

**MINUTES**  
**SENATE FINANCE COMMITTEE**  
**April 20, 2004**  
**9:14 AM**

**TAPES**

SFC-04 # 86, Side A  
SFC 04 # 87, Side A  
SFC 04 # 87, Side B

**CALL TO ORDER**

Co-Chair Lyda Green convened the meeting at approximately 9:14 AM.

**PRESENT**

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

**Also Attending:** REPRESENTATIVE RALPH SAMUELS; EDDIE JEANS, Manager, School Finance and Facilities Section, Division of Education Support Services, Department of Education and Early Development; KURT FREDRIKSSON, Deputy Commissioner, Department of Environmental Conservation; JANET CLARKE, Director, Division of Administrative Services, Department of Health and Social Services; NICO BUS, Administrative Services Manager, Division of Support Services, Department of Natural Resources; DEB DAVIDSON, Staff to Co-Chair Green; JOAN BROWN, Chief Budget Analysis, Office of Management and Budget

**Attending via Teleconference:** From Anchorage: LARRY WIGET

**SUMMARY INFORMATION**

SB 303-BIG GAME SERVICES & COMM. SERVICES BD

The Committee heard from the sponsor. An amendment was adopted and the bill was reported from Committee.

HB 375-APPROP: OPERATING BUDGET/LOANS/FUNDS

HB 377-APPROP:MENTAL HEALTH BUDGET

The Committee considered amendments to the Senate Finance Committee Substitute working documents. The bills were reported from Committee.

Co-Chair Wilken chaired this portion of the meeting.

#SB303

CS FOR SENATE BILL NO. 303(RES)

"An Act relating to the Big Game Commercial Services Board and to the regulation of big game hunting services and transportation services; and providing for an effective date."

This was the second hearing for this bill in the Senate Finance Committee.

Co-Chair Wilken stated this bill, sponsored by the Legislative Budget and Audit Committee, "sets up a board system for the guiding industry, much as the same has been set up in the past. As it stands now, the seven member board consists of two registered guides, one licensed transporter, one Board of Game member, two members as private landholders and one public member."

Co-Chair Wilken reminded that at the previous hearing on this bill he directed members to alert him of any issues that should be addressed. He informed that none were reported.

Amendment #2: This amendment increases the number of licensed transporters from one member to two who would serve on the Big Game Commercial Services Board as established by Section 08.54.591 in Section 3 of the bill on page 2, line 6. This amendment also decreases the number of members who represent private landowners affected by guided hunting activities or transportation services and who do not hold a transporter license, from two to one member, on line 9.

Co-Chair Wilken moved for adoption.

Senator Hoffman objected and spoke to his objection, stated that subsistence users should be represented on the board. He noted that Native corporations hold the majority of privately owned land in Alaska, and therefore the number of landholder members should not be reduced. He supported the current proposal.

A roll call was taken on the motion.

IN FAVOR: Senator Bunde (changed vote from nay to yea), Senator B. Stevens, Co-Chair Green and Co-Chair Wilken

OPPOSED: Senator Dyson, Senator Hoffman and Senator Olson

The motion PASSED (4-3)

The amendment was ADOPTED.

REPRESENTATIVE RALPH SAMUELS sponsor of the bill, stated that the issue of contracts could be addressed later in the legislative process. He explained that current language provides that the board may require that guide outfitters and transporters enter into written contracts with clients, and he proposed that the legislation stipulate that the board be compelled to require such contracts.

Co-Chair Wilken recalled discussions of the previous hearing pertaining to information dated April 5, 2004 [copy not provided] regarding "past experiences." He informed that the sponsor's staff has addressed each item outlined in the memorandum and would share their findings with the House of Representatives. He summarized that most issues are addressed in this legislation.

Representative Samuels affirmed.

Co-Chair Green ascertained that the board process could require one to two years to resolve the issue of contracts. She asked whether another method could be implemented until the board is operational. She did not want to delay this legislation but wanted the matter addressed. She stressed the importance of providing written documentation of contracts for guides and clients.

Representative Samuels responded that changes could not be implemented for the upcoming hunting and guiding season but could be for the following season.

Senator Dyson stated for record a potential conflict of interest, as he operates a charter fishing boat in Prince William Sound.

Co-Chair Wilken so noted the declaration.

Senator Hoffman asked what section of the bill provides that the Board members would be appointed by the governor and confirmed by the legislature.

Representative Samuels indicated such a provision would be added later.

Co-Chair Green offered a motion to report SB 303 as amended from Committee with individual recommendations and accompanying and new fiscal notes.

There was no objection and CS SB 303 (FIN) MOVED from Committee with fiscal note #1 for \$30,000 from the Department of Community and Economic Development, zero fiscal note #2 from the Department of Fish and Game, and a new zero fiscal note dated 3/11/04 from the Department of Public Safety.

Co-Chair Green chaired the remainder of meeting

AT EASE 9:24 AM / 9:25 AM

#HB375

#HB377

CS FOR HOUSE BILL NO. 375(FIN) am

"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 HOUSE BILL NO. 377(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."

The Committee considered amendments to SCS CS HB 375(FIN), 23-GH2040\C, adopted as a working document at the previous hearing.

#### Department of Administration

ADMIN #1: This amendment adds \$87,500 Statutory Designated Program Receipts (SDPR) to the Centralized Administrative Services Budget Request Unit (BRU), Finance component on page 2, line 18. Accompanying explanatory language reads as follows.

The Department of Administration is requesting an FY 05 budget amendment increment of \$87,500 of Statutory Designated Program Receipts for the Division of Finance.

The Division of Finance administers a statewide credit card program for purchasing travel, contractual services, and commodities. Based on average annual net spent per account and payment history, the State receives a rebate from our credit card provider, First National Bank of Alaska. The Division of Finance has budgeted statutory designated program receipts of

\$112,500 each year to use this rebate. In FY 04, the rebate was \$158,712, and it is expected that the same amount will be forthcoming in FY 05. The Division of Finance would like to use the excess receipts of approximately \$87,500 in FY 05 to fund additional startup costs of a Central Travel Office to serve all State agencies.

Co-Chair Green moved for adoption.

Co-Chair Wilken objected for an explanation.

Co-Chair Green outlined this request.

Co-Chair Wilken removed his objection and the amendment was ADOPTED without objection.

Department of Community and Economic Development

DCED #1: This amendment adds \$30,000 general funds to the Community Assistance & Economic Development BRU, Community Advocacy component, on page 5, line 11 for the Local Boundary Commission. Accompanying explanatory language reads as follows.

This funding is intended for the citizens and community of Eagle River, the second largest community in the State, to conduct community meetings and circulate petitions for the purpose of considering options for seceding from the Municipality of Anchorage and forming a separate local government.

Senator Dyson moved for adoption.

Co-Chair Green objected.

Senator Dyson explained this funding would be appropriated as a grant to a contractor or organization within the "community I represent" to assist in preparing a petition to form a separate local government.

Co-Chair Green characterized this item as a capital budget appropriation. She asked the history of funding these efforts.

Senator Dyson reminded that several years ago, legislation was passed to allow the Local Boundary Commission to supervise and enable petitions for local communities to pursue seceding from boroughs and to provide grants up to \$30,000 for a feasibility study. He noted that the legislature has yet to appropriate any funds for these activities. He recalled that the sponsor of the

legislation recognized the difficulty of interested parties to garner funds to undertake the elaborate analysis necessary to determine whether seceding is viable. Senator Dyson expressed this process would further the Alaska Constitutional direction for self-determination.

Senator Dyson suggested this amendment should be adopted and that funding be transferred to the capital budget later in the process if possible. He stated that adoption of the amendment would provide certainty that funding would be appropriated.

Senator Olson asked the total cost of a succession movement and the total funds that would be requested from the State in the future for this effort.

Senator Dyson assured this project has no provision, nor is there intention to request funds for the creation of a separate borough. He opined that the communities of Eagle River and Chugiak becoming an independent borough would be positive for all parties.

Co-Chair Wilken accepted responsibility for this amendment. He explained that if this amendment were not adopted, he would ensure the funds are included in the FY 05 capital budget appropriation, although he noted the current version of the capital budget under consideration is approximately \$8.3 million more than intended.

Co-Chair Green remarked that the capital budget is not intended to be an "insurance policy" for funding certain operating budget components.

Senator Hoffman announced he would vote in favor of this amendment because he believed that government should be "as close to the people as they want" it to be.

Senator Olson asked why if this matter pertains to local options, funding is not garnered from local governments or other local sources.

