

HOUSE FINANCE COMMITTEE  
March 4, 2013  
1:32 p.m.

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CALL TO ORDER

Co-Chair Austerman called the House Finance Committee meeting to order at 1:32 p.m.

MEMBERS PRESENT

Representative Alan Austerman, Co-Chair  
Representative Bill Stoltze, Co-Chair  
Representative Mark Neuman, Vice-Chair  
Representative Mia Costello  
Representative Bryce Edgmon  
Representative Les Gara  
Representative Lindsey Holmes  
Representative Scott Kawasaki, Alternate  
Representative Cathy Munoz  
Representative Steve Thompson  
Representative Tammie Wilson

MEMBERS ABSENT

Representative David Guttenberg

ALSO PRESENT

Pete Ecklund, Staff, Representative Alan Austerman; Joan Brown, Staff, Representative Alan Austerman.

SUMMARY

HB 65        APPROP: OPERATING BUDGET/LOANS/FUNDS

HB 65 was HEARD and HELD in committee for further consideration.

HB 66        APPROP: MENTAL HEALTH BUDGET

HB 66 was HEARD and HELD in committee for further consideration.

#hb65

#hb66

HOUSE BILL NO. 65

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

HOUSE BILL NO. 66

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

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Co-Chair Austerman discussed the schedule for the week. He asked committee members to have operating budget amendments to his office by 5:00 p.m. on Wednesday. He talked about protocol for the current meeting.

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Co-Chair Stoltze MOVED to ADOPT the proposed committee substitute for HB 65, Work Draft 28-GH1799\C (Bailey, 3/2/13). There being NO OBJECTION, it was so ordered.

PETE ECKLUND, STAFF, REPRESENTATIVE ALAN AUSTERMAN, read from a statement:

This year the Governor submitted an FY14 operating budget with modest growth over the current FY13 budget. Including the amendments submitted mid-February, the General Fund growth in agency budgets was just 1.3%. That is a significant downturn in agency growth from the average of 6.5% over the last ten years.

While that is encouraging and commendable, further work to slow the growth of government remains. When the legislature left last session, there was an expectation that there would be an end-of-fiscal year surplus of over \$400 million dollars. When the

legislature convened in January, those projections had changed. Now it is likely we will be using some level of savings in FY13; perhaps hundreds of millions of dollars.

The price per barrel to balance our budget has increased from \$64 in FY10 to \$110 in FY13. Because of declining production, if we have the same size budget in FY14 as FY13, it would take \$115 dollar oil to balance our budget.

Since the price forecast for oil in FY14 is \$109.61, if our FY14 spending equaled FY13, we would run a deficit of over \$900 Million dollars.

In order to further lower the growth of government and to preserve savings, subcommittees were asked to review and develop their respective agency budgets with an overall goal of no growth in agency operations.

Mr. Co-Chair, you also directed the subcommittees to review the agency budgets via a five-step process:

1. Review the agency Mission, Core Services, and Performance Measures (with the thought that through results based budgeting, agencies should be measuring the effectiveness of programs in order to demonstrate what value the public is receiving for our investments)
2. Review budget changes since FY2005, the last year of relatively flat budgets - this enables us to track the GF and Total Funds changes over the ten-year period via graphs (with extensive data reports also available)
3. Review agency 10-year plans - this highlights the future budget changes anticipated by the agency, for instance, some agencies have shown their expectations of federal funding reductions with an associated backfill of general funds

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Mr. Ecklund continued to read from a statement:

4. Accountability check: Review audit findings made by the Division of Legislative Audit - this highlights areas where improvement was or is needed and the agency's response to those findings

5. Get a status update on budget changes approved for the current fiscal year: FY13 - this indicates the agency's responsiveness to changes incorporated in the current year budget; for example; are projects started, are positions filled, are backlogs being processed more quickly, etc.

Then, after looking at the agencies mission and results, looking back, looking forward, and looking at current year progress, subcommittees had a context in which to review the budget requests for FY14.

I'd like to thank David Teal and the staff at Legislative Finance as they were integral in preparing the 2005 Look-back graphs and associated data, 10-year plan graphs, and consolidating information on current year progress for the subcommittees, along with providing their normal budget support function for the subcommittees. The Legislature is fortunate to have such a talented group assisting with development of the budget.

I'd also like to thank Karen Rehfeld and the staff of the Office of Management and Budget, and the leadership of the Executive Branch agencies for their help in the budget review process.

Do we have more work to do on this process? The answer is "yes." We still need to spend more time with agency staff to ensure alignment of agencies mission, core services, and performance measures and to finalize efficiency and effectiveness performance measures. The subcommittees had just 46 days to review budgets prior to the March 1 subcommittee close-out deadline. We plan to continue subcommittee work over the interim, specifically with the Department of Health and Social Services, and during the next legislative session.

Mr. Co-Chair, you charged the Subcommittees with reviewing their assigned agency budgets contained in section 1 (the numbers section) of the operating

budget bill, HB 65, and in section 1 of the mental health budget bill, HB 66.

Language section appropriations were not under the purview of the subcommittees. Language section changes will be explained by Joan next.

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Mr. Ecklund continued to read from a statement:

Subcommittees were also provided with the supplemental budget requests submitted by the Governor on January 29 and were charged with reviewing their respective agencies' non-language budget amendments submitted by the Governor on February 12. As expected, many supplemental requests were precursors to FY14 budget amendments. We appreciate the efforts of OMB to highlight those facts in both their supplemental spreadsheet and their amendment spreadsheet.

Mr. Co-Chair, all of the subcommittee reports are found on the Legislative Finance website. Reports on these two committee substitute bills will also be posted on the Legislative Finance website immediately after this hearing.

And now to the numbers:

The operating budget Committee Substitute totals \$9.718 Billion (all funds), a reduction of \$195.9 Million from the Governor's Amended budget (an overall 2.0% reduction).

Agency budgets have been reduced by \$74.2 Million in General Funds from the Governor's Amended budget and \$6.7 Million from FY13 Management Plan.

So Mr. Co-Chair, at this point we have met our goal and are below current year GF spending in agency operations.

Combined agency operations and the statewide item General funds equal \$6.403 Billion, for a GF reduction of \$203.2 Million (\$125 Million is related to the AIDEA sustainable energy and transmission development fund and will be addressed in a fiscal note)

Other Funds increased \$769,000 for a total of \$1.281 Billion, and Federal Receipts increased by \$6.5 million to \$2.033 Billion

Although there are general fund reductions from the Governor's amended budget and from Management plan, there are \$108.6 Million of GF increases from adjusted base.

The legislature begins its budget analysis from adjusted base and builds the budget from there. Increases from adjusted base have been made in most agencies, although not as much as the Governor proposed.

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JOAN BROWN, STAFF, REPRESENTATIVE ALAN AUSTERMAN, read from a statement:

Mr. Co-Chair, section 1 of HB 65, the numbers section of the bill, is the compilation of the department budget recommendations adopted by the House Finance budget subcommittees, with one exception. In the Department of Corrections, after consultation with the Subcommittee Chair, we included a fund source change of \$674,400 from unrestricted general funds to designated general funds in the Inmate Health Care appropriation, Physical Health Care allocation, to correspond with a change we made in the language section, which I will describe later.

