

DRAFT HOUSE FINANCE COMMITTEE
April 05, 2003
11:32 AM

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CALL TO ORDER

Co-Chair Harris called the House Finance Committee meeting to order at 11:32 AM.

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

Representative Ethan Berkowitz; Representative David Guttenberg; David Teal, Director, Legislative Finance Division; William Tandeske, Commissioner, Department of Public Safety; Jerry Burnett, Director, Administrative Services Division, Department of Corrections; Greg O'Claray, Commissioner, Department of Labor; Kurt Fredrickson, Deputy Commissioner, Department of Environmental Conservation; Karen Rehfeld, Director, Division of Education Support Services, Department of Education and Early Development; Kevin Brooks, Director, Division of Administrative Services, Department of Fish and Game; Tom Lawson, Director, Administrative Services, Department of Community and Economic Development; Janet Clarke, Director, Division of Administrative Services, Department of Health and Social Services; Wendy Redman, Vice President, Statewide Programs, University of Alaska,

PRESENT VIA TELECONFERENCE

There were no teleconference participants.

SUMMARY

SSHB 75 "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."

75 (FIN) was REPORTED out of Committee with a "do pass" recommendation.

SSHB 76 "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."

CSSHB 75 (FIN) was REPORTED out of Committee with a "do pass" recommendation.

#hb75

#hb76

SPONSOR SUBSTITUTE FOR HOUSE BILL NO. 75

"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."

SPONSOR SUBSTITUTE FOR HOUSE BILL NO. 76

"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."

Co-Chair Harris MOVED to ADOPT Amendment DPS 1:

Department of Public Safety

Appropriation: Fire Prevention

Allocation: Fire Prevention Operations

Change:

Page 28, lines 14-15 to read:

The amount appropriated by this appropriation includes up to \$356,600 [\$125,000] of the unexpended and unobligated balance on June 30, 2003, of the receipts collected under AS 18.70.080(b).

Delete: \$231,600 of General Funds

Add: \$231,600 of Receipt Supported Services

Appropriation: Statewide Support
Allocation: Alaska Criminal Records and
Identification

Change:

Page 30, lines 5-7 to read:

The amount appropriated by this appropriation includes up to \$325,000 [\$125,000] of the unexpended and unobligated balance on June 30, 2003, of the receipts collected by the Department of Public Safety from the Alaska automated fingerprint system under AS 44.41.025(b).

Delete: \$200,000 of General Funds

Add: \$200,000 of Receipt Supported Services

Appropriation: Fish and Wildlife Protection
Allocation: Enforcement and Investigative
Services Unit

Add: \$23,100 of General Funds

Appropriation: Fish and Wildlife Protection
Allocation: Director's Office

Add: \$6,200 of General Funds

Appropriation: Fish and Wildlife Protection
Allocation: Aircraft Section

Add: \$23,000 of General Funds

Appropriation: Fish and Wildlife Protection
Allocation: Marine Enforcement

Add: \$41,500 of General Funds

Appropriation: Fire Prevention
Allocation: Fire Prevention Operations

Add: \$55,000 of General Funds

Appropriation: Fire Prevention
Allocation: Fire Service Training

Add: \$15,200 of General Funds

Appropriation: Alaska State Troopers
Allocation: Director's Office

Add: \$26,400 of General Funds

Appropriation: Alaska State Troopers
Allocation: Judicial Services - Anchorage

Add: \$71,300 of General Funds

Appropriation: Alaska State Troopers
Allocation: Rural Trooper Housing

Add: \$2,500 of General Funds

Appropriation: Alaska State Troopers
Allocation: Narcotics Task Force

Add: \$44,100 of General Funds

Appropriation: Statewide Support
Allocation: Commissioner's Office
Add: \$10,300 of General Funds

Appropriation: Statewide Support
Allocation: Training Academy

Add: \$8,200 of General Funds

Appropriation: Statewide Support
Allocation: Administrative Services

Add: \$57,700 of General Funds

Appropriation: Statewide Support
Allocation: Alaska Public Safety Information
Network

Add: \$17,600 of General Funds

Appropriation: Statewide Support
Allocation: Laboratory Services

Add: \$29,500 of General Funds

Representative Croft OBJECTED for the purpose of discussion.

DAVID TEAL, DIRECTOR, LEGISLATIVE FINANCE DIVISION explained Amendment DPS 1. The amendment would restore the Governor's original request OF \$431.6 thousand to fund telecommunications and computer services in several allocations. General funds from Fire Prevention and Alaska Criminal Records and Identification are supplanted with their own excess receipt supported services by increasing the amount available for carry-forward in FY04. These general funds are then spread throughout the agency as requested. No additional general fund monies would be used.

Representative Stoltze spoke in support of the amendment and noted that the subcommittee was not able to fit the cost within its budget.

Mr. Teal noted that the he had discussed the amendment with the Governor's Office and that they were aware of how the amendment would be funded.

Representative Croft questioned what receipts supported services are being provided in Amendment PS-1.

Mr. Teal stated that the receipts are split between fire prevention and criminal records. Charges for background checks are used.

Representative Croft expressed concern that there are sufficient receipts in the programs to pay for the programs. MR. Teal affirmed that the receipts are available.

WILLIAM TANDESKE, COMMISSIONER, DEPARTMENT OF PUBLIC SAFETY explained that the department receives funds from build plan reviews and training.

There being NO OBJECTION, Amendment DPS 1 was adopted.

Representative Stoltze MOVED to ADOPT Amendment DPS 2:

ADD

Department of Public Safety

Alaska State Troopers

Alaska State Trooper Detachments

1108 SDPR (Statutory Designated Program Receipts) \$75.0

Representative Joule OBJECTED for the purpose of discussion.

Representative Stoltze explained that the Matanuska-Susitna Borough would provide financial support (\$75 thousand) for state trooper presence in Palmer. The borough for approval by the Department of Public Safety would draft a contract. The contract will specify an increase of state trooper presence and that the additional funding will not be used to supplant general funds or other funding for existing services provided to the Mat-Su Borough.

Representative Joule questioned if the Borough had passed a resolution in support of the amendment. Representative Stoltze assured him that the Borough is supportive.

Co-Chair Harris summarized that the amendment would provide receipt authority from the Mat-Su borough to the state to support a trooper in their area. Representative Stoltze clarified that the funding would pay for the overtime required to provide extra enforcement in a specific problem area. Commissioner Tandeske expressed support.

Representative Croft MOVED to ADOPT Amendment DPS 3:

DELETE:

Department: Public Safety
Appropriation: Alaska State Troopers
Allocation: Alaska State Troopers Detachment

Increment:
\$280.0
Fund Source:
AHFC Dividend

Co-Chair Harris OBJECTED for the purpose of discussion.

