

SENATE FINANCE COMMITTEE  
March 27, 2012  
9:04 a.m.

[9:04:44 AM](#)

CALL TO ORDER

Co-Chair Hoffman called the Senate Finance Committee meeting to order at 9:04 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, Senate Finance Committee; Denise Liccioli, Staff, Senator Donnie Olson; Sydney Seay, Staff, Senator Donnie Olsen; Jeff Rogers, Staff, Senator Johnny Ellis; Jesse Kiehl, Staff, Senator Dennis Egan; Karen Rehfield, Director, Office of Management and Budget.

PRESENT VIA TELECONFERENCE

None

SUMMARY

SB 192 OIL AND GAS PRODUCTION TAX

SB 192 was SCHEDULED but not HEARD.

SB 203 ENERGY ASSISTANCE PROGRAM & VOUCHERS

SB 203 was HEARD and HELD in committee for further consideration.

HB 284      APPROP: OPERATING BUDGET /LOANS/FUNDS

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

HB 285      APPROP: MENTAL HEALTH BUDGET

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

#hb284

#hb285

CS FOR HOUSE BILL NO. 284(FIN)

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

CS FOR HOUSE BILL NO. 285(FIN)

"An Act making appropriations for the operating and capital expenses of the state's integrated comprehensive mental health program; and providing for an effective date."

[9:05:01 AM](#)

Co-Chair Hoffman noted that all subcommittee budget close-out reports could be found on the Legislative Finance Division (LFD) website.

[9:06:09 AM](#)

DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT

TIM GRUSSENDORF, STAFF, SENATE FINANCE COMMITTEE, presented the report for Department of Commerce, Community and Economic Development (DCCED).

[9:06:40 AM](#)

Co-Chair Hoffman acknowledged that the subcommittee members included himself, Senator Albert Kookesh and Senator Kevin Meyer.

[9:06:49 AM](#)

Mr. Grussendorf presented the Senate Finance Subcommittee Operating Budget close-out recommendations for DCCED (copy on file). The subcommittee recommended \$123,108,400 in general funds, which represented a \$1,347,700 reduction from the governor's request; \$37,323,700 in other funds, representing an increase of \$93,400; and a \$14,425,900 reduction in federal funds related to the removal of excess forest receipts. The subcommittee added two full-time positions and zero part-time and temporary positions above the governor's request.

Mr. Grussendorf read some of the budget action highlights included in the subcommittee recommendations:

#### Denied

- The National Forest Receipts \$170.0 language appropriation to the Department of Transportation and Public Facilities. Federal receipts are expected to decline from about \$15 million to about \$600.0 in FY13 and the Senate Subcommittee wanted to maximize the amount dispersed to communities.

#### Modified

- Tourism Marketing.
  - Tourism Marketing Contracts in the Office of Economic Development (OED): \$9.3 million UGF (one-time funding). This is \$6.7 million below the Governor's \$16 million UGF but, when combined with the \$2.7 million SDPR increment, the approved funding level is equivalent to the amount received in FY12.
- To clarify funding ratios and legislative intent, ASMI funding (and positions) are appropriated in a language section of the operating budget.
- Reduced the travel request in Corporations, Business and Professional Licensing (CBPL) by \$150.0 (from \$244.6 to \$94.6).

- Alaska Energy Authority's \$2 million GF Misc. Earnings appropriation for administration of the Renewable Energy Fund. The Senate Subcommittee appropriated this funding directly from the Renewable Energy Fund instead of appropriating the fund's earnings.

#### Other Actions

- Added an Alaska Legal Services Corporation grant in DCRA: \$250.0 increment.
- For budget clarity, CBPL was segregated into four allocations: (1) Corporations and Business licensing, (2) Professional Licensing, (3) Investigations, and (4) Administration.
- Added \$306.0 and two positions to increase and enhance the Technical Assistance Program and Circuit Rider Program within the Alaska Energy Authority.

[9:09:40 AM](#)

Senator Olson wondered how the subcommittee's recommendations compared with the governor's request.

Mr. Grussendorf replied that that the Senate's recommendation was approximately \$15,700,000 less than that of the governor.

[9:10:08 AM](#)

#### OFFICE OF THE GOVERNOR

Co-Chair Hoffman stated that the subcommittee members for the Office of the Governor's budget were Senator Albert Kookesh, Senator Gary Stevens and himself.

[9:10:31 AM](#)

Mr. Grussendorf presented the subcommittee recommendations for the Office of the Governor. The Senate subcommittee recommended \$32,417,800.

The Senate Finance Budget Subcommittee for the Office of the Governor submits an Operating Budget to the Senate Finance Committee for FY 13 as Follows:

#### Budget Action

The Senate Finance Budget Subcommittee on the Office of the Governor submits an operating budget for FY13 as follows:

The Subcommittee adopted the Governors' request with 2 changes.

- Changed the \$3.0 million for DVSA to OTI and added intent language.
- Reduced the personal services line by \$250.0 in the Executive Office.

[9:11:32 AM](#)

LEGISLATURE

Mr. Grussendorf detailed the subcommittee recommendations for the Legislature.

The Senate Finance Budget Subcommittee for the Legislature's Operating Budget submits this recommendation to the Senate Finance Committee for FY 11 as follows:

<u>Fund Source</u>	<u>13 Gov Amd+</u>	<u>Sen Sub</u>	<u>Difference</u>
General Funds	\$75,251.5	\$73,004.0	(\$2,247.5)
Federal Funds	0	0	0
Other Funds	\$379.5	\$403.0	\$23.5

<u>Positions</u>	<u>13 Gov Amd+</u>	<u>Sen Sub</u>	<u>Sen to Gov</u>
PFT	250	251	1
PPT	284	284	0
Temp	0	0	0

Budget Action

The Senate Finance Budget Subcommittee on the Legislature submits an Operating budget for FY13 as follows:

Accepted the Legislatures amended proposal

- Reduced budget by \$1,555.0 in the Legislative Finance to be split between House and Senate. Also reduced \$500.0 from Committee expenses.
- Increases for personal services, travel and per diem, dues rent and lease costs.

- Added a new attorney in the legal and research allocation.
- Added a intake secretary in the Ombudsman allocation
- One time funds for the CSG National Conference in Alaska.

[9:13:02 AM](#)

UNIVERSITY

Mr. Grussendorf presented the subcommittee recommendations for the University of Alaska's budget. He stated that the Senate subcommittee recommended \$691,550,400, which was an increase of \$4,542,000 million in general funds. He noted that federal funds recommended were \$147,944,300, which was an increase of \$750,000. He explained that other funds were equal to those requested by the governor at \$86,334,300. He noted an increase of 26 positions. The subcommittee met with the university and took the budget proposed by the governor and proposed report recommendations of \$250,000 general funds to the University of Alaska Anchorage, Alaska Education Policy Research, Institute of Social and Economic Research (ISER). He highlighted the increase of \$250,000 in general funds to the University of Alaska Fairbanks, Indigenous Studies PhD and Alaska Native Knowledge Network. Lastly, he noted the addition of \$80.6 thousand to the University of Alaska Southeast Honors program.

[9:15:00 AM](#)

DEPARTMENT OF FISH AND GAME

Senator Olson stated that the subcommittee for Department of Fish and Game (DF&G) consisted of Senator Hoffman, Senator Stevens, Senator Wagoner, Senator Huggins and himself.

[9:15:29 AM](#)

DENNISE LICCIOLI, STAFF, SENATOR DONNIE OLSON presented the subcommittee recommendations for DF&G.

The Sub-Committee for the Department of Fish & Game submits an operating budget recommendation and report to the Senate Finance Committee for FY13 as follows:

<u>Fund Source</u>	<u>12 Mgt Plan</u>	<u>Gov Amd</u>	<u>Sen Sub</u>	<u>Difference</u>	
GF	\$80,617.9	\$85,279.4	\$87,899.0	\$2,619.6	3%
Federal	62,199.7	62,346.0	62,346.0	0	

Other	56,317.2	61,684.1	61,684.1	0
Total	\$199,134.8	\$209,309.5	\$211,929.1	

Position Summary

	<u>12 Mgt Plan</u>	<u>Gov Amd</u>	<u>Sen Sub</u>
PFT	924	911	911
PPT	757	711	711
Temp	68	68	68
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Total	1,749	1,690	1,690

Personnel

The authorized position count for the department was reviewed; the Sub-Committee kept the overall number of positions the same as in the Governor's Amended request, although the department did delete many long time vacant positions as they built their FY13 Adjusted Base.

Budget Action

- Held 5 public meetings with the department to discuss and explain the budget;
- Adopted the FY13 Adjusted Base; and
- Reviewed each of the increments and decrements submitted by the Governor.