Mr. Co-Chair, now I'll go through the language sections and indicate whether or not we made any changes and if so, what those changes are. Starting on page 55 of the bill:

We made no changes to:

Section 4, Legislative Intent  
Section 5, Costs of Job Reclassifications  
Section 6, Personal Services Transfers or to  
Section 7, Alaska Aerospace Corporation

Page 55 Section 8, ALASKA HOUSING FINANCE CORPORATION

Mr. Co-Chair, in subsection (a) we replaced the phrase "adjusted net income" with the phrase "change in net assets" to conform with AHFC's statutes;

In subsection (b) we made changed the lead-in wording to reflect the fact that AHFC will be retaining the entire \$10.6 Million dollar dividend in order to pay debt service;

In subsection (c) we changed the location of where any excess AHFC Dividend funds would be deposited from the Budget Reserve Fund as the Governor proposed to the Alaska Capital Income Fund. This recognizes the legislature's "tradition" of using corporate dividends for capital projects. However, no "excess" dividend funds are anticipated.

Page 56 Section 9, ALASKA PERMANENT FUND CORPORATION

Mr. Co-Chair, we accepted the Governor's amendments correcting the amounts in subsection (a) from \$943 Million dollars to \$958 Million for the dividend fund and in subsection (b) from \$958 Million to \$939 Million dollars for inflation proofing.

Page 57 Section 10, ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY

Mr. Co-Chair, just as we did in the Alaska Housing Finance Corporation section, we revised subsection (b) so if there should be any excess AIDEA Dividend funds, they will be deposited into the Alaska Capital Income Fund, instead of the budget reserve fund as originally proposed. Again, no "excess" dividend funds are anticipated.

Page 57 Section 11, DEPARTMENT OF ADMINISTRATION

We made no change.

Pages 57 - 59 Section 12, DEPARTMENT OF COMMERCE, COMMUNITY, AND ECONOMIC DEVELOPMENT

In subsection (d) we added the estimated amount of \$10.1 Million dollars to the salmon enhancement tax revenue appropriation for informational purposes

In subsection (e) we also added the estimated amount of \$1.9 Million dollars to the seafood development tax appropriation

In subsection (h) paragraph (1) we made a minor \$13,300 dollar correction to the Alaska Seafood Marketing Institute's program receipt carry forward projection from \$15,562,600 dollars to \$15,549,300 dollars

We deleted subsection (j), the \$500,000 dollar general fund appropriation to Commerce for payment to the Department of Administration for the Alaska Land Mobile Radio system costs on behalf of political subdivisions.

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Ms. Brown continued to read from a statement:

Pages 59 - 60 Section 13, DEPARTMENT OF CORRECTIONS

This is a new language section. In section 1, the subcommittee reduced \$2 Million dollars of General Funds due to the expectation that the department will receive \$2 Million dollars more in Federal Receipts than had originally been budgeted. Over the period FY11 through FY13, the department has annually collected on average nearly \$1.9 Million more in Federal Receipts. That amount was rounded up to \$2 Million and added to the department's budget in section 1.

In order to ensure that Corrections is not underfunded if the Federal Funds are not received, we added this backstop language to the effect that any reduction in the collection of the appropriated Federal Funds will be replaced by General Funds.

Page 60 Section 14, DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT

We made no change.

Page 60 Section 15, DEPARTMENT OF FISH AND GAME

We just added the \$700,000 dollar estimate of the dive fishery management assessment.

We deleted what had been Section 15 in the original bill, for the DEPARTMENT OF HEALTH AND SOCIAL SERVICES. The section had provided backstop general funds if the amounts appropriated in section 1 were insufficient to pay energy assistance benefits to all qualified applicants.

Pages 60 - 61 Section 16, DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT

We made no change.

Page 61 Section 17, DEPARTMENT OF MILITARY AND VETERANS AFFAIRS

We made no change.

Pages 61 - 62 Section 18, DEPARTMENT OF NATURAL RESOURCES

In subsection (b) we just corrected the estimated amount from \$75,000 dollars to \$50,000

In subsection (c) we also corrected the estimated amount from \$25,000 to \$50,000 dollars

Page 62 Section 19, DEPARTMENT OF REVENUE

We made no change.

Pages 62 - 64 Section 20, OFFICE OF THE GOVERNOR

We did not include the Governor's budget amendment of \$1,750,000 dollars for costs associated with the redistricting board. The Co-Chair intends to consolidate this item with the FY13 supplemental request for an overall supplemental appropriation of \$2 Million dollars of general funds to the redistricting board for the fiscal years FY13 through FY15.

Page 64 Section 21, UNIVERSITY OF ALASKA and Section 22, BANKCARD SERVICES

We made no changes.

Pages 65 - 69 Section 23, DEBT AND OTHER OBLIGATIONS.  
We made five changes in this section:

First, on page 68, we added the appropriation in subsection (h) paragraph (8) which uses the \$1,040,000 dollar balance of the debt retirement fund to help pay debt service on the general obligation bonds, series 2010A and B.

Second, we then reworded subsection (h) paragraph (9) to incorporate a reference to our new subsection (h) paragraph (8) and to reduce the estimated amount of general funds from \$3.7 Million to \$2.7 Million dollars.

Third, in subsection (h) paragraph (10) we accepted the Governor's amendment to reduce the estimated general fund amount from \$35 Million to \$17.7 Million dollars for debt service on four general obligation bonds series: 2013A, B, C, and D.

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Ms. Brown continued to read from a statement:

Fourth, we deleted subsection (h) paragraph (13) that had appropriated an estimate of \$300,000 dollars of general funds to pay remarketing costs if the state issued general obligation bonds with a variable interest rate. The Co-Chair does not believe the issuance of variable rate bonds is prudent and so removed this appropriation.

And, finally, in subsection (m) the word "airport" was made plural and a statutory reference corrected.

Pages 69 - 70 Section 24, FEDERAL AND OTHER PROGRAM RECEIPTS

We made no change.

Pages 70 - 71 Section 25, FUND CAPITALIZATION

In subsection (b), we reduced the capitalization of the Crime Victim Compensation Fund by \$674,400 dollars

to maintain the 90% -- 10% funding ratio between the Department of Corrections and the Crime Victim Compensation Fund in the use of the PFD Criminal funds.

As I mentioned earlier, in Section 1, the numbers section, of HB 65, we made a corresponding change to the Department of Corrections budget in the Physical Health Care allocation, by reducing general funds \$674,400 dollars and increasing the PFD Criminal Funds by the same amount.

In subsection (h) we deleted the \$2M dollar General Fund appropriation for the Trauma Care Fund. Appropriations to this fund are discretionary. The legislature capitalized the fund with \$2.5 million in FY11 when it was created, did not add any money in FY12, and appropriated \$2 million dollars in FY13.

Pages 71 - 74 Section 26, FUND TRANSFERS. We only made a few changes in this section:

In subsection (f) on page 72, we reduced the estimated amount of the bulk fuel revolving loan fund fees from \$70,000 dollars down to \$45,000, the actual fees collected in FY13 prior to the termination of the fees on January 1, 2013.

In subsection (h) paragraph (2) on page 73, we also reduced the estimate of the one cent per barrel surcharge down from \$1.9 Million to \$1.1 Million as the surcharge was suspended January 1, 2013, because the balance of the Oil and Hazardous Substance Release Response Account had reached its ceiling of \$50 Million.

In subsection (n), the statutory reference for the regional educational attendance area school fund was corrected.

We did not include the Governor's request for a \$125 Million dollar general fund deposit into the Alaska Industrial Development and Export Authority's sustainable energy transmission and supply development fund. Instead this amount should be added to AIDEA's fiscal note to HB 74, their Liquefied Natural Gas legislation.

Page 74 Section 27, RETIREMENT SYSTEM FUNDING

We made no change.