Representative Croft the amendment would use AFHC receipts to fill the public safety gap. He noted that education and public safety are priorities and expressed concern that a shortfall would be felt in the village public safety officers program.

Representative Stoltze noted that there was a transfer of funding from the village public safety officers (VPSO) to support state troopers. He observed that \$280 thousand was kept in the Western Alaska Law Enforcement component.

Representative Joule questioned the impact in the field with the reduction.

Commissioner Tandeske observed that the affect in the field is difficult to state, but noted that he could not absorb the entire amount. He stressed that he is committed to making it work.

In response to a question by Representative Joule, Commissioner Tandeske explained that VPSO contracts would not be reduced. Support to the area would be impacted. He maintained that the impact would not be felt in the rural support area alone. He noted that he is challenged in providing public safety for the entire state. There are additional challenges in rural support in terms of travel.

Representative Croft summarized that there is \$46 million from AHFC dividends in the capital budget. He observed that these projects have not been scrutinized.

A roll call vote was taken on the motion.

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

Representative Whitaker was absent from the vote.

The MOTION FAILED (2-8).

Representative Moses MOVED to ADOPT Amendment DPS 4:

It is the intent of the Legislature that the Department of Public Safety will continue to look for supportive funding for the WV Stimson by *contracting* with the western Alaska fishermen and coordinating with the Department of Fish and Game through the test fisheries program.

There being NO OBJECTION, it was so ordered.

Representative Joule MOVED to ADOPT Amendment DOC 1:

Corrections
Administrative Operations
Community Jails

Add: GF 400.0

Representative Joule spoke in support of the amendment. He noted that there has been an on-going debt regarding private or public. He observed that funding for community jails has been stagnant. Community jails are throughout the state and serve large areas. Contracts are between the community and the state, yet many community jails serve more than the area of contract and have costs beyond their contract amount.

Co-Chair Harris asked for more information regarding the difference between the Anchorage jail and community jails.

JERRY BURNETT, DIRECTOR, ADMINISTRATIVE SERVICES DIVISION, DEPARTMENT OF CORRECTIONS explained that the Anchorage jail is operated by the Department of Corrections. Funding for the Anchorage jail is a mix of state and local funds. He felt that the budget was equitable.

Co-Chair Harris questioned what would happen if communities decided not to fund the jails. Mr. Burnett observed that the Department of Public Safety would have to transport people to a correctional facility.

Representative Joule noted that if the community jails were closed that 7,000 prisoners would have to be transported at a greater cost to the state.

Co-Chair Harris noted that he is sympathetic to the issue, and that he would continue to work on the amendment.

A roll call vote was taken on the motion.

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

Representative Whitaker was absent from the vote.

The MOTION FAILED (3-7).

Co-Chair Harris MOVED to ADOPT Amendment DOC 2:

Point MacKenzie Correctional Farm
Delete 100.0 GF

Co-Chair Harris explained that the amendment would reverse an increment, which belongs in the capital budget. Mr. Burnett did not object to placing the appropriation in the capital budget. He explained that the funding is a mixture of private and public.

There being NO OBJECTION, it was so ordered.

Co-Chair Harris MOVED to ADOPT Amendment DEC 1:

Co-Chair Harris explained that the amendment would add money into the Alaska Library and Museums.

KURT FREDRICKSON, DEPUTY COMMISSIONER, DEPARTMENT OF ENVIRONMENTAL CONSERVATION explained that there are 5 positions in the Commissioner's Office and that it is a 30 percent reduction in their general fund component. The deputy commissioner position would probably be affected.

There being NO OBJECTION, it was so ordered.

Representative Croft MOVED to ADOPT Amendment DEC 2:

ADD
Agency: Dept. of Environmental Conservation
BRU: Environmental Health Division
Component: Laboratory Services
Fund Source Amount
1004 General Fund \$137.1

TITLE: Restore Funding for two positions: one organic chemist and one inorganic chemist, at the State Chemistry Laboratory.

Impacts of closing lab:

- 8 Jobs Lost
- Environmental studies program will have to cancel classes affecting 50 students
- 5 classes will have no lab/classroom
- 7 Grants stopped mid-project
- SE Alaska Science Fair will have no place for students to do projects

The DEC lab and chemists currently perform three main duties. First, they analyze tests from contaminated

sites, second, they audit private labs, and third, they act as a teaching facility for both the University and high school. Closing the lab would be a step backwards for both science & education in Alaska. This amendment would keep minimum staff necessary to continue education functions.

This lab is important to the University's economic viability and is an integral part of both the teaching and research function of the Environmental Science Program. There are currently approximately 50 environmental science students at UAS, five environmental science classes, and grant based projects in progress utilizing the lab. The University contributes \$25,000 annually to use the lab and its equipment, valued at \$2 million dollars. Due to the specialization of the DEC lab, it is the only southeast location equipped to perform this type of research. Without the lab, the Environmental Science Program would not exist, which would force the University to give back federal research dollars and reduce the amount of future federal money. This would cut the amount of programs available through the university and is contradictory to their goals of expanding the program and ensuring that jobs are filled within the state rather than hiring individuals who have no practical study in Alaska.

Students participating in the Southeast Alaska Science Fair use the lab and rely on the expertise of the chemists to create and test their projects. This year, 4 Juneau winners qualified for the Intel International Science and Engineering Fair in Cleveland, Ohio. Future science fair competitors from all of Southeast Alaska will be affected by the closure due to limited lab space in our region.

Agency: Dept. of Environmental Conservation
BRU: Environmental Health Division
Component: Laboratory Services

TITLE: Restore Funding for one organic chemist and one in-organic chemist at the State Chemistry Laboratory.

Talking Points:

- 8 Positions would be lost (two retained but moved out of lab).
- Last year the lab received \$95,000 receipts from services and space rental.
- Space for the DEC lab has been prepaid and will remain under lease until

2006.

University of Alaska

- It makes no sense to close the lab, lose the equipment, and hurt UAS when we already have the lab and the lease is prepaid.
- The DEC lab in Juneau acts as a teaching facility. Undergraduates obtaining degrees in Environmental Science, at the University of Alaska Southeast, use the lab's analytical equipment, valued at \$2 million dollars to do scientific research.
- Currently there are seven grant funded research projects in progress at the lab. Grants were given with the understanding that the University would have adequate space and instrumentation to conduct research.

