

SENATE FINANCE COMMITTEE
March 22, 2011
9:06 a.m.

[9:06:41 AM](#)

CALL TO ORDER

Co-Chair Hoffman called the Senate Finance Committee meeting to order at 9:06 a.m.

MEMBERS PRESENT

Senator Lyman Hoffman, Co-Chair
Senator Bert Stedman, Co-Chair
Senator Lesil McGuire, Vice-Chair
Senator Johnny Ellis
Senator Dennis Egan
Senator Donny Olson
Senator Joe Thomas

MEMBERS ABSENT

None

ALSO PRESENT

Tim Grussendorf, Staff, Co-Chair Hoffman; Miles Baker, Staff, Co-Chair Stedman; Jeff Rogers, staff, Senator Ellis; Niko Bus, Staff, Senator Olson; Sidney Seay, Staff, Senator Olson; Michael Pawlowski, Staff, Senator McGuire; Jesse Kiehl, staff, Senator Egan.

SUMMARY

HB 108 APPROP: OPERATING BUDGET/LOANS/FUNDS

HB 108 was HEARD and HELD in Committee for further consideration.

HB 109 APPROP: MENTAL HEALTH BUDGET

HB 109 was HEARD and HELD in Committee for further consideration.

SENATE FINANCE SUBCOMMITTEE CLOSEOUTS:

UNIVERSITY OF ALASKA
DEPARTMENT OF COMMERCE, COMMUNITY & ECONOMIC DEVELOPMENT
OFFICE OF THE GOVERNOR
LEGISLATURE
DEPARTMENT OF LAW
DEPARTMENT OF REVENUE
DEPARTMENT OF TRANSPORTATION and PUBLIC FACILITIES
DEPARTMENT OF ADMINISTRATION
DEPARTMENT OF CORRECTIONS
DEPARTMENT OF FISH AND GAME
DEPARTMENT OF HEALTH and SOCIAL SERVICES
DEPARTMENT OF PUBLIC SAFETY
DEPARTMENT OF ENVIRONMENTAL CONSERVATION
DEPARTMENT OF MILITARY and VETERANS AFFAIRS
ALASKA COURT SYSTEM
DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT
DEPARTMENT OF LABOR & WORKFORCE DEVELOPMENT
DEPARTMENT OF NATURAL RESOURCES

#hb108

#hb109

HOUSE BILL NO. 108

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

HOUSE BILL NO. 109

"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."

[9:06:54 AM](#)

Co-Chair Hoffman explained the process involved during review of the Senate Finance Committee's budget subcommittee reports.

UNIVERSITY OF ALASKA

TIM GRUSSENDORF, STAFF, CO-CHAIR HOFFMAN, began with the University's recommendations. He listed the budget action and other subcommittee action by region:

| <u>Fund Source</u> | <u>11 Mgt Plan</u> | <u>FY12 Gov Amd</u> | <u>Sen Sub</u> | <u>Sen Sub to Gov</u> |
|--------------------|--------------------|---------------------|----------------|-----------------------|
| General Funds | \$641,423.0 | \$661,634.1 | \$661,867.1 | \$233.0 |
| Other Funds | \$ 76,146.0 | \$ 85,374.3 | \$ 85,334.3 | (\$ 40.0) |
| Federal Funds | \$132,798.7 | \$137,578.7 | \$137,953.7 | \$375.0 |

| <u>Positions</u> | <u>11 Mgt Plan</u> | <u>FY12 Gov Amd</u> | <u>Sen Sub</u> | <u>Sen Sub to Gov</u> |
|------------------|--------------------|---------------------|----------------|-----------------------|
| PFT | 4,694 | 4,694 | 4,698 | 4 |
| PPT | 222 | 222 | 222 | 0 |
| Temp | 0 | 0 | 0 | 0 |

The Subcommittee held one meeting with the University and took the following actions:

Budget Action Highlights

- Changed structure from one appropriation in Gov Amd to seven appropriations (matching FY11)
- Adopted the FY12 Adjusted Base as a starting point for subcommittee actions, which include the following in relation to the Governor's Amended request:
 - Accepted \$6,568.1 DGF (University Receipts) for non-personal services fixed cost increases; facilities maintenance and repair, utility cost increases, and compliance mandates
 - Accepted \$13,900.0 in additional U of A Receipt Authority (comprised of \$4,500.0 Federal Receipts and \$9,400.0 Other funds)
 - Accepted all MHTAAR increments totaling \$1,481.5
 - Accepted adjustments to VoTech Ed funding (an overall reduction of <\$159.3>) to match the most recent calculations from the Department of Labor & Workforce Development
 - Accepted \$591.0 UGF for new facility operating and maintenance costs at the UAA Health Sciences Building
 - Denied \$314.2 UGF for the UAA ConocoPhillips Integrated Science Building
 - Denied \$150.0 UGF and \$40.0 University Receipts for the UAF Individual Technology Based Math Summer Bridge Programs
 - Denied \$75.0 UGF and \$45.0 University Receipts for the UAF Summer Research Academy - Engineering Components
- Other Subcommittee Action includes the following additions:

- o Full funding for contractual salaries and health increases proposed in the Governor's original budget request (\$10,354.4) and the amended increases requested for United Academic Adjuncts (UNAD) (\$245.8) and United Academics (UNAC) (\$2,806.1) at a 1 to 1 ratio between UGF and University Receipts
 - o Addition of \$750.0 (including \$250.0 UGF) and 2 PFT positions - UAF Alternative Energy
 - o Addition of \$100.0 UGF - UAF Honors Program
 - o Addition of \$100.0 UGF - UAS Honors Program
 - o Addition of \$104.3 (including \$94.3 UGF) and 1 PFT position - UAS Teacher Education Recruitment & Placement Specialist
 - o Addition of \$177.9 (including \$98.1 UGF) and 1 PFT position - UAS Instructional Designer
- Intent was further added by the subcommittee that any FY13 requests for UGF increments not exceed the amount of additional University Receipts requested for that year and that future requests by 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.

Attached Reports (Numbers Only)

1. Agency Totals - FY 12 Operating Budget - Senate Structure
2. Appropriation/Allocation Summary (GF) - Senate Structure
3. Appropriation/Allocation Summary (all funds) - Senate Structure
4. Transaction Comparison (Adj. Base and Senate Subcom) - Senate Structure
5. Transaction Comparison (Gov. Amd and Senate Subcom) - Senate Structure
6. Transaction Comparison (House and Senate Subcom) - Senate Structure
7. Wordage Report - FY 12 Operating Budget - Senate Structure

Mr. Grussendorf discussed various position changes and the addition and denial of various items.

[9:12:27 AM](#)

Co-Chair Stedman MOVED the subcommittee report for the University of Alaska to the full finance committee for inclusion in CSHB 108.

Co-Chair Hoffman OBJECTED.

Senator Ellis expressed continued concerns regarding construction of the new health sciences building at the University of Alaska Anchorage campus. He appreciated the co-chair's willingness to work on the issue during the conference committee process.

Co-Chair Hoffman removed his OBJECTION. The subcommittee report for the University of Alaska was ADOPTED.

[9:13:38 AM](#)

DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT

Mr. Grussendorf reviewed the subcommittee recommendations for the Department of Commerce, Community and Economic Development.

The Senate Finance Budget Subcommittee for DCCED submits an Operating Budget to the Senate Finance Committee for FY 12 as Follows:

| <u>Fund Source</u> | <u>11 Mgt Plan</u> | <u>FY12 Gov Amd</u> | <u>Sen Sub</u> | <u>Sen Sub to Gov Amd</u> |
|--------------------|--------------------|---------------------|----------------|---------------------------|
| General Funds | \$71,482.4 | \$73,056.7 | \$50,409.5 | (\$22,647.2) |
| Other Funds | \$27,830.9 | \$28,878.3 | \$28,418.3 | (\$460.0) |
| Federal Funds | \$39,341.9 | \$37,038.9 | \$32,038.9 | (\$5,000.0) |

| <u>Positions</u> | <u>11 Mgt Plan</u> | <u>FY12 Gov Amd</u> | <u>Sen Sub</u> | <u>Sen Sub to Gov</u> |
|------------------|--------------------|---------------------|----------------|-----------------------|
| PFT | 488 | 488 | 468 | (20) |
| PPT | 3 | 3 | 3 | 0 |
| Temp | 13 | 12 | 12 | 0 |

The Subcommittee held two meetings with DCCED and took the following actions:

Budget Action Highlights

Accepted

- \$400.0 funding for Alaska Native Arts Marketing
- The Governors amendment to replace QTA contract CPV tax (\$3,018.2) with General Funds.
- ASMI, Replaced Industry Assessment with UGF to maintain marketing efforts.

Denied

- The re-structuring, transfer of funding and positions bringing the Office of Economic Development and the Divisions of Investments into a single appropriation.
- \$363.2 GF to Increase the Economic development function.
- Reduction of \$600.0 to Ilisagvik College for workforce development
- \$97.0 and 1 position to continue natural resources specialist to provide assistance on ANSCA 14c actions

Other Actions

- Moved ASMI with their existing 19 positions and QTA to the Language section of the Operating Budget.

Attached Reports (Numbers Only)

8. Agency Totals - FY 12 Operating Budget - Senate Structure
9. Appropriation/Allocation Summary (GF) - Senate Structure
10. Appropriation/Allocation Summary (all funds) - Senate Structure
11. Transaction Comparison (Adj. Base and Senate Subcom) - Senate Structure
12. Transaction Comparison (Gov. Amd and Senate Subcom) - Senate Structure
13. Transaction Comparison (House and Senate Subcom) - Senate Structure
14. Wordage Report - FY 12 Operating Budget - Senate Structure

[9:15:43 AM](#)

Co-Chair Stedman MOVED to ADOPT the subcommittee report for the Department of Commerce, Community and Economic Development for inclusion in CSHB 108.

Co-Chair Hoffman OBJECTED.

Senator Olson commended the co-chairs for the reinstatement of funding for the Ilisagvik College. He observed that Ilisagvik

College contributed to the atmosphere and workforce in the northernmost areas of the state.

Co-Chair Hoffman removed his OBJECTION. The subcommittee report for Department of Commerce, Community and Economic Development was ADOPTED.

[9:16:58 AM](#)

OFFICE OF THE GOVERNOR

Mr. Grussendorf reviewed the subcommittee recommendations for the Office of the Governor.

The Senate Finance Budget Subcommittee for the Office of the Governor submits an Operating Budget to the Senate Finance Committee for FY 12 as Follows:

| <u>Fund Source</u> | <u>11 mgt. plan</u> | <u>FY12 Gov Amd</u> | <u>Sen Sub</u> | <u>Sen to Gov</u> |
|--------------------|---------------------|---------------------|----------------|-------------------|
| General Funds | \$28,250.4 | \$ 28,572.3 | \$ 28,569.9 | (3,002.4) |
| Federal Funds | \$191.4 | \$195.0 | \$ 195.0 | - |
| Other Funds | \$ 865.1 | \$605.5 | \$ 605.5 | - |

| <u>Positions</u> | <u>11 mgt plan</u> | <u>12 Gov Amd.</u> | <u>Sen. Sub</u> | <u>Sen to Gov</u> |
|------------------|--------------------|--------------------|-----------------|-------------------|
| PFT | 163 | 162 | 162 | - |
| PPT | 0 | 0 | 0 | - |
| Temp | 48 | 27 | 27 | - |

Budget Action

The Senate Finance Budget Subcommittee on the Office of the Governor submits an operating budget for FY12 as follows:

The Subcommittee adopted the Governors' request with 2 changes.

- Moved the \$3.0 million for DVSA from the numbers section to the language section giving the Governor \$2.7 million, and designated \$300.0 for Trauma Informed Care for Victims of Domestic Violence.
- Technical clean up of \$2.4k for the personal services line in the fiscal note for HB 369.

Attached Reports

15. Agency Totals - FY 12 Operating Budget - Senate Structure
16. Appropriation/Allocation Summary (GF) - Senate Structure
17. Appropriation/Allocation Summary (all funds) - Senate Structure
18. Transaction Comparison (Adj. Base and Senate Subcom)
19. Transaction Comparison (Gov. Amd and Senate Subcom)
20. Wordage Report - FY 12 Operating Budget - Senate Structure
21. Transaction Comparison (House. and Senate Subcom)

Co-Chair Stedman MOVED to ADOPT the subcommittee report for the Office of the Governor for inclusion in CSHB 108.

Co-Chair Hoffman OBJECTED.