Pages 74 - 76 Section 28, SALARY AND BENEFIT ADJUSTMENTS

In subsection (a) we deleted the word "ongoing" as it is not needed, in paragraph (6) we changed the word "union" to "unit" and added a new bargaining unit agreement as paragraph (8) for the Alaska Correctional Officers Association. This was a Governor's budget amendment and the funding (\$5,671,000) is included in section 1.

In subsections (c) and (d) the phrase "appropriations made by this Act" was corrected to read "appropriations made in this Act".

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Ms. Brown continued to read from a statement:

Page 76 Section 29, SHARED TAXES AND FEES

The only change we made was to add a column in subsection (a) to reflect the estimated amounts of the six listed taxes for informational purposes.

Pages 76 - 77 Section 30, AMERICAN RECOVERY AND REINVESTMENT ACT OF 2009 and Section 31, RATIFICATIONS OF SMALL AMOUNTS IN STATE ACCOUNTING SYSTEM

We made no changes to these sections

Page 77 Section 32, BUDGET RESERVE FUND

We made no change

Page 7 Section 33, LAPSE OF APPROPRIATIONS

The only change we made was to update section number references.

Page 77 Section 34, RETROACTIVITY

We made no change.

Page 77 Section 35

We added this new effective date section applicable to Section 30, American Recovery and Reinvestment Act of 2 thousand 9 and Section 34, the Retroactivity section as both take effect on June 30, 2013.

Page 77 Section 36

We made no change.

Page 77 Section 37

We made no change other than to update section number references; the bill is effective July 1, 2013.

Representative Gara looked at agency summary general funds and asked for further detail on the document. He asked how the subcommittee operating budget number of \$9.718 billion had been compiled; he wondered if federal funds were included in the number.

Mr. Ecklund replied that four reports labeled A through D were included in members' packets (copy on file). Report A pertained to the numbers section of the bill and was limited to general funds. Report B included the numbers and language sections of the bill related to general funds. Report C referred to the numbers section for all funds. Report D pertained to the numbers and language sections for all funds. He pointed to statewide total of \$9.718 billion (Report D, page 7, House subcommittee column), which included all funds.

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Representative Gara asked for verification that the figure represented a 2 percent reduction from the governor's budget proposal and a \$200 million increase from the prior year's adjusted base.

Mr. Ecklund responded that the report pertained to numbers and language for all funds and pointed to the column titled "Adj Base to Hse Subco"; the first total in the column showed that the budget was \$158,255,200 over the numbers and language. He pointed to the last column showing a total

of \$67,959,200 less than the governor's amended budget proposal (in all funds). When factoring in statewide items including debt service, fund capitalization, direct appropriations to retirement, and special appropriations the budget (for all funds, numbers and language) was \$193,000,000 above the adjusted base and \$195,000,000 below the governor's amended budget proposal.

Representative Wilson asked about a budget item that had been removed and put into HB 74. Ms. Brown answered that the item was a budget amendment that had been on the administration's fiscal summary totaling \$125,000,000, but it had not been included in the language of the bill. A budget amendment had been submitted that the House Finance Committee did not adopt.

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Co-Chair Stoltze MOVED to ADOPT the proposed committee substitute for HB 66, Work Draft 28-GH1797\C (Baily, 3/2/13). There being NO OBJECTION, it was so ordered.

Ms. Brown read from a statement:

Mr. Co-Chair, now I'll describe the changes we made in the Mental Health bill, HB 66. Before I get to the language, I need to mention the change made on Page 11 in Section 4, CAPITAL PROJECTS.

We removed one of the seven mental health capital projects from the bill: it was the Health and Social Services project for MH Deferred Maintenance and Accessibility Improvements for \$1 million dollars General Fund/Mental Health. In its version of the Mental Health bill, the other body will likely add back that project and remove the six capital projects we included, thus making the all of the mental health capital projects subject to Conference Committee.

Co-Chair Stoltze relayed that creating a conference committee on the budget was a common procedural practice. He noted that the committee was respectful of the budget put forth by the Alaska Mental Health Trust Authority (AMHTA). He furthered that the practice did not represent a deliberate effort to excise a project from the budget.

Ms. Brown resumed reading from a statement:

Mr. Co-Chair, the language sections begin on Page 14 Section 6, PURPOSE and Section 7, NONGENERAL FUND RECEIPTS.

We made no changes.

Pages 14 - 15 Section 8, SALARY AND BENEFIT ADJUSTMENTS. In subsection (a), as we did in HB 65, we added a new bargaining unit agreement as paragraph (8) for the Alaska Correctional Officers Association.

We also made the same corrections in subsections (c) and (d): the phrase "appropriations made by this Act" was changed to read "appropriations made in this Act".

Page 16 Section 11

We added a new effective date section for the reappropriation in section 9, making it effective June 30, 2013.

Page 16 Section 12

We changed the wording to reflect the addition of section 11. This bill is also effective July 1, 2013.

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Co-Chair Austerman announced that the committee would hear reports from subcommittee chairs.

Representative Holmes reviewed the budget highlights for the Department of Administration (DOA). The budget totaled \$334,745,400 including \$84,609,200 unrestricted general funds (UGF), \$24,285,900 designated general funds (DGF), \$222,056,600 in other funds, and \$3,793,700 in federal funds. The total amount represented a decrease from the governor's amended FY 14 request of \$1,839,300 in general funds (GF); and an increase from the FY 14 adjusted base of \$1,486,100 UGF and \$312,500 DGF, and a decrease of \$1,200,000 in federal funds. The budget would also add three temporary positions.

Representative Holmes communicated that items accepted from the governor's proposed budget were a centralized administrative core services increase in the amount of

\$725,400; retirement and benefits through Administrative Services for consolidation and atomization of processes in the amount of \$323,900 from the group benefits fund, \$380,700 from the Public Employees' Retirement System (PERS) trust fund, \$153,900 from Teachers' Retirement System (TRS), \$3,900 from the Judicial Retirement System (JRS) fund, and \$12,600 from the National Guard and Naval Militia Retirement System (NGNMRS) fund; approximately \$1,500,000 from the Group Health and Life Benefits fund for a new third-party administrator for the AlaskaCare system; \$465,900 in interagency receipts and \$197,700 from the public building fund to cover costs for space and services provided to user agencies; \$1,200,000 from the information services fund and a decrease of \$1,700,000 in federal receipts for Enterprise Technology Services (ETS) in order to eliminate uncollectable federal receipt authority and to add additional receipt authority from other departments.

Representative Holmes continued to discuss the DOA budget. She relayed that \$4,224,200 in interagency receipts had been authorized for Risk Management due to escalating costs of property insurance premiums, medical costs for Workers' Compensation, and litigation costs; the increment would allow the agency to cover costs without taking money from the catastrophe fund.

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Representative Holmes communicated that an ETS increment totaling \$1,500,000 UGF had been restored for the Alaska Land Mobile Radio (ALMR) program to pay for the 41 sites the state had taken over from the federal government; \$500,000 of a \$1,600,000 request for additional ALMR funding had been shifted to federal receipts from statutory designated program receipts, \$500,000 in interagency receipts from the Department of Commerce, Community and Economic Development (DCCED) had been denied, and \$600,000 UGF had been denied.

Representative Holmes relayed all three of the governor's amendments had been accepted. The first related to centralized Administrative Services retirement and benefits (as a result of the federal Patient Protection Affordable Care Act there was a progressive fee on self-insured plans to fund a research institute trust fund) in the amount of \$35,300 from the group benefit trust fund, \$21,700 from the PERS trust fund, and \$8,000 from the TRS trust fund. An

increase had been added in the amount of \$93,300 from the group benefit fund, \$57,300 from the PERS trust fund, and \$21,000 from the TRS trust fund to handle workload and management of the AlaskaCare plans. The third amendment added \$187,500 in GF program receipts related to the centralization of drivers' licenses and identification cards.

