

MINUTES
SENATE FINANCE COMMITTEE
April 24, 2003
8:01 PM

TAPES

SFC-03 # 63, Side A
SFC 03 # 63, Side B
SFC 03 # 64, Side A

CALL TO ORDER

Co-Chair Lyda Green convened the meeting at approximately 8:01 PM.

PRESENT

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

Also Attending: KAREN REHFELD, Director, Division of Education Support Services, Department of Education and Early Development

Attending via Teleconference: There were no teleconference participants.

SUMMARY INFORMATION

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

The Committee considered amendments. The bill was held in Committee

AT EASE 8:01 PM / 8:02 PM

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."

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."

Amendments were offered to committee substitute's SCS CS SS HB 75, 23-GH1002\X and SCS CS SS HB 76, 23-GH1004\U, which were adopted as working drafts at the previous hearing.

Statewide Amendments

Statewide #1: This amendment incorporates the Governor's requested increases of for all covered employees' health benefits of \$75 per month for each covered employee into Section 1 of the committee substitute. The amounts and funding sources for each department are as follows.

Department of Administration	
General funds	\$210,400
Federal funds	3,600
Other funds	306,700
Total Funds	\$520,700
Department of Community and Economic Development	
General funds	\$50,500
Federal funds	10,200
Other funds	237,200
Total Funds	\$297,900
Department of Corrections	
General funds	\$1,232,900
Federal funds	1,100
Other funds	9,500
Total Funds	\$1,243,500
Department of Education and Early Development	
General funds	\$153,900
Federal funds	89,400
Other funds	46,800
Total Funds	\$290,100
Department of Environmental Conservation	
General funds	\$101,100
Federal funds	102,400
Other funds	195,100
Total Funds	\$398,600
Office of the Governor	

Total Funds	\$0
Department of Health and Social Services	
General funds	\$1,570,700
Federal funds	653,000
Other funds	413,700
Total Funds	\$2,637,400
Department of Labor and Workforce Development	
General funds	\$74,400
Federal funds	510,200
Other funds	229,000
Total Funds	\$813,600
Department of Law	
General funds	\$117,900
Federal funds	3,800
Other funds	62,700
Total Funds	\$184,400
Department of Military and Veterans Affairs	
General funds	\$41,600
Federal funds	116,800
Other funds	60,000
Total Funds	\$218,400
Department of Natural Resources	
General funds	\$332,200
Federal funds	60,400
Other funds	269,300
Total Funds	\$661,900
Department of Public Safety	
General funds	\$576,200
Federal funds	19,000
Other funds	59,100
Total Funds	\$654,300
Department of Revenue	
General funds	\$73,600
Federal funds	172,200
Other funds	105,500
Total Funds	\$351,300
Department of Transportation and Public Facilities	
General funds	\$488,600
Federal funds	10,100
Other funds	2,180,800
Total Funds	\$2,679,500
Alaska Court System	
Total Funds	\$0
Legislature	
Total Funds	\$0

Co-Chair Green moved for adoption, noting it inserts funding for

health benefits expenses into the Language section of the bill. She reminded that the matter had been discussed in Committee previously.

Without objection the amendment was ADOPTED.

Language Section

LANG #1: This amendment changes subsection (d) of Section 11. ALASKA PERMANENT FUND CORPORATION., on page 51, line 31 and page 52 lines 1 and 2 to read as follows.

(d) The income earned during the fiscal year 2004 on revenue from the sources set out in AS 37.13.145(d) is appropriated to the principal of the Alaska permanent fund.

Accompanying explanatory language reads as follows.

The revenue the state receives under AS 37.13.010 does not earn any interest. The Department of Natural Resources holds money in a "liability fund" until it reaches \$3,000,000, when they transfer the money to the APFC [Alaska Permanent Fund Corporation]. While the money is held in the liability fund it DOES NOT earn interest, or any type of income, that is included in the transfer to APFC.

Subsection (d) may have been intended at one time to deal with the Beaufort Sea Lease escrow while money remained in limbo until the lawsuit was decided. That suit was settled in June 2000. If the budget bill language did relate to the Beaufort Sea Lease, the narrative is no longer needed.

AS 37.13.145(d) addresses the Amerada Hess case, which also requires that money be held in escrow. AS 37.13.145(d) states that income related to the case shall be annually appropriated to the principal of the Permanent Fund, but such language has been omitted from appropriation bills in recent years.

Co-Chair Green moved for adoption.

Senator Hoffman requested an explanation.

Co-Chair Green stated this amendment would rephrase the language in Section 11(d) "to more accurately reflect the transfer of funds". She recalled budget legislation of previous sessions included "interest earned", although she pointed out "income earned" was more appropriate.

Senator Hoffman asked the reference to AS 37.13.145(d).

Co-Chair Green read the paragraph into the record.

Senator Taylor understood those monies were appropriated in prior years regardless of the absence of the language shown in this amendment.

Co-Chair Green agreed.

There was no objection and the amendment was ADOPTED.

LANG #2: This amendment deletes subsections (c),(n),(o),(p),(q), and (r), and inserts two new subsections to Section 32. STATE DEBT AND OTHER OBLIGATIONS., on page 60 to read as follows.

Deleted subsections:

(c) The sum of \$6,995,900 is appropriated from the general fund to the Alaska debt retirement fund (AS 37.15.011).

(n) The sum of \$300,000 is appropriated from Alaska accelerated transportation projects fund bond proceeds to the Alaska debt retirement fund (AS 37.15.011) for the fiscal year ending June 30, 2004, for payment of debt service and trustee fees on outstanding state guaranteed transportation revenue anticipation bonds.

(o) The sum of \$1,700,000 is appropriated from federal receipts to the Alaska debt retirement fund (AS 37.15.011) for the fiscal year ending June 30, 2004, for payment of debt service and trustee fees on outstanding state guaranteed transportation revenue anticipation bonds.

(p) The sum of \$2,000,000 is appropriated from the Alaska debt retirement fund (AS 37.15.011) to the state bond committee for the fiscal year ending June 30, 2004, for payment of debt service and trustee fees on outstanding state guaranteed transportation revenue anticipation bonds.

(q) The sum of \$3,211,600 is appropriated from the Alaska debt retirement fund (AS 37.15.011) to the state bond committee for the fiscal year ending June 30, 2004, for payment of debt service and trustee fees on outstanding general obligation bonds for state transportation projects.

(r) The sum of \$6,693,500 is appropriated from the Alaska debt retirement fund (AS 37.15.011) to the state bond committee for the fiscal year ending June 30, 2004, for payment of debt service and trustee fees on outstanding general obligation bonds for the cost of design, construction,

and major maintenance of educational and museum facilities.

Inserted subsections:

(m) The sum of \$4,194,493 is appropriated to the state bond committee from State of Alaska general obligation bonds, Series 2003B bond issue premium held in the Alaska debt service fund for the fiscal year ending June 30, 2004, for payment of debt service, accrued interest, and trustee fees on outstanding State of Alaska general obligation bonds, Series 2003B.

(n) The sum of \$15,192,594 is appropriated to the state bond committee from State of Alaska general obligation bonds, Series 2003A bond issuance premium held in the Alaska debt service fund for the fiscal year ending June 30, 2004, for payment of debt service, accrued interest, and trustee fees on outstanding State of Alaska general obligation bonds, Series 2003A bond.

Co-Chair Green moved for adoption and explained this amendment would "change the way the debt service interest and trustee fees on GO [general obligation] bonds are paid, negating the need for general funds". She furthered that with the sale of a greater number of bonds in the current year, along with a higher interest rate, earnings were realized, thus allowing the fees and interest expenses to be paid in this manner.

Senator Taylor noted this amend would actually utilize "a premium that was received by the State; additional income we weren't counting on in the issuance of those bonds that the people voted for last fall have now been issued and sold." He pointed out the State is restricted on the use of these funds and that this amendment would appropriate the funds to pay off the interest and bond payment debt, not only for this year, but also for next year, thus explaining the appropriation for FY 05 included in the amendment

Co-Chair Green clarified that "a like amount [would be] available to pay that off next year."

The amendment was ADOPTED without objection.

LANG #3: This amendment increases the amount of the appropriation from the general fund to the Alaska debt retirement fund and subsequently increases the amount of the appropriation from the Alaska debt retirement fund to the Department of Education and Early Development in Section 32. STATE DEBT AND OTHER OBLIGATIONS. The amended language reads as follows.

(c) The sum of \$13,298,300 is appropriated from the general fund to the Alaska debt retirement fund (AS 37.15.011).

...

(f) The sum of \$66,024,100 is appropriated to the Department of Education and Early Development for state aid for costs of school construction under AS 14.11.100 from the following sources:

Alaska debt retirement fund (AS 37.15.011)	\$37,424,100
School fund (AS 43.50.140)	28,600,000

Accompanying explanatory language reads as follows.

This amendment adds \$6,602,400 general funds 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.

Senator B. Stevens moved for adoption and explained that this amendment would "bring the school debt reimbursement back to the seventy-percent level from the previous 63-percent level, adding \$6,602,400 general funds."

Co-Chair Green commented that the Members heard from many school districts requesting the Legislature provide funding to provide the full 70 percent State reimbursement.

There was no objection and the amendment was ADOPTED.

LANG #4: This amendment inserts a new subsection (b) to Section 29 on page 58, lines 17 - 19 to read as follows.

Sec. 27. POWER COST EQUALIZATION. (a) The sum of \$12,524,400 is appropriated from the power cost equalization endowment fund (AS 42.45.070) to the power cost equalization and rural electric capitalization fund (AS 42.45.100).

(b) The sum of \$2,500,000 of Investment Loss Trust Funds is appropriated to the power cost equalization and rural electric capitalization fund (AS 42.45.100).

This amendment also deletes subsection (1), appropriating \$775,000 from miscellaneous earnings from earnings on unreserved investment earnings of the Alaska Municipal Bond Bank to the Alaska debt retirement fund, in Section 32. STATE DEBT AND OTHER OBLIGATIONS. on page 61, lines 29 and 30.

Accompanying explanatory language reads as follows.

A premium generated by the recent sale of bonds eliminates the need to capitalize the Alaska Debt Retirement Fund with Investment Loss Trust Funds.

Co-Chair Wilken moved for adoption and explained it would transfer Investment Loss Trust Funds (ILTF) to the debt retirement fund and utilize \$2.5 million from the debt retirement fund to offset the anticipated short-fall of the Power Cost Equalization (PCE) requirement for FY 04. He predicted adoption of this amendment would fully fund the PCE program at \$15.7 million.

AT EASE 8:08 PM / 8:10 PM

Co-Chair Wilken moved to amend the amendment to reduce the appropriation in Section 27(b). The amended language reads as follows.

(b) The sum of \$1,700,000 of Investment Loss Trust Funds is appropriated to the power cost equalization and rural electric capitalization fund (AS 42.45.100).

Senator Hoffman requested data reflecting this new information.

Co-Chair Green indicated the amendment to the amendment reflects updated information, which would be provided to Members.

Without objection the amendment was AMENDED and ADOPTED.

LANG #5: This amendment inserts new bill sections on page 63, following line 31, and page 64, following line 21, to read as follows.

Sec. 36. OFFICE OF VICTIMS' RIGHTS; INMATE HEALTH CARE.