Co-Chair Hoffman removed his OBJECTION. The subcommittee report for the Office of the Governor was ADOPTED.

[9:18:29 AM](#)

LEGISLATURE

Mr. Grussendorf discussed the subcommittee report for the Legislature.

The Senate Finance Budget Subcommittee for the Legislatures Operating Budget submits this recommendation to the Senate Finance Committee for FY 12 as follows:

| <u>Fund Source</u> | <u>11 mgt.plan</u> | <u>12 Gov Amd</u> | <u>Sen Sub</u> | <u>Difference</u> |
|--------------------|--------------------|-------------------|----------------|-------------------|
| General Funds | \$67,707.7 | \$69,370.8 | \$68,955.1 | \$415.7 |
| Federal Funds | 0 | 0 | 0 | 0 |
| Other Funds | \$413.0 | \$413.0 | \$379.5.0 | \$(33.5) |

| <u>Positions</u> | <u>11 mgt plan</u> | <u>12 Gov Amd.</u> | <u>Sen. Sub</u> | <u>Sen to Gov</u> |
|------------------|--------------------|--------------------|-----------------|-------------------|
| PFT | 248 | 248 | 248 | 0 |
| PPT | 285 | 285 | 285 | 0 |
| Temp | 0 | 0 | 0 | 0 |

Budget Action

The Senate Finance Budget Subcommittee on the Legislature submits an Operating budget for FY12 as follows:

- There are no net increments
- Decreased Budget and Audits by \$1,079.9gf to offset increments as follows
 - \$229.3 to Legislative Council for session per diem
 - \$520.0 to Legislative Council for Salary allowance.
 - \$75.0 for 2 year fiscal note on HCR22 Northern waters task force
 - \$20k for increase of range from 22 to 24 for Ethics Administrator
 - \$26.3 to convert Wrangell LIO position to PPT

Attached Reports

1. Agency Totals - FY 12 Operating Budget - Senate Structure
2. Appropriation/Allocation Summary (GF) - Senate Structure
3. Appropriation/Allocation Summary (all funds) - Senate Structure
4. Transaction Comparison (Adj. Base and Senate Subcom)
5. Transaction Comparison (Gov. Amd and Senate Subcom)
6. Wordage Report - FY 12 Operating Budget - Senate Structure
7. Transaction Comparison (House. and Senate Subcom)

Co-Chair Stedman MOVED to ADOPT the subcommittee report for the Legislature for inclusion in the CS for HB 108.

Co-Chair Hoffman OBJECTED.

Co-Chair Hoffman WITHDREW his OBJECTION. There being NO OBJECTION, it was so ordered. The subcommittee report for the Legislature was ADOPTED

[9:20:32 AM](#)

DEPARTMENT OF LAW

Co-Chair Stedman explained the subcommittee report for the Department of Law. He explained the various additions and denials included in the report.

The Senate Finance Budget Subcommittee for the Department of Law submits the following FY12 Operating Budget Recommendations to the Senate Finance Committee:

| <u>Fund Source</u> | <u>12 Adj</u> <u>Base</u> | <u>Gov Amd</u> | <u>Sen Sub</u> | <u>Difference</u> |
|--------------------|------------------------------|----------------|----------------|-------------------|
|--------------------|------------------------------|----------------|----------------|-------------------|

| | | | | |
|---------------|------------|------------|------------|-----------|
| Unrestricted | | | | |
| GF | \$51,016.6 | \$56,253.3 | \$52,528.3 | \$(3,725) |
| Designated GF | \$2,296.2 | \$2,649.3 | \$2,509.3 | \$(140) |
| Other Funds | \$25,160.3 | \$25,828.5 | \$25,828.5 | \$0 |
| Federal Funds | \$1,652.6 | \$1,947.3 | \$1,947.3 | \$0 |
| Total | \$80,125.7 | \$86,678.4 | \$82,813.4 | \$(3,865) |

| <u>Positions</u> | <u>12 Adj</u> | <u>Gov Amd</u> | <u>Sen Sub</u> | <u>Difference</u> |
|------------------|---------------|----------------|----------------|-------------------|
| | <u>Base</u> | | | |
| PFT | 560 | 569 | 567 | (2) |
| PPT | 2 | 2 | 2 | 0 |
| Temp | 0 | 0 | 0 | 0 |

The Subcommittee met with the Department and took the following budget actions:

Budget Action

Approved the Governor's Amended budget requests with the following exceptions:

CRIMINAL DIVISION

- Approved the addition of 1 permanent full time District Attorney within the Second Judicial District in Kotzebue. The subcommittee took the House's recommendation to fund this position at 75% of the \$210,000 GF request to allow adequate time for the position to be filled after the start of the FY2012 fiscal year.
- Denied the request to replace \$500,000 of expiring federal earmarks with GF. The subcommittee recommended funding for positions in Kotzebue, Palmer, Kenai, and Barrow that will assist with DVSA related issues.

CIVIL DIVISION

- Denied the addition of 1 permanent full time paralegal in the Collections & Support Section to limit spending and restrain growth of the department's position count.
- Denied the request for \$175,000 for contracting outside legal counsel for federal environmental litigation.
- Denied the Oil, Gas & Mining section's \$2.7 million request for outside legal counsel and expert services related to the state's gas pipeline and gas commercialization efforts. The subcommittee accepted the

House's recommendation not to fund the request, but recognizes the department has requested funding in the Capital and FY11 Supplemental Budgets which will be considered in the future.

- Denied the addition of 1 permanent full time Public Records Attorney in the Timekeeping & Litigation Section to limit spending and restrain growth of the department's position count.

- Approved the addition of 1 permanent full time Child Protection Section Attorney and 1 permanent full-time paralegal within the Child Protection Section in Palmer. The subcommittee took the House's recommendation to fund these positions at 75% of the \$350,000 GF request to allow adequate time for these positions to be filled after the start of the FY2012 fiscal year.

ATTACHMENTS:

- Report 1 - Agency Totals - Senate Structure
- Report 2 - Allocation Summary Numbers - Senate Structure
- Report 3 - Allocation Summary Numbers (GF Only) - Senate Structure
- Report 4 - Transaction Compare - Adjusted Base & Senate Subcommittee
- Report 5 - Transaction Compare - Gov Amend+ & Senate Subcommittee
- Report 6 - Transaction Compare - House & Senate Subcommittee
- Report 7 - Wordage
- Report 8 - Senate Subcommittee Worksheet

Co-Chair Stedman MOVED to ADOPT the Department of Law's subcommittee report for inclusion in CSHB 108.

Co-Chair Hoffman OBJECTED for purpose of discussion.

Co-Chair Hoffman WITHDREW his OBJECTION. The subcommittee report for the Department of Law was ADOPTED.

[9:24:18 AM](#)

DEPARTMENT OF REVENUE

Co-Chair Stedman described the subcommittee report for Department of Revenue.

The Senate Finance Budget Subcommittee for the Department of Revenue submits the following FY12 Operating Budget Recommendations to the Senate Finance Committee:

| <u>Fund Source</u> | <u>12 Adj</u> | | <u>Sen Sub</u> | <u>Difference</u> |
|--------------------|---------------|----------------|----------------|-------------------|
| | <u>Base</u> | <u>Gov Amd</u> | | |
| Unrestricted | | | | |
| GF | \$20,050.4 | \$ 29,524.1 | \$29,524.1 | \$0 |
| Designated GF | \$9,210.5 | \$ 9,210.5 | \$9,210.5 | \$0 |
| Other Funds | \$172,474.0 | \$ 99,738.8 | \$189,604.8 | \$ 89,866.0 |
| Federal Funds | \$41,971.4 | \$ 41,935.2 | \$41,935.2 | \$0 |
| Total | \$248,706.3 | \$180,408.6 | \$270,274.6 | \$ 89,866.0 |

| <u>Positions</u> | <u>12 Adj</u> | | <u>Sen Sub</u> | <u>Difference</u> |
|------------------|---------------|----------------|----------------|-------------------|
| | <u>Base</u> | <u>Gov Amd</u> | | |
| PFT | 876 | 878 | 877 | -1 |
| PPT | 40 | 40 | 40 | 0 |
| Temp | 20 | 20 | 20 | 0 |
| Total | 937 | 938 | 937 | -1 |

The Subcommittee met with the Department and accepted the Governor's amended budget with the following exceptions:

Budget Action

TAX DIVISION

Accepted the House recommendation to delete the department's vacant Chief Revenue Economist position (PCN 04-3255) and move the associated \$150k budget for this position to the contractual services line. The department has been unable to fill this classified position for almost 3-years. Moving this funding to the contractual line will give the department more flexibility to acquire the services necessary to accomplish their mission.

TREASURY DIVISION

Approved a \$15,200 fund source change to account for statutory changes made in the management of the Alaska Children's Trust. The Trust will now be managed as an endowment so the 1098 Children's Trust Earnings fund code is no longer active. This is a net zero change.

ALASKA HOUSING FINANCE OPERATIONS

Changed the \$40,000 increment for the second year fiscal note for SB 217 dealing with state guaranteed veteran's mortgages, from a maintenance increment to a one-time increment. The annual operating costs of this program need to be reviewed for each of the next several years.

ALASKA PERMANENT FUND CORP OPERATIONS

Denied a \$115,000 increment in Corporation Receipts for increased due diligence travel.

Denied a \$319,000 increment in Corporation Receipts for personal services costs related to hiring and salary increases.

ALASKA PERMANENT FUND CUSTODY & MANAGEMENT FEES

Denied the request to move \$90.3 mill in Corporation Receipts for investment management fees from the numbers section of the budget to the language section. This transaction results in the Senate Subcommittee "Other Funds" number being higher than the Governor's Amended budget, however it will be reduced by the same amount once the full committee removes this section from the bill language.

ATTACHMENTS:

- Report 1 - Agency Totals - Senate Structure
- Report 2 - Allocation Summary Numbers - Senate Structure
- Report 3 - Allocation Summary Numbers (GF Only) - Senate Structure
- Report 4 - Transaction Compare - Adjusted Base & Senate Subcommittee
- Report 5 - Transaction Compare - Gov Amend+ & Senate Subcommittee
- Report 6 - Transaction Compare - House & Senate Subcommittee
- Report 7 - Senate Subcommittee Worksheet

Co-Chair Stedman MOVED to ADOPT the subcommittee report for Department of Revenue for inclusion in CSHB 108.

Co-Chair Hoffman OBJECTED for purpose of discussion.

Senator Olson asked about the loss of one permanent full-time position.

Co-Chair Stedman offered his staff's opinion.

[9:27:40 AM](#)

MILES BAKER, STAFF, CO-CHAIR STEDMAN, responded that the reduction of the one permanent full-time position was listed at the bottom of the first page regarding the tax division. The money remained in the budget, but in a contractual line allowing the Department of Revenue (DOR) to contract for services.

Senator Olson clarified that the department did not lose an employee. The funding was made contractual, since the position remained unfilled.

Co-Chair Stedman expressed past struggles with DOR regarding the vacant economist position. The economist would help the committee with policy calls particularly with matters concerning gas and oil.

Co-Chair Hoffman WITHDREW his OBJECTION. The subcommittee report for the Department of Revenue was ADOPTED.

[9:29:15 AM](#)

DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES

Co-Chair Stedman detailed the subcommittee report for Department of Transportation and Public Facilities.

The Senate Finance Budget Subcommittee for the Department of Transportation & Public Facilities submits the following FY12 Operating Budget Recommendations to the Senate Finance Committee:

| <u>Fund Source</u> | <u>12 Adj</u> <u>Base</u> | <u>Gov Amd</u> | <u>Sen Sub</u> | <u>Difference</u> |
|--------------------|------------------------------|----------------|----------------|-------------------|
| Unrestricted | | | | |
| GF | \$254,178.8 | \$260,280.9 | \$258,121.7 | \$(2,159.2) |
| Designated GF | 63,349.8 | \$ 69,301.6 | \$69,397.5 | \$95.9 |
| Other State | \$254,516.0 | \$252,970.2 | \$254,736.0 | \$1,765.8 |
| Federal | \$3,802.9 | \$ 3,787.8 | \$3,802.9 | \$15.1 |
| Total | \$575,847.5 | \$586,340.5 | \$586,058.1 | \$(282.8) |

| <u>Positions</u> | <u>12 Adj</u> <u>Base</u> | <u>Gov Amd</u> | <u>Sen Sub</u> | <u>Difference</u> |
|------------------|------------------------------|----------------|----------------|-------------------|
| PFT | 3,210 | 3,217 | 3,218 | 1 |
| PPT | 420 | 420 | 420 | 0 |
| Temp | 226 | 226 | 226 | 0 |

| | | | | |
|-------|-------|-------|-------|---|
| Total | 3,859 | 3,847 | 3,844 | 1 |
|-------|-------|-------|-------|---|

Specific Budget Action

The Subcommittee met with the Department and accepted the Governor's amended budget with the following exceptions:

ADMINISTRATION & SUPPORT

- Added \$258,600 in GF and reduced CIP Receipts by \$124,400 within Statewide Aviation. This will facilitate an effort to consolidate management of the Alaska Aviation Safety Program and the Statewide Digital Mapping Initiative (SDMI) under the currently CIP budgeted Project Manager and move the temporary Project Coordinator position to Permanent Full Time. This creates one new position.