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Representative Holmes communicated that a reduction of \$250,000 GF had been made for centralized administrative services DOA leases. She explained that the fund held money for a portion of the department's lease payments; \$250,000 GF had been taken from DOA state facilities rent, which held the funding to pay costs associated with state owned facilities; \$204,300 GF had been eliminated from ETS related to the agency's chargebacks; \$4,400 GF had been eliminated from risk management; \$7,300 GF for the Alaska Oil and Gas Conservation Commission had been eliminated (the program would be supported entirely by receipts); \$23,300 GF had been eliminated from the Division of Motor Vehicles (DMV).

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Vice-Chair Neuman asked whether DMV collected more money in license and registration fees than was currently needed for agency operations.

Representative Holmes affirmed that DMV returned above the amount it needed to operate and stated that the agency was funded entirely by money it generated.

Co-Chair Austerman reminded the public that the subcommittee reports were posted on the Legislative Finance Division (LFD) website.

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Representative Costello addressed the recommendations from the DCCED budget subcommittee. She communicated that the proposed budget totaled \$129,549,100 including \$31,161,400 UGF, \$41,503,000 DGF, \$39,831,000 in other funds, and \$17,043,700 in federal funds; the total represented a reduction in GF from the governor's request of \$1,375,000 and the governor's recommended GF increase from the

adjusted base of \$15,417,200, the majority of which was tourism marketing funding. Requests accepted by the committee included \$2,700,000 in statutorily designated receipts to restore tourism marketing related third-party receipts. She detailed that two accepted requests would appear as a decrement in the Division of Administrative Services including an Alcohol Beverage Control (ABC) Board increment of \$127,000 general program receipt for administrative support costs and \$62,500 in GF program receipts to maintain Department of Law (DOL) legal assistance. The total of \$189,500 was decremented from the Division Administrative Services because the subcommittee believed the department should have the ability to accept the increased cost resulting from the ABC Board transfer from the Department of Public Safety (DPS) to DCCED.

Representative Costello relayed that the subcommittee had accepted the Alaska Industrial Development and Export Authority (AIDEA) Sustainable Energy Transmission and Supply (SETS) development in the amount of \$200,000 in receipt authority. A \$500,000 receipt authority for AIDEA had been accepted related to funding for consultants and legal counsel to plan and develop infrastructure projects. Several modifications to the governor's budget request had been made including a reduction of \$1,000,000 for tourism marketing funding and an accepted amount of \$15,000,000 UGF.

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Representative Costello shared that the committee had denied a \$100,000 request from the ABC Board to replace interagency receipts with GF program receipts to maintain the underage drinking enforcement program. She elaborated that the item represented a loss of federal funds and the committee had questioned whether it represented a core service of state government. The committee restored the Alaska Seafood Marketing Institute (ASMI) funding to the FY 13 level of \$4,500,000 in federal receipt authority and \$12,560,800 in GF program receipt authority; a decrement of \$1 million was also recommended to a \$7,770,100 UGF increment in the language section. Additionally, the committee recommended a 10 percent reduction to the Alaska Regional Development Organizations (ARDORs) for a total of \$85,500 UGF. She restated an earlier comment that a decrement was taken from Administrative Services to offset an ABC Board request for \$189,500 UGF.

Representative Costello communicated that after a presentation by the Division of Business, Corporations and Professional Licensing the subcommittee was recommending that a report should be submitted to the legislature by October 1, 2013 showing a six-year look-back of the division. The goal was to provide more transparency into the division. The report should be provided in a template created by LFD that would include information about various items such as revenues from license fees and other sources, expenditures by line item, departmental and other cost allocation plans, the number of licenses, and carry-forward balances.

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Representative Gara asked for verification that ASMI funding would be reduced from the prior year's funding of \$16 million down to \$15 million. He asked if there was no longer a match requirement for the tourism industry.

Representative Costello replied that the \$2.7 million receipt authority was the tourism industry match. She explained that the \$2.7 million would be added to the \$15 million increment for a total of \$17.7 million to fund the marketing program as a whole.

Representative Gara asked whether the \$2.7 million receipt authority was actual funds or in-kind (where the industry took out its own advertisements in publications).

Representative Costello answered that the industry paid for advertisement placements; the department would accept the \$2.7 million. Representative Gara asked for verification that the funding mechanism counted. Representative Costello answered in the affirmative.

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Representative Edgmon addressed the Department of Corrections (DOC) budget. He shared that the budget was largely comprised of GF money; the one change the subcommittee had recommended was a GF switch of \$2 million UGF to expected receipts and federal receipts that had been covered in Section 13 of HB 65. The subcommittee recommended a total budget of \$332,760,000 including \$296,000,000 UGF, \$16 million DGF, \$14,500,000 in other

funds, and \$5,300,000 in federal funds. The total was \$9,800,000 in all funds above the adjusted base; \$7,700,000 GF of the total represented a GF increase of 2.5 percent. He noted that there was no change in position counts. The subcommittee recommendation would reduce UGF by \$2 million. The only change from the governor's proposed amended budget was to switch a \$2 million increment from GF to federal receipts (the department had collected federal receipts in the past several years and had over collected in the process). He pointed out intent language associated with the item:

It is the intent of the legislature that the Department of Corrections work with the Department of Health and Social Services and interested local parties to explore options that would address the critical need for upgrades to the water supply system at the Yukon-Kuskokwim Correctional Center.

Vice-Chair Neuman wondered whether the Goose Creek Correctional Center would be fully funded. Representative Edgmon replied that the subcommittee had not taken any action on Goose Creek.

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Representative Wilson addressed the Department of Education and Early Development (DEED) budget. The subcommittee recommended a total budget of \$348,232,700 including \$64,119,400 UGF, \$24,308,800 DGF, \$26,006,500 in other funds, and \$233,798,000 in federal funds. The committee had approved a \$158,400 core service rate increase request, over \$2,600,000 of the \$5,900,000 request for digitization, and \$250,000 of a \$500,000 request for assessment contract costs. She explained that the \$250,000 that had not been approved for contract assessment costs was federal funds that may not occur due to the federal sequestration. The subcommittee approved a \$320,000 request for a K-3rd grade literacy project and \$305,000 for a new dormitory management contract at Mt. Edgecumbe. A \$100,000 GF request for rural transition services had been denied (she noted the amount had been additional). The committee also denied an \$800,000 UGF request for Jobs for America's Graduates and \$480,000 for a Pre-K grant program. Funding had been reduced for Best Beginnings by \$137,500 (the program continued to be funded at \$800,000), and Parents as Teachers by \$242,500 (the program continued to be funded at

\$800,000). She furthered that one position had been removed in the amount of \$119,500. Unallocated UGF reductions of \$250,000 had been made to the department and of \$50,000 to Teaching and Learning Support. She relayed that over \$3 million out of a \$9 million request had been approved [for the Teaching and Learning Support allocation]. She noted that Pre-K and Head Start programs would receive over \$30 million in federal funds. She furthered that Pre-K was in public schools and had \$12 million in the Department of Health and Social Services (DHSS). She relayed that the subcommittee would look at the programs during the interim to identify any inefficiencies.

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Representative Gara asked if the \$480,000 denied for Pre-K grants was an increment and not a reduction from the prior year's budget.

Representative Wilson replied that the request was a one-time increment of \$480,000 that would bring the program back to \$2 million in grants.

