

SCR

29

SFIN

FILE

SENATE FINANCE COMMITTEE REPORT

DATE: 2/19/02

REPORTED OUT
MAR 22 2002
SENATE FINANCE
COMMITTEE

FURTHER:

DATE TURNED IN TO OFFICE: 22 March 2002

Finance Committee considered

SENATE CONCURRENT RESOLUTION NO. 29

SCR 29 HIRING FREEZE

Relating to urging the Governor to institute a hiring freeze on state government.

and recommends:

- be replaced with _____ CS _____ (_____)
- adopt previous _____ CS _____ (_____)
- attached amendment(s)
- adopt Letter of Intent by _____ Committee
- further referral to _____ Committee

Senate Bill:

- same title
- new title

House Bill:

- same title
- technical title
- new: SCR # _____

NEW FISCAL NOTE(S):

Department	Date	Fiscal	Zero	FN#

PREVIOUS FISCAL NOTE(S):

Department	Date	Fiscal	Zero	FN#

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	Do PASS	Do NOT PASS	NO REC	AMEND
<i>Herb Green</i>	✓			
<i>Alan Quirk</i>	✓			
<i>James H. ...</i>			X	
<i>Thomas P. ...</i>			✓	
<i>Tommy White</i>	✓			
<i>...</i>	✓			
<i>Loren D. ...</i>	✓			
COCHAIR: <i>...</i>	✓			
COCHAIR: <i>Pete Kelly</i>	✓			

Alaska State Legislature

Session:
State Capitol
Juneau, AK 99801
Phone: (907) 465-2327
Fax: (907) 465 5241



Interim:
119 N. Cushman
Fairbanks, AK 99701
Phone: (907) 456-8161
Fax: (907) 456-8163

Senator Pete Kelly
District P

SCR 29 Sponsor Statement

Relating to urging the Governor to institute a hiring freeze on state government.

The State of Alaska is facing a billion dollar deficit and unfortunately the constitutional budget reserve fund cannot fill the gap. Revenue officials project it will be drained by July 2004 if the proposed fiscal year 2003 budget is funded. This budget includes an increase of 858 full-time state positions from the current fiscal year with a price tag of \$115 million.

In the face of such an enormous budget deficit, state spending must be reduced. The most logical first step you take when you have a fiscal problem is a hiring freeze. It will be impossible for the state to sustain such an increase in state employees. A hiring freeze will reduce the number of state positions through attrition, a much better solution than forced layoffs a year down the road.

This hiring freeze will include all positions funded with general funds **except** those temporary positions needed to respond to emergencies or needed for reasons involving health and safety.

The Alaska State Legislature respectfully requests the Governor to institute an immediate hiring freeze.

SEATTLE POST-INTELLIGENCER

http://seattlepi.nwsourc.com/local/59009_revenue20.shtml

provided by: SCR 29
Senator Pete Kelly

Locke puts a freeze on state hiring

Also possible: Tax increase, program cuts, delayed raises

Wednesday, February 20, 2002

By ANGELA GALLOWAY
SEATTLE POST-INTELLIGENCER REPORTER

OLYMPIA -- Gov. Gary Locke yesterday imposed an immediate state hiring freeze and said the state may need to raise taxes, make sweeping program cuts and stall pay raises for state workers -- even blocking voter-mandated teacher raises -- to fill a budget gap of \$1.6 billion.

While saying it's still his "hope" that he and the Legislature can avoid a broad tax increase, such as to sales or business taxes, Locke offered his softest stance on that yet. "Any general tax increase should be a last resort," the Democratic governor said. "And I'm not prepared to say that we need to go there."

But he did say that it is time to consider repealing more state tax exemptions, as many lawmakers -- particularly Democrats -- have said for weeks.

State officials yesterday announced the third consecutive drop in the state's revenue forecast. Projected tax income over the next 16 months -- which had already dropped by \$914 million since September -- fell another \$247 million to below \$21 billion yesterday.

Today, another forecast council is expected to announce about \$100 million in unanticipated state program cost increases, such as for health care for the poor and public school enrollments.

That would bring the state's budget gap of \$1.25 billion in January up to \$1.6 billion. Most of that would have to be made up in the second year of the current \$23 billion biennial operating budget.

"It's very, very grave," said Rep. Jack Cairnes, R-Covington, a leader of the House Finance Committee.

In some corners, the news has even spurred new interest in one proposal to temporarily raise sales tax by about half a cent, dubbed the "freedom surcharge."