(a) The unexpended and unobligated balance, not to exceed \$50,100, of the appropriation of "PFD Appropriations in lieu of Dividends to Criminals" funds (state budget system fund number 1171) made by sec. 1, ch. 94, SLA 2002, page 40, line 32 (Legislative Council) is reappropriated to the Legislative Council for operation of the Office of Victims' Rights for the

fiscal year ending June 30, 2004.

(b) The unexpended and unobligated balance, remaining after the appropriation made by (a) of this section, of the appropriation of "PFD Appropriation in lieu of Dividends to Criminals" funds (state budget system fund number 1171) made by sec. 1, ch. 94, SLA 2002, page 40, line 32 (Legislative Council) is reappropriated to the Department of Corrections for inmate health care for the fiscal year ending June 30, 2004.

...

Sec. 39. Section 36 of this Act takes effect June 30, 2003.

This amendment also deletes \$51,100 general funds from the Budget and Audit Committee Budget Request Unit (BRU), Committee Expenses component and Legislative Council BRU, Council and Subcommittees component on page 35, lines 10 and 17. [Breakdown of this reduction is not specified in the amendment.

Co-Chair Green moved for adoption and explained this amendment would utilize \$50,000 scheduled to lapse in FY 03 of Permanent Fund Dividend (PFD) funds that were "withheld from felons". She informed that these funds would be appropriated to the Office of Victim's Rights for FY 04 operations with the exception of approximately \$8,500, which would be reappropriated to Inmate Health Care within the Department of Corrections. She stated, "The lapse allows us to reduce \$50,100 general funds in the Office of Victim's Rights."

Senator Taylor spoke as the Chair of the Legislative Counsel in appreciation that these funds "are going towards those restricted items that they can only be used for, which is inmate health or assistance to victims."

There was no objection and the amendment was ADOPTED.

Department of Administration

ADMIN #1: This amendment adds \$39,400 Mental Health Trust Authority Authorized Receipts (MHTAAR) for the Legal and Advocacy Services BRU, Public Defender Agency component on page 4, line 13.

Accompanying explanatory language reads as follows.

In subcommittee, the Mental Health Trust Authority requested a reduction in MHTAAR receipt authority within the Public Defender Agency. In further discussions with the Department of Administration and the Trust, the correct amount of MHTAAR funds necessary to fund the existing Public Defender Position

for the Mental Health Court was determined and this additional amount will fully fund the position.

Senator Bunde moved for adoption and explained that the Mental Health Trust Authority requested fully funding the public defender position of the mental health court.

Co-Chair Green reiterated this amendment was submitted at the request of the Mental Health Trust Authority.

The amendment was ADOPTED without objection.

Department of Community and Economic Development

CED #1: This amendment adds \$50,000 other funds to the Community Assistance & Economic Development BRU, Community Advocacy component on page 5, line 4. Accompanying explanatory language reads as follows.

This amendment adds \$50,000 in receipt supported services to the Community Development Quota program. All of the CDQ groups have agreed to this fee.

Co-Chair Wilken moved for adoption and commented this program has been "wildly successful". He stated this amendment reflects a need of the program to receive \$50,000 receipt supported services.

Without objection the amendment was ADOPTED.

CED #2: This amendment adds \$3,213,800 Science & Technology Endowment Fund funds to the State Revenue Sharing BRU and component on page 5, line 7.

Senator Hoffman moved for adoption.

Co-Chair Wilken objected.

Senator Hoffman spoke to the amendment, saying it would "bring the State Revenue Sharing program and the Safe Communities program back to the fully funding." He relayed the Governor's recommendation of a 25 percent reduction, although Senator Hoffman surmised the adoption of this amendment would prevent the "passing on [of a] tax burden to the local governments at this time." He understood municipalities were "experiencing many, if not more of the financial problems that the State of Alaska is presently dealing with." He noted funding to the programs has been declining "steadily over the years".

Co-Chair Wilken commented, "my government along with governments across the State share in the burden of declining State revenues. This is an attempt on behalf of the Governor, and supported by this budget, to ask the communities to tighten their belts a bit. This line item in the budget does that. While it's difficult for all of us to accept, the pure facts are is that it's something we have to have the local people deal with to help us balance our budget." He also pointed out that the Science & Technology Endowment Fund has been utilized to fund other items within this budget legislation "that we feel to be more worthy of that funding", therefore the funding source is not available.

A roll call was taken on the motion.

IN FAVOR: Senator Hoffman and Senator Olson

OPPOSED: Senator Bunde, Senator B. Stevens, Senator Taylor, Co-Chair Wilken and Co-Chair Green

The motion FAILED (2-5)

The amendment FAILED to be adopted.

Department of Education and Early Development

DEED #1: This amendment deletes the language in Section 14 and inserts new language on page 52, following line 27 to read as follows.

Sec. 14. DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT.

(a) Contingent upon the passage by the Twenty-Third Alaska State Legislature during 2003 and the enactment into law of a bill increasing the base student allocation under AS 14.17.470, the sum of \$32,150,600 is appropriated to the Department of Education and Early Development for the fiscal year ending June 30, 2004, for additional funding of state aid to public schools (commonly referred to as the foundation program) to fund the increase in the base student allocation from the following sources in the amounts described:

(1) the unexpended and unobligated general fund balance of that portion of the appropriation made by sec. 1, ch. 94, SLA 2002, page 11, line 17, that is allocated on line 18 (foundation program - \$677,319,400);

(2) the general fund in the amount equal to the difference between \$32,150,600 and the amount appropriated under (1) of this subsection.

(b) If a bill is passed by the Twenty-Third Alaska State Legislature during 2003 and is enacted into law increasing the base student allocation under AS14.17.470 to an amount less than \$4,169, then that portion of the appropriation made by (a) of this section that is necessary to fund the increase in the base student allocation is appropriated to the Department of Education and Early Development for the fiscal year ending June 30, 2004, for additional funding of state aid to public schools (commonly referred to as the foundation program) to fund the increase in the base student allocation and the remaining balance of the appropriation of \$32,150,600 made by (a) of this section is reappropriated to the Department of Education and Early Development for the fiscal year ending June 30, 2004, for payment as learning opportunity grants to school districts based on the school district's adjusted average daily membership to pay for instructional programs intended to improve student performance. Learning opportunity grants provide the opportunity to move schools toward standards-based education, including vocational education programs. The funding is available to pay for costs associated with improving student performance by developing standards-based programs, including implementation of standards, aligning student assessment to standards, staff development, adopting instructional models based on basic skills, performance tasks, and projects, and adopting a standards-based reporting system. Accomplishing this goal may include acquisition of textbooks and other educational materials.

(c) If a bill is not passed by the Twenty-Third Alaska State Legislature during 2003 and enacted into law to increase the base student allocation under AS 14.17.470, then the unexpended and unobligated general fund balance of that portion of the appropriation made by sec. 1, ch. 94 SLA 2002, page 11, line 17, that is allocated on line 18 (foundation program - \$677,319,400) is reappropriated to the Department of Education and Early Development for the fiscal year ending June 30, 2004, for payment as learning opportunity grants to school districts based on the school district's adjusted average daily membership to pay for instructional programs intended to improve student performance. Learning opportunity grants provide the opportunity to move schools toward standards-based education, including implementation of standards, aligning student assessment to standards, staff development, adopting instructional models based on basic skills, performance tasks, and projects, and adopting a standards-based reporting system. Accomplishing this goal may include acquisition of textbooks and other educational materials.

(d) If a bill is not passed by the Twenty-Third Alaska State Legislature during 2003 and enacted into law to increase the base student allocation under AS 14.17.470, then, an amount equal to the difference between \$32,150,600 and the amount appropriated under (c) of this section is appropriated from the general fund to the Department of Education and Early Development for the fiscal year ending June 30, 2004, for payment as learning opportunity grants to school districts based on the school district's adjusted average daily membership to pay for instructional programs intended to improve student performance. Learning opportunity grants provide the opportunity to move schools toward standards-based education, including vocational education program. The funding is available to pay for costs associated with improving student performance by developing standards-based programs, including implementation of standards, aligning student assessment to standards, staff development, adopting instructional models based on basic skills, performance tasks, and projects and adopting a standards-based reporting system. Accomplishing this goal may include acquisition of textbooks and other educational materials.

This amendment also provides that subsections (a)(1) and (c) take effect June 30, 2003.

Co-Chair Wilken moved for adoption and explained this amendment incorporates the existing Learning Opportunity Grants (LOG) utilized for the past three years and the one-time LOG grant of the previous year into the "student dollar." He stated this would increase the student dollar from \$4,010 to \$4,169, utilizing general funds and an \$8.9 million lapse in the FY 03 foundation funding formula appropriation. He informed that statutory changes are required to enable the provisions of this amendment. He announced the Committee would consider legislation to increase the student dollar amount accordingly; however, should this legislation fail, contingency language is included in this amendment to appropriate the same amount through the foundation funding formula.

Senator Hoffman asked if the total increase in student dollars would be \$32.15 million.

Co-Chair Wilken affirmed.

Senator Taylor clarified this includes the aforementioned lapse.

There was no objection and the amendment was ADOPTED.

DEED #2: This amendment inserts a new subsection to Section 14. DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT., on page 53, following line 21 to read as follows.

(c) Contingent upon the passage by the First Regular Session of the Twenty-Third Alaska State Legislature and the enactment into law of a bill that establishes a program for state funding for operation of student transportation systems by public schools based on a per student allocation,

(1) the sum of \$53,933,800 is appropriated from the general fund to the Department of Education and Early Development for pupil transportation for the fiscal year ending June 30, 2004; and

(2) the appropriation made by sec. 1 of this Act to the Department of Education and Early Development for pupil transportation for the fiscal year ending June 30, 2004, is repealed.

Senator Taylor moved for adoption and explained this amendment would restore the funding level to the FY 03 expenditure amount for pupil transportation of public schools. He qualified this does not include any increases that could occur for school districts currently under contract.

Co-Chair Green furthered that legislation is under consideration that addresses pupil transportation in a "different way".

Senator Hoffman clarified that although this amendment references \$53.9 million, the actual increment is \$10.7 million.

Senator Taylor affirmed and reiterated the matter of pupil transportation is addressed in this budget as well as other legislation. He informed that the other bill would have a zero fiscal note if this amendment to the FY 04 operating budget legislation were adopted, and a fiscal note of \$10.7 million if this amendment were not adopted.

There was no objection and the amendment was ADOPTED.

DEED #3: This amendment adds \$1,340,900 general funds to the K-12 Support BRU, Foundation Program component on page 9, line 24.

Co-Chair Green moved for adoption and explained this is a correction to the committee substitute, as an amount was inadvertently "deleted twice".

Without objection the amendment was ADOPTED.

DEED #4: This amendment adds the Alyeska Central School BRU and component and appropriates \$3,838,900 Inter-Agency Receipts (I/A Receipts) and \$43,000 general funds. Accompanying explanatory language reads as follows.

Restore funding and positions (21 PFT [permanent full time]/26 PPT [permanent part time] / 1 Temp) for Alyeska Central School, excluding summer school. The general funding increase is for the salary adjustments.

Co-Chair Green moved for adoption and explained this amendment would provide for the cancellation of the summer school program and allocates inter-agency receipts and general funds to the Alyeska Central School.