The sub-committee accepted the Governor's budget as submitted, except for one amendment that was submitted late on March 8; and except for changing one item to a "one time item" and two other items to "short term" items. The sub-committee added \$2,619.6 of GF for various projects throughout the State. The majority of these projects were added to the Commercial Fisheries division; one each was added to Sport Fisheries, Wildlife Conservation, and State Subsistence. These are the additions done by the sub-committee:

- Chilkat Lake Productivity Program \$60.0
- Nushagak River Coho & Pink Salmon Escapement \$95.0
- Salmon Lake Nutrient Enrichment \$162.5
- Hobson Creek Hatchery Operations \$337.5
- Salmon Enhancement Norton Sound Region \$250.0
- Salmon Fishery Enhancement in Norton Sound \$190.0
- Nome Subdistrict Chum Rehabilitation \$100.0

- Niukluk River Chinook Rehabilitation \$150.0
- Nome River Salmon Rehabilitation \$50.0
- Genetics Work on Chinook Salmon Westward Region \$234.0
- Rehabilitation & Enhancement Chinook Salmon \$295.0
- Habitat Enhancement Work in the Southcentral Region \$245.0
- Regional Hub Subsistence Research \$450.6

The sub-committee also changed the name of the State Subsistence allocation to State Subsistence Research to better reflect the activities of the allocation.

[9:16:54 AM](#)

Senator Olson commented on the \$2.6 million increase in the budget for DF&G, which he attributed to program costs.

[9:17:30 AM](#)

DEPARTMENT OF HEALTH AND SOCIAL SERVICES

Senator Olson thanked the members of the subcommittee for the Department of Health and Social Services (DHSS).

[9:17:56 AM](#)

Ms. Liccioli presented DHSS subcommittee budget recommendations.

The Sub-Committee for the Department of Health & Social Services submits an operating budget recommendation and report to the Senate Finance Committee for FY13 as follows:

<u>Fund Source</u>	<u>12 Mgt Plan</u>	<u>Gov Amd</u>	<u>Sen Sub</u>	<u>Difference</u>
GF	\$1,222,328.6	\$1,290,507.3	\$1,290,728.7	\$221.4
Federal	\$1,148,399.9	\$1,229,126.5	\$1,229,126.5	0.0
Other	\$99,460.2	\$101,528.7	\$101,598.7	\$70.0
Total	\$2,470,188.7	\$2,621,162.5	\$2,621,453.9	

Position Summary

	<u>12 Mgt Plan</u>	<u>Gov Amd</u>	<u>Sen Sub</u>
PFT	3,510	3,459	3,458
PPT	76	65	65
Temp	104	104	103
Total	3,690	3,628	3,626



## Personnel

The authorized position count for the department was reviewed; the sub-committee reduced the overall number by two from the Governor's amended request.

FY 2013 Senate Finance Sub-Committee Budget Recommendations for H&SS /March 20, 2012

### Budget Action

- Held 7 public meetings with the department to discuss and explain the budget;
- Adopted the FY13 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 FY13 adjusted base, predominately due to Medicaid. Medicaid growth and projections increased the budget \$130.9 million in total, \$45.3 million of which is GF. Another \$129.4 million was a fund source change from federal to GF due to the changes in the FMAP rate.

Another \$6.6 million of GF increases are due to growth in adult public assistance, general relief, PFD hold harmless, and increased screening of newborns.

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:

- Funding for the LIHEAP and AKHAP programs was increased \$2.6 million
- Alaska Complex Behavior Collaborative was funded for a full year \$650.0
- School Based Suicide Prevention \$450.0
- Education and Voucher Program \$200.0
- Chlamydia Screening and Early Treatment \$200.6
- Immunizations for Children and Seniors \$700.0
- Stabilize Nursing Grantees \$990.0

- Grave Shift Coverage for Juvenile Justice Facilities \$500.0
- Senior In-Home Services Grants \$500.0

A 10% reduction to GF was applied to most of the increments requested by the Governor if they were due to new programs or program expansion.

The Commissioner's Office was reduced by \$225.0 of GF due to moving total funds of \$403.5 into the contractual line for legal and judicial services and projects such as the Health Insurance Exchange. Policy changes need to have the Legislature involved, and the Governor specifically declined the \$1 million of federal funds which were available for this purpose.

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

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

FY 2013 Senate Finance Sub-Committee Budget Recommendations for H&SS /March 20, 2012

#### 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.

Substance abuse, suicide and other behavioral health issues are of significant concern. 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 for obesity prevention. Since these are GF funded, it is hard to make room for the needs of these programs when Medicaid continues to grow and use the GF resources.

Finally, the Tobacco Cessation Fund is now drawing on the surplus that was created in the early years while the program was gearing up. The Fund has a healthy balance now, but at the current rate of spending and the current rate of revenues, something will have to be done in the next 5 to 8 years. Several options exist besides cutting back on the program - one of the most successful in the State - including increasing revenues, and supplementing the program with GF. It is premature to take any action at this time, but in a few years, some changes will be necessary.

[9:21:25 AM](#)

Ms. Liccioli remarked on the size of the budget, attributed largely to the cost of Medicaid, which was growing exponentially. She stated that the high cost of Medicaid meant less funding for other programs directed at substance abuse, suicide, and other behavioral health problems that were of interest to others around the state. She highlighted the tobacco cessation fund because the fund's budget was spending more than it received in revenue, thus drawing on the reserve built up at the program's inception.

[9:22:49 AM](#)

Senator Ellis queried the meaning of the "Education and Voucher Program." Ms. Liccioli replied that the program provided vouchers to foster children to secure education and training for vocational or post-secondary education.

[9:23:28 AM](#)

Senator Ellis queried the outcome of the Alzheimer's Disease Resource Agency grants in the department's budget.

Senator Olson returned to the prior point and noted that the vouchers in the Education and Voucher Program were specifically for public education.

Ms. Liccioli stated that there was no additional funding for the Alzheimer's Disease Resource Agency program.

[9:24:20 AM](#)

Senator Ellis echoed concern about the unmet needs for substance abuse prevention and treatment. He agreed that the needs were inadequately funded in the subcommittee's recommendation.

[9:24:29 AM](#)

Co-Chair Hoffman stressed the importance of funding the substance abuse treatment programs. He and Senator Ellis believed that the additional funding in the area of substance abuse treatment and prevention would result in fewer inmates in Alaska's overcrowded prison systems.

[9:24:56 AM](#)

Senator Thomas wondered if the Human Services Community Matching Grant funding was included in the recommendations. Ms. Liccioli replied that funding for the grant was unchanged.

[9:25:32 AM](#)

DEPARTMENT OF PUBLIC SAFETY

Senator Olson thanked the members of the Department of Public Safety (DPS) subcommittee.

[9:25:57 AM](#)

SYDNEY SEAY, STAFF, SENATOR DONNIE OLSEN, presented the budget recommendations for DPS.

The Senate Finance Budget Subcommittee for the Department of Public Safety submits the following FY 13 Operating Budget recommendation and report to the Senate Finance Committee:

<u>FUND SOURCE</u>	<u>FY13 Adj</u> <u>Base</u>	<u>Gov Amd</u>	<u>House</u>	<u>Sen Sub</u>	<u>Difference</u> <u>(G-S)</u>
Unrestricted GF	\$154,007.1	\$164,565.8	\$164,397.1	\$164,362.3	\$203.5
Designated GF	\$7,876.2	\$7,322.7	\$7,322.7	\$7,322.7	\$0.0
Other	\$20,138.5	\$19,948.4	\$19,948.4	\$19,948.4	\$0.0
Federal	\$12,042.3	\$10,967.5	\$10,967.5	\$10,967.5	\$0.0
Total	\$194,064.1	\$202,804.4	\$202,635.7	\$202,600.9	\$203.5

<u>POSITIONS</u>	<u>FY13 Adj</u> <u>Base</u>	<u>Gov Amd</u>	<u>House</u>	<u>Sen Sub</u>	<u>Difference</u> <u>(G-S)</u>
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PFTs	876	879	878	878	-1
PPTs	16	16	16	16	0
Temps	14	14	14	14	0
Total	906	909	908	908	-1

The Subcommittee met with the Department three (3) times before closeout, and reviewed the following items:

1. The FY12 Management Plan,
2. The FY13 Adjusted Base,
3. Increments, decrements, and budget amendments proposed by the Governor,
4. The House Finance Budget Subcommittee closeout report that funded 75% of VPSO funding and removed funding for the Lab maintenance position,
5. The House Full Finance Committee action, which restored 100% VPSO funding. The lab maintenance technician position was not restored to the budget.

