

MINUTES
SENATE FINANCE COMMITTEE
April 11, 2005
9:13 a.m.

CALL TO ORDER

Co-Chair Green convened the meeting at approximately [9:13:51 AM](#).

PRESENT

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

Also Attending: SENATOR RALPH SEEKINS; PAUL LISANKIE, Director, Division of Workers' Compensation, Department of Labor and Workforce Development; GREG O'CLARAY, Commissioner, Department of Labor and Workforce Development; LINDA HALL, Director, Division of Insurance, Department of Community and Economic Development; LYNNE SMITH, Staff to Senator Bunde; JAMES ARMSTRONG, Staff to Co-Chair Wilken; GUY BELL, Assistant Commissioner, Department of Labor and Workforce Development; MILES BAKER, staff to Senator Stedman;

Attending via Teleconference: From an offnet location: DR WILLIAM PFIEFER, Alaska Chiropractic Society

SUMMARY INFORMATION

SB 130-WORKERS' COMPENSATION/ INSURANCE

The Committee heard from the sponsor, the Department of Labor and Workforce Development, the Department of Commerce, Community and Economic Development, and the Alaska Chiropractic Society. An amendment was adopted and the bill was reported from Committee.

HB 66-APPROP: MENTAL HEALTH BUDGET
HB 67-APPROP: OPERATING BUDGET/LOANS/FUNDS

The Committee heard reports and recommendations from the budget subcommittees. The bill was held in Committee.

#SB130

CS FOR SENATE BILL NO. 130(JUD)

"An Act relating to a special deposit for workers' compensation and employers' liability insurers; relating to assigned risk pools; relating to workers' compensation insurers; stating the intent of the legislature, and setting out limitations, concerning the interpretation, construction, and implementation of workers' compensation laws; relating to the Alaska Workers' Compensation Board; assigning certain Alaska Workers' Compensation Board functions to the division of workers' compensation in the Department of Labor and Workforce Development and to that department, and authorizing the board to delegate administrative and enforcement duties to the division; providing for workers' compensation hearing officers in workers' compensation proceedings; relating to workers' compensation medical benefits and to charges for and payment of fees for the medical benefits; relating to agreements that discharge workers' compensation liability; relating to workers' compensation awards; relating to reemployment benefits and job dislocation benefits; relating to coordination of workers' compensation and certain disability benefits; relating to division of workers' compensation records; relating to release of treatment records; relating to an employer's failure to insure and keep insured or provide security; relating to workers' compensation proceedings; providing for a maximum amount for the cost-of-living adjustment for workers' compensation benefits; relating to attorney fees with respect to workers' compensation; providing for the department to enter into contracts with nonprofit organizations to provide information services and legal representation to injured employees; providing for administrative penalties for employers uninsured or without adequate security for workers' compensation; relating to fraudulent acts or false or misleading statements in workers' compensation and penalties for the acts or statements; providing for members of a limited liability company to be included as an employee for purposes of workers' compensation; establishing a workers' compensation benefits guaranty fund; making conforming amendments; providing for a study and report by the medical services review committee; establishing the Task Force on Workers' Compensation; and providing for an effective date."

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

SENATOR RALPH SEEKINS introduced the bill as chair of the Senate Judiciary Committee. The Judiciary Committee, indicating the effort invested, considered approximately 22 amendments to this bill. The Judiciary Committee discovered the volatility of the issue through the receipt of many telephone calls from small business operators. The increasing insurance costs have become too high for many businesses.

Senator Seekins reported that Alaska companies pay the second highest rates in the nation for workers compensation insurance, following the state of California. The medium premium index is approximately two percent compared to the rates assessed in Alaska of 4.6 percent. The index for businesses operating in the state of North Dakota is the lowest in the nation at 1.08 percent. This demonstrates the higher cost to do business in Alaska.

Senator Seekins remarked that Alaska has approximately the same "score" as North Dakota and asserted, "Something is terribly wrong with the system."

[9:16:47 AM](#)

Senator Seekins qualified that the matter could not be fully solved at this time, but would rather require a continuing effort. This legislation provides that a task force would be formed over the following legislative interim charged with identifying additional cost savings. The task force would be comprised of an "optimum number of members" to allow for a "workable task force". However he envisioned additional professional input from non-voting participants would be encouraged.

[9:18:49 AM](#)

Senator Seekins understood concerns would be raised, but assured the most important intent is to address needs of those injured workers.

[9:20:45 AM](#)

Senator Olson pointed out that the language of the bill does not provide for a timeframe in which recommendations would be reported by the task force.

[9:21:02 AM](#)

PAUL LISANKIE, Director, Division of Workers' Compensation, Department of Labor and Workforce Development, replied that the

report and any recommendations would be due by December 1, 2005.

[9:21:41 AM](#)

GREG O'CLARAY, Commissioner, Department of Labor and Workforce Development, testified that the Murkowski Administration is "pleased" with the progress made with this legislation.

[9:22:11 AM](#)

Co-Chair Wilken asked for an overview of the differences between this bill and SB 360 of the previous legislative session.

[9:22:27 AM](#)

Mr. Lisankie replied that beyond the intent of reforming the workers' compensation insurance system, the two bills are significantly different. The earlier bill, SB 360, dealt almost exclusively with procedural changes to solving disputes. This current bill attempts to make the process more efficient in an effort to save money.

[9:23:04 AM](#)

Co-Chair Green asked the condition of the workers' compensation insurance system in Alaska and the consequences of making no changes.

