

HOUSE FINANCE COMMITTEE
March 5, 2012
1:40 p.m.

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CALL TO ORDER

Co-Chair Thomas called the House Finance Committee meeting to order at 1:40 p.m.

MEMBERS PRESENT

Representative Bill Stoltze, Co-Chair
Representative Bill Thomas Jr., Co-Chair
Representative Anna Fairclough, Vice-Chair
Representative Mia Costello
Representative Mike Doogan
Representative Bryce Edgmon
Representative Les Gara
Representative David Guttenberg
Representative Reggie Joule
Representative Mark Neuman
Representative Tammie Wilson

MEMBERS ABSENT

None

ALSO PRESENT

Peter Ecklund, Staff, Representative Bill Thomas; Joan Brown, Staff, Representative Bill Thomas; Josh Walton, Staff, Representative Mia Costello; Joe Michel, Staff, Representative Bill Stoltze; Ryan Mckee, Staff, Representative Bill Stoltze; Laura Pierre, Staff, Representative Anna Fairclough; Virginia Smiley, Staff, Representative Reggie Joule; Brodie Anderson, Staff, Representative Reggie Joule; James Armstrong, Staff, Representative Bill Stoltze.

SUMMARY

HB 284 APPROP: OPERATING BUDGET/LOANS/FUNDS

HB 284 was HEARD and HELD in Committee for further consideration.

HB 285 APPROP: MENTAL HEALTH BUDGET

HB 285 was HEARD and HELD in Committee for further consideration.

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#hb284

#hb285

HOUSE BILL NO. 284

"An Act making appropriations for the operating and loan program expenses of state government and for certain programs, capitalizing funds, amending appropriations, and making reappropriations; and providing for an effective date."

HOUSE BILL NO. 285

"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."

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Co-Chair Stoltze MOVED to ADOPT proposed committee substitute for HB 284, Work Draft 27-GH2599\X, (Bailey, 3/2/12) as a working document. There being NO OBJECTION it was so ordered.

Co-Chair Stoltze MOVED to ADOPT proposed committee substitute for HB285, Work Draft 27-GH2593\B, (Bailey 3/2/12) as a working document. There being NO OBJECTION it was so ordered.

PETER ECKLUND, STAFF, REPRESENTATIVE BILL THOMAS, noted the House Finance Budget Subcommittees began in 2012 what was called the "Subcommittee Revamp." Co-Chair Thomas had asked subcommittees to develop their respective agency budgets via a five-step process:

1. Review the Mission, Core Services, and Performance Measures to ensure alignment and that what

is important to the legislature and the public was being measured in order to understand the benefits of the investments in agency programs.

2. Review budget changes since FY 05, the last year of relatively flat budgets to enable the tracking of the general fund and total funds changes over the eight-year period via graphs. Extensive data reports also available.

3. Review the 10-year plan to highlight the future budget changes anticipated by the agency. Some agencies have shown their expectations of federal funding reductions with an associated backfill of general funds.

4. Review prior audit findings made by the Division of Legislative Audit to highlight areas where improvement was or is needed and the agency's response to those findings.

5. Get a status update on budget changes approved for FY 12 to indicate the agency's responsiveness to changes incorporated in the current year budget: projects started, positions filled, backlogs being processed more quickly, etc.

Mr. Ecklund continued that the mission and measures of looking back, looking forward, and looking at current year progress, gave the subcommittees a context in which to review the budget requests for FY 13. He thanked David Teal and the Division of Legislative Finance staff as being an integral part in preparing the FY 05 look-back graphs, 10-year plan graphs, and consolidating information on current year progress for the subcommittees. They also provided their normal budget support function for the subcommittees.

Mr. Ecklund also thanked Karen Rehfeld, the Office of Management and Budget staff, and the leadership of the Executive Branch agencies for their constructive engagement in the Subcommittee Revamp. At the January 28, 2012 training session, 140 people planned attendance with nearly half of them from the Executive Branch. He noted that the process was a work in progress. While providing Performance Budget training to House Finance members and training to all House members, staff, and the Executive Branch agency leadership, more time was needed with agency staff to

ensure alignment of the mission, core services, performance measures and to finalize efficient and effective performance measures. There were only 34 days between training and the deadline for subcommittee close-outs. He indicated the plan to continue the work over the interim and during the next legislative session.

Mr. Ecklund went over some of the highlights of the bill. He pointed out that the Governor's Amended Operating Budget totaled \$9,539,000,000:

- Unrestricted general funds \$5,520,000,000.
- Designated general funds \$749,000,000.
- Other funds \$1,200,000,000.
- Federal funds \$2,000,000,000.
- Total \$9,479,000,000.