In addition to softened anti-tax rhetoric -- including from the GOP -- substantial spending cuts are on the table:

- Locke said he is "actively" considering across-the-board cuts of about 6 percent to all state programs -- including public schools and prisons -- although basic education would be protected. But some leading Democrats said that's too Draconian. "It's like taking a machete to the budget," said Seattle Democrat Helen Sommers, chairwoman of the House Appropriations Committee.
- Lawmakers agreed that substantial cuts to state programs would be necessary, from slashes in social services to temporary park closures, said Spokane Democratic Sen. Lisa Brown, the upper chamber's budget writer. Also, the Senate probably will propose triple the public school cuts that Locke recommended in December, and colleges probably face both tuition increases and funding cuts, she said.

- In December, Locke proposed stalling July cost-of-living raises for state employees by two months. Yesterday, he suggested skipping altogether the 2.6 percent raises for the state's 100,000 workers next year -- saving about \$85 million but raising the specter of worker walkouts. In addition, Locke said the state might need to save \$90 million by blocking the 3.4 percent raises for public schoolteachers that voters approved in a November 2000 statewide initiative. That would require a two-thirds vote of the Legislature.
- In addition to freezing hiring, Locke froze equipment purchases and restricted state worker travel. Critical services such as prison guards and Washington State Patrol troopers are exempt from the hiring freeze, he said.

The revenue forecast was not the only bad news yesterday. The state continues to have among the worst unemployment rates in the country, with a new 8.2 percent jobless rate.

State figures also show that 65,000 jobs were lost last year, barely counting recent layoffs at The Boeing Co. Of those, 85 percent were in King County. Many were in construction and Internet-related businesses, said Chang Mook Sohn, the state's chief economist.

Unlike in the national economy, there's no indication that Washington will recover anytime soon from its recession, officials said.

"King County is clearly leading the rest of the state into a much deeper recession than any time since the 1980s," Sohn said.

It adds up to a grim political battle facing the Legislature and governor. Senate Democrats had planned to release their budget proposal next week -- but now predict delay while they hammer out unpopular spending cuts and politically painful tax increases.

And both sides staked out traditional but sobered partisan positions. Democrats said tax hikes must be on the table. Republicans said all state spending should be re-examined.

"I don't see how it is possible to tax ourselves out of this," Cairnes said. "My caucus will not look at significant tax increases until we see a good-faith effort on the part of the Democrats to control spending."

But he did not rule out at least incremental tax increases, saying, "I'm not sure we can get through this just strictly with cuts."

Rep. Lynn Kessler, Democratic majority leader, said it's time to revive proposals to expand gambling to raise more in taxes, such as a bill that would allow thousands of slot machines in mini-casinos, bars and restaurants. "We have to go scouring through and see what we can dig out," Kessler said.

And some are interested in the two- or three-year sales tax surcharge suggested by Sen. James Hargrove, D-Hoquiam, she said. "I don't know if we have to do that. We don't want to close the door on anything," Kessler said.

Brown, the budget chairwoman, yesterday introduced legislation to allow the Legislature to raise taxes and take money out of reserves by a simple majority -- rather than the two-thirds vote required by 1993's voter-approved Initiative 601.

"It just gives us some flexibility for solving the budget crisis," Brown said. "I'm just putting a couple options out there."

GOP lawmakers -- who had been calling for a state hiring freeze for months -- said it was about time Locke responded.

But the governor needs to offer more than talk on the other ideas he floated yesterday, such as state worker pay freezes, some said.

"He's been considering it for the last year. It's time to make a recommendation or not," said Rep. Barry Schlin, R-Oak Harbor. "But I certainly endorse the ideas."

Greg Devereux, of the largest state employee's union, said walkouts are possible if the state freezes pay. Weeks ago, the union backed a hiring freeze, he added. But "eliminating (cost-of-living adjustments) is just another tax on state employees," Devereux said.

Rich Wood, spokesman for the statewide teachers' union, the Washington Education Association, said, "Now is not the time to cut public education."

The state's economic pain is most obvious in the job market. The Washington jobless rate jumped to 7.5 percent last month, fueled in part by mass Boeing layoffs.

The state job market for seasonal workers is even worse. The unemployment rate unadjusted for seasonal variations, such as holiday hiring and construction work, soared to 8.2 percent in January from 7.3 percent in December, according to state data.

Since the state economy began cooling early last year, the unemployment rate has steadily risen, from 5.5 percent last January to 7.4 percent in December, the Employment Security Department reported yesterday. The rates are adjusted for seasonal changes.

Last month, the jobless rate stood at its highest point in nine years, according to one local economist.

"The overall picture remains the same: namely, a recession more severely concentrated in the metropolitan Seattle economy than in the rest of the state," said Roberta Pauer, a Seattle-based economist for the Employment Security Department.

Pauer predicts Washington will remain mired in recession at least through this summer.

Seattle continues to experience the most severe contraction, absorbing 78 percent of the 63,700 jobs lost around the state in the past year, Pauer said.