#### BUDGET ACTION

The Subcommittee authorized \$203.5 less in general funds and one (1) less employee than the Governor's FY13 budget request. Following are the action highlights:

#### APPROVED

##### Alaska State Troopers

- One new trooper for VPSO support to be stationed in Juneau \$215.0 GF
- 24 hour dispatch and prisoner transport services in the City of Kotzebue \$75.0 GF
- Replacement funds for Bureau of Highway Patrol \$1,900.0 GF

##### Village Police Safety Officer Program

- Contract for 15 new VPSO positions \$2,209.8 GF
- Establish VPSO/VPO twelve week training programs \$500.0 GF

##### Laboratory Services

- Facilities maintenance position for new laboratory \$92.0 GF

Council on Domestic Violence and Sexual Assault - increased funding for:

- Operations costs for currently funded DVSA programs \$475.5 GF
- Expanded DVSA prevention \$250.0 GF
- CDVSA batterer's intervention program data collection \$50.0 GF
- Planning and coordination efforts for DVSA initiative \$55.0 GF

Criminal Records and Identification

- Maintain current level of service \$200.0 GF

DENIED

Alaska Wildlife Troopers

- Civilian pilot and operating costs for new interior helicopter 296.8 GF
- Office equipment for new helicopter pilot 6.7 GF

ADDED

- The subcommittee added one-time funding of \$100.0 GF to the Victims for Justice Appropriation

[9:29:48 AM](#)

Senator Olson remarked that the trooper and helicopter operation funding was removed from the budget recommendation. He stated that the plan was for the private sector to fund the gap.

[9:30:37 AM](#)

DEPARTMENT OF ADMINISTRATION

Senator Ellis invited Jeff Rogers to present the subcommittee recommendations for the Department of Administration (DOA).

[9:31:02 AM](#)

JEFF ROGERS, STAFF, SENATOR JOHNNY ELLIS, presented the budget recommendations for DOA.

The Senate Finance Budget Subcommittee for the Department of Administration submits an operating report to the full Senate Finance Committee for Fiscal Year 2013 as follows:

Fund Source:

	<u>FY12 Management Plan</u>	<u>FY13 Governor's Amended+</u>	<u>FY 13 Senate Sub</u>	<u>Difference (Gov Amend+ to SenateSub)</u>	<u>Difference (Gov Amend+ to SenateSub)</u>
Unrestricted General Funds	\$79,686.0	\$84,392.0	\$82,915.8	(\$1,476.2)	(1.7%)
Designated General Funds	\$23,493.5	\$23,947.3	\$23,947.3	(\$0.0)	(0.0%)
Other Funds	\$204,690.1	\$213,290.0	\$213,290.0	(\$0.0)	(0.0%)
Federal Funds	\$4,539.4	\$4,989.8	\$4,989.8	(\$0.0)	(0.0%)
Total	\$312,409.0	\$326,619.1	\$325,142.9	(\$1,476.2)	(0.5%)

Personnel:

The Subcommittee reviewed the authorized position count for the Department. The Governor's amended budget proposal requested one new position and transfers five positions from DHSS, but also deletes several vacant positions for a net decrease of four positions. The Subcommittee is recommending that those new positions and deleted vacancies be accepted as requested.

<u>Position Summary</u>	<u>FY12 Management Plan</u>	<u>FY13 Governor's Amended+</u>	<u>FY 13 Senate Subcommittee</u>	
Permanent Full Time	1,091	1,087	1,087	1,087
Permanent Part Time	18	18	18	18
Temporary	41	40	40	40
Total	1,150	1,145	1,145	1,145

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

1. Adopted the Fiscal Year 2013 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 following:
  - a. Adopt Inc \$1,500.0 CIP RCPT for Implementation of IRIS
  - b. Adopt Dec \$112.5 GF/PR to Discontinue Databasics
  - c. Adopt Inc \$440.5 GRPBEN for Third Party Contract Increases
  - d. Adopt Inc \$80.0 I/A for Postage Increases
  - e. Adopt Inc \$2,500.0 I/A for Lease Costs

- f. Adopt Inc \$750.0 I/A for Facilities Operation and Maintenance Costs
- g. Adopt Inc \$80.0 PBF for Public Building Costs
- h. Adopt Inc \$36.3 AOGCC RCPTS for Increased Oversight of Oil, Gas, and Geotherm
- i. Adopt Inc \$150.0 FED for John R. Justice Student Repayment Program
- j. Adopt Inc \$68.1 UGF for Additional Support for Elections
- k. Adopt Inc \$87.5 GF/PR for State Operated DMV Office in Kotzebue (+ 1 PFT)
- l. Adopt Inc \$74.5 GF/PR for Server Hosting Costs
- 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 \$800.0 UGF for Office of Public Advocacy Caseload Increase
  - b. Adopt Inc \$1,000.0 UGF for Public Defender Caseload Increase
  - c. Adopt Inc \$340.0 FED for Grants to Crime Victims through VCCB
  - d. Reject Inc \$75.0 UGF for Retirement System Trust Fund Costs
  - e. Reject Inc \$1,500.0 UGF for ALMR Equipment, Maintenance, and Training
- 4. Recommends the adoption of the following increments, decrements, and statements of intent proposed by members of the Subcommittee:
  - a. Adopt \$98.8 UGF for Government Access Television Program Expansion
  - b. Adopt one statement of legislative intent:
    - i. "It is the intent of the legislature that the Department seek full recovery of the portion of FY2013 Alaska Land Mobile Radio system costs attributable to

Other Subcommittee Findings:

1. The Subcommittee finds the Department has complied with 2012 legislative intent to prepare and submit a report on the future viability of the Alaska Land Mobile Radio system. This report sufficiently confirms that there is not a more cost-effective system available to meet the needs of the State. The Subcommittee also finds that the Department has sufficiently engaged the diverse group of ALMR users in evaluating long-term solutions. However, the



Subcommittee remains concerned with the Department's failure to implement a cost-share plan. This failure is exacerbated by the present deacquisition of many federally maintained radio sites to Alaska which guarantees dramatically increased future costs to the State but without any guarantee that those costs will be equitably shared with federal government users.

2. The Subcommittee finds that the Department has failed to sufficiently facilitate legislative consideration of statutory adjustments to Alaska's retirement systems. With the very fast pace of the 90-day legislative session, it is critical that the Legislature has timely access to information about the fiscal impact of pending legislation. The subcommittee appreciates the complexity of actuarial calculations, but any unnecessary delay in delivering fiscal analysis to the Legislature is contrary to the Department's mission and significantly impedes responsible policy development.

[9:33:57 AM](#)

Senator Ellis commented that the subcommittee was pleased that the department complied with the legislature's request to produce a feasibility study. He stated that the report confirmed that Alaska Land Mobile Radio (ALMR) provided a suitable system to meet the state's needs. He expressed frustration that the system did not serve rural Alaska, but the recommendation was for legislative intent directing the department to recover the needed funding from the federal government to compensate the use of the system by federal agencies.

Senator Ellis mentioned government access to television programming. He pointed out a request to increase support for Gavel to Gavel by \$98.8 thousand.

[9:35:23 AM](#)

#### DEPARTMENT OF CORRECTIONS

Senator Ellis explained that the Department of Corrections (DOC) subcommittee consisted of himself, Senator Linda Menard, and Senator Hollis French. He noted that Jeff Rogers staffed the subcommittee and would present the report.

[9:35:42 AM](#)

Mr. Rogers explained the DOC budget recommendations.

The Senate Finance Budget Subcommittee for the Department of Corrections submits an operating report to the full Senate Finance Committee for Fiscal Year 2013 as follows:

Fund Source:

	<u>FY12 Management Plan</u>	<u>FY13 Governor's Amended+</u>	<u>FY 13 Senate Sub</u>	<u>Difference (Gov Amend+ to SenateSub)</u>	<u>Difference (Gov Amend+ to SenateSub)</u>
Unrestricted General Funds	\$247,910.6	\$281,343.2	\$282,665.6	\$1,322.4	0.5%
Designated General Funds	\$22,266.3	\$21,555.1	\$21,555.1	\$0.0	0.0%
Other Funds	\$14,925.0	\$15,024.9	\$15,024.9	\$0.0	0.0%
Federal Funds	\$3,220.6	\$3,251.0	\$3,251.0	\$0.0	0.0%
Total	\$288,322.5	\$321,174.2	\$322,496.6	\$1,322.4	0.4%

Personnel:

The Subcommittee reviewed the authorized position count for the Department. The Governor's amended budget proposal requested 199 new positions. 192 of those positions will staff the new Goose Creek Correctional Center. The other 7 new positions relate to "Smart Justice" initiatives.