[9:23:32 AM](#)

Mr. O'Claray reported that three underwriters ceased offering insurance in Alaska, two of which are major underwriters. Escalating premium rates are putting pressure on small businesses and requiring owners to make decisions about providing this insurance. Some businesses are laying off workers or closing. Pressure has recently been placed on the Division of Insurance to reduce or freeze rates. If this occurs, the State would be in danger of losing the remaining three underwriters operating in Alaska and would force the State to provide workers' compensation insurance. The Murkowski Administration is against assuming additional bureaucracy.

[9:24:59 AM](#)

Senator Hoffman noted the language of Section 21 of the bill relating to penalties or fines for employers who fail to carry workers' compensation insurance. He asked the comparison of the proposed consequences with the current penalties and fines. He

asked the implications to employers and their businesses that are unable to obtain the insurance.

[9:25:41 AM](#)

Mr. Lisankie replied that the language of Section 21 is a new provision. Currently, no fines could be assessed. This provision would give the Division a method for enforcement.

[9:26:16 AM](#)

Senator Hoffman posed a scenario in which drastic changes in the marketplace occur and an employer is subsequently unable to secure adequate coverage for its workers. In this event, he understood that business would be shut down under the provision of Section 21.

[9:26:48 AM](#)

Mr. Lisankie affirmed clarifying that current statute stipulates such business closures for an employer's failure to obtain adequate insurance.

[9:27:07 AM](#)

Senator Hoffman asked if the Division would investigate emergency measures to allow businesses to continue operation if the employer was unable to obtain insurance between now and the date this legislation was enacted.

[9:28:00 AM](#)

Mr. Lisankie responded that this has not been considered. The intent is to contain costs. Workers' compensation insurance is available to employers, albeit at a high cost.

[9:28:20 AM](#)

Senator Hoffman predicted a probability that some employers would be unable to acquire the insurance coverage. He asked what actions the Division would take to assist these businesses.

[9:28:40 AM](#)

Mr. O'Claray interjected that the purpose of this legislation is to implement changes that would contain costs. Statutory requirements exist that require businesses employing workers to carry workers' compensation insurance. The cost of this insurance is the current concern. The study is requested to provide lead time" to examine

the data maintained by underwriters. This data would be analyzed to identify changes that would address costs. No exemptions are provided to allow an employer to not secure this insurance.

[9:29:55 AM](#)

Senator Stedman remarked that additional efforts should be made to attract more underwriters to offer coverage within the State. He noted the deficit in the "pool" and asked how it would be addressed.

[9:31:00 AM](#)

Mr. O'Claray told of the limited number of underwriters. The major concern of underwriters considering offering insurance in Alaska is the appeals commission. The Division has received complaints from employers asserting that cases are "skewed against them" and therefore appeals are not pursued. Another complaint is the inconsistency with the law. The current system involves a three-person panel that hears a claim and makes a determination, which could be appealed in superior court. If the inconsistency between decisions were eliminated, claims could be settled faster. This would allow those workers to make decisions sooner about whether to remain in their current career or to change professions.

[9:33:17 AM](#)

LINDA HALL, Director, Division of Insurance, Department of Community and Economic Development, introduced herself for the record.

[9:33:44 AM](#)

Senator Stedman inquired about the impending deficit in the event the current system was not restructured.

[9:34:01 AM](#)

Ms. Hall clarified the deficit in question related to the guarantee association and was addressed in legislation passed the previous session. Reassessment of the situation revealed that the changes were successful and that a deficit no longer exists. Workers and employers are no longer at risk of unpaid claims. The intent of the bill currently before the Committee is to implement reforms to reduce the cost of claims. Until the overall cost of claims is reduced, premiums would continue to rapidly increase.

[9:35:13 AM](#)

Ms. Hall referenced an annual report issued by the Division, the latest of which identified 96 insurance providers approved to write claims in Alaska. Of those only five seek to write claims in the State. If premium rates are not sufficient to cover the cost of claims, the potential exists that insurance companies would not offer policies. "Extremely" high claim costs have been incurred in the last five years with insurances companies paying out \$1.54 in claims for every \$1 collected in premium. An assigned risk plan is the "last resort".

[9:37:41 AM](#)

Senator Stedman noted the proposed fine of \$1,000 per day that an employer fails to carry workers' compensation insurance. He asked if a subcontractor on a project were found to be without coverage, what party would be responsible for payment of the fine: the subcontractor, the general contractor or another party. He also asked whether the fine would be imposed on each project an employer is working.

[9:38:24 AM](#)

Mr. Lisankie replied that the subcontractor would be fined a maximum of \$1,000 per day per employee. The proposed board would be given discretion to determine the circumstances and whether the full amount would be levied. For example, an employer who inadvertently allowed the policy to lapse would be fined less than an employee identified as a repeat offender.

[9:39:13 AM](#)

Senator Olson asked if any small businesses have been denied workers' compensation insurance coverage.

[9:39:27 AM](#)

Ms. Hall explained the "assigned risk pool", which requires insurers to offer coverage to all employers. The only reason an employer did not have this insurance would be from a failure to pay the premium

[9:39:48 AM](#)

Senator Olson asked the number of employers included in the risk pool.

[9:39:50 AM](#)

Ms. Hall answered that approximately 9,000 employers are included in the assigned risk pool.

[9:40:00 AM](#)

Senator Olson asked the number of employers that did not pay their premium or were unable to secure the insurance.