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Tony Knowles
Governor
P.O. Box 110001
Juneau, Alaska 99811-0001
NEWS RELEASE

State of Alaska
Office of the Governor

Bob King
Press Secretary
Claire Richardson
Deputy Press Secretary
907-465-3500
FAX: 907-465-3533



For Immediate Release: February 4, 1999

KNOWLES ANNOUNCES BUDGET AUSTERITY MEASURES

Includes Hiring Freeze, Travel and Purchasing Restrictions in Current Budget

As part of his overall plan to achieve a balanced, sustainable budget in the wake of declining oil revenues, Gov. Tony Knowles today announced \$6.25 million in cuts for the current budget year, including an immediate freeze on state hiring, travel restrictions and cutbacks in state purchasing and contracting.

"While much progress has been made over the past several years in reducing the cost of state services, more needs to be done as part of our overall plan for a long-term, sustainable, balanced budget," Knowles said. "Alaskans want assurance that as their employers, businesses and families tighten their belts, the state is doing the same."

Cuts in the current year budget include a reduction in personnel services totaling \$2.5 million, a 10 percent reduction in travel expenses of \$1.2 million, and a reduction in contracts, supplies and equipment, totaling \$2.6 million. Since there are fewer than 5 months left in the current fiscal year, the reductions have an annualized impact of about \$15 million.

Although these amounts are specific to the state's general funds, belt-tightening measures will apply to all areas of state government, regardless of funding sources.

"These cuts will involve reduced service and may require some layoffs," Knowles said. "I have asked departments to manage these reductions carefully, such as through attrition, to minimize impacts on the public."

In announcing his austerity actions, Knowles said public safety would not be compromised. Areas excluded from the cuts include trooper detachments, child protection and child support enforcement, and 24-hour institutions such as Pioneer Homes, prisons, community jails, youth correction facilities and the Alaska Psychiatric Institute. Similarly, travel for needed prisoner transfers will not be affected.

Cuts will not be made in current year funding for education and municipal grants.

Knowles said the hiring freeze applies to existing vacant positions and to new positions. Exceptions will only be allowed for positions affecting life, health and safety, such as child protection workers and public health nurses, and only at the express direction of department commissioners.

"Budget cuts alone will not solve the state's current fiscal dilemma, but are necessary given the current drop in oil prices," Knowles said. "By taking these steps in cooperation with the Legislature, I want to

show Alaskans we're serious about cutting the budget, eliminating the fiscal gap and improving on the most cost-effective delivery of state services. I believe Alaskans will support the long-range balanced budget plan I outlined last month as they see us taking the actions we do today."

The governor said he is working cooperatively with the Legislature to achieve the cuts. In recent meetings and communications with legislative leaders, including Senate President Drue Pearce, House Speaker Brian Porter and finance committee chairs, Knowles and legislators have agreed on the need for further cuts. The governor also noted he is working with Senate Minority Leader Johnny Ellis, House Minority Leader Ethan Berkowitz, and minority Democrats to achieve responsible reductions.

Knowles said today's budget cuts are the first in a series he will announce in coming weeks. Next week, he plans an announcement about efforts to work with the Legislature to reduce the size of the supplemental spending request. He will follow that with specific details about Budget Year 2000 cuts.

The governor said the austerity measures announced today should be extended to other quasi-state agencies, including the University of Alaska, Permanent Fund Corporation, Alaska Housing Finance Corporation, Alaska Industrial Development and Export Authority, Alaska Railroad and others. Reductions in their operations will produce benefits for their customers and ratepayers.

The two other branches of government, the Legislature and court system, are not covered by the governor's action.

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Broadcasters: Video excerpts from this morning's news conference with Gov. Knowles will be broadcast on the Governor's window on ARCS at 3:30 today. Radio actualities will be available on the Governor's Information Line at 800-478-5669 or 465-5213 in Juneau.

Analysis of Position Changes

The raw position counts in next year's budget show 339 new positions for the Executive Branch, 182 for the university, 9 for the court system, and 6 for the legislature. However, one third of the department positions are federally funded or in self-supporting enterprises and programs. Another 20% show as new full-time positions but are actually conversions from part-time to full-time.