Co-Chair Green offered a friendly amendment to the amendment to add \$250,000 Receipt Supported Services to the Alyeska Central School BRU and component. She noted these funds are generated from tuition payments and utilized by school districts to support the Alyeska Central School.

Senator Hoffman clarified the only change from the current year would be the suspension of the summer school program.

Co-Chair Green affirmed.

Without objection the AMENDED amendment was ADOPTED.

DEED #5: This amendment adds a new Tuition component to the K-12 Support BRU on page 9, line 23 and appropriates \$2,225,000 general funds. Accompanying explanatory language reads, "Restore funding to 100% of FY 04 need."

Senator Bunde moved for adoption and read the explanatory statement into the record.

Co-Chair Green furthered this amendment reflects the tuition payment for students who are wards of the State and require additional services outside Alaska.

Senator Hoffman was under the impression that funding for this purpose was included in the foundation funding formula. He requested the Division of Legislative Finance explain.

KAREN REHFELD, Director, Division of Education Support Services, Department of Education and Early Development, testified this

tuition expense is in addition to the foundation funding formula and detailed the calculation of tuition rate for wards of the State in the amount of local tax effort the school district would have paid for that student.

There was no objection and the amendment was ADOPTED.

DEED #6: This amendment inserts intent language to the K-12 Support BRU, Foundation Program component on page 9 line 24 to read as follows.

It is the intent of the legislature that (1) the Local Boundary Commission identify opportunities for consolidation of schools, with emphasis on school districts with fewer than 250 students, through borough incorporation, borough annexation, and other boundary changes; (2) the Local Boundary Commission work with the Department of Education and Early Development to fully examine the public policy advantages of prospective consolidations identified by the Local Boundary Commission, including projected cost savings and potential improvements in educational services made possible through greater economies of scale; and (3) the Local Boundary Commission with the Department of Education and Early Development report their findings to the legislature no later than the 30th day of the Second Session of the 23rd Legislature.

Co-Chair Wilken moved for adoption and read the intent language into the record.

Senator Hoffman asked if a list of the district containing 250 or fewer students was available.

Co-Chair Wilken affirmed and read in ascending order as follows.

Pelican	18
Aleutian Region	46
Tanana	60
Hydaburg	88
Chugiak	95
Skagway	104
Yakutat	122
Pribilof	136
Kake	157
Klawock	158
St. Marys	185
Hoonah	189

Nenana	202
Southeast Islands	207
Chatham	224
Bristol Bay	236
Galena	243

Senator Hoffman asked under what rationale the 250 amount was derived.

Co-Chair Wilken answered, "just a break point."

The amendment was ADOPTED without objection.

Department of Environmental Conservation

DEC #1: This amendment adds \$137,100 Science & Technology Endowment Fund funds to the Environmental Quality BRU, Laboratory Services component on page 11, line 20. Accompanying explanatory language reads as follows.

The State Chemical Laboratory in Juneau is an essential part of ensuring the state's environmental program funds are well spent. The lab also provides critical services to private industry and public health, in addition to making excellent quality lab facilities available to university researchers, students and high school science fair participants.

This amendment would restore two of the eight positions slated for cut - one organic chemist and one inorganic chemist. It would also allow the state to continue extracting value from the laboratory lease, which is prepaid and leased through 2006. The lab facility is also a critical portion of seven ongoing research grants at the University of Alaska and a vital piece of the university's environmental science program. As recent experience with Stellar seal lions has shown, good science is critical to Alaska's economic future.

The state chemistry lab also provides state of the art facilities to the state's Division of Commercial Fisheries, NOAA [National Oceanic Atmospheric Administration], and Alaska high school science fair students, several of whom have gone on to represent our state at the International Science Fair.

Finally, the state chemistry lab provides services to private industry in Alaska, certifying private labs and acting as an independent referee when results from other laboratories don't agree. Some tests done at the state chemistry lab are done at

no other laboratory in the state. This amendment restores the absolute bare bones required to maintain the lab's operations and continue its cooperation with the university and other agencies.

Senator Olson moved for adoption

Senator Taylor objected.

Senator Olson overviewed the explanatory statement.

Senator Taylor, as chair of the Department of Environmental Conservation budget subcommittee, remarked that he has "worked closely" with the commissioner and agreed the laboratory was not compliant with the core level of services and the mission statement of the Department. He told of the commitment of Department staff to "fit within the perimeters of the budget they have been authorized to request" and the determination that funds would be better spent on core programs necessary to meet "mission obligations". He admitted the benefits of a research laboratory for the University and for high school science fair participants.

A roll call was taken on the motion.

IN FAVOR: Senator Olson and Senator Hoffman

OPPOSED: Senator B. Stevens, Senator Taylor, Senator Bunde, Co-Chair Wilken and Co-Chair Green

The motion FAILED (2-5)

The amendment FAILED to be adopted.

Department of Fish and Game

F&G #1: This amendment adds \$800,000 Science & Technology Endowment Fund funds to the Administration and Support BRU, State Subsistence component on page 13, line 29. Accompanying explanatory language reads as follows.

Explanation: Restores component to Governor's requested level

The Governor's Budget replaces \$1 million in AIDEA [Alaska Industrial Development and Export Authority] dividend receipts (one time funds) with \$800,000 in GF [general funds], which was already a \$200,000 cut in GF. The Senate subcommittee reduction will eliminate any effective role for the Division

of Subsistence because it potentially puts in jeopardy the \$2.1 million in federal funds that also supports the division's work.

Subsistence is, by law the priority use of F&G in Alaska (AS 16.05.258). The Division of Subsistence is the primary State agency charged with implementing that law (AS 16.05.094) this reduction will mean most subsistence harvests will no longer be monitored.

Without information provided by the Division of Subsistence, the state fish and game boards will have only outdated or incomplete information: this will increase the likelihood of the boards either failing to provide reasonable opportunity for subsistence or conversely, setting conservative management objectives that unnecessarily restrict other uses.

The Subsistence Division provides an essential liaison function for all the divisions in the department with the federal program. Without a strong state participation in dual management, federal managers may seriously consider of even adopt ill advised proposals or take unnecessary actions, further diverging state and federal regulatory regimes. This will result in more confusion for the public and increase possibilities for more conflict.

Senator Hoffman moved for adoption.

Co-Chair Green objected.

Senator Hoffman pointed out the amount requested in this amendment equals the amount requested by the Governor. He overviewed the explanatory statement.

Senator Hoffman predicted that current State practices increase the potential of federal management on State-owned lands in addition to the federally owned lands currently managed by the federal government. He expressed, "the current system is not working well." He reported that the majority of Alaskans support the subsistence program and prefer State management.

Senator Olson cautioned that in the event of an audit, due to the absence of adequate data, the federal government would find the State at fault and would assume federal management of fish and wildlife resources. He reminded that a primary reason for achieving statehood was to allow Alaska to manage its resources.

Senator Taylor asserted the subject is of greater complexity and depth than illustrated in this amendment. He told of the federal subsistence board increase in the allowable deer harvest per person on State-owned land on Prince of Wales Island, as well as allowing the harvesting of does. He stated that research conducted and presented by the Division of Subsistence was used to argue against the federal subsistence board's decision to allow doe harvest, but was "totally disregarded". He gave other examples of instances of Department of Fish and Game expertise disregarded by the federal subsistence boards, including a recent ruling allowing certain residents a bag limit of 20 halibut. He therefore argued against funding a Division that is not given consideration or credibility by the boards issuing decisions. He expressed, "I think it's sad and it's a sad comment that the federal government would interfere in our management of fish and game in that fashion."

Senator B. Stevens spoke as chair of the Department of Fish and Game budget subcommittee and informed that the "gap in the Subsistence Division" reflects a one-time funding source utilized to fund the Division in FY 03. He noted that the Senate Majority recommends the Department receive a \$2.4 million general fund decrement in FY 04. In determining the distribution of the reduction, he relayed that the subcommittee considered allocating \$800,000 general funds to the Division of Subsistence; however, chose to allocate that amount to the Division of Commercial Fisheries, based on information submitted by the Department listing the consequences of a funding reduction to that Division, which he read as follows.

- We will not be able to monitor fisheries and collect biological data on the grounds and the Department's ability to monitor long-term health of the region's shellfish resource.
- Herring stock assessment program would be reduced to the Central Region.
- Eliminate biologists
- Eliminate positions, in coordination of planning and permitting in the Central Region.
- Eliminate control to hire graduate students and retain fisheries biologists
- Eliminate Crescent Lake Sonar
- Eliminate Bristol Bay smelt programs
- AYK Region - \$200,000 reduction

Senator B. Stevens remarked that the subcommittee determined that the Division of Commercial Fisheries monitors the health of the

stocks, whereas the Division of Subsistence monitors the methods in which the stocks are harvested. He stated the subcommittee determined funds would be better spent monitoring the stocks. He urged Members to oppose the amendment.

Senator Hoffman agreed with Senator B. Stevens' assessment and assured this amendment would not remove funds from the Commercial Fisheries component. He spoke of his ten-years serving on the Department of Fish and Game budget subcommittee, two as chair, and expressed his full awareness of the importance of the activities of the Department. He asserted the Department "more than pays its fair share to the State coffers" and that more should be appropriated to it to subsequently provide more jobs to Alaskans. He charged, "We should not be harming one of the golden eggs that we have in the State." He clarified he supports the appropriation of additional fund to the Department, rather than the transfer of funds within the Department.

Senator Hoffman told of questionable federal management decisions and asserted therefore that State decisions should be science based and beyond reproach.

Senator Bunde asked if Science & Technology Endowment Fund funds were available for appropriation.

A roll call was taken on the motion.

IN FAVOR: Senator Hoffman and Senator Olson

OPPOSED: Senator B. Stevens, Senator Taylor, Senator Bunde, Co-Chair Wilken and Co-Chair Green

The motion FAILED (2-5)

The amendment FAILED to be adopted.

Department of Health and Social Services

H&SS #1: This amendment adds \$44,800,000 general funds to the Alaska Longevity Programs BRU, Alaska Longevity Programs Management component on page 14, lines 32 and 33. Accompanying explanatory language reads, "Restore Longevity Bonus Grants to meet the low case projection."

This amendment also inserts an OAA-ALB Hold Harmless component to the Public Assistance BRU on page 18 line 9 and appropriates \$1,459,500 general funds. Accompanying explanatory language reads

as follows.

Reinstate Old Age Assistance-AK Longevity Bonus (OAA-ALB) Hold Harmless Program in conjunction with the restoration of the Longevity Bonus Grants.

This amendment also changes the funding source of \$1,500,000 from general funds to receipt supported services in the Alaska Longevity Bonus Programs BRU, Pioneers' Homes component on page 15, line 3. Accompanying explanatory language reads, "Reverse the loss of Longevity Bonus receipts."

Co-Chair Green moved for adoption and explained this amendment is a restoration of the Longevity Bonus Grant funds and hold harmless provision, and allocates funds to the Pioneers' Homes.

Senator Hoffman asked for clarification of the differing amounts of this amendment and the FY 03 management plan.

Co-Chair Green responded the amount of FY 03 was \$45 million and the projection for FY 04 is \$44.08 million.

Senator Olson commended Co-Chair Green for sponsoring this amendment.