[9:40:08 AM](#)

Ms. Hall was unaware of any. She qualified that some disputes over eligibility for coverage did occur.

[9:40:25 AM](#)

Senator Olson told of a medical field pool utilized to provide opportunity for physicians to obtain malpractice insurance. He asked if such an arrangement had been considered for the workers' compensation insurance system to make premiums more affordable.

[9:40:57 AM](#)

Ms. Hall replied that the matter has been discussed. The aforementioned medical pool for doctors was purchased by a company and no longer qualified for tax-exempt status. As a result, the program has been discontinued. She reiterated that until the cost of claims is reduced, the basic cost of providing workers' compensation insurance would not decrease. Some states, including California and Utah have a high percentage of state-provided coverage. However, the intent for Alaska is to establish a "healthy" competitive marketplace, which a state-provided system would not accomplish.

[9:42:06 AM](#)

Senator Olson surmised this legislation attempts to decrease premium amounts; however if a worker is injured, the system must still have the ability to compensate that worker.

[9:42:45 AM](#)

Ms. Hall stressed that the provisions in this legislation would not change benefits as to do so is not the intention. Providing medical care and prescription drug costs in Alaska is the second highest in the nation. Every employer would be required to maintain a minimum level of benefits. The intent is to provide good medical care for injured workers to allow them to return to work.

[9:43:46 AM](#)

Senator Olson asked if unions and employees would agree that adoption of this legislation would not result in decreased benefits.

[9:44:09 AM](#)

Mr. Lisankie qualified that some changes would be made to the maximum reimbursement amount allowed for certain procedures. This could be considered as affecting benefits. However, the basic underlying structure would not be "radically" changed.

[9:44:56 AM](#)

Co-Chair Wilken shared his experience with the business he owns that employs 23 people. The cost of his workers' compensation premium rose 23 percent in the past year, 20 percent the previous year and 20 percent the year before that. The total cost of his premium is "up to six figures". This funding must be taken from the company's "bottom line".

Co-Chair Wilken stressed that this legislation is an attempt to "stop that hemorrhage", which affects the "backbone of our economy" i.e. small businesses. Premium rates are assessed based on claim experience with the rates of an "unsafe shop" higher; however, discounts for infrequent claims have been eliminated as well as the option of employing an agent provider to "shop around" for the best policy at the lowest cost is no longer viable due to the lack of competition. This affects business operations and causes managers to delay purchase of inventory, new equipment and to increase wages, which contribute to a successful business. Instead these funds must be utilized to pay the workers' compensation insurance premium.

Co-Chair Wilken remarked upon the continued testimony received emphasizing, "the worker does not get hurt" as a result of the provisions proposed in this legislation, as well as the statutory changes enacted after the previous legislative session. The bill before the Committee however, would make the workers' compensation program more "rigorous". Therefore, he concluded that this legislation would have no negative impact, while not changing the current system would result in "damage."

[9:48:31 AM](#)

Amendment #1: This amendment deletes the language of Section 34 on

page 21, lines 7 through 11, which reads as follows.

Sec. 34. AS 23.30.205 is amended by adding a new subsection to read:

(g) Claims for reimbursement may not be submitted to the fund after September 1, 2005. The fund shall continue to make reimbursement payments on claims accepted before July 1, 2006, or ordered by the board, until the fund's liabilities for the claim are extinguished.

Co-Chair Green explained that department representatives proposed this amendment as a correction to changes made by the Senate Judiciary Committee.

Co-Chair Wilken moved for adoption.

The amendment was ADOPTED without objection.

[9:49:20 AM](#)

DR WILLIAM PFIEFER, Alaska Chiropractic Society, testified via teleconference from an offnet location to four proposed amendments that the Society requests be adopted. The first relates to the lack of a chiropractic professional in the membership of the proposed task force on workers' compensation. Senator Seekins announced in the Senate Judiciary Committee that chiropractic care would be a major focus of the task force. However, Dr. Phiefer noted certain injuries that chiropractors treat comprise a large portion of the number of workplace injuries. The Society requests that a seat on the task force be designated for a chiropractor and be granted full voting privileges.

Dr. Phiefer next addressed the proposed medical services review study and requested that the review committee include the professionals who provide chiropractic services. The study should also include data collection of valid and detailed information in which recommendations could be based. Without accurate data, recommended changes to the workers' compensation program would be of "little value." He told of the access the Society and the American Chiropractic Association have to research scientists and study results.

Dr. Phiefer opposed the guidelines proposed for inclusion in this legislation, as they have been proven to be inaccurate and not comprehensive. The guidelines are narrow in scope and lack complete analysis of the current research. The conclusions do not reflect the studies listed in the bibliography. The Society recommends a compromise to allow for the Workers' Compensation Board to adopt

regulations and new that reflect the most recent research findings when appropriate. The proposed guidelines should not be specified in statute. He understood the intent of the legislative committees hearing this bill to establish that treatment be in accordance with standards based on scientific and evidence-based medicine.

Dr. Phiefer requested that "major" be replaced with "significant" in reference to "the aggravation question". This would reflect the status quo. The definition of major requires at least a 51 percent burden and such determination should not be made at this time. Another option would be consideration of imposing a higher burden in the determination of "disability" for preexisting conditions.

[9:54:27 AM](#)

Co-Chair Wilken offered a motion to report CS SB 130 (JUD), as amended, from Committee with individual recommendations and new and accompanying fiscal notes.

