

MINUTES
SENATE FINANCE COMMITTEE
April 4, 2007
9:04 a.m.

CALL TO ORDER

Co-Chair Lyman Hoffman convened the meeting at approximately [9:04:09 AM](#).

PRESENT

Senator Lyman Hoffman, Co-Chair
Senator Bert Stedman, Co-Chair
Senator Charlie Huggins, Vice Chair
Senator Kim Elton
Senator Donny Olson
Senator Joe Thomas
Senator Fred Dyson

Also Attending: DAVID TEAL, Director, Division of Legislative Finance.

Attending via Teleconference: There were no teleconference participants.

SUMMARY INFORMATION

#hb95
#hb96

HB 95-APPROP: OPERATING BUDGET/LOANS/FUNDS

HB 96-APPROP: MENTAL HEALTH BUDGET

The Committee heard from the budget subcommittees and the Division of Legislative Finance. The bills were held in Committee.

[9:04:22 AM](#)

CS FOR HOUSE BILL NO. 95(FIN)

"An Act making appropriations for the operating and loan program expenses of state government, for certain programs, and to capitalize funds; making appropriations under art. IX, sec. 17(c), Constitution of the State of Alaska; and providing for an effective date."

CS FOR HOUSE BILL NO. 96(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."

[9:07:58 AM](#)

Co-Chair Hoffman introduced the bills and announced that the chairs of the Operating budget subcommittees would present the FY 08 budget recommendation reports for each department.

Office of the Governor

Subcommittee members: Senator Hoffman, Senator Cowdery, Senator Green, Senator Therriault.

The Senate Finance Subcommittee for the Office of the Governor submits an Operating budget consisting of numbers and language and excluding PERS/TRS consideration to the full Senate Finance Committee for FY 08 as follows:

General Funds

08 Adj Base:	19,694,000
Gov Amend:	18,839,800
Sen Sub:	18,839,800

Fed Funds

08 Adj Base:	178,800
Gov Amend:	178,800
Sen Sub:	178,800

Other Funds

08 Adj Base:	1,460,000
Gov Amend:	1,383,700
Sen Sub:	1,383,700

Total

08 Adj Base: 21,332,800
Gov Amend: 20,402,300
Sen Sub: 20,402,300

Budget Action

1. Adopted the FY08 Adjusted Base.
2. Accepted budget amendment relocating Lt. Governor's budget component within the Executive Operations BRU.
3. Increments:
 - Adopted \$19,200 for increased lease costs Human Rights Commission
 - Adopted \$0.0 for Statehood Commission transfer from DCCED
 - Adopted \$73,200 for CIP Receipts for staff position.
 - Adopted \$78,600 for increased funding for trade activity.
 - Adopted \$48,000 for annual maintenance for voting equipment.
4. Decrements:
 - Adopted \$-149,500 for I/A Denali Commission staff position.
 - Adopted \$-771,200 for internal efficiencies in Exec. Office.
 - Adopted \$-100,000 for internal efficiencies in Lt. Gov.
 - Adopted \$-128,800 for internal efficiencies in OMB.

Personnel

Reviewed the personnel count for the Department. The Governor's amendments reflect a reduction of four full time positions.

Co-Chair Hoffman reviewed this recommendation.

Legislature

Subcommittee members: Senator Hoffman, Senator Cowdery, Senator Green, Senator Therriault.

The Senate Finance Subcommittee for the Legislature submits an Operating budget consisting of numbers and language and excluding PERS/TRS consideration to the full Senate Finance Committee for FY 08 as follows:

General Funds

08 Adj Base: 60,043,100
Gov Amend: 59,936,200
Sen Sub: 58,856,100

Other Funds

08 Adj Base: 681,700
Gov Amend: 788,600
Sen Sub: 762,900

Total

08 Adj Base: 60,724,800
Gov Amend: 60,724,800
Sen Sub: 59,619,000

Budget Action

1. Accepted the FY08 adjusted base budget.
2. Adopted numerous transfers and adjustments requested by the Legislative Affairs Agency.
3. Approved structure change moving the Ombudsman Office under Legislative Council.
4. Increments (major)
 - \$338,000 Increased Funding for 30 thirty day special session
 - \$102,300 for one new position Ombudsman
 - \$26,400 for casual labor Ombudsman
 - \$81,800 additional personal services for Office of Victim Rights
5. Decrements (major)
 - (\$251,200) Legislative Audit Carryforward
 - (\$194,200) Legislative Finance Carryforward
 - (\$51,100) Ombudsman Carryforward
 - (\$668,200) Senate Finance Carryforward
 - (\$286,300) House Operating Carryforward
 - (\$168,400) Senate Operating Carryforward
 - (\$126,300) Office of Victims Rights Carryforward
 - (\$40,000) Efficiency Reduction Administrative Services

Personnel

The subcommittee reviewed the personnel count for the Legislature. There is one new full-time position and one less part-time position.

Co-Chair Hoffman highlighted this report, adding that the recommended addition of \$338,000 for a special session would be in addition to the base of \$100,000 and was considered in

anticipation of a special session to complete efforts on the Alaska Gasline Inducement Act (AGIA).

Co-Chair Hoffman added that the relocation of the Ombudsman allocation was a change made to conform to action taken by the House of Representatives.

[9:11:07 AM](#)

Department of Administration

Subcommittee members: Senator Hoffman, Senator McGuire, Senator Dyson.

The Senate Finance Subcommittee for the Department of Administration submits an Operating budget consisting of numbers and language and excluding PERS/TRS consideration to the full Senate Finance Committee for FY 08 as follows:

General Funds

08 Adj Base:	65,342,400
Gov Amend:	68,386,600
Hse-PERS:	67,819,100
Sen Sub:	64,569,100

Fed Funds

08 Adj Base:	2,876,300
Gov Amend:	2,857,100
Hse-PERS:	2,876,300
Sen Sub:	2,844,500

Other Funds

08 Adj Base:	202,603,600
Gov Amend:	206,692,200
Hse-PERS:	206,356,700
Sen Sub:	199,184,700

Total

08 Adj Base:	270,822,300
Gov Amend:	277,935,900
Hse-PERS:	277,052,100
Sen Sub:	266,598,300

Budget Action

1. Accepted the FY08 adjusted base budget.

2. Accepted FY08 request for health cost fund source changes of \$1,600.
3. Accepted the Governor's amended budget.
4. Denied FY08 request for fuel cost increases totaling \$44,400. All fuel increases are deferred to the full Senate Finance Committee for consideration
5. Denied FY08 request for PERS fund source changes totaling \$208,900. All retirement related changes are deferred to the full Senate Finance Committee for consideration in the statewide retirement proposal.
6. Removed non-GF excess funds due to the PERS rate reduction of \$7,003,800.

Amendment Action

Reviewed amendments submitted by the Governor.

1. Accepted the following Governor's proposed amendments:

- Amendment #3: (19,200)GF in AOGCC, replaced with 19,200 AOGCC RSS
- Amendment #4: 4,900 AOGCC RSS for lease costs
- Amendment #5: (327,000) GF in ETS chargeback receipts
- Amendment #6: (1,600,000) GF in DOA Leases
- Amendment #7: (100,000) GF EPORS cost estimate reductions
- Amendment #8: 154,500 RSS to ETS
- Amendment #10: (2,049,000) RSS Group Health Contract cost estimate reduction
- Amendment #11: (150,000) GF Labor Relations staff consolidation/efficiencies
- Amendment #12: (10,500) RSS to DMV
- Amendment #13: 1,440,600 RSS to DMV for leases
- Amendment #18: (160,400) GF Personnel staff consolidations/efficiencies
- Amendment #20: 319,500 RSS to Retirement & Benefits for 3 PFT in personal services support and 1 PFT for an internal auditor
- Amendment #21: net zero to Retirement & Benefits for fund source reallocations
- Amendment #31 (1,000,000) I/A RSS to Risk Management for Marine Insurance Premium reductions (ADFG, DPS, DOTPF)
- Amendment #32: 25,000 GF to Satellite Infrastructure lease increase
- Amendment #33: (25,000) GF to UVPARP annuity purchase cost estimate reduction

2. The subcommittee reviewed and partially accepted the following Governor's amendment:

Amendment #19: Accepted 3 positions @ \$300,000 to Public Defender Agency; Governor requested 8 positions @ \$800,000

3. The subcommittee reviewed but did not accept the following Governor's amendments:

Amendment #9: 2,250,000 GF operation/maintenance costs to ALMR

Amendment #14: 7000,000 to OPA (500,000 GF & 200,000 SDPR) for 5 PFT

Amendment #22-30: are in the Language section and are related to PERS/TRS. All retirement related changes are deferred to the full Senate Finance Committee for consideration in the statewide retirement proposal.