<u>Position Summary</u>	<u>FY12 Management Plan</u>	<u>FY13 Governor's Amended+</u>	<u>FY 13 Senate Subcommittee</u>
Permanent Full Time	1,508	1,699	1,699
Permanent Part Time	3	1	1
Temporary	0	0	0
Total	1,511	1,700	1,700

Budget Action:

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

1. Adopted the Fiscal Year 2013 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 following:

- a. Adopt Inc \$29,061.2 UGF for Goose Creek Correctional Center phase-in (+ 192 PFT)
  - b. Adopt Inc \$350.0 UGF for Sex Offender Management programs in Bethel & Mat-Su
  - c. Adopt Inc \$338.9 UGF for DVSA Probation Officers (+ 3 PFT)
  - d. Adopt Inc \$309.1 UGF for Electronic Monitoring Expansion (+4 PFT)
  - e. Adopt Inc \$156.0 UGF for Vocational Education Program Expansion
  - f. Reject Inc \$46.0 UGF for Increased Population as a result of SB 222
  - g. Adopt Inc \$852.7 UGF for Community Residential Center Rate Increase
  - h. Adopt Inc \$460.0 UGF for Out-of-State Contractual Daily Rate Increase
  - i. Reject Inc \$200.0 UGF for Information Technology MIS Licensing and Support
  - j. Adopt Inc \$200.0 I/A (DVSA) for Year Two of PACE Pilot Project
  - k. Adopt FndChng \$1,029.9 PFD CRIM to UGF
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 \$600.0 UGF for Community Jails Funding Equity
4. Recommends the adoption of the following increments, decrements, and statements of intent proposed by members of the Subcommittee:
- a. Adopt Inc \$1,380.5 UGF for Substance Abuse Treatment Program Expansion
  - b. Adopt Inc \$1,562.0 UGF for Cordova Center Community Residential Center
  - c. Adopt Inc \$1,700.0 UGF to Relieve Understaffing and Prevent Lower Minimum Staffing Levels
  - d. Adopt Inc \$70.0 UGF for Partners for Progress 24/7 Sobriety Monitoring
  - e. Adopt Dec \$3,174.0 UGF to Prevent Over-appropriation to Out-of-State and Goose Creek Correctional Center
  - f. Adopt one statement of Legislative Intent:
    - i. "Although the legislature acknowledges that contract negotiations and management decisions are functions of the executive branch, the legislature finds that the Department of

Corrections has insufficiently contemplated the long-term impact—including costs of litigation or arbitration, officer and inmate safety, and employee recruitment and retention—of an adjustment to the historical policy of shift staffing; it is therefore the intent of the legislature that the Department utilize the \$1,700,000.00 appropriation to Population Management in FY13 to maintain the status-quo shift scheduling policy.”

Other Subcommittee Findings:

1. The Subcommittee finds the Department has failed to adequately study the proposed “blended shift model” which would place a greater number of correctional officers on 8-hour shifts. Any cost savings, or cost defrayment, results only from lowering overnight minimum staffing levels. The Subcommittee finds that the reduction in officer, inmate, and public safety resulting from lower minimum staffing is not consistent with the Department’s primary mission. Further, the Subcommittee finds that the Department has failed to adequately describe the cost savings and has failed to sufficiently contemplate cost increases resulting from an increased employee turnover rate. Taken together, these findings suggest that the change proposed by the Department is potentially more expensive and potentially less safe, and is thus inadvisable.

2. The Subcommittee finds the Department has failed to adequately address the legislative authorization contained in SB65 (Chapter 160 SLA 2004) to contract with municipalities to upgrade, expand, or reconstruct the correctional facilities in Bethel and Fairbanks. This failure has resulted in imminent danger to the safety of officers, inmates, and the public in those communities. Every effort should be made to exercise this delegated authority as soon as possible.

3. The Subcommittee finds the Department has made very satisfactory progress in developing and implementing “Smart Justice” strategies that aim to bend-down the long-term cost-curve by investing in programs that reduce the rate of criminal recidivism.

4. The Subcommittee finds the Department has made very satisfactory progress in curtailing the extraordinary rise in inmate health care costs.

[9:39:45 AM](#)

Senator Ellis reported to the committee that the DOC subcommittee met frequently and received plenty of attention. He stated that the proposed budget represented the first major step in the state's effort to implement a long-term justice reinvestment strategy. He applauded the governor's "Choose Respect" initiative. He highlighted the \$1.4 million included in the subcommittee's recommendation for expanded substance abuse treatment. He noted that the state used to provide for substance abuse treatment, but the funding was eliminated one decade ago.

[9:43:13 AM](#)

Senator McGuire complimented Senator Ellis on the DOC's budget. She applauded the additions to the governor's budget along with Senator Ellis' Smart Justice Initiatives.

[9:43:40 AM](#)

Senator Olson thanked Senator Ellis and observed the priority of opening Goose Creek Correctional Center. He wondered if the rural area correctional facilities, particularly the Kotzebue community jail were the subject of discussion in subcommittee meetings. He quoted item 2:

2. The Subcommittee finds the Department has failed to adequately address the legislative authorization contained in SB65 (Chapter 160 SLA 2004) to contract with municipalities to upgrade, expand, or reconstruct the correctional facilities in Bethel and Fairbanks. This failure has resulted in imminent danger to the safety of officers, inmates, and the public in those communities. Every effort should be made to exercise this delegated authority as soon as possible.

Senator Ellis relayed the subcommittee's emphasis on community jails. He applauded the department on their leadership. He recalled the department's mission of opening the Goose Creek Correctional Center. The subcommittee helped the department prioritize upgrades to the Bethel and Fairbanks correctional facilities, as well. He felt that the subcommittee stressed the importance of the Bethel and Fairbanks facilities during the DOC hearings. He perceived that the department was singularly focused on the big

prison at the expense of ignoring other needs in the state. He hoped that the legislature would continue to hold the department accountable on the budgetary issue. He asked Mr. Rogers to comment about the issue in Kotzebue.

[9:46:44 AM](#)

Mr. Rogers recounted that the situation in Kotzebue resulted from departmental efforts initiated by a 2008 legislative audit. The audit found that funding for community jails was unbalanced. The auditor proposed solutions of equity for the systems. Unfortunately, funding for Kotzebue was diminished in the effort. He pointed out an increment approved to increase funding and bring all of the community jails to the same level with full funding necessary to hold state prisoners. He explained that Kotzebue was open and an ongoing investigation was in progress. He stated that the budget had an additional \$600,000 to close the gap.

[9:47:54 AM](#)

Co-Chair Hoffman echoed Senator Ellis' concern regarding implementation of SB 65. He commented on the deplorable condition of the Yukon Kuskokwim Correctional Center. He noted that the gymnasium in the facility was used as a dormitory. He declared the facility inadequate. He visited the facility with the Commissioner of the Department of Public Safety where he hoped for some solutions from the department. He asserted that the working conditions for those employed at the Yukon Kuskokwim were unsafe. He hoped to address prison situations, particularly in rural areas, before the state faced another lawsuit.

[9:50:13 AM](#)

Senator Olson expressed concern with the eminent danger to the officers, inmates, and public in Fairbanks, Anchorage, and Bethel correctional facilities. He agreed that the risk of a lawsuit was concerning, but he wished especially to avoid unnecessary harm to the officers, inmates and public connected to the facilities.

[9:51:09 AM](#)

DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES

Co-Chair Stedman began with the subcommittee recommendations for the Department of Transportation and Public Facilities.

The Senate Finance Budget Subcommittee for the Department of Transportation & Public Facilities submits the following Fiscal Year 2013 Operating Budget Recommendations to the Senate Finance Committee:

Fund Source	13Adj. Base	Gov.Amd.	Sen. Sub.	Difference
Unrestricted GF	268,251.3	271,925.0	281,627.9	3.6%
Designated GF	73,844.0	75,635.8	68,118.1	-9.9%
Other Funds	258,785.8	264,524.4	264,024.4	.02%
Federal Funds	3,986.6	3,986.6	3,816.6	-4.3%
Total	604,867.7	616,071.8	617,587.0	.2%

Positions	13 Adj. Base	Gov.Amd.	Sen. Sub.	Difference
PFT	3,172	3,172	3,172	0
PPT	409	409	409	0
Temp	223	227	223	-4

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:

- Denied the request for additional heating fuel and utility costs for Central (\$405.7), Northern (\$782.5), and Southeast (\$158.9) Regions. These costs are already covered under the fuel price 'trigger' language in the department's Operating Budget.
- Denied inter-agency receipt authority for 4 positions in Statewide Design & Engineering Services to limit spending and restrain growth of the department's position count.
- Reduced expenditure authority from the Alaska Marine Highway System Fund to \$55 million to more accurately align with the agency's projected revenue. This was accomplished by replacing \$7,517.7 of Marine Highway System funds (code 1076) with \$7,517.7 in Unrestricted General Funds (code 1004).

- Increased the base fuel budget with \$3,482.3 of Unrestricted General Funds to align total projected costs with available funding and avoid an unsustainable draw down of the balance in the Alaska Marine Highway System Fund.
- Increased Northern Region Highways & Aviation budget by \$50.0 General Fund to secure ice road transportation access to Northwest communities.