There was no objection and CS SB 130 (FIN) MOVED from Committee with zero fiscal note #5 from the Alaska Court System, zero fiscal note #7 from the Department of Commerce, Community and Economic Development, a new zero fiscal note dated 4/11/05 from the Legislative Affairs Agency and a fiscal note of \$420,000 dated 4/9/05 from the Department of Labor and Workforce Development.

AT EASE [9:55:05 AM/10:03:01 AM](#)

Co-Chair Wilken chaired the remainder of the meeting

#HB66

#HB67

CS FOR HOUSE BILL NO. 66(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."

CS FOR HOUSE BILL NO. 67(FIN)(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."

This was the first hearing for these bills in the Senate Finance Committee.

Co-Chair Wilken gave an overview of the process to date of drafting

a proposed budget. The FY 05 budget total spending was approximately \$6.8 billion, including all funding sources of federal funds, general funds, permanent funds, etc. The Governor's proposed FY 06 budget submitted to the legislature December 15, 2004 was approximately \$3.33 billion, which Co-Chair Wilken calculated to be approximately \$470 million or 6.44 percent higher than the previous budget. General fund spending for FY 05 was approximately \$2.32 billion compared to the Governor's proposed FY 06 budget of \$2.57 billion; an increase of about \$252 million or 10.9 percent.

Co-Chair Wilken noted that some expenses are fixed and the Committee would accept them and appropriate the necessary funding. Labor contracts have been settled at a cost of \$29 million to the State and a policy call was made to fund those increases and not require agencies to absorb the increases. Due to actions taken three years prior regarding debt financing for education projects through general obligation bonds would require payment of approximately \$132 million in FY 06. Medicaid costs have increased approximately \$60 million, although cost containment efforts are underway. Funding for K-12 education would increase about \$60 million. These increases total approximately \$210 million in increased expenses. The budget subcommittees had little control over determinations regarding the funding of these expenses.

Co-Chair Wilken stated the Committee has discretion in the allocation of approximately \$80 million. The budget subcommittees were charged with the task of making recommendations on this funding. The subcommittees were directed to scrutinize any new programs and justify any funding allocated above the FY 05 Management Plan amount. The subcommittees were to be "aware" of any significant general fund increases, as well as programs in which general funds were expected to be appropriated as a default to "back-fill" the reduction of federal funding.

Co-Chair Wilken expressed concern about the addition of 124 positions created between the adjournment of the previous legislative session and the start of the current session. The Governor has also proposed creating another 264 positions in FY 06.

[10:08:46 AM](#)

Senator Hoffman questioned Co-Chair Wilken's statement that funding for K-12 education would increase \$60 million for FY 06. Senator Hoffman had understood the amount would be \$70 million.

Co-Chair Wilken affirmed Senator Hoffman's understanding was the correct amount.

[10:09:15 AM](#)

Senator Dyson appreciated the value of Co-Chair Wilken's overview and requested he repeat some of the information.

Co-Chair Wilken indicated the information would be distributed to members in written format.

[10:10:36 AM](#)

Senator Bunde remarked that the misunderstanding of some agencies that the FY 06 budget would be a "recovery budget" to offset earlier economizing and budget reduction efforts had compounded the challenges presented to the budget subcommittees. Some agencies are expecting that funding would return to previous amounts. Instead, he intended to provide the greatest return to the public. The least amount necessary to maintain quality of life should be expended. Department staff must understand the need to be efficient and that any increased funding allocated for FY 06 would not likely be available in future years. While the price of oil has increased and is projected to stay high, the market is always uncertain. In addition, less oil would be produced the following year.

The Committee then heard the budget subcommittee reports and recommendations.

[10:13:29 AM](#)

Department of Fish and Game

Senator Bunde, Chair
Senator B. Stevens
Senator Ralph Seekins
Senator Hoffman

Introduction

The Department of Fish and Game subcommittee used the FY 06 adjusted base when determining appropriation levels and accepted all departmental budget transactions from FY 05 Management Plan to the FY 06 adjusted base.

Our subcommittee reviewed the following motions and adopted them at our close out meeting on April 4, 2005. This narrative lists the proposed changes to the Governor's FY 06 requested budget. Those components not listed in this narrative are proposed at the same level as the Governor's FY 06 requested budget.

Departmental Spending Levels

General Funds

Senate Subcommittee	\$30,806,400
Governor's Proposed	31,456,400

Federal Funds

Senate Subcommittee	60,099,600
Governor's Proposed	59,249,600

Other Funds

Senate Subcommittee	60,584,400
Governor's Proposed	61,045,900

Totals

Senate Subcommittee	151,490,400
Governor's Proposed	151,751,900

Subcommittee Recommendations

In Central Region Fisheries Management, an increment for \$150,000 was accepted. This general fund increment will be used for sonar on the Kenai River.

In Westward Region Fisheries Management, \$225,000 in Test Fish Receipts was approved to support the Kodiak Crab Observer Program.

In Headquarters Fisheries Management, a technical change of \$383,600 from Fish and Game Funds to Fish and Game Non-dedicated Funds was adopted. This technical change replaces the dedicated portion of the F&G funding with new fund code for Non-dedicated F&G funding.

In Commercial Fisheries Special Projects, the same technical change of \$1,156,900 from Fish and Game Funds to Fish and Game Non-dedicated Funds was adopted.

In the same section, an increment for \$850,000 in federal receipts to support the Kodiak Crab Observer Program was also adopted.