4. The subcommittee reviewed the Language section of the budget. The subcommittee accepted the following amendments:

Amendment #15: (1,500,000) GF to Commissioner's Office, reduction in distribution to departments for ETS chargeback rates and non-covered employee health insurance. Additional efficiencies were identified in the amount of (559,000) for a total reduction of (2,059,000)

Amendment #16: 250,000 GF to Commissioner's Office for security and anti-virus software

Amendment #17: 825,000 GF to Commissioner's Office for Exchange and Active Directory funding to all departments. Accepting all three amendments yielded a net savings of \$984,000

5. The subcommittee reviewed the Office of Public Advocacy (OPA) budget and amended the budget to include an increment for the Office of Elder Fraud and Assistance. The subcommittee finds that the current funding level for this office is insufficient to meet the demand for advocacy. An increment of \$231,199 is accepted and three new positions to properly address this new function of OPA created by statute in 2006 are approved.

Personnel

The subcommittee reviewed the personnel count for the Department. The authorized position count for FY08 Adjusted Base is 1,028 permanent full-time, 27 permanent part-time and 27 temporary. The FY08 Governor requested 25 new PFT. The subcommittee accepted 8 requested positions plus an additional 3 for the Elder Fraud unit in OPA for a total of 11 new PFT positions:

- 4 - Retirement & Benefits
- 1 - APOC (Anc)
- 3 - Office Public Advocacy (Anc/Elder Fraud, Attorney II, Investigator, Clerk II)
- 3 - Public Defenders Agency (Anc)

11 (1,039 PFT total Department position count)

Co-Chair Hoffman overviewed the subcommittee recommendations.

[9:14:10 AM](#)

Department of Fish and Game

Subcommittee members: Senator Hoffman, Senator Stedman, Senator Stevens, Senator Wielechowski, Senator Wagoner.

The Senate Finance Subcommittee for the Department of Fish and Game submits an Operating Budget to the full Senate Finance Committee for FY 08 as follows:

General Funds

07 Adj Base: 42,760,700
Gov Amend: 52,080,500
House: 43,671,300
Sen. Sub: 43,671,300

Fed Funds

07 Adj Base: 68,018,200
Gov Amend: 62,137,900
House: 66,723,200
Sen. Sub: 66,723,200

Other Funds

07 Adj Base: 69,852,400
Gov Amend: 65,626,200

House: 69,332,400
Sen. Sub: 68,704,700

Position changes

PFT

FY 07: 862
FY 08: 858

PPT

FY 07: 800
FY 08: 800

Temp

FY 07: 102
FY 08: 99

Budget Action

1. The Sub Committee removed all items related to the retirement costs and fuel increases. These items will be considered by the full Finance Committee.
2. Reviewed and accepted all of the amendments submitted by the Governor.

Amendment #110: (149,000) GF for Admin Services, eliminates 1 PFT, 2 temp

Amendment #112: (342,800) fund source switch for CFEC, covers CFEC with RSS and moves 342,800 in GF to Comm Fish

Amendment #113: GF for Comm Fish Special Projects, eliminates 2 PFT (Publications Specialist & Analyst/ Programmer)

Amendment #114: (85,000) GF for Commissioner's office, eliminates one PFT, Oceans Policy Coordinator

Amendment #115: (100,000) other funds for EVOSS (see Am#111)

Amendment #116: (13,100) for HQ Fisheries Management, insurance premium reduction

Amendment #117: 342,800 for HQ Fisheries Management, switch with CFEC (see amendment #112)

Amendment #118: (63,000) for Southeast Region Fisheries Management Eliminates publications specialist accounted for in Amendment #113.

Amendment #119: (700) Fish and Game Fund for Sport Fish Marine Insurance Premium reduction

Amendment #120: GF for Sport Fish, restructures Aquatic Resources Coordination Project
Amendment #121: (97,100) GF for Sport Fish, restructure educational and outreach projects
Amendment #122: (11,700) GF for Sport Fish, eliminate temp intern position
Amendment #123: (700) Fish and Game Fund for Wildlife Conservation Marine Insurance Premium reduction
Amendment #124: (22,700) GF for Wildlife Conservation, reduced fuel costs
Amendment #125: 100,000 EVOS receipts for Wildlife Conservation Special Projects

3. The Sub-Committee added intent language to the Wildlife Conservation, Public Shooting Range Component as follows: It is the intent of the legislature that the Department of F&G develop a plan to make the shooting ranges completely self-supporting by FY 2009.

Items of Concerns

1. Maximizing harvest opportunities. The Constitution of the State of Alaska mandates the management of resources for the maximum benefit of the people. Yet anecdotally, the department has cited lack of funds for stock assessments as cause to manage certain fisheries conservatively. Because it is important for the legislature to know to what extent if any the state is missing opportunities for fisheries development, the sub-committee requests that the department perform a review of managed fisheries that are currently limited by insufficient scientific data to allow maximum harvest opportunities. Individual fisheries managers should be required to study the potential for increased harvest opportunities in their respective areas, and summarize ways, if any, that their budgets limit their ability to expand the use of fisheries resources. In the FY 09 budget request, the department should include cost estimates of any stock assessments necessary to better understand target species abundance and distribution. The department should also report on ways in which cooperative studies with industry can help to expand fisheries in a cost-effective manner. This item of concern is not

meant to impugn the management of the department, which is world renowned for its effective and sustainable management of our fisheries. However, it is the intent of the subcommittee to encourage ADFG to look at what it could be doing with better funding directed at expanding harvest opportunities for both existing fisheries and potential new fisheries.

2. The Department has indicated for several years that retaining key fisheries management personnel is becoming more and more difficult because the state salaries are not competitive with the salaries paid to equivalent positions in the federal government. The departure of experienced biologists with critical knowledge of the Alaskan fishing industry and fisheries resources will leave the department with deficiencies in its core functions. The subcommittee respectfully requests that the administration pay close attention to this problem and report to the legislature during the next budget cycle with solutions.
3. Operation of shooting ranges fall outside the scope of this Department and it is the intent that the existing shooting ranges become self supporting by FY 09. The FY 06 shortfall was \$375k for the 3 state run shooting ranges.

Co-Chair Hoffman summarized this budget recommendation, and read the intent language relating to public shooting ranges.

[9:16:32 AM](#)

Department of Law

Subcommittee members: Senator Stedman, Senator McGuire, Senator French, Senator Therriault

The Senate Finance Subcommittee for the Department of Law submits an operating budget proposal to the full Seante Finance Committee for FY 08 as follows:

General Funds

06 Actual: \$55,719,700

07 Adj Base: \$43,037,200

Gov Amend: \$45,484,200
Sen. Sub: \$43,251,600

Fed Funds

06 Actual: 1,147,400
07 Adj Base: 3,013,900
Gov Amend: 3,113,900
Sen. Sub: 3,133,900

Other Funds

06 Actual: 21,180,400
07 Adj Base: 26,066,400
Gov Amend: 24,059,800
Sen. Sub: 26,173,500

Total

06 Actual: \$78,047,500
07 Adj Base: \$72,117,500
Gov Amend: \$72,657,900
Sen. Sub: \$72,539,000

Position changes

FT

FY 07: 535
FY 08 Sen. Sub.: 535

PT

FY 07: 11
FY 08 Sen. Sub.: 12

Budget Action

The Senate Subcommittee FY08 operating budget proposal for the Department of Law excludes funding for PERS cost increases as directed by the operating Co-chair's office. Funding for the PERS employer contribution rates will be handled by the full Finance Committee in accordance with anticipated adjustments to the rates.

The Senate Finance Subcommittee recommendation fully funds the Governor's amended budget request for the Department of Law with the exception of one permanent full time position and \$118,900 in associated funding in the Criminal Justice Litigation allocation. This Public Information Officer position was identified for deletion by the department in view of the

subcommittee's intention to allow no net increase over the FY07 adjusted base in the number of permanent full time positions in the department.

