

MINUTES
SENATE FINANCE COMMITTEE
April 14, 2003
9:01 AM

TAPES

SFC-03 # 46, Side A
SFC 03 # 46, Side B
SFC 03 # 47, Side A

CALL TO ORDER

Co-Chair Lyda Green convened the meeting at approximately 9:01 AM.

PRESENT

Senator Lyda Green, Co-Chair
Senator Gary Wilken, Co-Chair
Senator Con Bunde, Vice Chair
Senator Ben Stevens
Senator Lyman Hoffman
Senator Donny Olson
Senator Robin Taylor

Also Attending: JANET CLARKE, Director, Division of Administrative Services, Department of Health and Social Services; KEVIN BROOKS, Director, Division of Administrative Services, Department of Fish and Game; KAREN MORGAN, Director, Department of Administration, Department of Public Safety; ED FISHER, Deputy Commissioner, Department of Labor and Workforce Development; GREG O'CLARAY, Commissioner, Department of Labor and Workforce Development; KATHERYN DAUGHEETTEE, Director, Division of Administrative Services, Department of Law; NICO BUS, Administrative Services Manager and Acting Director, Division of Support Services, Department of Natural Resources; MIKE MAHER, Director, Division of Administrative Services, Department of Environmental Conservation; BARBARA TOWN, Budget Services, Division of Administrative Services, Department of Environmental Conservation;

Attending via Teleconference: There were no teleconference participants.

SUMMARY INFORMATION

SB 35-APPROP: OPERATING BUDGET/LOANS/FUNDS

HB 75-APPROP: OPERATING BUDGET/LOANS/FUNDS
SB 36-APPROP:MENTAL HEALTH BUDGET
HB 76-APPROP:MENTAL HEALTH BUDGET

The Committee heard reports for the budget subcommittees of the Department of Community and Economic Development, the Department of Education and Early Development, the Department of Transportation and Public Facilities, the Department of Corrections, the Department of Health and Social Services, the Office of the Governor, the Alaska Court System, the Legislature, the Department of Fish and Game, the Department of Public Safety, the Department of Labor and Workforce Development, the Department of Law, the Department of Natural Resources, and the Department of Environmental Conservation. The bill was held in committee.

#SB35
#SB36
#HB75
#HB76

SPONSOR SUBSTITUTE FOR SENATE BILL NO. 35

"An Act making appropriations for the operating and loan program expenses of state government, for certain programs, and to capitalize funds; making appropriations under art. IX, sec. 17(c), Constitution of the State of Alaska, from the constitutional budget reserve fund; and providing for an effective date."

CS FOR SS FOR HOUSE BILL NO. 75(FIN) am(brf sup maj fld)

"An Act making appropriations for the operating and loan program expenses of state government, for certain programs, and to capitalize funds; and providing for an effective date."

SPONSOR SUBSTITUTE FOR SENATE BILL NO. 36

"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."

CS FOR SPONSOR SUBSTITUTE FOR HOUSE BILL NO. 76(FIN)

"An Act making appropriations for the operating and capital expenses of the state's integrated comprehensive mental health program; and providing for an effective date."

Department of Community and Economic Development

Co-Chair Wilken, Chair
Senator Fred Dyson

Senator Gary Stevens
Senator Donny Olson

The Senate Finance Budget Subcommittee for the Department of Community and Economic Development met and reports the following budget closeout summary. For complete numerical analysis of this budget, please refer to the actual numbers contained in the budget documents published by the Legislative Finance Division.

The Senate Finance Budget Subcommittee recommends funding the Department of Community and Economic Development general fund budget at the Governor's requested level of \$32,870,600, which represents a 19.1 % reduction in general funds spending for this department compared to its FY 03 Management Plan.

The Subcommittee recommends that Total Agency expenditures be increased by \$485,300 above the Governor's Amended budget request. Please note that this increase is funded entirely by receipt-supported services and Regulatory Commission of Alaska Receipts (not general funds). Furthermore, this recommendation comes at the request of the Department and is embodied by two transactions:

1. The fiscal note associated with House Bill 159, relating to the Alaska Commercial Fishing and Agriculture Bank, was originally expected to yield a total savings of \$244,400 within the Division of Banking, Securities, and Corporations. However, upon further review by the Department, it was determined that the true savings would be closer to \$126,000. Therefore, and in anticipation of HB 159 passing into law, the Subcommittee chose to acknowledge the revised fiscal note and impose a decrement to that Division by \$118,400.
2. The Governor shifted the Public Advocacy duties within the Regulatory Commission of Alaska (RCA) to the Office of Attorney General, and, originally, moved seven of its staff and funding along as well. However, it has since been determined that these staff are not involved with Public Advocacy work, so the Department requests that these staff and funding remain in RCA. Hence, \$359,300 in receipt-supported services funds were put back into that BRU [Budget Request Unit].

The Senate Finance Subcommittee also accepts the Governor's elimination of all funding for the Alaska Science and Technology Foundation (ASTF). However, the Subcommittee would like to recommend not transferring the balance of the ASTF

Endowment into the General Fund (as the Governor is proposing). It may be worthwhile to consider maintaining the balance of the endowment as is and instead use those monies as one-time spending under "other funds".

Co-Chair Wilken read the subcommittee report into the record.

Co-Chair Wilken noted this results in reduction of five permanent full time and two permanent part time positions.

Senator Hoffman asked how the Power Cost Equalization (PCE) program would be affected by this proposal.

Co-Chair Wilken replied PCE would be funded at the level requested by the Governor.

Senator Hoffman understood there to be a \$3.1 reduction over the previous year's funding. He indicated he would research the matter.

Co-Chair Wilken stated that PCE was not specifically discussed by the subcommittee subsequently no changes were made to the amount recommended by the Governor.

Co-Chair Green understood there to be no reduction to the FY 03 management plan appropriation.

Senator Bunde asked how funding would be offset if the ASTF endowment were not deposited into the general fund as requested by the Governor.

Co-Chair Wilken relayed that the subcommittee recommendation does not continue the ASTF program, although flexibility is requested to hold the funds for future consideration in the FY 04 budget.

Department of Education and Early Development

Co-Chair Wilken, Chair
Senator Fred Dyson
Senator Bettye Davis

Department of Education and Early Development
FY 04 Senate Finance Subcommittee
April 11, 2003

The Senate Finance Subcommittee for the Department of Education and Early Development forwarded a proposed FY 04

budget to the full Senate Finance Committee for consideration that totals \$902,843,900. This amount includes:

- 1) \$708,599,800 in general purpose funds (33.1% of total state general purpose funds);
- 2) \$160,922,800 in federal funds; and
- 3) \$33,361,300 in other funds.