The budget reflects a reduction of \$60,500,000 from the operating budget. Mr. Ecklund indicated that Joan Brown would talk to some of the changes in the language section. Some of the changes involved rearranging the order of items as they were introduced.

JOAN BROWN, STAFF, REPRESENTATIVE BILL THOMAS, mentioned some of the organizational changes to the operating bill. After the first three standard legislative sections in the department sections, the remaining language sections were put in alpha order. The sections relating to the American Recovery and Reinvestment Act of 2009, Ratifications, Budget Reserve Fund, Lapse, Retroactivity, and Effective Dates, are all at the end of the bill. She also indicated that some subsections were rearranged within a few sections and Legislative Legal incorporated a few language improvements throughout the bill. Ms. Brown proceeded with the changes made to the language sections:

Section 6, PERSONAL SERVICES TRANSFERS, the required second report was changed for personal services transfers to cover the entire year, instead of just the last six months of the fiscal year.

Section 7, ALASKA AEROSPACE CORPORATION, there were no changes.

Section 8, ALASKA HOUSING FINANCE CORPORATION, noted that in subsection (d) there was a change that any

excess AHFC Dividend Funds would be deposited to the Alaska Capital Income Fund, instead of the Budget Reserve Fund as proposed. The change recognized the legislature's tradition of using corporate dividends for capital projects. No excess dividend funds were anticipated.

Section 9, ALASKA PERMANENT FUND CORPORATION, the Governor's budget included an open-ended language appropriation as subsection (e), for the Permanent Fund Corporation's investment management fees which were originally estimated to be \$108,200,000. The bill contained a new Permanent Fund Corporation appropriation in section 1, the "numbers" sections, for Custody and Management Fees for the set amount of \$106,600,000. If the Corporation's obligations exceeded that amount, then a supplemental request could be made before the legislature.

Section 10, ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY, if there should be any excess AIDEA Dividend funds for the Alaska Housing Finance Corporation section, the funds will be deposited into the Alaska Capital Income Fund, instead of the budget reserve fund as proposed. No excess dividend funds were anticipated.

Section 11, DEPARTMENT OF ADMINISTRATION, the Governor's amendment was accepted to delete the "amount necessary" general fund appropriation for the state insurance catastrophe reserve account. She noted that was usually referred to as the Cat Fund which ideally starts the fiscal year with a \$5,000,000 balance. The account is annually replenished at the end of each fiscal year by reallocating appropriation lapsing balances pursuant to AS 37.05.289(b). If the balance in the Cat Fund was insufficient to satisfy claims or judgments due under the state insurance program, a supplemental request would be made. The FY 11 year-end sweep did fill the fund.

Section 12, DEPARTMENT OF COMMERCE, COMMUNITY, & ECONOMIC DEVELOPMENT, there was a change in the order of subsections (f), (g), and (h). The appropriation for the Alaska Seafood Marketing Institute appropriation was moved from the section 1, the "numbers" section, to the language subsections (j) and

(k) so it was possible to restate the funding methodology that was implemented by the legislature for FY 12. It appears that ASMI's program receipt authorization increased by \$5,000,000 over the Governor's request. The legislative intent in (k)(1) limits the expenditure amount to a \$1,200,000 increase over the Governor's request of \$7,500,000. The General Fund Program Receipts are self-imposed industry taxes.

Section 14, DEPARTMENT OF HEALTH AND SOCIAL SERVICES, the two language subsections were consolidated with the heating energy assistance program into one and incorporated the Governor's amendment of \$2,620,300, for a combined language total of \$10,620,300.

Section 17, DEPARTMENT OF NATURAL RESOURCES, the existing subsections were reordered and consolidated the former Bond Claims section language into the Department of Natural Resources section as subsection (c) as the bonds were all held by the department.

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Ms. Brown continued her presentation with the DEPARTMENT OF PUBLIC SAFETY. One entire section was deleted as there were no expectations that federal funds would have triggered the contingency language for drug and alcohol enforcement in (a) and rural alcohol interdiction in (b).

Section 18, DEPARTMENT OF REVENUE, the Governor's amendments were included deleting language sections 19(a) and (b) for the Division of Child Support Services and corrected the General Fund Match amount from \$778,700 to the required \$1,044,000 and added those funds to the numbers section.

DEPARTMENT OF TRANSPORTATION, the section was deleted and the Governor's request was approved which moved the estimated \$510,000 of interest earnings of the Alaska Marine Highway System Fund to section 25, the Fund Transfers section. The request for interest earnings of the Marine Highway Vessel Replacement Fund was to remain with the fund.

