

MINUTES
SENATE FINANCE COMMITTEE
April 5, 2006
4:41 p.m.

CALL TO ORDER

Co-Chair Gary Wilken convened the meeting at approximately [4:41:06 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: GINGER BLAISDELL, Staff to Co-Chair Green; JANET CLARKE, Assistant Commissioner, Department of Health and Social Services; JAMES ARMSTRONG, Staff to Co-Chair Wilken; EDDY JEANS, Director, School Finance Division, Department of Education and Early Development; LUCKY SHULTZ, Staff to Senator Dyson; LYNNE SMITH, Staff to Senator Bunde;

Attending via Teleconference: There were no teleconference participants.

SUMMARY INFORMATION

HB 365-APPROP: OPERATING BUDGET/LOANS/FUNDS

The Committee heard reports from the budget subcommittees, the Department of Health and Social Services, and the Department of Education and Early Development. The bill was held in Committee.

#hb365
[4:41:21 PM](#)

CS FOR HOUSE BILL NO. 365(FIN) am(brf sup maj fld)
"An Act making appropriations for the operating and loan program expenses of state government, for certain programs,

and to capitalize funds; making appropriations for state aid to public schools, centralized correspondence study, and transportation of pupils; and providing for an effective date."

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

Co-Chair Wilken announced the chairs of the Senate Finance budget subcommittees would overview the actions of each subcommittee referencing the written recommendations and spreadsheets [copies on file] depicting appropriations and allocations of general funds (GF), other funds, and all funds, as well as position counts. A proposed committee substitute, SCS CSHB 365, 24-GH2033\P, contains some changes to the subcommittee reports, which he would point out as the meeting progressed.

[4:42:58 PM](#)

Co-Chair Wilken explained this committee operated under guidelines intended to preclude increased spending over the previous year. These include the establishment of no new programs, no automatic "backfill" to adjust for reduced federal or other non-GF appropriations, and no significant expansion of current programs.

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Co-Chair Wilken appreciated the subcommittees' work to attain a "responsible and sustainable" budget.

[4:46:38 PM](#)

Department of Health and Social Services Budget Subcommittee

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

Co-Chair Green outlined two spreadsheets and the subcommittee recommendations, which include intent language. In keeping with the Committee's goal of containing budgetary increases, she indicated which requests the subcommittee recommends receive

full funding, and identified the fuel and utility expenses that would be deferred to separate legislation. She noted the subcommittee attempted to facilitate all priorities discussed with the Department.

[4:48:57 PM](#)

GINGER BLAISDELL, Staff to Co-Chair Green, reported one change between the subcommittee closeout and the proposed committee substitute. The technical adjustment of \$7,900 was a fund source change.

[4:49:42 PM](#)

Co-Chair Wilken noted the indicated changes were listed on the subcommittee narrative that would be distributed, and the changes would be included in the amended committee substitute.

[4:50:20 PM](#)

Co-Chair Wilken remarked this Department has a "big budget" to review in a limited time. He requested any identified or overlooked issues be brought to his attention.

[4:50:40 PM](#)

Senator Hoffman asked for clarification of the decision to fund front line social workers at 50 percent while waiting for a court ruling.

[4:51:02 PM](#)

Ms. Blaisdell directed attention to page 3 of the narrative, where the effect of the Rosales case is briefly described. The Rosales reversal is a ruling of the Ninth Circuit Court of Appeals that resulted in a reduction of federal funding for foster care services. The State has been paying for foster care at the higher level, but may be required to pay more when the final ruling is issued. Funding levels would be adjusted at that time.

[4:52:03 PM](#)

Senator Hoffman asked when the ruling would be issued.

[4:52:09 PM](#)

Ms. Blaisdell was unsure of the date.

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Co-Chair Green pointed out that the Rosales reversal has at least two additional implications, which are impacted by the loss of federal funds.

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JANET CLARKE, Assistant Commissioner, Department of Health and Social Services, reported the Ninth Circuit Court of Appeals actually ruled in favor of western states and allowed states to claim more federal Title IV-E funds for foster care services. The change occurred in the Deficit Reduction Act. In that act, Congress rolled back the Ninth Circuit decision for the entire country, however the federal government has yet to determine how to administer the new provisions. Less federal funds would be available, and the Department is waiting for the new rules to determine the amount of the reduction.

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Co-Chair Green reminded that in the previous year's budget process the Department incurred increases, including salaries, retirement system obligations, and other fixed costs, that are included in this budget recommendation. She felt the current appropriation for this Department was "generous".

[4:54:19 PM](#)

Department of Corrections Budget Subcommittee

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

Ms. Blaisdell informed that the change between the subcommittee closeout and the proposed committee substitute was in response to a concern expressed by the Department about the need to address overcrowding in a safe manner. To alleviate some of the overpopulation issues facing Alaska correctional facilities,

\$693,300 in general funds is recommended to be added to out-of-state contractual services. This allocation would fund an increase in beds in the Arizona prison contract from 868 to 900. Some savings were achieved by not increasing the number of beds to 1,000 as originally requested.

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Co-Chair Wilken asked if any item in the Corrections budget warranted special attention as a significant increase or decrease.

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Ms. Blaisdell referred Committee members to page 3 of the narrative. A reduction of \$2,451,300 was achieved by closing the Parkview Community Residential Center (CRC). Two other nearby CRCs could absorb these short-term inmates.

[4:57:01 PM](#)

JAMES ARMSTRONG, Staff to Co-Chair Wilken, noted that a request for \$693,300 for the Arizona contract facility was included in the committee substitute, in addition to the subcommittee recommendation.

[4:57:26 PM](#)

Department of Transportation and Public Facilities Budget Subcommittee

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

Co-Chair Green expressed that the subcommittee and the Department worked together to prioritize projects, and the resulting recommendations were close to the requested budget. The issue that continues to require the most work and consideration is the Alaska Marine Highway System (AMHS). The subcommittee proposed that AMHS increases be funded at 89 percent, which would create a \$2 million savings from what was requested. "Large sums" were allocated for rural airports,

maintaining funding, and operational costs for snow buildings and other highway needs in the subcommittee report.

