

`MINUTES
SENATE FINANCE COMMITTEE
April 11, 2005
6:08 p.m.

CALL TO ORDER

Co-Chair Wilken convened the meeting at approximately [6:08:23 PM](#).

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: MAJOR GENERAL CRAIG CAMPBELL, Adjutant General/Commissioner, Department of Military and Veterans Affairs; JAMES ARMSTRONG, Staff to Senator Gary Wilken; DAN SPENCER, Director, Division of Administrative Services, Department of Public Safety; NANCY SLAGLE, Director, Division of Administrative Services, Department of Transportation and Public Facilities; SUSAN TAYLOR, Director, Division of Administrative Services, Department of Revenue; MIKE MAHER, Director, Division of Information and Administrative Services, Department of Environmental Conservation; PORTIA PARKER, Deputy Commissioner, Department of Corrections; CHRIS CHRISTENSEN, Deputy Administrative Director, Alaska Court System

Attending via Teleconference: There were no teleconference participants.

SUMMARY INFORMATION

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

The Committee heard the Subcommittees' Operating Budget recommendations for the Department of Military and Veterans Affairs, the Department of Public Safety, the Department of Transportation and Public Facilities, the Department of Health and Social Services, the Department of Revenue, the Department of Administration, the Department of Law, the Office of the Governor,

the Department of Environmental Conservation, the Department of Corrections, the Alaska Court System, the Legislature, and the Department of Education and Early Development. Draft committee substitutes were provided, and the bills were held in Committee.

#hb66

#hb67

COMMITTEE SUBSTITUTE 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 second hearing for these bills in the Senate Finance Committee.

Co-Chair Wilken communicated that this hearing would conclude the Subcommittees' reports to the full Committee. Draft committee substitutes are being finalized with the anticipation that any changes brought forward during this hearing would be "technical in nature". The goal would be to have the new committee substitutes available prior to the public testimony hearing scheduled for April 12, 2005.

Co-Chair Wilken requested that, rather than the Subcommittee discussions concentrating on small budget details, the reports would speak to general fund allocations exceeding \$50,000 and any significant federal funding issues. Missions and Measures information and pertinent intent language should also be presented.

Department of Military and Veterans Affairs

Senator Fred Dyson, Chair

Senator Charlie Huggins

Senator Johnny Ellis

Subcommittee Budgetary Highlights

	GF	Total
FY 05 Management Plan	= \$9,175,800	\$35,758,600
Adjusted Base	= \$9,404,400	\$36,358,800

GovA+Ed	= \$12,315,300	\$40,415,800
Changes Recommended by subcommittee		
General Fund	= \$2,910.900 over Adjusted Base	= No change from Governor's Amended
All Funds	= \$3,814,800 over Adjusted Base	= \$ 242,200 below Governor's Amended

Senator Dyson, Chair of the Department of Military and Veterans Affairs (DMVA) Subcommittee, voiced appreciation for the "transparency and integrity" shown by the Department during the subcommittee meetings. Subcommittee members' "hard questions" were answered in an honest and direct manner. The Subcommittee supported, with one exception, the entirety of the Department's requested budget increments. That lone exception, which pertained to the funding for the Local Emergency Planning Committees (LEPCs), was the result of confusion on the part of the Subcommittee in regards to the funding mechanism of the program. The LEPCs had been provided \$325,000 in FY 04, \$300,000 in FY 05, and had requested \$300,000 for FY 06. As a consequence of the Subcommittee's funding mechanism misunderstanding, the program would only receive \$57,800 resulting from the three-percent of the balance of the Oil and Hazardous Substance Release Prevention and Response Fund formula. The Subcommittee "shorted the program \$242,000". To that point, he requested that the Department's budget be adjusted upward to compensate for that shortage.

MAJOR GENERAL CRAIG CAMPBELL, Adjutant General/Commissioner, Department of Military and Veterans Affairs, affirmed that \$300,000 would be required to support the program in FY 06.

Co-Chair Wilken informed the Committee that the LEPC program would be provided for through a separate Department of Environmental Conservation budgetary item.

JAMES ARMSTRONG, Staff to Co-Chair Wilken, affirmed. A \$150,000 decrement from the Department of Environmental Conservation Oil and Gas Funding would be applied, via an amendment, to the LEPC program. This amendment has not of yet been drafted.

Senator Dyson appreciated that action, but pointed out that the program would continue to be short approximately \$100,000. The program must be fully funded in order to be effective or be abandoned otherwise. This program would allow local communities to plan for emergencies such as fires in addition to Homeland Security measures.

Major General Campbell noted that approximately 20 LEPCs exist in the State; in large communities such as the Municipality of Anchorage, the LEPC program works in conjunction with local officials to develop appropriate emergency plans. However, in small communities, the LEPC might be the sole emergency-planning organizer. "These are important committees" and more communities are asking to participate.

Co-Chair Wilken noted that he and his staff would work with Senator to identify additional non-general fund money to support the program.

Senator Dyson communicated that many of the Missions and Measures efforts conducted by the Department are "impressive". 92-percent of The Alaska Military Youth Academy participants are achieving their High School Graduation Equivalency Degree (GED), and 92-percent are also continuing their education. Other Missions and Measures activities are being advanced.

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Co-Chair Wilken understood that the Subcommittee included a funding recommendation in support of a new Youth Academy platoon.

Major General Campbell affirmed. The most significant increase in the FY 06 budget would be the addition of \$800,000 to support a new platoon in Anchorage. The goal would be to expand the program to the Fairbanks area; the Department has determined that an increase of up to 400 cadets a year could be expected.

Co-Chair Wilken understood that complete funding of the Alaska Land Mobile Radio (ALMR) would also be provided in the Subcommittee's budget recommendation.

Major General Campbell affirmed.

Senator Dyson noted that the State's support of the Youth Academy would consist of the standard education funding formula. The balance of the Youth Academy funding needs would be provided by federal funds. While the State's education funding formula money would follow the youth in whichever public education program they enrolled, the federal funds would only be available for youth in the Youth Academy program.

Senator Hoffman asked which of the 17 new positions specified for the Department would be supported by general funds.

Senator Dyson responded that ten of the 17 new positions relate to

the Youth Academy and would therefore qualify for federal match support. One new position would be added to the Veterans Administration (VA) Education Office; two positions would be added in the communications field; and five positions would be transfers from other divisions.

Major General Campbell specified that while the ten Youth Academy positions would be supported by general funds in FY 06, the education funding formula would support those positions the following year. The State's VA position would be funded by the federal VA. A combination of State general funds (GF) and Capital Improvement Project (CIP) receipts would fund the statewide communications positions. The five positions being transferred to the Department's ALMR program from the Department of Administration (DOA) are currently in the budget and supported by a combination of GF and federal funds. Therefore their expense would be offset by a detriment in the DOA budget.

Department of Public Safety

Senator Fred Dyson, Chair
Senator John Cowdery
Senator Gene Therriault
Senator Hollis French

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Budget Report

A. Budgetary Highlights

FY 05 Management Plan	= \$116,081,000
Adjusted Base	= \$116,586,700
GovA+Ed	= \$123,283,600

Changes recommended by subcommittee:

General Fund	= \$5,734,100 over Adjusted Base
	= \$ 728,500 below Governor's

Amended

All Funds	= \$6,092,900 over Adjusted Base
	= \$ 604,000 below Governor's

Amended

B. Jet

The Department requested \$1.4 million GF to lease a new jet.

The subcommittee recommends denying this request.

C. Rural Trooper Housing

The department requested \$517,800 GF plus \$356,400 Other Funds to subsidize 28 leased housing units in rural Alaska.

The subcommittee recommends approving the Other Funds, but recommends limiting the GF increase to \$350,000.

Senator Dyson shared that the Subcommittee thoroughly discussed whether the entirety of the housing funds being requested would be required in light of the fact that the Department had 28 division vacancies in addition to 12 vacancies at The Alaska Military Youth Academy. The decision therefore, as agreed upon by the Commissioner, was to reduce that increment from \$874,000 to \$706,000.

D. Additional Fuel Costs

The department requested \$482,400 GF to cover anticipated increases in cost of fuel for vehicles, heating, marine, diesel, and aviation fuel.

The subcommittee recommends limiting the increase to \$400,000 GF.

Senator Dyson stated that the fuel expense request was reduced to \$400,000 in order to reflect anticipated usage even though it was noted that fuel prices have increased.

E. Additional Recruiting Costs.

The department requested \$150,000 GF to enhance and expand recruitment of troopers and VSPOs.

The subcommittee recommends limiting the increase to \$100,000 GF.

Senator Dyson commented that while there is continuing concern in regards to recruitment, the decision was to reduce the funding of those efforts from \$150,000 to \$100,000.

Senator Dyson informed that the Subcommittee recommended funding the Alcohol Beverage Control Board license renewals increment at the requested \$135,000 level as such things as "background checks on people applying for new licenses" is important.

F. Aircrew Training

The department requested \$200,000 GF to provide pilot training to troopers.

The subcommittee recommends limiting the increase to \$150,000 GF.

Senator Dyson observed that this was an interesting request, and that the Subcommittee agreed with the Department's decision to provide additional training to existing staff having aviation experience. Doing so would allow those staffers to garner advanced ratings and thereby do more of the Department's flying. Nonetheless, that budget was reduced from \$200,000 to \$150,000.

Senator Dyson informed the Committee that the Department's Information Security Office, like its counterparts in other departments, is attempting to develop more automated programs and do more things online. There are "very significant security issues and much of the information that they store and must disseminate upon request is quite secure information and very timely". Having to depend on other entities for computer assistance could be, "at times very awkward"; therefore the subcommittee concurred with the Department "that their own in-house person" would be required.

H. Concealed Handgun Program & Sex Offender Registry Underfunding

The department requested \$76,500 GF to compensate for reduced revenues from elimination of the concealed handgun permitting program.