Co-Chair Stedman added that throughout the report, the subcommittee denied 13 separate transactions for a total of \$2 million in general funds. The department requested these transactions as part of the internal initiative to more accurately reflect the actual position or personal service cost associated with capital improvement project work. While the committee recognized merit in the effort, it was clearly a much broader issue throughout the entire budget. In addition, given the department's expectation of larger than normal federal highway money becoming more available to the state this coming year, Capital Improvement Projects (CIP) receipts were not increased.

- Denied two fund source changes to move \$95,100 and \$179,700 in CIP Receipts to General Funds within Program Development and Measurement Standards and Commercial Vehicle Enforcement.

DESIGN ENGINEERING & CONSTRUCTION

- Denied two fund source changes to move \$52,000 and \$123,800 in CIP Receipts to General Funds within Statewide Public Facilities and Statewide Design & Engineering, accepting the House recommendations.
- Denied a \$316,900 fund source change from CIP Receipts to General Funds and replaced \$22,500 in GF Program Receipts with an equal amount of CIP Receipts within Central Region Design & Engineering. Both were House recommendations.

- Denied an \$189,700 fund source change from CIP Receipts to General Funds and replaced \$5,600 in GF Program Receipts with an equal amount of CIP Receipts within Northern Region Design & Engineering. Both were House recommendations.
- Denied a \$215,100 fund source change from CIP Receipts to General Funds and replaced \$21,100 in GF Program Receipts with an equal amount of CIP Receipts within Southeast Region Design & Engineering. Both were House recommendations.
- Denied a \$252,800 fund source change from CIP Receipts to General Funds within Central Region Construction & CIP Support.
- Denied a \$212,800 fund source change from CIP Receipts to General Funds within Northern Region Construction & CIP Support.
- Denied a \$144,000 fund source change from CIP Receipts to General Funds within Southeast Region Construction & CIP Support.

HIGHWAYS, AVIATION & FACILITIES

- Denied a request to change \$89,800 worth of CIP, Federal and Statutory Designated Program Receipts to General Funds within Central Region Highways and Aviation.
- Funded \$667,800 or 75% of an \$890,400 General Fund request within Central Region Highways and Aviation to help off-set State Equipment Fleet rate increases.
- Denied a \$75,000 General Fund increment within Central Region Highways and Aviation to purchase anti-icing materials in the Kenai & Soldotna area.
- Denied a request to change \$120,200 worth of CIP, Federal and Statutory Designated Program Receipts to General Funds within Northern Region Highways and Aviation.
- Funded \$1.34 mill or 75% of a \$1.79 mill General Fund request within Northern Region Highways and Aviation to help off-set State Equipment Fleet rate increases.

- Added \$50,000 to Northern Region Highways and Aviation to cover the costs of operating and maintaining a short-term ice road from Kotzebue to Kiana and Noorvik each winter.
- Denied a request to change \$9,300 worth of Inter-Agency and Statutory Designated Program Receipts to General Funds within Southeast Region Highways and Aviation.
- Funded \$65,600 or 75% of a \$87,400 General Fund request within Southeast Region Highways and Aviation to help offset State Equipment Fleet rate increases.
- Added a \$300,000 one-time increment to Southeast Region Highways and Aviation to cover increased operations and maintenance costs at the state owned airport in Ketchikan. The Subcommittee also added the following conditional language to this increment: "The increment of \$300,000 for Ketchikan Airport operations is contingent on the Ketchikan Gateway Borough and the Department of Transportation and Public Facilities continuing good faith negotiations to restructure terms of their lease agreement, to find operational efficiencies and to equitably reallocate annual operating costs between both parties".

[9:33:14 AM](#)

Co-Chair Stedman MOVED to ADOPT the subcommittee report for the Department of Transportation and Public Facilities.

Co-Chair Hoffman OBJECTED for purpose of discussion.

Senator Olson appreciated the addition of \$50 thousand for the ice road from Kotzebue to Kiana and Noorvik. He added that with the high price of oil, citizens in the area use the ice road to transport stove oil and building materials when the river was too low for barge transportation.

Co-Chair Hoffman WITHDREW his OBJECTION. The subcommittee report for the Department of Transportation and Public Facilities was ADOPTED.

[9:34:24 AM](#)

DEPARTMENT OF ADMINISTRATION

Senator Ellis characterized the work on the subcommittee for the Department of Administration as modest "belt tightening."

JEFF ROGERS, STAFF, SENATOR ELLIS, provided a summary of the subcommittee report for the Department of Administration.

The Senate Finance Subcommittee on the Department of Administration submits an operating report to the full Senate Finance Committee for Fiscal Year 2012 as follows:

| <u>Fund Source</u> | <u>FY11 Management Plan</u> | <u>FY12 Governor's Amended</u> | <u>FY 12 Senate Sub</u> | <u>Difference (GovAmnd to Senate Sub)</u> | <u>Difference (GovAmnd to Senate Sub)</u> |
|----------------------------|-----------------------------|--------------------------------|-------------------------|---|---|
| Unrestricted General Funds | \$76,608.7 | \$79,988.9 | \$77,408.9 | (\$2,580.0) | (3.2%) |
| Designated General Funds | \$23,984.0 | \$25,064.2 | \$23,101.8 | (\$1,962.4) | (7.8%) |
| Other Funds | \$198,387.5 | \$201,452.4 | \$204,690.1 | \$3,237.7 | 1.6 % |
| Federal Funds | \$3,935.8 | \$4,529.2 | \$4,539.4 | \$10.2 | 0.2% |
| Total | \$302,916.0 | \$311,034.7 | \$309,740.2 | (\$1,294.5) | (0.4%) |

Personnel:

The Subcommittee reviewed the authorized position count for the Department. The Governor's amended budget proposal requested two new positions, and the Subcommittee is recommending that those two new positions be accepted. To compensate for these two positions, the Subcommittee has deleted two vacant positions from the Central Administrative Services division.

| <u>Position Summary</u> | <u>FY11 Management Plan</u> | <u>FY12 Governor's Amended</u> | <u>FY 12 Senate Subcommittee</u> |
|-------------------------|-----------------------------|--------------------------------|----------------------------------|
| Permanent Full Time | 1,071 | 1,073 | 1,071 |
| Permanent Part Time | 18 | 18 | 18 |
| Temporary | 39 | 39 | 39 |
| Total | 1,128 | 1,130 | 1,128 |

Budget Action:

The Subcommittee held five meetings with the Department and took the following actions:

1. Adopted the Fiscal Year 2012 Adjusted Base.

2. Reviewed each of the increments, decrements, and fund changes submitted by the Governor. Recommends action on the Governor's proposal including the following¹:

- a. Adopt Inc \$316.0 AOGCC RCTPS for two new positions in AOGCC
- b. Adopt Inc \$1,000.0 FED for enhanced CDL improvements at the DMV
- c. Adopt Inc \$110.0 SDPR for the Office of Public Advocacy
- d. Adopt Inc \$50.0 GF/PR for the Office of Administrative Hearings
- e. Adopt Inc \$112.5 GF/PR for Databasics Software for Travel from credit card rebates
- f. Adopt Inc \$50.0 FED for COBRA Stimulus Funds
- g. Adopt Inc \$40.2 FED for the CASA program in the Office of Public Advocacy
- h. Reject Fund Change \$1,475.8 UGF from various funds for uncollectable Salary Costs
- i. Adopt Dec \$248.1 PFD CRIM for Violent Crimes Compensation Board
- j. Adopt Fund Change \$150.0 from GF/PR to UGF for Alaska Land Mobile Radio

3. Reviewed each of the operating budget amendments submitted by the Governor. Recommends action on the Governor's proposal including the following:

- a. Adopt Inc \$60.0 I/A for Central Mail
- b. Adopt Inc \$350.0 I/A for Leases
- c. Adopt Inc \$1,788.2 PBF for services in Public Buildings
- d. Adopt Inc \$60.0 PBF for personal services in Public Buildings
- e. Reject Inc \$80.0 UGF for costs in Non-Public Buildings
- f. Reject Inc \$135.6 AOGCC RCPTS for AOGCC office space lease
- g. Reject Inc \$200.0 AOGCC RCPTS for AOGCC office space renovation

4. Recommends the adoption of the following increments, decrements, and statements of intent proposed by members of the Subcommittee:

¹Budget adjustments that are primarily technical in nature or that authorize Mental Health Trust receipts not included.

- a. Adopt Inc \$300.0 UGF for Public Broadcasting: Television
- b. Adopt Dec \$7.7 UGF for travel in Centralized Administrative Services
- c. Adopt Dec \$9.2 UGF for travel in Enterprise Technology Services
- d. Adopt Dec \$6.1 UGF for travel in Division of Motor Vehicles
- e. Adopt Dec \$50.0 UGF in Lease Administration
- f. Adopt Dec \$750.0 UGF in Centralized Administrative Services (Unallocated) & Delete 2 PFT positions
- g. Adopt Dec \$400.0 UGF in Enterprise Technology Services
- h. Adopt Dec \$100.0 UGF in State Owned Facilities (Unallocated)
- i. Adopt two statements of Legislative Intent:
 - i. "It is the intent of the Legislature that the reductions taken in the Enterprise Technology Services Allocation remain in that allocation and not be spread to either the State of Alaska Telecommunications System or the Alaska Land Mobile Radio allocations."
 - ii. "It is the intent of the Legislature that the Commissioner of Administration will deliver a report on the future viability of the Alaska Land Mobile Radio network to the Legislature not later than the 15th day of the second session of the 27th Alaska Legislature. The report should address anticipated operating and capital costs of sustaining the system and the sources that will be used to fund those costs. The report should also review alternatives to the ALMR network."

Items of Concern:

- 1. In order for State budgets to accurately reflect the real expense of each State agency, costs related to the activity of an individual State agency should be reflected in that agency's budget rather than in another. Salary fund source changes to replace interagency receipts with general funds are contrary

to that objective. As with any service provider, when the Department of Administration's costs rise, its billing rates should rise accordingly. The Subcommittee encourages the Office of Management and Budget to develop a practice that anticipates the increased cost of services delivered by the DOA in the budgets of agencies that receive DOA services.

2. All State agencies must deliver optimized results at minimized costs. Nowhere is this truer than in State agencies that serve other State agencies. As expenditures rise in critical program areas across State government, so must expenditures be reduced in others. To that end, Centralized Administrative Services, Enterprise Technology Services, State Owned Facilities, and Lease Administration must become even more efficient at delivering mission-based results at lower cost. Similarly, agencies must take full advantage of modern communication technologies to limit nonessential travel that is not supported by receipts or other funds.
3. The Subcommittee supports the Alaska Oil and Gas Conservation Commission's efforts to better respond to the needs of Alaska's oil and gas industry, while also managing Alaska's petroleum resources for the greatest benefit of all Alaskans. The two positions and requisite funding requested are sufficiently justified. The Subcommittee acknowledges that additional space may be needed, but the Commission has failed to sufficiently demonstrate that the amount of additional space requested in the Governor's amendments is commensurate with that need.
4. The Subcommittee recognizes the importance of public broadcasting across the State, particularly in rural areas, for connecting and informing the public. State assistance for Public Television has decreased dramatically in recent years. The increment adopted by the Subcommittee supports a notable statewide cooperation between the four primary public television stations—KYUK in Bethel, KTOO in Juneau, KUAC in Fairbanks, and KAKM in Anchorage. The largest portion of these funds will support two-way broadband communications between the four stations which will enhance efficiency by eliminating duplication of effort, ultimately reducing the number of control

rooms necessary to manage broadcasting across the State. A smaller portion of these funds will enhance the development of statewide Alaskan content.