In Sport Fisheries, another technical change of \$9,000 from Fish and Game Funds to Fish and Game Non-dedicated Funds was adopted.

In Wildlife Conservation, another technical change of \$80,400 from Fish and Game Funds to Fish and Game Non-dedicated Funds was adopted.

In Wildlife Conservation Shooting Facilities, a transfer of \$636,100 and the corresponding PCNs to a new appropriation called Wildlife Education Public Shooting Ranges was approved.

In State Subsistence, the general fund request for \$400,000 was denied.

Position Analysis

In the FY 06 adjusted base budget, the department had 851 full time positions, 818 part time, and 101 temporary employees. The subcommittee approved the reduction of 1 permanent full

time position, 2 permanent part time positions and 1 temporary position for FY 06.

Missions and Measures

The subcommittee applauds the efforts of the department in establishing their mission and working on achieving their measures. We dedicated two meetings to have the agency discuss their measures with us. It is clear that they understand the importance of using this tool to measure their progress, not only for them, but for us as well.

FY 06 Intent Language

FY 06 - The department did not have any FY 06 intent language.

Senator Bunde shared that the Department was receptive to the priorities established by the subcommittee, as well as the intent that the Department's missions and measures more accurately portray its activities.

Senator Bunde reported the subcommittee recommended an increase of 3.9 percent from the FY 05 appropriation, although the Governor requested a 6.1 percent increase. Most of the increases recommended were "built into the system", as indicated by Co-Chair Wilken.

Senator Bunde overviewed the subcommittee report.

[10:18:32 AM](#)

Senator Hoffman challenged the assertion that the subcommittee recommendation reflects general fund reductions to the Governor's proposed FY 06 budget. He contended the incremental reductions were actually made to the FY 05 funding amounts and therefore the subcommittee report recommends an overall budget reduction for the Department.

[10:19:51 AM](#)

Senator Bunde stated the Governor's proposed budget contained a 6.1 percent increase to the FY 05 appropriation and the subcommittee recommendation is for a 3.9 percent increase.

[10:20:14 AM](#)

Senator Hoffman gave the Kodiak observer program as an example of an increment that would receive reduced funding for FY 06.

[10:20:29 AM](#)

Co-Chair Wilken noted the increments are from the FY 05 Management Plan.

[10:20:41 AM](#)

Senator Stedman asked for elaboration of the recommended transfer of \$636,000 related to the shooting facilities component.

[10:20:58 AM](#)

Senator Bunde replied that the funds in question are "existing funds". This program would receive no funding increase or decrease from the FY 05 appropriation.

[10:21:31 AM](#)

Department of Labor and Workforce Development

Senator Con Bunde, Chair
Senator Tom Wagoner
Senator Bettye Davis

Introduction

The Department of Labor and Workforce Development subcommittee used the FY 06 adjusted base when determining appropriation levels and accepted all departmental budget transactions from FY 05 Management Plan to the FY 06 adjusted base.

Our subcommittee reviewed the following motions and adopted them at our close out meeting on April 7, 2005. This narrative lists the proposed changes to the Governor's FY 06 requested budget. Those components not listed in this narrative are proposed at the same level as the Governor's FY 06 requested budget.

Departmental Spending Levels

General Funds

Senate Subcommittee	\$14,653,800
Governor's Proposed	15,192,600

Federal Funds

Senate Subcommittee	92,431,300
Governor's Proposed	92,431,300

Other Funds

Senate Subcommittee	46,909,400
Governor's Proposed	46,553,300

Totals

Senate Subcommittee	\$153,994,500
Governor's Proposed	154,177,200

Subcommittee Recommendations

In the Labor Market Information section, an increment for \$120,000 to establish funding to support preparation for the 2010 federal census was accepted.

In Wage and Hour Administration, the general fund request of \$65,000 and one new full time position for a new Wage and Hour Technician to review certified payrolls for resident hire enforcement was denied.

In Employment and Training Services, \$50,900 in General Fund Match was accepted to supplement the STEP funding in Senior Community Services Employment Program in order to fund at the Governor's level.

In the Office of Citizenship Assistance, \$126,200 was deleted. Funding the "Jobs are Alaska's Future Initiative" is the agency's top priority and the subcommittee supported them in their goal to get more Alaskans in our workplace.

In Alaska Vocational Technical Center, an increment for \$325,000 for expansion of the LPN the Allied Health Program was accepted.

Position Analysis

In the FY 06 adjusted base budget, the department had 875 full time positions, 107 part time, and 10 temporary employees. The subcommittee approved the addition of 1 permanent full time position, 1 permanent part time position and 1 temporary position for FY 06. The new positions are paid from the Workers Safety and Compensation Administration Account.

Missions and Measures

The subcommittee applauds the efforts of the department in establishing their previous missions and measures. The department has shown success in their efforts to both assist Alaskans in obtaining training that leads to employment and to improve their health and safety once on the job. Success in these programs is measured by the percentage of those who receive training and subsequently either enter into or maintain employment. In FY 04 95.1% of those trained went on to become employed. For comparison this is an increase of nearly 5% over the FY 01 rate of 90.3%.

FY 05 and FY 06 Intent Language

FY 05 - The department did not have any FY 05 intent language.

FY 06 - The department did not have any FY 06 intent language.

Senator Bunde expressed appreciation with the Department in working with him to make budget reductions and in establishing priorities based on the Department's needs.

Senator Bunde overviewed the subcommittee report.