The subcommittee recommends limiting the increase to \$41,500 GF. Further, it is the intent of the subcommittee that the additional funds be used for the sex offender registry program.

Additionally, the subcommittee requested the department to perform further analysis in an attempt to find ways for the Concealed Handgun and Security Guard Licensing program to be come self-sustaining.

Senator Dyson stated that even though the Department has experienced "a significant reduction" in Concealed Handgun Permit receipts due to changes resulting from recent Legislative action that database must continue to be maintained and renewals must be addressed. There is also an increasing demand to keep the sex offender registry current and its information available to the public and prospective employers. The Subcommittee opted to increase this budget by \$41,500 instead of the \$76,500 requested by the Department with consideration being given to increasing the fee structure of handgun renewals and other programs, as the original intent was for the program to be primarily supported by program receipts.

G. Additional Troopers

The department requested \$803,500 GF to fund 5 troopers to improve rural road system traffic enforcement and other law enforcement services.

The subcommittee recommends a conditional denial of this request. The subcommittee offered the department the opportunity to bring further justification back to the subcommittee before the subcommittee presents its recommendations to the Senate Finance Committee. If the justification is compelling, Senator Dyson, as chair of the subcommittee, will propose a partial or full restoration of the request.

During subcommittee hearings, the department provided various estimated levels of vacancies, from a low of 20 troopers to a high of 35 troopers, and varying costs per trooper from \$107,000 to \$160,000. Given the large number of vacancies, the subcommittee questioned whether the department would be able to fill the 5 positions requested. The subcommittee requested the department to provide the following information:

- (1) How many trooper vacancies are in the department?
- (2) Provide a history, for at least the past couple of years, of:
 - (a) Turnover
 - (b) Number of vacancies
 - (c) Fill rate
 - (d) Number of troopers authorized
 - (e) Account for funds authorized for new troopers but not spent on new troopers.

Senator Dyson stressed that the Subcommittee supported increasing the number of Alaska State Troopers. However, the Department was asked to provide a response to the question of whether the Department could recruit, train, equip, and activate enough troopers to fill the current 28 vacant positions within FY 06. A Department response is expected shortly. In the meantime, the request for \$803,000 was denied even though the Committee recognized the need for more Troopers as being valid.

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Senator Dyson stated that the Department's requested amount for the Council on Domestic Violence and Sexual Assault (CDVSA) program was approved but the \$200,000 additional funding included in the House of Representatives FY 06 operating budget was denied.

Senator Dyson informed that the Subcommittee recommended full

funding of the Department's new personnel contracts.

I. Victims for Justice

The department did not request funds for the Victims for Justice.

The subcommittee recommends adding \$125,000 GF for this program.

Senator Dyson informed that the subcommittee adopted an amendment to fund the Victims for Justice at a \$125,000 level.

Co-Chair Green questioned this funding increment, as the Victims for Justice Committee had been transferred to a different department.

DAN SPENCER, Director, Division of Administrative Services, Department of Public Safety, affirmed that the Victims for Justice program was transferred to the Department of Law a few years earlier; however, the program has not been funded by that Department. This increment would be provided in the form of a Named Recipient Grant in support of that program.

Co-Chair Wilken communicated that this issue would be further reviewed.

Senator Hoffman spoke to the decision to reduce funding for Rural Housing, as he understood that that increment "was the Department's number one request". The lack of housing in Rural Alaska is one of the obstacles in recruiting new troopers. Therefore a reduction in Rural Housing funding fuels "the vicious circle" relating to recruitment difficulties.

Senator Dyson responded that the reduction in housing funding was prompted by the fact that there are currently 28 vacant Trooper positions. The Department has determined that it would be "improbable" that the entirety of those positions would be filled and training completed in FY 06. The authorization approving five more Trooper positions would increase the number of vacant positions to 33. Therefore, while the housing needs are valid, the decision to reduce those funds was based on the fact that there would be an insufficient number of troopers available to utilize the entire requested amount.

Mr. Spencer affirmed that increasing the number of troopers in Rural areas and improving recruitment efforts are Department priorities. The Department's budget request indicates that additional funds are been sought in that regard. However, while

proposals for Rural Trooper housing needs are currently being advertised, "the reality is" that fulfillment of that need could not be accomplished by July 1, 2006. Furthermore, new Trooper recruits could not be fully trained by that date either. The goal therefore would be to have housing available by the time new recruit training is completed.

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Senator Dyson communicated that the Department's annual budget includes a vacancy factor.

Mr. Spencer affirmed that approximately \$1.5 million, which is the equivalent of approximately 15 full-time Trooper positions, is factored into the budget.

Senator Dyson declared that having 15 vacant Trooper positions is not desired. To that point, he asked the number of sworn officers in the Department.

Mr. Spencer responded that there are approximately 300 sworn officers.

Senator Hoffman understood that there are currently seven vacant Trooper positions in Bethel. "That makes a big difference in the service" that is provided to the area. This is the reason he is questioning the Department's priorities.

Co-Chair Green asked what was included in the "Other Funds" that support the Trooper housing request.

Mr. Spencer informed that "Other Funds" relates to the revenue generated from the Troopers, as they pay a portion of their rent.

Co-Chair Green reminded the Committee that approximately six million dollars is included in the Alaska Housing Finance Corporation budget for a housing and loan assistance program for teachers, health, and public safety professionals.

Senator Olson asked, in regards to the aforementioned aviation training program request, the number of State Troopers who are currently licensed pilots.

Mr. Spencer responded that the number would be provided as he did not have that information with him.

Senator Olson, himself a pilot and the operator of a business that hires pilots, pointed out that most pilots must pay for their own

training. He agreed that training is important; however, he was concerned that the State would be paying for such training. He stated that were a licensed airplane pilot trained to fly helicopters, the State would be utilizing a helicopter pilot with a low number of hours. This might result in an increase of accidents. Therefore, he questioned this endeavor.

Mr. Spencer understood the concern. However, he noted that efforts to recruit pilots and train them to be State Troopers have not been successful. The Department has determined that it would be easier to recruit a Trooper and then teach them to fly. Previous efforts to get troopers to acquire their own pilot licenses were initially successful, but that is not currently the case. The Department has determined that this approach would be in the Department's "best interests". It would provide for a more effective police force throughout the State. While he understood the concern regarding low time pilots, the fact of the matter is that the pilots "would be working pilots" and would fly quite a bit.

Senator Dyson understood that whenever a flight is required, a Trooper must wait for a pilot. Victim or prisoner space would be limited in a Super Cub airplane, were it to carry both a Trooper and pilot. Having a Trooper who could fly would be beneficial.

Senator Olson declared that it would be dangerous for a lone Trooper to be responsible for piloting the plane as well as being required to subdue a prisoner.

Senator Bunde observed that, based on the Department's historical accident rate, "Troopers don't always make good pilots".

Department of Transportation and Public Facilities

Senator Lyda Green, Chair
Senator John Cowdery
Senator Charlie Huggins
Senator Albert Kookesh

Senate Finance Subcommittee Closeout Summary for the
Department of Transportation and Public Facilities

	FY 06		FY 06
	Sen SC		Gov. Req
GF	166,558,900	GF	111,132,600
Fed	3,539,500	Fed	3,539,500
Other	<u>245,490,000</u>	Other	<u>302,512,600</u>
Total	\$415,588,400	Total	\$417,184,700

The subcommittee accepted all budget related changes that are included in the FY06 Adjusted Base scenario as requested by the Governor.

The subcommittee accepted all 'fixed cost' increments as requested by the Governor.

\$12,881,300 GF	Department wide, the fixed costs include: fuel, steel, gravel, human
4,238,700 GF	resources, maintenance due to increased
15,000 Federal	lane miles, maintenance due to increased
8,627,600 Other	airport safety, and risk management.

The subcommittee requests the following changes to the Governor's FY06 request:

Advisory Boards

\$20.0 GF was not accepted because HB209 and SB133 have been introduced to make the Aviation Advisory Board permanent. This request could be accommodated through a fiscal note.

\$37.0 I/A Rcpts was not accepted because the Marine Transportation Advisory Board has not had legislation introduced to make it permanent yet should be treated similar to the Aviation Advisory Board. I/A Rcpts can be accommodated through agency process without legislative approval.

Transportation Management and Security

\$275.0 GF was accepted as a one-time-item for a new program for equipment operator training. The following intent language is offered upon Senate Finance Committee acceptance of this new program:

It is the intent of the Legislature that the DOT&PF establish a formal equipment operator training and certification program and adopt common business rules with the goal of reducing accidents and preventable damage to equipment. The successful implementation of this program must show measurable reductions in damage repair and accidents by June 1, 2006."

\$95.0 GF was accepted for a new program for integrated vegetation management. The following intent language is offered upon Senate Finance Committee acceptance of this new program:

It is the intent of the Legislature that the DOT&PF adopt an Integrated Vegetation Management approach for controlling problem and invasive plants on state owned property along highways and airports. The successful implementation of this program will be establishing IVM plans and acquiring the necessary ADEC environmental permits by June 1, 2006. The IVM plans must also include outcomes to measure DOT&PF maintenance cost savings and improved road safety."

\$200.0 GF was accepted for anti-icing improvements to Matanuska and Kenai Peninsula highways. The following intent language is offered upon Senate Finance Committee acceptance of this program expansion:

It is the intent of the Legislature that the DOT&PF provide a cost report identifying the savings on abrasives and road maintenance hours by using the anti-icing agents on specific road miles compared to the increased costs of chemical use."

\$3,500.0 GF was accepted for an increased level of service on the Dalton Highway. More than \$73 million is requested/approved for Dalton Highway road improvements and the maintenance costs of the highway are expected to increase 2-3 million per year. The additional road maintenance may be better funded through toll or weigh station fees. The following intent language is offered upon Senate Finance Committee acceptance of this program expansion:

It is the intent of the Legislature that the DOT&PF consider the impact of toll fee stations and/or weigh stations at or near Seven Mile (Yukon River crossing or Arctic Circle crossing), Chandalar (Dalton Highway mid point), and Deadhorse (Prudhoe Bay or Bullen Point Road). The purpose of the potential collection points is to help offset costs of road maintenance for heavy equipment use on the Dalton Highway and for tourist related highway use. Highway use data should be collected in association with the fee collection.