The following FY08 Governor's Amended increments have been incorporated into the Senate Finance Subcommittee recommendation:

Attorney V position and support costs in the Commercial and Fair Business section for the implementation of the cruise ship initiative
\$167,400

Two paralegal positions and one part-time support staff position for the Child Protection section
\$250,800

Funding for increased office space lease costs for the Criminal Division in the Third Judicial District outside Anchorage and the Fourth Judicial District and for the Collections and Support section of the Civil Division
\$293,000

Dimond Courthouse Building maintenance costs
\$203,200

The Governor's Amended budget reverses increments that were included in the Governor's original budget for Criminal Division travel costs in the amount of \$195,800 and Anchorage employee parking in the amount of \$199,300. Other decrements in the Governor's Amended budget request reverse increments for a new attorney position in the Criminal Division for prosecution of fish and game violations and an attorney position in the Civil Division Environmental Law section for implementation of the cruise ship initiative. The Governor's Amended request also deletes an attorney position in the Civil Division Labor and State Affairs section that handles procurement and employment cases and eliminates funding for an attorney position in the Civil Division Statehood Defense section.

The House version of the FY08 budget for the Dept. of Law funds the agency at the FY08 Governor's Amended level and also restores half, or \$99,700, of the funding for Anchorage staff parking and restores half, or \$80,000, of the funding for the procurement/employment law attorney position in the Civil Division Labor and State Affairs section.

Items of Concern

The Alaska Court System expressed concern about deletion of the Labor and State Affairs section attorney position in the Governor's Amended request. Labor and State Affairs section staff attorneys defend Court System officers and employees in non-tort cases without reimbursement for the cost of the defense. The Subcommittee's FY08 budget proposal includes intent language directing the Department of Law to continue to provide representation for non-tort claims to the Court System, the Judicial Council, the Commission on Judicial Conduct, and the Legislature.

Co-Chair Stedman spoke to this request.

[9:18:14 AM](#)

University of Alaska

Subcommittee members: Senator Stedman, Senator Hoffman, Senator Huggins, Senator Olson, Senator Thomas, Senator Elton, Senator Dyson.

Committee is recommending an FY08 Operating Budget for the University of Alaska of \$796.8 million:

Funding Summary

GF: \$287,437,300
Increase over FY07: 2.3%

Federal: \$152,660,900
Increase over FY07: 2.1%

Other: \$356,693,300
Increase over FY07: 3.4%

Total: \$796,791,500
Increase over FY07: 2.8%

Report #1 Agency Totals: indicates the total dollars and fund sources recommended by the committee. These are the same totals and fund sources passed by the House.

Report #2 Allocation Summary: indicates the appropriation structure recommended by the committee. This is the same appropriation structure passed by the House.

Report #3 Transaction Comparison (Adj Base to SenSub): compares the subcommittee's budget and the FY08 Adjusted Base. The committee:

- Adopted the FY08 Adjusted Base.
- Accepts the Regent's full \$18,772,000 request for FY 08 Salary and Health Care increases. \$12,989,000 of this increment is GF.
- Assumes a FY08 Teachers Retirement System (TRS) contribution rate of 12.56%, and transfers \$5,800,000 from the University's budget to the Department of Administration for direct payment to the system. The Governor's amended budget assumed a rate of 26%.
- Assumes an FY08 Optional Retirement Plan (ORP) contribution rate equal to 19.85% (a 3 year rolling average of the consolidated TRS rate). This rate is significantly lower than the budgeted FY08 rate of 33.68%. This rate reduction resulted in a \$7.4 million GF savings.
- Shares \$2.5 million GF in ORP savings with the University to help off-set increased fix cost needs.
- Assumes an FY08 Public Employees Retirement System (PERS) contribution rate of 22% and transfers \$18.8 million GF from the University's budget to the Department of Administration for direct payment to the system.
- Recommends that the full Finance Committee accept the contingent fuel & utility cost increase language adopted by the House. If the average price of oil exceeds \$35 a barrel, the University has the potential to receive additional funding up to a

maximum amount of \$2.64 million (See attached sheet).

Co-Chair Stedman overviewed this request, noting that the subcommittee recommendation "lined up" with the House of Representatives' proposal.

[9:18:56 AM](#)

Department of Revenue

Subcommittee members: Senator Stedman, Senator French, Senator Bunde.

The Senate Finance Operating Budget Sub-committee for the Department of Revenue submits an operating budget to the full Senate Finance Committee for FY08 as follows:

Gen Funds

06 Actual:	16,100,300
07 Adj Base:	13,779,100
Gov Amend:	41,642,900
Sen. Sub:	41,096,500

Fed Funds

06 Actual:	13,927,100
07 Adj Base:	43,857,700
Gov Amend:	37,095,800
Sen. Sub:	38,391,500

Other Funds

06 Actual:	133,243,900
07 Adj Base:	163,693,700
Gov Amend:	187,792,300
Sen. Sub:	188,201,500

Total

06 Actual:	187,271,300
07 Adj Base:	221,330,500
Gov Amend:	266,531,000
Sen. Sub:	267,689,500

Position changes

FT

FY 07:	866
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	FY 08:	855
PT		
	FY 07:	53
	FY 08:	53
PPT		
	FY 07:	17
	FY 08:	17

There were increases in personnel for the implementation of the Petroleum Production Tax (9). These positions were approved through previous legislation and are not reflected as increases in the FT totals. There were also increases in the Cruise Ship initiative (6). There were decreases for deletions of vacant gasoline project positions (13), IT positions (1), and tax auditor positions (2). One additional Stranded Gas Act position was also deleted (total 17 deleted). The net result is a reduction of 11 positions.

Budget Action

1. The subcommittee adopted the Governor's amended budget with the following changes:
2. All retirement related changes are deferred to the Finance Committee for consideration in the statewide retirement proposal.

Language Recommendation

The subcommittee set a cap of \$25 million on the amount necessary to issue refunds for capital lease bids as provided in AS 43.55.023(f). The amount is appropriated from the general fund to the Department of Revenue, tax division, for the purpose of making the refunds under AS 43.55.023(f).

Items of Concern

The subcommittee recognized that an increase in appropriation personnel was necessary for the Tax Division to meet its obligation to implement the Petroleum Production Tax and the Cruise Ship initiative. The subcommittee also adopted an increase for Tax Auditor salaries to support the Tax Division's effort to fill all positions. It is the subcommittee's

expectation that the Tax Division will report on the success of their efforts to fill all positions and will supply an accounting of the funds appropriated in support of their effort.

Co-Chair Stedman reviewed this request, noting that the "apparent large increments" were due to the \$25 million allocation for the Petroleum Production Tax (PPT) credits and additional personnel to implement the PPT and Cruise Ship initiative.

[9:22:00 AM](#)

Department of Transportation and Public Facilities

Subcommittee members: Senator Olson, Senator Cowdery, Senator Kookesh, Senator Stevens, Senator Stedman, Senator Wielechowski, Senator Bunde.

The Senate Finance Sub-committee for the Department of Transportation and Public Facilities submits an operating budget to the full Senate Finance Committee for FY 08 as follows:

Gen. Funds

06 Actual:	\$194,925,100
07 Adj. Base:	\$209,062,400
Gov. Amd:	\$225,650,200
Sen. Sub:	\$208,880,400

Fed. Funds

06 Actual:	1,882,300
07 Adj. Base:	4,003,400
Gov. Amd:	3,773,000
Sen. Sub:	4,003,400

Other

06 Actual:	263,294,900
07 Adj. Base:	309,405,300
Gov. Amd:	307,989,300
Sen. Sub:	312,986,600

Total

06 Actual:	\$460,102,300
07 Adj. Base:	\$522,471,100

Gov. Amd: \$537,412,500
 Sen. Sub: \$525,870,400

Position Changes

FT
 FY 07: 3,011
 FY 08 (Sen Sub): 3,010

PPT
 FY 07: 541
 FY 08(Sen Sub): 540

PT
 FY 07: 1
 FY 08 (Sen Sub): 1

The Senate FY 08 budget for the Department of Transportation and Public Facilities presented here is without increased retirement and benefit contributions in the personal services lines and without additional costs associated with estimated fuel price increases. These costs will be addressed by the full finance committee for all state agencies.

The sub committee reviewed the governor's proposed FY 08 budget and budget amendments. Of the 84 recommendations, the most significant that are accepted include the following:

Salary increases from market based pay adjustments \$4,009,300
 Operational costs of 28 new facilities 551,500
 Required airport security at 16 locations 1,216,100
 State equipment fleet cost increases 2,000,000

Specific recommendations that are denied include the following:

Environmental position for Sitka and mid region access 115,600
 Four engineering positions for Juneau access 474,300

Central region engineer position for contract close-outs	102,000
Fox Spring maintenance decrement	(30,000)
Commodity price increases in Northern and Central Regions	1,185,000
Anchorage International Airport janitorial contract Heating fuel reductions at 97 rural airports	(500,000)

Finally, the proposed \$6,600,000 decrement to the Marine Highway System vessel operations is reduce by \$2,000,000 in order to maintain winter service to Kodiak and Prince William Sound.