K-12 Funding Summary

- Education Funding Formula is funded at \$4,010 per student
- Learning Opportunity Grants (LOGs) are funded at \$20 million within the language section, a drop of \$9,340,900 from the supplemental amount approved last session.
- Pupil Transportation costs will be reimbursed at 80% of FY 03 funding. (However, based on the projected increase of transportation FY 04 expenses, the actual appropriation of \$43,188,200 is 74% of the actual FY 04 request.)
- Tuition/Ward of the State Program funding (\$2,225,000) is eliminated, affecting mainly Anchorage, Fairbanks, and Kenai.

Fund Source Changes

- Slightly over \$2.5 million of general purpose funds replaced federal TANF [Temporary Assistance for Needy Families] funds to maintain a current level for Head Start Grants.
- A new Autism Training and Educational Initiative is funded with \$150,000 MHTAAR [Mental Health Trust Authority Authorized Receipts] funds.
- Approximately \$45 million No Child Left Behind federal funds will be passed through 53 local school districts.
- The Museum component received a \$30,000 increase in Receipt Supported Services to help maintain the current level of service at the Sheldon Jackson Museum in Sitka.

Program Changes

- Child Care Assistance and Licensing is transferred to the Department of Health and Social Services.
- Alaska State Community Service Commission is transferred to the Department of Community and Economic Development.
- Alaska Vocational Training Education Center is transferred to the Department of Labor and Workforce Development.
- Alaska Youth Initiative and Out-of-State Placement programs are transferred to the Department of Health and

Social Services.

Co-Chair Wilken highlighted that the subcommittee recommends adopting the Governor's proposal with the exception of increased receipt authority for the Sheldon Jackson Museum.

Co-Chair Wilken voiced concerns of the subcommittee regarding reductions to education funding and listed those amounts as reflected in the subcommittee report.

Co-Chair Wilken pointed out that the subcommittee found that the number of students claimed as "intensive service students" has increased 26.2 percent in the past five years. He explained that school districts receive five times the normal student dollars, or approximately \$20,000, for each of these students. He reported that the subcommittee recommends an audit of this system at cost of \$223,000. He surmised that a return from this audit could be "well in excess" of the amount spent.

Co-Chair Wilken noted the subcommittee recommends the elimination of Alyeska Central School interagency receipts, although he was unsure of the impact of this action if the pending SB 107-CORRESPONDENCE STUDY does not pass into law. He informed that this budgetary change would eliminate 48 positions.

Co-Chair Wilken stated that passage of SB 110-UNDER SCHOOL AGE STUDENTS, SB 121-COMMUNITY SCHOOLS and SB 107-CORRESPONDENCE STUDY are necessary to implement the subcommittee's recommended budget. He predicted that amendments to the FY 04 operating budget would be necessary if any of the aforementioned bills do not pass.

Co-Chair Wilken indicated that the transfer of several programs from the Department to other agencies has resulted in a decrease of 87 permanent full time positions, 25 permanent part time positions and one temporary position. He qualified that funding for these positions would be reflected as increases to the budgets of the affected departments.

Co-Chair Wilken referenced a letter of concern signed by the subcommittee members and expressing concern over the Governor's proposed \$29.3 million reduction to the Department from FY 03 appropriations and intent to identify additional funding, which reads as follows.

The Senate Finance Subcommittee for the Department of Education and Early Development met on Friday, April 11, 2003 and voted to forward the attached spreadsheets to the full Senate Finance Committee for consideration.

The Subcommittee's recommendation for the Department's budget meets the requested allocation target, however, we have serious reservations about the proposed level of funding for K-12 public education. The cumulative effect of the proposed reductions to the Learning Opportunity Grants program, pupil transportation, debt reimbursement, and a lack of recognition of the increased school operating costs will seriously impact the educational programs in all 53 school districts.

As the Senate Finance Committee continues its deliberations on the total state operating budget, we are hopeful that additional funding will also be available so that our local school districts can continue to offer Alaska students the best educational opportunity possible.

Senator Bunde noted members received extensive input regarding the Alyeska Central School (ACS). He noted arguments were made challenging the claim that closure of this program would save the State money. He asked if the subcommittee addressed the matter.

Co-Chair Wilken responded the ACS is comprised of two components: the summer school program and the correspondence program. He stated that closure of the summer school program would result in savings to the State. He reported that the subcommittee determined that closure of the correspondence program would be revenue neutral. He explained that because participating students would attend other schools, the State would continue to expend funds.

Senator Hoffman was encouraged that the co-chair had concerns about the limited funding for education. He expressed he would anticipate the Committee's actions to rectify the situation. He preferred that the budget include funding for those programs subject to changes pending the passage of other legislation. He suggested that the budget could be amended in the event those bills were to pass.

Co-Chair Green commented on the difficulties in preparing the budget for this Department, due to the separate pending legislation and the transfer of programs to other agencies. She pointed out that enactment of SB 345, relating to school districts becoming vendors, from the previous legislative session could result in increased funds for this Department. She furthered that if psychiatric students were returned to Alaska, funds would no longer be sent to out of State facilities for the purpose of educating these Alaskan students.

Department of Transportation and Public Facilities

Co-Chair Wilken, Chair
Senator Scott Ogan
Senator Tom Wagoner
Senator Georgianna Lincoln

Talking Points on DOT&PF Subcommittee Closeout

- The purpose of this meeting is to closeout the DOT&PF operating budget subcommittee and adopt the recommendations to be forwarded to the full Senate Finance Committee for consideration.
- The Senate Finance Operating Budget allocation for DOT&PF resulted in a \$699,700 general fund reduction to the Governor's Amended Request. This has been accomplished and is reflected in the transaction sheets [Available from the Division of Legislative Finance 907-465-3795].
- The first handout "Agency Totals - FY 04 Operating Budget - Senate Structure" shows a summary of the subcommittee's recommendation [Available from the Division of Legislative Finance 907-465-3795].
- First is a \$30,000 reduction in contractual expenses from the Highways and Aviation BRU. This money was a one-time appropriation in the FY 03 Management Plan intended to increase the number of signs reminding slow drivers to pull over so the congested traffic behind them can pass. This reduction was recommended in the House subcommittee.
- Second, the subcommittee recommends a \$699,700 reduction in General Funds and increase the CIP [Capital Improvement Projects] by the same amount which will be reflected in the Department's indirect cost allocation plan (ICAP).
 - It has come to my attention that the Department has elected to charge rates lower than what is permissible by the Federal Highway Administration for their ICAP.
 - This subcommittee believes that the Department should take full advantage of federal CIP receipts that can be used for overhead costs in order to relieve some pressure from the general fund.
- This subcommittee report fully funds the Governor's request for FY 04 and supports his commitment to continue an increased level of highway and airport maintenance. This report also

reflects the subcommittee's support for the Governor's reorganization of the Department.