Parks Highway Increased Maintenance

\$115.0 GF was accepted for increased maintenance on the Parks Highway for the Cantwell maintenance station.

\$115.0 GF was accepted for increased maintenance on the Parks Highway for the Chulitna maintenance station.

Snow Haul and Traffic Signal Management for Municipality of Anchorage

\$316.8 GF was not accepted for the increased traffic signal management contract with the Municipality of Anchorage.

\$700.0 GF was not accepted for increased sidewalk clearing and snow hauls in the Anchorage bowl.

Increased Airport Services

\$35.0 GF was not accepted for the purchase of E36 and Urea for the Bethel Airport.

\$115.0 GF was accepted at one-half of the Governor's requested level for extended operational hours at Bethel and Dillingham airports.

\$190.0 GF was accepted at one-half of the Governor's requested level for extended operational hours at Nome and Kotzebue airports.

\$182.5 GF was accepted at one-half of the Governor's requested level for extended operational hours at Wrangell and Petersburg airports.

\$68.0 GF was accepted as a one-time-item for the increased cost share agreement for the King Salmon tower contract.

TSA Airport Security

\$102.0 GF was accepted for a new TSA Security Administrative Liaison position in the Northern Region.

\$98.0 GF was accepted for a new TSA Security Administrative Liaison position in the Southeast Region.

Alaska Marine Highway System

Reservations and Marketing

\$500.0 AMHSF was accepted for the new marketing and promotion program. The following intent language is

offered upon Senate Finance Committee acceptance of this program expansion:

It is the intent of the Legislature that the Department of Transportation and Public Facilities establish a clear performance measures for this marketing program and establish a tracking system that will record the increase in revenues generated by this appropriation.

Vessel Operations

\$4,100.0 MHF was accepted for additional mainline service related to the M/V Kennicott.

Vessel Operations

Fund Change

\$56,985.6 GF
(\$56,985.6) AMHSF

This fund source change directly appropriates the general funds that are typically provided in the language section to the operating budget. There is no change to the total amount of funding appropriated to the AMHS. This dollar amount includes the AMHS bargaining unit contract increases that were requested after the Governor's amended budget was offered. The reason for this funding change is to better identify what portion of the AMHS budget is funded by the General Fund or funded by AMHS passenger and sales receipts.

Co-Chair Green, the Subcommittee chair, pointed out that the Subcommittee's Department of Transportation and Public Facilities (DOT) operating budget recommendations reflected a GF increase of approximately \$50,000,000 as compared to the Governor's proposed budget, as the result of transferring \$56,985,600 from the Alaska Marine Highway (AMH) Fund money to the General Fund.

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Co-Chair Green continued that this action would allow for "a full review of what's there, what's being spent, and how that is being accounted for" as otherwise, when money is debited to the AMH Fund is it never reviewed. Historically, money has simply been added to the Fund when its balance was low. Thus, while the Subcommittee's GF recommendation might look alarming, it is "neutral in the final analysis".

Co-Chair Green also noted that the Subcommittee recommended the

addition of one GF position in the Integrated Vegetation Management Program, one GF position in the Equipment Operator Program, six GF positions for the Expanded Rural Airport Program "to keep Rural airports open longer and to address safety issues"; two GF regional Transportation Safety Agency (TSA) liaison positions, 14 GF positions for the Dalton Highway, including an increase in supervisory positions required for the Way Stations; and two GF positions for the Cantwell and Chulitna Road maintenance.

Co-Chair Green noted that there is quite a bit of Intent Language included in this budget. While the Subcommittee adopted the fixed cost increments requested by DOT, some changes were made to the Governor's FY 06 request, including the adoption of common based business rules with the goal of reducing accidents and preventable damages to equipment as noted in the intent language in the Transportation Management and Security component.

Co-Chair Green reviewed the components of the Subcommittee Report and specifically noted the Intent Language pertinent to the anti-icing improvements to the Matanuska and Kenai Peninsula highways and the expected results for the Highway Vegetation program. She respectfully submitted the report.

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Senator Bunde asked the reason for increasing the TSA airport security administration liaison as some characterize the TSA program as "thousands standing around".

Co-Chair Green pointed out that one of the positions is specific to the Northern Region and one is specific to the Southeast Region.

NANCY SLAGLE, Director, Division of Administrative Services, Department of Transportation and Public Facilities, voiced that the Department views these positions as being critical because, even though the federal TSA program might have a lot of people at the airports, "more and more stringent activities and review of what is going on" is occurring at each of the State's certificated airports. As a result of individual airport quarterly reviews and other TSA requirements, the burden on current State staff is expanding, and, as a result, other things such as Federal Aviation Administration (FAA) requirements and other airport issues are being neglected. These individuals would work with TSA on an on-going basis, and would allow other staff to address other workload needs.

Senator Stedman asked regarding the Subcommittee's recommendation to deny \$37,000 for the Marine Advisory Transportation Board;

specifically whether the intention is to abolish the Board or whether Statutory changes should be made to it.

Co-Chair Green commented that the Board is not a permanent Board. The I/A receipts that support it could be accommodated without legislative approval.

Senator Stedman acknowledged the explanation.

Senator Bunde stated that imposing a Haul Road fee-based weight station is an excellent suggestion.

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Department of Health and Social Services

Senator Lyda Green, Subcommittee Chair
Senator Ben Stevens
Senator Gary Stevens
Senator Bettye Davis

Senate Finance Subcommittee Closeout Summary for the
Department of Health and Social Services

	FY06 Sen SC	FY06 Gov Req
GF	609,521,600	GF 622,575,300
Fed	996,231,400	Fed 999,570,300
Other	205,334,700	Other 206,889,700
Total	\$1,811,087,700	Total \$1,829,035,300

The subcommittee accepted all budget related changes that are included in the FY06 Adjusted Base scenario as requested by the Governor.

The subcommittee accepted all fixed-cost, formula/entitlement program, and life-safety increments as requested by the Governor.

\$151,005,000	Department wide, the fixed costs include:
86,829,900 GF	fuel, human resources, working reserve
62,748,400 Federal	fund resources, and risk management.
1,426,700 Other	Entitlement and life-safety programs
	include: Pioneer Home safety, Medicaid,
	public assistance programs, facility
	growth needs, and poison control center
	services.

The subcommittee requests the following changes to the Governor's FY06 request:

Alaska Pioneer Homes Appropriation

\$82.5 GF was not accepted for Veterans' beds in the Palmer Pioneer Home due to a later than anticipated home modification completion date.

The following intent is offered to provide program guidance.

It is the intent of the Legislature that all pioneers' homes and veterans' homes applicants shall complete any forms to determine eligibility for supplemental program funding, such as Medicaid, Medicare, SSI, and other benefits as part of the application process. If an applicant is not able to complete the forms him/herself, or if relatives or guardians of the applicant are not able to complete the forms, Department of Health and Social Services staff may complete the forms for him/her, obtain the individuals' or designees' signature and submit for eligibility per AS 47.25.120

Behavior Health Appropriation

\$80.0 Receipt Supported Services was accepted for additional collections anticipated for the FASD Summit. The Summit costs \$162.5 to put on. Approximately 800 attendees are charged \$100 each and the balance paid from federal funding.

\$596.0 GF was not accepted as federal back fill for alcohol related programs.

\$2,000.0 I/A Rcpts (TANF Bonus Award) was accepted but is contingent on the following intent and department performance.

The following intent language is offered upon Senate Finance Committee acceptance of this new TANF Bonus Award funded program:

The Department of Health and Social Services will establish specific "evidence based" prevention programs at the community level through a competitive Request for Proposal (RFP). The department will also develop a clear plan for evaluation and program outcomes to better document the successes of Alaska's prevention efforts. The

Plan must be presented to the Legislative Budget and Audit Committee prior to the beginning of the 2006 legislative session, or to the House and Senate Finance Committees by February 1, 2006 for approval. Upon approval of the Plan, up to \$2,000.0 in TANF Bonus award funding may be made available for alcohol and drug program expansion. The amount of the funding will be prorated based on timing and realistic use of funds.

\$204.5 GF/MH and

\$204.5 Fed Rcpts was accepted for the 'Keep' the Kids Home assessment and care coordination.

\$268.2 GF was not accepted because it was originally included in this budget as a one time item through a reappropriation.

Children's Services Appropriation

Technical corrections:

\$120.0 fund change from GF to GF/Match in Child Services Management

\$3,700.0 fund change from GF to GF/Match in Front Line Social Workers

Front Line Social Workers

\$220.4 GF/M and

\$188.8 Fed Rcpts was accepted as a one-time-item to enhance the \$1.2 million already budgeted for Child Services Training. One year of enhanced training is needed to retrain all staff regarding new regulations and program changes.

\$830.5 GF/M and

\$2,197.6 Fed Rcpts was accepted for 31 new Front Line Social Worker positions.

Family Preservation

\$135.3 GF was accepted at a reduced amount because this programming function is not accepted under the state's Medicaid State Plan for federal reimbursement.

Family Preservation

\$173.0 GF/M and

\$58.0 Fed Rcpts was not accepted for a new attorney in the Nome DA office for Child In Need of Aid cases.

Foster Care Special Need

\$75.0 GF/M and
\$25.0 Fed Rcpts was accepted for increased resource family recruitment effort.

Subsidized Adoption and Guardianship

\$187.5 GF/M and
\$62.5 Fed Rcpts was not accepted for enhanced post adoption services.

\$120.0 GF/M and
\$37.5 Fed Rcpts was accepted for unified home studies for both foster and adoption home placements.