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Mr. Armstrong identified changes in the proposed committee substitute. Oil/hazardous fund monies would be used to replace \$825,000 GF in the Central Region. For the Northern Region, airport administration would be reduced nearly \$400,000, for savings reflected in international airport funds. Fuel inflation costs of approximately \$4.2 million were added for the AMHS marine fuel.

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Senator Stedman asked for more information on the fuel adjustment provision.

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Co-Chair Wilken responded that the proposed committee substitute incorporates the actions of the House of Representatives. A trigger is included that would engage October 1st and April 1st to compare Alaska North Slope (ANS) price. He estimated the trigger price to be \$58.50. If the ANS price is \$58.50 or more on either date, an additional \$12 million would be appropriated for fuel. This allocation would be distributed across agencies.

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Mr. Armstrong located the trigger price in subsection (b) of Section 20. OFFICE OF THE GOVERNOR., on page 59, line 30 through page 61, line 9 of the proposed committee substitute.

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Co-Chair Wilken explained that increases for fuel and utility costs would be distributed to all agencies using the same formula.

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Co-Chair Wilken noted the relation to the AMHS fuel increases.

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Senator Stedman commented that the AMHS, in addition to other state agencies, have struggled with fuel adjustments. He opined that prices don't seem to be getting lower.

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Co-Chair Wilken recognized the increased fuel costs to the State. He indicated the issue would be addressed further in Power Cost Equalization (PCE) discussions.

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Co-Chair Wilken affirmed AMHS would be funded at 89 percent of their requested amount, and understood this would affect cross-gulf travel. He suggested having the Senate Finance or another legislative committee perform an oversight of the AMHS. He expressed concern that next year could witness expanded costs not currently anticipated. If costs are to be contained, a collaborated effort is needed between the legislature and the Department. Co-Chair Wilken disclosed that he and others have been told that the marine highway system is in decline and cannot continue in its current fashion.

[5:03:50 PM](#)

Alaska Court System Budget Subcommittee

Senator Lyda Green, Chair
Senator Ralph Seekins
Senator Gretchen Guess

[5:04:36 PM](#)

Co-Chair Green informed that the narrative has a listing of the recommended items to be funded, including life cycle replacement of computer systems, increased utility costs, increases in position pay based on increased caseload, increased operational costs for courthouses, and computer software. The subcommittee is again asking that the judicial branch collaborate with the Office of Management and Budget to bring missions and measures in compliance as requested the previous year.

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Ms. Blaisdell identified differences between the increments in the governor's requested budget and the budget the subcommittee passed. The Alaska Court System provided the subcommittee a priority list, from which specific items were funded.

[5:06:34 PM](#)

Senator Bunde asked the total amount of cost overruns of the Public Employees' Retirement System (PERS) and Teachers' Retirement System (TRS). He hears from constituents that the existing system should be repaired, rather than proceeding with the implementation of the new retirement system. He requested the total impact of retirement obligations to the budget.

[5:07:20 PM](#)

Co-Chair Wilken recalled the total was \$105 million.

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Senator Stedman interjected that the \$105 million would cover this year's incremental increases. However, the State would still be short approximately \$205 million from the amounts the actuary recommends the contribution to be for municipalities, schools and the State. The State has still not reached the proper contribution amount.

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Co-Chair Wilken understood that the sum needed to reach the full contribution level as determined by the actuaries would be \$105 million allocated plus an additional amount in excess of \$200 million for a total of over \$300 million.

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Senator Stedman responded that calculation was correct, for this year.

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Senator Hoffman inquired to the health, life, safety issue at the Bethel Courthouse. Additional security was requested for the courthouse but was not included in this budget, and he asked how this project was ranked in the Department's priorities.

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Ms. Blaisdell did not have the briefing on hand, but believed no specific request was made for the Bethel Courthouse independent of general security requests.

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Co-Chair Green remarked the budget does contain an increase for the cost of the Bethel lease.

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Senator Hoffman indicated he would research the issue.

[5:09:50 PM](#)

Co-Chair Wilken stressed the proposed committee substitute includes funding for all fixed costs identified in the Governor's proposed budget. Fixed costs include expenses such as pay increases, PERS and TRS responsibilities, health costs, and risk management, and comprise a significant increase, about half of the budget. He recalled serving during years when such cost increases were not automatically accepted.

[5:10:36 PM](#)

Department of Environmental Conservation Budget Subcommittee

Senator Gary Wilken, Chair
Senator Gene Therriault
Senator Johnny Ellis

Co-Chair Wilken communicated the Governor requested \$17.954 million for the Department, and the subcommittee proposed funding it at \$16.193 million. An initial request of funding for 13 positions to begin to assume primacy for the public drinking water was funded at five positions over a three-year period, and funding would continue as the State assumes primacy from the federal government.

Co-Chair Wilken recounted that the Oil and Hazardous Substance Release Prevention and Response Fund (470 Fund) was quickly depleting. The subcommittee hoped the proposed PPT legislation

would begin to replenish the fund. In the meantime, the Department had used the commercial vehicle compliance fund as a substitute. Co-Chair Wilken hoped the "traditional" 470 fund would be back in use by 2008.

[5:12:30 PM](#)

Mr. Armstrong spoke to the vehicle inspection and maintenance requirement (I/M) programs. He explained the subcommittee followed through on the intent of the Committee the previous year, which was to reduce funding by 50 percent. The programs were implemented with funding from the federal Congestion Mitigation and Air Quality (CMAQ) program. CMAQ funds were exhausted by 2006 and the State funded the program fully last year at \$295,000. In keeping with the intent of the Committee, the program would receive 50 percent funding in this budget, totaling \$147,700.

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Co-Chair Wilken cited Anchorage and Fairbanks as the only cities affected by the changes. He reminded members that the State gave notice in 2003 that those cities would gradually assume responsibility for funding their own I/M programs.