Co-Chair Wilken overviewed the talking points.

Co-Chair Wilken commented he was impressed at the willingness and cooperation of Department personnel to achieve efficiencies and utilize funds for maintenance and operations, which he characterized as priorities. He stated this Department is receiving "intense scrutiny" by the commissioner and that further advances would be reflected in the FY 05 operating budget request.

Senator Taylor asked about the subcommittee's recommendation to fund the Marine Highway System \$579,000 less than the amount approved by the House of Representatives.

[Note tape interruption]

Senator Taylor agreed to discuss the matter at a later time.

Senator Olson asked if the subcommittee discussed the delays and budget overruns of the improvements to the Ted Stevens Anchorage International Airport.

Co-Chair Wilken responded the issue was not addressed in this budget, as it is "a whole different subject".

Department of Corrections

Co-Chair Green, Chair
Senator Scott Ogan
Senator Gary Stevens
Senator Gretchen Guess

The Senate Finance subcommittee on the Department of Corrections has considered the Governor's FY 04 budget proposal. Administrative Order No. 207 was issued by the Governor directing the Department to "streamline operations, realize efficiencies, contain costs and improve functions."

In response, the Department consolidated its operations into three divisions: Institution, Probation and Parole, and Administrative Services. The Department is in the process of consolidating functions at both the management and operational levels to save and redirect funding for front line positions. Legislation is making its way through the House and Senate to save State general funds through the Correctional Industries Program and the concept of medical parole for prisoners who

are terminally ill and incapable of presenting a danger to society.

The Governor's FY 04 budget proposal reduces State general fund expenditures by \$6.5 million, and reduces overall spending by \$2.8 million.

The subcommittee recommends the Governor's proposed FY 04 budget with the following structural change: creation of a new component, the Anchorage Correctional Complex, that combines the Anchorage Jail and the Cook Inlet Correctional Facility into one management unit. This change is outlined in Administrative Order No. 207, and does not result in any change in FY 04 funding levels.

| | |
|--------------------|---------------|
| Governor's Amended | |
| General Purpose | \$148,239,900 |
| Federal | 3,451,100 |
| Other | 26,180,500 |
| Total FY 04 | 177,925,500 |

| | |
|---------|-------|
| Changes | \$0.0 |
|---------|-------|

| | |
|-----------------------------|---------------|
| Subcommittee Recommendation | |
| General Purpose | \$148,239,900 |
| Federal | 3,451,100 |
| Other | 26,180,500 |
| Total FY 04 | 177,925,500 |

Co-Chair Green overviewed the subcommittee report.

Co-Chair Green furthered that additional funds from permanent fund dividend garnishments would be utilized to fund this Department and that reductions would be made to some inmate programs. She pointed out the Governor's proposed budget includes a one-half percent, or \$800,000, reduction "across the board".

Department of Health and Social Services

Co-Chair Green, Chair
Senator Ben Stevens, Chair
Senator Ralph Seekins
Senator Hollis French

The Senate Finance subcommittee on the Department of Health and Social Services held meetings with the Department during the last two weeks to discuss the agency's programs and FY 04 budget proposal. Major changes have been proposed by the

Governor that include:

- Internal reorganization and consolidation of functions.
- Creation of a department-wide program review office for program efficiencies, coordination, and integrity.
- Decentralized administration of the Medicaid Program of four areas of care:
 - Children's Services
 - Behavioral Health Services
 - Seniors and Disabilities Services
 - Health Care Services
- Senior and children's programs transferred from other agencies:
 - Longevity Programs and Boards, Pioneers' Home, and Senior Services from the Department of Administration
 - Child Care Assistance from the Department of Education and Early Development
- Elimination of the Longevity Bonus Grants program.
- General fund reductions through cost containment measures and reduced services:
 - Program reductions through legislation (SB 109, SB 117, SB 123, SB 124)
 - Medicaid cost containment and ProShare refinancing
 - Reductions to lower priority grants and advocacy grants
- Full funding increases in formula driven programs to reduce supplemental requests.

The subcommittee has accepted the Governor's recommended changes outlined above. The Department is making tremendous strides toward improving the quality and delivery of services, maximizing existing resources, and ensuring accountability and integrity in its programs.

In addition to the Governor's baseline FY 04 budget proposal, the subcommittee recommends the changes detailed in the following pages [available from the Division of Legislative Finance 907-465-3795]. These changes net a decrease of State general fund expenditures of \$7.4 million below the Governor's proposal.

| | |
|--------------------|---------------|
| Governor's Amended | |
| General Purpose | \$552,961,100 |
| Federal | 897,103,000 |
| Other | 221,994,000 |
| Total FY 04 | 1,672,058,100 |

Changes

| | |
|-----------------|---------------|
| General Purpose | (\$7,394,400) |
| Federal | 0.0 |
| Other | (8,300,800) |
| Total FY 04 | (15,695,200) |

Subcommittee Recommendations

| | |
|-----------------|---------------|
| General Purpose | \$545,566,700 |
| Federal | 897,103,000 |
| Other | 213,693,200 |
| Total FY 04 | 1,656,362,900 |

Co-Chair Green remarked that in addition to accepting the Governor's proposal, the subcommittee recommends the "reprogramming of alcohol tax and tobacco settlement funds." She furthered that at the request of the Alaska Mental Health Trust Authority (MHTA), the subcommittee also recommends elimination of two programs and changes to the State's comprehensive mental health programs.

Co-Chair Green commented on the many interest groups and affected parties participating in this budgetary process, some of which contribute funds. She told of efforts made to satisfy these entities and ensure feasibility for the Department.

Co-Chair Green detailed reductions to the Children's' Services Budget Request Unit (BRU) of \$1.5 million and the change to the Foster Care, Special Needs base rate, due to over-funding and nonuse of funds. She also noted a \$500,000 appropriation for court orders and reunification has historically been included in the budget appropriation, although this item would be funded through a supplemental appropriation, as actual expenditures could not be anticipated. She pointed out this is similar to the funding procedure for judgments and miscellaneous claims.