High School

- The science fair is growing. This year was the first year the Science Fair was open to all Southeast Alaska Students. To encourage more SE students to participate, the Juneau high school will be holding a class for area wide teachers to come to Juneau and find out more about the fair. This will increase enrollment of other SE students, increasing the need for a laboratory and chemists.
- While lab personnel act as mentors for high school students, they have in the past and may continue to, take part in judging science fair projects and may be on the scientific review team that approves all projects prior to entry.
- The science fair committee is made up of volunteers. Therefore, they would not be able to accommodate students financially to fund the services that the lab provides if these resources were taken away.

Mr. Fredrickson spoke to the Governor's proposed amount. He noted that the state chemistry laboratory for the drinking water program and the underground storage tank program. Other duties, such as chemical analysis for oil spills had been done at the laboratory. Private labs have developed over the years, reducing the need for the state chemistry laboratory, which has been working with the University. He noted that there has been private sector interest in expanding into the facility. The laboratory is not needed for the certification programs and maintained that the laboratory had moved into areas that are not in the department's mission.

A roll call vote was taken on the motion to ADOPT Amendment DEC 2.

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

Representative Whitaker was absent from the vote.

The MOTION FAILED (3-7).

Co-Chair Harris MOVED to ADOPT Amendment DLWD 1:

DEPARTMENT: LABOR & WORKFORCE DEVELOPMENT

Appropriation: Office of the Commissioner
Allocation: Commissioner's Office

Delete: 100,000 OF

Appropriation: Vocational Rehabilitation
Allocation: Independent Living Rehabilitation

Add: 200,000 OF

DEPARTMENT OF FISH AND GAME

Appropriation: Administration and Support
Allocation: Commissioner's Office

Delete: 100,000 OF

Explanation:

This amendment removes a total of \$200,000 (\$100,000 from each of the Commissioner's Offices in DFG and Labor) and replaces a portion of the general funds cut by the Governor in the Independent Living Rehabilitation Program.

Co-Chair Harris explained that the amendment would add \$200 for the Independent Living Rehabilitation Program by taking \$100 from the commissioner's offices of the Department of Fish and Game and the Department of Labor and Workforce Development.

Representative Croft questioned the cost of fully funding the Independent Living Rehabilitation Program.

GREG O'CLARAY, COMMISSIONER, DEPARTMENT OF LABOR spoke to the amendment. He summarized that the funding level would be near of just above the original request of \$618 thousand. He observed that there are three positions in the commissioner's office and that they are sufficient funds to take the cut.

There being NO OBJECTION, it was so ordered.

Department of Labor & Workforce Development
Vocational Rehabilitation
Independent Living Rehabilitation

Increment: \$35.5 SGF

Representative Croft spoke in support of fully funding the component. Co-Chair Harris noted his intent to continue to work to do so.

A roll call vote was taken on the motion.

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

Representative Whitaker was absent from the vote.

The MOTION FAILED (3-7).

Representative Joule MOVED to ADOPT Amendment DLWD 3:

Business Partnerships
Kotzebue Tech Center Operations Grant:
300.0 GF

Representative Joule spoke in support of the amendment. The amendment would restore funding for The Kotzebue Technical Center. He stressed the importance of the Center in providing qualified workers and vocational education, which he felt was inadequately funded.

Vice-Chair Meyer observed that the component's funding was discussed and concluded that the funds were not needed.

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Representative Joule observed that the Governor has emphasized resource development in rural Alaska and developing human resources. He observed that further reductions in state support would jeopardize private support.

Commissioner O'Cleary noted that the Kotzebue Technical Center is one of the major learning centers and that they are pursuing federal funding for its support.

Representative Joule noted that while the Center is in Kotzebue is a statewide postsecondary institution and

Co-Chair Harris promised to continue working to fully fund

the component.

A roll call vote was taken on the motion.

IN FAVOR: Croft, Foster, Joule, Moses

OPPOSED: Chenault, Hawker, Meyer, Stoltze, Williams, Harris

Representative Whitaker was absent from the vote.

The MOTION FAILED (4-6).

Co-Chair Harris MOVED to ADOPT Amendment DEED 1:

K-12 Support
Foundation Formula Program
\$1,340,900

Co-Chair Harris observed that there was a double decrement and that the amendment would restore to the correct amount.

There being NO OBJECTION, it was so ordered.

Co-Chair Harris MOVED to ADOPT Amendment DEED 2:

Alaska Library and Museums
ADD 23,200 ILTF

Co-Chair Harris observed that the component was heavily commented on during public testimony. The amendment would provide one-time funds for the Sheldon Jackson Museum in Sitka.

There being NO OBJECTION, it was so ordered.

Representative Croft MOVED to ADOPT Amendment DEED 3:

Page 1, line 1, after "appropriations", insert:
"and reappropriations"

ADD:

University of Alaska
Budget Reductions/Additions -System wide
Budget Reductions/ Additions -System wide

\$6,728,800 reappropriation of the unexpected and unobligated funds described under Section 1, Chapter 94, SLA 2002, page 11, lines 17 & 18.

\$3,575,200 unappropriated AHFC dividend

Explanation: The Governor recommended a \$10.3 million dollar increase in the UA budget this year-sufficient to maintain the momentum and meet the basic fixed costs because he sees the University as essential

to the economic growth and vitality of the state. This amendment seeks to restore the University budget to the Governor's level

Budget Impact: Net \$0 GF

Representative Croft spoke in support of the amendment. He noted that the amendment would not restore the entire amount needed to fund the Alyeska Central School [Alyeska]. He maintained that the cost would be a net zero, since the students would otherwise participate through other programs. He observed that the program, which predates statehood, is successful. He observed that specialized teachers provide needed services. He maintained that no other options are better than what is provided by the Alyeska program. He spoke in further support of the amendment.

Co-Chair Harris clarified that students would appear in the foundation formula at 80 percent.

KAREN REHFELD, ACTING COMMISSIONER, DIVISION OF EDUCATION SUPPORT SERVICES, DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT explained that the amendment anticipates that legislation (HB 174) would pass, which would eliminate the summer school component and retain the regular school. The cost of the summer school component, which would be eliminated, is projected at \$1.170.4 million. The total cost of the program is a little more than \$5 million.

Vice-Chair Meyer noted that the subcommittee did not address the issue. He noted that the legislation would have additional consideration and recommended that the subcommittee's recommendation be retained.

Representative Joule suggested that the funding be retained in the budget while the legislation runs its course. He noted that he Alaska Central School is accredited. He noted the compelling public testimony is support of the program.