LYNNE SMITH, Staff to Senator Bunde, was available for assistance.

AT EASE [10:23:52 AM/10:24:05 AM](#)

Senator Bunde stated the subcommittee recommended a budget reduction of 3.1 percent to the adjusted base, which is a 0.1 percent reduction from the Governor's requested FY 06 budget. General fund spending would be reduced by \$538,800; appropriation of other funds would be increased \$356,100, with a total reduction of \$182,700 appropriated to the Department.

[10:27:16 AM](#)

Senator Stedman pointed out that figures cited in the subcommittee report and stated by Senator Bunde are different from those printed in the commonly referred to "short forms" outlining the Governor's proposed FY 06 operating budget.

[10:28:11 AM](#)

JAMES ARMSTRONG, Staff to Co-Chair Wilken, testified that the short form budget books contain the data reflecting the Governor's FY 06 budget request submitted on December 15, 2004. The Office of Management and Budget has submitted amendments to the original request since that date, which are accounted for in the subcommittee report.

[10:28:51 AM](#)

Senator Stedman clarified that the FY 06 adjusted base is the calculation of the Governor's original request plus all amendments submitted by the Office of Management and Budget to that request.

[10:29:06 AM](#)

Senator Olson asked if the additional funding for the Alaska Vocational Technology Center (AVTC) would affect the number of registered nurses (RN) that would be licensed in the State of Alaska.

[10:29:26 AM](#)

Senator Bunde replied that registered nurses are certified through the University of Alaska. The nurses trained through AVTC would receive a Licensed Practical Nurse (LPN) certification.

[10:29:43 AM](#)

Senator Olson asked if the \$325,000 would result in the licensing of more LPNs or only expended to increase the number of teaching staff, purchase new equipment, etc.

[10:29:59 AM](#)

Senator Bunde responded that the funding would be utilized to increase the number of classes and reduce the time spent on a waiting list to get into classes.

[10:30:12 AM](#)

Senator Olson favored this expenditure.

[10:30:16 AM](#)

Senator Hoffman requested an explanation of the increased number of positions.

[10:30:37 AM](#)

Ms. Smith told of the subcommittee recommendation for the addition of one full time Wage and Hour Technician to be located in Fairbanks.

[10:30:59 AM](#)

Senator Hoffman understood that the requested position was not recommended.

[10:31:03 AM](#)

Ms. Smith clarified that the Department requested more than one new Wage and Hour Technician position.

[10:31:38 AM](#)

GUY BELL, Assistant Commissioner, Department of Labor and Workforce Development, testified that the new position is necessary to address the backlog in the Fairbanks office.

[10:32:00 AM](#)

Senator Hoffman asked if once the backlog is under control whether the position would be eliminated, or whether an increased workload was anticipated to continue.

Mr. Bell anticipated that the workload would continue.

[10:32:33 AM](#)

Department of Natural Resources

Senator Con Bunde, Chair
Senator Ben Stevens
Senator Tom Wagoner
Senator Donny Olson

Introduction

The Department of Natural Resources subcommittee used the FY 06 adjusted base when determining appropriation levels and accepted all departmental budget transactions from FY 05 Management Plan to the FY 06 adjusted base.

Our subcommittee reviewed the following motions and adopted them at our close out meeting on April 5, 2005. This narrative lists the proposed changes to the Governor's FY 06 requested budget. Those components not listed in this narrative are proposed at the same level as the Governor's FY 06 requested budget.

Departmental Spending Levels

General Funds

Senate Subcommittee	\$52,303,600
Governor's Proposed	53,257,100

Federal Funds

Senate Subcommittee	13,749,200
Governor's Proposed	13,749,200

Other Funds

Senate Subcommittee	43,736,600
Governor's Proposed	42,914,200

Totals

Senate Subcommittee	109,789,400
Governor's Proposed	109,920,500

Subcommittee Recommendations

In the Commissioner's Office, a general fund increment of \$81,100 for a Communications Officer was denied.

In Oil and Gas Development, an increment for \$978,600 for Gas line Commercialization and Expanding Investment in Exploration was accepted. The increment is being funded by \$733,900 in general fund and \$244,700 in permanent fund receipts.

In the Office of Habitat Management and Permitting, a general fund increment for \$50,000 for research projects throughout

the state was denied.

In Claims, Permits and Leases, the subcommittee approved an \$87,900 fund source switch from general fund to permanent fund receipts.

In Geological Development, an increment for \$300,000 was approved in Geological Data for Frontier Hydrocarbon Basins. This increment is being funded by \$225,000 in general fund and \$75,000 in permanent fund receipts.

In Geological Development, a fund source change for \$99,200 was adopted. To realign funding sources to reflect actual work activities, the increment will be switched from general fund to permanent fund receipts.

In Agricultural Development, a \$315,600 fund source change from general fund to Agricultural Revolving Loan Fund was adopted.

In Parks and Recreation Management, per AS 37.05.144, program receipts are to be used only by the program generating the receipts. Department of Natural Resources requested RSS in an allocation that does not generate RSS. This \$99,400 fund source change swaps GF and RSS between allocations (Parks Management and Parks & Recreation Access) in order to meet the requirements of AS 37.05.144.

Positions Analysis

In the FY 06 adjusted base budget, the department had 729 full time positions, 260 part time, and 94 temporary employees. The subcommittee approved a net addition of 11 permanent full time positions, 4 permanent part time positions and the reduction of 3 temporary positions for FY 06. The new positions are paid from a mixture of funding sources: general fund, permanent fund receipts, federal, state land fund, CIP receipts, I/A receipts and RSS (the 4 part time positions).