Senator Olson summarized this budget proposal, noting the "biggest difference" between the Governor's requested budget and the subcommittee recommendation was the reduction in the Marine Highway System decrement.

[9:24:36 AM](#)

Department of Public Safety

Subcommittee members: Senator Olson, Senator Wielechowski, Senator McGuire, Senator Ellis, Senator Bunde.

The Senate Finance Subcommittee for the Department of Public Safety submits an operating budget to the full Senate Finance Committee for FY 08 as follows:

General Funds	
06 Actual:	\$93,869,200
07 Adj Base:	\$114,781,600
Gov. Amd:	\$117,468,500
Sen Sub:	\$114,499,600
Fed Funds	
06 Actual:	7,652,400
07 Adj Base:	12,708,500
Gov. Amd:	12,671,300
Sen Sub:	12,703,300

Other Funds

06 Actual:	16,653,200
07 Adj Base:	21,415,000
Gov. Amd:	21,365,900
Sen Sub:	21,906,500

Total

06 Actual:	118,174,800
07 Adj Base:	148,905,100
Gov. Amd:	151,505,700
Sen Sub:	149,109,400

Position Changes

FT

FY 07:	822
FY 08 (Sen Sub):	823

PT

FY 07:	17
FY 08 (Sen Sub):	17

PPT

FY 07:	12
FY 08 (Sen Sub):	11

Budget Action

The Senate Finance Sub-Committee budget authorizes \$2,396,300 less in total than the Governor's Amended Budget Request. The differences are shown in summary and in detail in the attached reports. Most of the Governor's recommendations were accepted.

Per your direction, the PERS fund source switches, which would have increased GF by \$572,600 and cut other funding sources by a corresponding amount, were removed from this budget request, to be dealt with by the full Finance Committee.

The other main differences between the Governor's Amended budget request and that of the sub-committee proposal are:

- The Governor offered a reduction of \$145,000 to reduce aircraft operations for the department's most expensive aircraft. That reduction was accepted and further reduced to a total of

\$500,000. The Department has been lapsing several hundred thousand of GF (even after excluding the carryforward addressed in the next paragraph) due to a high rate of vacancies. They have the ability to transfer those anticipated balances within the appropriation should they need in order to cover this additional reduction, so by doing so we do not anticipate the need for a reduction in services beyond what the Governor proposed.

- The Governor proposed carryforward language with a corresponding decrease of \$563,400 to the Village Public Safety Officer Program (VPSO). Since their actual carryforward last year was \$780,000, we accepted the carryforward language, but changed the reduction to \$750,000 which we feel is a more realistic expectation of their probable GF lapse.
- This proposal includes an increase of \$300,000 to the Council on Domestic Violence and Sexual Assault (CDVSA). \$100,000 was offered by the Governor and later withdrawn in the Governor's Amendments. The remaining \$200,000 was added for the Barrow shelter, Arctic Women in Crisis (AWIC).
- Finally, the Governor's budget split the State Troopers and created a new division of Alaska Wildlife Troopers which is composed of several components/allocations. The sub-committee accepted the structure changes as detailed on the attachment called "FY 2008 Proposed Structure/Dept of Public Safety", and accepted all transfers of existing funds and positions to create the division. However, the sub-committee did not accept the request for 5 new positions and approximately \$650,000.

The Sub-Committee reviewed the Governor's request for the following language in the language section and recommends it be included in the Senate Finance Committee Substitute (CS) for the Village Public Safety Officer Allocation: "The unexpended and

unobligated general fund balance of the appropriation made in sec. 1, CH 33, SLA 2006, page 32, line 30 (Village Public Safety Officer Program - \$5,274,100) is reappropriated to the Department of Public Safety for the Village Public Safety Officer Program for the fiscal year ending June 30, 2008."

Additional recommendations for language to be included in the "numbers section" of the CS are shown in the attached "Wordage" report.

Items of Concern

Perhaps the biggest concern for this budget is the continuing problem with vacant State Trooper and VPSO positions. With the vacancy rate as high as it is and has been, it is difficult to protect Alaskans and provide public safety. The Commissioner has ideas for implementing a new tiered approach to all public safety officer positions in the hopes of attracting and retaining people in these positions; and as a new way of providing the needed coverage in a different way. He asked for this year to develop those ideas into a recommendation to the Legislature next year.

The other concern that remains with this budget is the possible loss of funding for the Narcotics Task Force. The Governor's budget included a request for \$1,393,200 of funding contingent on a similar loss of federal funding for the Task Force. Our recommendation does not include that funding as it is too early to know whether or not they have a problem. If the funding is not received, the Department should come forth with a recommendation at that time when the details are known.

Senator Olson overviewed the recommendation, noting that the subcommittee did not include funding for five new Alaska Wildlife enforcement positions. The subcommittee also proposed a reappropriation of the remaining FY 07 general fund dollars in the Village Public Safety Officer component, but due to an oversight the language was not "carried forward." He would offer an amendment at a later date to address that issue.

[9:27:06 AM](#)

Department of Health and Social Services

Subcommittee members: Senator Olson, Senator Green, Senator Davis, Senator Dyson.

The Senate Finance Sub-committee for the Department of Health and Social Services submits an operating budget to the full Senate Finance Committee for FY 08 as follows:

Gen Funds

06 Actual:	\$677,788,300
07 Adj Base:	\$762,678,600
Gov Amd:	\$861,305,500
Sen Sub (includes language):	\$811,373,000

Fed Funds

06 Actual:	906,049,400
07 Adj Base:	1,080,783,500
Gov Amd:	1,022,296,800
Sen Sub (includes language):	1,023,922,300

Oth Funds

06 Actual:	159,321,200
07 Adj Base:	157,473,800
Gov Amd:	158,584,200
Sen Sub (includes language):	159,617,700

Total

06 Actual:	\$1,743,158,900
07 Adj Base:	\$2,000,935,900
Gov Amd:	\$2,042,186,500
Sen Sub (includes language):	\$1,994,913,000

Position Changes

FT

FY 07:	3,307
FY 08 (Sen Sub):	3,299

PT

FY 07:	107
FY 08 (Sen Sub):	106

PPT

FY 07:	226
FY 08 (Sen Sub):	203

Budget Action

The Senate Finance Sub-Committee budget authorizes \$47,273,500 less in total than the Governor's Amended Budget Request. The differences are shown in summary and in detail in the attached reports. The approach to our budget recommendations was to accept:

- changes that resulted from revised projected costs,
- most rate changes,
- changes due to legislation passed in a prior session,
- most increases that were due to various changes in requirements such as Veterans Home requirements, staffing for safety concerns in the Youth Centers,
- funding changes that increase General Funds (GF) required due to the Deficit Reduction Act and a decline in the upper payment limit (Proshare), and
- changes to restore funding to important programs that serve the needy directly or through various grants programs and which have lost other funding to support them.

We believe that funding these items is basic and integral to the services provided by this budget, and consider them to essentially be part of a "continuation" budget. To do otherwise might not provide the basic support to children, the frail, and other Alaskans who cannot provide for themselves.

Very little growth in programs or positions was accepted in this budget. The two that were accepted and that are most significant given a budget of this size are: 1) to fund most of the department's requests related to the Bring the Kids Home Initiative (BTKH); and 2) to partially implement the workload study regarding the Office of Children's Services Front Line Social Workers. Both of these provide direct services to Alaskan children who are most in need of the state's protection and support.

Most changes to non-GF sources were also accepted.

We have to commend the Governor and the department for offering a lot of reductions for cost containment, efficiencies, and long term vacancies in positions. We accepted all of those offered that did not require a change in services or regulations; and most of those that did require such a change. However, three that were offered were not accepted because they would have increased the Residential Psychiatric Treatment Centers (RPTC) Medicaid eligibility from 30 to 60 days, limited RPTC stays to 180 days, and eliminated the Medicaid Exceptional Relief provided to distressed hospitals, nursing facilities, rural health clinics, and federally qualified health centers.

The Governor offered a reduction to GF funding that supports the core infrastructure and operation of the chronic disease prevention and health promotion programs by replacing it with Tobacco funding; however, that change was also not accepted and is not included in this budget.

With so many essential services to our most vulnerable Alaskans funded by this budget, there were many worthy and important requests that we were not able to fund. An example is a request for \$2.3 million of funding to strengthen and expand the Community Health Centers (CHCs). Although they are an alternative to more expensive care provided in hospitals, and have received the highest rating possible from the federal Office of Management and Budget for efficiency and quality, unfortunately it was not possible to include an expansion such as this in this budget recommendation.