Section 19, OFFICE OF THE GOVERNOR, the Governor's FY 12 to FY 13 carry forward appropriation was deleted as it would be considered in a future appropriation bill.

Section 21, BANKCARD SERVICES, there were technical corrections to the language in (a) to clarify the fiscal year and the source of the appropriation by adding "from the funds and accounts in which the payments received by the state are deposited." She indicated that the language regarding the appropriation fiscal year in subsections (b) and (c) was clarified.

Section 22, DEBT AND OTHER OBLIGATIONS, the subsections were rearranged within the section, including grouping General Obligation Bond and State Guaranteed Transportation Revenue Bond debt provisions into subsection (h).

Section 24, FUND CAPITALIZATION, subsections (h), (i), and (j) were reordered and the Governor's amendment to capitalize the Trauma Care Fund was included.

Section 25, FUND TRANSFERS, the Alaska Marine Highway System Fund interest earnings appropriation was transferred to the section as subsection (m) along with legislative intent for the department to account for the interest earnings separately from operations revenue.

Section 26, RETIREMENT SYSTEM FUNDING, the order of the first two subsections were switched, (a) was now the Public Employees Retirement System subsection and (b) was now related to the Teachers Retirement System. The amounts were not changed. The Governor's amendment included deleting the former subsection (c), which was the \$431,400 general fund appropriation for the Alaska National Guard and Alaska Naval Militia Retirement System, as that funding was not needed. Funding in section 1, the "numbers" section, was reduced by \$143,100 per the Governor's amendment for the National Guard Retirement System. The Governor's amendment adding \$3,785,571 general funds for the past service costs for the Judicial Retirement System is now in subsection (c).

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Ms. Brown continued with:

Section 27, SALARY AND BENEFIT ADJUSTMENTS, there were no changes to the section, but highlighted the fact that there were three bargaining units still in negotiation. There could be amendment requests if agreements were reached before the end of session for the Public Employees Local 71, for the Labor, Trades, and Crafts unit; the Alaska Correctional Officers Association; and the Teachers' Education Association of Mt. Edgecumbe.

Section 31, BUDGET RESERVE FUND, the language was removed that deposited all remaining FY 13 general funds into the Statutory Budget Reserve Fund as that decision would be made after further discussion and appropriation decisions.

Section 32, LAPSE OF APPROPRIATIONS, section reference numbers were updated.

Section 33, RETROACTIVITY, a change to add a reference for 12(j)(1), the ASMI carry forward language.

Mr. Brown indicated that there were no changes to the language sections in the Mental Health Bill. All but one of the capital projects was removed from the bill. Generally the senate would restore the capital projects to its version of the Mental Health bill, thus making the projects subject to Conference Committee.

Mr. Ecklund added that all the reordering and rearranging was in consultation with Legislative Finance in order to make it more logical.

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Representative Gara asked for clarification on the Mental Health Budget where the Governor had proposed \$140,000 for Foster Family recruitment and training. He questioned if that would be in the Mental Health Budget or the Operating Budget. Mr. Ecklund replied it was in the Operating Budget.

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Co-Chair Thomas announced that the Subcommittee chairs would describe their budget highlights next.

DEPARTMENT OF FISH AND GAME

Ms. Brown presented the Department of Fish and Game and indicated that the subcommittee held ten meetings with the department. The Governor's amended proposal was accepted with a few exceptions:

- Changed the \$200,000 request for the Tanana River Sonar Project operational costs to a short-term item.
- Changed the \$250,000 request for the Southeast Alaska Demersal Shelf Rockfish Surveys to a short-term item.
- Changed the \$185,000 request for Title 16 and Title 41 Pre-project Reviews, Permitting, Monitoring and Compliance to a one-term item.
- Changed the name of the "State Subsistence" to "State Subsistence Research" to reflect that the agency does not manage subsistence, but rather conducts the research necessary for subsistence managers in the Division of Commercial Fisheries.

Co-Chair Thomas pointed out that in Section 14 and 16, when the Coastal Zone Management ended, the Habitat division continued to function as habitat so some of the money needed to be backfilled.

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Representative Guttenberg asked if the Tanana River Sonar and Rock Fish Survey were ongoing. Ms. Brown indicated that they were new requests. Co-Chair Thomas interjected that the original request was for \$500,000 and the commissioner believed that for another \$90,000, a new Rock Fish research Program could be rolled in at the same time.