Co-Chair Green explained that the subcommittee recommends utilizing alcohol tax revenues to fund existing behavioral health programs within Medicaid and utilizing tobacco settlement receipts to fund treatment of tobacco related illnesses. She added that the tobacco prevention and control program would no longer be partially funded with general funds and that overall funding would be reduced to FY 02 appropriation amounts according to the subcommittee recommendation.

Co-Chair Green spoke to the subcommittee recommendations for incremental increases to grant programs including the Infant Learning program grants, and of efforts to achieve a standard to reach all at-risk children and those demonstrating developmental disabilities or delays, similar to the federal standard. She added

that the subcommittee recommends the programs be needs based.

Co-Chair Green relayed that the subcommittee focus on the community health grants has been to direct services to individuals based on priority and that less funds would be expended for non-direct services.

Co-Chair Green then informed of the subcommittee's recommendation to reduce the Department's budget by \$490,000 with the intent that the reduction would be distributed throughout personal services, travel expenses and contractual services.

Co-Chair Green explained the proposed elimination of the Balloon Project, noting that the three-year pilot project was extended two more years. She assured the efforts would continue with the transfer of front line social worker positions and the creation of an Adoption Placement Legal Services component. She stressed the importance of funding the legal expenses involved in adoption placement.

Co-Chair Green stated that the Healthy Families program had previously been funded utilizing Temporary Assistance for Needy Families (TANF) funds, which are no longer available. However, she pointed out the subcommittee recommends that the Better Beginnings portion of the program be transferred to Children's Service Management with funding "earmarked" by US Senator Ted Stevens.

Co-Chair Green relayed that the subcommittee and the MHTA addressed the Community Health, Alaska Psychiatric Institute (API) and recommended funding the "single point of entry" program, as well as "minor changes" to accommodate those needs.

Co-Chair Wilken understood the subcommittee recommends reducing general fund funding to the \$4.9 million infant learning program by \$250,000. He calculated this would be approximately five percent of the total expenditure. He also noted subcommittee guidelines on delivery of the services in a more efficient manner.

Co-Chair Green affirmed.

Co-Chair Wilken next clarified that the subcommittee recommends elimination of the \$158,000 general fund component for Tobacco Prevention and Control item, and transferring the remaining \$2.04 million of tobacco settlement funds amongst other tobacco related services.

Co-Chair Green affirmed the tobacco settlement receipts would still be used to fund tobacco-related services, specifically to pay the

Medicaid portion of the expenses for those who suffer from alcohol or tobacco-related diseases and illnesses.

Co-Chair Green furthered that the creation of the Tobacco Prevention and Control program required a certain level of funding and that the program is now operational, with television commercials completed and brochures printed, etc.

Senator Bunde cautioned that the program is currently working and should not be changed so that it no longer works.

Co-Chair Green assured that the program would receive over \$2 million under the subcommittee proposal, which she surmised is adequate to maintain operations.

Senator Hoffman continued to support the Longevity Bonus program and noted that the subcommittee recommends completely eliminating the funding. He asserted that the Legislature made a commitment regarding this program.

Senator Hoffman next addressed the Balloon Project, which has been very successful, with 90 percent achievement. He asked with the transfer of the two social worker positions if the primary functions of those positions would continue to address the fundamentals of the program.

Co-Chair Green indicated this is her intent. She told of the expectation that as the number of children in foster care "left the system" through adoption, the workload of this program would level off. She requested further detail from the Department about protecting the integrity of the project.

JANET CLARKE, Director, Division of Administrative Services, Department of Health and Social Services, affirmed the intent that the positions would remain focused on the Balloon Project and not become assigned to other functions.

Senator Hoffman shared Senator Bunde's concerns regarding the appropriation of tobacco settlement funds for uses other than the Tobacco Prevention and Control program.

Ms. Clarke pointed out the adjustment recommended by the subcommittee is not consistent with Governor's proposed budget. She expressed disappointment with the proposed transfer of the funds, although understood the budget constrains and recognized the relationship between the high Medicaid costs of treating tobacco related illnesses.

Office of the Governor

Co-Chair Green, Chair
Co-Chair Wilken
Senator Gene Therriault
Senator John Cowdery
Senator Donny Olson

Governor's Office FY 04 Operating Budget
Subcommittee Recommendations

The Senate Finance subcommittee on the Governor's Office FY 04 operating budget denied the request for a statewide unallocated reduction of \$2,000,000, putting the Governor's Office FY 04 authorization at \$14,455,900 in general funds and \$14,679,500 in total.

With the exception of a general fund increase to the Governor's Contingency Fund for unexpected situations, this recommendation is primarily a maintenance budget for the Governor's Office. After adjustments are made for program transfers within the Governor's Office and to other departments, the result is the FY 03 management plan plus increases necessary to pay higher health insurance premiums, an increase in interagency receipts for Denali Commission staff, and federal receipts for the Human Rights Commission.

The FY 04 Governor's Office budget request reflects the following organizational changes:

- Primary responsibilities of the Equal Employment Opportunity Office are transferred to the Department of Administration, Division of Personnel.
- Responsibilities of the Division of Governmental Coordination and the Seismic Hazards Safety Commission are transferred to the Department of Natural Resources.
- Savings from this reorganization are transferred to the Office of Management and Budget to support new audit functions.
- The Division of Elections is assuming responsibility for APOC [Alaska Public Offices Commission] reporting provided SB 119 / HB 157 passes. If legislation does not pass, funding and positions will remain within the Department of Administration.

Co-Chair Green read the subcommittee report into the record.

Alaska Court System

Co-Chair Green, Chair
Senator John Cowdery
Senator Tom Wagoner
Senator Hollis French

The Senate Finance Subcommittee recommendations for the Court System's FY 04 operating budget result in an operating budget for the Court System of \$55,998,400, of which \$54,845,500 is general funds. Below is a summary of the increments approved.

The following requests for general fund increases are approved under this proposal:

- \$75 per month per employee increase in health insurance premiums \$598,800
- Wide-area network fee increase (data processing chargeback) \$271,500
- Courtroom security for Juneau, Kenai and Palmer \$230,000
- Third District - Judge and Court Clerk \$180,100
- Second District - Kotzebue Court Relocations \$128,000
- Second District - Rent increase in Unalakleet \$6,100
- Fourth District - Bethel Courtroom addition \$45,000

Requests for increments in other funding sources are approved as follows:

- Authority to Receive and Expend Non-Federal Grant Funds (Statutory Designated Program Receipts) \$10,000
- Court-Coordinated Resources Project (MHTAAR) \$8,200
- Domestic Violence Case Handling Improvements (Federal Receipts) \$200,000
- Family Law Self-Help Center Facilitator (Inter-Agency Receipts - federal funds from the Child Support Enforcement Division, [Department of Revenue]) \$45,600

These increments represent the court system's highest priorities and allow the courts to improve efficiency and security of judicial proceedings.