Health Care Services Appropriation

Medicaid Services

\$50.2 GF and
(\$4.1) Fed Rcpts was not accepted for Medicare Part A&B premium cost increase due to projected savings through the Medicaid PCA regulation changes.

Medicaid Services

\$5,301.0 GF/M was not accepted for Medicare Part D Clawback adjustment that is premature at this time.

Juvenile Justice Appropriation

Nome Youth Facility

\$451.8 GF was accepted for the Nome youth facility expansion.

Probation Services

\$1,070.0 GF was accepted for increased efforts to address juvenile crime.

Public Assistance Appropriation

Adult Public Assistance

\$3,180.0 Fed Rcpts was accepted for increased TANF Bonus

Award receipts.

\$1,180.0 Fed Rcpts was not accepted for reduced expenditure of the TANF Bonus Award. (\$2,000.0 in TANF Bonus Award spending will be made available based on the Department's performance related to the contingency language adopted in the Behavioral Health appropriation.)

Adult Public Assistance

\$317.3 GF and
\$296.0 Fed Rcpts and
\$70.7 I/A Rcpts was accepted for the anticipated increase
of APA caseload costs.

Adult Public Assistance

The following intent is offered to provide program
guidance.

*It is the intent of the Legislature that the
Interim Assistance cash payments be restricted to
those individuals who agree to repay the State of
Alaska in the event SSI does not determine the
individual eligible for cash assistance. It is the
intent of the Legislature that the DHSS make all
attempts possible to recover the Interim Assistance
cash payments in the event an individual is not SSI
eligible after receiving Interim Assistance.*

General Relief Assistance

\$0 The Increment and Decrement of \$143.6 GF from General
Relief Assistance to Public Assistance Field Services
is accepted.

Public Health Appropriation

Women, Children and Family Health

\$500.0 GF was not accepted for increased Breast and
Cervical Cancer screening.

\$1,300.0 GF was not accepted for increased Breast and
Cervical Cancer screening.

The following intent is offered to provide
program guidance.

*It is the intent of the Legislature that the
Department of Health and Social Services
maintain fiscal accountability for Alaska's
Breast and Cervical Cancer screening
population by amending the age eligibility
criteria based on the amount of federal
resources appropriated on an annual basis. It
is incumbent upon the Department of Health and
Social Services to revise criteria
appropriately to ensure that federal resources
remain the sole source of financial support
for this program.*

Women Children and Family Health

\$20.0 GF and
\$480.0 I/A Rcpts (TANF Bonus Award) was not accepted
for the Statutory Rape Reduction public
information campaign.

Certification and Licensing

\$3.3 GF was not accepted because there is an
anticipated
increase in fee collections, therefore the
additional General Funds are not needed.

Epidemiology

\$270.0 Tob Ed/Ces was not accepted for smoking
cessation program enhancements.

Community Health Grants

\$0 Fund change from Tob Ed/Ces to GF is not accepted.

State Medical Examiner

\$100.0 GF was not accepted for expanded work that
includes surveillance through death investigations.

Tobacco Prevention and Control

\$1,230.0 Tob Ed/Ces was not accepted for increased
tobacco prevention and cessation activities.

Senior and Disability Services Appropriation

Senior and Disabled Medicaid Services

\$2,000.0 GF and

\$2,000.0 Fed Rcpts was reduced for cost containment efforts
achieved through changes in PCA regulations. Additional
savings should be realized in FY07.

The following intent is offered to provide program
guidance.

*It is the intent of the Legislature that the
Department of Health and Social Services implement
regulation changes to 7 AAC 43.750-795 to control
and reduce costs of the Personal Care Attendant
(PCA) program by: 1) clearly defining recipient
eligibility in the "purpose and scope" section
where, absent PCA assistance, an individual would
require hospitalization or nursing home care; 2)
clearly defining recipient eligibility in the
"purpose and scope" section where, absence of PCA
assistance would result in the individual's loss of
employment; 3) deleting "stand-by" assistance as an
allowable PCA task; 4) clearly stating that*

Instrumental Activities of Daily Living (IADLs) are not allowable unless specifically related to an approved task for an Activity of Daily Living (ADL) need; 5) adopting an objective client assessment tool that results in a reliable and consistent care plan to be used by PCA providers, PCA agencies and the department; 6) requiring physical certification of an individual's condition as stated in the PCA assessment to confirm need for services; 7) requiring that if more than one PCA recipient resides in the same home, only one PCA provider is allowed for both recipients; 8) tightening enrollment criteria for all providers to require specific training and experience; 9) requiring Medicaid certification for PCA provider agencies; 10) requiring that the owner/manager of a PCA agency meet specified minimum level of education and administrative or business experience in a related field; 11) clearly stating that an individual's assessment function will be conducted by department staff or the department's designee; 12) requiring prior authorization by department staff or the department's designee for all PCA services; 13) including a new regulation that prevents the individual solicitation of clients by PCA agencies and provides consequences for such actions; and 14) review consumer directed services to determine processes or procedures to improve program effectiveness.

Senior and Disabled Medicaid Services

\$200.0 GF and

\$600.0 Fed Rcpts was accepted for increased audit services on Medicaid Personal Care Attendant providers that is not part of the PERM project. This audit will also provide the oversight required to determine adherence to the new regulations based on the above listed intent.

Senior and Disability Services Administration

\$225.0 GF was not accepted to replace federal funds that are no longer available for transitioning individuals from nursing homes to home/community placement.

\$68.9 GF was not accepted for increased service for the Adult Protective Services program.

Protection Community Services

\$750.0 GF was not accepted for increased costs associated with providing safe homes for vulnerable adults who are removed from their homes.

Departmental Support Services

Information Technology

\$125.0 GF and

\$275.0 Fed Rcpts was accepted for routine replacement of the information technology hardware program.

Information Technology

\$150.0 GF and

\$50.0 Fed Rcpts was not accepted for replacing aged computers and peripherals for ORCA.

Information Technology

\$134.0 GF and

\$44.6 Fed Rcpts was accepted for additional ORCA programmer support.

Boards and Commissions

Governor's Council on Faith-Based Communities

\$315.0 GF and

\$105.0 I/A Rcpts was not accepted for the formation of the Faith-Based and Community Initiatives Council per Administrative Order 221.

Co-Chair Green, Subcommittee Chair, commented that one of the most important actions of the Subcommittee was their inclusion to Intent Language in the report in an effort "to help the Department" and the reporting process in the future.

Co-Chair Green noted that the Subcommittee recommended a reduction in the Governor's GF amended budget by approximately \$13,000,000. Nonetheless, the GF amount recommended exceeds the FY 05 amount by approximately \$70,000,000.

Co-Chair Green noted that Intent Language was included in regards to the Alaska Pioneer Homes Appropriations in an effort to further Department action in seeking other benefit coverage afforded to its residents. She read the Intent Language included in the report.

Co-Chair Green also read the Intent Language pertinent to the Behavior Health Appropriations, and noted that one component of that language would require that definitive program results be provided to the Legislature.

Co-Chair Green also referenced the Intent Language accompanying the Adult Public Assistance program, the Breast and Cervical Cancer screening in the Public Health Appropriation, as well as the Senior and Disability Services Appropriation Personal Care Attendants. She noted that a concern addressed by the Breast and Cervical Cancer program Intent Language was the clarification that the State would not backfill lost federal funds. The State has one of "the more generous" and one of the broadest age criteria programs in the country in that, while its original entry age was women over the age of 55, that age requirement has been expanded to include younger women. This has resulted in an increase in the number of program applicants. The women to whom the program was originally intended should receive priority. The Intent Language regarding Personal Care Attendants was included as that program's costs have been escalating. Fourteen items are included in the Intent Language for the Department to review in order to determine eligibility and establish guidelines for the program.

Co-Chair Wilken expressed that the Department of Health and Social Services budget is the State's most complicated budget, and he thanked Co-Chair Green for her longevity and dedication to it. This Department's budget would continue to have tremendous impact on the budget considerations each year.

Co-Chair Green thanked the Department for assisting in the development of the Subcommittee's budget recommendation report.

Department of Revenue

Senator Bert Stedman, Subcommittee Chair
Senator Thomas Wagoner
Senator Gretchen Guess

FY 06 Operating Budget Closeout

Introduction

The Department of Revenue 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.

The Department of Revenue subcommittee adopted the following motions at its 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 amended operating budget request.

Departmental Spending Levels

	Senate Subcomm	Chg 05 Adj Base	Governor's Proposed	Governor to Subcomm
General Funds	\$ 8,641,200	7.8%	\$ 9,954,500	(13.2%)
Federal Funds	\$38,133,700	0.1%	\$ 38,133,700	0.0%
Other Funds	\$134,227,700	14.5%	\$133,114,400	0.8%
Totals	\$181,002,600	9.8%	\$181,232,600	(0.1%)

Subcommittee Recommendations

In the Tax Division, the subcommittee switched \$973,500 of General Funds to Permanent Fund Receipts in recognition of the fact that seventy percent of the division's efforts are in corporate oil and gas revenue collections. Twenty-five percent of these revenues flow directly into the Permanent Fund. As the Department ramps up its efforts to increase corporate oil and gas revenue, it's important that the associated costs be appropriately allocated.

In the Tax Division, a General Fund increment of \$370,100 was accepted to fund the addition of five new revenue auditors and one new tax technician as part of the division's corporate audit revitalization program. To fully fund these positions, the GF increment will be combined with \$78,500 of Permanent Fund Receipts.

Also in the Tax Division, an increment of \$150,000 in General Funds to hire two economists was denied. The subcommittee recognized that a considerable amount of money is being appropriated elsewhere in the state to acquire economic expertise in oil and gas.

Also in the **Tax Division**, a General Fund increment of \$288,700 was accepted to support the contract services portion of the division's corporate tax revitalization program. This increment will be combined with \$61,300 in Permanent Fund Receipts to fund training program development, audit risk assessment and data mining.