Senator Dyson replied that organizers have considered holding bake sales and other fund raising activities and that he expected that community members would contribute; however, the time constraints and expertise required is "almost overwhelming." He commented that the legislative "predecessors", in recognizing the difficulties for communities to undertake the process of organizing local governments.

Co-Chair Green pointed out that the Alaska Constitution expounds maximum local government with a minimum of governmental units and

commented that this proposal is contradictory to the mantra. She did not oppose the formation of a separate borough for the community of Eagle River.

A roll call was taken on the motion.

IN FAVOR: Senator Dyson, Senator Hoffman, Senator Olson, and Senator Bunde

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

The motion PASSED (4-3)

The amendment was ADOPTED.

Department of Education and Early Development

DEED #1: This amendment deletes the language of subsection (b) of Section 31. STATE DEBT AND OTHER OBLIGATIONS., on page 56, lines 13 - 17 and inserts new language to read as follows.

(b) The sum of \$81,870,084 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)	\$51,670,084
School fund (AS 43.50.140)	30,200,000

Accompanying explanatory language reads as follows.

The Department of Education and Early Development received a request from the Anchorage School District to increase their original FY 05 request for school debt reimbursement by \$2,837,400.

Senator B. Stevens informed that Governor Murkowski and the Anchorage School District requested this amendment because of a miscalculation in the original application for debt reimbursement submitted in October 2003. He noted that it was determined that action to address this matter would be delayed until after the Municipality of Anchorage local election, in which items would be identified for reimbursement. His research has shown that since 1992, the State has fully funded all requests for reimbursement from every school district, and that this amendment qualifies for reimbursement.

Senator Hoffman understood this amendment is offered at the request of the community and he requested documentation showing

justification for the increased funds.

Senator B. Stevens affirmed that the Anchorage School District requested this funding increase and he offered supporting documentation.

Co-Chair Green asked whether this amendment is offered at the request of the Anchorage local government.

Senator B. Stevens again affirmed and referenced correspondence from the Anchorage School District detailing the items omitted from the original request for reimbursement. He further explained the decision to wait until after the local election to determine the actual amount of funds needed.

Senator Hoffman asked if the Murkowski Administration has also requested this funding increase.

Senator B. Stevens answered yes.

Co-Chair Green recalled she began hearing about this matter early in the legislative session and initially intended funding to be included in the FY 04 supplemental appropriation. According to the timeline, she understood the funds would not be allocated to the school district until they were expended.

EDDIE JEANS, Manager, School Finance and Facilities Section, Division of Education Support Services, Department of Education and Early Development, affirmed the discussions. He outlined the issue in which the Anchorage School District submitted a request in October 2003 for approximately \$33 million and it was subsequently discovered in January 2004 that the projected amount needed would be insufficient and that an additional \$3.5 million would be necessary. At that time he recommended to the Anchorage School District that a request for this increase be delayed until after the municipal election scheduled for April 2004. He stated the Department then received a letter dated April 13, 2004 from the finance officer of the Anchorage School District revising the original requested increase to \$2.8 million. He totaled the reimbursement request from the Anchorage School District at \$36,104,200. He also noted that the bonds must be sold and repayment begun before the State would reimburse the school district.

Co-Chair Green asked if this increased funding were not appropriated at this time, whether it could be included in a FY 05 supplemental appropriation.

Mr. Jeans replied this would be possible. He stated that without an adjustment, every school district except the Anchorage School District would be reimbursed 100 percent by the State, while the Anchorage School District would only receive 33 percent.

Senator B. Stevens moved for adoption of the amendment and emphasized this would maintain the legislature's commitment to fund the debt reimbursement at 100 percent as done since 1992.

LARRY WIGET testified via teleconference from Anchorage that he was available to answer any questions related to this amendment.

Without objection DEED #1 was ADOPTED.

DEED #2: This amendment pertains to the existing \$42,563,300 allocation to the Quality Schools Component in the Teacher and Learning Support BRU on page 10, line 9. The amendment reads as follows.

The amount allocated for Quality Schools includes \$119,500 (general funds) for creation of a new Education (Specialist II) position for monitoring and oversight of statewide and district correspondence programs. It is the intent of the legislature that the department expend these funds, combined with the appropriations to fund and support the current range 21 EED education specialist II who is the charter school program manager, to employ an additional one or more people to create an office uniquely focused on maximization of all Alaska alternative public school initiatives, including charter schools. "Maximization" means: Finding ways to use alternative schools to accomplish the requirements of No Child Left Behind Act (NCLB); Increasing public choices for quality education; Monitoring and overseeing alternative schools in the context of these goals; and, Providing information to the legislature regarding alternative school legislation, challenges, evaluation, and opportunities. Existing alternative schools include; charter schools, boarding schools, correspondence schools, and district-operated alternative schools.

Senator Dyson moved for adoption.

Co-Chair Wilken objected for an explanation.

Senator Dyson noted Co-Chair Wilken has proposed to add a position to the Department with specific responsibilities, namely oversight of the "thriving" correspondence schools. Senator Dyson expanded the initial proposal to assign additional responsibility to the new

position to assist in encouragement, facilitation and development of other alternative education within the public school system. He explained this is partly intended to fulfill the requirements of the federal No Child Left Behind Act.

Senator Dyson offered a friendly amendment to the amendment to add additional intent language to read as follows.

Further, the duties shall be as follows:

1. Monitor and evaluate the expenditures of state funds in accordance with state statutes and regulations;
2. Monitor and evaluate curriculum as it pertains to state education and graduation requirements; and
3. Monitor and evaluate benchmark and other standardized test results to insure that a quality education is being provided and achieved by the Alaska's alternative educational system.

Senator Dyson noted this amendment is conceptual and gave direction to the bill drafters to make language changes if necessary.

As a friendly amendment, no Committee action was required and the amendment was AMENDED.

Co-Chair Wilken informed that almost 11,000 children are enrolled as correspondence students, an increase from approximately 2,000 in 1996. He noted that the rate of increase appears to be leveling off. As a result of the popularity of correspondence programs, he relayed that questions have arisen regarding the appropriate methods of educating children. Therefore, he stated the budget subcommittee identified a need for the proposed position. He appreciated Senator Dyson's efforts in specifying a job description for the position. Co-Chair Wilken understood this amendment would define two positions within the Department. He encouraged support of this amendment.

Co-Chair Green specified that the funds are already included in the budget and that this amendment does not increase funding.

Senator Hoffman questioned the reference to \$119,500 general funds stated in the description language of the amendment.

Senator Dyson understood these funds were added to the budget for this purpose at the recommendation of the budget subcommittee.

Co-Chair Wilken affirmed.

There was no objection and the amended amendment was ADOPTED.

Department of Environmental Conservation

DEC #1: This amendment adds \$50,000 general funds to the Water BRU, Water Quality component on page 11, line 32. Accompanying explanatory language reads as follows.

This amendment fully funds the "Raindrops to Oceans" initiative - a thorough redesign of DEC's water quality management and permitting programs to improve efficiency and effectiveness to mitigate pollution potential as water travels from the raindrop to the ocean. The State's best economic and water quality interests are attained through replacing the current federal agency jurisdiction with state control for wetlands management, underground injection of wastewaters and discharges to surface waters.

Full funding provides the water quality program with resources necessary to seek primacy and evaluate performance of stormwater pollution control to a level adequate for the "Raindrops to Oceans" redesign. It will be used to reform and rationalize the permit process for waste disposal at large mines and other facilities with waste discharges; accelerate the updating of Alaska's water quality standards which are fundamental cornerstones for permit decision making; develop a plan and draft rules to acquire state jurisdiction for permitting wastewater disposal into underground injection control (UIC) wells; and make necessary improvements and regulation changes for the stormwater program.

Without restoration of this funding, the Department will not be able to undertake the underground injection portion of the initiative in FY 05.

Co-Chair Green moved for adoption.

Senator Dyson objected for discussion purposes. He understood that the budget subcommittee recommended restoring \$100,000 deleted from the FY 05 operating budget legislation passed by the House of Representatives. He relayed that when asked by the subcommittee the consequences of not appropriating the additional \$50,000 requested by Governor Murkowski, the Department testified that the federal government would continue to operate the program.

KURT FREDRIKSSON, Deputy Commissioner, Department of Environmental Conservation, testified this amendment would fully restore the amount requested in the Governor's proposed FY 05 operating budget. He stressed the importance of the Raindrops to Oceans program and the need to regain control of State water quality protection and

permitting activities. He noted that currently the federal Environmental Protection Agency (EPA) has significant input in the manner in which the State oversees water quality protection. He explained that the EPA approves the State's water quality standards, regulates storm water, wetlands development, and underground injection wells.