Another significant change in this budget proposal is related to the Office of Faith Based & Community Initiatives (FBCI). The Governor requested funding to re-establish the Faith Based Council; and to eliminate the Human Services Community Matching Grants (HSC) by moving its funding to this program. The HSC grants can only go to 3 communities in the State; whereas the FBCI grants can go to any community. We support the concept offered by the Governor through this change and agree that other areas of the State should have a

chance to receive this funding in support of various community services. Our proposal is to leave the existing grant funding where it currently is, and to add funding to the FBCI for grants to communities that are ineligible to receive HSC grants. We do not believe the additional funds requested for the FCBI Office and Council, as opposed to grants, is necessary if the existing grant funding stays where it currently is; and so we did not accept that request to fund the office in this budget.

Finally, the Longevity Bonus Program and the Senior Care funding were removed from the Governor's budget and are not included in this proposed budget. This was a technical adjustment and in no way indicates lack of support for either of these important programs. In fact I have submitted a bill to reauthorize the Senior Care program because I believe this program is important to the elderly of our state. Rather, the funding was removed solely because each of these programs require some form of legislation to pass the Legislature, and with so many different bills proposed, it is indeterminate how much funding is needed until it is known what legislation passes. Because of that, the funding should be included in the Fiscal Note that accompanies the legislation rather than in the operating budget (the first year).

Items of Concern

Clearly, the biggest concern for this budget is the potential change to the Federal Medical Assistance Percentage (FMAP). The State currently enjoys a favorable 57.58% (which means the federal government pays for \$57.58 of every \$100 spent); but it is projected to drop to as low as 52.48% at the beginning of the next federal year, October 1, 2007. This reduction of 5.1% in the rate, for 9 months of the fiscal year, would mean the State would need to pay an additional \$37,142,500 of GF to compensate for the lower federal share of the cost.

This budget funds that potential increase by conditional language which will be triggered by an actual change in the federal legislation and would then fund the actual change on a sliding scale. Should

the change in FMAP occur as projected on October 1, all of the GF would be appropriated to the department; however, if the change does not occur on October 1 or if the change is less than 5.1%, then only the pro rata share would be funded. This way, vulnerable Alaskans are protected should the state be required to pay a larger share, but we are also protecting the state's resources by not authorizing the funding unless it is truly required.

Senator Olson summarized this budget proposal, attributing the largest increase to the adjusted Federal Medical Assistance Percentage (FMAP) funding.

[9:29:24 AM](#)

Department of Military and Veterans Affairs

Subcommittee members: Senator Huggins, Senator Dyson, Senator Wielechowski.

The Senate Finance Subcommittee for the Department of Military and Veterans Affairs submits an operating budget to the full Senate Finance Committee for FY 08 as follows:

General Funds

06 Actual:	13,431,000
08 Adj Base:	13,448,400
Gov Amend:	13,625,700
Sen Sub:	11,988,800

Federal Funds

06 Actual:	16,720,400
08 Adj Base:	21,211,300
Gov Amend:	20,291,300
Sen Sub:	21,320,700

Other Funds

06 Actual:	9,888,100
08 Adj Base:	10,295,700
Gov Amend:	11,678,800
Sen Sub:	11,853,800

The FY 08 Adjusted Base to the Senate Subcommittee is a 10.9% reduction.

Position Changes

FT

FY 08 (Adj Base): 294
FY 08 (Gov amended): 285 (Reduced FT positions by
9)

PPT

FY 08 (Adj Base): 4
FY 08 (Gov amended): 2

Temp

FY 08 (Adj Base): 2
FY 08 (Gov amended): 1

Budget Action

- As instructed the Subcommittee adopted the FY 08 adjusted base and worked from there.
- The Subcommittee denied all FY08 PERS fund source changes.
- The Subcommittee denied increments for fuel increases.
- The Subcommittee accepted amendments proposed by the Governor for a total General Fund reduction of \$1,099,200 from the Governor's original budget.
- The Senate Subcommittee added \$30,000 of General Funds for the Alaska National Guard's education tuition assistance program.
- The Senate Subcommittee added \$50,000 of General funds for the Alaska Territorial Guard.
- The Subcommittee accepted Section 13 of the Governor's budget language section appropriating 5% of the market value of average ending balances in the Alaska veterans' memorial endowment fund to DMVA as outlined in statute.

Amendment Action

Items of Concern

The House CS replaces all of the agency's Oil/Hazardous funding with General Funds - totaling 515,600. The Senate Subcommittee's budget maintains the Oil/Hazardous funding at the FY08 Adjusted Base level.

Senator Huggins spoke to this report, informing that the recommended funding for the Alaska Territorial National Guard would identify World War II veterans eligible to receive benefits.

[9:30:53 AM](#)

Department of Education and Early Development

Subcommittee members: Senator Huggins, Senator Kookesh, Senator Davis, Senator Stevens, Senator Wilken.

The Senate Finance Subcommittee for the Department of Education and Early Development submits an operating budget to the full Senate Finance Committee for FY 08 as follows:

General Funds

06 Actual (Numbers & lang):	886,554,400
08 Adj Base (Numbers only):	46,715,300
Gov Amend (Numbers only):	51,374,400
Sen Sub (Numbers only):	46,779,800

Federal Funds

06 Actual (Numbers & lang):	194,784,800
08 Adj Base (Numbers only):	215,168,600
Gov Amend (Numbers only):	193,591,100
Sen Sub (Numbers only):	215,168,600

Other Funds

06 Actual (Numbers & lang):	32,008,400
08 Adj Base (Numbers only):	36,984,600
Gov Amend (Numbers only):	23,882,000
Sen Sub (Numbers only):	35,264,800

Total

Sen Sub (Numbers only):	297,213,200
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Position Changes

FT

FY 08 (Adj Base):	306
FY 08 (Gov amended):	303
FY 08 Sen Subcommittee:	302

PPT

FY 08 (Adj Base):	39
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FY 08 (Gov amended): 39
FY 08 Sen Subcommittee: 39

Temp

FY 08 (Adj Base): 0
FY 08 (Gov amended): 0
FY 08 Sen Subcommittee: 0

Budget Action

- As instructed the Subcommittee adopted the FY 08 adjusted base and worked from there.
- The Subcommittee accepted the Governor's Amended FY 08 General Fund Budget (minus PERS and TRS fund source changes which will be addressed with other retirement funding issues at full senate finance).
- Language section of the budget will be dealt with in full finance. K-12 appropriation to fund the foundation formula was not considered by the Subcommittee. The full Finance Committee will address the K-12 funding level and fund sources.
- Intent Language approved relating to the Alaska Statewide Mentoring Program.
- Conditional Language approved for Teacher Certification so that receipts generated from teacher certification fees in FY 07 can be allocated for FY 08 spending.

Highlighted Changes (not proposed by the Governor)

School Performance Incentive - \$3.3 million GF decrement (leaving \$2.5 million). The correct dollar amount needed for the program is unknown. Incentive grants will not be paid until August or September. The Subcommittee would like to re-evaluate the program during the FY 09 budget cycle.

Alaska Challenge Youth Academy - \$259,700 increment. Approving this increment reduces the GF generated by the AMYA funding formula by \$2 million.

Charter School Grants - \$200,000 GF is appropriated for Charter School Grants.

AK Mineral and Energy Resource Education Fund - 25,000 GF is added for AMEREF.

Senator Huggins reviewed the subcommittee recommendation.

[9:32:58 AM](#)

Department of Natural Resources

Subcommittee members: Senator Huggins, Senator Green, Senator Wagoner.

The Senate Finance Budget Subcommittee for the Department of Natural Resources submits an operating budget to the full Senate Finance Committee for FY 08 as follows:

General Funds

06 Actual: 65,618,500
08 Adj Base: 63,651,800
Gov Amend: 69,525,000
Sen Sub: 67,780,900

Federal Funds

06 Actual: 24,212,500
08 Adj Base: 17,014,700
Gov Amend: 16,392,200
Sen Sub: 17,015,100

Other Funds

06 Actual: 36,667,800
08 Adj Base: 48,405,900
Gov Amend: 47,766,800
Sen Sub: 47,240,200

Position Changes

FT

FY 08 (Adj Base): 775
FY 08 (Gov Amended): 778
FY 08 Sen Sub: 778

PPT

FY 08 (Adj Base): 252
FY 08 (Gov Amended): 252
FY 08 Sen Sub: 252

Temp

FY 08 (Adj Base): 79
FY 08 (Gov Amended): 77

Budget Action

Because the PERS rate is being reduced from 44% to 22%, the House's budget removed the general funds in the salary adjustments. However, due to time constraints, most of the "other" fund sources remained in the budget. The Senate Subcommittee is now reducing the "other" funds increases that are no longer needed to pay for the increased PERS costs.