[9:53:16 AM](#)

Senator Olson queried the plans of the Alaska Marine Highway system related to high fuel costs and inadequate ticket sales. Co-Chair Stedman replied that ticket sales were increasing but expenditures increased more rapidly. He highlighted route changes made by the Alaska Marine Highway system as an attempt to lessen expenditures.

[9:54:05 AM](#)

Senator Olson wondered if the Alaska Marine Highway system planned to expand routes.

Co-Chair Stedman replied that ongoing maintenance and the procurement of new and efficient ships were the system's priorities.

[9:54:24 AM](#)

Senator Ellis recalled a conversation with a constituent regarding the resurfacing of roadbeds in Alaska with alternative substances. He wondered if there was discussion regarding road material.

Co-Chair Stedman replied that discussions regarding the durability of the rock used in the road surfacing material had occurred in subcommittee meetings. He stated no immediate solution to the problem, and furthered the priority of finding the ideal material to provide a long-term solution for road resurfacing.

[9:56:09 AM](#)

Senator McGuire suggested innovative solutions to utilize the transportation needs of the state. She proposed a



northwest ferry passage to address declining revenues. She highlighted the tourism opportunities provided by the Alaska Marine Highway system.

Co-Chair Stedman clarified that revenues for the system were increasing. Expenditures were rising more quickly with the high cost of fuel. Additional challenging costs included ship maintenance and labor costs. He stated that the subcommittee worked with the department on control of the expenditures. He added that the Alaska Marine Highway employed new technology in their older boats to address fuel efficiency.

[9:58:28 AM](#)

Senator McGuire expressed that the Alaska Marine Highway system was an undervalued asset in the state. She advocated for collaboration with British Columbia and Washington to bring the ferry systems into alignment and provide further revenue.

[9:59:23 AM](#)

Senator Olson expressed concern regarding the deferred maintenance of airports. He queried solutions to funding deferred maintenance projects for airports.

Co-Chair Stedman deferred to his committee aide.

[10:00:17 AM](#)

Senator Olson offered to meet with Co-Chair Stedman about the issue.

[10:00:32 AM](#)

DEPARTMENT OF REVENUE

Co-Chair Stedman explained the Department of Revenue's (DOR) budget recommendations.

The Senate Finance Budget Subcommittee for the Department of Revenue submits the following FY13 Operating Budget Recommendations to the Senate Finance Committee:

<u>Fund Source</u>	<u>13 Adj Base</u>	<u>Gov Amd</u>	<u>Sen Sub</u>	<u>Difference</u>
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Unrestricted GF	\$31,020.5	\$31,833.9	\$31,833.9	\$0
Designated GF	\$ 9,549.9	\$9,615.1	\$ 9,615.1	\$0
Other Funds	\$195,767.6	\$213,078.6	\$208,342.3	\$-4,736.3
Federal Funds	\$74,669.8	\$74,884.2	\$74,884.2	\$0
0				
Total	\$311,007.8	\$329,411.8	\$324,675.5	\$ -4,736.3

Positions	13 Adj	Base Gov	Amd	Sen Sub	Difference	
PFT	875	883		881	-2	0
PPT	36	36		36	0	0
Temp	19	19		19	0	0
Total	930	938		936	-2	0

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

Budget Action

ALASKA HOUSING FINANCE CORP OPERATIONS

- Denied a \$2,476,300 increment in CIP receipts for additional operating costs for the Alaska Gasline Development Corporation.

ALASKA PERMANENT FUND CORP OPERATIONS

- Denied a \$185,000 increment in Corporation Receipts for merit based and vacancy management increases.
- Denied a \$155,000 increment in Corporation Receipts for due diligence increases.
- Reduced the request for two new exempt positions. The department requested a fixed income investment officer and an accountant to be funded with Permanent Fund receipts at \$205,000 and \$90,000 respectively. The subcommittee approved the fixed income investment officer position and denied the accountant position.
- Denied the \$230,000 request in Permanent Fund receipts to fund a co-investment position.

[10:02:31 AM](#)

DEPARTMENT OF LAW

Co-Chair Stedman discussed the subcommittee recommendations for the Department of Law (DOL). He stated that the recommendation advocated for \$2,900,000 or 3 percent less than the governor's amended budget.

The Senate Finance Budget Subcommittee for the Department of Law submits the following FY13 Operating Budget Recommendations to the Senate Finance Committee:

Fund Source	<u>13 Adj</u> <u>Base</u>	<u>Gov Amd</u>	<u>Sen Sub</u>	<u>Difference</u>
Unrestricted GF	\$54,448.1	\$65,081.2	\$62,181.2	\$ -2,900.0
Designated GF	\$2,660.0	\$2,695.0	\$2,695.0	0
Other Funds	\$26,327.5	\$27,499.8	\$27,499.8	0
Federal Funds	\$1,965.9	\$1,965.9	\$1,965.9	0
Total	\$85,401.5	\$97,241.9	\$94,341.9	\$ -2,900.0

Positions	<u>13 Adj</u> <u>Base</u>	<u>Gov Amd</u>	<u>Sen Sub</u>	<u>Difference</u>
PFT	569	570	570	0
PPT	3	3	3	0
Temp	0	0	0	0
Total	572	573	573	0

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

Budget Action

CIVIL DIVISION

- Designated the funding for Outside Counsel Non-Gasline as One Time Increments.
- Denied the \$2,900,000 request for Gas Pipeline Outside Counsel and Experts.

[10:03:00 AM](#)

DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT

Senator Thomas presented the Department of Labor and Workforce Development's (DLWD) budget recommendations.

Worker's Compensation - Occupational Safety & Health  
Appropriation

- \$220 Workers' Compensation Benefits Guaranty Fund for grant expenditures for anticipated benefit payments
- \$103.2 Workers' Compensation Benefits Guaranty Fund to fund a Collections Officer. Since its inception in FY05, the Workers Compensation fraud unit has assessed \$3.5 million in penalties, but collected only 46 percent of that total. An existing vacant position will be used for this increment.
- Labor Standards & Safety
  - \$2,000 in Unrestricted General Funds to replace unrealizable Workers' Safety and Compensation Administration Account authority. These funds will allow the State of Alaska to avoid a federal takeover of safety and health enforcement, a development which the subcommittee and the department vehemently oppose. This fund has a structural problem arising from operating and capital expenditures from the fund in prior fiscal years. Addressing this issue should be tackled in FY14.
- Business Partnerships
  - \$373.6 in State Training & Employment Program Funds to provide additional training opportunities for Alaskans
- Alaska Vocational Technical Center
  - \$226.8 UNRESTRICTED GENERAL FUNDS and \$100 in Designated General Funds to establish a new registered nurse training program. This program will leverage additional dollars from an existing federal grant awarded to the Cook Inlet Tribal Council. House did not approve this funding. AVTEC will utilize an existing position to staff the program.
  - \$250 Unrestricted general funds to replace unrealized program receipts. This is a one-time item. This matches the \$250 UNRESTRICTED GENERAL FUNDS included in the FY12 Supplemental Budget. This item was not funded by the House. The subcommittee has inserted intent language directing the department to report back to the legislature on efforts to utilize AVTEC's grant writer position funded in FY12 to secure grant funding to support AVTEC's mission.

- We propose the following decrements:
  - For the Division of Business Partnerships
    - \$1,500 in Federal Receipts to eliminate a portion of their unrealizable federal receipt authority.
  
- We propose including the following increments:
  - For the division of Business Partnerships
    - \$85 in UNRESTRICTED GENERAL FUNDS as a grant to the Alaska State Hospital and Nursing Home Association for the design and implementation of a perioperative nursing program. The Alaska Perioperative Nursing Consortium has been formed by ASHNHA and six Alaska hospitals to train up to 30 operating room nurses in the first year. This will address a growing need for specialty nurses within Alaska, a need that is currently met by using high-priced traveling nurses from out of state. Information provided by ASHNHA on the program can be found in your packet. This is a one-time item. State funds will be matched by at least \$100,000 in funds from the participating hospitals.
    - \$150 in UNRESTRICTED GENERAL FUNDS for the Alaska Works Partnership Rural Apprenticeship Outreach Training Program. Information on this program can be found in your packet, along with letters of support from program trainees. This is an eleven year old program providing travel assistance, application and interview training, math courses and support services for rural Alaskans interested in pursuing training and employment as a registered apprentice. In 2011, 93 Alaskans participated in the program and 34 applicants became trade apprentices. Denali Commission also provides matching funds. This is a one-time item.
  - For the Division of Employment Security
    - \$150 in UNRESTRICTED GENERAL FUNDS for the Alaska Works Partnership Helmets to Hardhats Program. Helmets to Hardhats helps connects veterans of the American Armed Services with quality career training opportunities in construction trades. Over 2000 Alaska veterans received notices from the program last year informing them of training and job

opportunities, and 33 veterans utilized Helmets to Hardhats services to enter construction trade apprenticeships during the year. More information on this program can be found in your packet.