Senator Bunde referenced media reports of the potential closure of the Pogo Mine over concerns voiced by an environmental organization located in Fairbanks about potential runoff. He asked if a portion of these funds would be utilized to address this matter.

Mr. Fredriksson replied that these funds would provide the Department the resources necessary to become more "aggressive" on water quality programs. He explained the issue at the Pogo Mine and the appeal process of regulations.

[Note: Tape malfunction, remainder of Side A and all of Side B not utilized - no portion of the meeting is unrecorded.]

SFC 04 # 87, Side A 09:49 AM

Mr. Fredriksson continued that if oversight of water quality activities at the Pogo Mine were under State control, the automatic "stay" on operations at the mine would not be possible. Rather, he stated the Department would review the appeal, resolve the appeal and "move forward".

Senator Bunde understood therefore that if this funding were not provided, the federal government would continue operations, but with consequences to the State.

Mr. Fredriksson replied that the federal government currently controls operations and explained that the Department is undertaking efforts to establish water quality standards with the intent to assume responsibility from the federal government.

Senator Dyson apologized that sufficient discussions on the matter were not held during the budget subcommittee hearings. He asked the anticipated date the State would assume the functions currently performed by the federal government.

Mr. Fredriksson reminded of a report submitted by the Department to the legislature on the National Pollution Discharge and Elimination System (NPDES) and of concerns expressed by different stakeholders. He expected the Department would begin assuming responsibilities in

the coming year and he emphasized the importance of obtaining legislative approval. Shortly thereafter, he expected the Department would submit an application for primacy.

Senator Dyson calculated the total allocation for this program in the current fiscal year, including this amendment at \$300,000.

Mr. Fredriksson affirmed the allocation would be \$150,000 general funds and \$150,000 general fund program receipts.

Senator Dyson clarified the Department would not assume any authority in FY 05, rather would request legislation to allow the Department to assume control, which would occur approximately 14 months from now.

Mr. Fredriksson affirmed.

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

Co-Chair Green asked the definition of the NPDS acronym.

Mr. Fredriksson answered the acronym is National Pollution Discharge Elimination System and defined it as a federal water discharge permit program.

Co-Chair Wilken requested an outline of the Pogo Mine situation, including options available to the State and information necessary to determine whether the State should intervene in the matter. He did not want the mine to close for a year, based on a "sucker punch".

Co-Chair Green indicated that all the Committee Members were interested in this issue.

Senator Olson noted media reports critical of the management of certain programs and asked whether any of these funds would be allocated to those programs.

Mr. Fredriksson answered no.

Senator Olson understood that the federal EPA is the ultimate authority over water quality programs was therefore unsure how the additional funds would allow for increased State input.

Mr. Fredriksson responded that oversight from the EPA would not be entirely eliminated, but asserted that a "strong State presence is the best defense against the EPA." With these resources, he

surmised the Department could assert a "must stronger State position with respect to water quality protection and the permit programs" established in State and federal law.

The amendment was ADOPTED without objection.

DEC #2: This amendment adds \$18,800 general funds as follows: \$1,200 to the Administration BRU, Office of the Commissioner component on page 11, line 9; \$1,100 to the Administration BRU, Information and Administrative Services component on lines 10 and 11; \$400 to the Environmental Health BRU, Environmental Health Director component on lines 14 and 15; \$5,100 to the Environmental Health BRU, Laboratory Services component on line 17; \$1,700 to the Environmental Health BRU, Air Director component on line 20; \$4,300 to the Environmental Health BRU, Air Quality component on line 21; and \$5,000 to the Water BRU, Facility Construction component on line 33. Accompanying explanatory language reads as follows.

During development of the Governor's FY 05 Operating Budget DEC examined its priority programs, realigned resources and offered reductions where feasible. The Governor's budget included \$67,400 in general fund, travel reductions in six of DEC's components; capturing savings possible through the use of new technology.

Additional general fund travel reductions are being proposed for seven components, four of which had previous reductions in the Governor's budget. DEC's general funds support core programs where travel is often directly related to fieldwork. This amendment restores funding for those core activities.

Co-Chair Wilken moved for adoption.

Co-Chair Green overviewed this amendment.

Without objection the amendment was ADOPTED.

Department of Fish and Game

F&G #1: This amendment makes fund source changes from general funds to Commercial Fish Loan funds in the following amounts to the following BRUs and components.

\$167,900

BRU: Commercial Fisheries

Component: Southeast Region Fisheries Management

\$206,100

BRU: Commercial Fisheries  
Component: Central Region Fisheries Management

\$140,000

BRU: Commercial Fisheries  
Component: AYK Region Fisheries Management

\$223,800

BRU: Commercial Fisheries  
Component: Westward Region Fisheries Management

\$81,100

BRU: Commercial Fisheries  
Component: Headquarters Fisheries Management

\$96,500

BRU: Commercial Fisheries  
Component: Fisheries Development

\$5,900

BRU: Sport Fisheries  
Component: Sport Fisheries Habitat

\$18,000

BRU: Administration and Support  
Component: Commissioner's Office

\$45,500

BRU: Administration and Support  
Component: Administrative Services

\$21,000

BRU: Administration and Support  
Component: Boards of Fisheries and Game

\$10,700

BRU: Administration and Support  
Component: Advisory Committees

\$9,300

BRU: Administration and Support  
Component: State Subsistence

Co-Chair Wilken moved for adoption.

Co-Chair Green explained that the Committee has been advised that this funding source change would have no adverse impact.

Senator Hoffman noted the increase totals \$1 million and asked if adequate funding is available in the Commercial Fish Loan fund.

Co-Chair Green relayed she has been advised that adequate funding is available and this appropriation would cause no hardship or difficulty for the program to meet its objectives.

Senator Hoffman asked if the chair of the budget subcommittee supports this amendment.

Senator B. Stevens expressed support for the amendment.

The amendment was ADOPTED without objection.

#### Office of the Governor

GOV #1: This amendment increases the federal receipt appropriation from \$5,450,000 to \$7,446,803, to the Office of the Governor in Section 24 for the Help America Vote Act on page 54, lines 12 and 13. Accompanying explanatory language reads as follows.

The Division of Elections recently received updated GSA estimates for the payments associated with the Help America Vote Act (HAVA). The revised estimate from the federal government is an increase of \$19,996,803.

Co-Chair Wilken moved for adoption.

Co-Chair Green pointed out this amendment would allow the Division to receive federal funds.

There was no objection and the amendment was ADOPTED.

GOV #2: This amendment increases the allocation to the Executive Operations BRU, Executive Office component from \$8,228,700 to \$8,324,700 on page 14, line 6. Accompanying explanatory language reads as follows.

The purpose of this amendment is to add \$96,000 in business license receipts for a grant to World Trade Center Alaska (WTCAL). The Governor's budget subcommittee had already been closed out by the time this project was brought forward.

The purpose of the grant is to enable WTCAL to provide information and services to Alaska businesses interested in exporting their products to international markets. In addition, WTCAL will identify export opportunities in non-traditional markets (such as Singapore, India, and Mexico) and will focus on expanding trade and investment with Taiwan and

Canada.

Co-Chair Wilken moved for adoption.

Co-Chair Green explained that funding for this program has appropriated in previous years through the Department of Community and Economic Development; however oversight of the WTCAK was transferred to the Office of the Governor.

Senator Hoffman asked the success rate of this organization in exporting items to international markets.

AT EASE 9:58 AM / 9:58 AM

Co-Chair Green was unable to answer, but shared that she had listened to discussions on the matter by the House Finance Committee and understood the agency was meeting its obligations.

Senator Olson asked the products promoted to international markets.

Co-Chair Green again was unable to answer, and noted that no one was present to address the issue.

Senator B. Stevens listed fish, coal, gas and timber, i.e. natural resources.

The amendment was ADOPTED without objection.

#### Department of Health and Social Services

H&SS #1: This amendment increases the allocation to the Health and Social Services BRU, Services to the Seriously Mentally Ill component from \$1,894,400 to \$2,224,400, and to the Services for Severely Emotionally Disturbed Youth component from \$906,200 to \$1,126,200 on page 15, lines 28 - 31. Accompanying explanatory language reads as follows.

This amendment restores half of the reductions proposed by the Governor to consolidate "catchment areas". The concept is to eliminate duplicate administration in areas where there are multiple providers. There is concern, however, this reduction is too much, too soon, and poses a high risk to some of Alaska's most fragile citizens, the seriously mentally ill.

