it unimportant to make improvements to K-12 education, the University, and child protection.

Department of Corrections

MARGARET PUGH, Commissioner, Department of Corrections, informed that the \$1 million funding increase provided in MULTI #1, raised the total appropriation for the Department to \$8 million below the

amount requested by the Governor. She noted this is \$7 million less than is necessary to maintain existing service levels and \$6 million less than the amount appropriated in FY 02. She stated that the \$1 million addition would assist in funding the therapeutic courts program, medical program expenses, longstanding shortfalls of the Parole Board, and annualizing the costs of renewed halfway house contracts.

Ms. Pugh noted the current total appropriation includes: \$7 million to replace federal funds, \$1.7 million to fund salary increases as required in employee contracts, \$1.9 million for a new jail, and \$1.5 million for medical expenses. She emphasized this funding level "does not give any consideration to the growth in the population that we expect for next year," and that the Institutions and the Probation Offices components would receive \$3.2 million less than needed. She requested the Committee's assistance to assure "the people of Alaska that the public is protected by the job that the Department of Corrections does." She spoke of the statutory obligation of the Department to protect the public.

Senator Ward reminded that DNR #1, an amendment that was incorporated into MULTI #1 and adopted at the previous hearing, utilized \$300,000 program receipts to replace general funds appropriated to the McKinley Meat Packing Plant. He relayed that Mr. Peeples informed him that \$80,000 of this amount would be expended for a correctional officer position that would be transferred to Palmer. Therefore, Senator Ward stated that \$220,000 general funds are available for other Departmental purposes. He asked if this would provide flexibility to the Department.

DWYANE PEEPLES, Director, Division of Administrative Services, Department of Corrections, understood the appropriation was made from a revolving loan fund program to the Department of Natural Resources, and that an arrangement would be made to transfer the services of the correctional officer positions. He pointed out that two correctional officers are necessary to provide supervision to maintain the historical level of inmate labor at the Plant. He stated that the annual expense of each correctional officer position is approximately \$60,000.

Ms. Pugh informed Senator Ward that the \$220,000 would be most useful to the Department of Corrections if it is appropriated to the Division of Institutions rather than the Correctional Industries component as the operations of the meat packing facility would be transitioning to the private sector.

Mr. Peeples affirmed this point.

Senator Hoffman remarked, "We are well aware as Democrats, that there does exist a major deficient in the operating budget this year, and has been for quite some time." Therefore, he assured that none of the amendments offered by he or Senator Olson would expand the programs recommended by the Governor. However, he expressed that the services currently provided to Alaskans in the FY 02 budget should be maintained. He furthered that the Committee's minority members would not propose increased spending with the exception of contract costs, increased fuel costs, as well as maintaining the existing number of employees.

COR #1: This amendment adds \$3,324,400 general funds to the Administration and Operations BRU, Office of the Commissioner component on page 8 line 33. Accompanying explanatory language reads as follows.

These funds will be allocated to Divisions of Institutions and Community Corrections to provide funds to support: 45 Correctional Officers, 5 Adult Probation Officers, 2 Correctional Industries Managers, and 1 Administrative Support positions. These existing positions support a statewide prison population that is a 105% today and growing. Without these positions, virtually every state institution will not meet their minimal post levels and this will jeopardize the safety and security of Institutions prisoners and staff. If the Department were to reduce Probation Officers while the number of offenders on probation/parole continues to increase, there would be an impact on public safety. This will also keep open all inmate work programs.

Senator Hoffman moved for adoption.

Senator Ward objected.

Senator Hoffman read the explanatory statement into the record.

Senator Olson added that given the increasing prison populations and decreased number of personal, there is concern for people working inside inmate facilities. He shared that as a physician who has worked in a prison, he was concerned for his safety and relied on correctional officers to maintain a safe environment. He cautioned that without a safe environment, it would be difficult to attract "quality people" to work at the facilities.

Co-Chair Donley asked the amount the committee substitute currently provides for this component over the amount approved by the House of Representatives.

Senator Ward answered that including the unallocated reduction, the Senate is funding \$7.2 million more than is contained in the budget passed by the House of Representatives.

Senator Hoffman asserted that it is unfair to use the budget approved by the House of Representatives as a benchmark. He relayed that the Democratic members of the House of Representatives claimed that budget was so flawed it did not warrant attempts to change, and therefore the Minority offered no amendments.

Co-Chair Donley understood the argument that additional funds would be necessary to accommodate the increased expenses in the Department of Corrections. However, he noted the version before the Committee is an increase over the appropriation of the prior year.

Senator Ward commented, "If we had more money, we certainly could spend it on this." However, he stated that as chair of the Department of Corrections budget subcommittee, he prioritized within the spending limitation imposed by the Senate Majority. He opined that according to his projections of inmate population, the amount appropriated to the Department is adequate to ensure safety.

A roll call was taken on the motion.

IN FAVOR: Senator Olson and Senator Hoffman

OPPOSED: Senator Ward, Senator Wilken, Senator Austerman, Senator Green, Senator Leman, Co-Chair Kelly and Co-Chair Donley

The motion FAILED (2-7)

The amendment FAILED to be adopted.

COR #2: This amendment adds \$432,300 general funds and \$28,000 Receipt Supported Services funds to the Administration and Operations BRU, Institution Director's Office component on page 9 lines 14 and 15. Accompanying explanatory language reads as follows.

This funds the second year of Chapter 60 SLA 2001, Page 39, line 6-8 (HB 132) passed by the Legislature last year. This bill was an Act relating to possession, distribution, importation, and transportation of alcohol in a local option area, etc. The funds are needed to cover the costs of incarceration of new felons convicted of violating the provisions of this legislation. Funding will be distributed by the Director's Office to individual institutions as necessary to cover the impact of the legislation. Without these funds,

approximately 7 correctional officers would have to be cut, increasing the forced vacancy in the Division of Institutions. This action would further jeopardize the safety and security of Institutions prisoners and staff.

Senator Hoffman moved for adoption.

Senator Green objected.

Senator Hoffman read the accompanying language into the record.

Senator Hoffman informed that he supported passage of HB 132 the previous year, because "I knew that it was the right thing to do." He furthered that HB 4, considered by the Committee at the previous meeting, is also beneficial and demonstrates that the Legislature is "tough on crime." However, he questioned the wisdom of not funding provisions of the earlier legislation in its second year of implementation. He suggested the Committee should "put our money where our mouths are."

A roll call was taken on the motion.

IN FAVOR: Senator Hoffman and Senator Olson

OPPOSED: Senator Ward, Senator Wilken, Senator Austerman, Senator Green, Senator Leman, Co-Chair Kelly and Co-Chair Donley

The motion FAILED (2-7)

The amendment FAILED to be adopted.

COR #3: This amendment adds \$1,910,800 general funds to the Administration and Operations BRU, Inmate Health Care component on page 9 line 8. Accompanying explanatory language reads as follows.

These funds will support both state permanent fulltime positions and contract positions that are absolutely required to provide medical, mental health and dental services to the Department's Institutions and contract Community Residential Centers. The Department admits approximately 30,000 offenders annually into its institutions and the daily prisoner population exceeds 4,600. Without these funds, the Department will have to eliminate nursing staff and other important health care services. The Department has made great strides in implementing measures to contain medical costs and increase health care efficiencies. However, without these funds the Department's diligent efforts will be for naught, and their ability to safely provide minimal health care services to

state prisoners will be seriously jeopardized.

Senator Hoffman moved for adoption.

Senator Ward objected.

Senator Hoffman read the explanatory statement into the record.

Senator Olson commented on the difficulty of health care delivery, especially in a closed institution such as a prison system where disease is easily spread. He warned that without adequate supplies, control of infectious diseases including tuberculosis could "slip away". He therefore urged the passage of this amendment.

A roll call was taken on the motion.

IN FAVOR: Senator Halford and Senator Olson

OPPOSED: Senator Wilken, Senator Austerman, Senator Green, Senator Lemman, Senator Ward, Co-Chair Kelly and Co-Chair Donley

The motion FAILED (2-7)

The amendment FAILED to be adopted.

COR #4: This amendment adds \$207,100 general funds to the Community Residential Centers BRU, Existing Community Residential Centers component on page 10 lines 24 and 25. Accompanying explanatory language reads as follows.

This funds the annualized cost of four renewed community residential center contracts that were issued in FY 02 through competitive bid. Contracts contained were: 85 beds at Tundra Center (Bethel), 90 beds Glennwood Center (Anchorage), 31 beds at Cordova House (Anchorage), and 75 beds at Glacier Manor (Juneau). Without these funds, the Department will be required to reduce halfway house beds from each of the contracts. Due to the increased prisoner population, the Department does not have adequate beds in institutions to provide housing for these displaced offenders. Additionally, as culturally relevant programming and offender supervision (i.e., house arrest) program slots are included in these contracts, the cost of these services may be impacted by reduction of beds.

Senator Hoffman moved for adoption.

Senator Ward objected.

Senator Hoffman read the explanatory statement into the record.

A roll call was taken on the motion.

IN FAVOR: Senator Hoffman and Senator Olson

OPPOSED: Senator Austerman, Senator Green, Senator Leman, Senator Ward, Senator Wilken, Co-Chair Kelly and Co-Chair Donley

The motion FAILED (2-7)

The amendment FAILED to be adopted.

COR #5: This amendment adds \$761,100 general funds for the Out of State Contracts BRU, Out-of-State Contractual component on page 10, line 32. Accompanying explanatory language reads as follows.

Provides funds for continued placement of 30 offenders at the Department's contract Central Arizona Detention Center. Without these funds, the Department will need to hold these prisoners in state facilities at an increased cost and regardless of overcrowding that exists already. The Agency anticipates a 4%-5% growth rate in the offender population annually resulting in 150-200 more offenders coming into the correctional system every year. Due to the lack of available in-state institutional beds, the placement of prisoners in out of state facilities is necessary to meet state service demands.

Senator Hoffman moved for adoption.

Senator Ward objected.

Senator Hoffman read the explanatory statement into the record and commented this amendment could be considered a cost-saving measure, as inmates could continue to be housed in a relatively inexpensive environment.

A roll call was taken on the motion.

IN FAVOR: Senator Hoffman and Senator Olson

OPPOSED: Senator Green, Senator Leman, Senator Ward, Senator Wilken, Senator Austerman, Co-Chair Kelly and Co-Chair Donley

The motion FAILED (2-7)

The amendment FAILED to be adopted.

COR #6: This amendment adds \$195,500 general funds and \$37,400 I/A Receipts for the Administration & Operations BRU, Community Corrections Director's Office component on page 10 lines 9 and 10. Accompanying explanatory language reads as follows.

This funds the second year of Chapter 60 SLA 2001 (HB 172) passed by the Legislature last year. This bill was an Act relating to therapeutic courts for offenders etc. These funds are to cover the second year costs of the new Therapeutic Court legislation. Funds will cover the cost of one new probation officer in Anchorage, contractual services costs to cover communication costs of new probation officers in Bethel and Anchorage, and for leased office support equipment for new probation officers. The equipment is essential for monitoring, case tracking and reporting. General funds are also requested to offset a loss of interagency funds provided from a federal program for the VPSO monitoring program. These funds are no longer available for the program and the Department would like to maintain the VPSO probation services provided by these funds.

Senator Hoffman moved for adoption.

Senator Ward and Senator Green objected.

Senator Hoffman read a portion of the explanatory statement into the record. He referenced testimony provided to the Committee asserting that this program is successful. He reminded that several Committee members supported HB 172, the enabling legislation that was adopted a year prior. He surmised that these legislators prefer to campaign that they are "tough on crime"; however, he stressed that to accomplish the intent of the earlier legislation, adequate funding must be provided and that the Committee must "put money where our mouths are". He suggested that if the Legislature was to continue under-funding this and similar programs, the enabling statutes should be repealed and the Legislature should stop claiming to be tough on crime.

A roll call was taken on the motion.

IN FAVOR: Senator Hoffman and Senator Olson

OPPOSED: Senator Leman, Senator Ward, Senator Wilken, Senator Austerman, Senator Green, Co-Chair Kelly and Co-Chair Donley

The motion FAILED (2-7)

The amendment FAILED to be adopted.

COR #7: This amendment adds \$699,700 general funds to the Administration and Operations BRU, Southcentral Region Probation component on page 10 lines 12 and 13. Accompanying explanatory language reads as follows.

Initiative Request to provide funds to implement the Dual Diagnosis for Probationers and Parolees with Children Program. This would create specialized caseloads for dual-diagnosed offenders (men and women with both mental illness and alcohol/drug abuse) with children to facilitate family reunification and stability. Currently, the dual-diagnosis population including the felony DWI population, is the fastest growing group of probation/parole offenders. The Department of Corrections 2000-2001 data shows that 67.6% of the identified mentally ill offenders were intoxicated when they committed their crimes. In DOC Institutions during the same year, there were 10,133 mental health consultations and 77.1 % were identified as substance abuse/alcohol disordered. The department will need to hire additional Probations officers to reduce already high caseloads and create specialized caseloads for the dual diagnosis probationers and parolees with children. This also provides funding for a new liquor license application check/training passed last year.

This amendment was NOT OFFERED.

COR #8: This amendment adds \$530,000 general funds for the Administration and Operations BRU, Community Jails component on page 10 line 8. Accompanying explanatory language reads as follows.

The funds are needed to pay 15 local governments for days when state prisoners are held in the Community Jails. The Community Jails program provides 55,845 man-days of incarceration capability for the state prisoners pending arraignment, commitment by a court, for admission to a State correctional facility. Use of the local jail facilities includes pre-arraignment, post-arraignment, and holding sentenced prisoners up to 30 days. Due to legal process in the local Superior Court and the difficulty of prisoner transport in Alaska, it is not practical, nor is it desirable, to immediately transport these State prisoners to a State correctional facility. These funds will help stabilize the infrastructure needs of the local jail facilities to meet their mission objectives.

Senator Hoffman moved for adoption.

Senator Ward objected.

Senator Hoffman read a portion of the explanatory statement into the record. He added that the Legislature has a legal obligation to pay the expenses of State inmates while they are housed in local government facilities.

A roll call was taken on the motion.