Also in the Tax Division, a General Fund increment of \$50,000 for contract services was denied. These funds had been requested for the division to begin advance planning on possible broad based, statewide taxes.

Positions Analysis

The subcommittee approved an addition of 13 permanent full-time positions for FY 06. Six of these positions are funded with general funds and seven are funded with a combination of General Funds, Permanent Fund Receipts and Interagency Receipts.

- In the Tax Division, a General Fund increment of \$778,900 was accepted to fund the addition of six tobacco tax enforcement staff positions. These positions were authorized by legislation passed during last year's special legislative session.
- Also in the Tax Division, a General Fund increment of \$370,100 was accepted to fund the addition of five new revenue auditors and one new tax technician as part of the division's corporate audit revitalization program. To fully fund these positions, the GF increment will be combined with \$78,500 of Permanent Fund Receipts.
- In the Treasury Division, a General Fund increment of \$43,000 was accepted to fund one additional staff person in the investment compliance group. To fully fund the position, this
- increment will be combined with \$69,600 of Interagency Receipts.

Missions and Measures

The subcommittee spent a brief amount of time reviewing the department's top-level missions and measures. The subcommittee recognized the need for the department to regularly review its mission statement and to adjust its performance metrics as necessary. The subcommittee established no new results, targets or measures for the department during this budget cycle.

FY 05 and FY 06 Intent Language

FY 05 - The department had the following intent language in the FY 05 budget.

It is the intent of the legislature to give notice as permitted by AS 15.13.145, and regulations of the Alaska Public Offices Commission, that the Alaska Permanent Fund Corporation may use amounts appropriated for operations of the corporation within the corporation's fiscal Year 2004 and 2005 budgets to educate voters concerning the Percent of Market Value Amendment to the Alaska Constitution and the reasons why the Trustees recommended this change in law. It is further the intent of the legislature that the Alaska Permanent Fund Corporation not advocate a position on the ballot question, must permit persons with all viewpoints to participate in a public forum, and shall present all known effects that the Percent of Market Value proposal could have on the

Alaska Permanent Fund.

The 24th Legislature did not pass POMV legislation, so the proposed ballot item to which this language refers did not appear on the 2004 general election ballot. Consequently, the Alaska Permanent Fund Corporation did not take any action under this intent language.

FY 06 - The subcommittee added no intent language for the FY 06 budget.

Senator Stedman, the Subcommittee Chair, read the Subcommittee report and specifically noted the their recommendation to replace \$972,000 of GF monies, as recommended in the Governor's budget proposal, with Permanent Fund Receipts.

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Senator Stedman noted that, over the years, the Department's Tax Division auditing staff has decreased from 14 auditors to four, and two of those four would be retiring soon. Efforts must be taken to increase the auditing staff with the understanding that doing so should generate more revenue than the expense generated by doing so. New revenues should also offset the increased expense resulting from the addition of other staff positions.

Senator Hoffman asked the total number of positions that would be added to the Department.

Senator Stedman expressed that a thorough discussion about the increased number of positions occurred. The Department's number one priority was to fully fund positions that had been previously allotted. He deferred to the Department to provide further information.

Senator Hoffman asked that the Department also discuss, for evaluation purposes, the revenue benchmark that would be expected as a result of the additional positions.

SUSAN TAYLOR, Director, Division of Administrative Services, Department of Revenue, stated that, as proposed in the Subcommittee budget recommendations, the Tax Division would experience an increase of six tobacco tax enforcement positions, that should result in substantial revenue increases. The exact amount of revenue anticipated could be provided. The tax division would be increased by five positions. The Department's proposal is that at the end of the five-year program, incremental revenue of five million dollars a year should be experienced. The Department would

provide a report to the Legislature detailing the anticipated revenue as the programs develop.

Ms. Taylor affirmed that numerous discussions occurred in regards to the corporate audit revitalization increment. In 1990, the Tax Division had 43 auditors; ten years later, there were 26 auditors. Some of the reductions, such as the reduction of auditors involved in Oil and Gas disputes, were understandable as those issues were resolved. However, the position of the Department is that the number of auditors "has shrunk too far".

Ms. Taylor stressed that the State's tax system, being one of voluntary compliance, is the least costly method of receiving tax dollars; however, national studies indicate that the best response to voluntary compliance is "the perception by the taxpayer that if they pay the required tax" the risk of their being audited is reduced. Having to pay the tax and as well as penalties for non-compliance is a factor in decreasing non-compliance. There is also the consideration that audits must be conducted within a certain timeframe, as there is a statute of limitations in this regard. In addition, a well-administered agency with competent employees would benefit rather than inconvenience taxpayers. She noted that the Tax Division management has conveyed to her that there are Fortune 500 companies operating in the State that are not always compliant. The limited resources currently being experienced by the Division is detrimental to the revenues of the State. She noted that Senator Stedman made it clear that the Department must be able to substantiate the need for the positions.

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Senator Stedman stated that the goal of increasing the Department by five new corporate auditor positions and one technician would be to realize five million dollars in revenue over the next five years as the result of such things as correcting inadvertent errors and omissions. The Department estimates that for each dollar of effort toward the Tobacco Tax Enforcement Effort, ten dollars in revenue might be received. The experience realized in this regard would be interesting. While he was initially surprised at the requested increase in staff positions, revenue targets to offset the expense have been established.

Co-Chair Wilken conveyed that he "had heard the Commissioner's plea" and the Department's assurance that revenue would be generated as a result of the staff increases.

Senator Hoffman requested that the anticipated revenue be provided in written form.

Ms. Taylor stated that the Department would "be happy to provide" that information.

Department of Administration

Senator Fred Dyson, Subcommittee Chair
Senator Charlie Huggins
Senator Kim Elton

Subcommittee Report
Department of Administration FY06 Op. Budget

1. Introduction

The subcommittee wishes to commend Commissioner Matiashowski and his staff for their cooperation and assistance during this review process. We are impressed with the quality of people that comprise this department, with their dedication, and with their willingness to go beyond merely what is required. We especially commend Ms. Mila Cosgrove, Director, Division of Personnel.

2. Budget Report

A. Budgetary Highlights

FY05 Management Plan	=	\$208,060,600
Adjusted Base	=	\$210,374,100
GovA+Ed	=	\$221,963,800

Changes recommended by subcommittee:

General Fund	=	\$4,470,900 over
		Adjusted Base
	=	\$1,660,900 below
		Governor's
		Amended

All Funds (including GF)	=	\$10,485,000 over
		Adjusted Base
	=	\$1,104,700 below
		Governor's Amended

B. Enterprise Technology Services (ETS)

ETS requested that \$3,656,600 associated with two-way radios and SATS be changed from ETS charge backs to General Funds.

The subcommittee recommends limiting the fund switch to

\$3,000,000 GF.

C. Office of Public Defender

The agency initially requested a GF increase of \$624,000. They subsequently submitted an amendment for an additional \$887,200.

The subcommittee recommends limiting the GF increase to \$700,000 of the \$1,511,200 requested.

D. Office of Public Advocacy

The agency initially requested a GF increase of \$288,000. They subsequently submitted an amendment for an additional \$205,500.

The subcommittee recommends limiting the GF increase to \$300,000 of the \$493,500 requested.

E. Public Defender Participation in Wellness Court

(1) The agency submitted an amendment requesting approval to accept \$20,000 Statutory Designated Receipts from the Juneau Office of the National Council on Alcoholism and Drug Dependence.

The subcommittee concurs with the amount.

(2) The House recommended a GF transfer of \$50,000 from the Department of Corrections to the Department of Administration

The subcommittee recommends increasing the Department of Administration's budget by \$50,000 GF to complete the action initiated by the House. Because the increase in the Department of Administration is offset by a decrease in the Department of Corrections there is no net change in funding.

F. Non-Public Building Maintenance & Fuel Costs

The agency initially requested a GF increase of \$130,000. They subsequently submitted an amendment for an additional \$312,200.

The subcommittee recommends limiting the increases to \$180,000 GF plus \$112,200 Inter-Agency Receipts.

3. Changes in Staffing

A. 9 PFT transferred into Administrative Services as a result of consolidation of accounting support services. Primary funding is Inter-Agency Receipts.

B. 1 New Administrative Clerk to provide full time receptionist support to Alaska Oil and Gas Conservation Commission. Funded by AOGCC Receipts.

C. 5 New positions in Motor Vehicles; funded through Receipt Services.

4. Significant Missions and Measures

The department presented a detailed overview of the department's mission, desired results, and measures. The subcommittee proposed a number of alternative desired results for the department to consider. Discussions are ongoing between the department and the subcommittee chair.

5. Adherence to FY05 Intent Language

In last year's bill the legislature included the following intent language intended to apply to all departments:

It is the intent of the legislature that the amounts appropriated by this Act are the full amounts that will be appropriated for those purposes for the fiscal year ending June 30, 2005.

The Office of Public Defender has requested supplemental funding in 13 of the past 14 years, and this year submitted a request for \$887,200 to supplemental FY05 funding.

The Office of Public Advocacy has also consistently requested supplemental funding.

It should be noted however that the original FY06 budget requests for both agencies were substantially greater than in years past. Additionally, they each submitted amendments equal to this year's supplement request in anticipation of avoiding a supplemental request next year. If either agency is not fully funded as requested there is a chance they will submit a supplemental request next year.

6. FY06 Conditional Language

A. Carry-Forward Language

The department has requested "Carry-Forward" language for: Centralized Administrative Services; Leasing; and the Alaska Oil & Gas Conservation Commission.

The subcommittee concurs.

B. Capitalized Funds

The department requested that funds in the Information Services Fund be capitalized and not lapse.

The subcommittee concurs.

7. Other Actions

The department's amended request includes a \$100,0000 increment for SDPR (Statutory Designated Program Receipts), noted as "Credit Card Rebates." In addition, the FY06 Base funding for this allocation includes \$112,600 SDPR for a grand total request of \$212,600 SDPR. Legislative Finance has determined this funding source to be in error.