Senator Thomas thanked the members of the subcommittee.

[10:06:29 AM](#)

DEPARTMENT OF NATURAL RESOURCES

Senator Thomas submitted the Department of Natural Resources (DNR) budget recommendations.

	<u>FY12 Mgt</u>	<u>FY13 Adj</u>			<u>Senate</u>
	<u>Pln</u>	<u>Base</u>	<u>Governor</u>	<u>House</u>	<u>Subcom</u>
Unrestricted GF	76,240.0	69,635.4	78,805.8	78,818.5	78,659.2
Designated GF	26,229.9	26,070.0	25,927.6	25,927.6	25,927.6
Other	35,353.9	35,396.1	38,378.0	38,378.0	38,378.0
Federal Funds	15,961.7	14,099.3	22,552.7	22,552.7	22,552.7
Total	153,785.5	145,200.8	165,664.1	165,676.8	165,517.5

Position Changes in DNR:

	<u>FY12 Mgt</u>	<u>FY13 Adj</u>	<u>Governor</u>		<u>Senate</u>
	<u>Pln</u>	<u>Base</u>		<u>House</u>	<u>Subcom</u>
PFTs	757	743	742	743	743
PPTs	248	243	242	242	243
Temps	95	95	96	96	96

1.

a. Department-wide Position Deletions and Funding Redistribution:

i. \$587.2 UGF: The agency determined where funded vacant positions could be eliminated in order to make funding available elsewhere in the agency. Several decrements and increments were proposed and accepted.

b. Office of Project Management & Permitting

i. \$571 UGF to replace unsustainable operating budget spending from the Land Disposal Income Fund.

ii. \$2,000 Statutory Designated Program Receipts Large Project Receipt Authority.

- iii. \$75 UGF & \$75 Inter-Agency Receipts for a Project Coordinator for the Susitna Hydro Project and Federal Resource Policy
  - c. Division of Oil & Gas
    - i. \$776.1 UGF to replace unsustainable operating budget spending from the Land Disposal Income Fund.
    - ii. \$300 UGF for Arbitration of Oil and Gas Royalty Issues.
  - d. Division of Mining Land and Water
    - i. \$2,894.1 UGF & \$105 DGF for Improving Service and Permitting.
    - i. \$950 UGF for Maintaining Staffing for Permitting Initiative.
    - ii. \$150 UGF for Guide Concession Program Development. This is a One-Time Item.
    - iii. \$50 UGF for Offshore Lease Sales Oversight at Nome Gold Dredging Operations.
    - iv. \$45 UGF for Sanitation Facilities at Kasilof River Special Use Area
  - e. Division of Geologic & Geophysical Surveys
    - i. \$200 UGF for Accelerated Geologic Map and Report Production & Baseline Aquifer Mapping.
  - f. Fire Suppression
    - i. \$516.7 UGF for Fire Suppression Preparedness Fixed Cost Increases
    - i. \$8,500.0 Federal Receipts for Fire Suppression Activity Increased Federal Estimate.

2. Modified the Governor's amended FY13 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 FY13 Operating Budget:
  - i. \$400 UGF OTI for AGIA Commercial Monitor & Advisor
    - 1. This is a \$400 decrease from the Governor's request and the amount funded by the House. The FY12 Supplemental Budget contains a \$1,200 multi-year carry forward of unexpended funds for AGIA-related work.
  - ii. \$1,290.0 UGF OTIA for AGIA Coordinator's Staff and Capacity

- iii. \$1,150.0 UGF OTI for AGIA Contractors & Consultants
  - 3. The Subcommittee adopts the following amendments to the Governor's proposed FY13 budget for the Department of Natural Resources:
    - a. Parks & Outdoor Recreation
      - i. \$208.4 for Improving Services and Access in State Parks.
    - b. Commissioner's Office
      - i. \$100 UGF for Support for Existing Staff Levels.
      - ii. \$50 UGF for Statewide Resource Development Initiatives. This is a One-Time item.
    - c. Mining Land & Water
      - i. \$45 UGF for Sanitation Facilities at Kasilof River Public Use Area
  - 4. Differences from House Finance
    - a. Resource Development
      - i. AGIA Items - The Senate funds AGIA lines as onetime items, the House puts the funding into the base. This is the same structure adopted in the FY12 Operating Budget.
      - ii. Guide Concession Area Program - The Senate funded the \$150 UGF item that is supported by the department, the governor and the Board of Game. The other body funded the item at \$75 UGF.
      - iii. Parks & Outdoor Recreation - The House funded only the salary of the Lower Chatanika State Recreation Area Ranger at \$87.7 UGF and did not fund the Southeast Region seasonal parks technician.
      - iv. Commissioner's Office - The House funded this \$150 increment as a single item. The Senate split out the marketing effort dollars from the requested funds for existing personnel, and makes the marketing dollars a one-time item.
      - v. Mining Land & Water: The House did not include funding for Sanitation Facilities at the Kasilof River Special Use Area.
  - 5. Intent Language
    - a. The Subcommittee recommends the following intent language be inserted into the budget:
      - i. Statewide Resource Development Initiatives: It is the intent of the legislature that the department report back on the efficacy of marketing efforts and present a multi-year plan



for marketing statewide resource development efforts.

- ii. Land Disposal Income Fund: It is the intent of the legislature that the Administration report back with 1) a plan to stabilize the Land Disposal Income Fund and 2) a report detailing the effects of utilizing the fund solely to enhance state land disposal efforts.

Senator Thomas thanked the members of the subcommittee.

[10:11:35 AM](#)

Senator Olson commented on the television series "Bering Sea Gold," which contributed \$9.3 million in revenue from leases. He stated that his Nome constituents expressed concern about the influx of people and their potential stress on social services.

[10:12:47 AM](#)

ALASKA COURT SYSTEM

Senator Egan thanked the members of the Court System subcommittee. He presented the Court System subcommittee's budget recommendations.

[10:13:45 AM](#)

JESSE KIEHL, STAFF, SENATOR DENNIS EGAN, highlighted the Court System's subcommittee's budget recommendations.

The Senate Finance Budget Subcommittee for the Alaska Court System submits an Operating Budget to the Senate Finance Committee for FY 13 as follows:

	<u>FY12 Mgt</u>	<u>FY13 Adj</u>	<u>Gov</u>	<u>Senate</u>	
	<u>Pln</u>	<u>Base</u>	<u>Amend+</u>	<u>Subcom</u>	<u>House</u>
Unrestricted GF	101,089.6	104,743.1	107,287.6	106,355.7	106,421.5
Designated GF	518.0	518.0	518.0	518.0	518.0
Other	2,106.0	1,196.7	1,914.5	1,914.5	1,914.5
Federal Funds	1,675.6	1,675.6	1,675.6	1,675.6	1,675.6
Total	105,389.2	108,133.4	111,395.7	110,463.8	110,529.6

Positions

PFTs	758	758	768	765	764
PPTs	48	48	48	47	48
Temps	21	21	21	21	21

Total Positions                      827                      827                      837                      833                      833

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

Budget Action

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

- Denied three requests for \$426.2 across the Court System for implementing an increased geographic pay differential. This is the second-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 drop in staff turnover in recent years.
- Denied requests in the appellate courts for furnishings and a staff attorney position upgrade.
- Denied a request for \$134.2 GF to add a second magistrate trainer.
- Denied \$175.0 GF for computer replacements. The Court system has sufficient funds in its base budget to replace its technology and the subcommittee commends the Court System's ongoing careful management.
- Denied a request to lease a new custom-built court space in Emmonak. The Emmonak location has not seen sustained caseload increases, and deficiencies in the existing space can be addressed with the landlord.
- Funded a request for \$50.0 GF/MH to continue the Anchorage Operator Without a License court, as a one-time item. The Court System should collect outcome and cost saving data to enable the legislature to further evaluate ongoing funding.
- Reduced a request for \$326.7 GF and three administrative positions to \$113.5 and one PFT for a contracts & leasing manager, Range 18A.
- Deleted one Permanent Part Time position added in FY 12. The Court System used domestic violence coordinator funds to expand the duties of an existing position.
- Added \$176.4 GF to pay the increased lease costs for the Nome Courthouse. This cost increase has been anticipated for several years, and is not avoidable until a new state office building is constructed in Nome.

[10:16:44 AM](#)

DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT

Senator Egan thanked the members of the Department of Education and Early Development (DEED) subcommittee.