Missions and Measures

The subcommittee applauds the efforts of the department in establishing their previous missions and measures. The department accepts the responsibility of being held accountable to their goals and is diligently working to that end. As the department leads the way into more oil and gas development in the state, we anticipate they will continue to strive towards meeting the missions and measures.

FY 06 Intent Language

FY 06 - The subcommittee adopted the following language:

It is the intent of the legislature that two natural Resource Specialist II positions (one PFT, one PPF [PPT?]) shall be dedicated to preference leases until the backlog is fully addressed.

The Senate subcommittee adopted this language, however, funding of the \$106,700 using the State Land Income Fund and adding 1 full time and 1 part time position, which was not included in the subcommittee's budget.

Senator Bunde applauded the Department's understanding of the budgetary challenges faced by the subcommittee in making funding recommendations. The subcommittee recommended a .1 percent decrease in the appropriation of all funding source with a .18 percent decrease in general funds. Resource development is necessary to ensure that Alaska continue as a "resource state".

Senator Bunde overviewed the subcommittee report. He noted that if the funding source for the Gasline Commercialization and Expanding Investment in Exploration project needed to be changed, he recommended the item not be funded.

[10:37:10 AM](#)

Co-Chair Wilken highlighted the proposed intent language.

[10:37:26 AM](#)

Senator Hoffman requested justification for increasing, by 11, the number of permanent full time positions for this Department.

[10:37:36 AM](#)

Senator Bunde replied that permitting and resource development activities require additional efforts.

[10:37:54 AM](#)

Ms. Smith listed the proposed positions: four would be added to the Division of Oil and Gas, one Gasline Office Coordinator position for the Gas Pipeline Office, a new Executive Director position for the North Slope Science Initiative within the Large Project Permitting Section, a total of six new positions dedicated to General Mine Permitting in the Claims, Permits and Leases Section, one new position to support the Large Projects Manager position, two new Land Surveyor positions would be added to the Land Sales and Municipal Entitlements Section, one new position for Geological Development to address Geological Data Frontier for the Hydrocarbon Basins, one new position for Agricultural Development, and one Natural Resource Conservation Development Board Project Coordinator position for Conservation and Development.

Ms. Smith noted the total of 16 newly created positions qualifying

that six existing positions would be eliminated from Parks and Recreation Access.

[10:39:15 AM](#)

Senator Hoffman asked if the elimination of the six positions would result in less access to State parks.

[10:39:21 AM](#)

Ms. Smith replied that the positions in question were funded as Highway Enhanced Projects through the Department of Transportation and Public Facilities.

Co-Chair Green asked about the discussions with the Division of Agriculture director that resulted in the subcommittee recommendations regarding the Agriculture Revolving Loan Fund.

[10:39:50 AM](#)

Senator Bunde responded that the Department supported the recommendation in consideration of the Department's prioritizations.

Co-Chair Green asserted that the Division did not support the recommended change, as it would have a negative impact on the revolving loan fund. The balance of the fund is likely the lowest in its history. She cautioned against reducing the balance too much.

[10:42:33 AM](#)

Department of Commerce, Community and Economic Development

Senator Bert Stedman, Chair
Senator Gary Stevens
Senator Albert Kookesh

Introduction

The Department of Commerce, Community and Economic Development subcommittee used the FY 06 adjusted base when determining appropriation levels. The subcommittee accepted all departmental budget transactions from FY 05 Management Plan to the FY 06 adjusted base.

Departmental Spending Levels
General Funds

Senate Subcommittee	\$8,220,200
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Change to FY 05 Adjusted Base	2.9%
Governor's Proposed	\$8,970,200
Governor to Subcommittee	(8.4%)
Federal Funds	
Senate Subcommittee	\$26,590,600
Change to FY 05 Adjusted Base	2.3%
Governor's Proposed	\$26,590,600
Governor to Subcommittee	(0.0%)
Other Funds	
Senate Subcommittee	\$95,098,400
Change to FY 05 Adjusted Base	3.7%
Governor's Proposed	\$100,811,200
Governor to Subcommittee	(5.7%)
Totals	
Senate Subcommittee	\$129,909,200
Change to FY 05 Adjusted Base	3.2%
Governor's Proposed	\$136,372,000
Governor to Subcommittee	(4.7%)

Departmental Structure

The subcommittee moved the entire appropriation for the Office of Economic Development from the Commissioner's Office to the Community Assistance & Economic Development section where it will be more appropriately situated.

The subcommittee changed the name of the Banking, Securities and Corporations appropriation name to Banking and Securities to more accurately reflect the mission of that group.

The subcommittee transferred all Community Development Quota (CDQ) positions and funding from Banking and Securities to a new appropriation called the Community Development Quota Program. This allows better tracking and ensures that all funding spent on the CDQ program is generated by the program.

Subcommittee Recommendations

In the Commissioner's Office, the subcommittee moved \$54,000 from Personal Services and \$25,000 from Services into the Travel line to more accurately reflect the commissioner's FY 06 travel plans. Although the Department expects the commissioner's travel expenses to approach \$110,000, it had only budgeted \$31,000.

In Community Advocacy, a \$60,000 fund source change from Fish Fund Income to a newly created Special Vehicle Receipts fund source was accepted. This funding will be used to pay for statewide marine safety and education programs.