The amendment adds \$330,000 in GF/MH to the allocation for "Services to the Seriously Mentally Ill," and \$220,000 in GF/MH to the allocation for "Services for Severely Emotionally Disturbed Youth."

Co-Chair Wilken moved for adoption.

Co-Chair Green relayed this matter was discussed in the budget subcommittee meetings. She stated this amendment would restore 50 percent of the reductions made to this program. She stressed the importance that funds are utilized to serve clients, rather than to create new agencies or administrative personnel.

Without objection the amendment was ADOPTED.

H&SS #2: This amendment adds \$660,000 general fund/mental health funds (GF/MH) to the Health and Social Services BRU, Services to the Seriously Mentally Ill component, and adds \$440,000 GF/MH to the Services for the Severely Emotionally Disturbed Youth component on page 15, lines 28 - 31.

Senator Olson commented and withdrew the amendment, noting the commitment and special talent required to work with the individuals served by these programs.

Co-Chair Green added that some issues appear "huge", but that in relation to the entire mental health budget, the funding appropriated by H&SS #1 is a small amount. She stressed the importance of understanding the significant budget for behavioral services and the importance that the funds be utilized to meet the needs of the individuals the programs serve. She wanted to ensure that the funds are expended "wisely" and for the benefit of the clients.

Senator Olson agreed and furthered that a small investment in prevention is worthwhile in avoiding the significantly higher costs of undiagnosed illnesses.

The amendment was NOT OFFERED.

H&SS #3: This amendment increases the allocation to the Health and Social Services BRU, Nursing component from \$17,937,800 to \$18,842,800 on page 17, line 27. Accompanying explanatory language reads as follows.

This amendment is intended to mirror the transaction the House made to restore funding to public health nursing:

Add \$535,000 of general funds  
Add \$370,000 of interagency receipts

(Instruction to Legislative Finance Division: use the same line item distribution contained in the House version CS HB 375 (FIN) am.)

Although the Department's plan to transition clinical preventive services to other health care providers is supposed to focus on urban areas, the positions targeted for deletion

are in key areas that serve outlying rural communities, such as Bethel, Fairbanks, and Ketchikan.

This funding will allow the Department to take a more moderate approach to revising public health nursing and allow evaluation of the effectiveness of the transitions that are made.

Co-Chair Wilken moved for adoption.

Co-Chair Green informed that it was discovered that the reductions were disproportionate to the communities of Fairbanks, Juneau and Ketchikan, although not to Anchorage.

There was no objection and the amendment was ADOPTED.

H&SS #4: This amendment adds \$905,000 general funds to the Health and Social Services BRU, Nursing component on page 17, line 27.

Senator Olson commented to the importance of public health nurses as the "front line" of Alaska's health care delivery system, particularly in reducing the impact of the recent tuberculosis outbreak.

This amendment was NOT OFFERED based on action taken on H&SS #3.

H&SS #5: This amendment adds \$492,600 general funds to the Health and Human Services BRU, Human Services Community Matching Grant component on page 19, lines 18 and 19. Accompanying explanatory language reads as follows.

This amendment will maintain last year's funding level and the inclusion of the Matanuska-Susitna Borough.

Co-Chair Wilken moved for adoption.

Senator Hoffman requested an explanation of the amendment.

Co-Chair Green informed that the "very aggressive" budget subcommittee had recommended reduced funding for this program and that this amendment would restore some funds. She predicted ongoing funding for this program as the population in the Borough increases.

Co-Chair Wilken reported that the grant awarded to the Fairbanks North Star Borough is utilized most effectively compared to other participating communities. He recommended that the Matanuska-Susitna Borough model its program after the Fairbanks program. He referenced an outline of the competitive process utilized by the Fairbanks North Star Borough [copy not provided].

Senator Hoffman noted this amendment is identical to H&SS #6.

Senator B. Stevens asked if this amendment increases the funds appropriated to this component.

Co-Chair Green replied that the governor's request has been traditionally \$1 million, with the funding divided equally between two participants: Fairbanks and Anchorage. The request for FY 05 was also \$1 million, she stated, but pointed out that the Matanuska-Susitna Borough would begin participating in the program. She explained that Governor Murkowski had intended that the appropriation be divided among the three participants, but that she recalculated the allocations, and determined that the subsequent reductions to the Fairbanks and Anchorage programs could not be absorbed.

Senator B. Stevens asked the total increase from the Governor's requested amount.

Co-Chair Wilken answered, \$159,300.

Co-Chair Wilken listed \$749,727 would be allocated to the Anchorage program with the adoption of this amendment, \$224,954 to the Fairbanks program and \$184,600 to the Matanuska-Susitna program. He stated he would provide detailed information to Senator B. Stevens.

Without objection the amendment was ADOPTED.

H&SS #6: This amendment adds \$492,600 general funds to the Health and Human Services BRU, Human Services Community Matching Grant component on page 19, lines 18 and 19.

This amendment was NOT OFFERED based on action taken on H&SS #5.

H&SS #7: This amendment adds a new "Youth Courts" component to the Health and Human Services BRU on page 14, line 24 and allocates \$508,300 general funds.

Senator Hoffman moved for adoption.

Co-Chair Green objected.

Senator Hoffman recalled public testimony given on the proposed FY 05 operating budget and the frequency of comments made in support of the youth court program. He spoke of low recidivism of those appearing before youth courts and cautioned of the situation with these youths if the courts were discontinued. He calculated the cost for participants in the youth court at \$574 per individual and compared this to the cost of housing juveniles at the McLaughlin Youth Center. He reported that Alaska is "leading the nation" in its comprehensive youth court system. He remarked this is a

successful program that saves money over the long term and results in the youths becoming more productive members of the state. He noted that Alaska currently operates 15 youth courts statewide served by over 1,000 volunteers. He reiterated that this program not only saves money in the future, but also allows youth a second chance to become productive citizens in Alaska.

Co-Chair Green understood this amendment would more than double the current appropriation for the youth court program.

Senator Hoffman corrected this amendment would provide the amount requested for FY 05 by Governor Murkowski, which is the same amount appropriated in FY 04.

JANET CLARKE, Director, Division of Administrative Services, Department of Health and Social Services, clarified \$508,300 is the amount approved by the House of Representatives; however this amount is derived of \$28,800 federal funding and \$279,500 general funding transferred to this component and \$200,000 added by the House of Representatives.

Co-Chair Green understood the amount allocated to this program in the current Senate Finance committee substitute working document is \$308,240. She calculated this amount is higher than appropriated the previous fiscal year.

Ms. Clarke noted the Governor's proposed budget did not include a separate component for the youth court program and that the funds were contained in other components.

Co-Chair Green asked if this amendment would therefore increase the current \$308,240 appropriation to the amount approved by the House of Representatives.

Ms. Clarke replied that the increase is unclear given the manner the amendment is written.

A roll call was taken on the motion.

IN FAVOR: Senator Dyson, Senator Hoffman and Senator Olson

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

The motion FAILED (3-4)

The amendment FAILED to be adopted.

H&SS #8: This amendment adds \$866,400 Tobacco Education/Cessation funds to the Health and Human Services BRU, Tobacco Prevention and

Control component on page 18, lines 9 and 10. Accompanying explanatory languages reads: "Returns to Governor's requested amount using Tobacco Education and Cessation funds."

Senator Olson moved for adoption.

Co-Chair Green objected.

Senator Olson stated this amendment would increase funding for this program to the amount appropriated for the current fiscal year, although would remain less than the amount recommended by the federal Centers for Disease Control (CDC). He remarked that funding allocated to this program has been utilized "quite wisely". He cited information circulated by the American Cancer Society that the recommended amount necessary to fund this program is \$16.5 million, compared to the \$4.9 million currently spent. He opined this is a disservice to those affected by the program, given the decreased tobacco use of participants.

Co-Chair Green understood these funds are not available for appropriation.

Senator Olson agreed, but noted that legislation sponsored by Governor Murkowski would increase taxes on tobacco products and subsequently increase revenues from this tax to \$35 million, some of which could be utilized to fund this program. He suggested that if that legislation does not pass, alternative funding could be secured.

Senator Bunde asked if this funding source includes revenues from the master settlement act between states and tobacco companies.

Senator Olson responded that funds from the settlement are deposited into the general fund and distributed.

Senator Bunde understood the agreement that 20 percent of funds received from the settlement would be utilized for tobacco cessation and prevention programs and asked how this amendment is related.

Co-Chair Green replied that 20 percent of the settlement funds are "spread throughout the budget" and that this amendment would be additional funding. She offered to provide detailed information. She characterized this amendment as an "empty appropriation."