Without objection the amendment was ADOPTED.

H&SS #2: This amendment inserts a Human Services Community Matching Grant BRU and component and appropriates \$1,000,000 general funds. Accompanying explanatory language reads, "This amendment restores the level of funding to 77% of the FY 03 level."

Co-Chair Green moved for adoption and explained this amendment would restore approximately three-quarters of funds to the grant program.

The amendment was ADOPTED without objection.

H&SS #3: This amendment adds \$200,000 general funds to the Children's Services BRU, Infant Learning Program Grants component on page 16, lines 15 and 16. Accompanying explanatory language reads, "Restores 80% of the \$250,000 decrement to the Infant Learning Program."

Co-Chair Green moved for adoption and overviewed the explanatory statement.

There was no objection and the amendment was ADOPTED.

H&SS #4: This amendment deletes "Grants" from the "Community Developmental Disabilities Grants" component in the Senior and Disabilities Services BRU on page 19, lines 11 and 12. This amendment also adds \$800,000 General Funds/Mental Health funds to renamed Community Developmental Disabilities component. Accompanying explanatory language reads as follows.

This amendment will enable the Department to serve individuals who may be in crisis and to provide core services to clients on the Developmental Disabilities wait list.

Note delete "grants" from component name.

Co-Chair Green moved for adoption and commented this relates to the issue legislators had received the second highest amount of public comments during the session. She stated this amendment would restore two-thirds of the funding, with "underutilized funds".

Co-Chair Green noted the removal of "grant", as the term is a "misnomer".

Senator Hoffman asked if the original amount was \$1.2 million.

Co-Chair Green affirmed.

The amendment was ADOPTED without objection.

H&SS #5: This amendment deletes \$985,200 Tobacco Use Education and Cessation funds from the Health Care Services BRU, Medicaid State Programs component on page 17, line 19 and adds \$985,200 Tobacco Use Education and Cessation funds to the State Health Services BRU, Tobacco Prevention and Control component on page 19, lines 26 and 27.

Co-Chair Green moved for adoption and characterized this amendment as a "transaction" and would "bring the amount to the 20 percent" for Tobacco Prevention and Control, Epidemiology and Community Health Emergency Medical Services.

Senator Taylor thanked the co-chair for offering this amendment.

Senator Olson noted this does not equal the 20 percent. He established the 20 percent is reference to 20 percent of tobacco settlement funds appropriated for smoking cessation and education purposes.

Co-Chair Green replied that \$4,388,100 is 20 percent and listed \$221,300 appropriated to the Community Health Emergency Medical Services component, \$663,800 appropriated to the Epidemiology component, and \$3,643,000 for the Tobacco Prevention and Control component.

AT EASE 8:50 PM / 8:52 PM

Without objection the amendment was ADOPTED.

H&SS #6: This amendment adds \$1,200,000 Science & Technology Endowment Fund funds to the Senior and Disabilities Services BRU, Community Development Disability Grants on page 19, lines 11 and 12. Accompanying explanatory language reads as follows.

This budget amendment keeps the \$1,200,000 in the Community DD Grants Program, with the hope to serve the 1,300 people still on the waitlist.

This amendment also adds \$412,500 Science & Technology Endowment Fund funds to the Senior and Disabilities Services BRU, Home and Community Based Care component on page 19, lines 8 and 9. Accompanying explanatory language reads as follows.

This amendment restores funding to the FY 03 management plan. These funds for the Home and Community based care for senior and disability services assist our seniors from moving into a nursing home where costs to the state are substantially higher. In addition, this is a "Safety Net" program "cited" by the Governor that supports senior citizens. (ltr dated March 28, 2003 to Senior Alaskans)

This amendment also adds \$215,500 Science & Technology Endowment Fund funds to the Senior and Disabilities Services BRU, Protection, Community Services, and Administration component on page 19, lines 3 and 4. Accompanying explanatory language reads as follows.

This amendment restores these funds to the FY 03 management plan. Senior citizens are among our most vulnerable. These funds assist in their protection against those who take advantage of them. In addition, this is a "Safety Net" program "cited" by the Governor that supports senior citizens. (ltr dated March 28, 2003 to Senior Alaskans)

Senator Olson moved for adoption.

Co-Chair Green objected.

Senator Olson moved to amend the amendment to remove the \$1,200,000 appropriation of Science and Technology Endowment Fund funds to the Community Development Disability Grants component.

The amendment was AMENDED without objection.

Senator Olson read the explanatory language into the record.

SFC 03 # 63, Side B 08:54 PM

Senator Olson continued.

Co-Chair Green maintained her objection to the adoption of the amendment.

A roll call was taken on the motion to adopt the amendment as amended.

IN FAVOR: Senator Taylor, Senator Hoffman and Senator Olson

OPPOSED: Senator Bunde, Senator B. Stevens, Co-Chair Wilken and Co-Chair Green

The motion FAILED (3-4)

The amended amendment FAILED to be adopted.

H&SS #7: This amendment adds \$250,000 Science & Technology Endowment Fund funds to the Children's Services BRU, Infant Learning Programs Grants component on page 16, lines 15 and 16. Accompanying explanatory language reads as follows.

This amendment restores the Infant Learning Program to the Governor's proposal, which is flat funded at the FY 03 management plan. The reduction would result in elimination of early intervention services to 58 children around the state.

This amendment also adds \$270,600 Science & Technology Endowment Fund funds to the Children's Services BRU, Family Preservation component on page 16, line 3. Accompanying explanatory language reads as follows.

This budget amendment will restore \$270,600 in grants to community organizations in Fairbanks, Anchorage, Nome, Juneau, and Kotzebue, preventing 134 families from losing support

services.

This amendment also adds \$1,500,000 Science & Technology Endowment Fund funds to the Children's Services BRU, Front Line Social Workers component on page 15, line 33. Accompanying explanatory language reads as follows.

This budget amendment will add 25 new front line social workers to the new Division of Children's Services.

According to a federal audit, Alaska is failing to meet national standards of care for child abuse and neglect victims. This failure is directly tied to the caseload for Alaska's social workers, which greatly exceeds the nationally recommended standard. In order to meet that standard, Alaska would need over 70 new social workers.

Senator Olson moved for adoption.

Co-Chair Green objected.

Senator Olson moved to amend the amendment to delete the \$250,000 in Science & Technology Endowment Fund funds appropriated to the Infant Learning Program component.

The amendment was AMENDED without objection.

Senator Olson read the explanatory statement into the record.

A roll call was taken on the motion to adopt the amendment as amended.

IN FAVOR: Senator Hoffman and Senator Olson

OPPOSED: Senator Bunde, Senator B. Stevens, Senator Taylor, Co-Chair Wilken and Co-Chair Green

The motion FAILED (2-5)

The amended amendment FAILED to be adopted.

H&SS #8: This amendment inserts a Court Order and Reunification Efforts component to the Children's Services component on page 15, line 28 and adds \$500,000 Science & Technology Endowment Fund funds. Accompanying explanatory language reads as follows.

This restores funds to the FY 03 management plan. The department of Health and Social Services cannot predict with

any accuracy how many court order reunifications they receive each year. This is the amount that has been historically funded and should continue to be. In agreement with statements made by the co-chair of Senate Finance regarding "truth in budgeting" and in keeping next year's supplemental budget smaller, this program should continue to be funded in the operating budget.

Senator Olson moved for adoption.

Co-Chair Green objected.

Senator Olson read the explanatory statement into the record.

Co-Chair Green reiterated the number of cases could not be predicted and asserted that additional funding would be made in the FY 04 supplemental budget if necessary.

A roll call was taken on the motion.

IN FAVOR: Senator Hoffman and Senator Olson

OPPOSED: Senator B. Stevens, Senator Taylor, Senator Bunde, Co-Chair Wilken and Co-Chair Green

The motion FAILED (2-5)

The amendment FAILED to be adopted.

H&SS #9: This amendment adds \$637,000 Science & Technology Endowment Fund funds to the Behavioral Health BRU, Services to the Chronically Mentally Ill component on page 15, lines 21 and 22. Accompanying explanatory language reads as follows.

This budget amendment restores funding for the SEAL Grants Program. The Alaska Mental Health Board has put restoration of the SEAL Grants Program at the top of its priority list. SEAL supports non-traditional programs that focus on self-sufficiency and recovery, steering people away from expensive institutional care toward community-based outpatient services, and ultimately, self-care services.

This amendment also inserts a Human Services Community Matching Grant BRU and component and appropriates \$1,300,000 Science & Technology Endowment Fund funds. Accompanying explanatory language reads as follows.

This budget amendment restores the program. These funds are used as grants to Anchorage and Fairbanks for services which

include, substance abuse treatment, mental health services, food and shelter for the low income population, sexual assault and domestic violence treatment, runaway shelters, health services for the low income population, housing and rehabilitation for the physically and mentally ill.

This amendment also adds \$100,000 Science & Technology Endowment Fund funds to the State Health Services BRU, Community Health Grants component on page 19, line 21. Accompanying explanatory language reads as follows.

This amendment restores funding to the FY 03 management plan. These grants fund local community mental health programs, services include evaluation and diagnosis; brief strategic individual and family psychotherapy; psychiatric and nursing services; and case consultant.

Senator Olson moved for adoption.

Co-Chair Green objected.

Senator Olson moved to amend the amendment to delete insertion of the Human Services Community Matching Grant BRU and component and the subsequent \$1,300,000 appropriation of Science & Technology Endowment Fund funds.

The amendment was AMENDED without objection.

Senator Olson read the explanatory statements into the record.

Co-Chair Green noted that any appropriation of Science and Technology Endowment funds would require an increased withdraw from the Constitutional Budget Reserve (CBR) Fund, as the Endowment funds have already been incorporated into the proposed budget.

Senator Taylor furthered that this legislation deposits all Science and Technology Endowment funds into the general fund, and therefore, the Endowment would no longer exist upon passage of this budget.

Senator Hoffman pointed out that other adopted amendments have resulted in a required increase from the CBR. He therefore discounted the argument against adoption of this amendment. He clarified that he supports the passage of the additional funding appropriated by the adopted amendments.

A roll call was taken on the motion to adopt the amendment as amended.

IN FAVOR: Senator Olson and Senator Hoffman

OPPOSED: Senator B. Stevens, Senator Taylor, Senator Bunde, Co-Chair Wilken and Co-Chair Green

The motion FAILED (2-5)

The amended amendment FAILED to be adopted.

Department of Labor and Workforce Development

DLWD #1: This amendment adds \$467,800 Investment Loss Trust Funding [ILTF] to the Vocational Rehabilitation BRU, Independent Living Rehabilitation component on page 21, lines 32 and 33. Accompanying explanatory language reads as follows.

\$9.9 million of debt retirement funding has been freed up due to a premium that was generated by the recent sale of the education and transportation general obligation bonds and the state guaranteed transportation revenue anticipation bonds. This amendment uses freed up ILTF that was in the Debt Retirement Fund.

Senator Bunde moved for adoption and pointed out adoption of this amendment would provide approximately 75 percent of the funding amount requested. He noted the Department has successfully endeavored to secure additional funding to fully fund the program.

Senator Taylor thanked Senator Bunde and the commissioner for their efforts to secure this funding.

Co-Chair Wilken understood the Department secured \$100,000 and asked if this would meet the funding request of \$618,000.