In response to a question by Co-Chair Harris, Ms. Rehfeld noted that other programs have received conditional accreditation. Co-Chair Harris observed that students attending conditional accreditation would be able to submit their degrees to colleges. Ms. Rehfeld observed that many school districts provide summer school. Alyeska is the only school allowed to receive state funding for summer school. She observed that the department determined that other programs could provide the services. She observed that the department's proposed elimination of the program is in response to the request to find areas where services can be provided through a different model. She stated that students that currently served through the Alyeska Central School can continue to receive services through other

programs. She acknowledged that Alyeska is unique and has more contact with certified teachers and is more "hands on", however, there are other statewide programs that are interested in trying to tailor their programs to meet the needs of these students.

Representative Croft summarized that the funding has been zeroed out prior to the adoption of the legislation. He questioned why parents and students that have found an affective model for their children should be forced into other programs. He pointed out that the legislature has emphasized standards.

A roll call vote was taken on the motion.

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

Representative Whitaker was absent from the vote.

The MOTION FAILED (3-7).

Representative Croft MOVED to ADOPT Amendment DEED 4:

Increment:
ADD: \$500.0 AIDEA DIVIDENDS
Education & Early Development
K-12 Support
Community Schools

Explanation: This increment will restore funds for the Community Schools programs. Community schools statewide use this small amount of money to leverage matching funds that in FY02 were in excess of \$7 million in small grants, volunteer and in-kind donated services. Community Schools offer essential services such as Adult Basic Education, student prep work for benchmark tests, and supervised after school programs for children of working parents. This program serves thousands of adults and children statewide each year.

Increment:
Education & Early Development
K-12Support
Foundation Program
\$ 16,261.158 AIDEA

(This is to be reflected in the language section as an adjusted ADM grant.)

Explanation: This would put \$80 per student into the foundation formula section of the budget as adjusted average daily membership.

Budget Impact: Net: \$0 GF,
\$13,261,658 unappropriated AIDEA dividend

Representative Croft spoke in support of the amendment and observed that legislation would allow an ADIEA dividend. The amount would make a grant, which is identical to the amount contained in SB 1. He pointed out that education funding has not taken inflation into consideration.

Co-Chair Harris questioned if the \$500 thousand reduction was at the request of the Governor. Ms. Rehfeld explained that legislation would address the issue. She noted that HB 165 would eliminate funding for community schools. She maintained that it is not the Department's intent to eliminate the community school program. The Department recognizes the importance of the program. The statutory entitlement to the program is \$3.5 million, which has not been fully funded. She observed that the amendment would not come close to supporting the entire program. The Department's proposal is to eliminate the program.

Co-Chair Harris stated that he would oppose the amendment since there are bills that would address the issue.

Vice-Chair Meyer stated that the emphasis of the subcommittee was on pupil transportation and learning opportunity grants. The Subcommittee concluded that user fees could support the community school program. He noted that one alternative was to place the program into the foundation formula.

Representative Joule the Community School Program was begun in order to draw communities into the life of its children. He observed that 50 of 53 school districts have programs. Community schools offer over 20,000 programs and activities: over 342,000 activity hours were logged, 64,000 kids served, and 390,000 adults served. He maintained that it is "spark plug" funding; the program generates a whole community engine. There are a variety of good, healthy activities for communities.

A roll call vote was taken on the motion to ADOPT Amendment DEED 4.

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

Representative Whitaker was absent from the vote.

The MOTION FAILED (3-7).

Co-Chair Harris MOVED to ADOPT Amendment DOR 1:

Department of Revenue

Page 31, line 21

Delete: -1,300,000

Add: -150,000

Page 31, line 27

Delete: 1,300,000

Add: 150,000

Explanation:

This amendment replaces a \$1.3 million dollar unallocated general fund reduction with a \$150 thousand unallocated general fund reduction and reduces funding for the Alaska Natural Gas Development Authority to \$150,000.

Co-Chair Harris explained that the amendment would delete the \$1.3 million dollar unallocated general fund reduction with a \$150 thousand unallocated general fund reduction and reduces funding for the Alaska Natural Gas Development Authority to \$150 thousand.

Representative Croft spoke against the amendment. He acknowledged the need to restore funding to the Department of Revenue. He expressed his strong belief that the proposal was not appropriate based on merit and public testimony.

Co-Chair Harris observed that he presenting the will of his caucus.

A roll call vote was taken on the motion to ADOPT Amendment DOR 1.

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

Representative Whitaker was absent from the vote.

The MOTION PASSED 6-4.

Co-Chair Harris MOVED Amendment ADF&G 1:

Department of Fish and Game
Administration and Support
Boards of Fisheries and Game

Delete: 56.4 General Funds

Add: 56.4 Federal Funds

Administration and Support
Advisory Committees

Delete: 56.4 General Funds
Add: 56.4 Federal Funds

Explanation: Technical Amendment transferring funds between components.

KEVIN BROOKS, DIRECTOR, DIVISION OF ADMINISTRATIVE SERVICES, DEPARTMENT OF FISH AND GAME explained that the amendment would correct a technical error.

There being NO OBJECTION, it was so ordered.

Representative Joule MOVED to ADOPT Amendment ADF&G 2:

AGY. Department of Fish & Game
BRU. Subsistence
COM. Subsistence
ADD: \$200,000 GF

Representative Joule observed that the amendment would restore adequate funding by offsetting the 20% reduction in AIDEA contributions. Without funding restoration, regional subsistence harvest and use updates will be reduced from a five-year to a seven-year frequency. He emphasized that the Boards of Fish and Game, who rely on accurate, current information to implement subsistence priority laws, and to make allocation and regulatory decisions among users, also use the information.

Mr. Brooks noted that the department took a cut in the subsistence component but believes that the can maintain core functions. He acknowledged that services would be slowed.

Co-Chair Harris questioned the affect of federal management on the operations of the Division of Subsistence. Mr. Brooks noted that he Department is working with the state and federal boards.

Representative Joule observed that if the reduction is maintained that the Division would have suffered a 50 percent cut.

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Representative Joule continued to argue in support of the amendment.

Mr. Brooks noted that the federal Office of Subsistence Management obtains some of the fieldwork and pays for some provided by the state of Alaska. Data is used by state boards and used to make comments to the federal government. Mr. Brooks noted surveys are cycled through. Where there are issues the Department will try to do more frequent surveys.

Representative Croft observed that federal boards have a stronger mandate for subsistence and questioned if sport and commercial uses would be adversely affected without sufficient data.

Mr. Brooks maintained that the state is not in threat of a loss of data. The state of Alaska recognizes the priority for subsistence. The Division of Commercial Fisheries manages the subsistence fisheries harvesting.

Representative Croft felt that the middle ground was being lost and felt that a disservice was being made in not restoring the appropriation.

Representative Joule spoke in support of the amendment. Rural communities are happy with federal management.

A roll call vote was taken on the motion.