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OFFICE OF THE GOVERNOR

Ms. Brown continued to the Office of the Governor subcommittee and declared that one meeting was held with the agency. The subcommittee accepted the Governor's amended proposal with the following adjustments:

- Changed the \$3,000,000 funding request for the Domestic Violence and Sexual Assault Initiative to a one-time item and added intent language.
- Reduced personal services by \$250,000 in the executive office.

Ms. Brown noted the Elections budget contains \$3,693,00 for the statewide primary and general elections and is a one-term item.

OFFICE OF THE LEGISLATURE

Mr. Ecklund moved to the Office of the Legislature noting that the subcommittee approved the total funds spending at \$73,407,000 for the legislature's budget. The amount was \$2,240,000 below the Governor's Amended Budget Request:

- Increases for personal services, travel, per diem, and dues.
- Allocation for a new attorney in Legal and Research Services.
- Allocation for an intake Secretary in the Ombudsman office.
- One-time fund for the CSG National Conference that Alaska will host 2013.
- Reduction of the budget by \$1,555,000 in Legislative Finance to be split evenly between the House and Senate Committees and there would be a \$500,000 reduction from the Committee Expenses.

Representative Doogan requested the total amount from the Governor's office again. Ms. Brown replied the total was \$33,134,200.

Mr. Ecklund commented that there are many reports available online.

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DEPARTMENT OF ADMINISTRATION

Representative Neuman noted that the subcommittee for the Department of Administration held nine meetings with the department and analyzed all of the governor's budget transactions. The following were the budget highlight recommendations:

- Full funding of the Governor's FY 13 Amended Budget.
- Modified an increment under the Enterprise Technology Services appropriation for the Alaska Land Mobile Radio allocation for equipment, maintenance and training. The modification would be reflected as a one-time increment.

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DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT

Representative Neuman continued to the Department of Labor and Workforce Development indicating that the subcommittee held seven meetings with the department. The following were budget recommendations:

- Authorized \$401,800 less general funds, and maintained the number of permanent full time and permanent part time positions as the Governor's Amended FY 13 Budget.
- A total increase from the FY 12 adjusted base of \$1,814,000 unrealized general funds and total decrease of \$1,235,200 designated general funds for a total general fund change of \$578,800. The change from the adjusted base decreased by \$100,000 in other funds and increased by \$100,000 in federal funds. The total change from the adjusted base is \$578,800 and showed no change in the number of permanent full time or permanent part time positions.
- Denied the replacement of unrealizable general fund program receipts in the Alaska Vocational Technical Center with unrestricted general funds.
- Denied an increment of \$226,800 unrealized general fund, \$100,000 designated general fund for the Alaska Vocational Technical Education Center (AVTEC) proposed Registered Nurse Program.
- The Alaska Vocational Technical Center access the Alaska Technical and Vocational Education Formula Funding in the amount of \$138,200 to fund an information technology position.
- Supported the Governor's decision to replace the unrealizable Workers' Compensation Administration Account (WSCAA) authority with a general fund match.

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DEPARTMENT OF COMMERCE

JOSH WALTON, STAFF, REPRESENTATIVE MIA COSTELLO, explained that the House Finance Budget Subcommittee for the Department of Commerce, Community and Economic Development held six meetings with the department and analyzed all of the Governor's budget transactions. The following are budget action highlight recommendations:

- Authorized \$4,796,300 more in general funds, \$2,587,400 more in other funds, \$14,595,900 less in federal funds, and the same number of full-time positions as the Governor's Amended FY 13 request. The Subcommittee recommended authorizing a total of \$7,212,200 less than the Governor's Amended FY13 request.
- Reiterated the movement of transactions for the Alaska Seafood Marketing Institute into the language section.
- Accepted the Governor's amended budget proposal with some modifications. One change was with the Economic Development Tourism Marketing Contracts to provide operating funds in the division's base for a one-time increment. The second modification was for corporations, business and professional licensing travel for board and commission members to change from \$244,600 to \$94,600.
- Accepted the Economic Development addition of the Lower Yukon Alaska Regional Development Organization for \$62,200 in general funds.
- Authorized the Division of Economic Development to collect and expend tourism marketing related third part receipts of up to \$2,700,000 in Statutory Designed Program Receipts as a one-time item and approved carry-forward language to allow the collection and expending of any unexpended and unobligated SDPR remaining from FY 12.

Co-Chair Thomas commented on the supplemental language in tourism marketing. Tourism marketing came at the end of last session and it was not known at the time if it would need to be fixed. It has now been fixed.

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Representative Doogan pointed out that there was \$16,000,000 to spend on tourism marketing and that \$2,700,000 was money from the industry. Mr. Walton responded that was correct.