Representative Gara pointed to decrements of \$137,500 from Best Beginnings, \$242,500 from Parents as Teachers, and \$119,500 for an early childhood education coordinator. He asked if the decrements were subtractions from the prior year's budget.

Representative Wilson replied in the affirmative. She elaborated that the education coordinator position had been included in an initial \$4 million request from Parents as Teachers, over \$2 million of which had been denied by the governor. She stated that there continued to be a significant amount of money going into the programs. The subcommittee would look at the programs more over the interim to ensure funds were utilized effectively.

Representative Munoz thanked LFD, her staff, and the department for their work on the budgets. She addressed the Department of Environmental Conservation (DEC) budget. The subcommittee recommended a total budget of \$84,817,600 including \$21,784,500 UGF, \$26,895,200 DGF, \$11,199,200 in other funds, and \$24,938,700 in federal funds. There were 552 full-time positions and 7 part-time positions. She relayed that the subcommittee accepted \$175,000 UGF, which represented half of an increment request for an

environmental health drinking water allocation; the funding would allow the agency to implement two new drinking water rules under the federal Safe Drinking Water Act. The budget also included \$271,500 (\$7,000 DGF), which was half of an increment related to water quality to help the agency under the Alaska Pollutant Discharge Elimination System to assume responsibility for oil and gas wastewater discharge permitting from the U.S. Environmental Protection Agency. The total approved increase was \$453,500, representing half of the governor's proposed \$907,000 increase.

Representative Munoz discussed three issues that were highlighted in the budget process including tsunami response, the Oil and Hazardous Substance Release Prevention and Response Fund, and cruise ship discharge reporting requirements. She relayed there had been considerable discussion on debris cleanup efforts related to the [2011 Japanese] tsunami. She furthered that DEC had commissioned an aerial survey of the Alaska coastline in 2012, which had identified seven collector beaches statewide with serious impacts of tsunami debris from Japan. The subcommittee supported the governor's amendment to the supplemental budget for \$1 million in receipt authority from the Japanese government; however, it believed the funding would not adequately address the problem. She encouraged the committee to support the governor's receipt authority recommendation and to match the funds with a capital budget GF increment.

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Representative Munoz stated the second concern related to the Oil and Hazardous Substance Release Prevention and Response Fund. The fund was anticipated to be in deficit by FY 15 and would require approximately \$5 [million] in additional funding to enable the current level of service to continue. The subcommittee recommended that the House Finance Committee include intent language encouraging the Office of Management and Budget to provide recommendations to the legislature on statutory changes that would result in the fund's solvency. The third area of discussion related to cruise ship discharge reporting; the subcommittee felt that it was important to direct DEC to make current information available on its website to the extent possible regarding cruise ship mixing zones and discharge locations in Southeast.

2:33:48 PM

Co-Chair Stoltze gave a review of the subcommittee recommendations for the Department of Fish and Game (DFG). He communicated his intent to work with Co-Chair Austerman and others on issues related to DFG management. He noted that the length of session stopped him from proceeding with ideas that would lead to a more constitutional administration of following sustainability mandates (especially for fisheries resources). He commented on decreased federal funds and referred to a legislative briefing from Alaska's U.S. Senator Mark Begich that deeper reductions were expected. He stated that the subcommittee had taken a cautious approach towards the replacement of federal funds with general funds. He believed more caution would need to be exercised in the future.

Co-Chair Stoltze relayed that the subcommittee had increased the DFG budget by \$2.327 million from the prior year and had denied increases of \$1.716 million. He continued that a \$300,000 DGF test fisheries receipt authority request had been accepted for Bering Sea Aleutian crab fisheries. The budget also included \$175,000 UGF for a Tanana sonar project, \$155,000 UGF to fund part-time positions for the Susitna drainage sockeye project (the project had previously been operated by the Cook Inlet Aquaculture Association), \$437,000 for core service costs, and \$185,000 for monitoring compliance related to the former coastal zone management program. He discussed that salmon assessments for the Karluk, Chignik, Nelson, and Bear Rivers had been slightly reduced.

2:38:08 PM

Co-Chair Stoltze communicated that DFG was looking at an issue where the subcommittee may not have maximized matching of the Pittman-Robertson Act funds [also known as the Federal Aid in Wildlife Restoration Act]; the total was \$2.5 million. He believed the subcommittee had made the correct decision, but noted that perhaps further information would reveal something different. The subcommittee denied a request of \$550,000 for a Sockeye salmon identification program and biometrician on Chinook issues (predominately in Southeast); the subcommittee deferred the issue to the overall Chinook assessment issue throughout the state through the capital budget. A \$130,000 request for the North Slope bear removal/Muskox enhancement

program had been denied, \$140,000 had been denied for a replacement of DFG funds with GF. Additionally, there was an agency-wide unallocated reduction of 5 percent totaling \$316,500 that would be absorbed in travel and other internal actions. He communicated that the governor had not proposed any amendments to his original budget.

[2:40:31 PM](#)

Vice-Chair Neuman pointed to the extensive work that had been done on the DHSS budget. The subcommittee recommended a total budget of \$2,641,783,300 including \$1,228,636,800 billion UGF, \$71,751,600 DGF, \$94,537,200 in other funds, and \$1,246,828,200 in federal funds. The subcommittee recommended authorizing \$1,304,018,400 GF for 3,679 total positions including 3,502 full-time, 64 part-time, and 113 temporary positions, which was equal to the governor's amended FY 14 budget. He remarked that the committee had worked to stay out of core service areas. The subcommittee recommended a total increase of \$15,310,600 UGF and a decrease of \$2,368,800 DGF for a total GF change of \$12,941,800.

Vice-Chair Neuman stated that the change from the adjusted base totaled \$30,035,200 including a decrease of \$918,050 in other funds and \$18,011,900 in federal funds. He relayed that 80 increments had been submitted to the subcommittee; 7 of the 80 increments had been denied. He detailed that the 7 increments totaled \$5,129,000 (\$4,279,000 UGF, \$850,000 GF mental health) and included 2 from Behavioral Health, 2 from Children's Services, 1 from Juvenile Justice, 1 from Public Assistance, and 1 from Senior and Disability Services.

[2:44:19 PM](#)

Vice-Chair Neuman pointed to budget analysis sheets (page 7, lines 103 through 104), which showed unallocated reductions totaling \$16,737,060 UGF. He spoke to a Behavioral Health reduction of \$8,368,800 UGF in Medicaid services and explained that the item had been placed in the budget in FY 13 for DHSS to look at self-applying the item. He elaborated that DHSS took a \$25 million decrease in Medicaid services in the governor's FY 14 supplemental budget; the \$8,368,800 represented less than half of the governor's proposed reduction.

Vice-Chair Neuman spoke to recommended modifications to the governor's request including \$75,000 for the Bureau of Vital Statistics to replace lost revenue from issuing paperwork related to deceased veterans. He pointed to the budget analysis sheets (page 6, lines 91 through 94) that illustrated tobacco education and cessation funding decrements; in order to provide a more sustainable fund balance, the subcommittee removed \$2,237,400 of the governor's \$10 million request including \$279,400 in chronic disease prevention and health promotion, \$1,746,400 from the Tobacco Prevention Council, and \$191,700 in Medicaid services.

Vice-Chair Neuman relayed that a cap had been placed on grantees' administrative costs; the subcommittee added language "all Department of Health and Social Services grantees may spend for administrative costs no more than 15 percent of the grant award." He explained the goal was to have grant money reach recipients as much as possible; the subcommittee had worked to equally distribute cuts. He observed that the state was looking at a budget shortfall in excess of \$920 million. The budget structure change had created a new performance bonuses allocation in the departmental support services appropriation and \$3.993 million in unrestricted federal receipts had been appropriated for the Children's Health Insurance Reauthorization program.