IN FAVOR: Senator Olson and Senator Hoffman

OPPOSED: Senator Ward, Senator Wilken, Senator Austerman, Senator Green, Senator Leman, Co-Chair Kelly and Co-Chair Donley

The motion FAILED (2-7)

The amendment FAILED to be adopted.

COR #9: This amendment adds \$118,000 general funds for the Parole Board BRU and component on page 10 line 22. Accompanying explanatory language reads as follows.

These funds are needed to accommodate increased prisoner hearings and Parole Board activity relating to mandatory, discretionary and special medical parole releases and revocations. A considerable increase in numbers of hearings and parole activity has matched the growth in prison population that has occurred in the past five years, and expenditures incurred in meeting the Board's statutory obligations have increased as a result. These funds are needed to cover Parole Board member/staff travel and Board members compensated time associated with the conduct of parole activity statewide.

Senator Hoffman read a portion of the explanatory statement into the record. He asserted that providing these funds could lead to a decrease of prison overcrowding.

Senator Hoffman moved for adoption.

Senator Ward objected.

A roll call was taken on the motion.

IN FAVOR: Senator Hoffman and Senator Olson

OPPOSED: Senator Ward, Senator Wilken, Senator Austerman, Senator

Green, Senator Leman, Co-Chair Kelly and Co-Chair Donley

The motion FAILED (2-7)

The amendment FAILED to be adopted.

Senator Hoffman commented that eight of the nine appropriations proposed in the Department of Corrections amendments could not be readdressed by the budget Conference Committee.

Department of Administration

DAN SPENCER, Director, Division of Administrative Services, Department of Administration, testified to the efforts of the Department to maintain expenses, despite cost increases. He specified the telecom-partnering agreement that would save State agencies approximately \$13 million over the five-year term of the agreement and would also result in \$29 million in private investments to the State's telecommunication system.

Mr. Spencer appreciated the additional funding provided to the Division of Motor Vehicles through the adoption of MULTI #1. However, he qualified it would not cover the entire amount of inflationary increases incurred by the Division, pointing out that the announced postal rate increases would impact the Division by \$30,000.

Mr. Spencer spoke to the increased costs to the public broadcasting system, reminding the Committee that State funding had decreased or remained the same for the past several years.

Mr. Spencer stated that a proposed amendment relating to the Pioneers' Homes only addresses salary increases and does not address other cost increases, such as fuel or operational supplies.

Mr. Spencer noted a proposed amendment to the Alaska Public Office Commission (APOC) budget would add funding for the election year costs. He informed that this has been done in the past, and is "basically a maintenance level" increase. He stated this amendment would also fund the second-year implementation of campaign finance legislation vetoed by the Governor and overridden by the Legislature.

Mr. Spencer next explained the proposed amendment adding funding for the Division of Finance is necessary to maintain the existing payroll system while the Department selects a replacement system. He noted the Department has also submitted a request for capital funds to purchase the new system.

Mr. Spencer stated that the Public Defender Agency (PDA) has requested supplemental funds for the FY 02 budget. He listed: fewer investigators, reduced travel, and cooperation with the therapeutic courts, as some of the steps the Agency has taken to "get the best bang for the buck for the entire criminal justice system." He informed that the PDA utilizes a case management system developed by a Legal Secretary rather than an outside computer specialist.

Mr. Spencer continued that the Office of Public Advocacy (OPA) has also requested supplemental funding for FY 02 of over \$1.8 million. He emphasized that, like the PDA, the OPA has continued to have an increased caseload, although it has not received adequate funding in initial appropriations and has required a supplemental appropriation in 14 of the past 15 years. He stressed there is "no way that the existing budget proposal before you" would allow the Office to avoid an additional supplemental budget request "unless a miracle happens, which we don't expect." He pointed out that the court-appointed special advocate (CASA) program that handles guardian ad litem cases and operates within the OPA, had 188 volunteers who served over 20,000 hours, which saved the State over \$750,000.

Mr. Spencer appreciated the State's budget situation, but stressed that the population of Alaska is increasing, along with caseloads, and costs. He remarked that in attempting to serve the entire population with less funding, "it's like we're going backwards while we're trying to improve."

Senator Hoffman asked the importance of the Department of Administration's \$293,000 request to for the AKPAY payroll accounting system. He wanted to know the consequences of a system failure and the subsequent inability for the State to "meet payroll" and conduct other functions in a timely manner.

Mr. Spencer clarified that this item is included in ADMIN #6 and replied that three additional programmers were hired to operate the system because programming changes must be made daily to keep pace with updated bargaining unit contracts, tax law changes, etc. He furthered that the vendor of the existing system would soon discontinue providing support. He stated that while a new system is selected, the "underlying database management system" must be converted to allow it to continue operating after the vendor stops supporting the existing system. He projected a failure would impact between \$20,000 to \$30,000 Alaskans and their families.

Senator Hoffman asked if a failure of this system would disrupt the electronic transaction of paychecks and other warrants.

Mr. Spencer answered that it conceivably could.

Senator Hoffman announced the proposed amendment (ADMIN #6) relating to the AKPAY system would not be offered, as it would create a new budget component and the Senate Minority had committed to not request funding for new programs or projects. [This amendment is detailed below.]

ADMN #1: This amendment adds \$204,300 general funds for the Alaska Public Offices Commission BRU and component on page 5 lines 15 and 16. Accompanying explanatory language reads as follows.

This amendment restores funding for APOC to implement the campaign disclosure law changes passed by the legislature as an override of the Governor's veto of SB 103 (Election Campaigns and Legislative Ethics). It would also restore funding for election year activities, which has been included in the budget in the past during statewide elections, and cover some additional costs for positions.

Adopting this budget jeopardizes the Commission's ability to disseminate information to the public in a timely manner during the campaign. Campaign finance information is required by law to be provided to the Commission before the election but will most likely not be available until after the election has occurred. Without funding for printing, training and support staff, the Commission will be unable to assist candidates and political groups to understand the changes to the campaign disclosure laws, which will likely result in costly complaints and substantial non-compliance.

Senator Olson moved for adoption.

Senator Ward objected.

Senator Olson read the explanatory statement into the record. He noted that during the veto and veto override process the fiscal note accompanying SB 103 was eliminated, resulting in an unfunded mandate.

Senator Hoffman expressed, "What were we thinking? We spent all the time to get this legislation passed. We thought it so important that we challenged the Governor in his veto, and then in all of our infinite wisdom, we don't appropriate the money."

A roll call was taken on the motion.

IN FAVOR: Senator Hoffman and Senator Olson

OPPOSED: Senator Green, Senator Leman, Senator Ward, Senator Wilken, Senator Austerman, Co-Chair Kelly and Co-Chair Donley

The motion FAILED (2-7)

The amendment FAILED to be adopted.

ADMN #2: This amendment adds \$2,126,900 general funds, \$4,500 GF/PR (Program Receipts), and \$2,900 GF/MH (Mental Health) funds to the Legal and Advocacy Services BRU, Public Defender Agency component on page 5 line 12. Accompanying explanatory language reads as follows.

This amendment restores the Public Defender's budget to an amount that is \$500,000 less than the amount proposed by the Governor. This would provide sufficient resources to maintain services at the current year level as well as provide funding for alcohol initiative fiscal notes, which were underfunded last year. It will also provide funding for attorneys representing parents in parental rights termination cases. Funding for these positions was previously included in the Department of Health and Social Services budget, but eliminated in FY 02 without a corresponding increase in the Public Defender budget.

The Public Defender is already shortfunded, needing approximately \$600,000 in supplemental funding for FY 02. Accepting this budget means the Public Defender will need another supplemental appropriation next year.

Right to counsel is a constitutional right provided to all Americans, as stated in the US constitution and reiterated in the Alaska Constitution in Article I, Section II. For those unable to afford an attorney, the courts appoint a public defender. Cases are assigned to the Public Defender Agency by the courts and the Public Defender cannot refuse the cases. When assigned a case, the agency must provide effective assistance of counsel.

AND

ADMN #3: This amendment adds \$2,271,100 general funds and \$20,700 GF/MH for the Legal and Advocacy Services BRU, Office of Public Advocacy component. Accompanying explanatory language reads as follows.

This eliminates funding for the OPA to promptly compensate contract attorneys for their services in both civil and criminal representation of clients.

All OPA cases result from court appointments and OPA cannot refuse to take them. For 14 of the last 15 years, OPA has had to get supplemental funding to cover its costs. For FY 02, OPA has a supplemental request for more than \$1.8 million before the legislature. There is no way OPA can hold to the Subcommittee's proposed budget unless there is a huge, completely unforeseen caseload drop. Nobody has forecast that; in fact, OPA's caseload has been rising over the years. If this budget is adopted, OPA will have to ask for a large supplemental again next session.

Senator Olson moved for adoption of ADMN #2 and ADMN #3.

Senator Ward objected.

Senator Olson explained that the funds requested would be utilized for contractual services of attorneys to represent defendants as directed by the Alaska Court System. He cautioned that without adequate funding, the agencies would "spiral down" in their ability to advocate for the parties it represents. He read from the explanatory statements.

SFC 02 # 78, Side B 08:50 PM

A roll call was taken on the motion.

IN FAVOR: Senator Hoffman and Senator Olson

OPPOSED: Senator Lemman, Senator Ward, Senator Wilken, Senator Austerman, Senator Green, Co-Chair Kelly and Co-Chair Donley

The motion FAILED (2-7)

The amendments FAILED to be adopted.

ADMN #4: This amendment adds \$403,300 general funds and \$234,100 GF/MH for the Alaska Longevity Programs Management BRU, Pioneers Homes component on page 4 line 20. Accompanying explanatory language reads as follows.

The Pioneers' Homes are currently operating with approximately 90 beds empty because staffing is insufficient to provide the 24-hour care that the people on the Pioneers' Home waiting list need. If this \$637,400 is not restored, the Pioneers' Homes will have to hold more staff positions vacant, meaning more beds will be held vacant. That will, in turn, result in

less revenue (Pioneers' Home Receipts), which will exacerbate the GF cuts.

One of the Legislature's performance measures for the Pioneers' Homes is the average number of vacant beds by level of care and Pioneers' Home. The total effect of this cut will be to force another 10 to 16 beds vacant. Most of these will be in Anchorage because it is the only home large enough to allow the reduction of staff necessary to meet the budget reduction without having to close an entire unit.

Senator Olson moved for adoption.

Senator Ward objected.

Senator Olson commented that each Committee member has aging parents and could themselves become residents of the Pioneers' Homes. He read the explanatory statement into the record.

A roll call was taken on the motion.

IN FAVOR: Senator Olson and Senator Hoffman

OPPOSED: Senator Ward, Senator Wilken, Senator Green, Senator Leman, Co-Chair Kelly and Co-Chair Donley

The motion FAILED (2-7)

The amendment FAILED to be adopted.

ADMN #5: This amendment adds \$69,900 general funds for the Public Communications Services BRU, Public Broadcasting-Radio component on page 4 line 9. Accompanying explanatory language reads as follows.

This cut will mean the loss of an additional \$130,000 in federal matching funds. As many as 8 more full time jobs will be lost because of this cut. Stations are already at minimum staffing levels. Additional staff reductions could result in elimination of local programming including news and public affairs.

Public broadcasters have done more than their share to eliminate all but the essentials from their own budgets. After a decade and a half of state operating budget reductions, the public broadcasting system in Alaska is delicately balanced to the point where damage to any of its components risks the collapse of the rest.

Public radio is not an amenity for Alaskan communities because public broadcasting provides a unique and vital service as a major cohesive force bringing the state together with news,

information and educational programming.

Senator Olson moved for adoption.

Senator Ward objected.

Senator Olson read the explanatory statement into the record. He stressed the importance of public radio to broadcast reports of inclement weather as well as relaying important messages to rural communities with limited access to other forms of communication. He spoke of the closure of the Kotzebue public radio station and the subsequent decrease of communications in that region.

A roll call was taken on the motion.

IN FAVOR: Senator Hoffman and Senator Olson

OPPOSED: Senator Ward, Senator Wilken, Senator Green, Senator Lemman, Co-Chair Kelly and Co-Chair Donley

The motion FAILED (2-7)

The amendment FAILED to be adopted.

ADMN #6: This amendment adds \$293,500 general funds for the Centralized Administrative Services BRU, Finance component on page 2 line 21. Accompanying explanatory language reads as follows.

This amendment restores \$225,600 requested to add three new payroll system programmers and \$67,900 to maintain the current staffing level.

The State's payroll system, AKPAY, is 12 years old and the software vendor has indicated that future maintenance releases will no longer support the existing underlying database management system. Before the next major maintenance update in FY 03/FY 04, the State must convert the AKPAY database from ADABAS to DB2. This is a very large project and is more than existing staff can handle. Without additional programmers, the probability of system failure is greatly increased.

The payroll system supports every activity of the State of Alaska. Its importance is reflected in two of the divisions' performance measures assigned by the legislature: system down time and amount of penalty pay. In the case of system failure, both of these measures will increase significantly.

This amendment was NOT OFFERED.

Department of Community and Economic Development (cont.)

JEFF BUSH, Deputy Commissioner, Department of Community and Economic Development testified that the Power Cost Equalization (PCE) program remains unfunded in the current version of the FY 03 operating budget. He pointed out that adoption of the proposed amendments before the Committee would provide \$15.7 million for this program, or 85 percent of necessary funding and that pro-rationing would be required.

Mr. Bush next spoke to concerns about the \$284,000 unallocated budget reduction to the Department and asked the Committee to reduce or eliminate this decrease.

Mr. Bush then addressed a proposed amendment relating to the use of Alaska Science and Technology Foundation (ASTF) funding for the University of Alaska. He explained that the current committee substitute provides that approximately \$2.3 million of ASTF endowment funds would be appropriated to the University. He stated this would allow projects to be undertaken by the Foundation; however, this would be the first time funds would be withdrawn from the principle. He relayed concerns about this precedent and expressed the fund should be protected "for the purpose it was created."

Mr. Bush commented that C&ED #1, adopted earlier in the hearing makes C&ED #4 unnecessary.

AT EASE 8:59 PM / 9:06 PM

C&ED #2: This amendment adds \$15,700,000 general funds for the Rural Energy Programs BRU, Power Cost Equalization component on page 7 line 22. Accompanying explanatory language reads, "General funds are needed in the Power Cost Equalization and Rural Capitalization Fund to maintain the program."