Representative Gara expressed the same concern. He noted that the state does not actually receive the \$2,700,000, but the money was just credited to them for advertising their own businesses. He wondered if that was correct. Mr. Walton responded that the \$2,700,000 was for the receipt authority for vacation planning and ad sales. Representative Gara reiterated that the \$2,700,000 was for money to go into advertising for a tourism company. Mr. Walton replied that was correct. Representative Gara asked the Department of Revenue what the tourism industry, minus the cruise ship industry, has actually paid. He asserted that in the past three years, tourism tax payments have been negative. He pointed out that in other states businesses pay taxes and the tourism marketing money came as a credit to their taxes. In Alaska there are negative taxes and Alaska was subsidizing the tourism industry. He voiced his concern over a subsidy that has jumped from \$3,400,000 in FY 04 to \$16 million in FY 13.

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DEPARTMENT OF NATURAL RESOURCES

Mr. Walton continued that the subcommittee held six meetings with the department and analyzed all of the Governor's budget transactions and recommended:

- The same amount of general funds and positions as the Governor's Amended BY13 request.
- A change to the appropriation to Mining, Land and Water for guide concession development of \$150,000 in unrestricted general funds. Intent language was added that all funding allocated for Mining, Land and Water for the Guide Concessionaire Program be used for planning and program development purposes only. No funding would be used for implementing the guide concessionaire program until such time as the legislature directly authorized the program.

Representative Costello added that she wanted to give Mr. Walton the opportunity to talk about the change from on OTI to base funding related to the permitting program.

Mr. Walton remarked that a change was made in the FY 12 cycle because of a severe backlog in processing permits. There were 2500 backlogged permits that often took months or years to issue. The Governor requested significant increments in the numbers to improve the state's permitting process. The subcommittee granted the decision with caveats of intent language that required the department submit a memo with a plan on how the money would be spent, the goals achieved, and benchmarks in the next budget cycle. The Division of Mining, Land and Water had been working hard to alleviate the permitting backlog and exceeded their goals by eliminating 21 percent of the backlog.

Representative Wilson asked if there was any money in the base for the Guide Concession Program development. Mr. Walton responded in the affirmative. He believed an increment of \$120,000 was in the FY 13 budget.

Representative Neuman asked whether it was the intent to return to the legislature for approval on the Guide concession Program. He wondered whether the item would be in the form of legislation due to some very substantial changes to the management of all state lands. Mr. Walton responded that the language left the option open as well as other options.

Co-Chair Stoltze thanked Representative Costello and Mr. Walton for the hearings they held for the public in the Mat-Su region. He referenced a meeting on October 31, 2011 on state licensing issues.

Representative Gara appreciated Representative Costello's attempt to stave off a major policy change until the legislature had the opportunity to review it. He wondered why additional funds were needed to create a policy; he asked why current staff could not complete the task. Mr. Walton replied that the development of the Guide Concession Program was a very important program with a potential large impact and it had gone through a significant amount of public comment.

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DEPARTMENT OF CORRECTIONS

Representative Edgmon remarked that the subcommittee held six meetings with the department. The highlighted recommendations:

- The ramp up of the Goose Creek Correctional center of \$29,000,000 in general funds for 192 positions.
- Authorized a decrease of \$177,400 in general funds and one less full-time position as the Governor's Amended FY 13 request. Of the reduction, \$75,000 would come from the out-of-state contractual agreement which was an increment forwarded by the Governor to bring out-of-state prisoners from Colorado to the new facility in the Mat-Su valley.
- Reduced the Policy and Program position in the commissioner's office with a savings of \$132,500.
- Added an item of intent language for the department to return and demonstrate the cost savings switching from 12 hour to 8 hour shifts.

Representative Doogan asked if the budget allowed for the opening of the facility. Representative Edgmon responded that the requested money would be through the fiscal year, but there would be additional budget requests for the following year or later.

DEPARTMENT OF TRANSPORTATION

Representative Edgmon reported that the subcommittee held seven meetings with the department with the following recommendations:

- Reduced of the amount of unrestricted general funds by \$2,800,000. The overall request would be reduced by \$1,400,000.
- Denied an increment of \$1,340,000 for the heating, fuel and utility costs because they deferred to the fuel price "trigger" that would be in the operating budget. The department used about 65 percent of the fuel trigger in the operating budget, therefore it was denied.