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Senator Bunde asked whether the I/M programs were a State or federal mandate.

[5:13:58 PM](#)

Co-Chair Wilken believed it was a federal requirement.

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Mr. Armstrong responded that I/M programs were initially funded in the Anchorage Metropolitan Area Transportation Solutions (AMATS), with three years of federal CMAQ funding. When the three-year period expired, the programs needed assistance from the State to continue to operate. He anticipated the I/M programs would soon be unnecessary as the majority of vehicles in operation are newer and cleaner.

[5:14:42 PM](#)

Senator Bunde inquired if cities have the option to reduce or eliminate the requirement for the I/M testing programs.

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Mr. Armstrong replied in the negative. He answered that cities would have to engage the Environmental Protection Agency (EPA) to revisit the statewide air improvement program and certify that the vehicles in Anchorage and Fairbanks were "clean" enough to dismantle the I/M programs. The cities are not yet to that point.

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Senator Bunde understood the program was a State mandate.

Mr. Armstrong advised it was a federal mandate.

[5:15:25 PM](#)

Department of Education and Early Development Budget Subcommittee

Senator Gary Wilken, Chair
Senator Gary Stevens
Senator Bettye Davis

Co-Chair Wilken expressed that the subcommittee report reflects a \$90 million increase to K-12 funding allocated in other legislation. The increase is included in the totals, but not included as line items, and mirrors the actions of the House of Representatives.

Co-Chair Wilken acknowledged concerns surrounding the funding of the successful teacher mentoring program. While federal funds have "disappeared", the subcommittee was able to fund the program at \$2.5 million with \$600,000 in interagency (I/A) receipts from the Department of Education and Early Development, and \$1.9 million from the Alaska Student Loan Corporation dividend. Other funding sources were still being explored. Were the full amount of approximately \$4 million required to fully fund the program not secured, reductions would be required to eliminate the school principal mentoring portion of the mentoring program.

[5:17:04 PM](#)

Co-Chair Wilken spoke to the Alaska Challenge Youth Academy, and informed that the Governor's request had been fully funded in the subcommittee report. He reminded members that in 2003 the Committee had linked the Academy to the education foundation funding formula with the intent to stabilize spending. He revealed that the Academy's costs have increased faster than other schools, and their increases have outpaced the adjusted student dollar. The issue would be addressed during the legislative interim, and may require statute changes. He noted a \$289,000 decrement due to adjusted student enrollment.

Co-Chair Wilken indicated a small increase of \$9,000 for the Council on the Arts, and commented that the remainder of the budget was funded as requested.

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Senator Bunde directed attention to page 3 of the subcommittee spreadsheet, which lists the (Washington, Wyoming, Alaska, Montana, Idaho) WWAMI Medical Education program. He questioned why a program that is administered by the University would be included in the Department of Education and Early Development's budget.

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Co-Chair Wilken was unsure.

Senator Bunde remarked it is a very expensive program.

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EDDY JEANS, Director, School Finance Division, Department of Education and Early Development, responded the WWAMI program is a contract administered through the Alaska Commission on Postsecondary Education, which is part of the Department's budget.

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Senator Bunde understood the University budget contained approximately \$800,000 for the ten students who participate in

the program, and wondered if the additional monies were for administration of the contract.

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Mr. Jeans would investigate.

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Senator Bunde asserted that the ten students who participate in the program could be sent to schools out-of-state for a fraction of the cost of this program.

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Senator Hoffman asked the number of positions within the statewide mentoring program at the time the program was funded at the original level of \$5 million, and whether the proposed reduction was reflected in the total number of positions or just the contracted dollars.

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Co-Chair Wilken replied that all services are contracted for current and inactive teachers and principals. He estimated approximately 30 participants are involved in the program.

[5:21:04 PM](#)

Senator Hoffman inquired how would Department would reconcile the proposed funding level with the original program plan.

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Mr. Jeans responded that the program would be scaled back. School districts apply to participate in the program, and the amount of funding would determine the allowable level of participation.

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Co-Chair Wilken advised of the possibility of securing additional funding, though the program would still be short of the \$5 million requested.

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Co-Chair Green asked whether a local school district could participate by incurring the costs for the mentor.

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Mr. Jeans explained the subcommittee had discussed that issue, but had not been able to devise a solution.

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Co-Chair Wilken relayed that district participation is an option and should remain an option.

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Co-Chair Green opined it should be encouraged.

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Senator Bunde recognized many suggestions as to how local districts should assist in funding educational programs. He referred to the Governor's requested 18.4 percent increase, compared to the subcommittee's recommended 15 percent increase. He calculated an approximate 30 percent increase over four years, and asked for verification.

Co-Chair Wilken cited a 38 percent increase since 1999.

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Mr. Jeans assessed the increase in the base student allocation at 33 percent, including the Governor's request in the current budget.

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Senator Bunde estimated the increase to be approximately 30 percent, as the subcommittee did not recommend full funding of the Governor's request.

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Co-Chair Wilken identified the "big difference" as the change to the mentoring program.

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University of Alaska Budget Subcommittee

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

Co-Chair Wilken stated that the subcommittee recommended full funding of \$19 million for the University's fixed costs, which was included in the Governor's total requested increase of \$41.7 million. The subcommittee made reductions of approximately \$7.4 million from the Governor's requested budget, and recommended funding all other increases at a total of \$15.2 million. The report did not fund the UA Scholars Program, and allocated reductions across the line items presented by the University. Funding reductions were also made for the Competitive University Research Investment-Infrastructure in Anchorage, Fairbanks and Juneau.

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Mr. Armstrong noted a \$2 million request for increased fuel costs was also denied.

