

HOUSE FINANCE COMMITTEE
March 03, 2003
1:49 PM

TAPE HFC 03 - 29, Side A
TAPE HFC 03 - 29, Side B

CALL TO ORDER

Co-Chair Harris called the House Finance Committee meeting to order at 1:49 PM.

MEMBERS PRESENT

Representative John Harris, Co-Chair
Representative Bill Williams, Co-Chair
Representative Kevin Meyer, Vice-Chair
Representative Mike Chenault
Representative Eric Croft
Representative Richard Foster
Representative Mike Hawker
Representative Reggie Joule
Representative Carl Moses
Representative Bill Stoltze

MEMBERS ABSENT

Representative Jim Whitaker

ALSO PRESENT

Cheryl Frasca, Director, Division of Management & Budget,
Office of the Governor

PRESENT VIA TELECONFERENCE

None

SUMMARY

HB 100 "An Act making supplemental and other appropriations; amending appropriations; and providing for an effective date."

HB 110 was REPORTED out of Committee with a "do pass" recommendation.

HB 110 "An Act making supplemental and other appropriations; amending appropriations; making appropriations to capitalize funds; and providing for an effective date."

HB 110 was HELD in Committee.

#hb100
#hb110
HOUSE BILL NO. 100

"An Act making supplemental and other appropriations; amending appropriations; and providing for an effective date."

HOUSE BILL NO. 110

"An Act making supplemental and other appropriations; amending appropriations; making appropriations to capitalize funds; and providing for an effective date."

Co-Chair Williams MOVED to ADOPT Committee substitute for House Bill 100, Work Draft 23-GH1061/I (Utermohle, 3/3/03), be ADOPTED.

Co-Chair Harris explained that the committee substitute combined House Bill 100 and House Bill 110, thereby containing both the regular and fast track supplemental in one bill. He provided members with a spreadsheet by the Legislative Finance Division, which detailed the changed made by the committee substitute (copy on file).

AMANDA RYDER, FISCAL ANALYST, LEGISLATIVE FINANCE, reviewed changed made in the committee substitute. She pointed out the differences between the Governor's supplemental request and the committee substitute, as illustrated in the worksheet (copy on file). She explained that n/a was used on the worksheet (without a corresponding section number) for sections that were deleted.

Ms. Ryder then went on to discuss the worksheet, item by item, as follows:

Section 1(a)
DEPARTMENT OF ADMINISTRATION, OFFICE OF PUBLIC ADVOCACY

The Governor's request included \$3.3 million in general funds, including \$1.1 million for caseload growth, and \$2.2 million for short funding. The CS recommends funding only \$2.2 million.

DIVISION OF FINANCE

Ms. Ryder explained that \$400 thousand for additional data processing charges was not recommended in the committee substitute.

Section 1(d)
DEPARTMENT OF ADMINISTRATION, FINANCE

The Governor's bill requested \$1.157 million, which was not included in the Committee Substitute.

DEPARTMENT OF ADMINISTRATION, SENIOR SERVICES

The governor's bill included a \$300 thousand decrement from over funding. The decrement is not included in the CS. She pointed out that the funding would lapse into the General Fund at the end of the fiscal year.

DEPARTMENT OF COMMUNITY AND ECONOMIC DEVELOPMENT, ASTF

A fund source change of \$10.5 million of the Alaska Science and Technology Foundation endowment earnings, not including decrement was included in the CS.

Section 2d, (DCED)

Ms. Ryder explained that 5% of profit from grants is returned to the endowment according to statute. The bill appropriates into the endowment an estimated \$130 thousand.

Section 3c

DEPARTMENT OF CORRECTIONS, INMATE HEALTH CARE

The Governor's supplemental requested \$187.7; \$100 thousand is recommended in the CS.

Section 18

DEPARTMENT OF CORRECTIONS

Ms. Ryder observed that \$3.4 thousand was included in the committee substitute to cover miscellaneous claims and services, the same as the Governor's supplemental.

DEPARTMENT OF EDUCATION, FOUNDATION FORMULA

While a decrement appeared in the Governor's supplemental for unneeded funds, information available in October reflected a lower student count, and therefore the \$6.7 million will lapse into the General Fund. The Committee Substitute does not reappropriate the funds.

Section 4

DEPARTMENT OF ENVIRONMENTAL CONSERVATION

Ms. Ryder noted that \$100 thousand for legal services regarding the Red Dog Mine air quality dispute was added, as an amendment to the Governor's supplemental and is included in the committee substitute.