IN FAVOR: Croft, Foster, Joule, Moses

OPPOSED: Chenault, Hawker, Stoltze, Williams, Harris

Representatives Whitaker and Meyer were absent from the vote.

The MOTION FAILED (4-5).

Representative Croft asked that the Amendment DCED 1 be divided into Amendment DCED 1 and 1A. Co-Chair Harris concurred.

Co-Chair Harris MOVED to ADOPT Amendment DCED 1:

Department of Community and Economic Development

Alaska Science and Technology Foundation

Delete:

10,518,600 Alaska Science and Technology Endowment
Income

90,000 statutory designated program receipts

Co-Chair Harris observed that the amendment would eliminate funding for the operating functions of the Alaska Science and Technology Foundation (ASTF).

Representative Croft spoke against the amendment. He stressed that Alaska's future resides in the programs supported by ASTF. He stressed that the nature of investment

capital is that not every venture is successful. He maintained that ASTF has hit some big developments that have helped the state and emphasized that technological innovation is vital to Alaska's future. He acknowledged that investment priorities might need to be redirected.

TOM LAWSON, DIRECTOR, ADMINISTRATIVE SERVICES, DEPARTMENT OF COMMUNITY AND ECONOMIC DEVELOPMENT observed that the Alaska Science and Technology Foundation has appropriated 126 million dollars: \$63 million to grants. He noted that some portion of some grants is repaid. Under \$500 thousand has been repaid.

Co-Chair Harris summarized that \$500 thousand had been repaid on approximately \$20 million in loans.

Mr. Lawson noted that ASTF has granted \$126 million: \$63 million to various grants. Most of the grants have a clause for repayment upon commercialization. He noted that under \$500 thousand of the grant amount has been repaid. A third of the \$63 million was in loans.

Co-Chair Williams recalled that, according to the Legislative Budget and Audit Committee, the pay back on loans was only \$260 thousand. The University also received some funding from ASTF. He did not feel that, under the proposed \$900 million budget deficient, that the state should make investments, which only return \$260 thousand on \$60 million.

Mr. Lawson noted that of \$63 million, \$25 million went to technical projects, \$10 million into knowledge projects, \$8 million in partnerships, \$5 million for Internet service for K-12, \$2 went to science grants for K-12 teachers, and \$13 million for operations of ASTF. The rest has gone to the University, the Kodiak Launch Complex, and the Alaska Aerospace Development Corporation for operations.

Representative Croft pointed out that no other venture capital firm is directed to pay teachers to wire schools or fund the University. The earnings have been spent on worthy policy goals. Some of the funds have been used to provide jobs that counter balance the fisheries decline.

Co-Chair Harris clarified that \$43 million of the \$62 million went to grants, which he did not use in the comparison. He observed that \$20 million went to projects that were to be repaid when they were successful.

Representative Croft spoke against the amendment.

A roll call vote was taken on the motion to adopt Amendment DCED 1.

IN FAVOR: Chenault, Foster, Hawker, Meyer, Stoltze,
Williams, Harris

OPPOSED: Croft, Joule, Moses

Representative Whitaker was absent from the vote.

The MOTION PASSED (7-3).

Co-Chair Harris MOVED to ADOPT Amendment DCED 1A.

(d) The balance of the Alaska science and technology endowment (AS 37.17.020) on June 30, 2003, including unobligated and unencumbered earnings, is appropriate to the general fund.

Representative Croft OBJECTED. He questioned why the endowment should be eliminated. He also asked why, if it is eliminated, part of the appropriation is not being spent to fund education properly. He pointed out that the endowment would be put into the Constitutional Budget Reserve, allowing a simple majority to make the decisions regarding its use.

A roll call vote was taken on the motion to adopt Amendment DCED 1A.

IN FAVOR: Chenault, Foster, Hawker, Meyer, Stoltze,
Williams, Harris

OPPOSED: Croft, Joule, Moses

Representative Whitaker was absent from the vote.

The MOTION PASSED (7-3).

Representative Moses MOVED to ADOPT Amendment DCED 2:

ADD:
Community & Economic Development
Power Cost Equalization
Power Cost Equalization

\$4,300.0 AHFC Dividends

Fund source: Power Cost Equalization Electrification Fund.

Representative Moses spoke in support of the amendment and observed that funding would come from AHFC dividends

Co-Chair Harris observed that PCE has been funded at \$12 million. Full funding is \$15.6 million. He questioned if the amendment would bring funding to \$20 million.

Mr. Teal explained that the amendment would capitalize the

endowment at \$20 million dollars. He explained that only \$12.2 million is available at the current time.

A roll call vote was taken on the motion.

IN FAVOR: Croft, Foster, Joule, Moses

OPPOSED: Chenault, Hawker, Meyer, Stoltze, Williams, Harris

Representative Whitaker was absent from the vote.

The MOTION FAILED (4-6).

Representative Croft MOVED to ADOPT DCED 3:

Safe Communities and Revenue Sharing Programs

Page 57, line 1

Replace subsections a and b with the following language:

(a) The sum of \$4,193,900 is appropriated from the international trade and business endowment (AS 37.17.440) to the Department of Community and Economic Development for distribution through the Safe Communities Program (AS 44.33.119-.125).

(b) After the appropriation made by (a) of this section, the balance of the international trade and business endowment (AS 34.17.440) on June 30, 2003, including any unobligated and unencumbered earnings, is appropriated to the Department of Community and Economic Development for distribution through the State Revenue Sharing Program (AS 29.60.010-.310).

Page 57, following line 9

Add the following new subsection:

(d) The sum of \$2,500,000 is appropriated from the state land disposal income fund (AS 38.04.022) to the Department of Community and Economic Development for distribution through the State Revenue Sharing Program (AS 29.60.010-.310).

Explanation:

This amendment (1) restores funding for the Safe Communities Program to the FY03 level and (2) restores approximately \$2.7 million (of a \$3.2 million reduction from FY03 funding level) to the Revenue Sharing program. Both are accomplished without additional general fund expenditures.

Representative Croft maintained that grants not state bureaucracy has been reduced in the proposed budget. He maintained that the pain has been passed to the municipal level. The amendment would restore revenue sharing and municipal assistance.

Representative Joule spoke in support of the amendment. He noted rising insurance costs, increased PERS, and debt reimbursement. Costs are being shifted to local communities. There has been a \$40 million cut to municipalities over ten years.

A roll call vote was taken on the motion.

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

Representative Whitaker was absent from the vote.

The MOTION FAILED (3-7).

Co-Chair Harris MOVED to ADOPT Amendment DHSS 1:

Human Services Community Matching Grant
Insert 1.3 million
Delete 850,000 thousand

Co-Chair Harris observed that the amendment is at the request of the Governor.