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Senator Stedman recounted that the University presented its fixed costs at \$29.9 million, while the Governor and Legislative Finance Division set the fixed costs at \$26.7 million, for a \$3.27 million difference. All salary increments were included in the Governor's requested budget, which differed from the subcommittee's recommendation. The subcommittee operated under guidelines to curb spending increases, yet 103 new positions were requested, a 2.5 percent increase over the previous year's budget. The Governor's budget also included a request for \$10 million to fund new programs, which Senator Stedman would review further. He expressed, "we all support the University" and the

measures it is taking to respond to upcoming large capital projects by increasing the State's workforce.

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Department of Public Safety Budget Subcommittee

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

[5:28:17 PM](#)

Senator Dyson reported that, at the Chair's direction, the subcommittee did not fund fuel cost increments, as separate legislation to address fuel needs was forthcoming. Discussions with the Department revealed recruitment and retention difficulties within the Village Public Safety Officers (VPSO) and Village Safety Aides (VSA) programs. While recruitment efforts were made, vacancies remained, and \$4 million in federal funds had not been utilized. In the three years prior, approximately \$1.5 million in general funds had lapsed.

Senator Dyson relayed that the subcommittee investigated the VPSO program's situation and learned the federal funds are applicable to the current budget, and are adequate to fund the VPSO positions, including pay raises authorized several years prior, as well as training expenses for new recruits. Therefore, the subcommittee recommended against funding the GF request.

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Senator Dyson identified the Alaska Public Safety Information Network (ASPIN) as a "very important" program that warranted full funding. The proposed committee substitute also fully funds the criminal records request. He understood that federal Byrnes Justice Assistance Grant (JAG) monies would likely be available for that program.

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Senator Dyson noted the subcommittee recommended funding a request for the Alaska State Troopers for its activities related

to the court system, either transporting prisoners or providing security.

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Senator Dyson highlighted the Council on Domestic Violence and Sexual Assault (CDVSA) as a "significant" component of the budget that may require more discussion. CDVSA anticipated \$1 million in Temporary Assistance for Needy Families (TANF) funds. The Subcommittee recommended authorization for receipt of those funds. He also noted the Council's director communicated that \$5 million in federal funds would likely be available to the CDVSA at the end of fiscal year. Therefore, the subcommittee did not recommend authorization of the full general fund request.

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LUCKY SHULTZ, Staff to Senator Dyson, affirmed. With the expectation of receipt of federal funds, the Council's general fund request was reduced \$500,000 in the proposed committee substitute.

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Senator Dyson understood the domestic violence shelter located in Kotzebue was recently added to the responsibilities of the Department, and an alternate funding source was anticipated in the near future. The subcommittee recommended a reallocation of \$250,000 from within the Department's budget to maintain the facility's operations. The commissioner indicated this fund transfer would be acceptable.

[5:33:43 PM](#)

Senator Olson asked if the reallocation would be sufficient to "keep the doors open" at the Kotzebue shelter.

[5:34:04 PM](#)

Senator Dyson responded that the amount specified would be adequate.

[5:34:09 PM](#)

Senator Olson questioned the justification for the establishment of the VSA program, which is a new program and not in compliance with the Committee's budgetary guidelines.

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Senator Dyson remarked that the commissioner communicated to him that this is not a new program but a different way of approaching the VPSO vacancies. The VSA program allows public safety aides to have a presence in villages while the recruitment and training efforts for officers continue. It is a "new approach at the same goal" of village safety.

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Senator Olson inquired as to the actions of the House of Representatives with regards to the funding of the Kotzebue shelter.

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Senator Dyson replied that the subcommittee was not instructed to mirror the actions of the other body, and funding source differences would likely be resolved in a conference committee.

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Senator Olson asked how the general fund would be impacted.

[5:35:48 PM](#)

Senator Dyson recalled the budget recommendations from the Senate subcommittee contained less GF money than the House of Representatives' version.

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Senator Hoffman disagreed with the manner in which the Committee was addressing the reduction to the VPSO program. He suggested other means to address turnover, including concentrating recruitment efforts toward graduating high school students, and increasing salaries to retain existing VSPOs. While salaries were adjusted recently, he still considered them "low", and proposed using the lapse funds to increase officer compensation. He voiced that the residents of communities with severe public

safety problems would not agree that the actions of the subcommittee are "moving in right direction".

[5:37:18 PM](#)

Co-Chair Green shared that when she was approached with the funding request for the Kotzebue shelter, she agreed to include it in the budget for one year only. In subsequent budgets, it would be treated as all other shelters and not funded separately.

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Co-Chair Green continued that the State has, in years past, received large amount of federal funds through the TANF program. TANF was established as a part of the federal welfare reform plan, and the State was granted numerous high performance bonuses as the number of welfare participants declined each year. Under the Deficit Reduction Act, TANF was reauthorized, but funding for future high performance bonuses was eliminated. The State's status is being reviewed, and if it is determined that the State did not reach the high performance level, bonus monies must be refunded to the federal government. For that reason, TANF funds are not used in the current budget, and the fund source for the CDVSA may be at risk.

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Co-Chair Wilken directed staff to research the issue further.

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Senator Olson asked the amount of funding involved in the pending TANF decision.

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Co-Chair Green quoted the current balance as \$4,380,000.

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Senator Olson asked of the possible repercussions.

[5:40:13 PM](#)

Co-Chair Green answered that the State would have to return the money to the federal government. She noted that the State had been granted flexibility in the use of TANF performance bonuses, and they had been expended on a variety of increments over the years.

[5:41:01 PM](#)

Mr. Armstrong pointed out that in the committee substitute the House of Representatives version of the bill provided "backfill" to fund the Byrnes grants in the "language" section, and the Senate subcommittee took the same action in the "numbers" section, so those funds were "double counted" in the bill. A forthcoming amendment would correct that oversight.

[5:41:33 PM](#)

Department of Military and Veterans Affairs Budget Subcommittee

Senator Fred Dyson, Chair
Senator Charlie Huggins
Senator Johnny Ellis

Senator Dyson reported that the subcommittee collaborated with the Department and arrived at a recommended budget approximately \$1.5 million lower than the Governor's request. The report did not address increased fuel costs, as forthcoming legislation would speak to that issue. The proposed committee substitute did not fund the Local Emergency Planning Committee (LEPC), a component the commissioner identified as "important", with the anticipation that the LEPC would be funded from the "470 fund" when it was replenished.