SDPR is a funding source defined in AS 37.05.146, which states that these can only be receipts that are received by the state via a third party contract that restricts the funds to a specific use. In the situation discussed herein, the Division of Finance anticipates the receipt of these FY06 funds as a rebate. There is no contract restricting the use of the funds. Therefore, Legislative Finance advises that these funds should be reclassified to their correct fund source of GF/PR.

A net zero fund change between SDPR and GF/PR in the amount of \$212,600 will correct this error. The House has already taken this action. The subcommittee recommends the Senate also make this change.

Senator Dyson, the subcommittee chair, reviewed the summary.

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Senator Dyson noted that historically the Public Defender Agency has requested an Operating Budget amount similar to the level requested the previous year, and then traditionally requested a significant amount in Supplemental Budget bill. The Department was requested to present a realistic comprehensive operating budget "this year based upon history and what they reasonably expect". The subcommittee struggled with the FY 06 requested budget, and, in a public policy call, denied approximately \$800,000 of the additional funding request. The expectation would be that this amount would reappear in the FY 06 Supplemental bill.

Senator Dyson noted that a similar public policy call occurred in

regards to the Public Advocacy program-funding request.

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Department of Law

Senator Bert Stedman, Subcommittee Chair
Senator Ralph Seekins
Senator Hollis French

Finance Subcommittee Department of Law Budget Closeout Report

Introduction

The Department of Law 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.

The Department of Law subcommittee adopted the following motions in its close out meeting on April 7, 2005. This narrative lists the proposed changes to the Governor's FY 06 request budget. Those components not listed in the narrative are proposed at the same level as the Governor's FY 06 amended operating budget request.

Departmental Spending Levels

	Senate Subcomm	Chg 05 Adj Base	Governor's Proposed	Governor to Subcomm
General Funds	\$32,380,700	3.2%	\$33,275,600	(2.7%)
Federal Funds	\$ 2,603,000	236.2%	\$ 2,603,000	0.0%
Other Funds	\$21,498,200	1.3%	\$21,498,200	0.0%
Totals	\$56,481,900	5.8%	\$57,376,800	(1.6%)

Subcommittee Recommendations

In the Third Judicial District, the subcommittee denied a General Fund increment of \$161,400 to fund an anticipated shortfall in federal Byrne Grant funding.

In the Criminal Appeals/Special Litigation Component, a General Fund increment of \$353,200 was denied. This request was to fund a new cybercrime unit including one attorney and one paralegal.

In the Civil Division, a General Fund increment of \$430,300 was denied. This request was to fund a new senior fraud unit

including one attorney and one investigator.

Positions Analysis

The subcommittee approved an addition of 14 full-time positions for FY 06. Twelve of these positions are funded with federal funds and two are funded with Interagency Receipts from the Department of Health and Social Services.

- In the Criminal Division, an increment of \$1,9487,614 in new U.S. Department of Justice grant funds was accepted for enhanced rural prosecution (\$697,447) and domestic violence & sexual assault programs (\$1,269,167). These grants will fund six new attorneys, four paralegals, one law office assistant and one grants administrator. The subcommittee added intent language (*see below*) concerning these new programs.
- In the Civil Division, an increment of \$400,000 of Department of Health and Social Services Interagency Receipts was accepted to allow the Human Services Section to improve the state's ability to collect its fare share of Medicaid liens. This increment will fund one new attorney and one new paralegal.

Missions and Measures

The subcommittee spent a brief amount of time reviewing the department's top-level missions and measures. The subcommittee recognized the need for the department to regularly review its missions statement and to adjust its performance metrics as necessary. It is apparent that the department has devoted a considerable amount of time to trying to improve its ability to monitor its effectiveness. The attorney General noted that it is particularly difficult to set performance targets and measures for the Civil Division. The department plans to continue its efforts in pursuing software solutions that may help in this regard. The department's FY 06 Capital budget includes a \$1,000,000 request for software designed to improve its case management and tracking abilities. This productivity investment could provide the department and the legislature with top level dashboard style metrics with which to better monitor the department's efforts. The subcommittee established no new results, targets or measures for the department during this budget cycle.

FY 05 and FY 06 Intent Language

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

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

It is the intent of the legislature that the Department of Law's FY 06 expansion of its Rural Prosecution and Statewide Sexual Assault Program be exclusively funded with U.S. Department of Justice Grants. If federal funding is unavailable to fully sustain these programs in the future, state general fund revenue is not assured.

Senator Stedman, the Subcommittee Chair, read the summary. He noted in regard to the addition of the two positions in the Civil Division that in the case of Medicaid litigation, "the federal government doesn't cut its portion back on a negotiated settlement. The compaction comes at the State's expense. There needs to be more oversight at the State level to insure that the State isn't just automatically squeezed because no one is looking after the State's interest to just get a settlement to enrich the parties involved in the litigation".

Office of the Governor

Senator Gary Wilken, Subcommittee Chair
Senator Ben Stevens
Senator Gene Therriault
Senator Albert Kookesh

[NOTE: A Subcommittee narrative report was not provided for this Department.]

Co-Chair Wilken, the Subcommittee Chair, stated that the Office of the Governor's FY 05 budget was \$19,075,000. The Subcommittee recommended a FY 06 budget of \$15,601,600; for a decrement of \$3,473,400,400. The primary reason for the budget decrease was due to this not being an election year.

Co-Chair Wilken stated that absent the election year obligations, the major increments were \$245,000 in Services, and other minor funding categories for a total increase of \$340,000.

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Department of Environmental Conservation

Senator Gary Wilken, Subcommittee Chair
Senator Gene Therriault
Senator Johnny Ellis

Department of Environmental Conservation Subcommittee Budget
Closeout

Introduction

The Department of Environmental Conservation subcommittee used the FY 06 adjusted base when determining appropriation levels. The subcommittee accepted all department budget transactions from the FY 05 Management Plan to the FY 06 adjusted base.

Our subcommittee, composed of myself, Senators Therriault and Ellis, 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.

FY 06 Spending Levels

	<i>Senate Subcommittee</i>	<i>Governor's Proposed</i>
General Funds	\$13,364,100	\$13,545,100
Federal Funds	\$17,488,800	\$17,468,900
Other Funds	<u>\$25,410,500</u>	<u>\$25,472,700</u>
Totals	\$56,263,400	\$56,472,700

Subcommittee Recommendations

In the Information and Administrative Services section, an increment of \$234,200 of CIP receipts for Village Safe Water Accounting Program was accepted.

In the same section, a general fund decrement of \$12,000 for procurement and administrative overhead was accepted.

In the DEC buildings and Maintenance section, a general fund increment of \$44,600 was accepted. These funds, coupled with an increment of \$44,600 in inter-agency receipts, will fund a permanent maintenance position for the new DEC Health Laboratory.

In the Food Safety and Sanitation section, an increment of \$255,800 in receipt supported services was accepted to increase seafood monitoring and inspection.

In the same section, a general fund program receipt increment of \$30,000 was accepted. These funds, coupled with an increment of \$30,000 in inter-agency receipts, will fund a position that will increase DEC's efforts in PSP/vibrio shellfish outbreak testing.

In the Laboratory Services section, a general fund increment of \$66,900 for an assistant state veterinarian position was denied. An increment of \$48,500 in federal funding for the position was adopted.

In the Air Quality section, \$295,400 in interagency receipts was accepted to fund the maintenance of the statewide inspections and maintenance module. Intent language, listed below, was also adopted for this transaction.

In the Water Quality section, a general fund decrement of \$50,000 was accepted.

In the Prevention and Emergency Response section, a decrement of \$150,000 in oil and hazardous prevention fund was accepted.

Positions Analysis

The subcommittee approved the addition of 14 permanent positions. 12 of these positions were funded with non-general fund sources.

Missions and Measures

The subcommittee recommends that the department revisit their seafood testing measures and report back to the subcommittee on their targets for food borne related illnesses in regulated facilities. This request is in response to the increased level of funding for these efforts and by the implementation of HB 378 that was adopted by the legislature in 2004.

FY 05 and FY 06 Intent Language

FY 05 - The department did not have any FY 05 intent language
FY 06 - the subcommittee adopted the following language:

It is the intent of the Legislature that the Municipality of Anchorage and the Fairbanks North Star Borough take the appropriate measures to fund one-half of the yearly maintenance costs associated with the Vehicle Information Database.

Closing Remarks

The subcommittee recommends that \$150,000 of oil and hazardous waste funding be appropriated to the Department of Military and Veterans Affairs budget for Local Emergency Planning Committee Efforts at the full Finance committee.

Co-Chair Wilken, Subcommittee Chair, noted that while the Governor's proposed FY 06 GF budget was \$13,545,100, the Subcommittee recommended a GF budget of \$13,364,100. He read the Subcommittee recommendations and the Positions Analysis.

Co-Chair Wilken noted that as specified in the Missions and Measures section of the Report, legislation that was adopted by the Legislature in the year 2004, provided the Department "an increased profile in seafood testing" for the State's aquaculture. The Subcommittee requested that the Department concentrate on that "important issue" and provide a report on that effort during FY 06.

Co-Chair Wilken noted that Intent Language was adopted by the Subcommittee in regards to the Municipality of Anchorage and the Fairbanks North Star Borough's financial participation in the Vehicle Information Database, for he recognized that as being "a local function" that the State has been funding.

Co-Chair Wilken noted that language under "Closing Remarks" affirms his earlier statement pertaining to the \$150,000 decrement to this budget that would be transferred to the Department of Military and Veterans Affairs to support the Local Emergency Planning Committees.

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Senator Bunde referenced the Subcommittee recommendation in support of increasing the Department by 14 new positions as he recalled testimony that the State is experiencing difficulty in recruiting skilled people for many positions. To that point, he asked whether difficulty in filling these new positions might be anticipated.