Section 8c

DEPARTMENT OF HEALTH AND SOCIAL SERVICES,

The committee substitute is funding \$2 million of a requested \$2.8 million for program short funding.

YOUTH FACILITIES

The Kenai Peninsula Youth Facility is not funded in CS; the McLaughlin Youth Facility increase of \$25 thousand is also not included in CS. \$20 thousand for medical costs at the Fairbanks Youth Facility is not included in the CS. Supplemental funding for the Johnson Youth Facility (\$11.5 thousand) and Bethel Youth Facility (\$66.1 thousand) are not included in CS.

Section 8h

DEPARTMENT OF HEALTH AND SOCIAL SERVICES

The Governor's request for \$195 thousand of receipt-supported services for operating costs is recommended at \$100 thousand in the Committee Substitute.

Section 8i

DEPARTMENT OF HEALTH AND SOCIAL SERVICES MEDICAID, SERVICES

Ms. Ryder explained that the request was for \$28,055 in general funds, with a decrement of \$16,064 and \$1 million in program receipts, for a total funding of \$10.9 million. The committee substitute only funds \$23 million of the general fund request, which is the federal match rate and does not include growth in claims.

DEPARTMENT OF HEALTH AND SOCIAL SERVICES, COMMISSIONER'S OFFICE

The suicide follow back study is not included in the CS. With several months remaining in the fiscal year, there remains opportunity to pursue the study.

DEPARTMENT OF LAW

Ms. Ryder observed that the \$95 thousand requested for unexpected move and lease costs were not funded in the CS.

JOINT SALMON TASK FORCE

The extended lapse date to June 30, 2004, was not included in the CS.

Section 12 (d), MILITARY AND VETERANS AFFAIRS

Ms. Ryder noted that \$830 thousand was included in the committee substitute to cover emergency services, but had not been included in Governor's budget. The funds had originally been requested to be deposited into the disaster relief fund.

Section 5

MILITARY AND VETERANS AFFAIRS, DISASTER RELIEF FUND

Ms. Ryder explained that \$11.6 million general funds and \$31 million federal funds were requested. The difference between the Governor's request and the Committee Substitute is \$830 less general funds.

Section 14a

DEPARTMENT OF PUBLIC SAFETY, FISH AND WILD LIFE PROTECTION

The Governor's request was for \$229.3 thousand in general funds; \$171.1 thousand was included in the CS.

DEPARTMENT OF PUBLIC SAFETY, FISH AND GAME FUND

Revised language appropriating criminal fines, penalties and forfeitures into the Fund was not included in the CS.

Section 14b

DEPARTMENT OF PUBLIC SAFETY, CRIMINAL RECORDS

The request reflects a decrement corresponding to an increment in DCED, Division of Insurance, which occurred due to a pass through of Federal monies. She noted that to decrement a full \$200 thousand would result in short funding, therefore a decrement of only \$100 thousand was recommended in the Committee Substitute.

Section 17f

STATE DEBT

The request would cover debt service, for school debt reimbursement. Since less was needed than anticipated, as well as a higher level of cigarette tax income than projected, the Governor's budget included a \$6.4 million decrement in general funds. However, the committee substitute does not remove the \$6.4 million.

Section 16 (o)

DEPARTMENT OF TRANSPORTATION

Language added to the Governor's request was changed in the committee substitute to indicate an amount equal to the amount remaining from FY 02, which can then be appropriated from the General Fund for the purposes of the Whittier Tunnel toll facility.

Section 16Q and 20

DEPARTMENT OF TRANSPORTATION

The request reflects increased costs for negotiated contract with the Confidential Employees Association. In order to

spend FY03 funding, Section 6 from the FY03 Operating Budget had to be repealed. Section 20 of the committee substitute repeals Section 6 in the operating budget, and enables the department to expend \$25.7 thousand general funds already in their budget. Therefore, only the \$46.9 thousand of program funds is included in the committee substitute.

RATIFICATION

The request for the ASTF endowment of \$267 thousand was included in the committee substitute, which appropriates grant repayments to the Fund.

CHERYL FRASCA, DIRECTOR, DIVISION OF MANAGEMENT & BUDGET, OFFICE OF THE GOVERNOR, spoke to departmental examination of the Governor's proposed budget. She stated that further efficiencies would be reported as they are discovered.

Vice-Chair Meyer MOVED to ADOPT Amendment #1 (copy on file). Representative Croft OBJECTED.