Senator Bunde informed of \$300,000 of "carry over" funds that could be reappropriated to the program.

The amendment was ADOPTED without objection.

DLWD #2: This amendment adds \$464,000 Science & Technology Endowment Fund funds to the Vocational Rehabilitation BRU, Independent Living Rehabilitation component on page 21, lines 32 and 33. Accompanying explanatory language reads as follows.

Restores funding to the FY 03 management plan. The Independent Living program helps Alaskans to remain in their own homes and continue to be an active and vital citizen in the communities. Program support comes through staff, transportation and equipment. Funds that help people live independently in the community saves money for the state as nursing homes and institutions cost much more.

Senator Hoffman stated this amendment would be NOT OFFERED based on action taken on DLWD #1.

Senator Hoffman noted this matter had generated significant public comment and that funding the program would save general funds in the long term. He explained the cost effectiveness of housing these participants in independent living situations compared to institutions. He also remarked on the higher quality of life afforded in independent living.

Co-Chair Green expressed a need to review the program in the following year to identify whether it should be combined with the assisted living program.

DLWD #3: This amendment adds \$167,100 Science & Technology Endowment Fund funds to the Business Partnership BRU, Adult Basis Education component on page 21, line 20. Accompanying explanatory language reads as follows.

This amendment restores funding for Adult Basic Education to the FY 03 level. ABE provides rudimentary education including basic reading, mathematics, and English language classes. People without these most basic skills are far more likely to be unemployed. Their children are far less likely to succeed in school, and are themselves at increased risk of needing public services later in life. Parents who learn to read and speak English through ABE classes are better able to provide for their families.

The investment Alaska makes in educating adults without these basic skills puts off in reduced welfare, Medicaid, and other expenses. It also broadens the skill base of Alaska's workforce, creating a more attractive environment for economic development.

Senator Hoffman moved for adoption.

Co-Chair Green objected.

Senator Hoffman characterized this as a "critical" amendment for adult education. He pointed out that in FY 02, 29 percent of high school diplomas received were from general equivalency diploma (GED) programs. He furthered that 58,000, or 13 percent, of Alaskans are without a high school diplomas and that one-third of GED graduates have advanced to college. He spoke of the quality of life of high school graduates and the cost savings measure for the State. He noted that funding has been increased for general education.

Co-Chair Green maintained her objection. She suggested that several alternatives exist to allow adults to receive a completed education. She predicted this reduction in funding would not significantly decrease services.

A roll call was taken on the motion.

IN FAVOR: Senator Hoffman and Senator Olson

OPPOSED: Senator Bunde, Senator B. Stevens, Senator Taylor, Co-Chair Wilken and Co-Chair Green

The motion FAILED (2-5)

The amendment FAILED to be adopted.

DLWD #4: This amendment inserts an Employment Security BRU, transfers the Kotzebue Technical Center Operations Grant component from the Business Partnership BRU and adds \$300,000 Science & Technology Endowment Fund funds.

Senator Olson moved for adoption.

Co-Chair Green objected.

Senator Olson pointed out the proposed budget reduces funding to the Alaska Technical Center by approximately 27 percent and would significantly impact the Center's ability to operate vocational and technical training programs. He listed the core training programs as including building industrial technology, computer and information technology, health occupation, industrial mining technology, and office occupation programs. He stressed that a reduction of "this magnitude" would require the Center to eliminate personnel. He informed that the Kotzebue has been selected as one community for creation and expansion of the nursing training center and would utilize the Center to provide this training. He warned that without this funding, the Center would be unable to provide such training.

A roll call was taken on the motion.

IN FAVOR: Senator Hoffman and Senator Olson

OPPOSED: Senator B. Stevens, Senator Taylor, Senator Bunde, Co-Chair Wilken and Co-Chair Green.

The motion FAILED (2-5)

The amendment FAILED to be adopted.

Department of Revenue

REV #1: This amendment inserts an Alaska Gas Authority BRU and Alaska Natural Gas Development Authority component and appropriates \$150,000 general funds. Accompanying explanatory language reads, "Add initial funding for operation of the Authority."

Senator Taylor moved for adoption and reminded that the Authority was created through the ballot initiative process and approved by voters during the previous general election. He informed the intent of the Authority is to facilitate the construction of a natural gasoline pipeline from the North Slope to Valdez. He understood other appropriation legislation is pending, but surmised this amendment would ensure funding to allow the "initial plan" for the Authority.

Senator Hoffman moved to amend the amendment to increase the appropriation to \$1,150,000 general funds.

Co-Chair Green objected.

Senator Hoffman pointed out the voters approved the ballot initiative by 62 percent. He stated the Authority would utilize the funds to "develop plans and issue bonds to bring to market at an estimated cost of \$12.4 million." He asserted that all potential revenue sources must be investigated.

Senator Bunde offered a friendly amendment to change the funding source to earnings of the permanent fund.

Senator Hoffman did not oppose the friendly amendment.

Co-Chair Green objected to the motion.

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

IN FAVOR: Senator Hoffman and Senator Olson

OPPOSED: Senator Bunde, Senator B. Stevens, Senator Taylor, Co-Chair Wilken and Co-Chair Green

The motion FAILED (2-5)

The amendment FAILED to be amended.

There was no objection to the adoption of the amendment and the amendment was ADOPTED.

Department of Transportation and Public Facilities

DOT #1: This amendment deletes \$60,300 general funds from the Highways and Aviation BRU, Central Regional Highways and Aviation component on page 32, lines 17 and 18 and adds \$60,300 general funds to the Traffic Signal Management BRU and component on page 31, line 33. Accompanying explanatory language reads as follows.

Provide services for traffic signal system timing and maintenance of the Traffic Signal System. Respond to timing requests from the public and public safety agencies, and review/inspect intersection designs and construction. Supports operation and maintenance responsibilities at minimum level under the State of Alaska TORA agreement.

Senator Bunde moved for adoption and explained this amendment represents a cooperative agreement between the Department of Transportation and Public Facilities, the Department of Public Safety and the Municipality of Anchorage. He stated that the municipal government maintains a number of traffic signals located within Anchorage and this amendment would provide reimbursement for incurred expenses.

The amendment was ADOPTED without objection.

DOT #2: This amendment deletes \$123,100 general funds from the Administration and Support BRU, Commissioner's Office component on page 30, line 8 and adds \$123,100 general funds to the Marine Highway System BRU, Marine Vessel Operations component on page 33, line 16. Accompanying explanatory language reads as follows.

This amendment restores funding transferred out of marine highway operations to the Commissioner's Office to increase overhead with the creation of a third deputy commissioner. At the end of last year the Department was operating with only one deputy commissioner.

Senator Hoffman moved for adoption.

Co-Chair Green objected.

Senator Hoffman read the explanatory statement into the record.

A roll call was taken on the motion.

IN FAVOR: Senator Hoffman and Senator Olson

OPPOSED: Senator Taylor, Senator Bunde, Senator B. Stevens, Co-Chair Wilken and Co-Chair Green

The motion FAILED (2-5)

The amendment FAILED to be adopted.

DOT #3: This amendment adds \$50,000 general funds to the Administration and Support BRU, Statewide Administrative Services component on page 30, lines 16 and 17. Accompanying explanatory language reads as follows.

Restores an accounting position to the Capital Improvements Project Section. Without this position, the production phase for final review and closure of all federally funded projects will be delayed by approximately 35%. This slow-down will occur in production of the third party billing system invoicing process and transmission of weekly and biweekly billings of all capital improvement projects. The billing process is the sole form of obtaining reimbursement from the Federal Highway Administration and the Federal Aviation Administration.

Senator Hoffman moved for adoption.

Co-Chair Green objected.

Senator Hoffman read the explanatory statement into the record.

Senator Hoffman added that adoption of this amendment would be a "worthy investment" that "makes very good business sense."

A roll call was taken on the motion.

IN FAVOR: Senator Olson and Senator Hoffman

OPPOSED: Senator B. Stevens, Senator Taylor, Senator Bunde, Co-Chair Wilken and Co-Chair Green

The motion FAILED (2-5)

The amendment FAILED to be adopted.

University of Alaska

UNIV #1: This amendment adds \$4,448,200 general funds to the University of Alaska BRU, Budget Reductions/Additions Systemwide on page 33, lines 27 and 28. Accompanying explanatory language reads, "Add general funds to the University to maintain a solid foundation."

Senator B. Stevens moved for adoption

Senator Taylor objected for the purpose of discussion.

Senator B. Stevens explained this amendment would increase the general fund appropriation by \$4,448,200 to the University of Alaska.

Senator Hoffman moved to amend the amendment to add an additional \$3.4 million general funds, saying this would actually increase the total general fund appropriation to the amount requested by the Governor. He spoke of the implications of not fully funding the University.

Co-Chair Green objected.

Senator B. Stevens clarified the original amendment would increase general funding by \$6.9 million over the amount approved by the House of Representatives.

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

IN FAVOR: Senator Hoffman and Senator Olson

OPPOSED: Senator B. Stevens, Senator Taylor, Senator Bunde, Co-Chair Wilken and Co-Chair Green

The motion FAILED (2-5)

The amendment FAILED to be amended.

Senator Taylor commented that the Committee has "achieved some level of compromise" in increasing funding for the University. However, he contended that all but three other State agencies would receive budget reductions, including funding for K-12 education. He remarked, "Understanding that we should never destroy the possible by trying to achieve the perfect, I'm willing to vote and allow that to go forward in the hopes that the conference committee will yet resolve that number" in either increasing funding for K-12 education or reducing the University appropriation to provide equity.

Senator Taylor removed his objection to the adoption of the amendment.

The amendment was ADOPTED without objection.

UNIV #2: This amendment deletes subsection (c) from Section 32. STATE DEBT AND OTHER OBLIGATIONS., on page 60, lines 22 and 23. The

deleted language reads as follows.

(c) The sum of \$6,995,900 is appropriated from the general fund to the Alaska Debt Retirement Fund (AS 37.15.011).

This amendment also adds \$7,852,200 general funds to the University of Alaska BRU, Statewide Budget Reductions/Additions Systemwide on page 33, lines 27 and 28. Accompanying explanatory language reads as follows.

Governor Murkowski's budget request added \$10,305,000 general fund dollars to the University of Alaska's budget. The Senate budget currently underfunds this request by \$7,852,200.

This amendment recognizes the savings in the Alaska Debt Retirement Fund and uses \$6,995,900 to partially fund the governor's FY 04 request for the University of Alaska. An additional \$856,300 from the general fund totals \$7,852,200 and, therefore, providing the necessary funds to total the governor's request at \$10,305,000.

This amendment was NOT OFFERED.

UNIV #3: This amendment inserts and "University of Anchorage Center for Information Technology" component in the University of Alaska BRU and appropriates adds \$200,000 Science & Technology Endowment Fund funds. Accompanying explanatory language reads as follows.

This funding restores this program at UAA. The Center was created in 1991 to create an infrastructure for exchange of information on technology developments. This appropriation is the minimum required to place staff, develop curriculum, and create new programs for staff development.

Senator Hoffman moved for adoption.

Co-Chair Green objected.

Senator Hoffman read the explanatory statement into the record.

A roll call was taken on the motion.