- As instructed the Subcommittee adopted the FY 08 adjusted base and worked from there.
- The Subcommittee denied all FY08 PERS fund source changes.
- The Subcommittee denied all FY 08 fuel increments.
- The Subcommittee accepted the Governor's Amended FY 08 General Fund Budget (minus PERS and TRS fund source changes which will be addressed with other retirement funding issues at full senate finance).

Highlighted Changes (not proposed by the Governor)

1. Did not accept Governor's GF decrement of 100,000 for Economic Timber MOU with US Forest Service.
2. Fund Source switch of all Agricultural Revolving Loan Funds (except for the Agricultural Revolving Loan Program Administration allocation) to General Fund - total of 943,900.
3. 50,000 GF increment for the Board of Agriculture and Conservation to conduct current market appraisals on properties owned by the State and under the purview of the Board. Intent language inserted in the wordage report.
4. Deny transfer of one position from part time to full time in Forest Management and Development.

Senator Huggins summarized this subcommittee recommendation.

[9:34:04 AM](#)

Alaska Court System

Subcommittee members: Senator Elton, Senator Ellis, Senator Therriault.

The Senate Finance Subcommittee for the Court System Budget submits an Operating budget to the full Senate Finance Committee for FY 08 as follows:

06 Actual:	\$66,519,400
07 Adj Base:	\$85,772,500
Gov Amend:	\$87,349,700
Senate Subcommittee:	\$84,938,400

General Funds:	\$82,519,000
Fed Funds:	\$1,675,600
Other Funds:	\$743,800
Total:	\$84,938,400

Position Changes

PFT

FY 07 Adjusted Base: 724
FY 08: 726

PPT

FY 07 Adjusted Base: 61
FY 08: 61

Temp

FY 07 Adjusted Base: 33
FY 08: 31

Budget Action

The Subcommittee accepted the governor's amended request for the Judicial Retirement System.

The Subcommittee accepted the Court System's request for \$69,000 to improve juror pay. While the House funded this as a one-time item, the Senate Subcommittee recognizes juror pay expenses are recurring and belong in the Court System's base budget.

The Subcommittee accepted the Court System's request for \$59,500 to equalize the hourly rate for court-appointed attorneys. This amount will pay private-sector attorneys appointed by the courts at the same

rate as private attorneys hired by the Office of Public Advocacy.

The Subcommittee accepted the Court System's request for \$75,000 to fund new travel per diem rates for state employees.

The Subcommittee accepted the Court System's request for \$75,000 to fully fund security costs at the Bethel courts. In recent years all courts received legislative funding to improve security, but Bethel was only partially funded. This increment annualizes the needed amount.

The Subcommittee accepted the Court System's request for \$362,100 to fund Therapeutic Courts. This amount included \$227,500 to replace Mental Health Trust Authority Authorized Receipts for the Palmer Mental Health Court and the Therapeutic Courts Coordinator, as well as \$134,600 to fund targeted expansion of the highly successful therapeutic courts model.

The Subcommittee accepted the Court System's request for \$332,800 to fund Juneau and Palmer building needs. \$260,800 will pay the courts' portion of the cost of placing the Dimond Courthouse in the Public Building Fund, while \$72,000 will fund the additional Palmer space required to house new judges and staff added by the Legislature last year.

The Alaska Commission on Judicial Conduct requested two increments, both of which the Subcommittee accepts. The first is \$3,800 to accurately reflect its lease costs. The second is \$9,000 to reduce the vacancy rate of this two-person office to the OMB-recommended level.

The Alaska Judicial Council requested \$50,000 to staff an interagency Criminal Justice Working Group. The Subcommittee acknowledged the value of the work previous working groups have done, and accepted the increment.

While fuel and energy cost increases for executive branch agencies will be handled at the full Finance

Committee, the Subcommittee provided the Court System its requested \$100,000 increment for fuel cost increases, in acknowledgement of the courts' status as a separate branch of government.

The Subcommittee also accepted technical revisions to the fiscal note funding for SB 237, adopted by the 24th Legislature.

Items of Concern

The Subcommittee did not accept the Court System's request for \$192,000 to fund juror parking in Anchorage. Other large municipalities provide parking at no cost to the State of Alaska. The Subcommittee encourages the Court System to partner with the Municipality of Anchorage to find a solution that reflects the significant costs the Court System bears in handling municipal offences.

Senator Elton overviewed the subcommittee's recommendation.

[9:35:42 AM](#)

Department of Corrections

Subcommittee members: Senator Elton, Senator French, Senator Wagoner.

The Senate Finance Subcommittee for the Department of Corrections Budget submits an Operating budget to the full Senate Finance Committee for FY 08 as follows:

06 Actual:	\$195,184,200
07 Adj Base:	\$231,856,500
Gov Amend:	\$243,348,800
Senate Subcommittee:	\$242,500,200
General Funds:	\$213,609,100
Fed Funds:	\$4,278,600
Other Funds:	\$24,612,500
Total:	\$242,500,200

Position Changes

PFT

FY 07 Adjusted Base: 1502

FY 08: 1514

PPT

FY 07 Adjusted Base: 8

FY 08: 8

Temp

FY 07 Adjusted Base: 3

FY 08: 0

Budget Action

The Subcommittee accepted the department's FY 07 adjusted base, and the changes outlined in this memo operate from that funding level, with structure changes as requested by the governor.

The Subcommittee removed PERS fund source changes. These will be addressed in the full Finance Committee.

The Subcommittee also removed fuel and energy cost increases. These will also be addressed in the full Finance Committee.

The Subcommittee accepted the administration's requested decrement of \$162,000 for three temporary positions in the file imaging program, to be replaced by a one-time increment of \$180,000 for three full time positions.

The Subcommittee accepted the administration's request for \$235,400 to establish two positions to oversee the design and construction of the new Mat-su prison facility. Having the superintendent and plant manager on staff before construction will help ensure the facility is well-managed, and built to meet the program needs of the state.

The Subcommittee accepted the second year increments contained in the fiscal note to SB 218, enacted by the 24th Legislature. Increments in two components total \$786,800, and will increase the department's ability to conduct polygraph monitoring of sex offenders, and will ramp up to full implementation with a further increment in FY 2009.

The Subcommittee replaced \$46,000 in Mental Health Trust funds for the Residential Substance Abuse Treatment program, and \$25,000 in Mental Health Trust funds for the Sub-Acute Medical Unit at Spring Creek Correctional Center with general funds.

The Subcommittee approved the administration's request for \$881,100 to increase electronic monitoring. This amount includes increased contract expenses for monitoring equipment and services as well as a facilities rent component for the Corrections staff directly responsible for supervising offenders with ankle bracelets.

The Subcommittee accepted the administration's request for an increment of \$100,100 to relocate the Palmer probation & parole office into the new Criminal Justice Center in Palmer.

The Subcommittee accepted the governor's amended request for changes in Arizona contract prison contract. The net effect of the governor's proposal is to maintain the number of Arizona beds at 900, and increase the bed rate in accordance with the contract, for a net increment of \$432,200.

The Subcommittee approved the administration's decrement of \$1,000,000 and three permanent full time positions in connection with the prison employment program.

The Subcommittee also approved replacing \$68,800 in uncollectible receipts for federal prisoners with general funds.

In acknowledgement of the added strain on facilities caused by reducing out-of-state prisoner populations, the Subcommittee approves a total increment of \$939,900 in commodities for 24-hour facilities, spread according to the administration's proposal. The Subcommittee did not approve the request for \$250,200 in the institutions director's office. The department should carefully monitor and control the added costs of crowded facilities. If it is unable to operate

without this funding, the department should return with a supplemental request based on actual costs.

The Subcommittee approved the governor's amended request for a total increment of \$168,000 for the new water and sewer system at Hiland Mountain Correctional Center.

The Subcommittee approved an increment of \$1,225,500 to fund 19 new positions at Fairbanks Correctional Center to address dangerously overcrowded conditions and maintain security and programming as the department adapts the former Correctional Industries building on the FCC campus for inmate housing.

The Subcommittee granted the administration's request for funding to erect temporary housing units at both Lemon Creek and Palmer Correctional Centers. The Subcommittee split the start-up costs associated with these increments from the ongoing costs of operations, funding \$619,700 in ongoing costs as part of the department's base, but \$295,500 as one-time items.

The Subcommittee allowed two decrements in the Probation and Parole office to remove uncollectible funds from an expired RSA in the amount of \$128,400 and a federal grant that is no longer available in the amount of \$777,400.