Senator Olson answered Senator Bunde's question that this amendment would provide that an amount equal to 20 percent of settlement revenue would be expended for tobacco prevention and control programs. If this amendment were not adopted, he remarked that the programs would receive less than 20 percent of settlement funds. He cited information from the Alaska Chapter of the American Cancer

Society.

Co-Chair Green listed the appropriations of these funds. She opined that the (CDC) would continue to contend that additional funds should be expended for prevention and cessation programs, and that some local organizations disagreed with the CDC on this matter as the FY 04 budget was being considered. She stressed that these funds are also necessary to offset Medicaid expenses resulting from tobacco use. However, because of significant support for cessation and prevention efforts, the legislature has attempted to maintain guidelines in allocating the settlement funds.

A roll call was taken on the motion.

IN FAVOR: Senator Hoffman and Senator Olson

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

The motion FAILED (2-5)

The amendment FAILED to be adopted.

Department of Labor and Workforce Development

DLWD #1: This amendment adds \$50,000 Workers Safety funds to the Workers' Compensation and Safety BRU, Workers' Compensation component on page 20, line 9. Accompanying explanatory language reads as follows.

This amendment will restore one full time position and funding that should not have been deleted in the Governor's FY 05 request since the deletion was subject to the passage of legislation, SB 311/HB 450.

Co-Chair Wilken moved for adoption.

Co-Chair Green outlined this amendment.

The amendment was ADOPTED without objection.

DLWD #2: This amendment adds \$300,000 general funds to the Workforce Development BRU, Kotzebue Technical Center Operations Grant component on page 20, lines 31 and 32. Accompanying explanatory language reads as follows.

Description: Restores funding to the FY 03 level. Supports newly established nursing program.

Senator Olson moved for adoption.

Co-Chair Green objected.

Senator Olson spoke to the success of the nursing program to address the statewide shorting of qualified nurses. He furthered that the Center is beginning to train workers to construct a natural gas pipeline in the event such a project is undertaken. He stated this amendment would provide the same amount of funding provided two years prior when the nursing program was implemented.

Co-Chair Green asked Senator Bunde's response.

Senator Bunde stated this issue did not arise in meetings of the budget subcommittee.

Co-Chair Green noted the comparison to FY 03 funding rather than FY 04 funding.

A roll call was taken on the motion.

IN FAVOR: Senator Olson and Senator Hoffman

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

The motion FAILED (2-5)

The amendment FAILED to be adopted.

#### Department of Natural Resources

DNR #1: This amendment adds \$1,500,000 Agriculture Revolving Loan Fund (ARLF) to the Resource Development BRU, Agriculture Revolving Loan Program Administration component, on page 24, lines 27 and 28. Accompanying explanatory language reads as follows.

The Department of Corrections has operated the Mt. McKinley Meat Plant for the Agriculture Revolving Loan Fund and accounted for the buying and selling of the animals through its Alaska Correctional Industries operation. In December 2003 the ARLF took back the operation of the meat plant with the understanding that the Department of Corrections continue to account for the buying and selling of the animals. For the balance of FY 04 the Department of Corrections will perform this duty under an RSA agreement with DNR.

In order to gain more control of the overall administrative process this amendment proposes that the ARLF be given the authority to receive and expend all of the revenues and expenditures of the Mt. McKinley Meat Plant through the

Agriculture Revolving Loan Fund.

The projection is that this expenditure will be matched by and equal or greater amount of revenue into the ARLF.

The long term plan is for the MMMP to be turned over to a Coop by 2006.

Co-Chair Wilken moved for adoption.

Co-Chair Green called upon the Department of Natural Resources to speak to this amendment.

NICO BUS, Administrative Services Manager, Division of Support Services, Department of Natural Resources testified these funds would be utilized to complete the transfer of the meat packing plant. He stated that the Department of Natural Resources did not have authority to buy and sell animals so the Department of Corrections undertook the accounting of those activities; however, this amendment would allow the Department of Natural Resources to assume those duties. He relayed that the intent is to transfer operation of the facility to a cooperative organization.

Co-Chair Green asked if these funds had already been expended or if the amount reflects the anticipated revenue the facility would generate.

Mr. Bus replied that the funds would allow the Department to purchase animals and generate revenue from the meat, once sold.

Senator Hoffman asked why this appropriation was not requested during the budget subcommittee process.

Mr. Bus responded that the Department of Natural Resources and the Department of Corrections intended to enter into a memorandum of agreement, but instead determined that the Department of Natural Resources should undertake the accounting activities. He informed that Governor Murkowski transferred three accounting positions from the Department of Corrections to the Department of Natural Resources to perform these duties.

Senator Hoffman asked if the transfer of the facility to a cooperative organization would involve a sale or a trade arrangement.

Mr. Bus was unsure. He expressed that the intent is that the cooperative would operate the facility. He stated that the Department is encouraging the industry to form a cooperative organization and plans to transfer the assets that that organization. He remarked that the operation is old and inefficient.

Senator Dyson shared that ten years prior he performed an engineering study on the facility. He recalled that the slaughterhouse was utilized to train inmates housed by the Department of Corrections, a program that was very successful and that he hoped would continue.

Mr. Bus stated that the Department of Natural Resources continues to utilize inmates and pays the Department of Corrections for the labor performed.

Senator Dyson hoped inmates were receiving vocational training.

Co-Chair Green noted that the Department of Corrections budget has been reduced to reflect this allocation.

Senator Olson questioned the ability of the facility to generate a positive cash flow given the difficulties the plant was experiencing that necessitated the State to assume ownership. He pointed out that the equipment is older than at the time of the takeover. He asked if the facility could operate without future supplements.

Mr. Bus replied that Senator Torgerson has been addressing the issue and has achieved some success in efforts to reduce expenses and increase revenues.

Co-Chair Green noted she has been observing the situation and reported that Senator Torgerson has made major changes in design, reduced the number of employees, altered fees and reduced the amounts paid for certain products. She surmised that Senator Torgerson is "doing everything possible" to reduce expenses.

There was no objection and the amendment was ADOPTED.

DNR #2: This amendment adds \$6,200 Receipt Supported Services funds to the Resource Development BRU, Recorder's Office/Uniform Commercial Code component on page 24, lines 22 and 23. Accompanying explanatory language reads as follows.

This amendment will provide office space for the Seward Recording Office.

Annual Amount Requested: \$6,200 in Receipt Supported Services  
Currently in the Budget: \$1 part-time position for \$27,000  
Total Amount of Receipts Collected in FY 03: \$33,298

Background Information: In the past, all recording was done by the Alaska Court System. However, over the last several years, the court system has urged the State to take over that function. To move in that direction, the State approved

funding in FY 04 for a part-time position, but did not include funding for office space. Unfortunately, utilizing the space in the courthouse was not an option.

Due to the fact that no money was included in the budget for office space, there was talk of moving this function to Anchorage. This move was adamantly opposed by the community of Seward and in an effort to keep it there, local businesses throughout the community banded together to share the cost of paying for the office space for this fiscal year. The current lease agreement will expire on June 30, 2004.

Seward has had a recording office for the past 90 years and would like to continue to provide that service to its residents. The cost of office space would come from the receipts that the Seward Recording Office collects.

\$6,200 was added in House Finance and is in the House version of the budget.

Co-Chair Wilken moved for adoption.

SFC 04 # 87, Side B 10:37 AM

Co-Chair Green indicated she offered this amendment at the request of the Department.

Mr. Bus testified that the transfer of recording functions from the Alaska Court System to the Department has been discussed for some time. He reiterated the information in the explanatory language.

Co-Chair Green asked if clients must present original paperwork at the Recording Office or whether information could be sent via facsimile to the Anchorage office location.

Mr. Bus replied that facsimile information could not be accepted. He also stressed that the Seward Office has been in existence for over 90 years.

Co-Chair Green asked whether the City of Seward would provide funding for office space should this amendment fail. She clarified that the State would not likely require this.

Mr. Bus responded that the City of Seward would be unable to provide funding, reminding that private citizens provided funding for FY 04. He emphasized that this cost would be funded from fees collected by the agency.

Senator Hoffman asked if revenues from fees collected at the Seward Recording Office exceed \$6,000.

Mr. Bus replied that the amount of fees collected has exceeded this amount in the past and noted that the fees have been increased, so additional revenue would be generated.

With no objection the amendment was ADOPTED.

Department of Public Safety

DPS #1: This amendment adds \$696,600 to the Council on Domestic Violence and Sexual Assault BRU and component on page 26, line 33 and page 27, lines 7 and 8. Accompanying explanatory language reads as follows.