Co-Chair Green read the subcommittee report into the record. She noted the increase over the FY 02 budget would allow the Alaska Court System to operate at a maintenance level.

Co-Chair Green relayed that after hearing testimony on the conditions of some of the courtrooms, the subcommittee felt compelled to recommend funding for the aforementioned improvements.

Co-Chair Green informed that the subcommittee recommendation denied a requested \$1.15 million in increments.

Senator Hoffman pointed out that funding for health insurance increases is not included in the subcommittees' recommendations for other departments and asked the intent of the Committee.

Co-Chair Wilken clarified that funding for this item is included in the proposals of the three budget subcommittees that he chairs.

Co-Chair Green was unsure if funding was included for every department and assured the matter would be addressed.

Senator Hoffman stated that the Department of Natural Resources budget subcommittee recommendation does not include such funding because the chair of that subcommittee, Senator Bunde, indicated the full Committee would address the matter.

Legislature

Co-Chair Green, Chair
Co-Chair Wilken
Senator Gene Therriault
Senator John Cowdery
Senator Lyman Hoffman

The Senate Finance subcommittee recommendation for the Legislature's FY 04 budget totals \$38,969,400, of which \$38,043,800 is general funds. The recommendation reflects a total reduction of \$622,100 from the FY 03 management plan and is \$1,050,600 below the Governor's amended request for the Legislature.

This recommendation provides funding for the individual components at the amounts requested by Legislative Affairs, Legislative Audit and Legislative Finance. With two exceptions, it is the same budget as adopted by the House Subcommittee.

- 1) The Office of Victim's Rights requested an increase of \$35,300 in PFD [Permanent Fund Dividend] funds and a \$14,800 fund source change from general funds to PFD funds to cover increased costs for FY 04. The House approved the increase and fund transfer and reduced PFD funds available for the Department of Corrections. This recommendation approves the requested increase, but funds it with general funds rather than PFD funds.

- 2) The House authorized an FY 04 allocation of \$1,557,800 for Committee Expenses of the Budget and Audit Committee. After consultation with the chair of that committee, the contractual line of this allocation was reduced by \$100,000 in the Senate recommendation.

Co-Chair Green read the subcommittee report into the record.

Department of Fish and Game

Senator Ben Stevens, Chair
Senator Scott Ogan
Senator Tom Wagoner
Senator Kim Elton

Senate Finance Subcommittee
Department of Fish and Game Budget

The Senate Finance Fish and Game Budget Subcommittee is funding the Department's FY 04 budget request at the Governor's level for general funds with the following recommendations:

- At the Department's request, the subcommittee recommends an increment of \$500,000 federal receipt authority for the implementation of the US/Canada Yukon River Treaty.
- Transfer \$800,000 of general funds from the State Subsistence component to various Commercial Fisheries Regional components.
- Increase fish and game funds by \$190,000: \$95,000 to be allocated to the Sport Fisheries appropriation and \$95,000 to the Wildlife Conservation appropriation.
- Sport Fisheries Habitat requested \$264,000 general funds resulting from the transfer of habitat functions from the Department of Natural Resources. The subcommittee recognizes this general fund transfer is part of an agency reorganization cost and expects this to be a one-time need of general fund.

Senator B. Stevens overviewed the information contained in the budget subcommittee report.

Senator B. Stevens noted the subcommittee recommends the Division of Subsistence be funded at the FY 03 level of \$224,000 general

funds. He told of a temporary transfer of some Division of Sport Fish duties to the Division of Habitat, until habitat biologists could be found positions within the Division of Sport Fish.

Senator Hoffman referenced \$35 million for disaster relief and asked how the State would receive and expend those funds, as the Legislature has the power of appropriation regardless of the Governor's intention.

Senator B. Stevens understood the Governor was preparing a proposal for the use of these funds.

Senator Hoffman asked if separate legislation would be enacted during this session or whether the appropriation would be included in the operating budget.

Senator B. Stevens was unsure of the process.

Senator Hoffman stressed the importance of beginning implementation before the fishing season begins. He encouraged the Legislature take action before the session concludes.

Senator Taylor asked the funding source of the Crystal Lake Hatchery appropriation of \$192,700.

Senator B. Stevens recalled discussion on the matter and deferred to the Department.

KEVIN BROOKS, Director, Division of Administrative Services, Department of Fish and Game, testified that the Crystal Lake Hatchery component was transferred to the Sport fish BRU. He stated that the \$192,000 was "tied up in a contract with the Southern Southeast Aquaculture Association" and is a "permanent part of the budget".

Senator Taylor understood this to be the case.

SFC 03 # 46, Side B 09:49 AM

Senator Taylor asked if the Department intended to utilize salmon enhancement funds for Hatchery operations, as has been done in the past.

Mr. Brooks responded that fish and game funds would be used for the Department's portion of the operational expenses. He noted these funds are garnered from the sale of fishing and hunting licenses.

Senator Taylor asked if the appropriation for the Hatchery is specifically revenue from the king salmon stamps purchased in conjunction with fishing licenses.

Mr. Brooks replied that a combination of both licenses and stamp sale revenues would be used.

Senator Taylor recalled negotiations at the time the Southern Southeast Aquaculture Association assumed operation of the Hatchery and other facilities regarding debt forgiveness, interest levels and other issues to ensure adequate cash flow. He asked if a "final solution" could be found for this "on-going difficulty".

Mr. Brooks responded that under the contractual agreement the Association continues to operate the Hatchery. He stated he would need to research the use of salmon enhancement funds.

Senator Taylor expressed this would provide a solution.

Senator Hoffman asked the implication of the transfer of \$800,000 from the Division of Subsistence to the Division of Commercial Fisheries.

Mr. Brooks replied the situation would be the same as encountered the prior year, which "poses challenges". He qualified that the Department has yet to determine a course of action. He noted the House of Representatives approved funding for this.

Senator Hoffman asked how the \$800,000 would have be spent if appropriated.

Mr. Brooks answered that these funds were expended in prior years for subsistence harvest assessments and to leverage federal funds from the Office of Subsistence Management.