The Subcommittee accepted the second year increment contained in the fiscal note to SB 237, enacted by the 24th Legislature, which added new judges around the state. The \$275,400 funds three permanent full time positions, dedicated primarily to pre-sentence investigations and reports.

The Subcommittee approved an increment of \$125,000 for increased workload at the Parole Board. This funding is an important part of the department's laudable efforts to better manage its inmate population in state.

The Subcommittee accepted two increments for increased funding to pay health care providers following a

market-based pay study by the Department of Administration. These increments total \$777,400.

The Subcommittee allowed an increase of \$57,100 in receipt supported services authorization for inmate health care co-pays. This increment brings RSS inline with the department's actual expectation of what it will collect, based on past experience.

The Subcommittee did not approve the administration's authorization in the language section for open-ended expenditure authority on inmate health care. The Subcommittee instead granted an increment of \$1,900,000 based on Legislative Finance Division estimates of growth in inmate health care costs.

The Subcommittee approved a fund-source change of \$1,619,900 from General Funds to offenders' Permanent Fund Dividend checks collected by the state.

The Subcommittee also approved two increments for Community Residential Centers. \$1,000,000 funds contract rate increases, while \$2,520,700 will pay for an additional 100 beds.

Items of Concern

The Subcommittee is concerned that Alaska's correctional system has become a warehouse with a revolving door on the front. Even with a captive audience, little is done to get inmates off drugs, break their addictions to alcohol, keep sex criminals from reoffending, treat mental illness, or build skills to reintegrate them into Alaska communities. The Department of Corrections must take the lead in addressing these issues. To that end, the Subcommittee included intent language from the House of Representatives directing the department to work on inmate rehabilitation in the fiscal year 2008, and to identify and seek authorization to spend additional funds.

The Subcommittee also added intent language as follows:

"It is the intent of the legislature that the Department of Corrections work collaboratively with the Alaska Mental Health Trust Authority and the Department of Health and Social Services in the development and sustainable implementation of new and existing treatment services and programs to serve Trust beneficiaries and other inmates, as well as programs that connect inmates to treatment services and programs outside Corrections, including therapeutic courts; Assess, Plan Identify, Coordinate Discharge program; Residential Substance Abuse Treatment programs; and planning for mental health and treatment services within new correctional facilities, among others. The goals of this work include reducing recidivism, improving public safety, increasing the safety of correctional officers, reintegrating offenders into society, and reducing costs to the state."

Senator Elton highlighted this budget proposal, noting that the subcommittee recommendation was \$30,000 greater than the House of Representatives version for increases in the Parole Board workload.

[9:37:39 AM](#)

Department of Environmental Conservation

Subcommittee members: Senator Elton, Senator Ellis, Senator Wilken.

The Senate Finance Subcommittee for the Department of Environmental Conservation submits an Operating budget to the full Senate Finance Committee for FY 08 as follows:

06 Actual:	\$54,137,400
08 Adj Base:	\$67,074,500
Gov Amend:	\$75,832,900
Senate Subcommittee:	\$71,426,700
General Funds:	\$16,746,900
Fed Funds:	\$21,146,400
Other Funds:	\$33,533,400
Total:	\$71,426,700

Position Changes

PFT

FY 08 Adjusted Base: 511
FY 08: 509

PPT

FY 08 Adjusted Base: 1
FY 08: 1

Temp

FY 08 Adjusted Base: 4
FY 08: 4

Budget Action

The Subcommittee accepted the department's FY 08 adjusted base, and the changes outlined in this memo are based upon that funding level.

The Subcommittee removed PERS fund source changes. These will be addressed in the full Finance Committee.

The Subcommittee also removed fuel cost increases. These, too, will be addressed in the full Finance Committee.

The Subcommittee approved the governor's amended request to annualize an RPL putting an additional \$38,900 in Exxon Valdez Oil Spill Trust receipts into the commissioner's office.

The Subcommittee approved the governor's dramatically amended increments for compliance oversight of North Slope oil flow lines. These increments net to \$707,000 in general funds instead of \$2,237,700.

The Subcommittee allowed a net increase of \$152,400 in general funds for increased lease costs around the state.

The Subcommittee accepted eight increments for increased funding to pay DEC professional employees following a market-based pay study by the Department of Administration. These increments total to \$503,300.

The Subcommittee added an increment of \$80,000 in general funds for paralytic shellfish poisoning testing required by the state. These funds will help a growing industry continue to provide jobs to Alaska families and seafood for export to both domestic and international markets.

The Subcommittee granted the governor's for \$605,900 to maintain the drinking water permit primacy Alaska has administered for many years. Half these dollars are federal, and half are general fund match.

The Subcommittee approved the decrement of \$6,400 in the Solid Waste Program as part of the ongoing fiscal note implementation for HB 19, enacted by the 24th Legislature.

The Subcommittee approved an increment of \$1,069,000 for implementation of air permit reforms and fees adjustment. \$978,100 of this increment comes from the Clean Air Protection fund, while \$90,900 is receipt supported services.

The Subcommittee approved replacing \$92,500 in federal funds for the operator certification program with general funds.

The Subcommittee granted an increment of \$2,500,000 and two positions for implementation of the Ocean Ranger program, enacted by the voters in the August 2006 primary election. This funds option one in the department's contractor report on the program. This level of funding should be adequate on a yearly basis to fund one contract Ocean Ranger per cruise ship throughout the fiscal year. The Subcommittee added intent language stating: "It is the intent of the legislature that the Department of Environmental Conservation implement the Ocean Ranger program enacted by the people of the State of Alaska. It is also the intent of the legislature that the Department of Environmental Conservation pay no more than the lowest commercially available berth rate for Ocean Rangers aboard commercial passenger vessels."

The Subcommittee replaced \$1,000,000 in general funds for operation of the DEC lab with Commercial Passenger Vessel Environmental Compliance (CPVEC) funds. The DEC lab tests for food borne outbreaks of Norwalk and Norwalk-like illnesses, shares responsibility for food safety in the Alaska restaurants where cruise ship passengers and crews eat, and has significant duties in the licensure of processing facilities in Alaska. As cruise companies begin to make an effort at buying Alaska seafood for their passengers, this function will become more important to the industry, and it is reasonable that a portion of CPVEC fees go to supporting the lab's operations. The DEC lab is also capable of testing discharge samples from cruise vessels in the event one of the current contract labs is temporarily unable to receive or test samples.

The Subcommittee decremented \$1,547,900 to eliminate funding for state assumption of National Pollutant Discharge Elimination System (NPDES) primacy. The state does not have NPDES primacy, and statutory changes will be required if the state chooses to take on the burden of enforcing federal rules. With this decrement, the federal government will pay all costs associated with this permitting system. Unlike drinking water primacy, the federal government has not and will not share in the ongoing costs to the state of pursuing or implementing primacy, even though federal rules set the standards 'floor'. Also, unlike air quality permitting, regulated industries would not support NPDES primacy through fees. The Subcommittee eliminates the attendant 13 positions.

The Subcommittee is concerned that the Oil and Hazardous Substance Release Prevention and Response Fund is depleting. The Subcommittee added intent language stating: "It is the intent of the legislature that the Department of Environmental Conservation recover from responsible state agencies or entities the costs accrued responding to or cleaning up oil and hazardous substance spills caused by those state agencies or entities."

The Subcommittee added a one-time increment in the commissioner's office of \$250,000 in federal funds for

contractual expenses. These funds are available from the United States Department of Agriculture Rural Development programs. This provides receipt authority to hire a contractor to provide the planning and accountability documents needed for the federal government to release more than \$100 million in Village Safe Water funds. Some of this funding remains outstanding from Federal Fiscal Year 2000 and must be used at the earliest possible opportunity to improve basic sanitation for Alaskans. These funds are appropriated to the Office of the Commissioner in order to provide clear accountability for the work.

Items of Concern

The Subcommittee is concerned at the extent and nature of the problems the department is experiencing with its Anchorage laboratory. While issues like non-functioning fume hoods and propylene glycol leaks may have been resolved, properly constructed two-year-old buildings should not experience frequent condensation on the windows, billowing roof membranes, or faulty boiler and air conditioning systems. The department is encouraged to pursue all options including legal action to make this state asset whole.

Senator Elton outlined this report, highlighting funding for the Ocean Ranger contained in the recommendation, as well as the "lack of primacy" in the National Pollutant Discharge Elimination System (NPDES). He further explained that the increment of \$250,000 federal dollars suggested for the commissioner's office was intended to be used to resolve discrepancies between the State Department of Environmental Conservation and the United States Department of Agriculture (USDA) regarding grant oversight. Without this oversight, the USDA threatened to discontinue approximately \$23 million in funding for the Village Safe Water project.