IN FAVOR: Senator Hoffman and Senator Olson

OPPOSED: Senator Bunde, Senator B. Stevens, Senator Taylor, Co-Chair Wilken and Co-Chair Green

The motion FAILED (2-5)

The amendment FAILED to be adopted.

UNIV #4: This amendment deletes subsection (c) from Section 32. STATE DEBT AND OTHER OBLIGATIONS., on page 60, lines 22 and 23. The deleted language reads as follows.

(c) The sum of \$6,995,900 is appropriated from the general fund to the Alaska Debt Retirement Fund (AS 37.15.011).

This amendment also adds \$6,995,900 general funds to the University of Alaska BRU, Statewide Budget Reductions/Additions Systemwide on page 33, lines 27 and 28. Accompanying explanatory language reads as follows.

This amendment recognizes the savings in the Alaska Debt Retirement Fund and uses \$6,995,900 to partially fund the governor's FY 04 request for the University of Alaska.

This amendment was NOT OFFERED.

UNIV #5: This amendment deletes \$7,852,200 general funds and inserts \$7,852,200 Receipt Supported Services funds to the University of Alaska BRU. Accompanying explanatory language reads as follows.

This amendment fully funds the governor's request for the university. This cut represents \$7.9 million less the amount needed to meet the minimum FY 02 fixed costs. These fixed costs include negotiated pay increases and other costs that are not optional and costs that must be covered to avoid cuts in service that damage Alaskans' educational opportunities.

The University of Alaska has been revitalized in recent years, and is meeting the needs of Alaska's growing industries with new partnerships and expanded educational offerings. State funds spent on the university leverage a tremendous number of federal, tuition, and foundation dollars, and make the UA system an economic engine in itself, as well as one of the driving forces in diversifying Alaska's economy. The Governor's proposed increase for the University also recognized that the University is essential to the economic growth and the vitality of the state.

In the last four years UA's state appropriations approved were for new and expanded program activities, while also covering fixed costs increases to maintain existing programs. If the proposed cut is upheld, it will wipe out all of the program advances made over the past four years, such as in nursing,

allied health, logistics, information technology, engineering, workforce education and teacher preparation.

This amendment was NOT OFFERED.

UNIV #6: This amendment adds \$2,547,700 general funds to the University of Alaska BRU, Statewide Budget Reductions/Additions - Systemwide component on page 33, lines 27 and 28. Accompanying explanatory language reads as follows.

This amendment adds an additional funding \$2,547,700 to the University of Alaska's budget. This amount along with the previously adopted \$4,448,200 totals \$6,995,900.

Co-Chair Wilken moved for adoption.

Co-Chair Green objected.

Co-Chair Wilken referenced Senator Taylor's comments to UNIV #1 regarding increased funding for the University despite budget reductions made elsewhere. Co-Chair Wilken warned the Committee could "fall into a trap when we compare agencies, one against the other." He acknowledged that although the University mission is "aligned" with K-12 education, the missions differ significantly. He reminded that the University has "promised" economic development within the University and has "delivered economic development". He pointed out that the Legislature has appropriated over \$40 million additional general funds over the past four years, with which the University has utilized to leverage over \$200 million.

Co-Chair Wilken appreciated Senator B. Stevens's efforts to increase funding through UNIV #1. Co-Chair Wilken reminded that the University Board of Regents requested \$13.9 million and the Governor reduced the amount to \$10.3 million to "highlight" economic development activities the University could bring to the State. However, he noted that the House of Representatives "unwisely" further reduced the amount, which Senator B. Stevens partially restored in the budget subcommittee and with the sponsorship of UNIV #1.

Co-Chair Wilken stated the adoption of UNIV #6 would bring the total general fund appropriation to the University to \$9.5 million. He characterized this funding amount as "a balance understanding the budget climate we're in" that also "recognizes the economic development... obligations the University has, both in contracts and ... programs that are indeed benefiting the people of Alaska."

A roll call was taken on the motion.

IN FAVOR: Senator Bunde, Senator Hoffman, Senator Olson, and Co-

Chair Wilken

OPPOSED: Senator Taylor, Senator B. Stevens and Co-Chair Green

The motion PASSED (4-3)

The amendment was ADOPTED.

AT EASE 9:30 PM / 9:32 PM

Language Section (continued)

LANG #6: This amendment deletes Section 24 on page 56, line 26 through page 57, line 29, which reads as follows.

Sec. 24. NATIONAL PETROLEUM RESERVE - ALASKA. (a) After the Department of Community and Economic Development enters into agreements for capital project grants under AS 37.05.530 (c) from funds dispersed to the state by the federal government under 42 U.S.C. 6508 (P.L. 96-514) between September 1, 2002, and August 31, 2003, the amount equal to 25 percent of the funds dispersed to the state by the federal government under 42 U.S.C. 6508 between September 1, 2002, and August 31, 2003, is appropriated from the National Petroleum Reserve - Alaska special revenue fund (AS 37.05.530) to the principal of the Alaska permanent fund. If the amount remaining in the National Petroleum Reserve - Alaska special revenue fund (AS 37.05.530) after the capital project grants authorized under AS 37.05.530 (c) are made is less than 25 percent of the funds dispersed to the state by the federal government under 42 U.S.C. 6508 between September 1, 2002, and August 31, 2003, then the amount appropriated by this subsection from the National Petroleum Reserve - Alaska special revenue fund to the principal of the Alaska permanent fund is the balance of the funds dispersed to the state under 42 U.S.C. 6508 between September 1, 2002, and August 31, 2003.

(b) After the appropriation made by (a) of this section and after the capital project grants authorized under AS 37.05.530(c) are made, the amount equal to 0.5 percent of the amount remaining after the capital project grants authorized under AS 37.05.530(c) are made from funds dispersed to the state by the federal government under 42 U.S.C. 6508 between September 1, 2002, and August 31, 2003, is appropriated from the National Petroleum Reserve - Alaska special revenue fund (AS 37.05.530) to the public school trust fund (AS 37.14.110). If the amount remaining in the National Petroleum Reserve - Alaska special revenue fund (AS 37.05.530) after the appropriation made by (a) of this section and after the capital project grants authorized under AS 37.05.530(c) are made is less than 0.5 percent of the amount remaining after

the capital project grants authorized under AS 37.05.530(c) are made from funds dispersed to the state by the federal government under 42 U.S.C. 6508 between September 1, 2002, and August 31, 2003, then the amount appropriated by this subsection to the public school trust fund (AS 37.14.110) is the balance remaining in the National Petroleum Reserve - Alaska special revenue fund (AS 37.05.530).

(c) After the appropriations made by (a) and (b) of this section and after the capital project grants authorized under AS 37.05.530(c) are made, the amount remaining from funds dispersed to the state by the federal government under 42 U.S.C. 6508 between September 1, 2002, and August 31, 2003, is appropriated from the National Petroleum Reserve - Alaska special revenue fund (AS 37.05.530) to the power cost equalization and rural electric capitalization fund (AS 42.45.100).

This amendment also deletes Section 27 on page 58, lines 17 - 19, which reads as follows.

Sec. 27. POWER COST EQUALIZATION. The sum of \$12,524,400 is appropriated from the power cost equalization endowment fund (AS 42.45.070) to the power cost equalization and rural electric capitalization fund (AS 42.45.100).

This amendment also inserts a new bill section on page 58, following line 16 to read as follows.

Sec. 26. POWER COST EQUALIZATION. The amount necessary to provide the sum appropriated to the power cost equalization and rural electric capitalization fund (AS 42.45.100) by sec. 1 of this Act, after other appropriations made to that fund during the fiscal year ending June 30, 2004, are taken into account, is appropriated from the power cost equalization endowment fund (AS 42.45.070) to the power cost equalization and rural electric capitalization fund. However, in accordance with AS 42.45.085(a), the amount appropriated by this section may not exceed seven percent of the market value of the power cost equalization endowment fund, determined by the commissioner of revenue to be \$12,620,334.26, minus amounts appropriated during the fiscal year ending June 30, 2004, for reimbursement of the costs set out in AS 42.45.085(a)(2) and (3).

This amendment was NOT OFFERED.

LANG #7: This amendment inserts a new subsection (b) in Section 27. POWER COST EQUALIZATION., on page 58, following line 19 to read as follows.

(b) The sum of \$2,590,000 is appropriated from the general fund to the power cost equalization and rural electric capitalization fund (AS 42.45.100).

This amendment was NOT OFFERED.

LANG #8: This amendment increases the appropriation amounts in subsections (c) and (f) of Sec. 32. STATE DEBT AND OTHER OBLIGATIONS., on page 61, lines 22 and 23, and page 61, lines 2 - 6. The amended language reads as follows.

(c) The sum of \$13,298,300 is appropriated from the general fund to the Alaska debt retirement fund (AS 37.15.011).

...

(f) The sum of \$66,024,100 is appropriated to the Department of Education and Early Development for state aid for costs of school construction under AS 14.11.100 from the following sources:

Alaska debt retirement fund (AS 37.15.011)	\$37,424,100
School fund (AS 43.50.140)	28,600,000

Accompanying explanatory language reads as follows.

This amendment adds \$6,602,400 general funds 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.

This amendment was NOT OFFERED.

LANG #9: This amendment deletes the language of Section 4 on page 4, lines 1 - 3, which reads as follows.

Sec. 4. LEGISLATIVE INTENT. It is the intent of the legislature that the amounts appropriated by this Act are the full amounts that will be appropriated for those purposes for the fiscal year ending June 30, 2004.

Accompanying explanatory language reads as follows.

Section 4 states the amounts appropriated in this Act are the full amounts that will be appropriated, we know that in many cases the amount allocated is not the full amount, example:

court reunification and rising fuel costs. Also what happens if one of the Governor's pieces of legislation does not pass?

This language is not necessary.

Senator Hoffman moved for adoption.

Co-Chair Green objected.

Senator Hoffman overviewed the explanatory statement.

A roll call was taken on the motion.

IN FAVOR: Senator Hoffman and Senator Olson

OPPOSED: Senator Taylor, Senator Bunde, Senator B. Stevens, Co-Chair Wilken and Co-Chair Green

The motion FAILED (2-5)

The amendment FAILED to be adopted.

LANG #10: This amendment deletes the language of Section 5 on page 49, lines 4-6, which reads as follows.

Sec. 5. COSTS OF JOB RECLASSIFICATIONS. The money appropriated in this Act includes the amount necessary to pay the costs of personal services due to reclassification of job classes during the fiscal year ending June 30, 2004.

Accompanying explanatory language reads as follows.

With a new administration in place and so many transfers between departments some reclassifications will be made with these transfers. By deleting this section if some unexpected reclassifications do occur the department can come forward with a supplemental request.

As written the language states that money appropriated in this bill includes the amount necessary to pay for the cost of job reclassification. If these budgets are as tight as reported there isn't money there to pay for reclassification and there will be no supplemental funding.

Senator Hoffman moved for adoption.

Co-Chair Green objected.

Senator Hoffman read the explanatory statement into the record.

A roll call was taken on the motion.

IN FAVOR: Senator Hoffman and Senator Olson

OPPOSED: Senator B. Stevens, Senator Taylor, Senator Bunde, Co-Chair Wilken and Co-Chair Green

The motion FAILED (2-5)

The amendment FAILED to be adopted.