5. The Subcommittee supports accepting the recommendation of the Legislative Fiscal Analyst to appropriate \$1,600.0 of budgeted PDF Criminal Funds to the Crime Victims Compensation Fund so that they not lapse (Sec. 18.67.162) and appropriate \$1,800.0 from that fund to the Violent Crimes Compensation Board. This change concurs with action taken by the House.

Documents Attached:

Reports from the Division of Legislative Finance (numbers only):

1. Agency Totals - FY2012 Operating Budget, Senate Structure
2. Appropriation/Allocation Summary - Senate Structure
3. Appropriation/Allocation Summary (GF Only) - Senate Structure
4. Transaction Comparison - Senate Structure (Between Adjusted Base and Senate Subcommittee)
5. Transaction Comparison - Senate Structure (Between Governor's Amended and Senate Subcommittee)
6. Transaction Comparison - Senate Structure (Between House and Senate Subcommittees)
7. Wordage Report - FY2012 Operating Budget, Senate Structure

Co-Chair Stedman MOVED to ADOPT the subcommittee report for the Department of Administration.

Co-Chair Hoffman OBJECTED for purpose of discussion.

Co-Chair Hoffman WITHDREW his OBJECTION. The subcommittee report for the Department of Administration was ADOPTED.

[9:37:28 AM](#)

DEPARTMENT OF CORRECTIONS

Senator Ellis informed the committee that 20 percent of the governor's supplemental request in his budget amendments was for

the Department of Corrections. He mentioned the growing prison population and rising health care costs as contributing factors. He noted concerns about Goose Creek Correctional Center and the lack of progress on regional correctional facilities. He stated that he laid groundwork with the department and the commissioner's team for a restructuring project of the department's future budget for emphasis on cost effective and evidence based treatment programs for mental health and substance abuse for prisoners that come to the legislature at great public expense.

Mr. Rogers provided details regarding the subcommittee's budget work for the Department of Corrections.

The Senate Finance Subcommittee on the Department of Corrections submits an operating report to the full Senate Finance Committee for Fiscal Year 2012 as follows:

| <u>Fund Source</u> | <u>FY11 Management Plan</u> | <u>FY12 Governor's Amended</u> | <u>FY 12 Senate Sub</u> | <u>Difference (Governor to Senate Sub)</u> | <u>Difference (Governor to Senate Sub)</u> |
|----------------------------|-----------------------------|--------------------------------|-------------------------|--|--|
| Unrestricted General Funds | \$222,900.0 | \$253,642.8 | \$250,035.7 | (\$3,607.1) | (1.4%) |
| Designated General Funds | \$17,882.9 | \$15,211.0 | \$15,211.0 | \$0.0 | 0% |
| Other Funds | \$14,368.3 | \$14,925.0 | \$14,925.0 | \$0.0 | 0% |
| Federal Funds | \$3,027.2 | \$3,220.6 | \$3,220.6 | \$0.0 | 0% |
| Total | \$258,178.4 | \$286,999.4 | \$283,392.3 | (\$3,607.1) | (1.3%) |

| <u>Position Summary</u> | <u>FY11 Authorized</u> | <u>FY12 Governor's Amended</u> | <u>FY 12 Senate Subcommittee</u> |
|-------------------------|------------------------|--------------------------------|----------------------------------|
| Permanent Full Time | 1,509 | 1,509 | 1,509 |
| Permanent Part Time | 2 | 2 | 2 |
| Temporary | 0 | 0 | 0 |
| Total | 1,511 | 1,511 | 1,511 |

Personnel:

The Subcommittee reviewed the authorized position count for the Department. The Governor's amended budget proposal requested no new positions. The Subcommittee is recommending no new positions.

Budget Action:

The Subcommittee held four meetings with the Department and took the following actions:

5. Adopted the Fiscal Year 2012 Adjusted Base.
6. Reviewed each of the increments, decrements, and fund changes submitted by the Governor. Recommends action on the Governor's proposal including the following²:
 - a. Reject Inc \$3,600.0 UGF for the phase in of Goose Creek Correctional Center
 - b. Adopt Inc \$188.0 UGF for Community Jails in Kodiak
 - c. Adopt Inc \$200.0 DVSA I/A for PACE Pilot Project
 - d. Adopt Inc \$136.9 UGF for added expense related to SB 222
 - e. Adopt Inc \$1,500.0 UGF for Inmate Health Care
 - f. Adopt Fund Change \$1,322.0 UGF from PFD CRIM for Inmate Health Care
 - g. Adopt Inc \$1,300.0 UGF for statewide operation of Community Jails
 - h. Adopt Inc \$933.5 UGF for Community Residential Centers
7. Reviewed each of the operating budget amendments submitted by the Governor. Recommends action on the Governor's proposal including the following:
 - a. Adopt Inc \$2,136.9 UGF for Out-of-State Contractual
 - b. Adopt Inc \$3,504.4 UGF for 24-Hour Institution overtime and commodity costs
 - c. Adopt Inc \$439.4 UGF ACOA Arbitration Costs (Spring Creek Correctional)
 - d. Adopt Inc \$257.5 UGF for Community Residential Centers
 - e. Adopt Inc \$2,511.5 UGF for Inmate Health Care
8. Recommends the adoption of the following statements of intent proposed by members of the Subcommittee:
 - a. Adopt three statements of Legislative Intent:
 - i. "It is the intent of the Legislature that the Department of Corrections will prepare its FY 13 budget request based on a current shift relief factor applied to updated and approved post orders; that the Department will calculate

² Budget adjustments that are primarily technical in nature or that authorize Mental Health Trust receipts not included.

that shift relief factor by facility and will differentiate between mandatory and essential posts; and that the Department will update and approve post orders to ensure the safety of correctional staff, the general public, and inmates in custody."

- ii. "It is the intent of the Legislature that the Department of Corrections will develop and promulgate construction plans that expand capacity at the Yukon-Kuskokwim Correctional Center and the Fairbanks Correctional Center to accommodate current and future offender populations, and that the Department will request funding in its FY 13 budget for the development and construction of those facility expansions."
- iii. "It is the intent of the Legislature that the Department of Corrections will work over the interim to devise a budget re-prioritization and re-investment strategy focused on research-based cost-effective offender habilitation and reentry measures, and that the Department will request funding in its FY 13 budget for expanding the Department's substance abuse treatment programs, behavioral and mental health programs, the Probationer Accountability with Certain Enforcement, and the Electronic Monitoring Program."
- iv. "It is the intent of the legislature that the Department of Corrections provides an analysis to the legislature by January 31st, 2012 showing the cost differences between paying overtime to the correctional officers versus hiring new employees." Concurring with intent language adopted by the House.

Items of Concern:

- 6. The new correctional facility at Goose Creek will bring more than 1,000 prisoners currently held out-of-state back to Alaska, which will invest more than \$22 million of our correctional spending in-state. Further, the capacity of this new prison will also ease the overcapacity challenges faced by other correctional facilities across the state. However, the costs for Goose Creek have exceeded the

expectations of the legislators who authorized the construction under SB 65 (2004). The Alaska Industrial Development and Export Authority broke two state laws in financing the construction of the utilities to the facility. The Department's calculation of inflation increases to authorized per-bed construction costs is supported by a 2008 opinion from the Attorney General. However, that opinion is not shared by all legislators, and some believe that the Department has overstepped its statutory authority. This is a significant issue, and it is best resolved through a Legislative Audit of the project. It is incumbent upon the Department and its public partners to justify the location, construction techniques, and financing structures of the Goose Creek as quickly and transparently as possible.

7. In our March 10, 2011 Subcommittee Meeting, Deputy Commissioner Sam Edwards suggested that the escape from Palmer Correctional Facility might have been avoidable if there had been additional staffing at the time of the escape. This escape reminds us that insufficient staffing has a direct effect on public safety in Alaska. The March 2010 Legislative Audit of the Department of Corrections similarly acknowledged that Alaska's correctional facilities are dramatically understaffed. The miscalculation of the shift relief factor and the failure to appropriately distinguish between various post types has resulted in the use of abnormally large amounts of overtime. This chronic staffing shortage has resulted in a \$3.5 million supplemental request in the FY11 budget and also a \$3.5 million amendment to the FY12 budget. Spending millions of dollars on overtime is not in the best interest of Alaska's correctional officers or public safety at large. The Subcommittee looks forward to the FY13 budget where it anticipates seeing a substantial increase in the number of correctional officer positions, not only for the new Goose Creek facility but also for other understaffed facilities.
8. The Subcommittee urges the department and the Governor to act quickly on the recommendations of Five-Year Prisoner Reentry Strategic Plan developed by the Alaska Prisoner Reentry Task Force. Alaska cannot afford to build another prison the size of Goose Creek. However, with the recent precipitous rise in the prisoner population, another large and costly prison will be required in just a few years. Research has proven that a comparatively small investment

in substance abuse treatment, mental/behavioral health treatment, and innovative probation/parole programs today will yield significant correctional savings down the road.

9. Costs for health care services are on the rise nationwide. Hence, Alaska's expense for inmate health care is similarly rising, which is compounded by the expanding inmate population. The Subcommittee encourages the Department to pursue all avenues for containing health care costs, including the expansion of medical parole for low-level non-violent offenders. However, the Department has requested supplemental appropriations for inmate health care for the past four years. Following that pattern, the Department has requested fewer dollars per inmate for inmate health care in FY12 than were expended in FY11 or FY10. This suggests that the Legislature should anticipate a supplemental appropriation request next year. The Subcommittee encourages the Department to seek the necessary funding for inmate health care each fiscal year without the necessity of annual supplemental appropriations.

10. Alaska's energy and costs are high and rising. The subcommittee encourages the Department to pursue opportunities to cut those costs by taking advantage of energy efficiency and weatherization programs such as the Alaska Energy Efficiency Revolving Loan Fund Program (AEERLF). AEERLF provides financing for permanent energy efficiency improvements that stand to save the State significantly in the future.

[9:40:26 AM](#)

Co-Chair Stedman MOVED to ADOPT the subcommittee recommendations for the Department of Corrections for inclusion in CSHB 108.

Co-Chair Hoffman OBJECTED for purpose of discussion.

Co-Chair Hoffman WITHDREW his OBJECTION. The subcommittee report for Department of Corrections was ADOPTED.

[9:41:11 AM](#)

DEPARTMENT OF FISH AND GAME

Senator Olson noted that the significant change between the governor's amended budget, the budget from FY11 and the proposed

budget was greater than \$1 million. He expressed concern that the tax on the state and the ability to govern itself. He thought that more local control proved advantageous.

NIKO BUS, STAFF, SENATOR OLSON, described the subcommittee report for the department of Fish and Game. The close out report accounts for the position additions for special studies. The increases are for three commercial projects. The large increase was based on the acreage.

The Sub-Committee for the Department of Fish & Game submits an operating budget recommendation and report to the Senate Finance Committee for FY12 as follows:

| Fund Source | <u>11 Mgt Plan</u> | <u>Gov Amd</u> | <u>Sen Sub</u> | <u>Difference</u> | |
|-------------|--------------------|----------------|----------------|-------------------|--------|
| GF | \$73,454.0 | \$78,728.1 | \$182,944.7 | \$104,216.6 | 132.4% |
| Federal | \$62,139.1 | \$2,199.7 | \$62,199.7 | \$0 | |
| Other | \$57,883.7 | \$56,392.3 | \$56,317.2 | \$(75.1) | 0.1% |
| Total | \$193,476.8 | \$197,320.1 | \$301,461.6 | | |

| <u>Position</u> | <u>11 Mgt Plan</u> | <u>Gov Amd</u> | <u>Sen Sub</u> |
|-----------------|--------------------|----------------|----------------|
| PFT | 923 | 924 | 927 |
| PPT | 757 | 756 | 756 |
| Temp | 64 | 64 | 64 |
| Total | 1,744 | 1,744 | 1,747 |

Personnel

The authorized position count for the department was reviewed; the overall number of positions remained the same in the Governor's request, and the sub-committee added three additional full-time positions.

Budget Action

- Held 4 public meetings with the department to discuss and explain the budget;
- Adopted the FY12 Adjusted Base; and
- Reviewed each of the increments and decrements submitted by the Governor, including amendments.

The GF additions in this budget recommended by the Senate Finance Sub-committee are for various projects in Commercial Fisheries (3), Wildlife Conservation(7), additional meetings for the Boards and Advisory Commissions, and a five year harvest study on Lower Kuskokwim Caribou for State Subsistence. The Governor's

request of \$103.5 GF for the Habitat Lead position for Gasline Projects was not approved.

