

HOUSE FINANCE COMMITTEE
March 03, 2004
2:25 PM

TAPE HFC 04 - 41, Side A
TAPE HFC 04 - 41, Side B

CALL TO ORDER

Co-Chair Harris called the House Finance Committee meeting to order at 2:25 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 Hugh Fate
Representative Richard Foster
Representative Mike Hawker
Representative Reggie Joule
Representative Carl Moses
Representative Bill Stoltze

MEMBERS ABSENT

None

ALSO PRESENT

Linda Perez, Director, Administrative Services, Office of the Governor; Tom Irwin, Commissioner, Department of Natural Resources; Nico Bus, Acting Director, Division of Administrative Services, Department of Natural Resources; Pete Kelly, University of Alaska; Pam Varni, Executive Director, Legislative Affairs Agency

PRESENT VIA TELECONFERENCE

None

GENERAL SUBJECT(S):

The following overview was taken in log note format. Tapes and handouts will be on file with the House Finance Committee through the 23rd Legislative Session, contact 465-2156. After the 23rd Legislative Session they will be available through the Legislative Library at 465-3808.

Department Responses to HFC FY05 Budget Recommendations:
Law
Court System

University
Governor
Legislature

LOG	SPEAKER	DISCUSSION
	TAPE HFC 04 - 41 SIDE A	
000	LINDA PEREZ, DIRECTOR, ADMINISTRATIVE SERVICES, OFFICE OF THE GOVERNOR	Explained that the majority of the increase in the Office of the Governor's budget is due to the transfer of the Office of International Trade from Department of Community and Economic Development. There have also been general fund increments for additional employer costs of 5 percent.
126	Ms. Perez	Discussed the three budget amendments, which relate to the transfer of the Office of International Trade. There is a net increase of \$119 thousand.
197	Representative Croft	Questioned the justification for a 20 percent increase in the Office of the Governor.
236	Ms. Perez	Reiterated that the majority of the increase in the Office of the Governor's budget is due to the transfer of the Office of International Trade from Department of Community and Economic Development. There is also a \$2.3 million for the statewide primary and election.
241	Representative Croft	Questioned if there have been decreases.
258	Ms. Perez	There have been small decreases. There is also a 5 percent increase for PERS.
311	Representative Croft	Clarified that PERS would be fully funded.
		DEPARTMENT OF NATURAL RESOURCES
504	TOM IRWIN, COMMISSIONER, DEPARTMENT OF NATURAL RESOURCES	Commented on reductions to the Department's budget. He expressed his pride in the department's accomplishments and pointed out that the state's future resides in resource development.
635	Commissioner Irwin	Emphasized that the department is focusing on natural gas pipeline, which is Alaska's future. He reviewed some of the department's accomplishments. He emphasized the need for more exploration.
1048	Commissioner Irwin	Discussed reductions to the Commissioner's office. He noted that a second deputy commissioner was added to take care of oil and gas issues. This position is on the Stranded Gas

		negotiation team. The other deputy commissioner handles the other activities of the department.
1229	Co-Chair Harris	Questioned what would not be funded with the \$650 thousand reduction.
1245	Commissioner Irwin	Noted that one of the deputy commissioners would not be funded at \$140 thousand. He added that the special assistant/legislative liaison would also be eliminated.
1314	Representative Croft	Observed that there is no general fund left in the Commissioner's office.
1425	Commissioner Irwin	Agreed and pointed out that the impact without leadership is not the way to run a business.
1431	Representative Chenault	Stressed that the funds can be move within the department. The intent was to find a 10 percent reduction. He spoke in support of the Subcommittee's recommendations.
1555	Representative Croft	Concluded that the reduction was unallocated.
1620	Commissioner Irwin	Maintained that the impact would be felt regardless of where it is taken. He spoke in support of the Governor's proposed budget.
1656	Co-Chair Harris	Observed that the department's budget contains \$45 million in general fund as proposed by the Governor. The Subcommittee reduced the proposal by \$3.5 million.
1743	Mr. Bus	Reviewed the reduction to the Administrative Services Division. He stressed that the department has tried to create efficiencies in past years and would have a hard time absorbing the reduction.
1852	Co-Chair Harris	Clarified that the reduction was not considered as a department wide reduction.
1918	Representative Croft	Questioned if the PERS increase was funded.
	Bus	Clarified that they did not receive additional funds for the general fund portions of the department.
1930	Mr. Bus	Spoke to the reduction in the Information Resources Management component. He emphasized the importance of the work done within the component.
2014	Commissioner Irwin	Discussed the Oil and Gas Development component. He stressed the importance of the component and observed that the