Senator Olson moved for adoption.

Senator Ward objected.

Senator Olson noted this amendment would provide the same amount appropriated to this program the prior year. He emphasized this program is vital to areas of the State where the expense of electricity is "almost unaffordable" for many rural residents. He informed that the costs have increased greatly, and that to conserve energy, some residents have unscrewed the light bulbs in their refrigerators.

Senator Hoffman furthered "this is a wonderful program."

Senator Leman noted it is anticipated that this program would be funded "in another vehicle."

Senator Olson remarked that it is reassuring to hear from the Senate Majority Leader and asked if the program would be fully funded.

Senator Leman replied, "The PCE recipients would be adequately taken care of."

Senator Olson commented "with all due respect" this reassurance would not necessarily "keep the lights on" for many families and elderly living in rural Alaska.

A roll call was taken on the motion.

IN FAVOR: Senator Hoffman and Senator Olson

OPPOSED: Senator Green, Senator Leman, Senator Ward, Senator Wilken
Senator Austerman, Co-Chair Kelly and Co-Chair Donley

The motion FAILED (2-7)

This amendment FAILED to be adopted.

C&ED #3: This amendment adds \$262,900 general funds, \$9,300 GF/matching funds, and \$11,900 GF/Program Receipts for the Commissioner's Office BRU, Agency-Wide Unallocated Reduction component on page 6 lines 6 and 7. Accompanying explanatory language reads as follows.

\$184,800 of the reduction is equal to the general fund year three labor costs. If this unallocated reduction was taken where the labor costs were incurred, we would make the reductions in the following components, all of which would have a difficult time absorbing the reduction and still maintain an acceptable level of service.

When determining where the additional unallocated general fund reduction of \$99,300 would be taken, the Department attempted to balance: (a) the year 3 general fund labor costs reduction, (b) the subcommittee's intent language for no further reductions to QTA; and (c) the assumption that reductions were unacceptable in Revenue Sharing and Safe Communities. The only BRU that has general funds and is unaffected by the above conditions is the Rural Energy Programs BRU. This reduction will force the program to cut back to a minimal preventative

maintenance schedule to rural electric systems and eliminate on-site training to operators.

The unallocated reductions will be taken from the following components:

- Community and Business Development (\$96,800)
- Division of International Trade & Market Development (\$28,700)
- Division of Administrative Services/Commissioner's Office (\$49,000)
- Occupational Licensing (\$10,300)
- Rural Energy Circuit Rider Program (\$99,300)

Senator Olson cautioned about the impacts of unallocated budget reductions and moved for adoption of the amendment.

Senator Ward and Co-Chair Donley objected.

A roll call was taken on the motion.

IN FAVOR: Senator Hoffman and Senator Olson

OPPOSED: Senator Leman, Senator Ward, Senator Wilken, Senator Austerman, Senator Green, Co-Chair Kelly and Co-Chair Donley

The motion FAILED (2-7)

The amendment FAILED to be adopted.

C&ED #4: This amendment adds \$160,000 for the Community Assistance & Economic Development BRU, Community and Business Development component on page 6 lines 13 and 14. Accompanying explanatory language reads as follows.

This amendment restores the \$160,000 from the Division of Community and Business Development's (CBD) FY 03 budget, deleted through passage of amendment MULTI #1. Apparently, the reduction was to be taken from the Alaska Regional Development Organizations (ARDOR) program however, the ARDOR program is funded with Interagency Receipts from the Alaska Industrial Development and Export Authority (AIDEA). If this amendment is not approved, the existing decrement will result in the deletion of three positions: a developmental specialist in Bethel and two Juneau based positions: a part-time mining and minerals development specialist and an administrative assistant.

This amendment was NOT OFFERED due to action taken on C&ED #1.

Department of Education and Early Development

KAREN REHFELD, Director, Education Support Services, Department of Education and Early Development, testified that the six proposed amendments are intended to restore funding for existing services at current levels. She furthered that these amendments would allow the Department to continue training programs at the Alaska Vocational Technical Center (AVTC) in Seward, the Kotzebue Technical Center, the State Museum and the State Library.

Ms. Rehfeld characterized E&ED #1 as addressing the greatest concern relating to the statewide assessment program. She informed that the Department is on schedule to implement the high school graduation qualifying examinations for those students eligible for a diploma in the class of 2004. She stated the funding is necessary to continue a contractual relationship with McGraw-Hill to ensure that students receive the "proper instruction" and an "appropriate education". She also spoke to the data collection and compilation required for this program.

Ms. Rehfeld then addressed an amendment to the language section of the committee substitute that relating to funding for the Learning Opportunity Grants. She appreciated the funding allocated with the adoption of MULTI #1, noting it "is essential to providing our instructional programs across the State, particularly to our students that are struggling in meeting some of our State standards." She expressed however, that this allocation should be made through the public school funding program because the formula accounts for school size and the cost of providing services.

E&ED #1: This amendment adds \$1,070,600 general funds for the Teaching and Learning Support BRU, Quality Schools component on page 11 line 26. Accompanying explanatory language reads as follows.

This amendment fully funds contract costs for ongoing development and implementation of the High School Graduation Qualifying Exam (\$340,600), and expands the State's capacity to provide for a meaningful school accountability system (\$730,000).

The amendment enables the Department to implement AS 14.03.075 and AS 14.03.120-123 that requires students, beginning with the Class of 2004, to pass all three parts of the High School Graduation Qualifying Exam in order to receive a high school diploma.

Further, the amendment provides the Department with the capacity to meet the statutory data reporting requirements and

a designation of school performance based on such data. Four new positions will provide the ability to collect, analyze, validate, and report meaningful, consistent data that is critical to the school accountability system.

Senator Hoffman moved for adoption.

Senator Wilken objected.

Senator Hoffman read the explanatory statement into the record. He furthered that the Committee members have supported efforts to establish education standards.

Senator Wilken pointed out that the \$340,600 indicated in the explanatory statement is the remainder of a \$770,000 request for on-going development and implementation of the high school graduation qualifying examinations. He stated that along with funding \$429,400 with "available monies", a commitment was made to appropriate \$498,000 for the FY 02 supplemental budget. The combination of these appropriations, he assured, would fully fund this item.

A roll call was taken on the motion.

IN FAVOR: Senator Hoffman and Senator Olson

OPPOSED: Senator Green, Senator Lemman, Senator Ward, Senator Wilken, Senator Austerman, Co-Chair Kelly and Co-Chair Donley

The motion FAILED (2-7)

The amendment FAILED to be adopted.

E&ED #2: This amendment adds \$75,000 general funds for the Alaska Vocational Technical Center Operations BRU and component on page 13 lines 7 and 8. Accompanying explanatory language reads as follows.

This amendment restores funding for a Marine Educational instructional position for the maritime simulator training program, which will otherwise not offer the highest level of training in the Unlimited Master license category as requested by the maritime industry.

Senator Hoffman moved for adoption.

No objection was voiced.

Senator Hoffman read the explanatory statement into the record.

Senator Olson spoke to the importance of marine pilots and their ability to avoid marine accidents.

A roll call was taken on the motion.

IN FAVOR: Senator Hoffman and Senator Olson

OPPOSED: Senator Austerman, Senator Green, Senator Leman, Senator Ward, Senator Wilken, Co-Chair Kelly and Co-Chair Donley

The motion FAILED (2-7)

The amendment FAILED to be adopted.

E&ED #3: This amendment adds \$130,000 general funds for the Kotzebue Technical Center Operations Grant BRU and component on page 12 lines 31 and 32.

Senator Olson moved for adoption.

Senator Wilken objected.

Senator Olson explained this appropriation would allow the Center to continue performing. He listed the technical training offered in the fields of health, office occupation, business, industrial technology, industrial mine maintenance and adult basic education. He cautioned that without this funding, the Center would realize a 22 percent reduction to the Center's general fund budget, which would impact the facility's ability to operate vocational technical training programs.

Senator Olson detailed the Licensed Practical Nurse training program planned to begin the following year.

AT EASE 9:20 PM / 9:21 PM

Senator Wilken pointed out that the Governor had requested \$600,000 for this purpose and the committee substitute allocates \$470,000. He reminded that two years prior an additional annual appropriation of approximately \$500,000 was established using the Statewide Training Employment Program (STEP) funds. Therefore, he surmised the programs could absorb the \$130,000 reduction.

Senator Olson asserted that reducing funding for these programs is a disservice to the State given the anticipated construction of a natural gas pipeline and other economic development projects that require skilled workers. He stated that it is beneficial to employ

Alaskans for these positions rather than import workers.

A roll call was taken on the motion.

IN FAVOR: Senator Hoffman and Senator Olson

OPPOSED: Senator Green, Senator Leman, Senator Ward, Senator Wilken, Senator Austerman, Co-Chair Kelly and Co-Chair Donley

The motion FAILED (2-7)

The amendment FAILED to be adopted.

E&ED #4: This amendment adds \$200,000 general funds for the K-12 Support BRU, Community Schools component on page 11 line 20. Accompanying explanatory language reads as follows.

This amendment restores the community schools program funding to the FY 02 amount, which is the minimal amount to even make community schools programs viable on a statewide basis.

Senator Hoffman moved for adoption.

Senator Wilken and Senator Green objected.

Senator Hoffman read the explanatory statement into the record.

Senator Wilken emphasized this program received no funding in the budget approved by the House of Representatives. He determined it is a priority item and recommended the \$300,000 allocation reflected in the committee substitute.

A roll call was taken on the motion.

IN FAVOR: Senator Hoffman and Senator Olson

OPPOSED: Senator Leman, Senator Ward, Senator Wilken, Senator Austerman, Senator Green, Co-Chair Kelly and Co-Chair Donley

The motion FAILED (2-7)

This amendment FAILED to be adopted.

E&ED #5: This amendment adds \$100,000 general funds for the Alaska Library and Museums BRU, Library Operations component on page 13 line 16. Accompanying explanatory language reads as follows.

This amendment restores the Statewide Library Electronic

Doorway (SLED) funding to provide hardware and software maintenance and upgrades, personnel costs for updating the web site and the help desk, and leverage for acquiring other federal and private monies to begin work on a virtual/digital library for Alaska.

Senator Hoffman moved for adoption.

Senator Ward and Senator Green objected.

Senator Hoffman read the explanatory statement into the record.

A roll call was taken on the motion.

IN FAVOR: Senator Olson and Senator Hoffman

OPPOSED: Senator Leman, Senator Ward, Senator Wilken, Senator Austerman, Senator Green, Co-Chair Kelly and Co-Chair Donley

The motion FAILED (2-7)

The amendment FAILED to be adopted.

E&ED #6: This amendment adds \$60,000 for the Alaska Library and Museums BRU, Museum Operations component on page 13 line 16. Accompanying explanatory language reads as follows.

This amendment restores personal services and travel funds, which directly effect the museums' ability to maintain their current hours and services.

Senator Hoffman moved for adoption.

Senator Ward objected.

Senator Hoffman read the explanatory statement into the record.

A roll call was taken on the motion.

IN FAVOR: Senator Olson and Senator Hoffman

OPPOSED: Senator Ward, Senator Wilken, Senator Austerman, Senator Green, Senator Leman Co-Chair Kelly and Co-Chair Donley

The motion FAILED (2-7)

Department of Environmental Conservation

DEC #1: This amendment adds \$907,000 general funds and \$36,800 GF/Program Receipts to the Air and Water Quality BRU, Water Quality component and \$302,700 general funds and \$553,400 Clean Air Protection Funds to the same BRU, Air Quality component on page 14 lines 14 and 15.

This amendment also adds \$451,200 general funds to the Spill Prevention and Response BRU, Industry Preparedness and Pipeline Operations component and \$244,000 general funds to the same BRU, Prevention and Emergency Response component on page 14 lines 27-30.

This amendment also adds \$125,000 general funds to the Environmental Health BRU, Statewide Public Services component on page 14 line 11.

Accompanying explanatory language reads as follows.

Allow the State to assure responsible development of Alaska's oil and gas resources through the oil safety and development initiative. Failure to fund this initiative continues to mean that the State is minimally funded to oversee current oil development, much less anticipated growth or the opening of ANWR [Arctic National Wildlife Refuge].

This amendment was NOT OFFERED.

Department of Fish and Game

FRANK RUE, Commissioner, Department of Fish and Game, testified that over the previous ten years, the Department has lost approximately \$20 million, or 25 percent, of general funds. As a result, he stated the Department is "mostly a federally funded agency at this point." Of the remaining general funds appropriated to the Department, he noted that approximately 85 percent is allocated to commercial fisheries programs. He commented that commercial fisheries produce jobs for people in Alaska.

Mr. Rue told the Committee that the proposed budget of \$1.7 million less than the current year, \$1.4 million of which is unallocated budget reductions, would require programs to be eliminated. He explained that the reduction is so large that the Department is unable to absorb the losses and "just do everything badly." He listed the three programs that would be eliminated and the resulting consequences: Bering Sea/Aleutian Islands Shellfish Management Program, which the State is not statutorily mandated to manage; the genetics laboratory, commenting that the less information available, "the worse we are at fishing ... we under-fish or we over-fish"; and all non-game wildlife programs.

Senator Olson asked about the State's liability in the event that no personnel were available on State-owned land to protect the public. He referenced the witness's comment that funding reductions would result in elimination of personnel stationed at wildlife viewing areas.

Mr. Rue was unsure of whether the State had legal liability; although it has a responsibility, stressing, "I would certainly feel some responsibility though if someone were attacked and we knew ... of a dangerous situation and we didn't try and control it."

Senator Olson "guaranteed" that some attorneys would pursue litigation against the State on this matter. He surmised that the State would be somewhat liable.

F&G #1: This amendment adds \$1,485,700 general funds to the Commissioner's Office BRU, Agency-wide Unallocated Reduction component created by MULTI #1 on page 15 following line 13. Accompanying explanatory language reads as follows.

With the state purpose of "providing more flexibility", the Finance Committee amended the action of the Fish and Game subcommittee by changing specific program reductions to the Bering Sea/Aleutian Islands (BS/AI) Crab Program and the Genetics Program to an agency-wide unallocated reduction. With 80% of the Department's general fund in the Division of Commercial Fisheries, there is no flexibility achieved by this action. The Department advised the subcommittee that with the magnitude of the proposed reductions, we could no longer continue to erode all programs with across the board reductions. This amendment will restore funding to the BS/AI Crab Program and the Genetics Program.