The F&G Subcommittee adopted an amendment to add \$102,550.0 GF to the Wildlife Conservation budget. The amendment states "It is the intent of the legislature that the Department of Fish and Game utilize portions of this appropriation to takes steps necessary to protect the interests of the State of Alaska in the management of its lands, particularly for Intensive Management programs for game for harvest". The State of Alaska was entitled to receive one hundred and two million five hundred and fifty thousand acres from the public lands of the United State in Alaska when it became a state. This appropriation establishes a fund of \$1.00 for each acre of that federal land entitlement.

Please see the attached reports for the details on these budget changes.

It is our intention to allow Legislative Finance to do technical adjustments if any are needed.

Co-Chair Hoffman commented that the report was requested by Senator Wagner with the wish that the motion excluded the \$102,550,000. He noted last year's operating budget increase to the Department of Fish and Game (DF&G). He understood the importance of fisheries and game management for residents of the state. He stressed the constitutional mandate for maximum sustained yield to manage resources. He mentioned funding the increase of stocks of game which were included in the report. He requested a motion excluding \$102,550,000 for inclusion.

[9:45:59 AM](#)

AT EASE

[9:46:36 AM](#)

RECONVENED

Co-Chair Stedman MOVED to ADOPT the subcommittee report for the Department of Fish and Game with the exclusion of \$102,550,000 general funds to the wildlife conservation budget for inclusion in CSHB 108.

Co-Chair Hoffman OBJECTED for purpose of discussion.

Co-Chair Hoffman WITHDREW his OBJECTION. The Department of Fish and Game subcommittee report was ADOPTED.

[9:47:33 AM](#)

DEPARTMENT OF HEALTH AND SOCIAL SERVICES

Senator Olson stressed the importance of the Department of Health and Social Services.

The Sub-Committee for the Department of Health & Social Services submits an operating budget recommendation and report to the Senate Finance Committee for FY12 as follows:

| <u>Fund Source</u> | <u>11 Mgt Plan</u> | <u>Gov Amd</u> | <u>Sen Sub</u> | <u>Difference</u> |
|--------------------|--------------------|----------------|----------------|-------------------|
| GF | \$997,506.5 \$ | 1,083,086.4 | \$1,082,283.5 | \$(802.9) |
| Federal | \$1,165,545.1 | \$1,268,074.9 | \$1,268,663.7 | \$588.8 |
| Other | \$94,489.5 | \$99,350.2 | \$99,880.3 | \$530.1 |
| Total | \$2,257,541.1 | \$2,450,511.5 | \$2,450,827.5 | |

| <u>Position</u> | <u>11 Mgt Plan</u> | <u>Gov Amd</u> | <u>Sen Sub</u> |
|-----------------|--------------------|----------------|----------------|
| PFT | 3,481 | 3,489 | 3,482 |
| PPT | 85 | 84 | 84 |
| Temp | 120 | 117 | 118 |
| Total | 3,686 | 3,690 | 3,684 |

FY 2012 Senate Finance Sub-Committee Budget Recommendations for H&SS /March 16, 2010

Personnel

The authorized position count for the department was reviewed; the overall number of positions increased in the Governor's request by four, and the sub-committee reduced the overall number by six from the Governor's amended request.

Budget Action

- Held 5 public meetings with the department to discuss and explain the budget;
- Adopted the FY12 Adjusted Base; and
- Reviewed each of the increments and decrements submitted by the Governor, including amendments.

The GF in this budget was increased from the FY12 adjusted base, predominately due to Medicaid. Medicaid growth and projections increased the budget \$167 million in total,

\$56,786.9 of which is GF. We are fortunate that our Federal Medical Assistance Percentage (FMAP) is projected to remain the same as in FY2011, or the Medicaid increases would have been significantly more.

Another \$6.5 million of GF increases are due to growth in adult public assistance, general relief, PFD hold harmless, and senior benefit payments.

Other increases were made in other areas, which we believe to be basic and integral to the services provided by this budget, and consider them to be essential to what government does for its citizens. And so this budget proposal funds basic support needed for children, the frail and other Alaskans who cannot provide for themselves. Notable increases that are approved include:

- \$5.4 million of GF in the Public Health appropriation for a variety of items, including \$1.75 million to stabilize funding to public health nursing grantees, \$1.75 million for nurses to deal with the workload, \$750.0 for Tobacco Prevention and Control, funding for maintaining improvements in the State Medical Examiner's Office, and funding for a variety of other public health programs.
- \$3.3 million for Senior and Disabilities Services.
- The sub-committee accepted the Governor's Mental Health request. This included over \$5.4 million in Mental Health Trust Funds, funding for Bring the Kids Home (BTKH) programs, FASD treatment, and substance abuse and mental health programs and services.

In addition to not funding most of the "unrealizable fund changes" requested, only a few items requested by the Governor, totaling approximately \$800 thousand, were not funded in this budget.

FY 2012 Senate Finance Sub-Committee Budget
Recommendations for H&SS /March 16, 2011

Please see the attached reports for the details on these budget changes.

It is our intention to allow Legislative Finance to do technical adjustments if any are needed.

Items of Concern

Clearly, the biggest concern for this budget is the size of the budget itself, and whether it can be sustained. This budget funds some of the most essential services of state government and not only are the costs of all the programs escalating, but in addition, there continues to be growth in the programs as the elderly population increases, poverty levels increase, and substance abuse and other behavioral health problems abound.

Another concern for this budget is the impact of the federal stimulus funding to the State to offset the increases FMAP funding and other federal programs. Even a small increase in the State's share will cost tens of millions.

Adult obesity prevalence has doubled in Alaska over the past two decades and an obesity prevention program is necessary to prevent drastically increased future medical costs. No additional funding has been provided in this budget.

[9:52:00 AM](#)

Co-Chair Stedman MOVED to ADOPT the subcommittee report for the Department of Health and Social Services for inclusion in CSHB 108.

Co-Chair Hoffman OBJECTED for purpose of discussion.

Co-Chair Hoffman relayed a conversation between himself and Senator Olson regarding concerns about the Low Income Home Energy Assistance Program (LIHEAP), which was under consideration for substantial reductions. He mentioned writing a letter to Karen Rehfeld regarding the state's responsibility to the program in the event of federal budget reductions and LIHEAP.

Senator Ellis wondered about the status of the human services matching grant programs for Fairbanks, Anchorage, and Matsu. He wondered if the funding was increased or decreased.

Senator Olson deferred the question to Mr. Bus.

Mr. Bus stated that he would provide a response for the committee.

Senator Thomas answered that a \$200,000 increment was added to the human service community matching grant.

Senator Ellis asked if the \$200,000 increment was spread across three communities.

Senator Thomas responded that the increment was spread across the three communities.

[9:54:36 AM](#)

Co-Chair Hoffman WITHDREW his OBJECTION. The subcommittee report for the Department of Health and Social Services was ADOPTED.

[9:54:42 AM](#)

DEPARTMENT OF PUBLIC SAFETY

Senator Olson stated that the Department of Public Safety allowed for an opportunity to deal with the Village Public Safety Officer (VPSO) program, which was very important to rural Alaska.

SIDNEY SEAY, STAFF, SENATOR OLSON, described the subcommittee report for the Department of Public Safety.

The Senate Finance Budget Sub-Committee for the Department of Public Safety submits an Operating Budget recommendation and report to the Senate Finance Committee for FY12 as follows:

| <u>Fund Source</u> | <u>11 Mgt Plan</u> | <u>Gov Amd</u> | <u>Sen Sub</u> | <u>Difference (G-S)</u> |
|--------------------|--------------------|----------------|----------------|-------------------------|
| Unrestricted | \$133,855.1 | \$141,936.5 | \$141,936.5 | \$0.0 |
| GF | | | | |
| Designated GF | 15,039.2 | 14,205.7 | 14,205.7 | 0.0 |
| Other | 18,195.3 | 20,683.9 | 20,683.9 | 0.0 |
| Federal | 18,415.9 | 11,630.4 | 11,830.4 | 200.0 |
| Total | \$185,505.5 | \$188,456.5 | \$188,656.5 | \$200.0 |

| <u>Position Summary</u> | <u>11 Mgt Plan</u> | <u>Gov Amd</u> | <u>Sen Sub</u> | <u>Difference (G-S)</u> |
|-------------------------|--------------------|----------------|----------------|-------------------------|
| PFT | 872 | 881 | 881 | 9 |
| PPT | 16 | 16 | 16 | 0 |
| Temp | 13 | 13 | 13 | 0 |
| Total | 901 | 910 | 910 | 9 |

BUDGET ACTION

- Held 3 public meetings with the department to discuss and explain the budget
- Adopted the FY12 Adjusted Base,
- Reviewed each of the increments and decrements submitted by the Governor, including amendments,
- Reviewed the authorized position count for the department and authorized nine (9) new positions for the department:
 - Three (3) AST for VPSO Oversight
 - Two (2) AST for a New Rural Post in Northwest Alaska
 - One (1) Community Public Safety Communications Coordinator
 - One (1) DVSA Subject Matter Expert
 - Two (2) staff for investigations of Internet Crimes against Children

The Senate Finance Sub-Committee accepted the Governor's amended proposal with the following adjustments and comments:

- The subcommittee adds one-time funding of \$200.0 GF to the Victims for Justice Appropriation. This funding reactivates the appropriation within the Department of Public Safety.

A correction was made to the original CDVSA request to replace expiring federal earmark funds with general funds in the amount of \$697.4. This was tied to the wrong grant and the department recalculated the need and the correct amount is \$497.4.

[9:57:35 AM](#)

Co-Chair Stedman MOVED to ADOPT the subcommittee report for Department of Public Safety for inclusion in CSHB 108.

Co-Chair Hoffman OBJECTED for purpose of discussion.

Senator McGuire expressed appreciation for the addition of two increased positions for the investigation unit in the internet child pornography unit.

Co-Chair Hoffman WITHDREW his OBJECTION. The subcommittee report for the Department of Public Safety was ADOPTED.

[9:58:42 AM](#)

DEPARTMENT OF ENVIRONMENTAL CONSERVATION

Senator McGuire discussed the subcommittee recommendations for the Department of Environmental Conservation.

Michael Pawlowski, Staff, Senator McGuire, discussed the subcommittee report for the Department of Commerce, Community and Economic Development.

RECOMMENDATIONS:

The Senate Finance Budget Subcommittee for the Department of Environmental Conservation submits a recommended operating budget for FY 2012 to the Senate Finance Committee as follows:

| | |
|----------------------------------|--------------|
| Unrestricted General Funds (UGF) | \$19,293,700 |
| Designated General Funds (DGF) | \$26,334,400 |
| Other Funds | \$10,576,100 |
| Federal Funds | \$23,215,200 |
| TOTAL | \$79,419,400 |

BUDGET ACTIONS:

The Senate Finance Budget Subcommittee for the Department of Environmental Conservation held six meetings with the Department and analyzed all of the Governor's operating budget transactions. In comparison the Subcommittee recommends funding levels for FY 2012 that are:

1. A decrease of \$48,800 from the FY 2012 adjusted base; including increments in unrestricted general funds (\$11,600), designated general funds (\$110,900) and federal receipts (\$129,200) but a decrement in other state funds (\$300,500).
2. A decrease of \$1,377,100 from the Governor's Amended budget request; including decrements in unrestricted general funds (\$257,000), designated general funds (\$620,100), other state funds (\$150,000) and federal receipts (\$350,000).

The subcommittee rejected 2 of the 3 requests in the Governor's amended FY 2012 budget request for additional personnel and eliminated one vacant position.

TRANSACTIONS: All of the following transactions are made against the fiscal year 2012 adjusted base.

Appropriation: Administration

Allocation: Office of the Commissioner

The subcommittee recommends correcting fund sources for unrealizable personal services increases, a line item transfer from personal services to services (\$96,200) and the elimination of a vacant position (PCN 18-7816).

Allocation: Administrative Services

The subcommittee recommends increasing federal authorization (\$250,000) for federal grant management and a corresponding decrement in interagency receipt authorization.

Allocation: State Support Services

The subcommittee recommends increments in multiple fund sources to cover increased lease costs (\$488,800; including \$235,900 in designated general fund) and a decrement in unrealizable interagency receipts (\$19,900).

Appropriation: Environmental Health

Allocation: Food Safety and Sanitation

The subcommittee recommends fund changes to correct for unrealizable fund sources for increases in personal services costs.