[9:41:17 AM](#)

Department of Commerce, Community and Economic Development

Subcommittee members: Senator Thomas, Senator Green, Senator Cowdery, Senator Wilken.

The Senate Finance Subcommittee for the Department of Commerce, Community and Economic Development submits an Operating budget to the full Senate Finance Committee for FY 08 as follows:

General Funds

06 Actual:	14,518,300
08 Adj Base:	5,704,700
Gov Amend:	53,948,300
Sen. Sub:	54,005,800

Fed Funds

06 Actual:	22,913,100
08 Adj Base:	28,433,500
Gov Amend:	27,536,700
Sen. Sub:	50,266,300

Other Funds

06 Actual:	95,932,300
08 Adj Base:	124,387,200
Gov Amend:	128,524,500
Sen. Sub:	100,880,600

Total

06 Actual:	133,363,700
08 Adj Base:	158,525,400
Gov Amend:	210,009,500
Sen. Sub:	205,452,700

Position Changes

FT

FY 07:	511
FY 08:	505

TEMP

FY 07:	2
FY 08:	1

PPT

FY 07:	3
FY 08:	3

Budget Action

Adopted the FY08 Adjusted Base with the following significant items:

- Because the PERS rate is being reduced from 44% to 22%, the House's budget removed the general funds in the salary adjustments. However, due to time constraints, most of the "other" fund sources remained in the budget. The Senate Subcommittee reduced "other" funds because the agency no longer needs to pay increased PERS costs.
- Accepted the Governor's \$48.1 million general fund request for Local Government Support.
- Removed \$500,000 (of the \$1 million total) general funds from Alaska Seafood Marketing Institute.
- Added Bering Sea Fisherman's Association grant for \$500,000 of general funds.
- Added \$300,000 general funds increment for Alaska Legal Services.
- Fully funded the PCE program using the statutory funding method (i.e., removing 7% of the PCE Endowment vs. the Governor's Amended budget removing the full amount from the PCE Endowment).
- Added \$399,100 of non-general funds to QTA Independent Traveler Grants.

Senator Thomas spoke to this budget proposal, commenting that the general funds included for the Bering Sea Fishermen's Association would replace federal funding that was no longer available.

[9:43:48 AM](#)

Department of Labor and Workforce Development

Senator Thomas, Senator Davis, Senator Bunde.

The Senate Finance Subcommittee for the Department of Labor and Workforce Development submits an Operating budget to the full Senate Finance Committee for FY 08 as follows:

General Funds	
06 Actual:	16,018,500
08 Adj Base:	20,987,500
Gov Amend:	28,797,100

Sen. Sub: 23,054,100

Fed Funds

06 Actual: 79,278,800
08 Adj Base: 104,688,800
Gov Amend: 86,256,200
Sen. Sub: 90,788,600

Other Funds

06 Actual: 44,927,200
08 Adj Base: 54,612,700
Gov Amend: 52,842,000
Sen. Sub: 52,860,600

Total

06 Actual: 140,224,500
08 Adj Base: 180,289,000
Gov Amend: 167,895,300
Sen. Sub: 166,703,300

Position changes

FT

FY 07: 906
FY08: 844

TEMP

FY 07: 23
FY08: 7

PPT

FY 07: 108
FY08: 108

Budget Action

Adopted the FY08 Adjusted Base with the following changes:

Because the PERS rate is being reduced from 44% to 22%, the House's budget removed the general funds in the salary adjustments. However, due to time constraints, most of the "other" fund sources remained in the budget. The Senate Subcommittee reduced "other" funds because the agency no longer needs to pay increased PERS costs.

Office of Citizenship Assistance line item adjustment from personal services to contractual to achieve the goal in the intent language.

Occupational Safety and Health

Denied two positions, but provided the funding for a youth safety and health program and seafood processing safety program.

Alaska Vocational Technical Center

Fund source adjustment for TRS increase 1,900 GF

Special Projects

Rural Outreach Grant for the Alaska Center for the Blind and Visually Impaired 110,000 (GF)

Senator Thomas reviewed this report, noting that the reduction in positions was due primarily to a "clearing out" of vacant positions.

[9:46:15 AM](#)

Senator Elton remarked that the decision to deny \$190,000 requested to pay for juror parking in Anchorage "difficult", but pointed out that all other municipal governments provide free parking for jurors.

[9:47:10 AM](#)

Co-Chair Hoffman summarized that the overall reduction in positions was an indication of containment of governmental growth. He recalled reports from the Division of Legislative Finance that the State would likely face a deficit by 2009. The State had initially anticipated \$940 million from a "true-up" related to the Petroleum Production Tax (PPT), but that figure had been reduced by approximately \$140 million, which contributed to the probability of a deficit in the near future.

Co-Chair Hoffman continued that the State must "live within its means" while providing necessary services to Alaskans. He stated, "It does not make sense to me to add positions to the budget today, and tomorrow have to eliminate them."

[9:49:26 AM](#)

Co-Chair Hoffman asked for an explanation of the language section of the budget.

AT EASE [9:50:48 AM](#)/[9:51:19 AM](#)

DAVID TEAL, Director, Division of Legislative Finance, identified six changes from the House of Representatives version of the bill. He testified that the first language change was located in Section 13 of the bill on page 57, line 23. This was a change within the Department of Education and Early Development that removed \$24 million for implementation of the District Cost Factor increases. He anticipated a forthcoming appropriation bill relating to education would address these costs, and therefore funding in the operating budget was unnecessary.

Co-Chair Hoffman commented that the \$11 million allocated for learning opportunity grants (LOGS) would likely also be removed and addressed in an "education bill" at a later date.

Mr. Teal spoke to a deletion of funding within the Department of Environmental Conservation in the amount of \$80,000 for Paralytic Shellfish Poisoning (PSP) testing. In Section 1 of the current committee substitute, the subcommittee recommended the funding be included as general funds.

[9:53:06 AM](#)

Mr. Teal referred to a deletion in the Department of Public Safety of \$1.4 million in general funds for the Narcotics Task Force. That deletion was due to the absence of federal funding.

Mr. Teal located the deletion of reference to the Alaska Retirement Management Board in Section 19, at the recommendation of the Department of Revenue subcommittee. The \$25 million appropriation was to be paid directly to oil companies for tax refunds.

[9:54:13 AM](#)

Mr. Teal informed that the change in Section 23 (c) related to Power Cost Equalization (PCE). The previous version of this bill contained a \$25 million appropriation for PCE, sourced entirely from the PCE endowment. The current Senate Finance Committee substitute changed the funding scheme to direct 7 percent of the

endowment to PCE, and funded the remaining \$13 million with general funds.

[9:55:00 AM](#)

Mr. Teal set forth that there were no language changes to the mental health appropriation bill, HB 96. He explained that the changes to that bill would be made in the Capital budget. As had been "traditional" practice, the House of Representatives deleted one project in its version of the bill, and the Senate deleted all but that project, making all portions of that bill subject to conference between the two bodies.

AT EASE [9:55:48 AM](#)/[9:56:36 AM](#)

Co-Chair Hoffman asked regarding the retirement system funding changes in the operating budget.

Mr. Teal informed that the Senate Finance Committee Substitute included all the changes the House of Representatives had made to the Governor's requested budget. The Senate Finance committee substitute also provided for additional reductions in funding, with the intent of reducing the State's contribution to retirement costs to 22 percent. The House Finance Committee reduced the amount of general fund dollars allocated, but did not reduce federal or other funds. The Senate committee substitute contained approximately \$38 million in reductions of other funds, as those monies were not required for payment of retirement and benefits. Transaction reports prepared by the Division were incorporated into the bill.

[9:58:39 AM](#)

Co-Chair Hoffman explained that subcommittee reports would be adopted and made available on the Internet prior to commencement of public testimony.

[9:59:46 AM](#)

Co-Chair Stedman moved to adopt SCS CSHB 95, 25-GH1013\T, as a working document.

[10:00:09 AM](#)

There was no objection, and committee substitute Version "T" was ADOPTED.

[10:00:16 AM](#)

Co-Chair Stedman moved to adopt SCS CSHB 96, 25-GH1015\K, as a working document.

[10:00:33 AM](#)

There was no objection, and committee substitute Version "K" was ADOPTED.

#hb95

#hb96

ADJOURNMENT

Co-Chair Lyman Hoffman adjourned the meeting at [10:01:24 AM](#)