JANET CLARKE, DIRECTOR, DIVISION OF ADMINISTRATIVE SERVICES, DEPARTMENT OF HEALTH AND SOCIAL SERVICES spoke in support of the amendment. In response to a question by Representative Croft, Ms. Clarke noted that the FY 02 level for the Human Services Community Matching Grant was \$1.716.9 million.

Representative Croft observed that the grants have been at the \$1.7 million level for the past six or seven years. The amendment would result in 25 percent reduction. He did not object to the increase, but felt that the overall reduction would hurt agencies.

Representative Stoltze observed that Subcommittee Chair; Representative Hawker restored a portion of the funding.

Representative Hawker explained \$850 thousands was restored in the Subcommittee, which was two-thirds of the FY03 funding level. He spoke in support of the amendment.

Representative Chenault WITHDREW Amendment DHSS 2.

Representative Croft MOVED to ADOPT Amendment DHSS 3:

Department of Health and Social Services Human Services
Community Matching Grant

Page 21, lines 24-30

Delete Intent:

"It is the intent of the legislature that the Human Services Community Matching Grant funding will be phased out in equal reductions over a period of three years. This phased reduction is to facilitate development of Faith Based and other community focused initiatives to supplant dependency upon direct State funding. Faith Based and other community focused initiatives are most appropriate to direct specific resources to particular community needs, complimenting the concentration of State resources on core public health and social services needs."

There being NO OBJECTION, it was so ordered.

Representative Joule MOVED to ADOPT Amendment DHSS 4:

Agency: Department of Health and Social Services
BRU: Seniors and Disability Services
Component:Community Developmental Disabilities Grants
Add: \$1,794.7 GFIMH for underutilized and
nonhabilitive grants Fund Source: AHFC Dividend

Agency: Department of Health and Social Services
Component:Human Services Community Matching Grant
Add: \$428.4
Fund Source: AHFC Dividend

Agency: Department of Health and Social Services
BRU: Behavioral Health
Component:Services to the Chronically Mentally ill
Add:\$466.5
Fund Source: AHFC Dividend

Agency: Department of Health and Social Services
BRU: Behavioral Health
Component:Behavioral Health Grants Add: \$683.4
Fund Source: AHFC Dividend

Agency: Department of Health and Social Services
BRU: Children's Services
Component:Children's Trust Program
Add: \$75.5
Fund Source: AHFC Dividend

Agency: Department of Health and Social Services

BRU: Behavioral Health
Component: Services for Seriously Emotionally Disturbed
Youths Add: \$100.2
Fund Source: AHFC Dividend

Agency: Department of Health and Social Services
BRU: Public Assistance
Component: Public Assistance Administration/Healthy
Families Add: \$1,083.4
Fund Source: AHFC Dividend

Agency: Department of Health and Social Services
BRU: Children's Services
Component: Family Preservation/Family Support Grants
Add: \$270.6
Fund Source: AHFC Dividend

Representative Joule spoke in support of the amendment. He pointed out that the Department of Health and Social Services budget is the largest in state government. He observed that most of the subcommittee work was done without impact statements. The amendment would allow recipients of the services would be given time to find other funding. He maintained that the service help strengthen and preserve families.

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Representative Joule noted that a child is abused every hour and stressed the importance of the amendment. A child is abused about every hour in Alaska.

Co-Chair Harris observed that the fund source would be the Alaska Housing Finance Corporation dividend.

Representative Croft noted that the total amount for the component would be \$4.474 with the deletion of the human services grants, which was funded in the previous amendments.

Representative Hawker noted that every dollar is a direct affect to members of the society. He observed that it was a difficult decision but that state revenues are not sufficient. He stressed that the intent is to protect the most essential services and emphasized that the explosive growth of the Medicaid budget made it difficult to continue funding other programs.

Although the programs have great merit Representative Hawker was not certain that they were essential. He observed that a significant amount of mental health component was restored. Advocacy grants were not funded. He emphasized that he was careful not to advocate for any particular agency or advocacy. Service delivery models have been changed and some

of the services would be provided by other means. He expressed support for the Governor's proposal and spoke against the amendment.

Representative Croft spoke to the Southeast Alaska Independent Living (SAIL) grants. He noted that advocacy could mean education for severally disabled persons. He continued to speak in favor of the amendment.

Representative Joule spoke to the SAIL grants. He observed that some of the persons on the waitlist are working multiple jobs.

A roll call vote was taken on the motion.

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

Representative Whitaker was absent from the vote.

The MOTION FAILED (3-7).

Co-Chair Harris MOVED to ADOPT Amendment DHSS 5:

Administrative Services Commissioner's Office
Delete
\$33,500 General Funds/Match
\$73,000 Federal Funds

ADD
Alaska Library and Museums Library Operations
\$30,000GF

Explanation: This amendment removes a total of \$100,500 of funds from DH&SS Commissioner's Office and places \$30,000 of general funds in the Library Operations component in DEED for the SLED program.

Co-Chair Harris explained that the amendment would save some general funds.

There being NO OBJECTION, it was so ordered.

Representative Croft MOVED to ADOPT Amendment UNIV 1:

Page 1, line 1, after "appropriations",
Insert: "and reappropriations"

ADD:

Increment:

University of Alaska
Budget Reductions/ Additions -System wide

\$6,728,800 reappropriation of the unexpected and unobligated funds described under Section 1, Chapter 94, SLA 2002, page 11, lines 17 & 18.

\$3,575,200 unappropriated AHFC dividend

Explanation:

The Governor recommended a \$10.3 million dollar increase in the UA budget this year- sufficient to maintain the momentum and meet the basic fixed costs because he sees the University as essential to the economic growth and vitality of the state. This amendment seeks to restore the University budget to the Governor's level

Budget Impact: Net \$0 GF

Representative Croft read from the Governor's impact statement and spoke in support of the amendment.

A roll call vote was taken on the motion.

IN FAVOR: Croft, Joule, Harris, Moses

OPPOSED: Chenault, Foster, Hawker, Meyer, Stoltze, Williams

Representative Whitaker was absent from the vote.

The MOTION FAILED (4-6).

Representative Croft MOVED to ADOPT Amendment LEG 1:

Legislature
Legislative Operating Budget

Delete: 12.0GF

Legislative Ethics
Select Committee on Ethics

Add: 12.0 GF

A reduction of 12.0 was made in subcommittee to travel to cover office space rental. The Ethics Committee is located at the Anchorage Legislative Information Office building. Increase cost in Anchorage office space for the Legislature was provided with an increment of 70.0 in the Legislature's operating budget. A reduction in the Ethics budget is not needed

to cover office space.
Representative Croft spoke in support of the legislation. He pointed out that statute states that the Ethic's Committee should be allowed office space, which has been traditionally given. The cost would be deducted from their operating budget. He observed, "it could be misconstrued as us disciplining the Ethic's Committee, for them disciplining us."