LANG #11: This amendment increases the appropriation for payment of debt service on outstanding debt authorized by ch. 115, ALA 2002 to the Department of Community and Economic Development, Alaska Energy Authority, for the Cordova Electric Cooperative (Power Creek Hydropower Station) from \$959,376 to \$2,837,000 in subsection (s)(7) of Section 32. STATE DEBT AND OTHER OBLIGATIONS. [funding source of the increase is not specified, although initial appropriation is general funds.]

Accompanying explanatory language reads as follows.

Last year, the legislature passed HB 528 that authorized funding statewide energy projects. \$12 million was included to reimburse Cordova Electric Cooperative (CEC) for debt payments on their principal for the Power Creek Hydroelectric project, the main power source for Cordova. This allocation was to reimburse for expenses paid by CEC beginning in 1999.

\$959,376 is included in HB 75, which equals the debt payment for July 1, 2002-June 30, 2003 only. An additional amount of \$1,877,546 (for a total of \$2,837 million) needs to be added to also cover the debt reimbursement payments for CEC from 1999-2001.

Cordova is burdened with some of the highest electric rates in Prince William Sound, currently @23.9 cents/kwh. These high rates have negatively impacted Cordova's fragile economy, particularly the fish processing industry, which, in combination with commercial fishing, acts as an economic engine in that area.

The reimbursement of CEC's debt reduction is the number one priority of the City of Cordova. In addition, Cordova is one of the largest recipients in the Power Cost Equalization (PCE) program. When final reimbursement payments are made to CEC, the City will be able to withdraw from this valuable state program, allowing an average of \$600,000 yearly to be used for

another community.

Senator Hoffman moved for adoption.

Co-Chair Green objected.

Senator Hoffman read the explanatory statement into the record.

Senator Taylor asked if this item would more appropriately be contained in the FY 04 Capital Budget rather than the operating budget.

Co-Chair Green agreed.

A roll call was taken on the motion.

IN FAVOR: Senator Olson and Senator Hoffman

OPPOSED: Senator B. Stevens, Senator Taylor, Senator Bunde, Co-Chair Wilken and Co-Chair Green

The motion FAILED (2-5)

The amendment FAILED to be adopted.

Department of Corrections

CORR #1: This amendment deletes \$44,700 general funds from the Administration & Operations BRU, Office of the Commissioner component on page 7, line 23. This amendment also adds \$44,700 general funds for the Administration & Operations BRU, Community Jails component on page 8, line 28. Accompanying explanatory language reads as follows.

Since January 1995, community jails have only received an increase of \$424,400 despite an approximate 10.5% consumer price increase during this period (1995-2000). During this same time period prisoner populations have increased with many jails at bed capacity. At the same time all other costs for running and maintaining a jail have increased, especially in rural Alaska. The 15 community jails are located in Bristol Bay Borough, Cordova, Craig, Dillingham, Haines, Homer, Kodiak, Kotzebue, North Slope Borough, Petersburg, Seward, Sitka, Unalaska, Valdez and Wrangell. By transferring funds from the Commissioner's Office, added this year to grow departmental overhead, we can maintain the existing funding level for community jails.

Senator Olson moved for adoption.

Co-Chair Green objected.

Senator Olson read the explanatory statement into the record.

Co-Chair Green informed this item is funded at the amount requested by the Governor, and that the budget subcommittee was assured the program could adequately operate with the given appropriation.

A roll call was taken on the motion.

IN FAVOR: Senator Hoffman and Senator Olson

OPPOSED: Senator B. Stevens, Senator Taylor, Senator Bunde, Co-Chair Wilken and Co-Chair Green

The motion FAILED (2-5)

The amendment FAILED to be adopted.

Department of Education and Early Development (continued)

DEED #7: This amendment adds \$4,338,900 general funds for the Alyeska Central School BRU and component on page 10, line 28. Accompanying explanatory language reads as follows.

This amendment maintains funding for Alyeska Central School, but eliminates the \$1.17 million in formula funding provided to the ACS summer school. ACS has served Alaska students since the 1930s and is the only accredited correspondence program in the State, and more importantly is the only correspondence program with a curriculum designed and written by Alaskans, tied directly to the Alaska Standards tested by the High School Graduation Qualifying Examination.

By restoring funding for ACS, the State saves the increased costs that would otherwise have been incurred in FY 04 when some ACS students opted for higher cost bricks-and-mortar schools. The net savings to the formula will likely be somewhat less than the \$1.17 million shown, since eliminating the summer school program will cause some students to need an extra year of school.

ACS provides an educational choice to families that no district-run correspondence program provides. Its teachers also satisfy the "highly qualified" requirements of the federal No Child Left Behind Act, which will allow ACS to partner with small and single-site school districts and reduce the accommodations Alaska must request from the federal

government.

This amendment was NOT OFFERED.

DEED #8: This amendment adds \$10,745,600 general funds for the Pupil Transportation BRU and component on page 10, line 9. Accompanying explanatory language reads as follows.

The proposed level of pupil transportation funding is 80% of the FY 03 level. This amendment brings the pupil transportation BRU to the level needed to get Alaska children safely to and from school without short-sheeting classroom funding.

In recent years Alaska school districts have taken major steps to increase the efficiency of pupil transportation. All school bus contracts have been brought on the same renewal schedule, which brought significant bidding efficiencies and savings to the system. Rejecting this amendment ignores districts' efforts to realize savings and efficiencies, applying the same hefty cut to all. Before changing the basis for reimbursement under this program the legislature ought to afford school districts the opportunity to adjust transportation contracts and budgets accordingly by at least providing a transition year.

This amendment was NOT OFFERED.

DEED #9: This amendment adds \$234,500 general funds to the Alaska Library and Museums BRU, Library Operations component on page 10, line 28. Accompanying explanatory language reads as follows.

This funding restores the significant reduction in personal services to a very small component within this agency. If this reduction remains in place it will impact the State Library's ability to provide quality delivery of services at a time when there is increasing demand for accountability through missions and measures. The state Libraries needs the human resources to make it happen

This amendment also inserts a new "Library Operations Sled" component in the Alaska Library and Museums BRU on page 10, line 27 and appropriates \$30,000 general funds. Accompanying explanatory language reads as follows.

Restores basic funding. \$30,000 is the total funding for SLED. Without that \$30,000 the University and the State Library will have to seek alternative funding to keep SLED alive.

Sled:

Is an information delivery service

Is a public service providing easy and equitable
access to electronic information
Is a catalyst for making information about Alaska
available online
Supports Alaska's right to information
And offers Internet resource access

Senator Hoffman moved for adoption.

Co-Chair Green objected.

Senator Hoffman read the explanatory statements into the record.

Senator Taylor moved to divide the question. The \$234,500 appropriation to the Library Operations component became DEED #9A and the \$30,000 appropriation to the Library Operations Sled component became DEED #9B.

Senator Taylor noted that \$2,547,000 additional funds were appropriated to the University in a previous amendment and surmised the University "could afford to pay for additional library services."

Co-Chair Green maintained her objection to both portions of the amendment.

A roll call was taken on the motion to adopt DEED #9A.

IN FAVOR: Senator Taylor, Senator Hoffman and Senator Olson

OPPOSED: Senator Bunde, Senator B. Stevens, Co-Chair Wilken and Co-Chair Green

The motion FAILED (3-5)

The A division of the amendment FAILED to be adopted.

A roll call was taken on the motion to adopt DEED #9B.

IN FAVOR: Senator Hoffman and Senator Olson

OPPOSED: Senator B. Stevens, Senator Taylor, Senator Bunde, Co-Chair Wilken and Co-Chair Green

The motion FAILED (2-5)

The B division of the amendment FAILED to be adopted.

DEED #10: This amendment adds a Community Schools component and

\$500,000 general fund appropriation to the K-12 Support BRU on page 9. Accompanying explanatory language reads as follows.

This amendment restores the seed money the State provides for community schools programs statewide. With the small grants provided by the State, school districts leverage tremendous amounts of community donations, in both dollars and hours of volunteer time. These donations are the basis for Alaska's extremely successful community schools program.

Community schools provide enhances educational opportunities to youth and lifelong learning opportunities to adults. They also ensure maximum utilization of the school physical plant, deriving increased return from these public investments, and increasing community involvement in our children's education.

This amendment was NOT OFFERED.

Department of Health and Social Services (continued)

H&SS #10: This amendment adds \$47,519,300 general funds to the Longevity Bonus Grants BRU and component on page 15, line 16. Accompanying explanatory language reads as follows.

This amendment restores the Longevity Bonus Program.

No new seniors have joined the Longevity Bonus Program since 1997 and the cost drops significantly each year. We made a commitment to Alaska's seniors to phase out the program, rather than eliminate it, and many people rely upon it in their retirement. Many seniors would not be able to continue to live in Alaska without the Longevity Bonus, and if we lose them, we lose their bonus dollars, Social Security income, retirement checks, investment earnings - money that flows into local economies.

Income aside, the State made a promise to its senior citizens that we should not break. This budget amendment restores funding for the Longevity Bonus Grants.

This amendment was NOT OFFERED.

H&SS #11: This amendment adds \$2,204,400 Tobacco Education/Cessation funds to the State Health Services BRU, Tobacco Prevention and Control component on page 20, lines 15 and 16. Accompanying explanatory language reads as follows.

This amendment restores this component to the Governor's proposal of up to 20% of tobacco settlement money received by the State. This level of spending is in accordance with intent

language passed by the Legislature.

With funding provided in FY 03, the Tobacco Prevention and Control Program successfully developed and implemented proven cost-effective tobacco control measures with partners and community-based organizations statewide. Sustained funding is important to enable these new programs to reach their full potential.

The Tobacco Prevention and Control Program identified a critical need to develop community-based programs to reach the State's populations with disproportionately high use of tobacco. Alaska Native and rural communities are at especially high risk of tobacco related disease. Cuts to the Program's budget would force the suspension of at least 50 percent of grants specifically earmarked for Alaska Native communities, rural communities and minority groups that have not previously been reached with prevention programs.

This amendment was NOT OFFERED.

H&SS #12: This amendment inserts a "Behavioral Health Grant Substance Abuse Treatment for Rural Juveniles and Prevention & Treatment for Family Preservation" component in the Behavioral Health BRU on page 15, line 4 and appropriates \$3,500,000 Alcohol Funds. Accompanying explanatory language reads as follows.

This amendment restores funding for Substance Abuse Treatment for Rural Juveniles and Prevention & Treatment for Family Preservation at the Governor's proposal. The demand for substance abuse treatment for adolescents exceeds the existing capacity. Research has shown that when young people are screened and treated for alcohol and substance abuse early, they have a significantly increased likelihood of achieving and maintaining a clean and sober life.

Many individuals, including a significant number of women, are waiting for treatment as a condition for reunification with their children. In 2002, 57% of women waiting for treatment services had children in out-of-home placement. Limiting treatment availability for people with children in out-of-home placement has a high cost to the family, the community, and the state.

Senator Olson moved for adoption.

Co-Chair Green objected.

Senator Olson read the explanatory statement into the record.

SFC 03 # 64, Side A

Senator Olson continued.

Co-Chair Green corrected that this item is an expansion, rather than a continuation of services.

A roll call was taken on the motion.