MIKE MAHER, Director, Division of Information and Administrative Services, Department of Environmental Conservation, explained that some of the 14 positions would serve to replace positions that had been erroneously deleted the previous year. A few positions would be added to the Joint Pipeline Office, one position would be a Homeland Security position, and three would be for the Village Safe Water Program in regards to implementing accounting procedures. There should be no issue in filling the positions.

Mr. Maher noted that the largest overall recruitment issue could result from the Department of Administration's endeavor to conduct a class study regarding 273 positions in the Department of Environmental Conservation Division of Environmental Sciences. It is anticipated that the bulk of those positions would be downgraded. This would create recruitment and retention problems for the Department.

Senator Bunde stated that that would be different than the retirement system changes that might prove to be an obstacle to recruitment.

Mr. Armstrong, Staff to Co-Chair Wilken, pointed out that a technical change must be made in the Subcommittee Recommendations section of the report: the \$30,000 program receipt increment specified as an increment of the Food Safety and Sanitation section should be changed to be a Laboratory Services component.

Co-Chair Wilken acknowledged.

Department of Administration

Co-Chair Wilken revisited the Department of Administration Subcommittee Closeout Report. [NOTE: The Department of Administration report begins shortly after Time Stamp 7:02 PM.] He noted that Mr. Josh Fink, Director, Office of Public Advocacy, had endeavored, with some success, to implement cost containment efforts. To that point, he asked Senator Dyson, the Department's Subcommittee Chair, whether Intent Language should be included in the report "that would ask Public Defenders what their options" might be for cost containment as this has been a continual challenge.

Senator Dyson responded that he was very impressed with what Mr. Fink had done in this regard. Instead of contracting for services, the Office hired a few people. That action saved approximately \$350,000. Such an effort "should be replicated".

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Co-Chair Wilken asked therefore, whether the inclusion of Intent Language in that regard would be appropriate.

Senator Dyson responded that the Subcommittee had endeavored to include this effort into the Department's Missions and Measures; however, he would "be glad" to further pertinent Intent language.

Co-Chair Wilken voiced appreciation for that effort and suggested

that it be included in the final bill.

Co-Chair Green recalled a comment being made during the Department of Administration Subcommittee report that a supplemental request would be anticipated. She advised against giving the impression that "it would be okay to present a supplemental". She spoke against including language to the effect of "if this isn't enough, come back" in the final budget language.

Senator Dyson appreciated that position; he voiced uncertainty as to whether the FY 05 Supplemental Bill "reflected that kind of policy intent". The Subcommittee's actions would be reviewed to verify that such intent was not advanced.

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Department of Corrections

Senator Lyda Green, Subcommittee Chair
Senator John Cowdery
Senator Gary Stevens
Senator Kim Elton

Senate Finance Subcommittee Closeout Summary for the
Department of Corrections

	FY06	FY06
	Sen SC	Gov Req
GF	\$166,133,300	GF \$166,512,900
Fed	4,498,600	Fed 4,498,600
Other	<u>21,524,300</u>	Other <u>21,524,300</u>
Total	\$192,156,200	Total \$192,535,800

The subcommittee accepted all budget related changes that are included in the FY06 Adjusted Base scenario as requested by the Governor.

The subcommittee accepted all changes as requested by the Governor and included the following intent for new program accountability:

Administration and Support
Office of the Commissioner

It is the intent of the Legislature that the Department of Corrections engage in an active recruitment campaign to fill correctional officer and probation officer vacancies and to reduce the use of overtime agencywide."

Office of the Commissioner

It is the intent of the Legislature that the Alaska Correctional Industries Commission established under AS 33.32.07 conduct its quarterly board meetings in a more cost effective manner by utilizing teleconference electronic communication and no longer use Correctional Industries funds for travel or per diem expenses. It is the intent of the Legislature that the Alaska Correctional Industries Commission support the efforts of the Commissioner to develop a plan that creates self-sufficiency and an independent workforce by providing employment opportunities to incarcerated offenders."

Community Jails

\$379.6 GF is reduced for the additional prisoner transport costs incurred when the Kotzebue Jail was not participating as a community jail.

It is the intent of the Legislature that the funding appropriated for the Kotzebue Jail contract be made available to the department only at the time the contract is signed. If Kotzebue fails to enter into an agreement with the Department of Corrections to provide jail services, \$350,000 General Funds shall be made available for prisoner transport and \$450,000 will be reduced in the FY06 supplemental bill during the 2006 Legislative Session."

Co-Chair Green, Subcommittee Chair, pointed out that the Subcommittee's budget report included substantial Intent Language. Continuing, she shared that while the Subcommittee kept the majority of the Governor's proposed budget components intact, it had recommended a GF reduction of approximately \$395,000 to that proposed by the Governor.

Co-Chair Green noted that, with the Department's assistance, Intent Language was included that would allow for increased recruitment efforts in order to reduce Correctional staff overtime and provide for improved monetary efficiencies. Intent Language also specified that the Alaska Correctional Industries should be conducted in a more cost effective manner by utilizing such tools as "teleconferencing, electronic communication, and that in the future, no longer use Correctional Industries funds for travel or per diem expenses".

Co-Chair Green also read the Intent Language associated with prisoner transfer expenses associated with the contract conditions between the Department and Kotzebue Jail.

Senator Hoffman asked the State's "long-term solution" to operating

a jail in the City of Kotzebue, were use of the current community jail unavailable.

PORTIA PARKER, Deputy Commissioner, Department of Corrections, responded that were the City of Kotzebue to decide against signing an agreement with the State for the use of its community jail, efforts between the Department of Corrections and the Department of Public Safety would be coordinated to transport prisoners to Nome's Yukon-Kuskokwim Correctional Center.

Senator Hoffman asked for confirmation that that would be the Department's long-term solution.

Ms. Parker affirmed that that was the plan at this time.

Senator Hoffman interpreted that reply to reflect a short-term solution. Therefore, he again inquired as to the long-term solution.

Ms. Parker responded that other options are being considered; however, cooperative agreements would be required between the Department of Public Safety and the City of Kotzebue. While the terms have not of yet been finalized, the desire would be that the Kotzebue Jail would be utilized.

Senator Hoffman repeated his question as to what the State's long-term solution might be were the City of Kotzebue to decide against signing a contract and providing that service to the State.

Ms. Portia assured that several options could be considered. None of them, however, are currently being advanced, as negotiations between the Department of Public Safety and Kotzebue are occurring. Were a contract not forthcoming, other options would be explored.

Co-Chair Green noted that the Department "is not in a position to" respond as thoroughly as Senator Hoffman might desire, as the contract is currently being negotiated.

Court System

Senator Lyda Green, Subcommittee Chair
Senator Ralph Seekins
Senator Gretchen Guess

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FY 06 OPERATING BUDGET REQUEST: ALASKA COURT SYSTEM

The Senate Finance Subcommittee on the Court System's FY 06 Operating Budget met April 6, 2005, and adopted the attached recommendations as shown on the summary and transaction sheets prepared by the Legislative Finance Division. The overall Court System FY 06 budget recommendation is \$2671.7 below the Governor's requested amount and an increase of approximately \$2089.8 above the FY 06 Base. The following actions were taken to arrive at this recommendation:

Court Component

FY 05 Management Plan \$57,812.8
FY 06 GF Funding Request \$62,331.1
FY 06 Senate Subcommittee Close-out \$59,945.4

Increment Accepted

Funding Required for Positions Approved in the FY 05 Budget
Experience Pay for Deputy Clerk Positions
Increased Utility Costs
Upgrade Bethel Magistrate to Bethel District Court Judge
Mental Health Wellness Court (MHTAAR)
Adult Guardianship and Caregiver Mediation Pilot Project (MHTAAR)
Federal Grant Funding Increase
Other Grant Funding Increase
Increased Authority for Statutory Designated Receipts
Drug/DUI Case Manager
Anchorage Court - Boney Janitorial

Increment Modified

New Positions within the Trial Courts
Life-Cycle Replacement of Computer Systems
Staff Development & Sustained System's Training
Lease Expenses in Bethel, Unalaska, Unalakleet and Homer

Increment Denied

2% Salary Increase for Non-Union State Employees
Expand Court's Salary Schedule to Include "G" Step
Increased Hourly Pay for Court-Appointed Attorneys
Bethel Court Security Screening
Increased Lease Expense in Emmonak
Juror Process Enhancement
PERS Rate Increase
Workstations, Office Equipment and Replacement Furniture

Alaska Judicial Council Component

FY 05 Management Plan \$753.2
FY 06 GF Funding Request \$962.3
FY 06 Senate Subcommittee Close-out \$682.8

Increment Accepted
Increased Costs for Judicial Selection and Judicial Retention
Employer Provided Benefits

Increment Modified
Personal Services—subcommittee eliminated two staff positions (see intent language)

Increment Denied
2% Salary Increase for Non-Union Employees
Baseline Recidivism for Alaska Offenders
Personal Services Underfunding
Computer Network and Website Maintenance

Alaska Commission on Judicial Conduct Component
FY 05 Management Plan \$251.2
FY 06 GF Funding Request \$267.7
FY 06 Senate Subcommittee Close-out \$263.2

Increment Accepted
Office Space Rent

Increment Denied
2% Salary Increase for Non-Union State Employees

Intent Language Adopted:

- (1) It is the intent of the legislature that all agencies of the Judicial Branch work with the Office of Management and Budget in order to bring their Missions and Measures into compliance with the philosophy and format recommended by OMB.
- (2) It is the intent of the legislature that the Judicial Council delete PCNs 410010 (Research Analyst) and 410003 (Staff Attorney) in order to comply with reduced appropriations in this allocation.

Co-Chair Green, the Subcommittee Chair, reviewed the Subcommittee's total budget recommendation and noted that the Court System traditionally has a "very long list of wants, needs, and wishes". The Subcommittee endeavored to address those needs "to the greatest extent possible" though a prioritization effort that ranked Statewide needs the highest. She noted that the Subcommittee Report details the various increments that were accepted, modified, and denied.