Vice-Chair Neuman communicated that the subcommittee had funded all nine of the governor's budget amendments in full. Additionally, the subcommittee recommended the removal of open-ended language for the energy assistance program. He pointed to additional reports included in members' packets (copy on file).

[2:49:00 PM](#)

Representative Gara pointed to an \$8 million cut to substance abuse treatment that would be covered in FY 14 by one-time funding. He asked for verification that the \$8 million would not reoccur in the following year.

Vice-Chair Neuman replied in the affirmative.

Representative Wilson addressed the Department of Labor and Workforce Development (DLWD) subcommittee recommendations. The subcommittee recommended a total budget of \$189,425,800

including \$34,570,800 UGF, \$33,696,400 DGF, \$22,879,800 in other funds, and \$98,778,800 in federal funds. There were 928 positions within the department. She relayed that the department had come to the subcommittee with a significant increase in lease costs; therefore, out of a \$984,500 increase the subcommittee had approved \$492,200. A request of \$100,000 for the expansion of independent living grants had been denied, given a \$200,000 increase the previous year. A \$200,000 UGF request for the Alaska Vocational Technical Center (AVTEC) had been denied; the request represented an increase and the subcommittee requested that the center to generate the money through tuition increases. Funding had been reduced by \$500,000 for the Statewide Training and Employment Program (STEP) funding in the business partnerships business component; DWLD was currently spending more STEP funding than it was bringing in. Over \$7.8 million in STEP funding was remaining in business services.

[2:51:10 PM](#)

Representative Holmes discussed the Department of Law (DOL) budget. The subcommittee recommended a total budget of \$92,358,300 including \$59,306,500 UGF, \$2,698,700 DGF, \$28,332,700 in other funds, and \$1,966,400 in federal funds. The total represented a decrease \$3,755,000 GF and \$100,000 in other funds from the governor's FY 14 request; however, it represented an increase from the FY 14 adjusted base in the amount of \$3,867,600 UGF, \$772,800 in other funds, and in two new full-time positions. The subcommittee recommended replacing \$250,000 in uncollectable interagency receipts with \$250,000 UGF to fund a new attorney in the first judicial district (Juneau had not seen a new position in many decades).

Representative Holmes relayed that the subcommittee had approved \$140,000 in the Criminal Division for the fourth judicial district to hire a victim witness paralegal in Bethel given high caseloads. Additionally, \$140,000 UGF had been approved for the hire of a child protection paralegal in Fairbanks; the office had been pulling paralegal resources from other jurisdictions and using attorney time to make up caseloads. An \$80,000 one-time increment had been approved for the Criminal Justice Litigation Division in order to implement a victim information and notification system, which would provide automatic notification for victims of changes in trial schedules and other; the system

should provide better services to victims and witnesses and free up paralegal time. She communicated that \$100,000 in statutory designated program receipts out of a \$200,000 request for the Commercial and Fair Businesses Section of the Criminal Division had been approved to hire outside investigative services for consumer protection; the one-time funding was derived from money earmarked for consumer protection and would allow the section to contract out investigative services to help with scamming operations and other. Additionally, \$1 million UGF had been authorized for the Civil Division, Oil, Gas and Mining Section as a one-time increment for gas pipeline work (the total request had been \$2 million). A one-time \$2 million increment had been approved for work related to major oil and gas litigation (the total request had been \$4 million). She shared that a substantial amount of the work on the Trans-Alaska Pipeline System (TAPS) case was set to wind up by the beginning of FY 14 and with the settlement of the BP corrosion case the subcommittee hoped the department could operate with fewer funds due to the reduced number of large cases.

Representative Holmes discussed that the subcommittee had authorized \$107,300 UGF for core services provided by DOA. She relayed that \$91,200 UGF had been added to fully fund a language interpreter position for the third judicial district and a cold case prosecutor position in the Criminal Appeals Special Litigation Unit. A total of \$906,900 in interagency receipt authority had been approved for unbudgeted reimbursable service agreements with DHSS, DOR, DCCED, DPS, and DOA.

[2:56:37 PM](#)

Representative Holmes stated that the subcommittee had denied a \$225,000 UGF request for a new criminal attorney position in Juneau; a new criminal attorney had begun in the past year. A \$225,000 request had been denied for a prosecuting attorney for Bethel; the budget added a paralegal in the community, which would address a greater need. The subcommittee denied \$225,000 UGF for a new prosecuting attorney in Fairbanks and a \$100,000 UGF request for mitochondria and Y-chromosome DNA testing in criminal justice litigation (the funds would have replaced a federal grant). She elaborated that the department would need to operate with existing funding until the state crime lab that was currently undergoing certification took over some of the testing in the future.

[2:57:45 PM](#)

Representative Thompson addressed the subcommittee recommendations for the Department of Military and Veterans Affairs (DMVA). He relayed that the subcommittee had met five times and had discussed missions and measures, budgets, and the department's ten-year plan. The subcommittee had accepted the governor's amended proposal with several adjustments. A request for \$300,000 to cover base realignment and closure impact under the Office of the Commissioner was changed to a temporary five-year increment; the item would be reviewed again in 2018. He discussed that a \$170,000 request had been reduced to \$120,000 for Homeland Security and Emergency Management (new generators currently would not require as much maintenance as they would in years to come). A \$150,000 increase for veterans' outreach had been denied. He noted that veterans' outreach had been successful to date with existing funding. A \$75,000 request for cemetery maintenance had been denied for the Interior as the money had not been acquired to purchase land for the cemetery.

Representative Thompson communicated that an \$8 million Alaska Aerospace Corporation request had been reduced by \$3 million. The subcommittee had denied \$80,000 for National Guard education benefits (over \$400,000 went to the university system to cover education of National Guard members). An Air Guard facility maintenance Star base increment of \$85,000 had been reduced by \$50,000 (the program had received \$45,000 more in federal funds than were expected). He relayed that the total reductions equaled \$3,405,000.

[3:00:53 PM](#)

Representative Costello looked at recommendations from the Department of Natural Resources (DNR) subcommittee. The subcommittee recommended a total budget of \$158,826,300 including \$78,916,900 UGF, \$25,649,500 DGF, \$40,325,800 in other funds, and \$13,934,100 in federal funds. The total represented a reduction of \$2,276,000 and the elimination of nine temporary positions from the governor's proposed budget; the total was an increase of \$2,900,300 GF from the adjusted base. The subcommittee accepted several one-time increments including \$1,000,000 in statutory designated program receipts for the Office of Project Management and

Permitting for permitting coordination, \$1,290,000 UGF to restore gas pipeline project office staff and operations, and \$1,150,000 UGF to restore the gas pipeline project office contractors and consultants. Additionally, the subcommittee approved a funding source change of \$555,700 DGF to UGF for administrative services information resource management in the Land Disposal Income Fund. A \$350,000 UGF increment had been approved for the Division of Mining, Land and Water for the navigable and public waters research and assertion of states' access rights. She elaborated that the increment would enable the state to assert its ownership on submerged lands beneath navigable waters. The subcommittee recommended moving \$300,000 UGF to an open-ended language section appropriation for the Oil and Gas Division related to the arbitration of oil and gas royalty issues.