Department of Public Safety

Senator Ben Stevens, Chair
Senator Gene Therriault
Senator Ralph Seekins
Senator Gretchen Guess

Senate Finance Subcommittee
Department of Public Safety Budget

The Senate Public Safety Budget subcommittee is funding the department's budget at the Governor's level with the following

recommendations:

- Transfer of \$246,000 general funds, with the agencies approval, for moving Victim's For Justice from the Department of Public Safety to the Department of Law.
- Fund source change of \$431,600 from general funds to receipt supported services for a net zero.
- Increase inter-agency receipts of \$280,000 for Fish and Wildlife Protection appropriation, Marine Enforcement component, to receive funds from the Department of Fish and Game to support Western Alaska law enforcement by fully funding the Woldstad and Stimson patrol vessels.
- Deny the department's request to move \$431,600 general funds out of AST [Alaska State Troopers] Detachment to fifteen components agency-wide to fund the ACS telecommunication and computer services billing contract. The subcommittee recommends funding these components with general fund increments that were made available through a receipt supported services carry-forward in Fire Prevention (increase of \$231,600) and Alaska Criminal Records and ID (increase of \$200,000).
- Recommend a technical, line item transfer under the Alaska Public Safety Information Network by moving \$47,700 from contractual services to miscellaneous line item to correct the Governor's request.

Senator B. Stevens read the subcommittee report into the record. He pointed out the subcommittee recommendation is \$667,000 general fund less than the amount requested by the Governor, although the total budget would be a higher amount than that in the Governor's proposal. He attributed this to fund source transfers.

Senator Hoffman requested an outline of how the Woldstad and Stimson patrol vessels operations would be funded.

Senator B. Stevens replied that an increase of \$280,000 interagency receipts in accordance with an agreement between the Department of Fish and Game and the Department of Public Safety to utilize the patrol vessels for common missions.

Senator Hoffman clarified that funds would be appropriated for both vessels rather than just the Stimson.

Senator B. Stevens affirmed and explained that the appropriation would provide adequate funding to continue operations as done in FY 03.

Senator Hoffman understood additional capital project funds would be required to operate the Woldstad.

Senator B. Stevens affirmed and commented that if funds become available to refurbish the Woldstad, the appropriation in the operating budget would be utilized to operate the completed vessel.

KAREN MORGAN, Director, Department of Administration, Department of Public Safety, affirmed Senator Hoffman that additional capital funding is required to return the Woldstad to service. She indicated the Department and the budget subcommittee has been addressing the matter.

Senator Taylor referenced the proposed \$127,000 funding reduction for aircraft and opined that the budgeting process is a "crude way to approach what should be a policy decision made by the Legislature" regarding whether search and rescue activities should be undertaken by the Department or by the Civil Air Patrol and volunteers, as done in the past. He relayed complaints that volunteers are not dispatched and instead an Alaska State Trooper is paid overtime wages to conduct a mission.

Senator Taylor expressed concern with the current policy that only allows Troopers to fly Department-owned aircraft and only for Division of Alaska State Troopers (AST) business. He complained about the use of AST aircraft to transport the Governor, and asserted that funds for these activities should be paid from the Office of the Governor budget.

Senator Taylor next spoke to the "quality of pilots" and the increased qualification requirements of private pilots contracting with the Department of Fish and Game to perform stream surveys. He remarked that the size of the Department of Public Safety aircraft fleet has steadily increased along with the use of that fleet; however the experience of the pilots is limited. He suggested private sector pilots with more experience should be utilized instead.

Senator Taylor relayed that the Commissioner intends the Department to have the "finest fleet in the world." While he agreed the Department should have the best possible equipment, he questioned the need for 46 fixed wing aircraft and six helicopters. He remarked that review of flight logs found that the majority of the use of Department aircraft has been for training purposes.

Senator Olson understood the need for Troopers to access villages, given the limited number of personnel in comparison to the jurisdiction. However, he expressed concern with the general policy regarding the significant expansion of the aircraft fleet and specifically how it would be implemented. He recalled the previous year's intent to replace some aircraft with newly acquired secondhand aircraft, which did not occur. He cautioned against the need to house and maintain a large aircraft in the future.

Senator Olson also disagreed with the changes to the search and rescue procedures. While he understood the need for Troopers to be involved in these activities, he surmised the AST should focus on coordination efforts.

Department of Labor and Workforce Development

Senator Con Bunde, Chair
Senator Fred Dyson
Senator Ralph Seekins
Senator Bettye Davis

Senate Finance Subcommittee - Department of Law
4-9-03

The Senate Finance Subcommittee has adopted the following FY 04 budget for the Department of Labor and Workforce Development. This budget contains \$10,993,200 in general funds, \$97,029,100 in federal funds, and \$45,517,600 in other funds as proposed in the Governor's amended budget.

In this budget, there are changes to the Employment Security appropriation, which is now divided into two appropriations. The first appropriation, Compensation and Safety, contains programs for Workers' Compensation and Labor Standards and Safety. The second appropriation, Business Partnership, contains all of the employment, training and unemployment insurance programs. The restructuring of the Employment Security appropriations reflects the funding specific to those programs and will enable the Department to work toward compliance with the Workforce Investment Act of 1998.

While there is a general fund reduction to Independent Living Rehab, the Department has identified \$300,000 in carry-forward federal funds that can be used to help continue services.

The subcommittee concurs with the Administration's effort to increase efficiency throughout State government and the

changes made through Administrative Order No. 205, Establishing the Division of Business Partnerships in the Department of Labor and Workforce Development, are reflected in this budget.

The subcommittee adopted the following intent language.

Compensation and Safety Alaska Safety Advisory Council
The amount appropriated by this appropriation includes the unexpended and unobligated balance on June 30, 2003, of the Department of Labor and Workforce Development, Alaska Safety Advisory Council receipts under AS 18.60.840.

Senator Bunde read the subcommittee report into the record.

Senator Bunde requested the Department provide clarification of the funding reductions proposed for the Independent Living Rehabilitation program. He understood that approximately \$5 million would be available to fund the program.

Senator Olson asked the impact on vocational training in rural Alaska.

Senator Bunde predicted a positive impact, indicating that the Commissioner is supportive of community college and other vocational training.

ED FISHER, Deputy Commissioner, Department of Labor and Workforce Development, testified that approximately \$1.5 million would be available for the Independent Living Rehabilitation program, under the subcommittee's proposal. He informed that approximately \$4.9 million in "independent funds flow around the Department" to the independent living centers, which in some cases are "used for other purposes".

Senator Olson restated his question about the overall effect on vocational training for residents in Rural Alaska.

Mr. Fisher reminded that the functions were transferred from the Department of Education and Early Development to the Department of Labor and Workforce Development.

Senator Olson also was unsure of the funding sources.