The Senate Finance Budget Subcommittee for the Department of Education & Early Development submits an Operating Budget to the Senate Finance Committee for FY 13 as follows:

	FY12 Mgt Pln	FY13 Adj Base	Gov Amend+	Senate Subcom	House
Unrestricted GF	1,227,690.9	1,207,132.0	1,244,593.2	1,212,748.0	1,207,409.6
Designated GF	13,958.4	13,981.8	15,064.3	15,064.3	15,064.3
Other	25,058.7	25,177.5	25,087.8	25,087.8	25,087.8
Federal Funds	285,400.9	233,605.7	233,790.2	233,790.2	233,790.2
Total	1,552,108.9	1,479,897.0	1,518,535.5	1,486,690.3	1,481,351.9

Positions

PFTs	336	332	332	332	332
PPTs	14	14	14	14	14
Temps	7	8	8	8	8
Total Positions	357	354	354	354	354

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

Budget Action

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

- While subcommittees do not close out on language transactions, we note the governor recommended a one-time \$30.3 million appropriation to school districts. The subcommittee strongly recommends the full Finance Committee deny this request in favor of funding an increase to the Base Student Allocation, as passed by the full senate.
- Added a one-time \$330.0 grant to the North Slope Borough School District for the third year of its Curriculum Alignment, Integration, & Mapping project. The resulting educational tools will be made available to other school districts in the state upon completion of the project.

- Moved the base funding of \$2,000.0 for the Pre-Kindergarten program to a separate allocation within the Division of Teaching & Learning Support. The subcommittee found that the program is highly effective, and its continued funding is a linchpin of the Moore v. State settlement.
- Added \$2,000.0 to the Pre-Kindergarten program in keeping with the department's original plan to increase funding by \$2 million per year until a statewide level of \$10 million is reached. The department will complete the grants every two years.
- Added \$1,000.0 to the AlaskAdvantage Education Grant program, bringing the funding level to \$4 million. FY 12 need was more than \$7 million, which shows the importance of increasing funds. A funding level of \$4 million will maintain the 2/3 Performance Scholarship, 1/3 needs-based grant ratio established in FY 12.
- Denied the governor's requested Alaska Housing Capital Corporation fund increment for the Alaska Performance Scholarship program of \$2,000.0, then decremented \$2,900.0 AHCC from the budget base. This leaves \$3.1 million remaining, an amount sufficient to fund the current cohort of students (including a buffer for summer term attendees not yet awarded scholarships). The governor committed not to use the \$400 million set aside for this program until an endowment structure was in place. While the \$400 million is likely to earn the \$3.1 million needed in the current fiscal year, it is not expected to earn the \$8 million the governor requested. The subcommittee recommends funding a second cohort through the fiscal note to HB 104.

[10:18:10 AM](#)

Senator Egan stated that the governor recommended a one-time \$30.3 million appropriation to school districts. The subcommittee strongly recommended that the full finance committee deny the governor's request in favor of funding an increase of the base student allocation as passed by the full Senate in SB 171.

[10:18:19 AM](#)

Mr. Kiehl explained that the subcommittee's recommendation funded the governor's amended budget for DEED with relatively few changes.

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

- While subcommittees do not close out on language transactions, we note the governor recommended a one-time \$30.3 million appropriation to school districts. The subcommittee strongly recommends the full Finance Committee deny this request in favor of funding an increase to the Base Student Allocation, as passed by the full senate.
- Added a one-time \$330.0 grant to the North Slope Borough School District for the third year of its Curriculum Alignment, Integration, & Mapping project. The resulting educational tools will be made available to other school districts in the state upon completion of the project.
- Moved the base funding of \$2,000.0 for the Pre-Kindergarten program to a separate allocation within the Division of Teaching & Learning Support. The subcommittee found that the program is highly effective, and its continued funding is a linchpin of the Moore v. State settlement.
- Added \$2,000.0 to the Pre-Kindergarten program in keeping with the department's original plan to increase funding by \$2 million per year until a statewide level of \$10 million is reached. The department will complete the grants every two years.
- Added \$1,000.0 to the AlaskAdvantage Education Grant program, bringing the funding level to \$4 million. FY 12 need was more than \$7 million, which shows the importance of increasing funds. A funding level of \$4 million will maintain the 2/3 Performance Scholarship, 1/3 needs-based grant ratio established in FY 12.
- Denied the governor's requested Alaska Housing Capital Corporation fund increment for the Alaska Performance Scholarship program of \$2,000.0, then decremented \$2,900.0 AHCC from the budget base. This leaves \$3.1 million remaining, an amount sufficient to fund the current cohort of students (including a buffer for summer term attendees

not yet awarded scholarships). The governor committed not to use the \$400 million set aside for this program until an endowment structure was in place. While the \$400 million is likely to earn the \$3.1 million needed in the current fiscal year, it is not expected to earn the \$8 million the governor requested. The subcommittee recommends funding a second cohort through the fiscal note to HB 104.

Attached Reports (numbers and language)

1. Agency Totals - FY 13 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. Transaction Comparison (House and Senate Subcom)
7. Wordage Report - FY 13 Operating Budget - Senate Structure

[10:23:00 AM](#)

DEPARTMENT OF ENVIRONMENTAL CONSERVATION

Senator McGuire thanked the members of the subcommittee for the Department of Environmental Conservation (DEC).

Fiscal Year 2013 Recommendations

The Senate Finance Budget Subcommittee for the Department of Environmental Conservation submits an Operating Budget to the Senate Finance Committee for FY 13 as follows:

<u>Fund Source</u>	<u>FY 13 GovAmd+</u>	<u>Sen Sub</u>	<u>GovAmd+ to Sen Sub</u>
General Funds	\$21,062.8	\$21,146.8	\$84.0
Designated General Funds	\$26,967.6	\$26,883.6	-\$84.0
Federal Funds	\$24,227.8	\$24,227.8	\$0.0
Other Funds	\$11,294.1	\$11,294.1	\$0.0
Total	\$83,552.3	\$85,552.3	\$0.0

<u>Positions</u>	<u>FY 13 GovAmd+</u>	<u>Sen Sub</u>	<u>GovAmd+ to Sen Sub</u>
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PFT	541	541	0
PPT	0	0	0
Temp	11	11	0

The Subcommittee held three meetings with the Department of Environmental Conservation and recommends adopting the Governor's FY 13 amended request for the Department of Environmental Conservation with the following change:

1. The Subcommittee recommends a fund source change for the Governor's proposed increment in the Environmental Health appropriation, Laboratory Service allocation, to add funding for one microbiologist to continue support for shellfish (including Dungeness crab) from general fund/program receipts to unrestricted general funds.

Additional Recommendations:

The Subcommittee also strongly recommends that the Finance Committee support funding for the construction of fish cleaning stations (TPS # 58603v1) to support the Kenai River Dipnet fishery in the FY 13 capital budget. The subcommittee heard testimony from the Department and Senator Wagoner about the health and safety issues created by the influx of dipnetters and associated fish-waste created by the fishery.

[10:26:20 AM](#)

Senator McGuire pointed out a document distributed to committee members regarding the oil spill and hazardous clean-up funds (copy on file). She highlighted a projected shortfall in the fund predicted for 2014. She stressed that the "clean-ups" were essential to the safety of Alaskans. She stated that she provided the committee samples of the concerning sites. She mentioned findings of contamination such as gasoline and diesel and benzene. She noted that the reason, under FY 09 actions, removal of all contaminated soil was not completed was because of limited resources. She declared it an obligation of Alaska to clean up its sites. She pointed out a statutory requirement that did not require the agency responsible or the state to pay for the clean-up, resulting in DEC's unallocated clean-up costs. She noted that the department regarded clean-up as a priority, but believed that either a change in statute or an increase in funding was necessary to solve the problem. She requested a plan from the department.

[10:28:53 AM](#)

Co-Chair Hoffman agreed that if the state demanded that the federal government clean-up, the state should steward the land appropriately.

[10:29:17 AM](#)

DEPARTMENT OF MILITARY AND VETERANS AFFAIRS

Senator McGuire presented the budget recommendations for Department of Military and Veterans Affairs (DMVA).

The Senate Finance Budget Subcommittee for the Department of Military and Veterans Affairs submits an Operating Budget to the Senate Finance Committee for FY 13 as follows:

<u>Fund Source</u>	<u>FY 13 GovAmd+</u>	<u>Sen Sub</u>	<u>GovAmd+ to Sen Sub</u>
General	\$22,048.8	\$21,858.8	-\$190.0
Funds			
Federal	\$51,838.3	\$25,142.7	-\$26,695.6
Funds			
Other Funds	\$16,556.9	\$16,556.9	\$0.0
Total	\$90,444.0	\$63,558.4	-\$26,885.6

<u>Positions</u>	<u>FY 13 GovAmd+</u>	<u>Sen Sub</u>	<u>GovAmd+ to Sen Sub</u>
PFT	338	338	0
PPT	2	2	0
Temp	2	2	0

The Subcommittee held three meetings with the Department of Military and Veterans Affairs and recommends adopting the Governor's FY 13 amended request for the Department of Military and Veterans Affairs with the following changes:

1. The Subcommittee concurs with the actions taken by the House to reduce the Governor's FY 13 request by recommending:

i. An increment of \$20,000 of unrestricted general funds in the Office of the Commissioner allocation for employee education reimbursement costs. The Governor's FY 13 request for this item was for \$60,000 of unrestricted general funds as an ongoing appropriation.



ii. A one-time increment of \$100,000 of unrestricted general funds in the Veterans' Services allocation to fund increased travel and outreach. The Governor's FY 13 request for this item was for \$250,000 of unrestricted general funds as an ongoing appropriation.

iii. A decrement of \$3,400,400 of federal funds in the Alaska Aerospace Corporation allocation, and a decrement of \$23,295,200 of federal funds in the Alaska Aerospace Corporation Facilities Maintenance allocation. These appropriations are currently excess authorization.