Allocation: Laboratory Services

The subcommittee recommends fund changes to correct for unrealizable fund sources for increases in personal services costs, an increase in statutory designated program receipts to provide laboratory testing to outside parties, the addition of one

microbiologist and related costs to support shellfish testing. Funding for the microbiologist position (\$80,000 general fund program receipts) is to be one-time only and corresponding intent language has been included in the subcommittee's wordage recommendations.

Appropriation: Environmental Health (continued)

Allocation: Laboratory Services (continued)

The subcommittee further recommends a decrement to reduce excess federal (\$350,000) and interagency receipt authority (\$150,000).

Allocation: Drinking Water

The subcommittee recommends fund changes to correct for unrealizable fund sources for increases in personal services costs, and an increment in fee authority (\$30,000) to fund technical assistance required by new federal rules.

Allocation: Solid Waste Management

The subcommittee recommends fund changes to correct for unrealizable fund sources for increases in personal services costs and an increment in fee authority (\$40,000) to meet increased demand for services.

Allocation: Air Quality

The subcommittee recommends an increment (\$10,000 unrestricted general fund match) to match federal funding (\$10,000) for air quality monitoring in Fairbanks to evaluate impact of gasline construction activities. The subcommittee also recommended accepting an increment in fee authority (\$55,000) to support gasline and resource development air quality permitting. While the subcommittee at this time rejected the majority of the increments requested in the Governor's amended FY 2012 request related to gas pipeline activities an exception was made for these increment due to the special circumstances confronting Fairbanks and the normal fee supported air quality permitting programs.

Appropriation: Spill Prevention and Response

Allocation: Industry Preparedness and Pipeline Operations

The subcommittee recommends an increment in interagency receipt authority (\$121,100) associated with the in-state pipeline authorized under HB 369. The subcommittee felt that this authority was necessary in the event that further in-state gas pipeline funding is made available through other funding mechanisms.

Appropriation: Water

Allocation: Water Quality

The subcommittee recommends fund changes to correct for unrealizable fund sources for increases in personal services costs, mining permit fees, increased fee authority (\$60,000) for the wastewater discharge program and a reduction in Ocean Ranger funds (\$620,100) to more accurately reflect department needs.

Allocation: Facility Construction

The subcommittee recommends fund changes to correct for unrealizable fund sources for increases in personal services costs and a fund source change from Alaska Clean Water Fund to federal receipts for the Alaska Clean Water Grant Fund.

TRANSACTIONS IN THE GOVERNOR'S FY 2012 AMENDED REQUEST THAT WERE NOT ADOPTED BY THE SUBCOMMITTEE:

Appropriation: Environmental Health

Allocation: Air Quality

The subcommittee rejected the Governor's request for \$155,000 in unrestricted general funds for costs related to support gasline and resource development air quality permitting. Air quality permitting is typically supported by fees from applicants and with the State already contributing 90% of the cost of

permitting through the AGIA process the subcommittee felt that unrestricted general fund increments were not warranted at this time. The subcommittee further rejected the corresponding request for an additional PCN to support gasline permitting.

Appropriation: Spill Prevention and Response

Allocation: Contaminated Sites Program

The subcommittee rejected the increment in unrestricted general funds (\$20,000) to inventory contaminated sites along the pipeline route. The subcommittee felt strongly that these costs should be borne by the State's licensee or other project proponents either directly or through fees.

TRANSACTIONS IN THE GOVERNOR'S FY 2012 AMENDED REQUEST THAT WERE NOT ADOPTED BY THE SUBCOMMITTEE (continued):

Appropriation: Water Quality

Allocation: Water Quality

The subcommittee rejected the Governor's request for an increment of \$82,000 in unrestricted general funds to support gasline related storm water and permitting. Without additional information on the progress of the various gasline projects there was not sufficient justification for the request. The subcommittee also rejected the Governor's request for a position.

ADDITIONAL RECOMMENDATIONS:

1. The subcommittee strongly felt that more information on gasline related expenditures was required. The subcommittee was particularly concerned about the requests to establish permanent positions with unrestricted general funds for what is essentially project specific permitting. More work with the department needs to be done to determine if additional permitting staff is needed to ensure the timely processing of permit applications for all resource development.
2. The subcommittee recommends intent language directing the department to more accurately account

for interagency receipts in the Administrative Services Division.

3. The subcommittee recommends intent language directing the department to work with shellfish producers to explore methods of lowering the cost to the public of certifying the water quality of shellfish areas. Although the departments' fees for water quality testing are modest there is a significant cost to the public of collecting and shipping samples to the department. The subcommittee strongly supports a vibrant shellfish industry in Alaska and would like to see continued collaboration between the department and the industry to protect the public health without placing unnecessary burdens on the industry.

4. The subcommittee recommends conditional language for the Administrative Services and Air Quality divisions to allocate the unexpended and unobligated balances available on June 30, 2011 of the applicable federal or program receipts and fees available to the divisions.

5. The subcommittee is concerned that additional work needs to be done with the department to develop a plan to address declining revenues to the Oil/Haz fund.

The Senate Finance Subcommittee for the Department of Environmental Conservation thanks the department for the continued progress they have made in developing rational regulations to protect the public and for their vigilance in protecting Alaska's environment while promoting responsible resource development.

ATTACHED REPORTS:

1. Budget Action Worksheet
2. Agency Totals; Senate Structure
3. Allocation Summary; Senate Structure
4. Transaction Compare; Senate Structure; Adjusted Base and Senate Sub
5. Transaction Compare; Senate Structure; House and Senate Sub
6. Transaction Compare; Senate Structure; Gov. Amended and Senate Sub
7. Wordage Report; Senate Structure

Co-Chair Stedman MOVED to ADOPT The Department of Environmental Conservation Subcommittee report for inclusion in CSHB 108.

Co-Chair Hoffman OBJECTED for purpose of discussion.

[10:02:39 AM](#)

Senator Ellis wondered about additional recommendations regarding shellfish testing. He asked if the state support or subsidy for paralytic shellfish poisoning would continue.

Senator McGuire clarified that a subsidy for paralytic shellfish poisoning testing would continue. She expected further recommendations from the department regarding future parity of subsidy. The program would continue with the addition of one position.

Co-Chair Hoffman discussed problems with the nuclear reactor in Japan. He encouraged Senator McGuire to observe the issues of radiation in the salmon industry.

Co-Chair Hoffman WITHDREW his OBJECTION. The Department of Environmental Conservation Subcommittee report was ADOPTED.

[10:05:24 AM](#)

DEPARTMENT OF MILITARY AND VETERANS AFFAIRS

Senator McGuire thanked the co-chairs for their help in her process. She thanked her subcommittee members and their staff. She noted the large increment listed under executive order number 115 from the governor. Alaska would now have the Alaska Aerospace Development Corporation's budget. She believed that the move from the Department of Commerce, Community and Economic Development was appropriate. She pointed out that one final item rested on the table; due to federal uncertainty, approximately \$4 million gap existed for the benefit of the Alaska Aerospace Development Corporation.

[10:07:18 AM](#)

Mr. Pawlowski discussed the Department of Military and Veterans Affairs subcommittee report.

RECOMMENDATIONS:

The Senate Finance Budget Subcommittee for the Department of Military and Veterans Affairs submits a recommended operating budget for FY 2012 to the Senate Finance Committee as follows:

| | |
|----------------------------------|--------------|
| Unrestricted General Funds (UGF) | \$12,656,400 |
| Designated General Funds (DGF) | \$28,400 |
| Other Funds | \$16,327,500 |
| Federal Funds | \$51,044,900 |
| TOTAL | \$80,057,200 |

BUDGET ACTIONS:

The Senate Finance Budget Subcommittee for the Department of Military and Veterans Affairs held four meetings with the Department and analyzed all of the Governor's operating budget transactions. The Subcommittee also took testimony from the Alaska Aerospace Development Corporation on the transfer of the corporation to the department under Executive Order #115. Further, the Subcommittee reviewed the corporation's request for an additional \$4 million in operating funds for FY 2012. Although the Subcommittee did not include an increment for the corporation, it does recommend that the full Finance Committee consider the corporation's request for additional operating funds. In summary the Subcommittee recommends:

1. An overall increase of \$327,100 from the adjusted base; including an increment of \$329,300 in unrestricted general funds and a decrement of \$2,200 in federal receipts.
2. An overall decrease of \$181,800 from the Governor's Amended budget; including a \$181,800 decrement in other state funds.

TRANSACTIONS: All of the following transactions are made against the fiscal year 2012 adjusted base.

Appropriation: Military and Veteran's Affairs; Allocation: Office of the Commissioner.

Fund source change from interagency receipts to CIP receipts.

Amount: \$78,400 CIP receipts.

Description: This is a fund source change from interagency receipt authorization to CIP receipts requested to cover personnel costs for administrative and information technology services associated with projects funded under CIP projects. In previous years this component has been underfunded in CIP receipts. This transaction was included in the Governor's FY 2012 request.

Appropriation: Military and Veteran's Affairs; Allocation: Homeland Security and Emergency Management.

Fund source change from interagency receipts to CIP receipts.

Amount: \$108,200 CIP receipts.

Description: The change from interagency receipts to capital improvement project receipts to cover an anticipated increase in personal services that will be billed to capital improvement projects. This transaction was included in the Governor's FY 2012 request.

Appropriation: Military and Veteran's Affairs; Allocation: Army Guard Facilities Youth Maintenance.

General Fund Match funding for a Building Maintenance Specialist II.

Amount: \$40,000 General Fund Match

Position 09-0203 is reclassified from Aircraft Rescue Firefighter Specialist II (Range 12) to a building Management Specialist (Range 19). The balance required to fund the reclassified position is in federal funds. This transaction was included in the Governor's FY 2012 request.

Appropriation: Military and Veterans' Affairs; Allocation: Air Guard Facilities Maintenance.

Transfer out of the Air Guard Facilities allocation of two vacant positions (PCNs 09-0242 and 09-0243) to the Veterans' Services allocation.

Description: The two currently vacant positions will be transferred to the expanded Veterans' Services Office [see transaction #7]. The closure of the Kulis Air National Guard base makes these positions unnecessary. This transaction was included in the Governor's amended FY 2012 request.

Appropriation: Military and Veterans' Affairs; Allocation: Air Guard Facilities Maintenance.

Line Item Transfer from personal services to services.

Amount: \$142,200

Description: The line item transfer is intended to bring personal services into vacancy guidelines. This transaction was included in the Governor's FY 2012 request.

Appropriation: Military and Veterans' Affairs; Allocation: Veterans' Services.

Fund source change from federal receipts to unrestricted general funds.

Amount: \$2,200 unrestricted general funds.

Description: Correct unrealizable fund sources for personal services increases.

Appropriation: Military and Veterans' Affairs; Allocation: Veterans' Services.

Transfer into the Veterans' Services allocation of two vacant positions (PCNs 09-0242 and 09-0243) from the Air Guard Facilities Maintenance [see transaction #4] allocation.

Description: The amended FY 2012 request to the Legislature proposed an expansion of the Veterans' Services office in Anchorage from two to four personnel. The subcommittee determined that increasing demand for services from department personnel and Veterans' Service Organizations warrants an increase in staffing in the division. The transfer of vacant positions into the allocation enables an increase in staffing while maintaining the overall personnel level

in the department. This transaction was included in the Governor's amended FY 2012 request.

Appropriation: Military and Veterans' Affairs; Allocation: Veterans' Services.

Increment to fund increased staff in the Veterans' Services office.

Amount: \$234,700 unrestricted general funds.

Description: The Veterans' Services office provides state funded assistance to veterans in Alaska that supplements federal benefits. The subcommittee determined that the increasing demand from Alaska veterans for services warrants an expansion of the Veterans' Services office. The vacant positions transferred into the allocations were previously funded with federal receipts which may not be used to fund these positions in the Veterans' Services allocation. The subcommittee determined that a general fund increment was justified given the State's interest in providing quality assistance to veterans and the additional benefits brought into the economy by the efforts of current staff within the division. This transaction was included in the Governor's amended FY 2012 request at \$286,100 in unrestricted general funds.

Appropriation: Military and Veterans' Affairs; Allocation: Veterans' Services.

One time increment to fund the relocation of the Veterans' Services office to the Muldoon area of Northeast Anchorage near the Veterans' Administration clinic.

Amount: \$51,400 unrestricted general funds.

Description: The amended request for \$286,100 in unrestricted general funds included items related to the establishment of the office that clearly could be funded on a one time basis. The subcommittee divided the amended request between funds required on an ongoing basis [see transaction #8] and those that would only be needed once.