A roll call vote was taken on the motion.

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

Representative Whitaker was absent from the vote.

The MOTION FAILED (3-7).

Representative Croft MOVED to ADOPT Amendment GOV 1:

Office of the Governor
Executive Operations Executive Office

Decrement: ` \$167.1 GF

Department of Labor & Workforce Development
Business Partnerships Adult Basic Education

Increment: \$167.1 GF

Explanation: These funds represent a 5.9% reduction of Adult Basic Ed GF. This amendment would restore GF to the FY03 Conference Committee amount of \$1,739.5.

There was no testimony or discussion in the L&C Subcommittee regarding Adult Basic Ed, but recipients of services have provided the following information:

1. English is taught through the Anchorage Literacy Project to people who are living and working in Alaska but who do not speak English as a first language.
2. Adult Basic Education tutors help with important life skills: how to make doctor's appointments, learning to drive, how to work with school districts so children of recipients get good educations.
3. Adult Basic Education students get help working toward a GED or high school diploma.

4. American culture and history is taught to immigrants through the Anchorage Literacy Project.

Adult Basic Education provides important learning opportunities for life skills necessary to ensure that program recipients and their families remain self-supporting and independent of other state services.

Representative Croft spoke in support of Amendment GOV 1. He observed that he would leave the reduction to the Governor.

Co-Chair Harris stated that he would not support the funding source.

Representative Joule pointed out that the high school qualifying exit exam would be in place in the next year and suggested that it may place a greater demand on adult education.

Representative Croft defended the funding source and spoke in support of the amendment. He maintained that the Governor could find \$167 thousand in his budget for adult education.

Amendments GOV 2 and 3 were WITHDRAWN.

Representative Croft MOVED to ADOPT Amendment GOV 4:

Decrement:
\$2000.00 GF
Office of the Governor
State Wide Unallocated Reduction
State Wide Unallocated Reduction

Explanation: This takes the \$2 million cut to the Office of the Governor - Statewide Unallocated Reduction and makes it \$4 million.

Co-Chair Harris OBJECTED. He spoke in support of controlled reductions as opposed to unallocated reductions. Representative Stoltze agreed.

A roll call vote was taken on the motion.

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

Representative Whitaker was absent from the vote.

The MOTION FAILED (3-7).

Representative Croft MOVED to ADOPT Amendment GOV 5:

Office of the Governor

Statewide Unallocated Reduction
Statewide Unallocated Reduction

Decrement: \$16,761,158 OF

Insert:

Page 2, line 7, insert a new paragraph to read:

"It is the intent of the legislature for unallocated general fund cuts to be taken across the board to reduce state bureaucracy through cuts to travel, upper and mid level management, and to reduce the overall size and cost of state government. This intent applies to all general fund appropriations covered in this section."

Re-number accordingly.

Explanation: This amendment is designed to express legislative intent of cutting the "bloat" from state government.

ADD:

Increment:
\$500.0 GF
Education & Early Development
K-12 Support
Community Schools

Explanation: This increment will restore funds for the Community Schools programs. Community schools statewide use this small amount of money to leverage matching funds that in FY02 were in excess of \$7 million in small grants, volunteer and in-kind donated services. Community Schools offer essential services such as Adult Basic Education, student prep work for benchmark tests, and supervised after school programs for children of working parents. This program serves thousands of adults and children statewide each year.

Education & Early Development
K-12 Support
Foundation Program
Increment:

\$ 16,261.158 GF
(This is to be reflected in the language section as an adjusted ADM grant.)

Explanation: This would put \$80 per student into the foundation formula section of the budget as adjusted average daily membership.

Budget Impact: Net \$0

Representative Croft spoke in support of the amendment and emphasized the need to single education out as the number one priority. He observed that it is not the ideal way to cut the budget or fund schools, but emphasized that inflation has eaten away at school programs.

Co-Chair Harris stressed that the appropriate way to fund education would be through pending legislation.

Representative Hawker maintained that the commitment to education has been made through restorations in the Department of Education and Early Development budget.

Representative Croft asserted that drastic cuts to education were modified. He pointed out to public testimony from around the state that indicated that teachers were being cut.

A roll call vote was taken on the motion.

IN FAVOR: Chenault, Croft, Joule, Moses

OPPOSED: Foster, Hawker, Meyer, Stoltze, Williams, Harris

Representative Whitaker was absent from the vote.

The MOTION FAILED (4-6).

Co-Chair Harris MOVED to ADOPT Amendment LANG 1:

Page 60, following line 6:

Insert a new bill section to read:

"* **Sec. 27.** SALARY AND BENEFIT ADJUSTMENTS. (a)

The operating budget appropriations made to the University of Alaska in sec. 1 of this Act include amounts for salary and benefit adjustments for university employees who are not members of a collective bargaining unit and for implementing the monetary terms of the following collective bargaining agreements with entities representing employees of the University of Alaska:

(1) Alaska Higher Education Crafts and Trades Employees;

(2) Alaska Community Colleges' Federation of Teachers;

(3) United Academics;

(4) United Academics-Adjuncts.

(b) The operating budget appropriations made in sec. 1 of this Act include \$11,935,700 to implement the monetary terms for the fiscal year ending June 30, 2004, of the following collective bargaining agreements:

- (1) Alaska Public Employees Association, for the Confidential Unit;
- (2) Alaska Public Employees Association, for the Supervisory Unit;
- (3) Alaska State Employees Association, for the General Government Unit;
- (4) Alaska Vocational Technical Center Teachers' Association, representing teachers at the Alaska Vocational Technical Center;
- (5) Alyeska Central School Education Association, representing teachers at the Alyeska Central School;
- (6) Inlandboatmen's Union of the Pacific, representing the unlicensed marine unit;
- (7) Public Employees Local 71, for the Labor, Trades and Crafts Unit;
- (8) Public Safety Employees Association, for the Correctional Officers Unit;
- (9) Public Safety Employees Association, representing state troopers and other commissioned law enforcement personnel;
- (10) Teachers' Education Association of Mt. Edgecumbe.

(c) If a collective bargaining agreement listed in (b) of this section is not ratified by the membership of the respective collective bargaining unit, the appropriations made by this Act that are applicable to that collective bargaining unit's agreement are reduced proportionately by the amount for that collective bargaining agreement, and the corresponding funding source amounts are reduced accordingly."

Renumber the following bill sections accordingly.