2. The Subcommittee does not concur with the actions taken by the House and instead recommends:

i. An increment of \$248,600 of unrestricted general funds in the Veterans' Services allocation to move the Veterans' Services office off base. The Governor's FY 13 request for this item was for \$300,000 of unrestricted general funds as an ongoing appropriation.

i. The initial startup costs for moving the office of \$51,400 of unrestricted general funds are recommended as a one-time item.

ii. An increment of \$1,000,000 of unrestricted general funds in the Alaska Aerospace Corporation allocation for the Alaska Aerospace Corporation's operations and maintenance.

i. An increment of \$549,000 of unrestricted general funds in the Alaska Aerospace Corporation allocation for the Alaska Aerospace Corporation's operations and maintenance is recommended as a one-time item.

iii. An increment of \$3,000,000 of unrestricted general funds in the Alaska Aerospace Corporation Facilities Maintenance allocation for the Alaska Aerospace Corporation's facilities maintenance and operations.

i. An increment of \$3,451,000 of unrestricted general funds in the Alaska Aerospace Corporation Facilities Maintenance allocation for the Alaska Aerospace's facilities maintenance and operations is recommended as a one-time allocation.

Additional Recommendations:

The Subcommittee also recommends that the Department work with the Governor and introduce a bill in the next legislative session to clarify authorization of, and funding for the Alaska Military Youth Academy.

[10:35:15 AM](#)

AT EASE

[10:35:56 AM](#)

RECONVENED

[10:36:02 AM](#)

Co-Chair Stedman MOVED to ADOPT all subcommittee reports as submitted. Seeing NO OBJECTION it was SO ORDERED.

[10:36:32 AM](#)

Co-Chair Stedman MOVED to allow Legislative Finance Division to make any necessary conforming and technical changes needed to draft a new Committee Substitute.

[10:37:12 AM](#)

AT EASE

[10:38:23 AM](#)

RECONVENED

[10:38:31 AM](#)

Co-Chair Hoffman thanked the various chairmen and their respective subcommittees.

[10:39:16 AM](#)

Co-Chair Stedman MOVED to ADOPT the proposed committee substitute for CSHB 284(FIN), Work Draft 27-GH2599\O (Bailey, 3/26/12). There being NO OBJECTION it was so ordered.

[10:39:45 AM](#)

Co-Chair Stedman MOVED to ADOPT SB 285 the proposed committee substitute for CSHB 285(FIN), Work Draft 27-GH2599\D (Bailey 3/26/12). There being NO OBJECTION it was so ordered.

[10:40:14 AM](#)

Mr. Grussendorf explained the changes to the numbers section of the bill. He explained that the changes incorporated all subcommittee recommendations as presented to the committee. He noted four changes in the language section of the bill. The first change was found on page 60, line 20 concerning payments for the Low-Income Home Energy Assistance Program (LIHEAP)

estimated at \$10,620,300. He clarified that the amount was an estimate, which might change. The second change, found on page 64, line 17 concerning the department's fuel trigger. He stressed that the legislature was not adding more money to the fuel trigger, but instead, changing the 8 percent cap to 10 percent. The change allowed the university to appeal to the administration for an increased cap.

Mr. Grussendorf continued with another change on line 25, an appropriation for \$2.9 million to the Office of the Governor to cover the proposed initiative for the Coastal Zone Management Initiative. The final change on page 73, line 5 included \$35,512,300 appropriated to the regional education attendance area school fund. The item was formerly in the governor's capital budget, but the committee believed that it was better placed in the operating budget due to the fact that it was formula driven.

[10:43:24 AM](#)

Mr. Grussendorf explained the changes to HB 285. He stated that historically the house removed the first project in the mental health bill and removed the remainder. The Senate then funded the remainder and removed the first project making the entire bill conference-able.

[10:43:45 AM](#)

KAREN REHFELD, DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET, thanked the committee and staff for the work done with the administration's proposal. She anticipated further discussion regarding the differences between the Senate and the House committee substitutes in preparation for the conference committee process.

[10:44:54 AM](#)

Co-Chair Hoffman voiced that the proposed budget addressed many issues facing Alaska. He announced the public hearing process scheduled for March 28, 2012. He stated that the CS was available on the LFD website and BASIS would link the work draft for the public's viewing.

[10:45:18 AM](#)

AT EASE

[10:46:27 AM](#)

RECONVENED

#sb203

SENATE BILL NO. 203

"An Act establishing an energy assistance program in the Department of Revenue to issue an energy voucher to Alaska permanent fund dividend recipients; and relating to the analysis and recommendation of an energy assistance program by the governor."

10:46:37 AM

Co-Chair Hoffman noted that the meeting was the second hearing for SB 203, regarding an energy assistance program.

10:47:00 AM

Co-Chair Stedman MOVED to ADOPT the proposed committee substitute for SB 203, Work Draft 27-LS1363\D (Neuman, 3/26/12). There being NO OBJECTION it was so ordered.

10:47:32 AM

Senator Thomas provided a brief introduction to SB 203. He explained that the CS retained major elements of the original bill, which incorporated changes intended to make the energy voucher program simpler for field distributors and state agencies to administer. The most significant change is for redeeming the energy voucher. He referred to "Senate Bill 203: Energy Relief for Alaskans" (copy on file).

Purpose: To provide Alaskans with relief from the effects of high energy costs and create a program to help residents deal with high energy costs during the transition to an affordable energy source.

Section 1: The state will send a voucher to every adult PFD recipient in the fall of 2012. This can be redeemed at a fuel distributor or utility of your choice for the value of 250 gallons of heating oil, 350 CCF of natural gas, or for 1,500 KWH of electricity.

- The recipient decides whether to use the voucher for heating oil or natural gas or electricity, then gives the voucher to the distributor of their choice. If

the recipient does not already have an account with the distributor, they open an account.

- Distributors send the vouchers to the state and submit claims for payment that list the voucher number, name of voucher owner, the delivery address and other information.
- Upon receipt of a claim from a distributor, the state sends payment to the distributor to be credited to the voucher recipient's account.
- The amount of the state payment will be calculated by multiplying the quantity of fuel provided by the voucher, by the distributor's retail price on a specific date in 2012.
- The credit may be used only for energy at the recipient's primary residence in Alaska, and may not be transferred to another account or paid in cash to the account holder.
- The credit may be used to pay a recipient's debt with the distributor.
- Each voucher may only be used at one distributor.
- Distributors can decide whether to deliver fuel immediately after they receive a voucher, or to wait until they receive payment from the state.
- The credit remains in the account until it is spent on energy delivered to the recipient's home.
- If the account is closed before all the credit is used, the distributor sends the balance back to the state.
- Vouchers state the recipient's name, may not be sold or transferred, and require signature by both the recipient and the distributor.
- Recipients who certify that they do not pay directly for heating oil, natural gas or electricity at their primary residence may return their vouchers to the state and receive either: a replacement voucher in the name of their landlord, or a check for \$250. Individuals may also qualify for \$250 if they do not have a qualified distributor in their community.
- Participation by distributors is voluntary, and interested businesses can apply to be added to the list of qualified distributors.
- The program will be administered by the Alaska Housing Finance Corporation (AHFC).

Section 2: The Governor must evaluate options and make a recommendation for the best energy relief program that can be instituted in 2013 and beyond.

This recommendation is due October 1, 2012. This analysis must include an evaluation of a "fuel price reduction" program, an "individual account" program, and alternate options.

Section 3: AHFC may adopt emergency regulations and is exempt from procurement law for the purpose of implementing the energy voucher program rapidly.

Section 4: This legislation takes effect immediately.

[10:50:08 AM](#)

AT EASE

[10:51:40 AM](#)

RECONVENED

Co-Chair Hoffman turned the gavel to Co-Chair Stedman.

#sb192

SENATE BILL NO. 192

"An Act relating to the oil and gas production tax; and providing for an effective date."

SB 192 was SCHEDULED and NOT HEARD.

[10:52:32 AM](#)

#

ADJOURNMENT

[10:52:46 AM](#)

The meeting was adjourned at 10:52 AM.