- Switched the funding source in the central region highways \$150,000 unrestricted general funds to vehicle rental tax. Funding was also switched for \$600,000 to the Whittier access and tunnel from unrestricted general funds to CIP receipts.
- Recommended to the full Finance Committee that more money be put into the Marine Highway fund. The present fund will be at zero by the end of the fiscal year.

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Representative Neuman reported that he read information from the Department of Transportation that a new program had been implemented in regard to idling of vehicles for no more than 10 minutes to save money. He questioned if that was in the budget. Representative Edgmon explained that the department was in the process of testing it with the hope that it will result in a savings. If successful, the hope is that other departments will adopt the plan.

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Co-Chair Stoltze commented that there was an error on funding the Public Safety that will be read as 75 percent.

DEPARTMENT OF LAW

JOE MICHEL, STAFF, REPRESENTATIVE BILL STOLTZE, reported that the subcommittee met with the department and recommended following numbers:

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|------------------------------|--------------|
| • Unrestricted general funds | \$55,900,000 |
| • Designated general funds | \$ 2,686,000 |
| • Other funds | \$27,499,000 |
| • Federal funds | \$ 1,965,000 |
| • Total | \$88,063,000 |

Between the adjusted base and the subcommittees suggestions there was an increase of \$1,463,000 in unrestricted general funds, \$26,000 in designated general funds for a total of \$1,489,000 in general funds and, in other funds, \$1,172,000 difference approved. The total change was \$2,661,000. He highlighted in the other funds the \$1,172,000 in inter-agency receipts. There was \$450,000 accepted by the committee for outside council for statehood defense and

natural resources. He signified that \$600,000 was allocated for the civil division to continue its Fast Ferry litigation. Another large item of \$9,050,000 was not included with the Governor's request for outside council in the litigation on oil and gas. The recommendation was that the issue would be taken up by the entire Finance committee.

ALASKA COURT SYSTEM

Mr. Michel proceeded to the Alaska Court System with the following numbers:

- Unrestricted general funds \$106,421,000
- Designated general funds \$ 518,000
- Other funds \$ 1,914,000
- Federal funds \$ 1,675,000
- Total fund \$110,529,600

The numbers came in \$1,678,400 more than last year and there was the inclusion of six more full time positions. There was no increase in designated general funds and federal funds. The increase came from \$717,000 in other funds and \$1,678,400 in general funds. He noted that there was \$419,000 in accepted increment for the geographic differential for non-judicial employees and \$488,400 in general funds for the No Dark Courtrooms.

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DEPARTMENT OF PUBLIC SAFETY

RYAN MCKEE, STAFF, REPRESENTATIVE BILL STOLTZE, informed that the subcommittee met four times with the department. He provided the following numbers:

- Unrestricted general funds \$163,730,000
- Designated general funds \$ 7,322,700
- Other funds \$ 19,948,400
- Federal funds \$ 10,967,500
- Total \$201,968,600

Mr. McKee discussed the highlight recommendations:

- A total increase from the FY 13 adjusted base of \$9,722,900 unrestricted general fund and a decrease of \$553,500 designated general fund for a total general fund change of \$9,169,400. The change from the adjusted base in other funds was a decrease of \$190,100 and a decrease of \$1,074,800 in federal funds, totaling \$ 1,264,900 in non-general fund changes.
- Authorized 75 percent funding for the Governor's initiative to add 15 New Village Public Safety Officers.

Mr. McKee explained that the second change related to interior pilot and operating costs at 75 percent; training and support for the Governor's initiative to add 15 VPSO's at 75 percent; and no funding was recommended for the Maintenance Generalist Journey Position for the new Laboratory.

Vice-chair Fairclough requested more detail on funding a helicopter at 75 percent. Mr. McKee responded that it was the pilot and operating costs; the helicopter was not part of the funding.

JAMES ARMSTRONG, STAFF, REPRESENTATIVE BILL STOLTZE, interjected that that the subcommittee recommended 75 percent and, when further needed information was provided, there would be 100 percent funding.

Co-Chair Stoltze noted that often full funding was withheld to encourage needed positions be filled.

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Vice-chair Fairclough asked about the status of Council of Domestic Violence and Sexual Assault funding. Mr. McKee replied that the amount would be fully funded.

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DEPARTMENT OF REVENUE

LAURA PIERRE, STAFF, REPRESENTATIVE ANNA FAIRCLOUGH, discussed the Department of Revenue subcommittee recommendations:

- Fully funded the Department of Committee Aide: Revenue's amended budget as presented to the legislature.
- Moved the Alaska Housing Finance Corporation's funding for Federal Housing Assistance Payments (Section 8 housing) from the language section to the numbers section.
- Moved the Alaska Permanent Fund Corporation Custody and Management Fees from the language section to the numbers section.