Due to reductions in PFD/Felon funds, TANF funds, and VOCA funds, the grants to shelters and rape crisis centers remains \$696,600 less than in FY 04, after a transfer of \$200,000 within this budget from administration to the grants line. (These funds are anticipated to be made up in administration through a Denali Commission administrative fee on capital funds (see letter attached [copy not provided])).

This amendment adds the remaining \$696,600 needed to hold shelters and rape crisis centers harmless in FY 05 to the Council on Domestic Violence and Sexual Assault budget from general funds.

Senator Hoffman moved for adoption.

Co-Chair Green and Senator B. Stevens objected.

Senator Hoffman reminded the Committee of extensive testimony in support of this increment. He stressed that alcohol abuse is a major problem in the State and the impact is has on domestic violence and sexual assaults, and he requested that the funding remain the same as in the previous year.

Co-Chair Green asked the budget subcommittee chair to speak to the amendment.

Senator B. Stevens informed that the budget subcommittee recommended an increase of \$200,000 general funds to offset a \$900,000 reduction in PFD/Felon funds. He also noted that the subcommittee recommended the transfer of \$200,000 from a contracts component to grants, and that the subcommittee recommended

allocating \$400,000 general funds to offset that reduction. He told of an investigation of the program to identify efficiencies, in which it was discovered that several redundant charges were imposed before the funds reached the shelters. He recommended that further review should be undertaken during the legislative interim. He then told of \$400,000 federal grants the Counsel held in reserve for the next fiscal year because future grants would not be received in time. He pointed out that \$503,000 is allocated for personal services. He remarked that the program administrators had intended to take reductions to the grants to shelters and none from administration. He therefore objected to the adoption of this amendment and expressed intention to identify further efficiencies.

Co-Chair Green announced that the budget subcommittee would continue to function during the legislation interim to address concerns about the administration of the programs. She emphasized the intent is that the largest percentage of funds possible are allocated to the shelters.

Senator B. Stevens agreed and noted that the budget subcommittee recommended intent language indicating such.

Senator Hoffman remarked that Senator B. Stevens made a compelling argument regarding the portion of the funding spend on administration of the program.

Senator Hoffman moved to amend the amendment to reduce the appropriation increase to \$300,000 from \$696,600.

There was no objection and the amendment was AMENDED.

Senator Olson asked the percentage of funds received by the shelters.

Senator B. Stevens replied that 19.5 percent of funding is utilized for administration and professional services contracts and 80.5 percent of funding is allocated to shelters.

Senator Olson asked the evaluation of the missions and measures of this program.

Senator B. Stevens indicating he was researching the matter of whether the Counsel has a missions and measures procedure. He emphasized this is one objective of the budget subcommittee's review. He pointed out the funding limit established by the Senate Majority for the Department and his efforts to meet this limit. He stated that the budget subcommittee had been under the assumption that \$900,000 temporary assistance for needy families (TANF) funds

was available for this program, and was only recently informed that these funds were allocated to other programs. He stated that the transfers reflected in the committee substitute are a result of efforts to offset the reduced funding, noting that this is the best option given the time constraints. He reiterated that he would address the issue further during the interim and added that the amount of funding generated from the Permanent Fund dividends withheld from incarcerated felons could increase.

Co-Chair Green added that during discussions on the FY 04 supplemental appropriation legislation it was learned that a significant portion of funding is allocated to the grant program, which provides a "cushion". She stated that additional funding sources provide adequate funds to offset reductions.

Senator Hoffman countered that the supplemental funds would be appropriated for FY 04. He referenced a letter from the Department of Public Safety to Co-Chair Green [copy not provided] indicating that funds are available within the Department's budget to be allocated to the Council. He then indicated that a second letter attested that the \$900,000 was obligated elsewhere and therefore not available. He calculated that the FY 05 budget reduction would increase the program's deficit to \$1 million. He understood Senator B. Stevens' argument, but asserted that this amount was too high for the program to absorb given the domestic violence situation in Alaska. He surmised that the Council would "receive the message" that the administrative costs must be reduced.

A roll call was taken on the motion.

IN FAVOR: Senator Hoffman and Senator Olson

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

ABSENT: Senator Bunde

The motion FAILED (2-4-1)

The amended amendment FAILED to be adopted.

#### Statewide

Statewide #1: This amendment adds \$4,299,300 of various funding sources to all departments. Accompanying explanatory language reads as follows.

This amendment provides FY 05 Health Insurance Salary

Adjustments for all Non-Covered Employees as well as funding to implement terms of bargaining agreements for those employees covered under the recently approved Labor, Trades and Crafts Unit and the Correctional Officers and State Troopers Units of the Public Safety Employee Association beginning July 1, 2004.

The attached Statewide Totals Report and the Agency Summary Report provides all department fund source number and name detail [copies on file].

Co-Chair Wilken moved for adoption.

Co-Chair Green stated the Office of the Governor prepared this amendment. She noted the funding need reflects a \$2 monthly increase to the negotiated \$40 per employee monthly contribution.

AT EASE 10:55 AM / 10:56 AM

The motion to adopt the amendment was WITHDRAWN and the amendment was HELD.

Statewide #2: This amendment replaces the funding sources with general funds in the amounts listed to the following components and departments.

Department of Corrections  
BRU: Administration and Operations  
Component: Out-of-State Contractual  
Page 8, line 16  
\$200,000 AHFC Dividend  
\$1,074,400 ASLC Dividend

Department of Natural Resources  
BRU: Fire Suppression  
Component: Fire Suppression Preparedness  
Page 25, lines 12 and 13  
\$6,684,400 AIDEA Dividend

Department of Natural Resources  
BRU: Fire Suppression  
Component: Fire Suppression Activity  
Page 25, line 14  
\$4,315,600 AIDEA Dividend  
\$1,673,500 ASLC Dividend

This amendment also changes the language of subparagraphs (6) and (7) of subsection (b), of Section 10. Alaska Housing Finance

Corporation., on page 48, lines 19 and 20. Subsection (b) provides that the Corporation for specific expenditures shall retain a portion of the funds deemed available by the AHFC board of directors. The amended language reads as follows.

- and (6) \$2,050,000 to capitalize the SeniorCare Fund;
- (7) \$17,163,400 for capital projects

This amendment also changes the language of subsection (m) and adds a new subsection (n) to Section 20. Fund Transfers., on page 53, lines 14 and 15. The amended language reads as follows.

(m) The sum of \$22,689,500 is appropriated to the senior care fund (sec. 2, ch. 3, SLA 2004) from the following sources:

General Fund	\$9,729,000
Alaska Housing Finance Corporation Dividend	2,050,000
Alaska Industrial Development and Export Authority dividend	8,162,600
Alaska Student Loan Corporation dividend	2,747,900

(n) The sum of \$2,837,400 is appropriated from the Alaska Industrial Development and Export Authority dividend to the Alaska debt retirement fund (AS 37.15.011).

Accompanying explanatory language reads as follows.

This amendment is intended to replace all corporate dividends used in agency operating appropriations with general funds and to use the dividend funds instead to capitalize the debt retirement fund and the senior care fund.

Co-Chair Wilken moved for adoption.

Co-Chair Green stated this amendment consists of funding source changes.

DEB DAVIDSON, Staff to Co-Chair Green, stated this amendment changes funding sources, explaining that the budget subcommittees had recommended State corporation dividends for several operational expenses. She pointed out this amendment would have a net zero affect and would utilize the dividends as one-time funding sources for debt retirement and the SeniorCare program.

Senator Hoffman asked the total amount of general funds.

Ms. Davidson replied that this amendment involves approximately \$12 to \$13 million, but stressed that it would not increase funding.

She noted that the SeniorCare program had initially been funded with general funds and that this amendment switches the appropriations.

Intent

Intent #1: This amendment inserts a new bill section on page 47, line 1 to read as follows.

Section 4. AS 37.07.050 prescribes a statewide system of results-based government designed to increase efficiency and effectiveness of state programs and services. It is the intent of the legislature that the administration and legislature review missions and measures currently enacted and propose changes necessary to bring them into alignment with the administration's reorganization of departments to promote the ultimate goals of supporting effective activities and change and eliminating ineffective programs and activities. Proposed changes to missions and measures should be prepared for draft legislation to be introduced at the beginning of the next legislative session.

Accompanying explanatory language reads as follows.

The current administration is placing great energy into the concept of Missions and Measures. This intent language demonstrates the legislature's support of the concept and willingness to work with the administration to continue developing a successful means to effectively manage the State's resources and provide services in the most efficient manner.