Page 64, lines 30 - 31:

Delete "29(c), 29(i), 29(j), 29(k), 29(l), 29(m), 29(n), 29(o), and 30"

Insert "30(c), 30(i), 30(j), 30(k), 30(l), 30(m), 30(n), 30(o), and 31"

Mr. Teal explained that the amendment addresses labor contract agreements and clarified that subsection (a) does not appropriate funds. Subsection (b) notes that section 1 contains the appropriation.

WENDY REDMAN, VICE PRESIDENT, STATEWIDE PROGRAMS, UNIVERSITY OF ALASKA, summarized that the amendment would approve the additional \$7 million in contracts compensation increases without additional funding. The University would be directed to use existing resources. She questioned if the state would be allocated additional funding for similar increases in contract negotiations.

Co-Chair Harris clarified that the second section allocates \$11.9 million to cover the increase in contract negotiations for state employees.

Ms. Redman questioned why the contracts increases would be approved for the state but not the University. Co-Chair Harris explained that the reasoning was that the University could raise additional funds.

Ms. Redman stressed the affects of flat funding. She maintained that students and teachers would be lost. Fix costs are real. The university cannot absorb the reductions. Costs will result in reductions. Major program reductions would occur. There is no way to pay for \$10 million in additional costs.

Representative Croft MOVED to AMEND Amendment LANG 1 to add to (a) on line 4: \$6.9 million dollars for salary and benefits to pay for fixed costs [to the University].

Mr. Teal pointed out that the language is not the appropriation. The language refers to the appropriation in section 1. The increase would also need to be added to section 1.

Co-Chair Harris observed that the amendment to the amendment would pertain to section 1.

Representative Croft spoke in support of the amendment.

In response to a question by Representative Joule, Ms. Redman clarified that the University has been directed to pay the contracts without funding. Once the legislature directed the University to pay the costs and the University did not. The courts upheld the University's position. The second time the legislature directed the University to pay the costs without additional funds the increases they were directed that the costs were included in their budget.

Ms. Redmond indicated that programs would have to be cut to fund the addition. Employees would be impacted.

Co-Chair Harris questioned if the University has the ability to raise funding from means other than tuition. Ms. Redman noted that donations are usually directed to specific programs. The land trust is fully utilized. There is no ability to generate funding other than tuition. Tuition covers 30 percent. The total salary cost is \$13 million.

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A roll call vote was taken on the motion to amend the amendment.

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

Representative Whitaker was absent from the vote.

The MOTION FAILED (3-7).

There being NO OBJECTION, Amendment LANG 1 was adopted.

Co-Chair Harris MOVED to ADOPT Amendment LANG 2:

Delete: general fund
Add: Alaska debt retirement fund (AS 37.15.011)

Page 57, line 5

Delete: general fund
Add: Alaska debt retirement fund (AS 37.15.011)

Page 60, line 30

Delete: 40,877,900
Add: 33,995,900

Explanation:

This amendment affects the source of money used to capitalize the Alaska debt retirement fund; it replaces general funds with \$2.5 million surplus cash in the state land disposal income fund and the entire balance of the International Trade and Business Endowment (estimated to be \$4.3 82 million).

Co-Chair Harris spoke in support of the amendment. He noted that funds would be used to capitalize the Dept Retirement Funds.

Representative Croft noted that the amendment reduces the general fund appropriation, but that the total general fund draw is not reduced. The funds would be transferred to the Constitutional Budget Reserve.

A roll call vote was taken on the motion.

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

Representative Whitaker was absent from the vote.

The MOTION PASSED (8-2).

Co-Chair Harris MOVED to ADOPT Amendment LANG 3:

Amendment LANG 2 would substitute, "state bond committee" for the Division of Finance and the Treasury Division throughout the bill.

The Department of Administration acts as the fiscal agent for the state bond committee, however, the Department has established an accounting structure for the state bond committee and prefers that the committee be named in the appropriations bill. This amendment has no fiscal impact.

Co-Chair Harris explained that Amendment LANG 3 was a technical amendment.

There being NO OBJECTION, it was so ordered.

Representative Joule MOVED to ADOPT Amendment LANG 4:

School Debt Reimbursement

Page 60, line 30
Delete: 40,877,900
Add: 47,480,300

Page 61, line 12
Delete: 59,421,700
Add: 66,024,100

Page 61, line 15
Delete: 30,821,700
Add: 37,424,100

Fund Source:
ABFC Dividend

Explanation:
This amendment adds \$6,602,400 GF to the debt retirement fund. The additional funds are appropriated to the Department of Education and Early Development for school debt reimbursement.

The amendment funds the school debt reimbursement program at the 70% level approved by the legislature last year. The Governor's bill and this committee substitute reduce the funding level by 10%, so that state reimbursement of municipal school debt is 63% of municipal costs.

Co-Chair Harris OBJECTED.

Representative Joule spoke in support of the amendment. He stressed that local communities would have to come up with

the additional 10 percent and emphasized that the burden is being shifted.

Co-Chair Harris questioned if the amendment would fully fund the component. Representative Joule thought that it would.

Representative Joule spoke in support of the amendment and noted that many communities are already at their cap [for local contribution to education].

Co-Chair Harris observed that the Committee would work to find funding for the component, but that he would object at the moment.

Representative Ethan Berkowitz observed that the importance of the keeping the commitment to education. Co-Chair Harris noted that the commitment was subject to appropriation, but observed the moral commitment.

Co-Chair Harris noted that many members would like to fund the amendment and noted that they would continue to find funding.

A roll call vote was taken on the motion to adopt Amendment LANG 4.

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

Representative Whitaker was absent from the vote.

The MOTION FAILED (3-7).

Co-Chair Williams MOVED to report CSHB 75 (FIN) out of Committee. There being NO OBJECTION, it was so ordered.

Co-Chair Williams observed the need to bring spending under control and live within the state's means. He stressed the need for a fiscal plan and observed that the cuts will need to be made without additional revenues. The Constitutional Budget Reserve is estimated to run out in 2006. He looked forward to working with the Governor and resource industry to create a healthy private sector, and an effective and efficient state government.

Representative Joule observed that the budget is a long way from being over and that the legislature had several pieces of legislation that would affect the budget. He maintained that budget reductions do not reflect the work of missions and measures.

Co-Chair Harris acknowledged that the process was not finished and that it is not perfect. He noted the

cooperation of minority members.

Co-Chair Williams MOVED to report CSHB 76 (FIN) out of Committee. There being NO OBJECTION, it was so ordered.

CSSSHB 75 (FIN) and CSSSHB 76 (FIN) were REPORTED out of Committee with a "do pass" recommendation.

#

ADJOURNMENT

The meeting was adjourned at 3:49 PM