Bering Sea/Aleutian Islands Crab Program \$741,000
This funding will restore all general funds for crab management in the region and allow the Department to retain the program's federal funds. Without this funding, the loss of research and observer personnel would eliminate sources of information required for in-season and inter-annual management (e.g., harvest quota management, quota setting, by-catch monitoring, effort monitoring). Loss of general fund research and observer staff would also violate current contracts with the federal granting agencies and would not allow the Department to conduct observer programs mandated by the Alaska Board of Fisheries.

The general fund allocation for the BS/AI Crab Program of \$741,000 supports a staff of biologists, technicians and the

Crab Fishery Observer Coordinator plus a core research staff and various seasonal positions utilized to sample catches, analyze data, and support deployment, briefing and debriefing observers. The program is conducted primarily from the Department's Dutch Harbor office, with assistance from staff in Kodiak. The program manages crab fisheries worth several hundred million dollars, under delegation from the National Marine Fisheries Service (NMFS), the North Pacific Fisheries Management Council (NPFMC) and under direction of the Alaska Board of Fisheries. The program is integral to federally funded research on crab stocks (approximately \$2 million in federal grants to the State) and to the crab observer program that is supported by test fish funds (authorized at about \$680,000 per year).

These crab fisheries constitute a significant portion of the State's production of seafood. Even though much of the harvest occurs in federal rather than State waters, Alaska has managed these fisheries since statehood and has, since implementation of the Fishery Conservation and Management Act in 1976, worked in concert with federal authorities to maintain management control. A core management program funded directly by the State's general fund has been essential to prudent administration of the federal funds as well as to maintenance of the State's position in the management and research of these tremendously important fisheries.

Genetics Program \$744,700

This funding will restore the subcommittee's cut of \$744,700, all the general funds in the Genetics Program. These general funds support a core staff of a Fisheries Scientist, a Biometrician, and three Geneticists who conduct research primarily using external, non-general funds (currently about \$815,000).

The heart of the program is the genetics laboratory. The laboratory has state of the art equipment valued at approximately \$1.1 million. Elimination of general funds would effectively eliminate the genetics program and severely compromise our ability to attract non-general fund funding sources. The Division would lose its ability to conduct genetic stock identification (GSI) research and evaluation. Applications, extensive and routine in our programs, support fisheries management, which include:

- Genetics baseline and stock composition for use in Pacific Salmon Treaty (PST) fisheries;
- By-catch composition in Gulf of Alaska and Bering Sea trawl fisheries;
- High seas fisheries stock identification;

- Yukon River, Bristol Bay, Cook Inlet, and South Alaska Peninsula fisheries stock composition; and
- Genetic diversity inventories for exploited fish populations used to address a wide variety of conservation issues including addressing petitions for listing under the Endangered Species Act.

Senator Hoffman moved for adoption.

Senator Ward objected.

Senator Hoffman spoke of his 14 years serving on the Department of Fish and Game budget subcommittee and asserted, "It is high time the State of Alaska reassesses its position on this particular Department." He explained it provides thousands of jobs and provides an economic stimulus. He argued that although this Department has successfully adjusted to operating with fewer general funds, it is "punished" with further budget reductions. He also pointed out this Department generates over \$65 million and that reductions jeopardize this revenue source as the Department is less able to manage the resources to maintain a sustained yield. He expressed that to not adopt this amendment is "plain insane and does not make any business sense."

Senator Olson remarked that the budget reductions have the effect of "disboweling" programs to the extent that the State is "ripe" for federal takeover. He suggested this represents a "regressive mentality" that would "put us back to the territorial status" that was fought against in the process of achieving statehood.

A roll call was taken on the motion.

IN FAVOR: Senator Austerman, Senator Hoffman, Senator Lemman and Senator Olson

OPPOSED: Senator Green, Senator Ward, Senator Wilken, Co-Chair Kelly and Co-Chair Donley

The motion FAILED (4-5)

The amendment FAILED to be adopted.

F&G #2: This amendment adds \$223,700 general funds for the Wildlife Conservation BRU, Wildlife Conservation Restoration Program component on page 16 lines 12 and 13. Accompanying explanatory language reads as follows.

This funding will restore the subcommittee's cut of nearly all

the general fund match for Wildlife Conservation Non-Game Programs.

The Division of Wildlife Conservation receives approximately \$260,000 in general funds annually. This funding satisfies a 3:1 match requirement for wildlife conservation restoration funds (WCRP) and the proposed cut of \$223,700 will result in the loss of \$671,100 federal funds. Specific non-game and watchable wildlife programs that will be affected by the subcommittee's cut include:

- Goshawk and Endangered Species Research
- Brown Bear Viewing
- Mendenhall Wetlands State Refuge
- Wolverine Creek and Pack Creek Management
- Round Island and Walrus Island Sanctuaries
- Anchorage and Northwest Alaska Raptors

Senator Hoffman moved for adoption.

Senator Ward objected.

AT EASE 9:39 PM / 9:49 PM

Senator Hoffman read the explanatory statement into the record and elaborated on the importance of the threatened programs.

A roll call was taken on the motion.

IN FAVOR: Senator Hoffman and Senator Olson

OPPOSED: Senator Green, Senator Leman, Senator Ward, Senator Wilken, Senator Austerman, Co-Chair Kelly and Co-Chair Donley

The motion FAILED (2-7)

The amendment FAILED to be adopted.

Department of Health and Social Services (cont.)

JANET CLARKE, Director, Division of Administrative Services, Department of Health and Social Services, testified to concerns raised with the Committee's adoption of MULTI #1. She noted that although it appears the Department's budget was increased \$270 million over FY 02, the FY 02 supplemental budget request is not included in the comparison. She calculated the actual increase from FY 02 funding at \$100 million. Although she qualified this amount is significant, most are federal funds and non-general funds to the Medicaid program. She noted the general fund increase is

approximately \$12 million, which is appropriated primarily for formula increases to Medicaid.

Ms. Clarke appreciated that several programs received no reductions to the base funding, including foster care and juvenile justice.

Ms. Clarke stated that with the adoption of MULTI #1, the Adult Public Assistance and Foster Care Special Needs programs are funded at 30 percent of the requested amount. She expressed concern that the language adopted to the findings and intent section of the bill would "trigger the pro-rata bill; the language in SB 182, which has passed the Senate." She remarked this would be an "unreasonable" outcome for poor, disabled and elderly clients.

Ms. Clarke continued that the Subsidized Adoption program is funded at 34 percent of the requested amount. She pointed out a request for \$2.5 million is included in the proposed FY 03 supplemental budget, noting that although this amount would be reduced to \$2.1 million, the current FY 03 funding is inadequate.

Ms. Clarke informed the Committee that the amendments that would be offered at this hearing are primarily to restore funding reductions to grant programs and formula programs. She emphasized that alcohol and drug abuse treatment programs require additional funds.

H&SS #2: This amendment adds \$593,900 general funds and \$2,806,100 GF/Mental Health funds for the Alcohol and Drug Abuse Services BRU, Alcohol and Drug Abuse Treatment Grants component on page 21 lines 31 and 32, adds \$528,100 general funds for the Alcohol Safety Action Program (ASAP) component on lines 29 and 30, and also adds \$289,100 GF/Mental Health for the Rural Services and Suicide Prevention component on page 22 lines 6 and 7. Accompanying explanatory language reads as follows.

This amendment will restore treatment and prevention programs and fund needed administrative support for these grant-in-aid programs. Without these funds Alcohol Safety Action Programs (ASAP) in Dillingham, Ketchikan, Kodiak, Mat-Su and Seward will have to close.

Senator Hoffman moved for adoption.

Senator Green objected.

Senator Hoffman reminded that he has spoken on the importance of funding these programs several times. He reiterated that although the Committee has demonstrated it is "tough on crime" it is necessary to address the relationship between crime and substance

abuse. He read the explanatory statement into the record.

Senator Olson added that these programs offer preventative benefits.

SFC 02 # 79, Side A 09:57 PM

Senator Olson commented on the Rural Services and Suicide Prevention component, suggesting the members disregard the Rural Services reference, as suicides occur in all areas of the State. He remarked that suicide could be prevented.

A roll call was taken on the motion.

IN FAVOR: Senator Olson and Senator Hoffman

OPPOSED: Senator Leman, Senator Ward, Senator Wilken, Senator Austerman, Senator Green, Co-Chair Kelly and Co-Chair Donley

The motion FAILED (2-7)

The amendment FAILED to be adopted.

H&SS #3: This amendment adds \$671,200 general funds for the Purchased Services BRU, Family Preservation component on page 19 line 28. Accompanying explanatory language reads as follows.

These funds will be used for grants designed to help children and families at risk or in crisis. Services include intensive pre-placement services, follow-up care for families, and services to increase parenting abilities.

Senator Hoffman moved for adoption.

Senator Green objected.

Senator Hoffman read the explanatory statement into the record.

Senator Olson noted that the Committee members were raised in conservative and traditional families and had involved parents. However, he stated that "families are more under attack than they were before." He suggested that before "we reach crisis" and experience the further disintegration of families, actions should be taken to assist those families currently at risk.

A roll call was taken on the motion.

IN FAVOR: Senator Olson and Senator Hoffman

OPPOSED: Senator Ward, Senator Wilken, Senator Austerman, Senator Green, Senator Leman, Co-Chair Kelly and Co-Chair Donley

The motion FAILED (2-7)

The amendment FAILED to be adopted.

H&SS #4: This amendment adds \$2 million general funds for the Catastrophic and Chronic Illness Assistance BRU, Catastrophic and Chronic Illness Assistance (AS 47.08) component on page 18 lines 31-33. Accompanying explanatory language reads as follows.

This amendment restores the 50% cut to this program. Funds will be used to provide a limited package of health services to Alaskans with terminal diseases or one of four chronic illnesses: diabetes, seizure disorder, chronic mental illness or hypertension. Each CAMA recipient qualifies only if they have income of less than \$300 per month and assets of less than \$500 except for their home and vehicle and have no other insurance.

Senator Hoffman moved for adoption.

Senator Green objected.

Senator Hoffman read the explanatory statement into the record.

Senator Olson spoke of the emotional drain of terminal diseases and chronic illness.

A roll call was taken on the motion.

IN FAVOR: Senator Hoffman and Senator Olson

OPPOSED: Senator Ward, Senator Wilken, Senator Austerman, Senator Green, Senator Leman, Co-Chair Kelly and Co-Chair Donley

The motion FAILED (2-7)

The amendment FAILED to be adopted.

H&SS #5: This amendment adds \$103,800 general funds, \$16,800 GF/Match funds and \$1,200 GF/Program Receipts to the Public Assistance Administration BRU and component on page 19 lines 5 and 6; adds \$63,500 general funds and \$709,200 GF/Match funds to the

Public Assistance Field Services component on lines 8 and 9; adds \$9,400 general funds and \$131,100 GF/Match funds to the Public Assistance Data Processing component on lines 10 and 11; and also adds \$14,400 GF/Match funds for the Quality Control component on line 7. Accompanying explanatory language reads as follows.

This amendment will fund caseworkers and data processing at maintenance levels and will restore support for Alaska Food Coalition. Without this funding 17 caseworkers in Anchorage, Juneau, Fairbanks, Mat-Su, Kenai and Bethel will be cut.

Senator Hoffman moved for adoption.

Senator Green objected.

Senator Hoffman read the explanatory statement into the record.

A roll call was taken on the motion.

IN FAVOR: Senator Hoffman and Senator Olson

OPPOSED: Senator Wilken, Senator Austerman, Senator Green, Senator Leman, Senator Ward, Co-Chair Kelly and Co-Chair Donley

The motion FAILED (2-7)

The amendment FAILED to be adopted.

H&SS #6: This amendment adds \$204,300 general funds for the State Health Services BRU, Emergency Medical Services Grant component on page 21 lines 17 and 18. Accompanying explanatory language reads as follows.

This funding will be used to support the critical infrastructure needed to maintain local EMS [Emergency Medical Services] statewide. If these funds are not restored, preventable deaths and disability due to inadequate EMS response capacity are likely to occur.

Senator Hoffman moved for adoption.

Senator Green objected.

Senator Hoffman read the explanatory statement into the record. He remarked, "This amendment will save lives."

Senator Green stated this matter was addressed in H&SS #1.

Senator Hoffman WITHDREW his motion to adopt the amendment without objection.

H&SS #7: This amendment adds \$150,000 general funds and \$850,000 GF/Mental Health funds for the State Health Services BRU, Infant Learning Program Grants component on page 21 lines 20 and 21. Accompanying explanatory language reads as follows.

Since it is unclear whether the plan to make the Infant Learning Program a needs based program will work, this request will restore funds for this vital program. This funding will provide services to high-risk children, ages 0-3, to reduce or ameliorate disabling conditions. During FY 01, the average cost for a child in this program was approximately \$3800 per year. These funds would serve approximately 260 children.

Senator Hoffman moved for adoption.

Senator Green objected.

Senator Hoffman detailed the amendment and read the explanatory statement into the record.

A roll call was taken on the motion.

IN FAVOR: Senator Hoffman and Senator Olson

OPPOSED: Senator Green, Senator Leman, Senator Ward, Senator Wilken, Senator Austerman, Co-Chair Kelly and Co-Chair Donley

The motion FAILED (2-7)

The amendment FAILED to be adopted.

H&SS #8: This amendment adds \$91,400 GF/Mental Health funds for the Community Mental Health Grants BRU, General Community Mental Health Grants component on page 22 lines 9 and 10; adds \$195,800 GF/Mental Health funds for the Psychiatric Emergency Services component on lines 11 and 12; adds \$369,700 for the Services to the Chronically Mental Ill component on lines 13 and 14; adds \$34,400 GF/Mental Health funds for the Designated Evaluation and Treatment component on lines 15 and 16; and also adds \$186,600 GF/Mental Health funds for the Services for the Seriously Emotionally Disturbed Youth component on lines 17 and 18. Accompanying explanatory language reads as follows.

This funding will restore mental health services to emotionally disturbed adults and youth throughout the State.

Senator Hoffman moved for adoption.

Senator Green objected.