Co-Chair Wilken moved for adoption.

Senator Dyson objected.

Senator Dyson moved to amend the amendment by inserting the following portion of the language of Intent #2.

ADD the following to each commissioner's office appropriation:

Legislative Intent Regarding Missions & Measures

AS 37.07.050 prescribes a statewide system of results-based government designed to increase efficiency and effectiveness of state programs and services. The statute further directs periodic reporting which describes actions taken and the results of such actions. The Legislature requests that all

executive branch agencies and instrumentalities report agency-wide performance data quarterly, including, as a minimum, written analysis of:

The results and any trends indicated by the reported data;

If improvement, what caused improvement; and

Which actions resulted in no change or a decline in performance.

When operational experience indicates that legislative assistance is needed, the Legislature requests that the departments indicate in their quarterly reports the desired legislative action(s).

In instances of no change or deteriorated performance, the respective agency will provide a brief explanation of what the agency will do differently in subsequent quarters to advance stated performance targets. For measures lacking data, the reporting agency shall provide a brief statement of the most significant impediments to reaching the performance target, precisely what the agency will change to overcome such impediments, and the date performance data will be first reported.

The Legislature also requests quarterly online updates to all levels of performance measures contained within the Missions and Measures framework.

Each department shall identify when the desired results involve more than one agency. Each quarter the agency will report on the progress of each agency's contribution to achieving the desired results.

Finally, each agency shall present semi-annual reports of activities, data, and results to the Legislature in a forum to be determined by the Legislature. The first semi-annual report will address the information required on a quarterly basis, but will comprise the information of the previous two quarters, and will be presented at a time specified by the Legislature, generally in late summer or early fall of each year. The second semi-annual report will be comprehensive reports of the previous year and will be presented in January of each year after the Legislature has convened.

Co-Chair Green objected.

Senator Dyson outlined the explanatory statements and relayed that the Office of Management and Budget approves of this amendment to the amendment.

Co-Chair Green maintained her objection.

Co-Chair Wilken asked whether this amendment would require additional reports of the departments. If so, he was concerned about potential fiscal impacts and suggested the matter should be addressed as legislation with fiscal notes.

Senator Dyson understood that the departments were in the process of undertaking these efforts.

JOAN BROWN, Chief Budget Analysis, Office of Management and Budget, testified that the departments were implementing procedures with the intent of issuing these reports, but had not begun the process to date.

Senator Dyson expressed his intention that reports would be published as they became available and would be accessible for the legislature and the public.

Co-Chair Wilken appreciated Senator Dyson's efforts although he preferred that the reporting requirements be addressed through the legislative process to allow for committee review of the implications and fiscal impacts.

Senator Dyson remarked that the process of implementing reporting procedures had been "muddled" with the change to the Murkowski Administration. He understood that legislation was under consideration in the House of Representatives, but he did not expect it would be completed this legislative session.

Co-Chair Green asked if the origin of the language in the first paragraph of the amendment to the amendment pertaining to the quarterly reporting requirement is a direct quotation of the statute.

Senator Dyson answered it is not, but rather reflects the Administration's efforts and goals for the Missions and Measures program.

AT EASE 11:06 AM / 11:07 AM

Co-Chair Green surmised that increasing the reporting requirements from semi-annually to quarterly would require substantive legislation and could not be accomplished within appropriation legislation.

Senator Dyson withdrew his amendment to the amendment.

Senator Dyson offered a motion to amend the amendment to insert the aforementioned language of Intent #2 with the exception that the reports would be issued semi-annually rather than quarterly. The second amendment to the amendment reads as follows.

ADD the following to each commissioner's office appropriation:

#### Legislative Intent Regarding Missions & Measures

AS 37.07.050 prescribes a statewide system of results-based government designed to increase efficiency and effectiveness of state programs and services. The statute further directs periodic reporting which describes actions taken and the results of such actions. The Legislature requests that all executive branch agencies and instrumentalities report agency-wide performance data quarterly, including, as a minimum, written analysis of:

The results and any trends indicated by the reported data;  
If improvement, what caused improvement; and  
Which actions resulted in no change or a decline in performance.

When operational experience indicates that legislative assistance is needed, the Legislature requests that the departments indicate in their quarterly reports the desired legislative action(s).

In instances of no change or deteriorated performance, the respective agency will provide a brief explanation of what the agency will do differently in subsequent quarters to advance stated performance targets. For measures lacking data, the reporting agency shall provide a brief statement of the most significant impediments to reaching the performance target, precisely what the agency will change to overcome such impediments, and the date performance data will be first reported.

The Legislature also requests semi-annual online updates to all levels of performance measures contained within the Missions and Measures framework.

Each department shall identify when the desired results involve more than one agency. Semi-annually, the agency will report on the progress of each agency's contribution to achieving the desired results.

Finally, each agency shall present semi-annual reports of activities, data, and results to the Legislature in a forum to be determined by the Legislature. The first semi-annual report

will address the information required on a quarterly basis, but will comprise the information of the previous two quarters, and will be presented at a time specified by the Legislature, generally in late summer or early fall of each year. The second semi-annual report will be comprehensive reports of the previous year and will be presented in January of each year after the Legislature has convened.

Co-Chair Green announced she would have to review whether this appropriation legislation could be amended in this manner; however, she did not want to delay action on the appropriation legislation.

Senator B. Stevens agreed that this amendment is likely not allowable in this bill; he also agreed with Senator Dyson's intent. He asked if the matter of whether this language would be allowable in this appropriation legislation could be determined.

Co-Chair Green replied it could, but would incur a delay in the process of passing this legislation. She commented that the missions and measures currently in place pertain to the departmental organizations of the previous gubernatorial administration. She stated that the Murkowski Administration requested an extension of the semi-annual reports to allow the missions and measures to be adjusted to reflect the reorganizations.

Senator Dyson offered to withdraw the amendment and submit an amendment to reflect the semi-annual reporting requirement and also replace the statutory language with intent language.

Co-Chair Green suggested that the bill could be amended at the hearing before the full Senate to incorporate acceptable intent language.

AT EASE 11:12 AM / 11:14 AM

Co-Chair Green proposed the amendment be amended conceptually with direction to the bill drafters to insert intent language into the bill to provide "guidance". She specified that the intent language should not be repetitive or provide stipulations "going over the edge".

Without objection the amendment was conceptually AMENDED and ADOPTED.

Intent #2: This amendment reads as follows.

ADD the following to each commissioner's office appropriation:

## Legislative Intent Regarding Missions & Measures

AS 37.07.050 prescribes a statewide system of results-based government designed to increase efficiency and effectiveness of state programs and services. The statute further directs periodic reporting which describes actions taken and the results of such actions. The Legislature requests that all executive branch agencies and instrumentalities report agency-wide performance data quarterly, including, as a minimum, written analysis of:

The results and any trends indicated by the reported data;

If improvement, what caused improvement; and

Which actions resulted in no change or a decline in performance.

When operational experience indicates that legislative assistance is needed, the Legislature requests that the departments indicate in their quarterly reports the desired legislative action(s).

In instances of no change or deteriorated performance, the respective agency will provide a brief explanation of what the agency will do differently in subsequent quarters to advance stated performance targets. For measures lacking data, the reporting agency shall provide a brief statement of the most significant impediments to reaching the performance target, precisely what the agency will change to overcome such impediments, and the date performance data will be first reported.

The Legislature also requests quarterly online updates to all levels of performance measures contained within the Missions and Measures framework.

Each department shall identify when the desired results involve more than one agency. Each quarter the agency will report on the progress of each agency's contribution to achieving the desired results.

Finally, each agency shall present semi-annual reports of activities, data, and results to the Legislature in a forum to be determined by the Legislature. The first semi-annual report will address the information required on a quarterly basis, but will comprise the information of the previous two quarters, and will be presented at a time specified by the Legislature, generally in late summer or early fall of each year. The second semi-annual report will be comprehensive reports of the previous year and will be presented in January

of each year after the Legislature has convened.

ADD the following to:  
Department of Administration

The Department of Administration shall develop strategies, targets, and actions plans to minimize turnover of state employees.

ADD the following to:  
Department of Administration

The Department of Administration shall develop strategies, targets, and action plans to fill vacancies with highly qualified personnel.

ADD the following to:  
Department of Administration, Division of Retirement and Benefits  
Department of Revenue, Alaska State Pension Investment Board

The Department of Administration and the Department of Revenue shall jointly develop End Results, strategies, targets, and action plans to achieve the following:

1. Long term financial viability without supplements from the general fund;
2. The fund is fully funded at least 60% of the time;
3. Long term gains are optimized with low risk; and
4. Average annual returns in excess of national standards for similar pension programs.