Mr. Fisher understood that funding for these programs was reduced before the transfer occurred, although he did not anticipate further reductions.

Senator Olson asked the amount of the reductions.

Senator Bunde replied that the administration grant to the Kotzebue Technical Center would be reduced from \$1.1 million in FY 03 to \$809,000 in FY 04 under the subcommittee's proposal.

Senator Olson asked how same level of services would be continued.

Mr. Fisher was unsure, and suggested operations could be addressed in a different manner.

Co-Chair Green directed the witness to provide further information.

Senator Hoffman asked for clarification of funding for the Independent Living and Rehabilitation program, pointing out a 48 percent reduction of \$763,900. He wanted to know the impact this would have on the program.

Mr. Fisher indicated that \$300,000 federal funds appropriated in FY 03 would be available for FY 04.

GREG O'CLARAY, Commissioner, Department of Labor and Workforce Development, testified that the subcommittee proposes a \$318,000 reduction to the program in FY 04. He stated his intent to reduce general fund funding for the program by \$618,000.

Senator Hoffman asked what services would no longer be provided with the lesser funding.

Mr. O'Claray shared that he recently met with the Access Alaska organization and requested this information. He predicted that fewer participants would be served. He detailed two components of the program, one of which prepares individuals to live independently and return to work and the other, which provides 24-hour assisted living care without a "work plan". He remarked that the second function is not aligned with the Department of Labor and Workforce Development's core service mission. He shared that he directed Access Alaska to identify alternate funding for this purpose, although the organization expects this to be difficult.

Co-Chair Green returned to the matter of funding for increased employee health insurance costs. She informed that the \$75 per person insurance fee pertains to nonunion personnel and that the full Committee would address funding for employees who are members of a bargaining unit. She explained that negotiations with the bargaining units were not completed by the subcommittees' deadline to submit budget recommendations.

Department of Law

Senator Con Bunde, Chair
Senator Ralph Seekins
Senator Tom Wagoner
Senator Kim Elton

Senate Finance Subcommittee - Department of Law
4/11/03

The Senate Finance Subcommittee has adopted the following FY 04 budget for the Department of Law. The changes shown in this subcommittee report reflect changes to the Governor's amended budget. This budget contains \$26,570,800 in general funds, \$495,500 in federal funds, and \$18,556,400 in other funds.

The Victims for Justice function and associated funding was transferred from the Department of Public Safety, Council on Domestic Violence and Sexual Assault appropriation to the Department of Law, Third Judicial District: Anchorage component in the Criminal Division appropriation. This transfer moves the function and \$246,000 general funds to the Department of Law.

This budget also reflects the Department's reorganization from five BRUs to three (Criminal Division, Civil Division, and Administration and Support).

The subcommittee concurs with the Administration's effort to increase efficiency throughout State government.

The subcommittee adopted the following language for the Civil Division - Fair Business Practices.

The amount appropriated by this appropriation includes the unexpended and unobligated balance on June 30, 2003, of designated program receipts and general fund program receipts of the Department of Law, fair business practices section.

Senator Bunde read the subcommittee report into the record. He noted the Governor has proposed a \$700,000 unallocated reduction to the Department. Senator Bunde informed that an audit was underway to determine the best way to implement this reduction.

Senator Taylor asked for clarification of the transfer of funding for the Council on Domestic Violence and Sexual Assault from Department of Public Safety to the Department of Law.

Co-Chair Green explained the specific "pass through" funding is a grant allocated to the Victims for Justice program and this transfer is the request of the Victims for Justice administration. She assured that the Council itself would not be transferred.

Senator Bunde affirmed the Council remains in Department of Public Safety.

Senator Hoffman asked if the number of full time permanent positions within the Department would change.

Senator Bunde responded that the number of permanent full time positions would be the same as that approved by the House of Representatives, which he listed as a decrease of .2 percent.

Senator Hoffman asked the number of positions.

Senator Bunde informed that the Attorney General has transferred several positions within the Department and subsequently the number of positions was unknown.

KATHERYN DAUGHEETTEE, Director, Division of Administrative Services, Department of Law, testified that the subcommittee's budget recommendation does not reflect any changes to the number of positions contained in the Governor's proposed budget. She reiterated that the Department is awaiting the results of a performance review conducted by the Conference of Western Attorneys General to assist in the implementation of the proposed \$700,000 Department-wide budget reduction.

Department of Natural Resources

Senator Con Bunde, Chair
Senator Gary Stevens
Senator Tom Wagoner
Senator Lyman Hoffman

Senate Finance Subcommittee
Department of Natural Resources
4/9/03

The Senate Finance Subcommittee has adopted the following FY 04 budget for the Department of Natural Resources. This budget contains \$47,403,000 in general funds, \$15,487,500 in federal funds, and \$33,100,600 in other funds. The difference from the Governor's amended budget to the Subcommittee's recommendation is an increase of \$7,363,500 in general funds to be used for Fire Suppression Activity.

In an effort to separate activity and funding between fire preparedness and actual fire suppression activity, the subcommittee's budget divides Fire Suppression into two components - Fire Preparedness and Fire Suppression Activity.

There is an increase of \$7,363,500 general funds for Fire Suppression Activity. This amount was calculated by using a 10-year average of fire suppression costs.

To keep all of the Fire Suppression functions together, the functions of the Fire Preparedness Function in the Resource Development BRU of Forest Management and Development has been transferred to the new Fire Suppression Preparedness.

The Subcommittee concurs with the Administration's effort to increase efficiency throughout State government and the Executive Orders introduced by the Governor are reflected in this budget.

The Subcommittee adopted the following intent language.

"The amount appropriated by this appropriation includes the unexpended and unobligated balance on June 30, 2003, of the timber receipts account (AS 38.05.100)."

Senator Bunde overviewed the subcommittee report, pointing out the proposed changes to the fire suppression budget is an attempt to align the initial appropriation with actual expenses.

Co-Chair Green approved of the proposed accounting of the fixed costs associated with fire suppression in the fire preparedness component, and actual fire suppression activities in the fire suppression activity component.

Senator Taylor asked the amount of the unexpended and unobligated balance of the timber sales receipts account and how those funds would be appropriated.

NICO BUS, Administrative Services Manager and Acting Director, Division of Support Services, Department of Natural Resources, testified the amount is approximately \$240,000 and that the timing of the receipts from timber sales is not always known. He informed that FY 03 has experienced an increase in the timber sales receipt authorization, and noted that efforts are ongoing to carry forward fewer funds from this account each year.

Senator Taylor asked how the funds were appropriated.