Language recommendations

The subcommittee recommended intent language in the Veterans' Services allocation to clarify that the new Veterans' Services office should be located in the Muldoon area of Anchorage near the Veterans Administration clinic in Northeast Anchorage.

The subcommittee recommended revised conditional language related to the unexpended and unobligated balance as of June 30, 2011 of the federal and corporate receipts of the Alaska Aerospace Corporation.

TRANSACTIONS IN THE GOVERNOR'S FY 2012 AMENDED REQUEST THAT WERE NOT ADOPTED BY THE SUBCOMMITTEE:

Appropriation: Military and Veteran's Affairs; Allocation: Alaska Military Youth Academy.

Increment in interagency receipts from the Department of Education.

Amount: \$181,800 interagency receipts.

Description: The amount was determined to be, after consultation with the department, excess authority.

ADDITIONAL RECOMMENDATIONS:

The subcommittee took extensive testimony from the Alaska Aerospace Corporation on the additional need for bridge funding from the State of Alaska. Ongoing budget deliberations over the federal budget have put federal funding for the corporation in jeopardy for FY 2012. The corporation identified a need for \$8 million in operations and sustainment funding [\$4 million is included in the Governor's FY 2012 capital budget] for FY 2012. While the State has contributed \$26,629,000 to the corporation since 1993, federal receipts (\$144,811,000) and launch revenues (\$134,348,000) have provided the majority of the corporation's budget. The corporation believes that federal receipts will be available when a federal budget is passed by Congress and the corporation is currently pursuing a key federal contract that will provide revenues for the foreseeable future. However, without \$8 million from the state in the interim the corporation's ability to remain competitive and pursue contracts may be irreparably harmed.

The subcommittee strongly recommends that the Senate Finance Committee consider the Alaska Aerospace Corporation's request for adequate sustainment funding and that failing to do so may jeopardize a valuable state asset and potential growth sector for our economy.

Co-Chair Stedman MOVED to ADOPT the Department of Military and Veterans Affairs Subcommittee Report.

Co-Chair Hoffman OBJECTED for purpose of discussion.

Senator Olson queried the FY 11 budget for Department of Military and Veterans Affairs.

Mr. Pawlowski responded that the FY 11 management plan for Department of Military and Veterans Affairs was \$78,605,500. He believed that \$26 million was added as a result of the inclusion of the Alaska Aerospace Corporation.

Senator Olson wondered how the increments and decrements would relate to the aerospace program in the future.

Mr. Pawlowski replied that there was an issue of bridge financing to allow funding with long term contractual revenues.

Co-Chair Hoffman WITHDREW his OBJECTION. The Department of Military and Veterans Affairs Subcommittee Report ADOPTED.

[10:10:27 AM](#)

ALASKA COURT SYSTEM

Senator Egan introduced the subcommittee report for the Alaska Court System.

JESSE KIEHL, STAFF, SENATOR EGAN, provided the subcommittee report for the Alaska Court System.

The Senate Finance Budget Subcommittee for the Alaska Court System submits an Operating Budget to the Senate Finance Committee for FY 12 as follows:

| <u>Source</u> | <u>FY11 Mgt</u> <u>Pln</u> | <u>FY12 Adj</u> <u>Base</u> | <u>Gov Amend</u> | <u>Senate</u> <u>Subcom</u> | <u>House</u> |
|-----------------|-------------------------------|--------------------------------|------------------|--------------------------------|--------------|
| Unrestricted GF | 94,841.3 | 97,254.2 | 101,439.1 | 99,376.9 | 100,641.1 |
| Designated GF | 518.0 | 518.0 | 518.0 | 518.0 | 518.0 |
| Other | 1,848.9 | 754.5 | 1,824.7 | 1,863.8 | 1,824.7 |

| | | | | | |
|---------------|----------|-----------|-----------|-----------|-----------|
| Federal Funds | 1,675.6 | 1,675.6 | 1,675.6 | 1,675.6 | 1,675.6 |
| Total | 98,883.8 | 100,202.3 | 105,457.4 | 103,434.3 | 104,659.4 |

Positions

| | | | | | |
|-----------------|-----|-----|-----|-----|-----|
| PFTs | 740 | 740 | 759 | 749 | 756 |
| PPTs | 46 | 46 | 47 | 48 | 47 |
| Temps | 22 | 22 | 22 | 22 | 22 |
| Total Positions | 808 | 808 | 828 | 819 | 825 |

The Subcommittee held three meetings with the court system and took the following actions:

Budget Action

The subcommittee accepted the Governor's amended proposal with the following adjustments:

- Removed \$250.0 GF from a salary adjustment transaction in calculating the FY 12 adjusted base. These funds are properly considered as an increment request to eliminate the vacancy savings requirement for judicial officers in the trial courts. The trial courts have approximately 73 judicial officers statewide, and are capable of carrying the current vacancy factor of roughly 1.7 percent.
- Denied requests in the appellate courts for furnishings and a staff attorney position upgrade.
- Denied the request for \$277.4 GF to cover potential increases in the cost of Nome court space. In the event the cost of current Nome court space increases dramatically, or it becomes unavailable, a supplemental request would be appropriate.
- Reduced a request for \$934.8 GF and 12 positions in Trial Courts by half. This continues the legislature's multi-year phased approach to funding the 'No Dark Courtrooms' initiative. Six new positions are authorized.
- Approved \$24.8 GF to increase the hours of a part-time position supporting custody investigators. In the governor's request this was combined with \$261.6 and two positions for the trial courts, both of which were denied.
- Denied requests for \$424.0 GF across the Court System for implementing an increased geographic pay differential. This is the third-largest increment request submitted, but is not a contractual obligation of the state, nor does funding it improve services to the public since the

Court System has seen a dramatic drop in staff turnover in recent years.

- Denied \$150.0 GF for computer replacements. The Court system has \$350.0 in its budget base, which should be adequate if computing resources are carefully managed.
- Reduced a request for \$310.5 GF and three administrative positions to \$111.8 and one PFT for a programmer to continue work with the Multi-Agency Justice Integration Consortium. The subcommittee expects efficiencies in the Departments of Public Safety will be visible by FY 13.
- Added \$39.1 GF and \$39.1 MHTAAR in the Administration & Support component to continue funding for the Court System's existing domestic violence coordinator position. This transaction adds one permanent part-time position because the incumbent PCN is a temp. The grant funding for this position has ended but the need is as great as ever, and will increase as the Court System both enhances its own work and responds to legislative and executive branch initiatives to reduce domestic violence.

Recommendations

The subcommittee recommends the Senate Finance Committee finish distributing funds to cover the cost of transcripts provided to state agencies into the appropriate agency budgets. This process began in FY 11 and accurate information is now available to complete the work, as directed in last year's intent language.

[10:15:37 AM](#)

Co-Chair Stedman MOVED to ADOPT the subcommittee report for the Alaska Court System for inclusion in CSHB 108.

Co-Chair Hoffman OBJECTED for purpose of discussion.

Senator Ellis asked the status of therapeutic courts.

Mr. Kiehl responded that the therapeutic courts were reviewed by the subcommittee and funded with the full governor's amended recommendation.

Senator Olson asked about options for the Nome Court System.

Mr. Kiehl responded that the Nome court system was housed in an old federally owned building. The federal government was charging the state significantly less than its cost. The federal

government planned to sell the building. The Alaska Court System did not have an alternate plan if a new buyer purchased the building. The subcommittee was not comfortable providing \$277 thousand more than the current Nome space costs as an increment in the budget. The subcommittee strongly recommended a supplemental budget item for the actual cost of space for the Nome Court System.

Senator Olson asked the proposed amount for supplemental expenses.

Mr. Kiehl responded approximately \$270 thousand, based on the cost of lease space in Nome.

Senator Olson expressed concern for the situation.

Co-Chair Hoffman WITHDREW his OBJECTION. The subcommittee report for the Alaska Court System was ADOPTED.

[10:20:22 AM](#)

DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT

Senator Egan thanked the subcommittee members for their contribution. He believed that the governor provided the subcommittee with a reasonable budget. The subcommittee recommended \$83.1 million in general funds, \$25.5 million in other funds, and an additional \$233 million in federal funds.

Jesse Kiehl highlighted the budget recommendations for the Department of Education and Early Development.

The Senate Finance Budget Subcommittee for the Department of Education & Early Development submits an Operating Budget to the Senate Finance Committee for FY 12 as follows:

| <u>Fund Source</u> | <u>FY11 Mgt</u> <u>Pln</u> | <u>FY12 Adj</u> <u>Base</u> | <u>Gov Amend</u> | <u>Senate</u> <u>Subcom</u> | <u>House</u> |
|--------------------|-------------------------------|--------------------------------|------------------|--------------------------------|--------------|
| Unrestricted GF | 58,939.2 | 56,555.1 | 69,120.8 | 69,182.0 | 64,426.0 |
| Designated GF | 12,297.1 | 12,321.2 | 13,958.4 | 13,958.4 | 13,958.4 |
| Other | 22,897.2 | 23,196.5 | 25,506.7 | 25,506.7 | 25,142.6 |
| Federal Funds | 215,201.6 | 215,461.9 | 233,350.5 | 233,350.5 | 230,456.2 |
| Total | 309,335.1 | 307,534.7 | 341,936.4 | 341,997.6 | 333,983.2 |

Positions

| | | | | | |
|------|-----|-----|-----|-----|-----|
| PFTs | 337 | 337 | 337 | 337 | 337 |
|------|-----|-----|-----|-----|-----|

| | | | | | |
|-----------------|-----|-----|-----|-----|-----|
| PPTs | 12 | 12 | 12 | 12 | 12 |
| Temps | 4 | 4 | 8 | 8 | 8 |
| Total Positions | 353 | 353 | 357 | 357 | 357 |

The Subcommittee held four meetings with the department and took the following actions:

Budget Action

Accepted the Governor's amended proposal with the following adjustments:

- Removed \$8.0 GF travel funding for the Council on Education for Military Children. The fiscal note attached to the bill joining the council instructed the department to fund participation from within its existing budget. The subcommittee recommends funding \$13.1 to pay Alaska's membership, as requested by the governor.
- Removed \$18.3 GF from the travel line in Executive Administration. After discussions with the department, this will provide adequate resources for responsible state board and commissioner's office travel and bring 'truth in budgeting' to this component.
- Added \$87.5 in G/F Match to the grants line in the Alaska State Council on the Arts to fully fund the state match. These added dollars will be used to expand the reach of the Artists in Schools program to more Alaska children.
- Increased GF to the Alaska Advantage grant program by \$7,121.9. The unmet need of Alaskans seeking postsecondary education at Alaska institutions is close to \$9 million. The subcommittee's recommendation invests in Alaskans who are struggling to access the higher education they're already pursuing.
- Reduced GF to the Alaska Performance Scholarship program by \$7,121.9. This recommendation allows the department to begin implementing the program and gather real data on student demand, rather than rely on estimates. By implementing the program gradually, Alaska school districts will have the chance to improve course offerings to students. Many small and rural districts currently lack adequate course offerings for their

students to access the APS dollars, creating an unequal opportunity.

[10:23:52 AM](#)

Co-Chair Stedman MOVED to ADOPT the subcommittee report for the Department of Education and Early Development for inclusion in CSHB 108.

Co-Chair Hoffman OBJECTED.

Senator Olson addressed pre-k program funding. He asked about the governor's recommendations.

Mr. Kiehl responded that the subcommittee recommended funding the full \$2 million as requested by the governor.

Senator Olson asked about the New Beginnings program.

Mr. Kiehl replied that the Best Beginnings program increased funding last year. He mentioned significant subcommittee discussion regarding the addition of funding to match last year's one-time funding level.

Senator Egan stated that the matter would be discussed further in conference committee.

Senator McGuire promoted the merit based scholarship program. She wondered about school districts and their preparation for the upcoming scholarship program. She understood that preparation was necessary, but she wished to see the program up and running.

[10:26:49 AM](#)

Senator Egan stated that some funding levels were switched from performance based to needs based. He planned to work with the administration to arrive at better guidelines for future progression. He explained that the needs of additional school children remained the greatest need of the subcommittee.

Co-Chair Hoffman removed his OBJECTION. The subcommittee report for the Department of Education and Early Development was ADOPTED.