ADD the following to:  
Department of Corrections

The Department of Corrections shall develop the strategies, targets, and action plans necessary to provide inmates with the opportunity to address their deficiencies related to: education; health; alcohol and substance abuse; emotional and psychological abuse issues; and vocational skills.

ADD the following to:  
Department of Corrections

The Department of Corrections shall develop the strategies, targets, and action plans necessary to utilize community and faith based organizations to the maximum extent possible to meet inmate needs.

ADD the following to:  
Department of Education and Early Development

The Department of Education and Early Development shall develop the strategies, targets, measures, and corresponding action plans to demonstrate that all schools are in compliance with AS 14.133.120, School Disciplinary and Safety Program. The resultant Behavior and Safety Standards shall be posted prominently in school buildings, on the school's website, and shall be made readily available to parents, students, and citizens within adjacent communities with the objective of in-depth agreement and understanding of the school's standards for behavior and safety.

ADD the following to:  
Department of Education and Early Development

The Department of Education and Early Development shall develop measures and corresponding action plans to demonstrate that all school-based programs and all in-class presentations regarding human sexuality meet guidelines for federal funding of abstinence education regardless of whether such program materials and/or presentation are funded by the Federal Abstinence Fund.

ADD the following to:  
Department of Education and Early Development

The Department of Education and Early Development shall develop measures and corresponding action plans to demonstrate that all teachers, school staff, and school-based clinic staff report potential child molestation or rape when the child is 15 years old or younger, and is suspected of being, or known to be, involved in sexual activity with a partner who is at least three years older. Further the Department shall demonstrate that all such reports are forwarded [to] Child Protective Services and/or proper law enforcement agencies.

ADD the following to:  
Department of Education and Early Development

The Department of Education and Early Development shall develop the strategies, targets, measures, and corresponding action plans necessary to ensure that school students and staff are safe from: assault; bullying; and sexual, racial, ethnic, tribal and religious harassment.

ADD the following to:

Department of Education and Early Development

The Department of Education and Early Development shall develop the strategies, targets, measures, and corresponding action plans necessary to encourage, empower, and supervise alternative education opportunities in the state to meet [the] school choice requirements of "No Child Left Behind."

ADD the following to:

Department of Education and Early Development

The Department of Education and Early Development shall develop the strategies, targets, measures, and corresponding action plans necessary to ensure that all public alternative education options within the state are on the department websites, and are maintained current.

ADD the following to:

Department of Health and Social Services  
Office of the Commissioner

The Commissioner of the Department of Health and Social Services shall develop statewide, inter-departmental End Results, targets, measures, and corresponding action plans to demonstrate meaningful progress toward eliminating statutory rape of children through aggressive reporting by state personnel and contractor personnel of potential child molestation or rape when the child is 15 years old or younger, and is suspected of being, or known to be, involved in sexual activity with a partner who is at least three years older.

ADD the following to:

Department of Health and Social Services  
Office of the Commissioner

The Commissioner of the Department of Health and Social Services shall develop and facilitate the use of health savings accounts, and empower private Alaskan citizens to obtain medical and health services at the same payment rates as enjoyed by state employees.

ADD the following to:

Department of Health and Social Services  
Division of Public Assistance

The Division of Public Assistance shall develop the strategies, targets, measures, and corresponding action plans necessary to find and prosecute all persons committing fraud.

ADD the following to:  
Department of Military and Veterans Affairs

The Department of Military and Veterans Affairs shall develop new targets related to:

1. Percent of authorized positions filled;
2. Percent of personnel that are qualified and trained to C-3 standards; and
3. Percent of equipment meeting specified military standards for readiness.

ADD the following to:  
Department of Revenue  
Child Support Enforcement Division

The Child Support Enforcement Division of the Department of Revenue shall develop the strategies, targets, and action plans necessary to process changes to "Court Support Orders" within 120 days for individuals residing [in] Alaska, and 180 days for out of state court support orders.

This amendment was NOT OFFERED.

Statewide (continued)

Statewide #1: This amendment adds \$4,299,300 of various funding sources to all departments. Accompanying explanatory language reads as follows.

This amendment provides FY 05 Health Insurance Salary Adjustments for all Non-Covered Employees as well as funding to implement terms of bargaining agreements for those employees covered under the recently approved Labor, Trades and Crafts Unit and the Correctional Officers and State Troopers Units of the Public Safety Employee Association beginning July 1, 2004.

The attached Statewide Totals Report and the Agency Summary Report provides all department fund source number and name detail [copies on file].

Co-Chair Wilken moved for adoption.

Co-Chair Green moved to amend the amendment to add the following language.

Add a new section to read:

Sec. SALARY AND BENEFIT ADJUSTMENTS. (a) The operating budget appropriations made in sec. 1 of this Act and in sec. 1 of the Act making appropriations for the state's integrated comprehensive mental health program, include \$4,299,300 for benefit adjustments for public officials, officers, and employees of the executive branch, Alaska Court System employees, employees of the legislature and legislators, and to implement the monetary terms for the fiscal year ending June 30, 2005, of the following collective bargaining agreements:

(1) Public Employees Local 71, for the Labor, Trades and Crafts Unit;

(2) Public Safety Employees Association, for the Correctional Officers Unit; and

(3) Public Safety Employees Association, representing state troopers and other commissioned law enforcement.

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

Senator Dyson questioned the use of mental health funding for this purpose.

Co-Chair Green replied that some of the affected positions are funded with Mental Health Trust Authority (MHTA) funds and the increased costs for those positions would also be funded utilizing MHTA funds.

Senator Dyson clarified the funds would be utilized for salaries and adjustments.

Co-Chair Green affirmed.

Senator Dyson commented that the language of the amendment was "misleading". He asked about funding for "permissive" abortions.

Co-Chair Green recalled earlier discussions where it was established that the legislature does not have the ability to make determinations over insurance coverage of abortions under the bargaining unit contracts with the insurance carrier.

AT EASE 11:19 AM / 11:22 AM

Co-Chair Green clarified that some portions of this amendment are to both HB 375 and HB 377.

Co-Chair Green noted that Senator Dyson objected to the motion to amend the amendment.

Senator Hoffman asked if the amount listed in subsection (b) would reduce the appropriation specified in subsection (a).

Co-Chair Green did not know the amount ratified. However, she noted that if any of the collective bargaining agreements were not ratified by the membership of those units, the appropriation would be reduced accordingly.

Senator Olson remarked that this amount should be identified, as this amendment to the amendment gives an ultimatum to the members of these collective bargaining units.

Ms. Brown replied that to date, the Labors, Trades and Crafts unit had ratified its contract with the State and that the two units of the Public Safety Employees Association had not. She stated that if the Public Safety Employee Association units failed to ratify the agreements, this amendment would reduce the appropriation for cost increases associated to those agreements.

Senator Bunde characterized this amendment as a boilerplate, which would provide the appropriation if needed, but would not appropriation funds if not needed.

Senator Hoffman asked if the bargaining units have any objection to level of funding proposed in this amendment.

Ms. Brown surmised there was no objection and that the matter relates to the timing of the union ratification process.

Senator Hoffman asked whether the bargaining units are requesting more funds than reflected in this amendment.

Ms. Brown answered, no.

Senator Dyson indicated he objected to this amendment because he was "disappointed" that the legislature was not included in the negotiation process. He did not oppose the contracts, or the efforts of the bargaining units and the Department of Administration.

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

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

OPPOSED: Senator Dyson, Senator Olson, and Senator Hoffman

The motion PASSED (4-3)

The amendment was AMENDED.

The amended amendment was ADOPTED without objection.

This concluded the amendments.

Senator Hoffman expressed concern that only one BRU was established for several programs within the Department of Health and Social Services, although it would allow flexibility. He remarked that this committee substitute closely reflects Governor Murkowski's budget proposals and therefore the Governor could "take credit" and also "take the blame where that may be".

Co-Chair Green thanked the budget subcommittees and department staff for their efforts.

Co-Chair Wilken offered a motion to report SCS CS HB 375, 23-GH2040\C, as amended from Committee with individual recommendations.

There was no objection and SCS CS HB 375 (FIN) MOVED from Committee.

Co-Chair Wilken offered a motion to report SCS CS HB 377, 23-GH2042\S, as amended from Committee with individual recommendation.

Without objection, SCS CS HB 377 (FIN) MOVED from Committee.

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**ADJOURNMENT**

Co-Chair Lyda Green adjourned the meeting at 11:30 AM