Senator Dyson continued that a \$25,000 request for educational benefits was recommended not to be funded. While discussions have transpired with the University of Alaska regarding free tuition for guardsmen, questions remain whether guardsmen who wish to continue their education are fully utilizing their GI bill funds.

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Senator Dyson stated a \$122,500 request for the Office of the Commissioner was recommended to begin funding the Adjutant General Association of the United States (AGAUS) Conference in

June 2007. He predicted funds generated from the conference would far surpass the allocation in the proposed committee substitute, and had recommended the \$122,500 be returned to the general fund, and additional funds be used to offset supplemental requests or be relapsed to the general fund when received.

[5:44:02 PM](#)

Department of Administration Budget Subcommittee

Senator Fred Dyson, Chair
Senator Kim Elton
Senator Charlie Huggins

Senator Dyson summarized the subcommittee's recommended budget appropriated approximately \$5.7 million less in general funds than the Governor's requested budget.

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Mr. Shultz informed that a \$3,557,000 request for the Office of the Commissioner's enterprise technology services was not addressed in the Department's report, and would instead be included in the language section. Labor relations requests of \$200,000 for labor negotiations and \$112,000 for increased arbitration and arbitration costs were funded at \$56,000 total in the proposed committee substitute. While Capital Improvement Project (CIP) funds had dwindled, and the Department had seen increased arbitration, the subcommittee concluded the costs would not be as great as anticipated.

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Mr. Shultz told that the Department requested \$2 million for PERS/TRS, part of which was to be used to educate employees about the new retirement program instituted by the passage of SB 141. The Legislative Finance Division pointed out that "education" was provided for in the original legislation the previous year. Therefore, that portion of the request was not funded in the proposed committee substitute. However, the State is mandated to match any contributions by an employee changing to new program, and this must be done with new funds, not funds transferred from the older retirement system. He anticipated the "matching" language would be resolved by a conference committee.

[5:46:38 PM](#)

Mr. Shultz spoke to the funding request to address two non-public buildings. The Department was unable to collect interagency receipts for these buildings, and was asked by the legislature the prior year to submit general fund requests for non-public buildings projects separately. Maintenance and operations costs could then be paid for through interagency transfers. This would give the non-public buildings staff more accountability for maintaining those facilities.

Mr. Shultz continued, informing that those agencies failed to request funds and subsequently the Department could not collect I/A receipts and had to absorb the costs. The Department requested funds in the current budget to cover the expenses of the non-public buildings, but that request was denied by the subcommittee in an attempt to force the non-public buildings to make their own general fund requests and increase accountability.

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Mr. Shultz cited the enterprise technology services request was approximately \$1.8 million, \$1.7 million of which is required to secure federal matching grants. The subcommittee recommended funding \$1.7.

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Mr. Shultz explained that administration of the Alaska Land Mobile Radio (ALMR) contract has been transferred from the Department of Military and Veterans Affairs to the Department of Administration. The subcommittee recommended reducing the GF allocation for maintenance and operations by \$63,100 because the completed project was anticipated to be less expensive to administer than it was during construction.

[5:48:54 PM](#)

Senator Dyson admired the commissioner's commitment to fund departmental costs during the budget process, rather than presenting major operational requests in the supplemental budget. He aligned himself with the commissioner's view that funding public defenders and the Office of Public Advocacy (OPA)

is not only a constitutional requirement, but a priority to assist indigent persons. To support this effort, the first of two increments requested by the Department and the Governor to increase funding for the Public Defenders Agency (PDA) and OPA received a recommendation for funding. These agencies cannot control the number of clients they have, as they must service all individuals who meet the eligibility requirements. Steps have been taken to reduce the expensive contract services by doing more work "in house", and the recommended increment would assist in these efforts.

Senator Dyson informed that the second request was not included in the proposed committee substitute, as it would necessitate a reduction in funding for public broadcasting. The proposed committee substitute would fully fund public radio, and reduce the GF monies by approximately 25 percent. He specified a reduction of less than \$200,000 from a total budget of approximately \$18 million.

[5:51:24 PM](#)

Co-Chair Wilken referenced "numerous" discussions between himself, Senator Dyson, and Department officials, and considered this budget an issue of "priorities". It was difficult to deny the increase to OPA and PDA, as the missions of those agencies were respectable. Another priority, however, was public broadcasting. A forthcoming amended committee substitute would reflect a \$1,052,200 increase for public broadcasting, a figure that represents 100 percent of the requested amount for public radio and 75 percent for public television. Funding was identified within the Department.

[5:52:48 PM](#)

Co-Chair Wilken commented, for the benefit of future Finance Committee members, that he had witnessed a great deal of support for public radio, and a declining level of support for public television. He questioned the need for public television. If others believed that assumption was wrong, he suggested public television officials endeavor to change public opinion. He characterized his comments as "constructive criticism".

[5:53:57 PM](#)

Senator Hoffman opined that the reinstatement of funding for public broadcasting would greatly reduce the amount of public testimony on the operating budget. He requested the total dollar amount of the reduction to public television.

[5:54:23 PM](#)

Co-Chair Wilken responded that the change increases funding by \$470,300 to public television and \$582,900 to public radio.

[5:54:45 PM](#)

Mr. Armstrong estimated the reduction to be approximately \$165,000.

[5:54:53 PM](#)

Senator Stedman asserted that public radio is popular in Southeast Alaska, particularly in outlying areas that receive no other radio stations. He appreciated the support for public radio and hoped public television would receive like treatment.

[5:55:40 PM](#)

Co-Chair Green noted that the Department of Law would realize corresponding increases for prosecuting attorneys to manage the increased caseloads of OPA and PDA.

[5:56:03 PM](#)

Senator Dyson understood the most popular public television shows to be Antiques Roadshow and This Old House, which he categorized as "fun, but not valuable" programming.