Senator Hoffman detailed the amendment and read the explanatory statement into the record.

Senator Olson relayed that it is difficult to recruit and retain qualified personnel to provide care for "mentally challenged" patients.

A roll call was taken on the motion.

IN FAVOR: Senator Hoffman and Senator Olson

OPPOSED: Senator Leman, Senator Ward, Senator Wilken, Senator Austerman, Senator Green, Co-Chair Kelly and Co-Chair Donley

The motion FAILED (2-7)

The amendment FAILED to be adopted.

H&SS #9: This amendment adds \$1,062,500 Tobacco Education/Cessation Funds for the State Health Services BRU, Tobacco Prevention and Control component on page 21 lines 23 and 24. This amendment also changes the funding source of \$1,062,500 from Tobacco Education/Cessation Funds to GF/Match funds in the Medical Assistance BRU, Medicaid Services component on page 18 line 28. Accompanying explanatory language reads as follows.

This amendment partially reverses the transfer from Medicaid Services to Tobacco Prevention and Control and offsets a portion of the cut to Medicaid Services contained in MULTI #1 adopted by the Senate Finance Committee on 4/24/2002.

Senator Hoffman moved for adoption, detailed the amendment and read the explanatory statement into the record.

A roll call was taken on the motion.

IN FAVOR: Senator Olson and Senator Hoffman

OPPOSED: Senator Leman, Senator Ward, Senator Wilken, Senator Austerman, Senator Green, Co-Chair Kelly and Co-Chair Donley

The motion FAILED (2-7)

The amendment FAILED to be adopted.

H&SS #10: This amendment adds \$205,500 general funds and \$233,000 I/A Receipts for the Human Services Community Matching Grant BRU and component on page 20 lines 31 and 32. Accompanying explanatory language reads as follows.

These funds would restore the 25% cut to grants for health and services to Fairbanks North Star Borough and the Municipality of Anchorage. These funds are used to provide services to children and youth as well as address family dysfunction, mental and emotional problems, temporary shelter for homeless persons, delivery of meals to those in need, etc.

Senator Hoffman moved for adoption.

Senator Green objected.

Senator Hoffman detailed the amendment and read the explanatory statement into the record.

A roll call was taken on the motion.

IN FAVOR: Senator Olson and Senator Hoffman

OPPOSED: Senator Ward, Senator Wilken, Senator Austerman, Senator Green, Senator Leman, Co-Chair Kelly and Co-Chair Donley

The motion FAILED (2-7)

The amendment FAILED to be adopted.

H&SS #11: This amendment adds \$3,167,500 GF/Match to the Medical Assistance BRU, Medicaid Services component on page 18 line 28; adds \$1,250,000 general funds for the Public Assistance BRU, Adult Public Assistance component on line 18; adds \$1,500,000 general funds for the Purchased Services BRU, Subsidized Adoptions and Guardianship component on page 20 lines 3 and 4; and adds \$250,000 general funds for the Purchased Services BRU, Foster Care Special Need component on page 19 line 31. Accompanying explanatory language reads as follows.

This amendment will restore the cuts to Department of Health and Social Services formula programs made in MULTI #1 adopted by the Senate Finance Committee on 4/24/2002. Formula program increments with the reductions are funded at the following levels:

- Medicaid: The increment is funded at \$23.1 million a

reduction of 38% from fully funding the program.

- Adult Public Assistance: The increment is funded at \$781,600 a reduction of 70% from fully fund the program [sic].
- Subsidized Adoption and Guardianship: The increment is funded at \$1.0 million a reduction of 66% from fully funding the request.
- Foster Care Special Needs: The increment is funded at \$150,000 a reduction of 70% from fully funding the request.

Senator Hoffman moved for adoption.

Senator Green objected.

Senator Hoffman detailed the amendment and read the explanatory statement into the record.

Senator Hoffman shared that his daughter provides adoption services in Bethel and she questioned why the Legislature is not adequately funding these programs.

A roll call was taken on the motion.

IN FAVOR: Senator Hoffman and Senator Olson

OPPOSED: Senator Ward, Senator Wilken, Senator Austerman, Senator Green, Senator Lemman, Co-Chair Kelly and Co-Chair Donley

The motion FAILED (2-7)

The amendment FAILED to be adopted.

H&SS #12: This amendment adds intent language to the Medical Assistance BRU, Medicaid Services component on page 18 line 28 to read as follows.

It is the intent of the legislature that the amount appropriated in this appropriation is the full amount that will be appropriated for Medical Assistance for the fiscal year ending June 30, 2003. If the amount appropriated in this appropriation is not sufficient to cover the costs of Medical Assistance for all eligible persons, the department shall eliminate coverage for optional medical services that have a federal match and optionally eligible groups of individuals in accordance with the AS 47.07.035. It is the intent of the legislature that requests for supplemental appropriations for

Medical Assistance for the fiscal year ending June 30, 2003 will not be approved. This intent covers the budgeted reductions to Medicaid, but does not apply to loss of funds that may occur if the department's "Fair Share" funding mechanism is not approved by the federal government.

Accompanying explanatory language reads as follows.

The House intent adopted by the Senate Finance Committee at their April 24, 2002 for Medicaid is inconsistent with stated comments that funding is based on lower case projection and possible changes to the FMAP [Federal Medicaid Assistance Program]. The House intent would direct the Department to cut optional services, which is inconsistent with the Senate budget.

This amendment was NOT OFFERED.

Department of Labor and Workforce Development (cont.)

L&WD #2: This amendment changes the funding source of \$89,600 from GF/Program Receipts to Receipt Supported Services funds for the Labor Standards and Safety BRU, Occupational Safety and Health component, and adds \$89,600 general funds to the Wage and Hour Administration component on page 24 lines 8, 10 and 11. Accompanying explanatory language reads as follows.

By switching the General Fund Program Receipts to Receipts Supported Services, for fees generated by licensing Asbestos Abatement and Explosive Handlers, and fees from associated training certificates, general funds will be freed up to provide substantial funding toward the two new Wage and Hour technicians needed for payroll auditing. These two technician positions, one in Anchorage and one in Fairbanks, will result in a lesser amount of protection for Alaska's workers, and put law-abiding contractors at a competitive disadvantage.

Wage and hour technicians monitor and audit certified payrolls that are required to be submitted on publicly funded construction projects. These audits ensure that employers abide by prevailing wage standards and provide a "level playing field"; keeping the unscrupulous employer from getting unfair competitive advantage by paying employees less than a prevailing rate of pay. The audits also benefit contractors by catching payroll errors.

Without the technician positions, audits will continue to be complain driven only. Time spent performing audits will mean that the investigators spend less time out in the field ensuring that contractors comply with current wage laws. As a result, fewer prevailing wage violations will be found and

prosecuted, fewer workers will have unpaid wages returned to them and the amount of time it takes to close a case will increase.

Each technician generated \$30,000 to \$60,000 per year in violations from routine audits. This means that potentially up to \$200,000 per year in wages lost through payroll errors are not being returned to Alaskan workers.

Senator Olson moved for adoption.

Senator Green objected.

Senator Olson spoke to this amendment stating that it relates to boiler and mechanical inspections.

AT EASE 10:16 PM / 10:20 PM

[Note: The following portion of the meeting was not recorded.]

Senator Olson WITHDREW his motion to adopt the amendment without objection.

Department of Law

BARBARA RITCHIE, Deputy Attorney General, Civil Division, Department of Law, testified to the proposed amendments.

LAW #1: This amendment adds \$250,000 general funds for the Criminal Division BRU, Unallocated Reduction component on page 25 line 14. Accompanying explanatory language reads as follows.

This amendment restores funds to the Criminal Division that were removed via an unallocated reduction which would have resulted in the elimination of at least three attorney positions from the Anchorage and/or Fairbanks offices.

AND

LAW #2: This amendment adds \$250,000 general funds for the Civil Division BRU, Unallocated Reduction component on page 26 line 5. Accompanying explanatory language reads as follows.

Restore funds to the Civil Division that were removed via an unallocated reduction and would have resulted in the loss of two attorney and/or paraprofessional positions; most likely those working on natural resources and fish and game issues.

Senator Olson moved for adoption of LAW #1 and LAW #2.

Senator Ward objected.

Senator Olson read the explanatory statements into the record.

A roll call was taken on the motion.

IN FAVOR: Senator Hoffman and Senator Olson

OPPOSED: Senator Ward, Senator Wilken, Senator Austerman, Senator Green, Co-Chair Kelly and Co-Chair Donley

ABSENT: Senator Leman

The motion FAILED (2-6-1)

The amendment FAILED to be adopted.

LAW #3: This amendment adds \$135,000 general fund for various components of the Criminal Division BRU, adds \$66,800 general funds for various components of the Civil Division BRU, adds \$2,300 general funds for the Statehood Defense BRU and component, and adds \$10,300 for the Oil and Gas Litigation and Legal Services BRU, Oil & Gas Litigation component on pages 25 and 26. Accompanying explanatory language reads as follows.

Fully fund the Law Office Assistant reclassification that was implemented in response to a union grievance filed on behalf of these positions.

Senator Olson moved for adoption.

Senator Ward objected.

Senator Olson spoke to the motion.

[It was established that Senator Olson was directing his comments to LAW #5 and the motion was amended to adopt LAW #5. No further action was taken on LAW #3.]

LAW #5: This amendment adds \$33,000 general funds for the Criminal Division BRU, Third Judicial District component, adds \$70,900 general funds for the Fourth Judicial District component, and adds \$148,300 general funds for the Civil Division BRU, Human Services Section component on page 25, lines 6-10 and 29. Accompanying explanatory language reads as follows.

This amendment fully funds the fiscal note for therapeutic

court legislation (Ch. 64, SLA 01), which will ensure adequate prosecutorial involvement in the program.

Senator Olson moved for adoption, having read the explanatory statement into the record.

A roll call was taken on the motion to adopt LAW #5.

IN FAVOR: Senator Hoffman and Senator Olson

OPPOSED: Senator Wilken, Senator Austerman, Senator Green, Senator Leman, Senator Ward, Co-Chair Kelly and Co-Chair Donley

The motion FAILED (2-7)

The amendment FAILED to be adopted.

LAW #4: This amendment adds \$106,500 general funds for the Civil Division BRU, Collections and Support component on page 25 line 21. Accompanying explanatory language reads as follows.

This increment fully funds the fiscal note for victim restitution legislation (Ch. 60, SLA 01). As many as 5,000 victim restitution court orders may be sent to the Civil Division for collection as a result of passage of this new legislation. This legislation became effective on January 1, 2002, and the workload related to the task of collecting, accounting for, and paying out restitution is just beginning to be felt. Because the full amount of the requested funding for this process was denied, the victim restitution effort may fall far short of its goal of successfully tracking down convicted criminals and delinquents and making payments to victims who are due restitution.

Senator Olson moved for adoption.

Senator Ward objected.

A roll call was taken on the motion.

IN FAVOR: Senator Hoffman and Senator Olson

OPPOSED: Senator Ward, Senator Wilken, Senator Austerman, Senator Green, Senator Leman, Co-Chair Kelly and Co-Chair Donley

The motion FAILED (2-7)

The amendment FAILED to be adopted.

LAW #6: This amendment adds \$168,400 general funds for the Criminal Division BRU, Third Judicial District component on page 25 lines 6-9. Accompanying explanatory language reads as follows.

This amendment fully funds the fiscal note for new drunk driving legislation (Ch. 63, SLA 2001). Passage last year of stiffer alcohol laws requires new prosecutors in Anchorage to handle the increased drunk driving prosecutions as a result of the .08 percent BAC [Blood Alcohol Content] and the changes to the "look-back" periods for repeat DWI [Driving While Intoxicated] and felony DWI offenses. Failure to adequately fund new staff required by the passage of this legislation will mean the level of prosecution will not meet the public's expectation.

Senator Olson moved for adoption.

Senator Ward objected.

Senator Olson read the explanatory statement into the record.

Senator Hoffman commented on the importance of funding this increment.

A roll call was taken on the motion.

IN FAVOR: Senator Hoffman and Senator Olson

OPPOSED: Senator Austerman, Senator Green, Senator Lemman, Senator Ward, Senator Wilken, Co-Chair Kelly and Co-Chair Donley

The motion FAILED (2-7)

AT EASE 10:33 PM / 10:38 PM

[Note: The remainder of the meeting is recorded.]

Department of Military and Veterans Affairs

NICO BUS, Administrative Services Manager, Administrative Services Division, Department of Military and Veterans Affairs, and Division of Support Services, Department of Natural Resources, testified that the budget needs of the Department of Military and Veterans Affairs has increased since FY 02 to almost \$9 million. He noted this is primarily due to approximately \$400,000 in increased expenses to the military retirement program. He described how the historical annual expense of this program has been approximately

\$1.5 million, until recent years, when high earnings in the stock market reduced expenditures to \$800,000. Poor performance of the stock market in the current year has caused the actuarial costs to return to usual levels, he explained. He listed salary increases for the employees of the Department as another factor necessitating additional funds.

Mr. Bus stated the Alaska Military Youth Academy is the only program where these cost increases could be absorbed. However, he stressed that such a reduction would "clearly put that whole program in jeopardy." He spoke to the many years of continued improvement to the program and the efforts to curtail the cost per graduate, while increasing the number of graduates.

AT EASE 10:40 PM / 10:41 PM

M&VA #1: This amendment adds \$240,000 general funds for the Alaska National Guard BRU, Alaska Military Youth Academy component on page 27 lines 9 and 10. Accompanying explanatory language reads as follows.

The payment of graduate stipends is essential to Phase III of the program, the twelve months after graduation. Every year since its inception the Alaska Military Youth Academy has paid a graduate stipend. Accommodating the stipends from existing resources will result in the lay-off of most divisional staff between classes.

The federal grant allows a stipend payment of \$2,200 based on specified conditions. This amendment would fund a reduced stipend of \$1,500 per graduate.

Senator Hoffman moved for adoption.

Senator Wilken objected.

Senator Hoffman read the explanatory statement into the record.

Senator Olson added that this program was established especially for Alaska's youth.

A roll call was taken on the motion.

IN FAVOR: Senator Hoffman and Senator Olson

OPPOSED: Senator Green, Senator Leman, Senator Ward, Senator Wilken, Senator Austerman, Co-Chair Kelly and Co-Chair Donley

The motion FAILED (2-7)

The amendment FAILED to be adopted.