		department would have to decide if the reduction should be spread or if projects should be dropped.
2120	Commissioner Irwin	In response to a question by Co-Chair Harris, Commissioner Irwin reviewed the activities of the Division. The Division must be able to defend the state of Alaska's position regarding agreements and payments from oil companies.
2236	Co-Chair Harris	Questioned if the department utilized contract work.
2241	Commissioner Irwin	A lot of the data is done in house due to confidentiality issues.
2314	Vice-Chair Meyer	Agreed that observed the need to find a balance between contracts in the need to protect confidentiality. He questioned what is being done to attract more oil companies to the state.
2416	Commissioner Irwin	Companies need to know that the state is serious. The department provides reports and data to companies. Oil and Gas are the state's revenue opportunities.
2625	Vice-Chair Meyer	Referred to North Slope projects. He agreed that in house staff should be utilized when confidentiality is an issue, but observed that outside contracts take advantage of the greatest expertise.
2657	Commissioner Irwin	Noted that there were 4 - 5 projects on the North Slope. He thought that there would be 8 - 9 projects tied into Cook Inlet. The legislature needs to provide incentives and there needs to be access.
2744	Commissioner Irwin	Observed that the Alaska Coastal Management Program was transferred to the department and noted that almost 50 percent loss in positions. The rate of pay was reduced for many positions. The ACMP has function despite of these reductions and are on schedule. He noted that it is hard to find competent personal at the pay scales offered. Observed that the impact of \$116 thousand would cost four more positions in the Alaska Coastal Management Program. There would be an automatic increase from 50 to 90 days for permit reviews. Noted that reviews would be a 25 percent cut in project review coordinators. There would be 215 fewer reviews out of 860 done in the last year. He spoke to funding on expedited reviews.
3142	Commissioner Irwin	Discussed fund switch of large project

		permitting from GF to the Land Disposal Income Fund.
3302	NICO BUS, ACTING DIRECTOR, DIVISION OF ADMINISTRATIVE SERVICES, DEPARTMENT OF NATURAL RESOURCES,	Discussed the \$542 thousand reduction in Claims, Permits and Leases. Claims would be slowed down by the proposed reductions. Leasing and permitting would also be adversely affected. This is a significant reduction.
3430	Mr. Bus	Reviewed reductions to the Title Acquisition and Defense component of \$106 thousand. He observed that there would be longer processing time for industry seeking to use the state's resources. User fees do not support this component. There would be an increase in backlog time on title reports processing. Fund source change would significantly reduced hydroelectric project support.
3608	Mr. Bus	Reviewed the reduction to the Forest Management and Development component. The reduction would result in a 12 percent reduction in offerings by the state, which would result in fewer sales and less income to the state. Inspections would be down by 7 percent and training would be reduced, increasing the risk of violations. Training of 12 interims from the Anchorage School District would also be impacted.
3837	Co-Chair Harris	Questioned how much forestry work is done in the state of Alaska.
3846	Mr. Bus	Observed that the Governor has been working to support the issue. He noted that the state offers as much as the federal government and has meet its goals.
3907	Co-Chair Harris	Asked if there would be more concentration on opening the Tongass National Forest for logging?
3922	Commissioner Irwin	Affirmed and stressed that there is potential of success.
4001	Co-Chair Harris	Noted the importance of expanding the state's timber industry.
4030	Commissioner Irwin	Agreed and noted that work is going on in Southeast Alaska on starting a veneer plant.
4041	Mr. Bus	Reviewed the reduction to the Geological Development component. He noted that engineering geologists would be impacted, which would expose the state to risk. Geological maps and reports for industry would also be impacted.