[5:56:32 PM](#)

Senator Bunde asked how many participants remained in the Elected Public Officials Retirement System (EPORS).

[5:56:55 PM](#)

Mr. Armstrong was unsure.

[5:57:09 PM](#)

Senator Bunde requested a summary of the EPORS program, including the number of participants, their names, and how many were still alive.

[5:57:25 PM](#)

Senator Olson returned to the topic of public broadcasting. He informed the Committee that the most valuable public television programming for Rural Alaska is the state weather broadcast, which allows people skeptical of news weather forecasts to draw their own conclusions based on the location of high and low pressure systems. The weather broadcasts are used regularly by fishermen, pilots, and other Alaskans who spend time outdoors.

He was confused about the funding, as the spreadsheet depicted a reduction of \$1.2 million, rather than full funding.

[5:58:43 PM](#)

Co-Chair Wilken explained the budget proposed in the Senate does not fund \$125,000 for the public broadcasting commission.

[5:59:01 PM](#)

Mr. Armstrong clarified that the reinstated funding for public broadcasting is reflected in the current committee substitute, Version "P".

[5:59:23 PM](#)

Co-Chair Wilken noted all Department summary sheets are available electronically on the internet at the Legislative Finance Division website.

[5:59:51 PM](#)

Department of Natural Resources Budget Subcommittee

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

Senator Bunde introduced his staff.

[6:00:25 PM](#)

LYNNE SMITH, Staff to Senator Bunde, listed as a significant increase, \$1.2 million for oil and gas development, both to staff the commissioner's office and to accommodate the increased workload for development of a natural gas pipeline.

[6:00:59 PM](#)

Ms. Smith detailed a request in the Governor's budget for more than \$1 million for the State park system. The subcommittee recommended funding \$500,400 of the request, and transferred the historic preservation program, parks management, and parks and recreation allocations into resource development, so if extra funds were identified in resource development, they could be used to assist the parks.

[6:01:41 PM](#)

Senator Bunde commented that the subcommittee collaborated with the Department to prioritize their needs.

[6:02:13 PM](#)

Senator Stedman asked for more information on maintenance of the state parks, and any potential charges for use, as it is a sensitive issue in his district.

[6:02:38 PM](#)

Senator Bunde responded that the park system requested more funding than the Department had available. Much of the wilderness within the parks does not require significant maintenance.

[6:03:14 PM](#)

Department of Labor and Workforce Development Budget
Subcommittee

Senator Con Bunde, Chair
Senator Tom Wagoner
Senator Bettye Davis

[6:03:30 PM](#)

Senator Bunde remarked that the subcommittee worked within the guidelines established by the Committee to address and prioritize the needs of the Department. He was concerned about the State's ability to attend to the needs of individuals who do not receive college educations.

[6:04:17 PM](#)

Ms. Smith indicated an allocation of \$300,000 for the Alaska Youth First program, a new program, which was included in the subcommittee report, but not in the proposed committee substitute.

[6:04:41 PM](#)

Co-Chair Wilken would invite members of the Department to present the new program before the full Committee.

[6:04:52 PM](#)

Department of Fish and Game Budget Subcommittee

Senator Con Bunde, Chair
Senator Ralph Seekins
Senator Ben Stevens
Senator Lyman Hoffman

[6:05:07 PM](#)

Senator Bunde spoke to his desire to see the Department "flourish". He worked under the directive of the Committee to fund the priority needs of the Department.

[6:05:44 PM](#)

Ms. Smith stated the subcommittee report contained a change from the proposed committee substitute, in the addition of \$1,330,700 for wildlife conservation and big game management and research. She understood the Department would speak to that increase before the full Committee.

[6:06:08 PM](#)

Co-Chair Wilken affirmed that the committee substitute does not include the big game management appropriation, and he would ask the Department to present the program to the full Committee before a final funding decision was made.

[6:06:35 PM](#)

Senator Bunde acknowledged that salary adjustments were approved for sport fisheries employees, which was helpful in meeting their goals.

[6:06:50 PM](#)

Senator Stedman appreciated the salary increases, as it allowed the State Department of Fish and Game to stay competitive with the federal departments, and retain its qualified staff.

Department of Revenue Budget Subcommittee

Senator Bert Stedman, Chair
Senator Tom Wagoner
Senator Gretchen Guess

[6:07:46 PM](#)

Senator Stedman informed that the proposed committee substitute contained an increment, at the request of the Governor, for a State investment officer salary adjustment, an increase needed to stay competitive within the marketplace.

Senator Stedman commented that the subcommittee's recommended budget reflected a total increase of 19 percent over the previous year, compared to a 7.8 percent change contained in the Governor's requested budget. That increase was mainly due to a funding source change involving redirection of general funds from the Department of Commerce, Community, and Economic Development which would be addressed in a forthcoming subcommittee overview. He added that the State's "break even" oil price rate was \$49 per barrel, and such an incremental increase noticeable.

[6:09:17 PM](#)

Senator Dyson asked for confirmation that the information on the subcommittee report indicated a 7.8 percent increase in the

Governor's requested budget, compared to the subcommittee's recommended 19 percent increase.

[6:09:41 PM](#)

Senator Stedman replied that was correct. The fund source change would be reflected as a reduction in the Department of Commerce, Community, and Economic Development budget. He quoted the actual GF increase to be 7.7 percent over the previous year's budget. The goal during the subcommittee process was to keep "backfills" and "new headcount" numbers low.

[6:10:25 PM](#)

Department of Law Budget Subcommittee

Senator Bert Stedman, Chair
Senator Ralph Seekins
Senator Hollis French

Senator Stedman reported the subcommittee recommended an incremental change in the Department's budget of 5.2 percent, a reduction from the Governor's requested 7.3 percent increase. The increases were related to addressing issues such as methamphetamine production and other "society ills" the Department encounters. This includes expanding the court system and the number of judges in the third and fourth judicial districts.