M&VA #2: This amendment changes the funding source of \$654,700 from I/A Receipts to general funds in the Alaska National Guard BRU, Alaska Military Youth Academy component on page 27 lines 9 and 10. Accompanying explanatory language reads as follows.

The Senate Finance Subcommittee approved a fund change from general funds to inter-agency receipts that are dependent on the passage of HB 312. HB 312 proposes to fund the Alaska Military Youth Academy based on a per-student count formula. The House passed this legislation and the bill is awaiting Senate action.

Without the certainty of the passage of HB 312 for FY 03, if this funding is not restored, it may result in the loss of the full base Challenge grant from the federal government and result in a total closure of the program.

Senator Hoffman moved for adoption.

Senator Ward and Senator Austerman objected.

Senator Hoffman read the explanatory statement into the record.

A roll call was taken on the motion.

IN FAVOR: Senator Hoffman and Senator Olson

OPPOSED: Senator Lemman, Senator Ward, Senator Wilken, Senator Austerman, Senator Green, Co-Chair Kelly and Co-Chair Donley

The motion FAILED (2-7)

The amendment FAILED to be adopted.

Department of Natural Resources

There were no amendments for the Department of Natural Resources.

Department of Public Safety

GLEN GODFREY, Commissioner, Department of Public Safety, testified in appreciation of the additional funding provided in MULTI #1, as it would fund the Department at the FY 02 "service level". However, he stated that to maintain the same service levels in FY 03, without reducing staff positions, an additional \$1.2 million is requested.

Mr. Godfrey informed that the current appropriation does not include increments for additional child abuse investigators, or "other initiatives to address identified program needs." He expressed that the \$707,000 reduction to the Division of Administrative Services, would "cripple centralized admin's functions in our Department" and would either require the reassignment of "field positions" to perform administrative tasks or "charging" the programs directly for administration costs; thereby further reducing public safety services and Trooper positions.

Mr. Godfrey stated that the \$150,000 in unfunded increased fuel costs of the Division of Fish and Wildlife Protection could significantly impact the ability of the Troopers to perform field activities. He warned that vessels would be taken out of service and staff levels would be reduced.

Mr. Godfrey next addressed the funding reductions to the Office of the Commissioner, stressing it would impact non-Trooper services statewide. He explained that the Department would be forced to reduce "other life safety services" including inspections of public buildings, such as schools, and to perform "oversight capabilities". He furthered that two positions or the reassignment of "line-division" staff to the commissioner's office, would also be necessary.

Senator Hoffman clarified that Trooper positions would potentially be eliminated for lack of funding, despite a budget higher than the FY 02 level.

Mr. Godfrey agreed that the budget as proposed would "certainly have a negative impact on certain positions within the Department." He elaborated that it would be necessary to review some Trooper and civilian positions.

DPS #1: This amendment adds \$707,200 general funds for the Statewide Support BRU, Administrative Services component on page 31 line 27. Accompanying explanatory language reads as follows.

Restore Centralized Administrative function so field staff can concentrate on field duties.

The Senate Finance Subcommittee proposal to reduce funding to the Division of Administrative Services will have a direct impact on public safety by taking troopers out of the field to perform administrative functions and would cripple management and financial support to all divisions and programs. At a minimum, workload for 11 of the 28 authorized positions would

need to be charged our or shifted to line divisions. Either method would have the effect of seriously reducing the commissioned divisions' presence in the field since the majority of the Department's administrative support is dedicated for trooper and fish and wildlife protection services and funds or support would need to be diverted to accomplish necessary administrative work.

Senator Olson moved for adoption.

Senator Ward objected.

Senator Olson read the explanatory statement into the record.

Senator Hoffman reiterated the Commissioner's comments that the Department would be unable to maintain the current number of positions without the additional funding proposed in the amendments before the Committee. He pointed out that public safety is a priority of both political parties.

Co-Chair Donley asked the difference between the amount appropriated by the House of Representatives budget and the amount included in the committee substitute.

Senator Austerman responded that the Senate Finance Committee amount is \$4 million higher.

Senator Hoffman reiterated that the House of Representatives budget was inadequate and should not be used for comparison. He stressed the intent is to maintain the same level of protection for the citizens of Alaska.

Co-Chair Donley stated he did not "completely disagree" with Senator Hoffman. However, he emphasized the difficulty in funding all programs given the State's budget deficit. He expressed that the Committee, "can only do so much" and that members are "trying really hard to meet these concerns."

Senator Hoffman suggested the Committee must take a "stronger position if we want to be successful at making sure that the citizens of Alaska are protected at least at the same level that they were last year."

Co-Chair Donley remarked that the "commitment" the Committee made to the Department, "while it won't be easy for them", provides a significant increase over the amount allocated in FY 02 and is intended to fund the contractual obligations for salary increases as well as maintain field staff. He admitted, "They're probably

going to have some tough choices there in prioritization," for which he expressed empathy.

A roll call was taken on the motion.

IN FAVOR: Senator Olson and Senator Hoffman

OPPOSED: Senator Ward, Senator Wilken, Senator Austerman, Senator Green, Senator Leman, Co-Chair Kelly and Co-Chair Donley

The motion FAILED (2-7)

The amendment FAILED to be adopted.

DPS #2: This amendment adds \$278,000 general funds for the Office of the Commissioner BRU, Commissioner's Office component on page 29 line 33. Accompanying explanatory language reads as follows.

Restore non-trooper portion of Agency-wide unallocated reduction.

These funds are needed to provide essential support services to public safety activities, and include direct trooper support activities, such as crime lab analysis and support for the Department's information systems, and other public safety activities, such as fire safety inspections for schools and other public buildings.

Senator Olson moved for adoption.

Senator Ward objected.

Senator Olson read the explanatory statement into the record.

A roll call was taken on the motion.

IN FAVOR: Senator Hoffman and Senator Olson

OPPOSED: Senator Ward, Senator Wilken, Senator Austerman, Senator Green, Senator Leman, Co-Chair Kelly and Co-Chair Donley

The motion FAILED (2-7)

The amendment FAILED to be adopted.

DPS #3: This amendment adds \$825,000 general funds for the Alaska State Trooper Detachments BRU and component on page 30 lines 31 and 32. Accompanying explanatory language reads as follows.

Add 5 new troopers for investigating serious reports of harm to children.

The Senate Finance Subcommittee proposal does not include funding for 5 new Alaska State Troopers requested by the Governor to work exclusively on child abuse investigations. Without these additional troopers, an immediate response to these serious crimes is often not possible and the backlog of investigations involving sexual abuse, serious physical abuse and criminal exploitation of children will continue. The areas with the greatest current need for these investigators are Palmer, Fairbanks and Soldotna.

Senator Hoffman announced he would not offer this amendment because it would essentially create a new program, which he reminded that the Senate Minority pledged not to do. However, he spoke to the amendment, recounting recent events of allegations of child abuse occurring in rural communities and the delays in responding to the situations due to inclement weather. He suggested that Village Public Safety Officers (VPSO) should be stationed in more rural communities, including St. Paul and St. George, to immediately respond and intervene in serious incidences.

This amendment was NOT OFFERED.

DPS #4: This amendment adds \$95,200 general funds for the Office of the Commissioner BRU, Commissioner's Office component on page 29 line 33. Accompanying explanatory language reads as follows.

Restore Public Safety oversight capability.

The subcommittee recommended a reduction of general funds in the Commissioner's Office. These reductions will result in the loss of 2 positions or reassignment of line division staff to the Commissioner's Office. This cut would have a serious impact on the ability of the Commissioner's Office to provide:

- Oversight or state public safety management and strategic planning;
- Oversight of mission-critical public safety services with adverse, possibly life threatening affects to the public during times of public safety crises, prevention and investigation of crimes, and search and rescue missions throughout the State;
- Timely responses to citizens inquiries and complaints;
- Timely responses to legislative inquires (including bill analysis, fiscal notes, testimony at hearings and general information);
- Oversight of division compliance with statutory and legislative mandates (including missions and measures);

- Oversight of labor issues (grievances, arbitration hearings, negotiation of resolution to problems); and
- Analysis of changes to or adoption of regulations.

Senator Olson moved for adoption.

Senator Austerman objected.

Senator Olson read the explanatory statement into the record.

A roll call was taken on the motion.

IN FAVOR: Senator Hoffman and Senator Olson

OPPOSED: Senator Austerman, Senator Green, Senator Lemman, Senator Ward, Senator Wilken, Co-Chair Kelly and Co-Chair Donley

The motion FAILED (2-7)

The amendment FAILED to be adopted.

DPS #5: This amendment adds \$154,600 general funds for the Fish and Wildlife Protection BRU, Enforcement and Investigative Services Unit component on page 30 lines 6 and 7. Accompanying explanatory language reads as follows.

Fund FWP increased fuel costs.

The Senate Finance Subcommittee proposal not to fund projected fuel costs could significantly impact the ability of troopers to perform field activities. If prices stay at current levels, taking enforcement vessel(s) out of service and additional staff layoffs would have to occur.

Senator Hoffman moved for adoption.

Senator Ward objected.

Senator Hoffman read the explanatory statement into the record.

A roll call was taken on the motion.

IN FAVOR: Senator Olson and Senator Hoffman

OPPOSED: Senator Ward, Senator Wilken, Senator Austerman, Senator Green, Senator Lemman, Co-Chair Kelly and Co-Chair Donley

The motion FAILED (2-7)

The amendment FAILED to be adopted.

Department of Revenue

There were no amendments for Department of Revenue.

Department of Transportation and Public Facilities

KURT PARKAN, Deputy Commissioner, Department of Transportation and Public Facilities, testified that the current appropriation amount is approximately \$5.8 million below the amount the Department needs to maintain the current level of service. As a consequence, he warned: some roads would no longer be maintained, winter maintenance will be reduced for some roads, and summer maintenance will be reduced for some roads. In addition, he informed that the Alaska Marine Highway System (MHS) would experience a significant reduction in service, primarily in Southeast Alaska, in that vessels would be "laid up" for extended periods and communities would not receive the current frequency of sailings.

Mr. Parkan noted additional funding for the Traffic Signal Maintenance component was added to the Department's budget in MULTI #1, which he pointed out is higher than the amount requested.

AT EASE 11:03 PM / 11:09 PM

DOT #1: This amendment adds \$6,649,200 for the Marine Highway System BRU, Marine Vessel Operations component on page 37 line 21. This amendment also increases the \$39,120,600 appropriation in Section 25 on page 58 lines 16 through 18. The amended language reads as follows.

Sec. 25. MARINE HIGHWAY SYSTEM FUND. The sum of \$45,769,800 is appropriated from the general fund to the Alaska marine highway system fund (AS 19.65.060).

Accompanying explanatory language with this amendment reads as follows.

The Alaska Marine Highway Fund was created to provide stability during times of transition and unexpected events. In the past few years, AMHS has experienced several events that contributed to the fund's depletion. Rather than stopping services, the State has drawn upon the Fund balance to provide continued and predictable services. The fund will be empty this year. Continued rising costs to operate the system have resulted in increased appropriation need.

This amendment would restore weeks of service that will be

lost with the lay up of the Taku and Columbia, and the surplus of the Malaspina. Will restore service levels to Bellingham, Prince Rupert, Senator Elton Panhandle and North Lynn Canal.

Senator Hoffman moved for adoption.

Senator Ward objected.

Senator Hoffman read a portion of the explanatory statement into the record.

A roll call was taken on the motion.

IN FAVOR: Senator Olson, Senator Austerman and Senator Hoffman

OPPOSED: Senator Leman, Senator Ward, Senator Wilken, Senator Green, Co-Chair Kelly and Co-Chair Donley

The motion FAILED (3-6)

The amendment FAILED to be adopted.

DOT #2: This amendment adds \$475,000 general funds for the Highways and Aviation BRU, Southeast Region Highways and Aviation component on page 36 lines 20 and 21. Accompanying explanatory language reads as follows.

Restore maintenance to Category III roads in Juneau, Skagway, Ketchikan, Haines, Klawock, Gustavus

This amendment will restore equipment operator positions in Gustavus (1PT), Haines (1FT, 1PT), Juneau (1FT, 1PT), and Ketchikan (1FT). It will also restore winter snow removal and year round maintenance on 170 lane miles of highways in Southeast communities. Summer maintenance will also be restored to current levels to avoid degradation of the highways.

Category III roads include such roads as:

Mendenhall Peninsula, Montana Creek, Pt. Lena Loop in Juneau
Old South Tongass, Cemetery Road, Shoreline Drive, and Totem Bite in Ketchikan

Lutak Road and Mud Bay in Haines

Senator Hoffman moved for adoption.

Senator Ward objected.

Senator Hoffman read the explanatory statement into the record.

A roll call was taken on the motion.

IN FAVOR: Senator Olson and Senator Hoffman

OPPOSED: Senator Ward, Senator Wilken, Senator Austerman, Senator Green, Co-Chair Kelly and Co-Chair Donley

ABSENT: Senator Leman

The motion FAILED (2-6-1)

The amendment FAILED to be adopted.

DOT #3: This amendment adds \$514,600 general funds for the Highways and Aviation BRU, Central Region Highways and Aviation component on page 36 lines 13 and 14, and adds \$616,900 general funds for the Northern Region Highways and Aviation component on lines 18 and 19. Accompanying explanatory language reads as follows.

Restore maintenance station closures and partial closures.

Central Region

Willow Maintenance Station \$292,700 general funds
Restore 2 FT equipment operators. Station will return to single shift, 7 day a week operation with full contingent of equipment and commodities to maintain the Parks Highway from Big Lake up to Chulitna area.

Kalsin Bay Maintenance Station \$221,900 general funds
Restore full time operation with 2 FT operators and all equipment and commodities to previous levels. This will provide 7 day a week coverage of the Chiniak and Pasaghak Highways. This will allow much more efficient operation rather than relaying on equipment and personnel traveling 24 miles from Kodiak to Kalsin Bay to perform road maintenance.

Northern Region

Birch Lake Maintenance Station \$185,000 general funds
Restore one equipment operator, a dump truck, a loader, and a grader. The level of service will be restored on the Richardson Highway in the area of Birch Lake. This action will enable crews to respond timely to storm events. It will avoid road closures, increased delays and reduced legal speed limits.