Representative Costello continued with subcommittee recommendations. The subcommittee recommended a language section appropriation capped at \$600,000 for the Oil and Gas Division and the Alaska Gasline Inducement Act commercial monitor and adviser. A \$125,000 UGF increment had been denied for the Division of Mining, Land and Water for the restoration of the Guide Concession Program development. Additionally, \$450,000 UGF had been denied for the Guide Concession Program implementation; \$120,000 UGF for the program development had also been denied. She communicated that the subcommittee believed the program should be a policy call introduced in the form of legislation.

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Representative Costello relayed the subcommittee's recommendation to move a \$500,000 UGF increment into the language section for the Oil and Gas Division related to the arbitration of oil and gas royalty issues. The subcommittee denied a \$181,000 UGF request for the continuation of the Farm to School Program.

Co-Chair Stoltze noted that he and Representative Costello had both spoken with the commissioner of DNR. He remarked that the department needed to be proactive. He referred to historical occurrences related to the current situation.

[3:06:14 PM](#)

Representative Edgmon addressed DPS recommendations. The subcommittee recommended a total budget of \$204,051,000 including \$171,000,000 UGF, \$6,400,000 DGF, \$15,300,000 in other funds, and \$10,800,000 in federal funds. The subcommittee recommended an increase of 4.1 percent above the adjusted base. The increase included \$2,300,000 in all funds (including 15 new full-time positions); the total GF increase was \$7 million, which included the backfilling of federal funds for the Bureau of Highway Patrol positions of \$4,200,000 million. The total represented a decrease from the governor's proposed budget of \$5,400,000 GF and 6 full-time state trooper positions. The subcommittee recommended a decrease of \$1,390,000 for new troopers, which would enable the department to hire 15 troopers out of the 21 positions proposed by the governor. He noted that the department currently had 386 out of 409 trooper positions filled.

Representative Edgmon stated that the subcommittee denied replacing \$1,090,000 in federal Bureau of Highway Patrol funds and recommended that DPS look for other funding options for the item. The subcommittee recommended funding 5 of the 15 Village Public Safety Officer (VPSO) positions proposed by the governor. He relayed that currently 93 out of 116 authorized VPSO positions had been filled. Additionally, a \$563,000 reduction had been made to dispatch services; the subcommittee recommended that DPS conduct an analysis to determine whether contracting dispatch services was more economical and reliable than using its internal employees. A reduction of \$350,000 to the Council of Domestic Violence and Sexual Assault (CDVSA) was recommended, which would cut the CDVSA coordination program and \$50,000 for coaching boys-to-men. Lastly, the subcommittee recommended a \$250,000 GF reduction to trooper housing and an authorization of \$500,000 in GF program receipts.

[3:09:49 PM](#)

Representative Gara asked if funding was available for current VPSO positions that were vacant. Representative Edgmon replied in the affirmative. He relayed that funding 5 of the additional 15 VPSO positions proposed by the governor for FY 14 had been a difficult decision, but he noted that there were 23 vacant existing positions. He referred to high turnover rates and the subcommittee's

recommendation for exit interviews to determine reasons for departure.

Representative Gara asked if there was flexibility to transfer open VPSO positions to other areas if they were difficult to fill in specific communities. Representative Edgmon replied that the program was administered by various nonprofits and the Northwest Arctic Borough; the individual positions were not allocated by to specific communities, but money was designated for specific nonprofit agencies (with the exception of the Northwest Arctic Borough).

Co-Chair Austerman clarified that a nonprofit such as a Native corporation only received the funding when a position had been filled.

Representative Gara pointed to \$350,000 that had been denied for CDVSA and a coaching boys-to-men program. He queried the role of the CDVSA coordination program.

Representative Edgmon answered that much of CDVSA's work was coordination with state agencies and entities throughout the state. There had been a prevention coordinator position for the past couple of years, which had helped with outreach services and with items related to the governor's Choose Respect campaign. The committee felt that the council and the boys-to-men program could withstand the cuts.

[3:14:21 PM](#)

Representative Thompson addressed the Department of Revenue (DOR) subcommittee. The subcommittee recommended a total budget of \$349,360,100 including \$31,900,000 UGF, \$9,650,000 DGF, \$230,859,500 in other funds, and \$76,950,600 in federal funds. He relayed that the committee met seven times with the department. The subcommittee denied increments under the tax division of \$148,000 for the film office executive director position; \$172,300 for the oil and gas auditor position, the audit master position had been partially funded, and excess funding had been removed; and a reduction of \$200,000 had been made related to funding transferred from services to personnel services. A capital outlay increment to Child Support Services had been reduced by \$35,000. The total reduction to the governor's proposed amended budget was \$582,700. The subcommittee's recommendation included an increase of

\$1,981,100. All other governor's requests had been accepted.

[3:16:31 PM](#)

Vice-Chair Neuman provided highlights of the Department of Transportation and Public Facilities (DOT) budget. The subcommittee recommended a total budget of \$625,784,200 including \$281,264,900 UGF, \$68,251,900 DGF, \$272,422,800 in other funds, and \$3,844,600 in federal funds. The subcommittee recommended a reduction of \$2,897,900 from the FY 14 adjusted base, which put the budget \$495,200 below the FY 13 management plan and \$9,113,900 below the governor's \$8,618,700 FY 14 amended budget. He relayed that the reductions were \$9.1 million UGF and \$760,000 DGF.

Vice-Chair Neuman pointed to reductions including \$55,000 for storm water compliance, \$166,800 for operating costs for new Central region facilities, \$350,000 for expanded Mat-Su maintenance services, \$469,600 for the airport deicing chemicals, \$132,500 for rural airport maintenance contracts, and \$2,580,700 for state equipment fleet increases. The subcommittee recommended a reduction in the current maintenance levels on the municipal owned, department maintained roads with the intent of completely eliminating the road maintenance in FY 15 as follows: \$1,300,000 to aviation in the Central region, \$500,000 to northern highways and aviation, and \$60,000 to Southeast highways and aviation. He explained that the roads were currently maintained by DOT, but were owned by municipalities. He listed reductions to the Alaska Marine Highway System (AMHS) including \$2,101,000 UGF and \$760,000 DGF for marine vessel operations and \$1,400,000 UGF for vessel fuel. He detailed that the subcommittee had endeavored to make reductions to some of the most uneconomical ferry routes.

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Vice-Chair Neuman read intent language recommended by the subcommittee: "it is the intent of the legislature for the department to evaluate the impacts of instituting a landing fee at state owned and operated primary FAA certificated airports and to provide a report to the 28th legislature by January 15, 2014." He pointed to state funded airport landing fees (e.g. Deadhorse) that the legislature would evaluate. He stated that it was the intent for the

legislature to eliminate any future issuing of free annual passes to vehicles or departments for employees, retirees, and families on AMHS. He believed the cost was over \$1 million to the state. He continued that it was the intent of the legislature for the department to seek efficiencies and cost reductions in FY 14. He noted the savings would be considered a carry-forward in the FY 15 operating budget to increase efficiencies.

[3:21:59 PM](#)

Representative Kawasaki wondered why the state maintained city or municipal roads. Vice-Chair Neuman guessed that the maintenance was done based on political pressure. He added that with reductions in state revenue, it would not be possible to continue the practice.

Representative Kawasaki pointed to a potential circumstance where a municipality could not afford a blade for a piece of equipment. He wondered if it would be possible for the state to charge municipalities for the maintenance services.

Vice-Chair Neuman replied that the state participated in shared services with municipalities for efficiencies.

Co-Chair Austerman believed the issue was more prevalent in rural areas due to interrelations between municipalities and the state on road maintenance.

Co-Chair Stoltze pointed to Anchorage as an example and observed that there were efficiencies for maintaining areas that were contiguous. He relayed that that there was a formalized agreement in Anchorage between the state and municipality and surmised that similar agreements existed in other municipalities as well.