Mr. Bus responded that the receipts are utilized to prepare for future timber sales.

Co-Chair Green recalled the Committee held this discussion earlier.

Senator Taylor agreed, remarking he wanted to ensure the funds were appropriated for future sales as discussed.

Senator Olson asked about the contract for aircraft used for fire suppression activities and whether the contract was for multiple years.

Senator Bunde was not familiar with this matter.

Mr. Bus informed the terms of the contract are for ten years.

Senator Olson clarified the Department is bound by contract to employ certain aircraft that is only utilized 500 hours annually. He recalled earlier Committee discussion regarding the use of other aircraft, in which the witness testified that aircraft was loaned to the federal government for use in fire suppression activities outside of Alaska. Senator Olson informed that he has since learned that a number of aircraft were not utilized by federal agencies but rather remained in the State. He was concerned about idle aircraft at a time when attempts are underway to reduce spending.

Mr. Bus told of two types of aircraft in question, one of which is loaned to the federal government at the conclusion of the Alaska fire seasons. He noted that because the contract is a lease-purchase agreement, equity is built each year in the aircraft and that eventual ownership is beneficial to the State in the long term.

Senator Olson questioned the benefit of owning these aircraft and expressed concern with the accident history of the PC7. He asked if the State would be burdened with unsafe aircraft once new technology is available.

Senator Taylor asked the current funding appropriation for the land sales program and the anticipated amount of land the Department would sell.

Mr. Bus listed the total funding for land disposal would be approximately \$3 million under the subcommittee recommendation. He noted that currently most of the available land could be purchased

"over the counter" and via the Internet. He stated that additional land would be offered during the current and upcoming fiscal years and that he would provide further details.

Senator Taylor asked the volume of land for sale as well as the amount of land that has been sold.

Mr. Bus would provide the total number of acres.

Senator Taylor asked for a comparison with previous years.

Mr. Bus responded that each year the Department has been selling an increased amount of land, pointing out that the program began two years prior. He commented, "Our sales are ahead of our projections. There is clearly interest... [and therefore] this budget includes a \$2.5 million transfer."

SFC 03 # 47, Side A 10:37 AM

Mr. Bus continued that the Department is optimistic that the goals for selling more land would be reached and subsequently more revenue would be generated from these sales.

Senator Taylor asked if this is a "receipts program" and if either twice the amount of land was sold or the land was sold at twice the value than anticipated.

Mr. Bus affirmed and noted most of the revenue generated was a result of purchasers refinancing their loans and therefore paying off their debt to the State sooner.

Senator Taylor requested the amount of acres sold and the revenue received from these sales. He relayed he has been told that the value of the land is low and could not be sold; however, he stated the land is valuable and that people are "anxious to buy it". He compared the potential revenue generated by land sales to that predicted to be collected from the sale of studded tires.

Department of Environmental Conservation

Senator Robin Taylor, Chair
Senator Scott Ogan
Senator Lyman Hoffman

FY 04 Department of Environmental Conservation
Operating Budget Closeout

April 10, 2003

Department of Environmental Conservation's FY 04 Operating Budget was thoroughly reviewed. Each division's services were reviewed for purposes of determining if they supported the Department's legislated duties to establish and enforce predictable and rational standards for the control of water, land, subsurface land, and air pollutions, and the regulation of sanitary practices in the interest of public health. Alternative methods were considered for each of the Department's programs. It was determined that none of the alternatives offered more effective or efficient delivery of the programs.

The Department's FY 04 total operating budget is \$52,249,100, which is \$153,000 less than the Department's FY 03 authorized operating budget and includes a net reduction of 13 full time positions. The total reduction in State general fund sources is \$733,000 or 6.4 %.

Senator Taylor read the subcommittee report into record.

Senator Taylor qualified that at the time this report was prepared, the status of other legislation relating to the transfer of food safety inspections from the State to municipalities was uncertain. He understood the affected municipalities were not supportive of the proposed transfer. He cautioned that if the legislation does not pass, funds for these activities would be required.

Co-Chair Green relayed that due to concerns about the proposal to transfer the food safety activities, the enabling legislation was awaiting resolution of the issues. Therefore, she recommended the budget should not be dependent upon such transfer.

Senator Taylor agreed, but pointed out that the general funds required for the Department would not change, as the program is funded through fees collected.

Co-Chair Wilken referenced the subcommittee's recommended general fund reduction of \$300,000 for laboratory services and asked if the services would be reduced or whether private laboratories would be contracted to conduct the activities.

Senator Taylor assured the workload would not be reduced.

MIKE MAHER, Director, Division of Administrative Services,
Department of Environmental Conservation,

BARBARA TOWN, Budget Services, Division of Administrative Services, Department of Environmental Conservation, introduced herself at Senator Taylor's request.

Mr. Maher anticipated that a combination of reduced services and contracting with private laboratories would occur.

Senator Taylor indicated that the laboratory located in Juneau would no longer be staffed. He commented that much of the activities conducted at this facility are "literally not core function for this Department" but rather assisting high schools and conduction water studies. He stated that other functions would be transferred to private facilities.

Co-Chair Wilken next noted the proposed 13 percent funding reduction of \$181,000 to the air quality component and asked whether this would result in less testing.

Mr. Maher answered this reduction represents a "reprioritization" within the Department. He read a statement into the record as follows.

While more study may be needed to know if air toxins are a problem in Alaska, existing known air quality problems are in need of additional resources. The Department's [FY] 04 budget proposes using savings shown by postponing a more rigorous air toxic initiative to strengthen the Department's ability to respond to more pressing air quality issues, like the health risks from diesel fuel in rural communities.

Senator Taylor recalled questions arose asking why the diesel studies were conducted.

Mr. Maher informed that the Department sent a memorandum to the subcommittee responding to those questions [copy not provided]. He noted that the questions related to federal funds requested in the FY 04 capital budget relating to a study of the impacts of diesel from highway traffic. By contrast, he explained, this matter relates to the use of diesel generation activities in close proximity to homes and schools in rural Alaska.

Senator Taylor expounded on the proposed studies to measure the impacts of utilizing a cleaner diesel fuel, which would be required for vehicular use by the federal government in the next several years. He disagreed that funds should be expended in this manner given that the new fuel would be utilized for all purposes in rural communities regardless of whether it was designated for vehicles or for generators. He predicted the air quality would improve.

Mr. Maher stated he would provide an additional copy of the memorandum to the subcommittee chair.

#

ADJOURNMENT

Co-Chair Lyda Green adjourned the meeting at 10:52 AM