Chitina Maintenance Station \$431,900 general funds
Restore two full time and one seasonal position, a grader truck, loader and associated consumables. Service levels will be restored to Edgerton Highway, Village of Chitina, Kenny Lake School District and the Chitina dipnet fishery.

Senator Hoffman moved for adoption.

Senator Ward objected.

Senator Hoffman read portions of the explanatory statement into the record.

A roll call was taken on the motion.

IN FAVOR: Senator Hoffman and Senator Olson

OPPOSED: Senator Ward, Senator Wilken, Senator Austerman, Senator Green, Senator Leman, Co-Chair Kelly and Co-Chair Donley

The motion FAILED (2-7)

The amendment FAILED to be adopted.

SFC 02 # 79, Side B 11:13 PM

DOT #4: This amendment deletes \$309,000 general funds from the Traffic Signal Management BRU and component on page 35 line 29. This amendment also adds \$309,000 general funds for the Highways and Aviation BRU, Central Region Highways and Aviation component on page 36 lines 13 and 14. Of this amount, the amendment specifies \$200,000 is to be spent for Anchorage Snow Hauling and \$109,000 for Central Region Highways and Aviation Fuel Cost Increases. Accompanying explanatory language reads as follows.

This amendment will restore 2 snow hauls that have been reduced from the budget and will avoid the layoff of 1 full time and 1 seasonal equipment operators.

Senator Hoffman moved for adoption.

Senator Ward objected.

Senator Hoffman read the explanatory statement into the record.

A roll call was taken on the motion.

IN FAVOR: Senator Hoffman and Senator Olson

OPPOSED: Senator Wilken, Senator Austerman, Senator Green, Senator Leman, Senator Ward, Co-Chair Kelly and Co-Chair Donley

The motion FAILED (2-7)

The amendment FAILED to be adopted.

DOT #5: This amendment adds \$130,000 general funds for the Statewide Facility Maintenance and Operations BRU, Central Region Facilities component on page 35 line 21. Accompanying explanatory language reads as follows.

Restore cuts to Central Region facilities.
Restore 2 FT building specialists to maintain the Highway Maintenance Stations and 199 other buildings owned and maintained by DOT&PF. The plumber and electrician would be able to keep buildings from further deterioration and provide continual operation so that highway crews can accomplish their work.

Senator Hoffman moved for adoption.

Senator Ward objected.

Senator Hoffman read a portion of the explanatory statement into the record.

A roll call was taken on the motion.

IN FAVOR: Senator Hoffman and Senator Olson

OPPOSED: Senator Austerman, Senator Green, Senator Lemman, Senator Ward, Senator Wilken, Co-Chair Kelly and Co-Chair Donley

The motion FAILED (2-7)

The amendment FAILED to be adopted.

University of Alaska

UNIV #1: This amendment adds \$8,989,700 general funds for the University of Alaska BRU, Budget Reductions/Additions-Systemwide component on page 37 lines 32 and 33. Accompanying explanatory language reads as follows.

This amendment fully funds the Board of Regents University of Alaska FY 03 request.

Senator Olson moved for adoption.

Senator Ward objected.

Senator Olson read the explanatory statement into the record along with additional comments as follows.

Over 80 percent of the jobs available in Alaska require some level of postsecondary education and virtually all of the fast-growing and highest demand occupations require postsecondary education. Every industry and job class in the State, including health care, process industries, transportation, information technology, construction, engineering, business administration, finance and tourism, is facing worker shortage over the next few years. Each is depending on the University for training and continuing education. The health care industry has asked the University to double the output of nurses over the next four years and is planning to match State funding to make this happen. Other industries are also stepping up to assist the development and funding of new programs specific to their needs. There is also an increasing need for more teachers as well.

State funding for research is matched by nearly six dollars for every dollar of State investment. These research activities in Alaska represent a major industry employing several thousand employees and generating as much private sector employment and economic activity as all but a few other industries in the State do.

The State budget represents \$8.9 million less than the amount needed to meet the minimum FY 03 fixed costs.

Co-Chair Donley commented that the appropriation contained in the committee substitute, through the efforts of Co-Chair Kelly and the support of Senator Wilken, represents an \$8 million increase to the University system over FY 02. He furthered that for many years, while other departments absorbed significant budget reductions, the University has continued to receive major funding increases. He reiterated that the State is "faced with an immense budget deficit this year". He characterized the additional \$8 million as a "very, very meaningful increase" that in part, holds the University harmless for funding salary increases.

Senator Lemman pointed out that in addition to the \$8 million increase in general funds the University budget is receiving \$35 million from other fund sources.

Co-Chair Donley surmised that no Senate Finance Committee member would refuse to invest more money into the University of Alaska system, if given a different fiscal situation.

Senator Wilken noted that in the previous three years, the amount of general funds appropriated to the University has increased 18.9

percent.

A roll call was taken on the motion.

IN FAVOR: Senator Hoffman and Senator Olson

OPPOSED: Senator Green, Senator Leman, Senator Ward, Senator Wilken, Senator Austerman, Co-Chair Kelly and Co-Chair Donley

The motion FAILED (2-7)

The amendment FAILED to be adopted.

UNIV #2: This amendment changes the funding source of \$2,315,000 from Science and Tech Endowment funds to general funds in the University of Alaska BRU, Fairbanks Organized Research component on page 38 line 16.

This amendment was NOT OFFERED.

UNIV. #3: This amendment adds \$800,000 general funds for the University of Alaska BRU, Budget Reductions/Additions-Systemwide component on page 37 lines 32 and 33. Accompanying explanatory language reads as follows.

Currently the University scholars program is funded through the Natural Resources Fund (NRF) at an FY02 costs of \$1.9 million. University's commitment to the Scholars program has fully utilized available Natural Resource Fund resources. The FY 03 estimated cost of the UA Scholars program is \$2.7 million. This \$800,000 request will fund the cost in excess of what is available from NRF resources.

This amendment was NOT OFFERED.

Office of the Governor

GOV #1: This amendment adds \$567,000 general funds for the Agencywide Reductions BRU, Agency-wide Unallocated Reduction component on page 18 lines 8 and 9. Accompanying explanatory language reads as follows.

This unallocated cut would reduce Departmental employees by an estimated 9 full-time positions. The reduction will significantly reduce the resources available to a new governor in establishing the new administration and operations of the Governor's Office.

Senator Olson moved for adoption.

Senator Ward objected.

Senator Olson read the explanatory statement into the record.

Senator Lemman expressed he is unsure why an unallocated budget reduction would only impact the new gubernatorial administration and anticipated that the current Administration would not "short change" the succeeding Administration by expending more than half of the total appropriation. If this was a possibility, he suggested the Legislature should insert intent language into the budget to stipulate otherwise.

Senator Olson did not oppose inserting such intent language into the amendment.

A roll call was taken on the motion.

IN FAVOR: Senator Olson and Senator Hoffman

OPPOSED: Senator Ward, Senator Wilken, Senator Austerman, Senator Green, Senator Lemman, Co-Chair Kelly and Co-Chair Donley

The motion FAILED (2-7)

The amendment FAILED to be adopted.

GOV #2: This amendment adds \$243,400 general funds and \$24,200 GF/Match funds for the Agencywide Reductions BRU, Agency-wide Unallocated Reduction component on page 18 lines 8 and 9. Accompanying explanatory language reads as follows.

This amendment would restore the unallocated reduction of \$267,600 that is equivalent to the amount needed to fund labor costs in FY 03. Not funding the Year 3 labor costs will force vacant at least 3 departmental positions. This will further impede the new administration.

Senator Olson moved for adoption.

Senator Ward objected.

Senator Olson read the explanatory statement into the record.

A roll call was taken on the motion.

IN FAVOR: Senator Hoffman and Senator Olson

OPPOSED: Senator Ward, Senator Wilken, Senator Austerman, Senator Green, Senator Leman, Co-Chair Kelly and Co-Chair Donley

The motion FAILED (2-7)

The amendment FAILED to be adopted.

GOV #3: This amendment adds \$350,000 federal funds to the Governmental Coordination BRU and component on page 18 line 4. Accompanying explanatory language reads as follows.

Anticipated increase in Alaska's allocation for the federal 6217 coastal nonpoint source pollution program funding. No additional general funds are required to match this increased allocation.

Senator Olson announced this amendment would be NOT OFFERED.

Language Section

LANG #1: This amendment deletes changes to Section 10 adopted in MULTI #1, which inserted language on page 53, beginning on line 7 to read as follows.

Sec. 10. 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)

Accompanying explanatory language to LANG #1 reads as follows.

It appears that this section initiates the action outlines in SB 182 (the Pro-Rata Bill), particularly with the reductions to formula programs in DHSS [Department of Health and Social Services] (Adult Public Assistance and Foster Care).

This amendment was NOT OFFERED.

LANG #2: This amendment adds a new subsection (c) to Section 24. LEARNING OPPORTUNITY GRANTS, on page 58, [subsection (b) was adopted in MULTI #1] to read as follows.

(c) it is the intent of the legislature that the funding allocated for Learning Opportunity Grants be allocated to school districts based on the school district's adjusted average daily membership. It is further the intent of the

legislature that if legislation is approved by the Twenty-Second Alaska State Legislature to increase the quality school grants within the public school funding program, that this funding will be utilized for that increase rather than for Learning Opportunity Grants.

This amendment was NOT OFFERED.

AT EASE to 11:30 PM

Senator Leman "moved to report, it's gonna be what? Anyway the Senate committee substitute for committee substitute House Bill 404 Finance from Committee with individual recommendations."

Senator Hoffman asked if no other action would be taken on this bill.

Co-Chair Donley replied this was true and noted one change to the Alaska Court System funding.

AT EASE 11:31 PM / 11:33 PM

Co-Chair Donley restated the motion to "move the Finance committee substitute as amended for House Bill 404 from Committee with individual recommendations."

Without objection SCS CS HB 404 was REPORTED from Committee.

Department of Corrections (cont.)

COR #10: This amendment deletes \$207,100 general funds from the Administration and Operations BRU, Correctional Industries Administration component on page 9 lines 10 and 11. This amendment also adds \$207,100 general funds for the Community Residential Centers BRU, Existing Community Residential Centers component on page 10 lines 24 and 25.

Senator Ward moved for adoption.

Senator Hoffman objected for an explanation.

Senator Ward explained this amendment transfers funds from the McKinley Meat Packing Plant program, noting the amount is the same as listed in COR #4.

Senator Hoffman removed his objection.

Without objection the amendment was ADOPTED.

MULTI #2: This amendment changes funding sources and makes other changes to appropriations of the following components in the following amounts.

Department of Administration

Motor Vehicles BRU and component
Page 5 line 18
Delete: \$5,636,200 GF/Program Receipts
Add: \$5,636,200 Receipt Supported Services

Department of Education and Early Development

Alyeska Central School BRU and component
Page 12 line 23
Delete: \$500,000 GF/Program Receipts
Add: \$500,000 Receipt Supported Services

Mt. Edgecumbe Boarding School BRU and component
Page 13 lines 10 and 11
Delete: \$57,400 GF/ Program Receipts
Add: \$57,400 Receipt Supported Services

Alaska Library and Museums BRU
Museum Operations component
Page 13 line 18
Delete: \$293,900 GF/Program Receipts
Add: \$293,900 Receipt Supported Services

Department of Revenue

Child Support Enforcement BRU and component
Page 32 line 17
Delete: \$3,036,500 GF/Program Receipts
Add: \$3,244,00 Receipt Supported Services
Add: \$194,200 Federal Receipts

Administration and Support BRU
Agency-wide Unallocated Reduction component
Page 33 lines 24 and 25
Add: \$424,500 general funds
Add: \$60,500 GF/Program Receipts

Alcohol Beverage Control Board BRU and component
Page 32 lines 19 and 20
Add: \$15,000 general funds (hearings/investigate complaints)

Senator Leman moved for adoption.

Senator Hoffman objected for an explanation.

Senator Leman told of the efforts of the Department of Administration, the Department of Education and Early Development and the Division of Legislative Finance to prepare these funding source changes.

Senator Leman noted the increased funding for the Child Support Enforcement component would be used to fund five positions. He qualified that while the amendment does not authorize establishing new positions, the funds could be utilized to fill existing vacancies. He stated the purpose of this effort is to address the backlog in the Division of Child Support Enforcement.

Senator Leman also pointed out this amendment adds funding for the Alcohol Beverage Control (ABC) Board, reminding the Committee of the budget subcommittee's intent to identify non-general funds to use for this program.

AT EASE 11:37 PM / 11:37 PM

The amendment was ADOPTED without objection.

Language Section (cont.)

LANG #3: This amendment deletes "relative" and inserts "compared" on page 53 line 23. This amendment also inserts language on line 26, following "Act." The amended language of Section 11 reads as follows.

Sec. 11. REAPPROPRIATION OF UNEXPENDED BALANCE. (a) The unexpended balance on a cash basis on December 31, 2002, of an appropriation made in sec. X of this Act is reappropriated to the department to which the appropriation was made for operating expenses of that department during January 1, 2003, through June 30, 2003.

(b) It is the intent of the legislature that each agency of the state report to the legislature the percentage of the fiscal year 2003 authorized operating expenditures that were expended during the first six months of fiscal year 2003 compared to the percentage of fiscal year 2002 authorized operating expenditures that were expended during the first six months of fiscal year 2002. The reports shall be submitted to the legislature by January 31, 2003, and should contain line item information for each allocation of an appropriation made

in this Act. Each department of state government will be held accountable for its actions, including compliance with appropriation made in sec. X of this Act.

This amendment also inserts "an amount not to exceed two-percent of" following "Act" on page 53 line 27. The amended language of Section 12 reads as follows.

Section 12. EARLY EXPENDITURE AUTHORITY. Notwithstanding sec. Y of this Act, an amount not to exceed two-percent of an appropriation made in sec. Y of this Act may be expended for the stated purpose of that appropriation January 12, 2003, contingent upon compliance with the program review provisions of AS 37.07.080(h).

This amendment also makes conceptual changes to Section 12, "to reduce the amount of 'second-half' money that can be moved (via the Legislative Budget and Audit Committee review process) to the 'first-half' of the year."

This amendment also makes the following stipulations.