Vice-Chair Neuman noted that reductions had been split evenly throughout the state.

[3:24:40 PM](#)

Representative Munoz thanked University of Alaska staff for their help in the budget process. The subcommittee recommended a total budget of \$945,199,600 including \$366,413,600 UGF (the remainder was comprised of DGF, federal, and other funds). The university system employed

4,727 permanent positions and 222 part-time positions. The subcommittee accepted the governor's amended budget proposal including funding for contractual salary and health increases and recommended reverting to a single appropriation to allow increased flexibility in the allocation of resources within the university campuses. She highlighted recommended adjustments made by the subcommittee. The subcommittee recommended an unallocated increment of \$407,800 UGF and \$50,000 in mental health funds; the system-wide allocation would allow the university to distribute the funds at its discretion. The budget included base funding of \$250,000 GF for the Institute of Social and Economic Research (ISER) education policy study (the two-year study occurred in FY 13 and FY 14).

Representative Munoz communicated that the subcommittee recommendations resulted in a \$2,409,200 UGF reduction to the governor's amended proposed budget. She shared her intent to bring an amendment to the House Finance Committee to address a hollow receipt issue that had been discussed by the committee in the past; the subcommittee recommended a reduction of \$40 million in hollow receipt authority. She elaborated that the individual campus line items were artificially inflated to account for the hollow receipt authority, which made it difficult to determine where the money was allocated across the system.

[3:27:37 PM](#)

Representative Gara pointed to a denied \$2.3 million increment for the University of Alaska Fairbanks Life Sciences facility operating costs. He wondered if the subcommittee intended for the university to absorb the costs.

Representative Munoz replied that the total increment was \$6 million (approximately 50 percent UGF and 50 percent DGF). She expounded that the subcommittee's direction to go to a single appropriation would allow the university the flexibility to determine where it would make the reduction. She relayed that there had been seven separate appropriations in the past, which made it difficult to move savings from campus to campus. She expressed confidence that the flexibility would allow the university to locate savings.

Representative Gara thought the governor had approximately \$2.4 million in GF increment requests; however, there appeared to be a \$16 million difference between the FY 13 and FY 14 budgets.

Representative Munoz responded that the actual allocation was about \$8 million DGF (university receipts) and \$8 million in GF; the majority of the total (over \$12 million) was allocated to the health and salary adjustments.

Representative Gara asked if there had been a \$16 million increase. Representative Munoz answered that the increase was roughly \$16 million (half of which was tuition).

[3:29:57 PM](#)

Co-Chair Stoltze provided the highlights for the Alaska Court System. He relayed that the governor's requested increase was close to \$4.5 million; of which, the subcommittee approved increases of just under \$2.7 million. He pointed to a large increment for a judicial official in western Alaska with an ocular disability. He noted that associated costs were high due to the location and lack of resources. He stated that the item would be met as a supplemental budget increase as well. He remarked that the increment had probably tied the hands of the subcommittee related to its approval of other increments.

Co-Chair Stoltze discussed that \$513,800 UGF had been accepted for facility overhead costs. Additionally, the subcommittee had ratified \$605,200 in Mental Health Trust Authority receipts for therapeutic courts. He relayed that a \$40,000 appropriation for the Fairbanks 24/7 sobriety program had been modified as a one-time increment. He shared that a \$456,800 increment for American Disability Act accommodations had been broken into a \$300,000 ongoing increment and a \$56,800 one-time increment for supplies and necessary equipment. He stated that the subcommittee did not fully fund an increase for office rent and parking for the Alaska Judicial Council and a reduction of close to \$176,000 had been made to a request for bandwidth increase. The subcommittee had funded \$123,300 out of a \$177,500 requested increase for facility leases. He detailed that during work with staff it had been determined that a facility in Unalakleet was not ready for funding, which allowed the delay of \$54,200 in FY 14.

3:36:24 PM

Co-Chair Stoltze pointed to a cautious approach of replacing federal funds and relayed that a general fund request for the therapeutic courts had been denied, but \$689,000 receipt authority had been retained. He believed the item had originally been funded by the mandatory seat belt law, but funds were no longer available. He commented that it was one of the continuing tough decisions the legislature would have to make related to the replacement of federal funds. He remarked on the legislature's bicameral process. He relayed that the subcommittee had denied the advertising budget for the Alaska Judicial Council; he noted the funding component had been controversial. He stated that money used to advocate for the retention and recruitment of judges had been removed. He read from a letter of intent offered by the subcommittee:

It is the intent of the legislature that the legislative committees may assist the Alaska Judicial Council in public outreach throughout the communities of Alaska through the facilitation of public meetings and outreach to augment the Alaska Judicial Council's work on all activities including selection and retention of judicial officials. This support may include office space, video and telecommunications, and any other accommodations deemed reasonable by committee chairs. The chairs may expend funds in assisting non-advocacy public outreach.

Co-Chair Stoltze furthered that outreach would include informing the public of elections or other. He noted that the legislature had numerous facilities that were not used year-round. He relayed that the non-advocacy piece of the intent language was important to him.

3:40:36 PM

Representative Gara pointed to the loss of \$689,000 in federal funds for wellness courts. He asked for the amount of funding remaining for the wellness courts.

Co-Chair Stoltze did not have the information.

Mr. Ecklund pointed to page 40 of the budget bill and relayed that it included \$2,794,900 for therapeutic courts.

Co-Chair Austerman reported on the Office of the Governor budget. The subcommittee recommended a total budget of \$29,606,500 including \$28,881,700 UGF, \$4,900 DGF, \$521,700 in other funds, and \$198,200 in federal funds. He communicated that because the budget was flat compared to the prior year the only change was to designate a \$3 million request for domestic violence and sexual assault as a one-time item. He pointed to a \$250,000 increment for the redistricting board costs in the supplemental FY 13 and \$1,750,000 in the amended FY 14 budget; the subcommittee elected to combine both amounts in the supplemental FY 13 budget.

[3:43:45 PM](#)

Co-Chair Austerman addressed the Legislature budget. He relayed that some fiscal impact and zero fiscal impact changes had been made to the budget. The subcommittee approved a total budget of \$71,527,000 including \$71,052,600 UGF, \$71,400 DGF, \$403,000 in other funds, and zero federal funds. Based on Legislative Council recommendations the subcommittee had added \$100 in the legislative audit for information technology center. Nearly \$2 million in space costs had been consolidated from several allocations into the facilities rent allocation. Expenses for the Legislative Finance Division had been reduced to be evenly split between House and Senate committees in the amount of \$250,000. Committee expenses had been reduced by \$350,000 and the Commission on the 100th Anniversary of the Legislature funding had been reduced by \$25,000, given that it was close to completion. Session expenses that had been allocated to the Legislative Council appropriation were moved to the legislative operating budget appropriation. The subcommittee had transferred to the legislative state facilities rent allocation from the Budget and Audit appropriation to the Legislative Council appropriation. Expenses in the Legislative Finance Division had been reduced by \$1 million to be split between House and Senate committees; committee expenses were reduced by \$800,000 and by \$200,000 in council and subcommittees. The actions brought the FY 14 budget to \$2,200,000 million below the FY 13 management plan and \$2,537,700 below the governor's FY 14 budget.

3:46:47 PM

Co-Chair Austerman discussed the schedule for the following day.

HB 65 was HEARD and HELD in committee for further consideration.

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#  
ADJOURNMENT

3:48:06 PM

The meeting was adjourned at 3:48 p.m.