IN FAVOR: Senator Hoffman and Senator Olson

OPPOSED: Senator Taylor, Senator Bunde, Senator B. Stevens, Co-Chair Wilken and Co-Chair Green

The motion FAILED (2-5)

The amendment FAILED to be adopted.

H&SS #13: This amendment was divided and renamed CORR #2 and CORR #3 listed below.

Department of Corrections (continued)

CORR #2: This amendment inserts a new "Behavioral Health Grants Community Re-entry Outpatient Services" component in the Behavioral Health BRU in the Department of Health and Social Services, on page 15, line 4 and appropriates \$1,225,000 Alcohol Funds. Accompanying explanatory language reads as follows.

This amendment would add outpatient treatment services for inmate re-entry into their home community under Corrections community supervision. Current community treatment capacity is grossly insufficient and a large percentage of criminal offenders are returning to their home communities unable to enter the treatment they are court ordered to do.

According to the Department of Corrections, 7,682 offenders (2003) are court ordered, parole board ordered, or otherwise recommended for treatment. To date, 700 offenders are involved in treatment in the community, 1,050 have completed community treatment over the course of their supervision. 105 inmates are on the waitlists for ISAT [Inmate Substance Abuse Treatment] treatment statewide and number for those not served or on a waitlist is unknown. The numbers reflected above would indicate thousands of offenders going without treatment.

Senator Olson moved for adoption.

Co-Chair Green objected.

Senator Olson read the explanatory statements of both this amendment and CORR #2 into the record.

Senator Olson recalled the intent of the increased alcohol tax adopted the previous legislation session was to fund substance abuse treatment services. He cited a study "Economic Costs of Alcohol and Other Drug Abuse in Alaska" issued by the McDowell Group, which found that substance abuse is involved in 85 percent of all incarcerations in Alaska and estimates the cost of substance abuse to be \$614 million annually, with 45 percent incurred as a direct cost to the State. He attributed the remaining 55 percent of the cost of abuse to "negative impacts on Alaska's economy due to the lack of productivity and traffic accidents."

Senator Olson stated that the majority of the revenue generated from the increased alcohol tax has been appropriated to "supplant general fund dollars and not to increase support for combating alcohol and drug abuse." He expressed a moral obligation to "use this money in the way it was intended."

Senator Olson quoted former Representative Lisa Murkowski in speaking to the legislation she sponsored to increase the tax, as an "important part of the Republican Majority's efforts to address the problem of alcohol and alcohol abuse in Alaska and help provide revenue needed for expanded treatments."

Co-Chair Green pointed out the Department operates community-based programs for inmate reentry to society and no that funding reductions have been made to those programs.

A roll call was taken on the motion.

IN FAVOR: Senator Hoffman and Senator Olson

OPPOSED: Senator Bunde, Senator B. Stevens, Senator Taylor, Co-Chair Wilken and Co-Chair Green

The motion FAILED (2-5)

The amendment FAILED to be adopted.

AT EASE 9:48 AM / 9:49 AM

CORR #3: This amendment inserts a "Behavioral Health Grants Inmate Substance Abuse Treatment (ISAT) Programs" component in the Behavioral Health BRU in the Department of Health and Social

Services on page 15, line 4 and adds \$1,163,200 Alcohol Funds. Accompanying explanatory language reads as follows.

This amendment restores the funding cut from the Department of Corrections for Inmate Substance Abuse Treatment programs. In 2001, 79% of Alaska's newly incarcerated inmates were activities abusing or dependent on a substance in the year on incarceration. The availability of alcohol treatment, both in the prison system and in the community for adult offenders, already does not match the current need where a large number of offenders are left on a waiting list or unserved.

Senator Olson moved for adoption.

Co-Chair Green objected.

Senator Olson surmised that with increased funding for substance abuse treatment programs would result in a "strong resurgence of people that would be able to stay out of prison and not become incarcerated." He spoke to the significant prison population.

Co-Chair Green commented, "The Department is focusing on its core mission. These services listed are services that can be obtained once a person reenters society or even as a condition of their parole."

A roll call was taken on the motion.

IN FAVOR: Senator Hoffman and Senator Olson

OPPOSED: Senator B. Stevens, Senator Taylor, Senator Bunde, Co-Chair Wilken and Co-Chair Green

The motion FAILED (2-5)

The amendment FAILED to be adopted.

Department of Health and Social Services (continued)

H&SS #14: This amendment adds \$326,000 Alcohol Fund to the Administrative Services BRU, Office of Program Review component on page 20, line 3. Accompanying explanatory language reads as follows.

This amendment funds phase one of a two-year project designed to develop a research project that will provide the state and the public with information on the effectiveness and outcomes of chemical dependency treatment services in the state. This project is an evaluation of treatment services in Alaska.

Senator Olson moved for adoption.

Co-Chair Green objected.

Senator Olson read the explanatory statement into the record.

A roll call was taken on the motion.

IN FAVOR: Senator Olson and Senator Hoffman

OPPOSED: Senator B. Stevens, Senator Taylor, Senator Bunde, Co-Chair Wilken and Co-Chair Green

The motion FAILED (2-5)

The amendment FAILED to be adopted.

Department of Education and Early Development (continued)

DEED #11: This amendment changes the appropriation amounts contained in DEED #1 adopted earlier in the hearing, which deleted the language in Section 14 and inserted a new bill section on page 52, following line 27. The amended language incorporating both amendments reads as follows.

Sec. 14. DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT.

(a) Contingent upon the passage by the Twenty-Third Alaska State Legislature during 2003 and the enactment into law of a bill increasing the base student allocation under AS 14.17.470, the sum of \$60,569,900 is appropriated to the Department of Education and Early Development for the fiscal year ending June 30, 2004, for additional funding of state aid to public schools (commonly referred to as the foundation program) to fund the increase in the base student allocation from the following sources in the amounts described:

(1) the unexpended and unobligated general fund balance of that portion of the appropriation made by sec. 1, ch. 94, SLA 2002, page 11, line 17, that is allocated on line 18 (foundation program - \$677,319,400);

(2) the general fund in the amount equal to the difference between \$32,150,600 and the amount appropriated under (1) of this subsection.

(b) If a bill is passed by the Twenty-Third Alaska State Legislature during 2003 and is enacted into law increasing the base student allocation under AS14.17.470 to an amount less than \$4,270, then that portion of the appropriation made by (a) of this section that is necessary to fund the increase in

the base student allocation is appropriated to the Department of Education and Early Development for the fiscal year ending June 30, 2004, for additional funding of state aid to public schools (commonly referred to as the foundation program) to fund the increase in the base student allocation and the remaining balance of the appropriation of \$60,569,900 made by (a) of this section is reappropriated to the Department of Education and Early Development for the fiscal year ending June 30, 2004, for payment as learning opportunity grants to school districts based on the school district's adjusted average daily membership to pay for instructional programs intended to improve student performance. Learning opportunity grants provide the opportunity to move schools toward standards-based education, including vocational education programs. The funding is available to pay for costs associated with improving student performance by developing standards-based programs, including implementation of standards, aligning student assessment to standards, staff development, adopting instructional models based on basic skills, performance tasks, and projects, and adopting a standards-based reporting system. Accomplishing this goal may include acquisition of textbooks and other educational materials.

(c) If a bill is not passed by the Twenty-Third Alaska State Legislature during 2003 and enacted into law to increase the base student allocation under AS 14.17.470, then the unexpended and unobligated general fund balance of that portion of the appropriation made by sec. 1, ch. 94 SLA 2002, page 11, line 17, that is allocated on line 18 (foundation program - \$677,319,400) is reappropriated to the Department of Education and Early Development for the fiscal year ending June 30, 2004, for payment as learning opportunity grants to school districts based on the school district's adjusted average daily membership to pay for instructional programs intended to improve student performance. Learning opportunity grants provide the opportunity to move schools toward standards-based education, including implementation of standards, aligning student assessment to standards, staff development, adopting instructional models based on basic skills, performance tasks, and projects, and adopting a standards-based reporting system. Accomplishing this goal may include acquisition of textbooks and other educational materials.

(d) If a bill is not passed by the Twenty-Third Alaska State Legislature during 2003 and enacted into law to increase the base student allocation under AS 14.17.470, then, an amount equal to the difference between \$60,569,900 and the amount appropriated under (c) of this section is appropriated

from the general fund to the Department of Education and Early Development for the fiscal year ending June 30, 2004, for payment as learning opportunity grants to school districts based on the school district's adjusted average daily membership to pay for instructional programs intended to improve student performance. Learning opportunity grants provide the opportunity to move schools toward standards-based education, including vocational education program. The funding is available to pay for costs associated with improving student performance by developing standards-based programs, including implementation of standards, aligning student assessment to standards, staff development, adopting instructional models based on basic skills, performance tasks, and projects and adopting a standards-based reporting system. Accomplishing this goal may include acquisition of textbooks and other educational materials.

Senator Hoffman moved for adoption.

Co-Chair Green objected.

Senator Hoffman updated figures included in this amendment to align with other adopted amendments.

Senator Hoffman stated this amendment would provide the funding level endorsed by the National Education Association (NEA) - Alaska and supported by several "businessmen". He indicated that the foundation funding formula has not "kept pace" with inflation.

Senator Bunde moved to amend the amendment to change the funding source of all foundation formula allocations to the earnings reserve of the permanent fund.

Senator Taylor objected.

Senator Olson asked the reason for the amendment to the amendment.

Senator Bunde opined, "If you have that level of enthusiasm to provide this funding, you should be able to walk the walk as well as talk the talk."

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

IN FAVOR: Senator Hoffman and Senator Bunde

OPPOSED: Senator Olson, Senator B. Stevens, Senator Taylor, Co-Chair Wilken and Co-Chair Green

The motion FAILED (2-5)

The amendment FAILED to be amended.

Senator Taylor reiterated his earlier comments regarding the funding increase to the University of Alaska. He pointed out that with adoption of this amendment, K-12 education would receive three percent less of an increase than the increase appropriated to the University.

Co-Chair Wilken stated that he would reluctantly oppose the amendment, although he applauded the Committee's efforts to restore funding for K-12 education given the current economic conditions of the State.

A roll call was taken on the motion.

IN FAVOR: Senator Olson, Senator Taylor and Senator Hoffman

OPPOSED: Senator B. Stevens, Senator Bunde, Co-Chair Wilken and Co-Chair Green

The motion FAILED (3-4)

The amendment FAILED to be adopted.

Co-Chair Green remarked that she was "Very concerned that we have broke the bank here tonight and I regret that. We'll get our way through it and figure out how we now go about funding this issue."

Senator Bunde interjected that he was "pleased" with Co-Chair Green's comments, expressing concern that members of the public would surmise, "this Committee has figured out how to spin flax into gold." He cautioned against taking "any solace that the fiscal gap has gotten any smaller or that the incredible economic devastation that faces this State has gotten any further away with anything we've done tonight."

Senator Taylor thanked co-chair for the "gentle and patient manner" in conducting the operating budget hearings, as well as the quality of the Senate Finance Committee staff. However, he indicated he was "disappointed with the results."

Co-Chair Green stated the goal was to maintain a level of funding less than the amount expended the previous fiscal year and also allow flexibility to focus on priorities and ensure accountability.

ADJOURNMENT

Co-Chair Lyda Green adjourned the meeting at 10:04 PM