The Permanent Fund Corporation was adding three new positions within the corporation for internal management of the fund. The change would reduce management fees by \$1,600,000.

UNIVERSITY OF ALASKA

Ms. Pierre continued to the University of Alaska subcommittee recommendations:

- Fully funded the university budget at 100 percent at \$918,342,100.
- Inserted intent language for the University of Alaska submit a FY 14 budget in which requests for unrestricted general fund increments do not exceed the amount of additional university receipts requested for that year. It was the intent of the legislature that future budget requests of the University of Alaska for unrestricted general funds move toward a long-term goal of 125 percent of actual university receipts for the most recently closed fiscal year.

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Representative Neuman believed that 125 percent funding was a good goal. He asked about the number for the current year. Ms. Pierre replied that it was 38 percent, or \$9,000,000 under. Representative Neuman asked whether the funding level was at 125 percent or above.

Vice-chair Fairclough responded that when the governor did not advance a portion of the dollars that the board of regents submitted, the university had been \$7,000,000 to \$10,000,000 short. She planned on offering some to help

reward the university for its efforts of moving toward the 125 percent goal.

Representative Gara asked for clarification that the amount fully funded the governor's proposal, not the university's proposal. Ms. Pierre responded in the affirmative.

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DEPARTMENT OF MILITARY AND VETERANS AFFAIRS

Representative Wilson discussed the subcommittees recommended budget:

- Unrestricted general funds \$26,488,800
- Designated general funds \$28,400
- Federal Funds \$25,142,700
- Other Funds \$11,589,500
- Total \$63,258,400

Representative Wilson presented the highlighted recommendations:

- Changed the request for \$170,000 for emergency generator maintenance to a one time item.
- Denied a request for \$300,000 to move the Veteran's Services Office from Joint Base Elmendorf-Richardson to Anchorage. The position at Fairbanks was not ready.
- Changed the request for \$8 million for the Alaska Aerospace Corporation maintenance and operations to a one-time item.
- Eliminated excess federal authorization from the Alaska Aerospace Corporation budget.

DEPARTMENT OF EDUCATION

Representative Wilson indicated that ten meetings were held with the department. She disclosed that:

- Unrestricted general funds \$1,206,659,600
- Designated general funds \$ 15,064,300
- Other funds \$ 25,087,800
- Federal funds \$ 233,790,200
- Total \$1,480,601,900

Representative Wilson presented the subcommittee recommendations:

- Denied the request of \$300,000 for unrestricted general funds for support of the Statewide Literacy Program. She commented that they did not want to duplicate services.
- Denied the request of \$1,200,000 of unrestricted general funds for the Alaska Learning Network.
- Changed the pre-K program to \$1,500,000. It is no longer a pilot program, but a grant program.
- Reduced Statewide Mentoring Program funding.
- Removed \$200,000 of rural transition services funding, then restored it as a one-time item.

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Co-Chair Stoltze asked if the shortfall of \$1.5 million did not include the Public Employee Retirement System payment, Teachers Retirement or fuel subsidies. Representative Wilson agreed. She added that \$10,000,000 for testing per year needed further work.

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DEPARTMENT OF HEALTH AND SOCIAL SERVICES

VIRGINIA SMILEY, STAFF, REPRESENTATIVE REGGIE JOULE, Department of Health and Social services held thirteen meetings with the department. The subcommittee stated:

- | | |
|------------------------------|-----------------|
| • Unrestricted general funds | \$1,216,639,200 |
| • Designated general funds | \$ 72,320,100 |
| • Other funds | \$ 101,528,700 |
| • Federal funds | \$1,229,196,505 |
| • Total | \$2,619,614.500 |

Ms. Smiley indicated that the subcommittee recommendations:

- Authorized \$1,548,000 less general funds and the same number of full-time positions as the Governor's Amended FY 13 request. It included five new positions.

- A total increase from the FY 13 Adjusted Base of \$61,129,000 undesignated general funds and a decrease of \$235,000 designated general funds for a total general fund change of \$60,894,000. The change from Adjusted Base in other funds is \$8,588,900 and from federal funds is \$87,455,200. The total change from the Adjusted Base is \$156,938,100.