[6:11:35 PM](#)

Senator Stedman continued that the proposed committee substitute contained I/A receipts to replace federal funding for drug enforcement prosecution. While the stated goals of the Committee included no "automatic backfill" for federal funds, some programs merited "backfill" funding to ensure their viability.

[6:12:21 PM](#)

Senator Stedman referred to page 2 of the spreadsheet, which detailed a reduction of \$74,000 for oil and gas issues related to the proposed gas line. The Department deemed the current level of funding adequate.

Senator Stedman noted the most difficult issue within the Department's budget was that of drug enforcement. The subcommittee struggled to allocate funds in the most effective way possible. Monies were targeted at the Anchorage and Mat-Su areas, where the Department has the greatest needs.

[6:13:35 PM](#)

Co-Chair Wilken relayed that the Department had received three years of federal funding for three Drug Enforcement Agency (DEA) agents. Members were aware that the federal funds would not be available for that purpose in the current budget, and were in agreement to backfill the program with State funds.

[6:14:01 PM](#)

Mr. Armstrong interjected that the fast track supplemental budget bill, SB 264, contained \$5.4 million for oil and gas development from 2006-2007. Another supplemental bill, SB 232, funded \$3.9 million of that effort, and the proposed committee substitute would fund the remaining \$1.5 million.

[6:14:28 PM](#)

Senator Stedman did not want to imply that the Committee had completed its work on the oil and gas issue. He anticipated many more years of revenue expenditures on the gas line before the State realized any income from the project.

[6:14:48 PM](#)

Department of Commerce, Community, and Economic Development
Budget Subcommittee

Senator Bert Stedman, Chair
Senator Gary Stevens
Senator Gretchen Guess

Senator Stedman reported the subcommittee recommended the transfer of two positions from the Office Economic Development to their original location within Community Advocacy. That transfer amounted to \$86,000.

Senator Stedman indicated a \$3 million "fund shift" from GF to business license receipts. He pointed out that this relates to

the Department of Revenue budget increase, as reported in that department's budget.

Senator Stedman noted a reduction of \$121,000 in the proposed committee substitute, achieved with the deletion of the Special Projects Management position.

Senator Stedman spoke to a deduction of approximately \$140,000 in the Statehood Celebration fund, as it was recommended to receive its own appropriation. A separate account would allow the Committee to track those expenditures. He did not want the spending "euphoria" to get "out of hand".

[6:16:12 PM](#)

Senator Stedman cited a \$172,000 fund shift from the general fund to the vehicle rental tax receipts to fund the Division of Tourism.

Senator Stedman outlined another fund shift under the Qualified Trade Association contract of \$2.5 million from GF to vehicle rental tax receipts.

[6:16:43 PM](#)

Senator Stedman informed that the subcommittee recommended the funding for the Alaska Seafood Marketing Institute (ASMI) be increased by \$2 million for domestic and international marketing activities. While the increase is large, it is less than the Governor's requested \$2.3 million and the House of Representatives' proposed \$5 million increase. He suggested that ASMI not obligate that money until the budget is finalized, as the appropriation is subject to change.

[6:17:22 PM](#)

Senator Stedman communicated that the Regulatory Commission of Alaska (RCA) received a \$150,000 one-time GF increment in the proposed committee substitute to fund the development of small hydroelectric power regulations. This was a reduction from the Governor's requested \$325,000 for the project. He identified the two facets of the program, the first being the development and implementation of the regulations, followed by the administration of the program. The funding would establish the regulation structure to enable a revenue source for small

hydroelectric systems. The recommended allocation would be sufficient to fund the first phase of the program, and administrative costs would be addressed in subsequent years after the program was established.

[6:18:36 PM](#)

Senator Stedman referred to the totals on page 3 of the spreadsheet which appeared to indicate a 36 percent budget reduction, but clarified that some of that reduction reflected the fund transfers between the Department of Revenue and the Department of Commerce, Community, and Economic Development.

Senator Stedman told that the Department's "head count" was reduced from 514 to 511, as two Rural Utility Business Advisor (RUBA) positions were recommended not to be funded. The deletion of the special projects manager position was a "tough decision" as many people desired continued funding for this "circuit rider" to travel to rural areas to advise on water and sewer issues.

[6:20:26 PM](#)

Co-Chair Wilken announced he would submit an amendment to provide grant funding for marketing activities directed at independent travelers, such as couples traveling by car, which would be funded from the vehicle rental tax.

He also noted the proposed committee substitute funds the PCE program at 90 percent.

[6:21:14 PM](#)

Co-Chair Wilken referred to page 61 of the committee substitute, which provided for an additional appropriation of \$6.5 million to the PCE program if the ANS oil price is \$58.50 per barrel on October 1 and April 1. If the additional appropriation is warranted, the total funding for PCE would be at the Governor's requested level of \$25 million. The table on pages 61 and 62 detailed ANS prices beginning at \$54 and their corresponding additional funding levels.

[6:22:03 PM](#)

Senator Dyson recalled the Committee's discussions in recent months of the "energy cost crises" across the State, and how the various energy assistance programs interrelate. He has introduced a bill to require the production of a State-wide overview of the various programs and their specific qualifications and benefits. He suggested the Committee consider if such an overview could be included in the proposed committee substitute. He deemed the receipt of that information necessary before the Committee began addressing accelerating energy costs in subsequent years.

[6:23:16 PM](#)

Co-Chair Wilken appreciated the suggestion, as it was an issue all members struggle with, and thus far the only solution had been increased funding. Coordinating energy assistance projects to address rising costs was a "big project", and he commended Senator Dyson for his for his attention to it. He recommended putting pressure on the Administration to develop the overview.

[6:23:55 PM](#)

Senator Stedman spoke to the Committee's "good intentions" when it funded several energy assistance programs the previous year to alleviate the burden on municipalities. He had since learned that some of those funds were directed to communities that were dependant on diesel generators, while other communities that received assistance were powered by hydroelectric sources. He opined that the Committee needed more information regarding power use and availability across the State, as a family relying on a small generator would be more significantly impacted by high fuel costs than those using hydroelectric power.