Identify the appropriations that are excluded from the process (that is, they get full year appropriation in Sections 1, 2, and 3 of the bill). Sections 2 and 3 are fund roll-up by agency and statewide. Excluded appropriations consist of:

- All language appropriations (Sections 10 through end of bill)
- All formula programs (clarify inclusion of Power Cost Equalization-not included in House language)
- The University of Alaska
- Courts
- Legislature
- Other Allocations specified in the attached list

Divide the remainder of all appropriations in half. The half-year appropriations will appear as Sections 4 through 9. (Sections 5 and 7 are fund roll-ups by agency and Sections 8 and 9 are fund roll-ups statewide.)

Insert lead-in language in Section 4.

The following appropriation items are for operating expenditures from the general fund or other funds as set out in Section 5 of this Act to the agencies named for the purposes expressed for the portion of the fiscal year beginning July 1, 2002 and ending December 31, 2002, unless otherwise indicated. A department-wide, agency-wide, or

branch-wide unallocated reduction or increase set out in this section may be allocated among the appropriations made in this section to that department, agency or branch.

Insert lead-in language in Section 7.

The following appropriation items are for operating expenditures from the general fund or other funds as set out in Section 8 of this Act to the agencies named for the purposes expressed for the portion of the fiscal year beginning January 1, 2003 and ending June 30, 2003, unless otherwise indicated. A department-wide, agency-wide, or branch-wide unallocated reduction or increase set out in this section may be allocated among the appropriations made in this section to that department, agency, or branch.

In Sections 4 and 7, reduce each allocation by 10%, and appropriate that 10% to new Agency-wide Unallocated Increases components in each agency.

Section 11 of draft version R differs from the House version of HB 403; it clarifies that accounting is to be on a cash basis (thus minimizing effort associated with the December 31 close-out) and it includes intent language regarding reports to the legislature.

Exempt from Bifurcation

Department of Administration

 Special Systems

 Unlicensed Vessel Participant Annuity Retirement
 Plan

 Elected Public Officers Retirement System Benefits

 Longevity Bonus Grants

 Longevity Bonus Grants

Department of Community and Economic Development

 State Revenue Sharing

 State Revenue Sharing

 Municipal Assistance

 National Program Receipts

 Fisheries Business Tax

 Safe Communities Program

 Safe Communities Program

 Qualified Trade Association Contract

 Qualified Trade Association Contract

 Alaska Aerospace Development Corporation

 Alaska Aerospace Development Corporation

 Alaska Aerospace Development Corporation Facilities
 Maintenance

- Fisheries Enhancement Tax Receipts
 - Fisheries Enhancement Tax Receipts
- Alaska Industrial Development and Export Authority
 - Alaska Industrial Development and Export Authority
 - Alaska Industrial Development Corporation
 - Facilities Maintenance
 - Alaska Energy Authority Statewide Operations and Maintenance
- Rural Energy Programs
 - Energy Operations
 - Circuit Rider
 - Power Cost Equalization
- Alaska Science and Technology Foundation
 - Alaska Science and Technology Foundation
- Alaska Seafood Marketing Institute
 - Alaska Seafood Marketing Institute
- Department of Education and Early Development
 - K-12 Support
 - Foundation Program
 - Tuition Students
 - Boarding Home Grants
 - Youth in Detention
 - Schools for the Handicapped
 - Community Schools
 - Pupil Transportation
 - Pupil Transportation
 - Alaska Postsecondary Education Commission
 - Western Interstate Commission for Higher Education-Student Exchange Program
- Department of Environmental Conservation
 - Air and Water Quality
 - Air and Water Director
 - Air Quality
 - Water Quality
 - Commercial Passenger Vessel Environmental Compliance Program
- Department of Health and Social Services
 - Public Assistance
 - Alaska Temporary Assistance Program
 - Adult Public Assistance
 - General Relief Assistance
 - Old Age Assistance-Alaska Longevity Bonus (ALB)
 - Hold Harmless
 - Permanent Fund Dividend Hold Harmless
 - Tribal Assistance Programs
 - Medical Assistance
 - Medical Services
 - Catastrophic and Chronic Illness Assistance

Catastrophic and Chronic Illness Assistance
 (AS 47.08)
 Public Assistance Administration
 Child Care Benefits
 Children's Health Eligibility
 Children's Health Eligibility
 Purchased Services
 Foster Care Base Rate
 Foster Care Augmented Rate
 Foster Care Special Need
 Foster Care Alaska Youth Initiate
 Subsidized Adoptions & Guardianship
 Court Orders and Reunification Efforts
 Department of Military and Veterans Affairs
 Alaska National Guard Benefits
 Retirement Benefits
 Department of Revenue
 Permanent Fund Corporation
 Permanent Fund Corporation
 Alaska Housing Finance Corporation
 Alaska Housing Finance Corporation Operations
 Department of Transportation and Public Facilities
 International Airports
 International Airport Systems Office
 Anchorage Airport Administration
 Anchorage Airport Facilities
 Anchorage Airport Field and Equipment Maintenance
 Anchorage Airport Operations
 Anchorage Airport Safety
 Fairbanks Airport Administration
 Fairbanks Airport Facilities
 Fairbanks Airport Field and Equipment Maintenance
 Fairbanks Airport Operations
 Fairbanks Airport Safety
 Marine Highway System
 Marine Vessel Operations
 Marine Engineering
 Overhaul
 Reservations and Marketing
 Southeast Shore Operations
 Southwest Shore Operations
 Vessel Operations Management
 Southeast Vessel Operations
 Southwest Vessel Operations
 University of Alaska
 University of Alaska
 Budget Reductions/Additions-Systemwide
 Statewide Programs and Services

- Statewide Services
- Statewide Networks (ITS)
- University of Alaska Anchorage
 - Anchorage Campus
 - Kenai Peninsula College
 - Kodiak College
 - Matanuska-Susitna College
 - Prince William Sound Community College
- University of Alaska Fairbanks
 - Cooperative Extension Service
 - Bristol Bay Campus
 - Chukchi Campus
 - Fairbanks Campus
 - Fairbanks Organized Research
 - Interior-Aleutians Campus
 - Kuskokwim Campus
 - Northwest Campus
 - Rural College
 - Tanana Valley Campus
- University of Alaska Southeast
 - Juneau Campus
 - Ketchikan Campus
 - Sitka Campus
- Alaska Court System
 - Alaska Court System
 - Appellate Courts
 - Trial Courts
 - Administration and Support
 - Agency-wide Unallocated Reduction
 - Commission on Judicial Conduct
 - Commission on Judicial Conduct
 - Judicial Council
 - Judicial Council
 - Courtwatch
- Legislature
 - Budget and Audit Committee
 - Legislative Audit
 - Ombudsman
 - Legislative Finance
 - Committee Expenses
 - Legislature State Facilities Rent
 - Unallocated Reduction
 - Agency-wide Unallocated Reduction
 - Legislative Council
 - Salaries and Allowances
 - Administrative Services
 - Session Expenses
 - Council and Subcommittees

- Legal and Research Services
- Select Committee on Ethics
- Redistricting Board
- Legislative Operating Budget
- Legislative Operating Budget
- Debt Service and Special Appropriations
- Debt Service
- Debt Retirement Fund
- Certificates of Participation
- School Debt Reimbursement
- Alaska Clean Water Fund Revenue Bonds
- Alaska Drinking Water Fund Revenue Bonds
- International Airport Revenue Bonds
- Special Appropriations
- Anchorage Jail Lease
- Fund Transfers
- Alaska Children's Trust
- Alaska Clean Water Fund
- Alaska Drinking Water Fund
- Disaster Relief Fund
- Fish and Game Fund
- Marine Highway Stabilization
- Municipal Capital Project Matching Grant Fund
- Oil and Hazardous Substance Release Prevention Account
- Oil and Hazardous Substance Release Response Account
- Power Cost Equalization and Rural Electric Capitalization Fund
- Permanent Fund Dividend Fund
- Storage Tank Assistance Fund
- Unincorporated Community Capital Project Matching Grant Fund
- Power Project Fund

Co-Chair Donley explained this amendment would bifurcate the FY 03 operating budget appropriations, similar to the bifurcation approved in the House of Representatives budget legislation.

Senator Ward moved for adoption.

Senator Hoffman objected for explanation.

DAVID TEAL, Director, Division of Legislative Finance, detailed the amendment, beginning with the reporting requirements inserted to Section 11, which he said would provide information to the Legislature that could be used in preparing the FY 04 operating budget. He noted that the Division of Legal and Research Services

would replace the references to Section X and Section Y in the amendment with the pertinent bill section numbers once all of the adopted amendments are incorporated into the committee substitute.

Mr. Teal spoke to the language changes to Section 12, pointing out that the language approved by the House of Representatives allows for unrestricting transferring of funds allocated for the second half of the fiscal year to be spent during the first half. He informed that the language in this amendment restricts the amount of funds that could be transferred to "two percent of the budget".

Mr. Teal stated that programs not listed as exempt from bifurcation, would be subject to the bifurcation process.

Mr. Teal explained that the ten percent reduction from the bifurcated allocations, stipulated in the amendment to language in Sections 4 and 5, is transferred to an unallocated increase component for each agency and would be available for expenditure at the department's discretion.

AT EASE 11:43 PM / 11:49 PM

Ms. McConnell expressed that she was unsure whether the authors of this amendment were "hoping" that with the change of the gubernatorial administration, the political party of the administration would change from Democratic to Republican. She informed that the bifurcation provisions would significantly increase the workload, in a year in which the Legislature is also making large budget reductions. She remarked this process is not "worthy" of the American system, where smooth transitions are made between administrations.

Ms. McConnell suggested that "human nature" is such that "we tend to ascribe to other people, the motives that we would have ourselves." She expressed that comments made to GOV #1, "really brought that home to me," as the comments indicated that only the new Administration would "suffer" from the budget reductions to the Governor's Office. She stated this is because the Committee made the implication that the current Administration would expend "more than its share" of the appropriated funds, thus providing the new Administration with less than its share. On the contrary, she emphasized that bifurcating the budget would restrict the flexibility of the next governor in establishing a new administration.

Ms. McConnell asserted that the current Administration views the appropriations as "the public's dollars for State services and we feel a tremendous obligation" to be responsible in implementing the

budget. She pointed out that, as represented in the supplemental budgets of the last several years, certain programs are not fully funded in the current year's budget, and must be addressed the next legislative session regardless of who is the new governor.

Ms. McConnell reiterated testimony she gave before the Committee at an earlier hearing, regarding practical and legal concerns of bifurcation. She stressed, "I really can't overemphasize how difficult a job I think you are creating for an administration that's going to come in with lots of new people taking jobs throughout State government with tremendous responsibilities for establishing their own administration." She shared her experience when she entered her current position 7 ½ years prior, and the great amount of work required by the new staff in the Office of Management and Budget, each department and the governor's office, to review that year's budget and prepare supplemental funding requests as well as proposing a budget for the next fiscal year. She noted that the next administration would have less time to accomplish this, due to deadline changes made by the legislature.

Ms. McConnell stated that the budgets for each program do not necessarily "fit neatly into six month categories" giving the unpredictable timing and amounts of snowfall as an example. She spoke of the annual purchases of gravel, sand and road salt by the Department of Transportation and Public Facilities as well as fuel purchased by all departments and transported to locations across the State to be "in position for the winter activities." As a result, she stressed that a disproportionate amount of the budget must be expended in the first portion of the fiscal year to take advantage of bulk purchase prices. She predicted that the cost of these supplies could increase if the departments were prohibited from making large purchases.

Ms. McConnell pointed out that current statutes do not allow the Legislative Budget and Audit Committee to appropriate general funds; therefore, the provision in the amendment calling for transfer of funds allocated to the second six months of the fiscal year in the event of a special need, could not be implemented. She also expected the members of the Legislative Budget and Audit Committee would be busy during the interim and unable to attend additional meetings.

Ms. McConnell added that quarterly payments to grant recipients normally made during the month of December would not occur until January, causing cash-flow problems for non-profit organizations.

Ms. McConnell spoke to the provision in the amendment requiring the Administration to issue a comparison report of expenditures in the

first six months of FY 03 to the same time period in FY 02. She informed that this data would be of little benefit if the departments were not given adequate time to include explanations of the expenditures, such as the amount of snowfall, the number of prisoners, etc. She stated that changes in expenditure amounts would otherwise be "taken out of context."

Ms. McConnell opined that of greater concern than the bifurcation proposal is the inadequate funding to many service programs. However, she asked the Committee to not adopt this amendment, as it would require "unproductive" work.

Senator Hoffman asked if the list of programs exempt from bifurcation is identical to that approved by the House of Representatives.

Co-Chair Donley noted the Western Interstate Commission for Higher Education (WICHE) program is included in this list but was omitted from the House of Representatives exemption.

Mr. Teal explained that the WHICHE program must pay dues to the cooperative organization "up front"; therefore, all of this program's expenses occur within the first six months of the fiscal year. He also noted that the amendment states "all formulas" are included in the exemption list, although the PCE program is not, nor is it exempted in the budget approved by the House of Representatives.

Senator Hoffman asked why the PCE program is not included.

Mr. Teal did not know.

AT EASE 12:01 AM / 12:05 AM

Co-Chair Donley stated the PCE program was not exempted in this amendment because the House of Representative did not exempt it. He did not object to adding it to the exclusion list.

Senator Hoffman moved to amend the amendment to exempt the PCE program from bifurcation.

Without objection LANG #3 was AMENDED.

A roll call was taken on the motion to adopt LANG #3 as amended.

IN FAVOR: Senator Leman, Senator Ward, Senator Wilken, Senator Green, Co-Chair Kelly and Co-Chair Donley

OPPOSED: Senator Hoffman, Senator Olson and Senator Austerman,

The motion PASSED (6-3)

The amended amendment was ADOPTED.

Co-Chair Kelly moved "House Bill 403 from Committee with individual recommendations, as amended, with accompanying intent language."

There was no objection.

Co-Chair Donley thanked staff members of the Committee and the Division of Legislative Finance for their efforts in preparing this budget.

Without objection SCS CS HB 403 (FIN), 22-LS1295\R, as amended MOVED from Committee.

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ADJOURNMENT

Co-Chair Dave Donley adjourned the meeting at 12:09 AM.