Also in Community Advocacy, a \$650,000 decrement in Interagency Receipts to reflect the FY 05 sunseting of the Alaska Regional Development Organization Program (ARDOR) was accepted. The subcommittee also applied a matching decrement of \$650,000 in AIDEA Receipts from the Alaska Industrial Development & Export Authority for the same reason.

In the Qualified Trade Association Contract with the Alaska Travel Industry Association, \$250,000 of a total \$1,000,000 General Fund increment request was accepted. \$750,000 was denied. These state funds must be matched with private sector dollars. The \$350,000 increment still represents a 6.25% increase for tourism marketing over FY 05.

At the Alaska Energy Authority (AEA), the subcommittee denied the governor's \$5,030,000 increment in PCE funds for the Power Cost Equalization Program. The request represented a 32% increase over FY 05 management plan and would have required a \$4.3 million general fund offset to recapitalize the PCE Endowment.

Also at AEA, the subcommittee moved \$64,000 from Personal Services back into the Grants line. The cost of administering the Power Cost Equalization program should come out of Grant funds, no Personal Services.

At the Alaska Seafood Marketing Institute, the subcommittee changed \$4,000,000 from Receipt Supported Services to Statutory Designated Program Receipts to reflect the proper funding source of this federal funding.

In the Occupational Licensing section, the subcommittee change \$700,800 from Receipts Supported Services (RSS) to Business License and Corporation Receipts to properly reflect the relocation of the Corporations group from Banking and Securities into Occupational Licensing.

Also in Occupational Licensing, the subcommittee decremented \$32,800 of Receipts Supported Services funding for the Board of Real Estate Appraisers. HB 47 will extend this board and funding is reflected in the fiscal note for that legislation.

Positions Analysis

The subcommittee approved a net addition of 8 permanent full-time positions for FY 06. One of these positions is funded with general funds.

- In community Advocacy, a \$75,100 GF increment was accepted to fund a new Local Government Specialist

position to assist the Local Boundary Commission.

- At the Alaska Industrial Development and Export Authority (AIDEA), a GF decrement of \$76,200 was accepted to eliminate a Grants Administrator position that is no longer required.
- In the Community Development Quota Program, a \$101,900 RSS increment was accepted to fund a new CDQ Manager Position.
- At the Alaska Aerospace Development Corporation (AADC) an AADC fund increment totaling \$502,100 was accepted to hire four new support managers and one new maintenance technician to work on range safety and telemetry system development at the Kodiak Launch Complex.
- At the Regulatory Commission of Alaska, a RCA Receipts increment of \$192,000 was accepted to add an Advisory Section Manager and a Commission Section Manager position.

Missions and Measures

The subcommittee spent a brief amount of time reviewing the department's top-level missions and measures. Although it is clear that the department has made progress recently on revising its division level missions and measures, it was recognized that the department's top-level measures might need some further review. The department performs a variety of diverse functions and the departmental missions should reflect that variety and enable it to accurately measure its progress. The department's second performance result "Increase number of Alaska citizens who have access to local government services" seemed particularly vague and the subcommittee suggested that it be reviewed.

FY 05 and FY 06 Intent Language

FY 05 - The department had no intent language in the FY 05 budget.

FY 06 - The subcommittee adopted the following intent language for the FY 06 budget:

It is the intent of the legislature that the travel in the Commissioner's Office be limited to the amount budgeted in the travel line.

Senator Stedman outlined the subcommittee report.

[10:49:32 AM](#)

Senator Hoffman asked about the proposed new position funded with

general funds.

Co-Chair Wilken replied that the position would be a Government Specialist to support the Local Boundary Commissions.

Senator Hoffman asked if the other seven new positions would be federally funded or a combination of program receipts and other funding sources.

MILES BAKER, staff to Senator Stedman, testified overviews the Positions Analysis contained in the subcommittee report.

[10:51:27 AM](#)

Senator Hoffman asked the need for an additional position in the Local Boundary Commission section.

[10:51:29 AM](#)

Mr. Baker understood considerable amount of work is associated with the studying of potential new borough formations. Most of the additional workload relates to the mandatory borough initiative.

[10:52:08 AM](#)

Senator Olson questioned the permanent classification for the position. He surmised the study of potential new boroughs would not continue indefinitely.

[10:52:35 AM](#)

Mr. Baker affirmed the position would be permanent full-time.

[10:52:42 AM](#)

Co-Chair Green predicted the study would require a significant length of time and is progressing slowly.

[10:52:50 AM](#)

Senator Hoffman characterized the efforts relating to the potential formation of new boroughs as "part of the bigger and brighter bureaucracy budget."

[10:53:03 AM](#)

Senator Olson referenced the recommendation for the transfer of \$64,000 within the Alaska Energy Authority (AEA) program for the

Power Cost Equalization (PCE) program. He asked the administrative funding has historically been included in the Personal Services component.

[10:53:31 AM](#)

Mr. Baker relayed that the Department "made that judgment call" recently to include the funding in the Personal Services component rather than the traditional Grant component.

Senator Olson clarified that the funding for administrative expenses has never been allocated through the Personal Services component.

Mr. Baker affirmed. The subcommittee therefore determined that the administration of the PCE program should continue to be allocated through the Grants component.

AT EASE [10:54:22 AM](#)/[10:55:36 AM](#)

#

ADJOURNMENT

Co-Chair Wilken adjourned the meeting at 10:55 AM.