Ms. Smiley presented highlights where the Formula programs were fully funded:

- Increments of \$45,300,000 for Medicaid.
- \$3,100,000 for the Alaska Temporary Assistance Program.
- \$5,665,500 for the Adult Public Assistance Program.
- \$540,000 for the Permanent Fund Hold Harmless.
- Fully funded all 35 Mental Health Trust Authority authorized receipts.
- Funded \$1,800,000 for the Governor's Domestic Violence and Sexual Assault initiative.
- Funded \$500,000 for positions in McLaughlin and the Johnson Youth Centers.
- Funded \$1,100,000 for Public Health Nursing Grantees. It would reflect a three year increase.
- Funded \$700,000 for immunization for children and seniors.
- Funding for the Low Income Heating Assistance program will be handled in the language section of the appropriation bill.
- Decreased \$1,000,000 in the Tobacco Education and Cessation Fund.
- Reductions were made of 10 percent to 18 increments identified as new or expanding programs.

Co-Chair Stoltze asked if the Permanent Fund Hold Harmless continued to be permanent fund receipts. Ms. Smiley replied that it was. Co-Chair Stoltze questioned if it was the amount calculated and deducted before individual checks. Ms. Smiley said it does hold them harmless and it is program receipts. Co-Chair Stoltze stated that it would reduce everyone's check. He wondered if dividends were larger or more recipients. Ms. Smiley replied that there were more recipients.

[2:56:33 PM](#)

Representative Joule questioned the reduction for Smoking Cession Tobacco money for \$1,000,000. He indicated that the program was working and would like it to continue. It has been successful program that has impacted people's behaviors. He referred to the one decrement of \$138,000 and indicated there may be an amendment in that area. He felt the budget process should start in June to better understand what needs to be done. He felt the need to understand Medicaid and other things much better.

Vice-chair Fairclough referred to the tobacco succession issue and wondered if the committee had conversations concerning on a plateau being reached for how many were still being affected. She mentioned a claim that there was a national plateau at 20 percent. She questioned if there were studies that smoking was worse than chewing tobacco. Ms. Smiley indicated that the subcommittee did not ask the department for that information, but believed since the program was successful, data would be available.

Representative Gara appreciated Representative Joule's comments. He indicated it was not necessarily the numbers of people going on Medicaid, but the bulk of the increase cost was medical service costs. He believed all health insurance needed to be looked at more fully. Alaska has higher than national average costs in the medical area and it will eventually eat away at the state's budget.

[3:01:23 PM](#)

Representative Neuman talked about not meeting the goals in alcohol, drug, spousal, and child abuse. For about three years the numbers dropped in people being served and money being spent. The commissioner indicated that there were more jobs available during that period. He believed that jobs with insurance benefits helped the family and community.

Co-Chair Thomas interjected that some individuals do not pay into unemployment insurance.

Co-Chair Stoltze remarked on the Smoking Cession commercials and that they often featured locations where alcohol was being served. He noted that spending one state dollar to try and stop one behavior but it was advertising for another addictive behavior. He asked if anyone had a

concern about that. Representative Joule replied that the commercials were about second-hand smoke.

Co-Chair Thomas asked about immunization and thought there was legislation on the senate side. Ms. Smiley acknowledged that there was a bill on the senate side, but she was not sure where the bill was going. She preferred not speaking to the senate bill.

[3:05:50 PM](#)

Vice-chair Fairclough asked if there was significant funding for the epidemic of gonorrhoea in Alaska. Ms. Smiley replied that there was conversation of an amendment to the issue. Vice-chair Fairclough responded that it was a large health issue for Alaska.

Representative Joule indicated it was not included in the base, but may be considered later. Vice-chair Fairclough asked if the federal government was paying attention to the numbers. Representative Joule responded he was not sure.

[3:07:14 PM](#)

Representative Doogan voiced his concern about cost of health care. He related his personal health issues and the very high cost. He thought that progressively more will be either added to the budget for health care or other programs will have to be further cut.

[3:09:21 PM](#)

DEPARTMENT OF ENVIRONMENTAL CONSERVATION

BRODIE ANDERSON, STAFF, REPRESENTATIVE REGGIE JOULE, went over the Department of Environmental Conservation. He indicated a submitted budget of:

- Unrestricted general funds \$21,000,000
- Designated general funds \$26,900,000
- Other funds \$11,200,000
- federal funds \$24,200,000
- Total \$83,500,000

Mr. Anderson communicated that a total increase was recommended for \$1,200,000 unrestricted general funds and

an increase of \$114,000 to designated general funds. The total change is \$2,300,000. He highlighted that one full-time position was accepted for a Microbiologist position.

HB 284 was HEARD and HELD in Committee for further consideration.

HB 285 was HEARD and HELD in Committee for further consideration.

[3:13:12 PM](#)

ADJOURNMENT

The meeting was adjourned at 3:13 PM.