Co-Chair Green specified that in the Alaska Judicial Council Component there was a reduction of approximately \$165,200 including two staff reductions.

Co-Chair Green reviewed the list of increments accepted under the Court Component and characterized the majority of the items as being "fairly small increments".

Co-Chair Green noted that efforts were made to satisfy both the Department's and the Subcommittee's desires.

Co-Chair Wilken asked whether the budget specified for the Judicial Council was correct on the Subcommittee Report Summary Sheet, as he calculated the reduction to be \$83,700.

Co-Chair Green acknowledged that the sheet might be incorrect. A reduction amounting to \$165,200 should be depicted as an approximate \$90,000 position and a \$71,000 position were eliminated.

In response to a question from Co-Chair Wilken, Co-Chair Green expressed that the budget recommendations of both the House and the Senate should be approximately the same.

CHRIS CHRISTENSON, Deputy Administrative Director, Alaska Court System, voiced the understanding that a decrement of approximately \$165,000 occurred in the Personal Services component of the Alaska Judicial Council. Intent language in this regard is specified in Item (2) under the "Intent Language Adopted" section of the report. Continuing, he noted that an increment of approximately \$85,000 was included in the Contractual component to address the fact that "a record number" of 33 judges would be "standing for retention" in FY 06.

Co-Chair Wilken ascertained, therefore, that the net reduction for the Alaska Judicial Council budget component is reflected in the report.

Senator Hoffman asked how recently non-union State employees had received a salary adjustment.

Mr. Christenson responded that the most recent salary increase for non-union Court System employees occurred at the same time the collective bargaining employees last received one. "It was several years ago." The increase being requested for FY 06 would align those employees' wages with those of union employees.

In response to a question from Senator Hoffman, Mr. Christenson stated that he could not recall the specific year the last increase had been provided.

Legislature

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Senator Gary Wilken, Subcommittee Chair
Senator Ben Stevens
Senator Gene Therriault
Senator Lyman Hoffman

[NOTE: A Subcommittee narrative report was not provided for this Department.]

Co-Chair Wilken, Subcommittee Chair, expressed that the Subcommittee's FY 06 recommendation is for \$42,366,600; a 2.5 percent increase over the FY 05 budget of \$41,344,000. The increase would primarily address the \$78.00 per month per employee increase in health insurance premiums and a two and two-thirds percent increase in the Working Reserve Fund contribution.

Senator Hoffman asked the number of new employees being budgeted.

Co-Chair Wilken responded that ten part-time positions were eliminated and no full-time positions were added.

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Department of Education and Early Development

Senator Gary Wilken, Subcommittee Chair
Senator Gary Stevens
Senator Bettye Davis

Senate Finance Subcommittee Report for the Department of Education and Early Development

Introduction

The Senate Finance subcommittee for the Department of Education and Early Development considered the Governor's FY 06 operating budget proposal. The table below summarizes the subcommittee's recommendation for the Department's FY 06 budget. Proposed funding to help offset increases in the Public Employees' Retirement System and the Teachers' Retirement System will be considered through separate legislation.

<u>Operating</u>	<u>General</u>			
<u>Budget</u>	<u>Purpose</u>	<u>Federal</u>	<u>Other</u>	<u>Total</u>

FY06 Adj Base	\$32,743.9	\$151,181.1	\$18,418.2	\$202,343.2
FY06 Gov Amd+Ed	\$35,612.7	\$193,098.3	\$18,616.1	\$247,327.1
(S) Recommendation	\$35,091.9	\$193,098.3	\$18,616.1	\$246,806.3

Note: Contractual GF salary increase of \$237,000 is included in the above amounts, but the language section recommendation (\$300.0 to address Moore v. State) is not included

Funding for the K-12 Foundation Program and Pupil Transportation is included in Senate Bill 98, the Fast Track Supplemental, and therefore, this funding request was not included in the general operating budget. The previously approved financial support in SB 98 (March 30,2005) funds a \$4,919 Base Student Allocation, and additional \$343 per student.

Subcommittee Recommendations

The subcommittee reviewed the general purpose proposed changes in the Governor's FY 06 budget and accepted the changes with the following exceptions:

Executive Administration

Approved a partial general purpose increment request for \$13,400 to provide PFT funding for a Special Assistant to the Commissioner, from a 10-month employee to a 12-month employee

Denied an additional \$100,000 general purpose request to help fund the State Board of Education's priorities; federal discretionary funds can be used to support the Board goals.

Mt. Edgecumbe Boarding School

Approved a general purpose increment request for \$745,800 to support additional residential operating costs incurred with 30-60 new students; additional operating costs (\$254,200) will be supported through the foundation formula

Library Operations

Approved a partial general purpose increment request for \$125,000 to fund operational increases due to previous charge backs

Museum Operations

Approved a partial general purpose increment request for \$75,000 to fund operational increases due to previous charge backs.

Position Analysis: Full-time and Part-time

In FY 05, the Department of Education and Early Development had 294 full-time and 37 part-time employees. In the proposed FY 06 operating budget, one part-time 10-month employee becomes a 12-month full-time employee, funded by general purpose dollars; final employee count - 295 full-time and 36 part-time.

Previous Legislative Intent

The following intent was included in the FY 05 operating budget:

It is the intent of the legislature that the Department of Education and Early Development make every effort to reduce interagency charge back between divisions and that the department advance a general fund appropriation from executive administration, including the State Board of Education and early Development and the commissioner's office in the Governor's FY 2006 budget request.

In response, the department requests a fund change from interagency receipts to general purpose dollars in the amount of \$551,100. The subcommittee recommends the adoption of this fund source change.

Mission and Measures Analysis

The department's main mission is to ensure quality standards-based instruction to improve academic achievement for all students. The measurement of this mission is "Reduce the number of schools that do not demonstrate Adequate Yearly Progress (AYP)." The number of schools demonstrating AYP increased from 206 schools to 290 schools, a 40 percent increase.

However, several schools are having difficulty meeting the standards set by the federal government under "No Child Left Behind" and will be facing very tough decisions during the next school year. The subcommittee recognizes the enormous task facing these school districts and recommends active

involvement by the department with all interested stakeholders. The subcommittee requests to be kept informed on the progress of the schools designated as a "Level 5 School."

Co-Chair Wilken, the Subcommittee Chair, referenced the Previous Legislative Intent section of the report and noted that that language was developed to address the "burden" that interagency receipts had become to many department components due to department downsizing; specifically museum and archive operations "because they were shouldering a disproportionate share of the interagency" receipts. The Subcommittee accepted the Administration's request to replace Interagency Receipts with \$551,000 of GF. That action "would relieve the burden on the museum, archives and libraries".

Co-Chair Wilken also noted that the Subcommittee recommended funding to support an additional 18 students at the Fort Richardson Alaska Military Youth Academy. This recommendation differs from that of the House as the Senate limited its' funding to support the residential housing component.

Co-Chair Wilken stated that the Subcommittee also recommended the acceptance of \$30,000,0000 in increased federal funds for special and supplemental services.

Co-Chair Wilken remarked that while the Governor had proposed one million dollars for Mt Edgcumbe School, the Subcommittee's recommended \$745,800. The Governor's request was based on the FY 05 Base Student Allocation, which is anticipated to be increased to a minimum of \$4,919 in FY 06; that increase would account for the difference in the budget recommendations. Another factor would be that the Subcommittee funded the residential component; however, elected not to fund certain educational components such as busing and things traditionally included in a school budget. The Subcommittee requested that those things be accounted for in the Student dollar.

Co-Chair Wilken pointed out that while the Governor had included \$300,000 for Library and Museum operations, the Subcommittee recommended \$200,000 with the caveat being an additional \$164,000 of GF to replace the Interagency Receipts. The inclusion of this money would serve to increase the funding above the Governor's requested level.

Co-Chair Wilken informed the Committee that the Governor's budget proposal was an increase of 10.5 percent over the FY 05 management plan; the Subcommittee's recommendations would amount to an eight-percent increase.

Co-Chair Wilken read the "Position Analysis" section of the report; and noted that, as reflected in the "Missions and Measures Analysis" section of the Report, several schools in the State are "in peril" of being "taken over" by the State due to their Level 5 School designation under the federal "No Child Left Behind" standards. The Department has been asked to provide the Subcommittee updates on the status of those eight schools, specifically in regards to how the Department is assisting those schools in improving their status designation.

This concluded the Subcommittee reports.

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Co-Chair Wilken summarized that the total FY 06 Governor's Proposed Operating Budget would exceed the FY 05 budget by \$290,800,000 with 75-percent of that increase being attributed to fixed costs. The Committee's Subcommittees have reduced that 25-percent balance of approximately \$76,800,000 to approximately \$38,300,000: a 50-percent reduction.

Co-Chair Wilken informed the Committee that a summary of the overall Committee budget information, as well as a summary comparing the Committee's Subcommittee recommendations to those of the Governor's and the House's operating budget proposals would be provided.

Co-Chair Wilken stated that public testimony on the Operating Budget is scheduled for April 12 and 13, 2005. The suggested deadline for amendments would be noon, April 13th with debate of the amendments scheduled for April 14th.

Senator Hoffman asked whether the amendment deadline could be extended until after the public testimony in order to provide adequate consideration of public concerns.

Co-Chair Wilken concurred. The "soft" goal would be to have all amendments submitted by noon on April 13th.

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Co-Chair Wilken communicated that, in an effort to make this process more efficient in the future, over the Interim he and his staff would attempt to develop a common format for the Subcommittee budget reports.

Mr. Armstrong distributed work draft committee substitutes, SCS CS HB 66 (FIN) Version 24-GH1075\Y and SCS CS HB 67 (FIN) Version 24-

GH1073\L [copies on file].

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ADJOURNMENT

Co-Chair Wilken adjourned the meeting at 07:47 PM.