Co-Chair Harris explained that Amendment #1 referred to Section 14, DEPARTMENT OF PUBLIC SAFETY. The Amendment changes the amount of \$171,100 thousand to \$189,111, in order to cover fuel cost increases. He noted that the department had requested an \$18 thousand increase.

Representative Stoltze stressed that not much flexibility was available in regards to fuel costs, and that the amendment was not unreasonable.

Representative Croft referred to Amendment #8 (copy on file), and recalled that the Department of Public Safety had previously requested an increment of \$154,600 during the FY03 budget process. He pointed out that the legislature had denied the request. Representative Croft emphasized his belief that departments should adhere to legislative budget decisions.

Representative Croft WITHDREW his OBJECTION. There being NO OBJECTION, Amendment #1 was adopted.

Co-Chair Williams MOVED to ADOPT Amendment #2 (copy on file.) Representative Croft OBJECTED.

Co-Chair Harris noted that Amendment #2 deleted Section 2(c), pertaining to \$115 thousand for the Korean USA economic conference, noting that the request would be funded in the Capital Budget.

He further explained that the amendment also deleted Section 12(d), pertaining to the Department of Military and Veteran's Affairs, stating that the item was actually

intended for the FY04 budget, and could be removed from the supplemental.

Representative Croft clarified that emergency funding would be forward-funded.

Co-Chair Harris further noted that the amendment went on to eliminate the language stating "and for core emergency preparedness and operations costs".

He also referred to Section 18, line 17, pertaining to the Department of Corrections, amending the amount from \$3,385 to \$5,829.

Representative Croft WITHDREW his OBJECTION. There being NO OBJECTION, Amendment #2 was ADOPTED.

Representative Croft MOVED to ADOPT Amendment #3. Co-Chair Harris OBJECTED

Representative Croft explained that the amendment added \$1,1 million to the Office of Public Advocacy (OPA), Department of Administration. He discussed the need to cover caseload growth in Children in Need of Aid cases. He maintained that the current bill would penalize OPA for caseload growth over which they had no control, and speculated that abused young children may also be adversely affected by denying this request. He questioned what message the legislature would send by not funding this request, and suggested that systemic changes be investigated to more effectively handle caseload growth in this area.

Co-Chair Harris expressed his sympathy with the amendment. He concurred that there was little control over caseload. He however speculated that such a request would again surface in a supplemental, and maintained that every department was being asked to "scrub" their budget. He stated his commitment to move forward with the Committee's recommendation, with the likelihood that the request would be reconsidered at a later time.

A roll call vote was taken on the motion.

IN FAVOR: Croft, Joule, Moses
OPPOSED: Foster, Hawker, Meyer, Stoltze, Chenault, Williams, Harris

Representative Whitaker was not present for the vote.

The MOTION FAILED (3-7).

Representative Croft MOVED to ADOPT Amendment #4 (copy on file.) Co-Chair Harris OBJECTED.

Representative Croft explained that the amendment added \$1.157 million to the Office of Public Defender's Office. He noted that the amount would cover the FY03 caseload growth. He discussed the issue of historically short funding the Public Defender's Office, and questioned the possible negative outcome if the office was not subsequently funded.

Co-Chair Harris maintained his belief that this request would resurface in the future.

A roll call vote was taken on the motion.

IN FAVOR: Croft, Joule, Moses
OPPOSED: Foster, Hawker, Meyer, Stoltze, Chenault,
Williams, Harris

Representative Whitaker was not present for the vote.

The MOTION FAILED (3-7).

Representative Joule MOVED Amendment #5 (copy on file). Co-Chair Harris OBJECTED.

Representative Joule explained that the Amendment changed the amount (on Page 3, line 28) from \$2 million to \$2.833 million to cover the cost of adoption programs for special needs children, as follows.

"The subsidized adoption program helps children with special needs obtain permanent homes by providing the adopting family a monetary subsidy. It enables families to overcome the financial hurdle so that they can make the commitment to adopt a special needs child. This is a cost effective alternative to foster care and places children in permanent, stable families. The additional money is needed to cover caseload growth and an increase in the subsidy. In FY 2003, the program was intentionally short funded and did not account for the anticipated caseload growth. This is a wonderful program that provides stable, permanent homes for children while providing a cost savings to the state. It makes more sense to provide this funding then to pay for increased foster care costs while allowing children to languish in nonpermanent homes."

Representative Joule asked about the true cost of the adoption process and the effects on these children of short funding the program.