[10:28:10 AM](#)

DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT

The Senate Finance Subcommittee for the Department of Labor & Workforce Development submits an operating budget to the full Senate Finance Committee for FY12 as follows:

| <u>Fund Source</u> | <u>FY11 Mgt</u> <u>Pln</u> | <u>FY12 Adj</u> <u>Base</u> | <u>Governor</u> | <u>Senate</u> <u>Subcom</u> | <u>House-</u> <u>Amds</u> |
|--------------------|-------------------------------|--------------------------------|-----------------|--------------------------------|------------------------------|
| Unrestricted GF | 29,301.3 | 29,625.9 | 31,246.0 | 31,221.2 | 29,901.0 |
| Designated GF | 34,374.0 | 33,815.7 | 34,851.9 | 34,700.9 | 34,901.9 |
| Other | 27,054.9 | 27,709.7 | 26,022.9 | 25,922.9 | 25,722.9 |
| Federal Funds | 107,969.4 | 99,526.4 | 101,716. 8 | 101,716. 8 | 101,716. 8 |
| Total | 198,699.6 | 190,677.7 | 193,837. 6 | 193,561. 8 | 192,242. 6 |

| <u>Position Changes</u> | <u>FY11 Mgt</u> <u>Pln</u> | <u>FY12 Adj</u> <u>Base</u> | <u>Governor</u> | <u>Senate</u> <u>Subcom</u> | <u>House-</u> <u>Amds</u> |
|-------------------------|-------------------------------|--------------------------------|-----------------|--------------------------------|------------------------------|
| PFTs | 848 | 841 | 842 | 841 | 841 |
| PPTs | 116 | 116 | 120 | 116 | 118 |
| Temps | 56 | 48 | 51 | 48 | 51 |

Budget Action:

1. Adopted the Governor's amended FY12 budget proposed increments & decrements for:

- a. Alaska Vocational Technical Center
 - i. \$1,006.8 Fed Rcpts for Increase in Pell Grants & Direct Student Loans
 - ii. \$250 UGF for maintenance services
 - iii. \$55 DGF for custodial services
 - iv. \$300 Statutory Designated Program Receipts for medical program lease expenses
- b. Employment Security
 - i. \$2,106.5 Fed Rcpts to increase authority to support two new federal grants in Employment & Training Services
 - ii. \$1.165.7 Federal ARRA Funds for a one-time increase to support Unemployment Insurance Administration
- c. Business Partnerships
 - i. \$1,089 in STEP funds to provide additional training opportunities for Alaskans

2. Denied the Governor's amended FY12 budget proposed increments & decrements for:

- a. Alaska Vocational Technical Center

- i. \$48 UGF & \$51 DGF for a mariner training program instructor
- ii. \$226.8 UGF & \$100 DGF to establish a new registered nurse training program
- iii. \$100 Inter-Agency Receipts for the Distance Education Consortium Training Support

3. Modified the Governor's amended FY12 budget proposed increments & decrements for:

- a. Business Partnerships
 - i. \$1,250.0 UGF to implement a career & technical education plan & grant program
 - 1. Governor requested \$1,000 UGF and a new position. The Senate Subcommittee recommends a funding level of \$1,250 UGF and denies the request for a new position. By denying the position request, it is the hope of the subcommittee that more funds will be made available for school grants.
- b. Alaska Vocational Technical Center
 - i. \$55 Inter-Agency Receipts for authorization to support new custodian
 - 1. Governor requested \$55 UGF and a new position. The Senate Subcommittee recommends approving the funding but denies the position. By denying the position request, it is the hope of the subcommittee that the department considers overtime for existing staff or contracting with a private janitorial firm.
 - ii. \$181.8 Statutorily Designated Receipts for Health Professional Opportunity Training
 - 1. Governor requested \$181.8 Stat Desig and two new positions. The Senate Subcommittee recommends approving the funds, but denying the two new positions. It is the hope of the subcommittee that these programs can be delivered utilizing existing personnel.

4. Intent Language:

- a. Vocational Rehabilitation
 - i. It is the intent of the legislature that the Department of Labor & Workforce Development work actively with tribal entities to improve vocational rehabilitation services provided to

Alaskans across the state, particularly in rural areas.

- b. Alaska Vocational Technical Center
 - i. It is the intent of the legislature that, when the Health Professions Opportunity federal grant received by the Cook Inlet Tribal Council expires on September 30, 2015, the programs that have been expanded with this funding be reconsidered. It is the understanding of the legislature that the department will discontinue these programs if federal funding is not available.

5. Differences from House Finance

- 1. Business Partnerships
 - a. \$1,089.9 DGF (STEP) increase in State Training and Employment Program Authorization: House made increment a onetime item, Senate proposes moving funding into the base.
- 2. Alaska Vocational Technical Center
 - a. \$1,250 UGF to Implement a Career & Technical Education Plan & Grant Program: House did not fund governor's \$1,000 UGF proposal, Senate proposes funding at \$1,250 UGF with a greater focus on grants to school districts.
 - b. \$99.0 (\$48 UGF & \$51 DGF) for AVTEC Mariner Training Program Instructor: House funded proposed position and increase, Senate did not.
 - c. \$300 Statutorily Designated Receipts to receive Cook Inlet Tribal Council Grant for Medical Program Lease Expenses: House did not approve request, Senate proposes allowing Department to utilize funds in order to best determine program space needs for delivery in Anchorage.
 - d. \$100 Inter-Agency Receipts for Distance Education Consortium Training: House approved receipt of funds and the creation of a new position. Senate declined both requests.
 - e. \$181.8 Statutorily Designated Receipts to receive grant funds for Health Professionals Opportunity Training: Both House and Senate approved receipt of funds, but the Senate did not approve the two new positions requested by the governor and encourages the Department to advance the program with existing positions.

f. \$55 Inter-Agency Receipts for authorization to support custodial work: Both House and Senate approved funding, but the Senate did not approve the new position.

[10:32:58 AM](#)

Co-Chair Stedman MOVED to ADOPT Department of Labor and Workforce Development

Co-Chair Hoffman OBJECTED for purpose of discussion.

Co-Chair Hoffman WITHDREW his OBJECTION. The subcommittee report for the Department of Labor and Workforce Development was ADOPTED.

[10:33:32 AM](#)

DEPARTMENT OF NATURAL RESOURCES

The Senate Finance Subcommittee for the Department of Natural Resources submits an operating budget to the full Senate Finance Committee for FY12 as follows:

| <u>Fund Source</u> | <u>FY11 Mgt Pln</u> | <u>FY12 Adj Base</u> | <u>Governor</u> | <u>Senate Subcom</u> | <u>House- Amds</u> |
|--------------------|-------------------------|--------------------------|-----------------|--------------------------|------------------------|
| Unrestricted GF | 69,669.4 | 66,560.9 | 76,728.5 | 75,613.5 | 76,762.7 |
| Designated GF | 24,931.0 | 25,702.8 | 25,647.3 | 25,647.3 | 25,647.3 |
| Other | 33,970.3 | 34,778.2 | 34,790.3 | 35,213.3 | 35,101.3 |
| Federal Funds | 16,782.7 | 17,055.8 | 16,640.7 | 16,640.7 | 16,640.7 |
| Total | 145,353.4 | 144,097.7 | 153,806. 8 | 153,114. 8 | 154,152. 0 |

| <u>Position Changes</u> | <u>FY11 Mgt Pln</u> | <u>FY12 Adj Base</u> | <u>Governor</u> | <u>Senate Subcom</u> | <u>House- Amds</u> |
|-------------------------|-------------------------|--------------------------|-----------------|--------------------------|------------------------|
| PFTs | 776 | 776 | 782 | 782 | 784 |
| PPTs | 249 | 248 | 248 | 248 | 248 |
| Temps | 98 | 98 | 98 | 98 | 98 |

Position Changes in DOLWD:

1. Adopted the Governor's amended FY12 budget proposed increments & decrements for:
 - a. Resource Development Appropriation
 - i. \$200 UGF for Arbitration of Oil & Gas Royalty Issues.
 - ii. \$300 UGF OTI for an Increase in Funding for Arbitration of Oil & Gas Royalty Issues.

- iii. \$802 UGF for Public Land Stewardship - Mine Permitting.
 - iv. \$240 UGF for Continued Cooperation with federal agencies on OCS permitting.
 - v. \$400 Statutory Designated Funds for new mining, oil and gas permitting.
 - vi. \$671 UGF for Oversight of Federal Land Transfers.
 - vii. \$400 UGF for Forest Management & Best Practices.
 - b. State Public Domain & Public Access Appropriation
 - i. \$100 UGF for Recordable Disclaimer of Interest Fees.
 - ii. \$599 UGF for RS2477 Access Assertion Litigation in the Fortymile/East Alaska area.
 - c. Statewide Fire Suppression Appropriation
 - i. \$390 UGF for the Wildland Fire Academy.
- 2. Denied the Governor's amended FY12 budget proposed increments & decrements for:
 - a. Resource Development Appropriation
 - i. \$377.5 UGF for AGIA Public Information & Participation.
- 3. Modified the Governor's amended FY12 budget proposed increments & decrements for:
 - a. Resource Development Appropriation - AGIA Line Items: It is the recommendation of the subcommittee that proposed AGIA increments be funded as onetime items in the FY12 Operating Budget
 - i. \$800 UGF OTI for AGIA Commercial Monitor & Advisor.
 - ii. \$1,290.0 UGF OTIA for AGIA Coordinator's Staff and Capacity.
 - iii. \$1,150.0 UGF OTI for AGIA Contractors & Consultants.
 - b. Resource Development Appropriation
 - i. \$100 UGF for Continuation of Certified Seed Potato Program - North Latitude Plant Material Center
 - 1. Governor requested \$200 UGF.

ii. \$710.6 UGF OTI and three new positions for Improving Efficiency of Land and Water Use Application Process.

1. Governor requested \$1,421.1 UGF and six new.

The Subcommittee adopts the following amendment to the Governor's proposed FY12 budget for the Department of Natural Resources:

c. Resource Development.

i. \$498.7 MHTAAR Funds and three new positions.

d. Appropriation and Allocation Structure Change.

i. The Senate Subcommittee accepts the reorganization of the Department of Natural Resources proposed by Legislative Finance and approved by the other body. A diagram showing the proposed change is attached to this report.

4. Differences from House Finance

1. Resource Development

a. AGIA Items - The Senate funds AGIA lines as onetime items, the House puts the funding into the base.

b. Guide Concession Area Program - The Senate funded the \$120 UGF item that is supported by the department, the governor and the Board of Game. The other body did not.

c. Public Land Stewardship - The House funded this \$802 UGF line as a onetime item, the Senate proposes moving this funding into the base.

d. Land Sales for Southeast AK Region - The House funded this \$105 UGF line as a onetime item, the Senate proposes moving this funding into the base.

e. Oversight of Federal Land Transfers - The House funded this \$671 UGF line as a onetime item, the Senate proposes moving this funding into the base.

f. North Latitude Plant Material Center - The other body added \$20 UGF to the governor's \$200 UGF request. The Senate Subcommittee proposes funding this line at \$100 UGF.

- g. Mining and Land Development - The other body recommended a funding increment of \$1,421.1 UGF and six new positions.
 - h. Mental Health Trust Lands Administration - The other body approved an increment of \$3,279.4 MHTAAR Funds. The Senate Subcommittee recommends the full \$3,391.4 MHTAAR request from the Mental Health Trustees be funded.
2. Appropriation and Allocation Structure Change
- a. The Senate Subcommittee recommends maintaining the AGIA Coordinator position within the Department of Natural Resources. The other body's budget moves the position to the Office of the Governor.

[10:38:10 AM](#)

Co-Chair Stedman MOVED to ADOPT the subcommittee report for the Department of Natural Resources for inclusion in CSHB 108.

Co-Chair Hoffman OBJECTED for purpose of discussion.

Senator Olson asked about the issue of the Coastal Zone Management program and its sunset date of June 30, 2011. He wondered if consideration was given, when creating the budget, that the office would be closed.

Senator Thomas responded that subcommittee discussion occurred about the topic. He assumed that the program would be extended for another year.

Senator Olson asked the amount of the Coastal Zone Management budget.

Co-Chair Hoffman considered various methods of funding the component. He suggested that if the program was extended then the needs would be addressed with a fiscal note.

Co-Chair Hoffman WITHDREW his OBJECTION. The subcommittee report for Department of Natural Resources was ADOPTED.

[10:40:27 AM](#)

Co-Chair Stedman MOVED that the Legislative Finance Division accumulate the subcommittee reports into the bill and perform the technical adjustment necessary.

There being NO OBJECTION, it was so ordered. Co-Chair Hoffman commented on upcoming public testimony for the operating budget.

#

ADJOURNMENT

The meeting was adjourned at 10:43 AM.