A. 25 positions are in self-supporting enterprises such as the Ted Stevens Anchorage International Airport and Alaska Aerospace Development Corporation, with absolutely no impact on the fiscal gap but a positive impact on the state's economy, such as:

- 4 maintenance workers at Ted Stevens Anchorage International Airport
- 4 maintenance workers at Fairbanks International Airport
- 4 for Aerospace Development Corporation
- 3 in AIDEA for energy projects
- 3 in Environmental Conservation for non-tank vessels and railroad cars contingency plans
- 2 for the state equipment fleet
- 2 for Post-secondary Education Commission
- 1 funded by the Mental Health Trust Authority
- 1 in Retirement & Benefits
- 1 Retirement & Benefits attorney in Law

B. 14 positions are funded with user fees and other funds that do not impact the fiscal gap:

- 9 in Community & Economic Development in loan, regulatory and licensing divisions
- 3 in Health and Social Services for the Children's Trust and tobacco control
- 3 in Natural Resources for resource development
- -1 project position in Revenue

C. 77 positions are for federally funded construction and services, such as:

- 30 in Transportation & Public Facilities federal construction projects
- 19 in Health and Social Service for a variety of programs, such as public assistance, mental health services, family and youth services, nursing and administration
- 5 in Revenue child support enforcement
- 5 in Education and Early Development for reading excellence program, troops to teachers program, and child care licensing
- 4 in Fish and Game for Wildlife Conservation Restoration Program and Salmon treaty projects
- 4 in the Division of Governmental Coordination for the coastal impact assistance program
- 4 in Environmental Conservation for public water system support for new federal regulations
- 3 in AHFC for Section 8 Housing Voucher Program administration
- 2 in Public Safety for the Drug Abuse Resistance Education (DARE) program
- 1 in Military and Veterans' Affairs for National Guard facilities operations and maintenance

Understanding the FY2003 Budget

- D. 12 positions are for program; or facilities approved by the Legislature last year.**
- 4 in Fish and Game for gas pipeline
 - 3 in Law for therapeutic courts and alcohol enforcement
 - 2 in Education and Early Development for the Alaska Vocational Technical Center
 - 2 in Environmental Conservation for gas pipeline
 - 1 in Corrections for therapeutic courts
- E. 29 positions are for the new Oil Safety & Development Initiative.**
- 13 in Environmental Conservation
 - 6 in Natural Resources
 - 3 in the Alaska Oil and Gas Conservation Commission
 - 3 in Public Safety
 - 2 in Fish and Game
 - 2 in Labor and Workforce Development
- F. 75 existing part-time and nonpermanent positions are simply being converted to full-time (39 in Transportation).**
- G. Of the remaining 107 positions:**
- 21 in Administration including 5 attorneys and 12 paralegals and assistants in Public Defender to implement recommendations of the 1998 Legislative Audit and handle the alcohol and therapeutic court legislation passed last year, 3 programmers in Finance, and 1 in Senior Services
 - 16 in Health and Social Services including 8 for child protection, 1 for child health, 3 for alcohol initiative, 2 related to mental health services, and 2 for administrative functions
 - 15 in Natural Resources including 9 for parks safety and maintenance, 4 for statehood defense, and 2 for royalty valuation
 - 11 in Corrections including 6 probation officers, 2 for child protection and 3 analyst/programmers
 - 10 in Education and Early Development for early literacy, correspondence program monitoring and review, distance delivered courses, data collection and analysis, and for maintenance at AVTEC
 - 6 in Labor and Workforce Development including 4 mechanical inspectors and 2 for wage and hour audits
 - 6 in Public Safety including 5 troopers for child protection and 1 for federal compliance
 - 5 in Community and Economic Development for an assistant state assessor and for the Alaska Economic Information System
 - 5 in Transportation & Public Facilities including 4 for the Marine Highway System and a department safety officer
 - 4 in Environmental Conservation including 2 for the wild seafood monitoring project, 1 in Water Quality for permitting and 1 for the children's environmental health program
 - 3 in Fish & Game for increased permitting
 - 2 for the Human Rights Commission in the Governor's Office to implement Tolerance Commission recommendations
 - 1 in Law for child protection cases
 - 1 in Military and Veterans Affairs for retirement records administration
 - 1 in Revenue for Alcoholic Beverage Control Board

**Note that many positions could be counted in more than one category. Also, many positions have multiple fund sources such as highway construction with 90% federal and 10% state funds.*

SCR 29-HIRING FREEZE
SENATE FINANCE COMMITTEE

SIGN-IN

NAME: Annalisa McConnell Subject/Bill No: SCR 29
Co./Dept./Title: GMB Phone: _____
Address: _____ Zip: _____
Do you wish to testify? Yes No Respond To Questions

NAME: _____ Subject/Bill No: _____
Co./Dept./Title: _____ Phone: _____
Address: _____ Zip: _____
Do you wish to testify? Yes No Respond To Questions

NAME: _____ Subject/Bill No: _____
Co./Dept./Title: _____ Phone: _____
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Do you wish to testify? Yes No Respond To Questions

NAME: _____ Subject/Bill No: _____
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Address: _____ Zip: _____
Do you wish to testify? Yes No Respond To Questions