[6:24:54 PM](#)

Co-Chair Wilken wondered if the joint action agency might be able to designate funding for that endeavor for "the benefit of state".

[6:25:25 PM](#)

Office of the Governor Budget Subcommittee

Senator Gary Wilken, Chair
Senator Ben Stevens

Senator Lyda Green
Senator Gene Therriault
Senator Lyman Hoffman

Co-Chair Wilken summarized the budget was recommended to be funded as requested by the Governor with no changes.

[6:25:41 PM](#)

Legislature Budget Subcommittee

Senator Gary Wilken, Chair
Senator Ben Stevens
Senator Lyda Green
Senator Gene Therriault
Senator Lyman Hoffman

Co-Chair Wilken informed that decrements were required to meet the Department's budgetary goal, and summarized them as follows. In the proposed committee substitute Legislative Audit was reduced by \$125,000 and Legislative Finance received a recommended decrement of \$625,000. Other decrements were recommended for session expenses in the amount of \$33,000, \$175,000 from Legislative council and subcommittees, and \$66,000 from the legislative operating budget.

Co-Chair Wilken summarized that the Governor's requested budget totaled \$51.919 million, and the subcommittee's recommended budget reduced expenditures to \$50.912 million.

[6:26:44 PM](#)

Senator Bunde pointed out the Legislature's budget represented the smallest percentage increase of any department budget.

[6:26:52 PM](#)

Co-Chair Green interjected that the Legislature's budget would receive the lowest percentage increase in spite of the anticipation of special legislative sessions.

[6:27:03 PM](#)

Co-Chair Wilken specified the subcommittee had budgeted for two 20-day special sessions for both 2006 and 2007.

[6:27:21 PM](#)

Senator Hoffman recounted two issues from a recent address by US Senator Ted Stevens. One item relating to energy concerns at the federal level was attended to with the allocation of additional funds to seek support for the opening of the Alaska National Wildlife Refuge (ANWR). The other issue Senator Stevens spoke to was the Denali Commission, and he recommended establishing matching funds. Senator Hoffman would likely offer an amendment to require matching funds.

[6:28:18 PM](#)

Co-Chair Green recalled the Denali Commission's initial presentation, and their claim that they would never request State funds. She had believed them.

[6:28:44 PM](#)

Senator Hoffman also believed the Commission, and clarified that the request for funds came not from the Denali Commission but from Senator Ted Stevens.

[6:29:02 PM](#)

Co-Chair Wilken declared the subcommittee overviews complete.

[6:29:08 PM](#)

Co-Chair Wilken explained that the Legislative Finance Division would incorporate the changes set forth by the subcommittee recommendations, then post the information on the internet.

AT EASE [6:29:19 PM](#)

[6:29:37 PM](#)

Co-Chair Green offered a motion to adopt the budget subcommittees' recommendations to the Department of Health and Social Services, the Department of Corrections, the Department of Transportation and Public Facilities and the Alaska Court System.

Without objection the aforementioned budget subcommittees' recommendations were ADOPTED.

[6:30:03 PM](#)

Senator Stedman moved for adoption of the Department of Law, the Department of Commerce, Community, and Economic Development, and Department of Revenue budget subcommittees' recommendations.

There was no objection and the aforementioned budget subcommittees' recommendations were ADOPTED.

[6:30:18 PM](#)

Senator Dyson offered a motion to adopt the budget subcommittees' recommendations for the Department of Administration, the Department of Public Safety, the Department of Military and Veterans Affairs.

Without objection the aforementioned budget subcommittees' recommendations were ADOPTED.

[6:30:39 PM](#)

Senator Bunde moved for adoption of the Department of Fish and Game, the Department of Labor and Workforce Development, and the Department of Natural Resources budget subcommittees' recommendations.

There was no objection and the aforementioned budget subcommittee's recommendations were ADOPTED.

[6:30:57 PM](#)

Co-Chair Wilken offered a motion to adopt the budget subcommittees' recommendations for the Department of Environmental Conservation, the Department of Education and Early Development, the University of Alaska, the Office of the Governor, and the Legislature.

Senator Hoffman objected to comment that the Committee was "marching in the right direction" with the \$90 million appropriation for the base student allocation in the Department of Education and Early Development. However, school districts throughout the state continue to struggle with the increased

costs of the PERS/TRS systems, which resulted in a decrease in the amounts of funds available for classroom instruction. He opined that the State ought to have funded public education at a higher level, and cited a surplus of \$1.4 billion and the probable adjustment to the State's tax system that could generate an additional \$1.1 billion per year in revenue as support. He surmised that \$2.5 billion was available for allocation, and declared "we could have done better for children of the state."

Senator Hoffman removed his objection.

[6:33:13 PM](#)

Senator Stedman objected to share his anticipation of amendments to the department's budget. He assumed the Chair would accept the amendments submitted.

[6:33:47 PM](#)

Co-Chair Wilken affirmed.

[6:33:52 PM](#)

Senator Stedman removed his objection.

[6:34:05 PM](#)

Co-Chair Wilken announced amendments to the budget were due by 1:00 on Saturday afternoon, with the goal of reporting the bill out of Committee the following Wednesday.

[6:34:16 PM](#)

Co-Chair Green offered a motion to adopt CS HB 365, 24-GH2033\P, as a working document.

[6:34:26 PM](#)

There was no objection and the committee substitute, Version "P", was ADOPTED as a working document.

[6:34:33 PM](#)

Co-Chair Wilken indicated that all reported changes would be incorporated into a forthcoming amended committee substitute. Version "P" includes most of the changes discussed.

[6:35:02 PM](#)

Co-Chair Wilken thanked members and staff for their efforts.

[6:35:44 PM](#)

Co-Chair Wilken announced the schedule for public testimony.

#

ADJOURNMENT

Co-Chair Gary Wilken adjourned the meeting at [6:36:08 PM](#)