4223	Co-Chair Harris	Asked if aerial mapping for mining has been proposed.
4229	Mr. Bus	Noted that there is a \$200 thousand capital request.
4241	Mr. Bus	Discussed the reduction to the Agricultural Development component, which would delete funding for the seed potato project, \$120 thousand. The Governor asked for an increment.
4325	Co-Chair Harris	Observed that one position is responsible for the program and questioned what would happen if that person retired.
4354	Mr. Bus	Stressed that there are others that support the position and expressed the hope that it would continue.
4418	Mr. Bus	Reviewed the funding switch in Fire Suppression. He noted that an increment of \$250 thousand was requested for heavy air tanker contracts. This would take away air tanker support, which could result in higher suppression costs.
4455	Mr. Bus	Reviewed the reduction to state parks. He observed that the discussions have occurred and concluded that the transfer to public support is too much too fast. He pointed out that closures in 14 more units would have to be considered. Revenues would be loss and health and safety issues would arise from the reductions.
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4630	Representative Joule	Asked if federal funds would be lost due to the reductions.
4536	Mr. Bus	Affirmed that there would be impacts from the reductions; the Coastal program would lose almost 50 percent.
4449	Mr. Bus	Discussed the Governor's proposed budget amendments. He discussed line item 97, \$10 in federal funds from the National Park Service to assist in ANILCA.
4419	Mr. Bus	Reviewed Item 98, \$637,800 GF in the Office of Habitat Management and Permitting to replace unrealized inter-agency receipts and designated program receipts. Staffing was reduced and anticipated statutory designated program receipts were not realized.
4230	Co-Chair Harris	Concluded that Department of Fish and Game sent positions without funding.
4211	Mr. Bus	Responded that the total budget is \$3.6 million. They need \$600 thousand more. He observed that the department anticipated

		that the personnel would be transferred at an entry level, which did not occur.
4032	Mr. Bus	Discussed Item 99, \$125 thousand in Claims, Permits, Leases for the expansion of Bureau of Land Management survey agreement in Bristol Bay.
4009	Mr. Bus	Reviewed Item 100, \$35 thousand for a new project with US Fish and Wildlife and is all federal funds.
3953	Mr. Bus	Observed that Item 101 would provide \$80 for the seed potato program.
3941	Mr. Bus	Discussed Item 102, \$150 thousand GF to buy scientific assessments to collect research.
3900	Co-Chair Harris	Questioned how ANWR funding would be utilized.
3847	Mr. Bus	The Governor would like the state to have an opinion on various issues relating to ANWR.
3817	Co-Chair Harris	Questioned if a lack of research was at issue in regards to would change the outcome.
		UNIVERSITY OF ALASKA
3735	Co-Chair Harris	Observed that funding for University of Alaska has remained the same. The Committee is contemplating funding in the capital budget.
3701	PETE KELLY, UNIVERSITY OF ALASKA	Acknowledged that there has been a commitment not to reduce the budget from the FY 04 amount, but stressed that there has been an increase in students. There has been a 36 percent increase in enrollment in the last four years. There were 2,000 extra in the last two years.
3795	Mr. Kelly	Observed industry has contributed to program support, which has allowed the university to be competitive.
3357	Mr. Kelly	He felt that programs would be jeopardized if they were forced to cut back, which would result in the loss of students and faculty.
3300	Mr. Kelly	Loss in research funding would result in a loss of federal funding and faculty.
	Co-Chair Harris	Clarified that \$8.8 is needed to cover increases on PERS and TRS and \$10.6 to remain even on operations.
3208	Mr. Kelly	Stressed that some inflationary costs would still not be included.
3036	Co-Chair Harris	Asked if changes to the retirement system would provide relief.
3024	Mr. Kelly	Explained that the changes to the retirement system would be a long-term

		impact. There would be no benefit in short term. They university went to a Tier IV plan.
		LEGISLATIVE AFFAIRS AGENCY
2903	PAM VARNI, EXECUTIVE DIRECTOR, LEGISLATIVE AFFAIRS AGENCY	Observed that the proposed Subcommittee budget represents a 6.3 percent reduction from the Governor's budget. She observed that the Legislative Affairs Agency's request represented an \$889 thousand request. She observed that data processing was reorganized and a full time position was eliminated in the LIO.
2701	Ms. Varni	Noted that a one-time item for the Joint Legislative Salmon Task Force of \$177 thousand was eliminated. In addition, removing the Alaska Energy Task Force eliminated \$78 thousand, \$538 was eliminated from the Council of State Governments annual meeting.
2638	Ms. Varni	There was a \$14.4 decrease in legal and research services due to the retirement of two long-term attorneys. There is a small increase of \$1,800 to the Ethics Committee for personal services.
2628	Representative Croft	Noted that there was a decrement of \$1 million in legal expenses for redistricting and questioned why it was kept in the FY 04 base.
2604	Ms. Varni	Responded that there were no expenses and that the money would be lapsed at the Chairman's request.
2525	Representative Croft	Questioned if PERS expenses were included.
2517	Ms. Varni	Clarified that the PERS funding was included at a cost of \$1.173 in the Legislative Affairs Agency budget.
	<u>ADJOURNMENT</u>	The meeting was adjourned at 3:35 PM