JANET CLARKE, DIRECTOR, DIVISION OF ADMINISTRATIVE SERVICES, DEPARTMENT OF HEALTH AND SOCIAL SERVICES responded that the goal of program, in addition to locating permanent homes for these children under federal mandate, was to monitor

caseload growth, and complete a thorough projection of foster care costs. She speculated that if, after an investigation of all budget costs, adequate funding for the was not available, the Department may once again approach the Governor's office. She speculated that a lack of funding would not mean that children would not find permanent homes.

Co-Chair Harris reiterated his belief that the amount would be revisited prior to the end of the legislative session.

A roll call vote was taken on the motion.

IN FAVOR: Croft, Joule, Moses
OPPOSED: Foster, Hawker, Meyer, Stoltze, Chenault,
Williams, Harris

Representative Whitaker was not present for the vote.

The MOTION FAILED (3-7).

Representative Joule WITHDREW Amendment #6

Representative Joule then MOVED Amendment #7(copy on file.)
Co-Chair Harris OBJECTED.

Representative Joule explained that Amendment #7 would add \$3.4 million for erosion of beachfront in Shishmaref. He noted that the total cost of erecting a barrier was \$4.5 million, and that a community non-profit had raised over \$1.1 million on its own. The community had been declared a federal disaster area; since November of 2002, a total of 18 homes had been relocated. He went on to state that the community had voted to relocate, a process that could take up to seven years. He stated that Senator Stevens had created two separate appropriations: one for \$1 million for communities with erosions problems, and another for \$1 million for the relocation and development of the community of Shishmaref. He explained that before relocating, a barrier must be built to protect them from the ocean.

Representative Joule referred to an article in People Magazine and other news publications. He suggested that placing funding in the supplemental made it accessible in the time for needed construction, before further damage was done. He urged favorable consideration of the amendment.

Representative Joule referred to discussions with Congressman Young about the need to create the barrier.

Co-Chair Harris explained his objection, after expressing his support of the project. He maintained that he hoped for concurrence with the Administration, but had not received it yet. He stated plans to work with the appropriation on the

House Floor, assuming that the Administration concurred by that time.

A roll call vote was taken on the motion.

IN FAVOR: Joule, Moses, Croft, Foster
OPPOSED: Meyer, Stoltze, Chenault, Hawker

Representative Whitaker was not present for the vote.

The MOTION FAILED (4-6).

Representative Croft MOVED Amendment #8 (copy on file.) Co-Chair Harris OBJECTED.

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Representative Croft observed that in four different departments, such as the Department of Law and the Department of Public Safety, after experiencing budget cuts, the departments then presented a supplemental request. He also referenced Committee discussions with the Department of Transportation, regarding maintenance stations that were closed and then opened at the request of the new Administration. He suggested that the issue at hand was the true meaning and impact of budget decisions, and the sole power of legislative appropriation. He referred to a list of proposed increments from FY03 that were rejected by the legislature.

Representative Croft suggested that the amendment not only presented cost savings, but also upheld the budgetary process. He observed that a great deal of deliberation went into the legislative decisions, and maintained that the decisions ought to be upheld. He suggested that departments ought to pay more attention to proposed decrements/increments.

Co-Chair Harris maintained his objection, and stated that some accountability was asked of departments in responding to decrements. He suggested that the legislature needed to decide whether or not to insist that departments absorb budget reductions, and observed that the new Administration chose not to insist on this. He stated that, although he did not disagree with Representative Croft, the current Administration had only been dealing with such policy issues for less than six months. He expressed his belief that the Committee should uphold the Governor's actions.

A roll call vote was taken on the motion.

IN FAVOR: Moses, Croft
OPPOSED: Meyer, Stoltze, Chenault, Foster, Hawker, Joule

Representative Whitaker was not present for the vote.

The MOTION FAILED (2-8).

After a brief AT EASE, Co-Chair Harris MOVED Amendment #9 (copy on file.)

Co-Chair Harris explained that the Amendment added \$400 thousand previously reduced from the Department of Administration, Division of Finance.

There being NO OBJECTION, Amendment 9 was adopted.

Co-Chair Williams MOVED to report CSHB 100 (FIN) out of Committee.

Representative Joule OBJECTED. He expressed his appreciation that Co-Chair Harris stated a willingness to address issues contained in the amendments at a later time.

Representative Joule WITHDREW his OBJECTION.

There being no further objection, the MOTION was PASSED.

HB 110 was REPORTED out of Committee with a "do pass" recommendation.

HB 110 was HELD in Committee.

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ADJOURNMENT

The meeting was adjourned at 2:49 PM.