

HOUSE FINANCE COMMITTEE  
February 7, 2008  
1:40 p.m.

CALL TO ORDER

Co-Chair Meyer called the House Finance Committee meeting to order at [1:40:14 PM](#).

MEMBERS PRESENT

Representative Mike Chenault, Co-Chair  
Representative Kevin Meyer, Co-Chair  
Representative Bill Stoltze, Vice-Chair  
Representative Harry Crawford  
Representative Les Gara  
Representative Mike Hawker  
Representative Reggie Joule  
Representative Mike Kelly  
Representative Mary Nelson  
Representative Bill Thomas Jr.

MEMBERS ABSENT

Representative Richard Foster  
Representative John Harris

ALSO PRESENT

John Glass, Deputy Commissioner, Department of Public Safety; Dan Spencer, Director, Division of Administrative Services, Department of Public Safety; Deven Mitchell, Executive Director, Alaska Municipal Bond Bank Authority, Department of Revenue; Karen Rehfeld, Director, Office of Management and Budget; Laura Baker, Acting Deputy Director, Division of Administrative Services, Department of Health and Social Services; Karleen Jackson, Commissioner, Department of Health and Social Services; Eric Swanson, Director, Division of Administrative Services, Department of Administration; Samuel Thomas, Director, Division of Administrative Services, Department of Commerce, Community and Economic Development; Sharleen Griffin, Director, Division of Administrative Services, Department of Corrections.

PRESENT VIA TELECONFERENCE

Matt Tanaka, Engineer, Construction and Operations, Department of Transportation and Public Facilities; Orin Dym, Forensic Lab Manager, Crime Lab Supervisor, Department of Public Safety; Josh Fink, Public Advocate, Office of Public Advocacy, Department of Administration.

SUMMARY

HB 313 "An Act providing for and relating to the issuance of general obligation bonds for the purpose of paying the cost of a scientific crime detection laboratory; and providing for an effective date."

HB 313 was HEARD and HELD in Committee for further consideration.

HB 343 "An Act making supplemental appropriations, capital appropriations, reappropriations, and other appropriations; amending certain appropriations; ratifying certain expenditures; making appropriations to capitalize funds; and providing for an effective date."

HB 343 was HEARD and HELD in Committee for further consideration.

HOUSE BILL NO. 313

"An Act providing for and relating to the issuance of general obligation bonds for the purpose of paying the cost of a scientific crime detection laboratory; and providing for an effective date."

JOHN GLASS, DEPUTY COMMISSIONER, DEPARTMENT OF PUBLIC SAFETY, described the inadequacies of the current crime lab and the proposed new crime lab for which they are seeking funds in the amount of \$100 million. The current lab was built in 1986 to house 14 people. Currently 41 people are working in the same space, utilizing approximately ten different sciences. The crime lab did not start processing DNA until 1994 and is now receiving 1,000 samples of DNA per month. In 2006 the Legislature appropriated \$4.8 million to research and design a new lab, and to find a location. After looking at 34 locations, the Department chose Anchorage as the best location for the lab. Anchorage is in proximity with the most work being done by the lab and has an international airport. The site consists of 15.3 acres on Tudor Road between the current crime lab and the Anchorage Police Department. The Department is in negotiations with the municipality of Anchorage for the property.

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Mr. Glass strongly emphasized the need for a new crime lab. The current lab cannot be added onto. The Department hired a firm to determine what size laboratory was needed currently and in the future. The new building is designed for forty years of use. The planned building is 83,000 square feet and

has room to expand as new technologies and analysts are needed.

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Co-Chair Meyer asked about plans for the old building. Mr. Glass answered that the building cannot be made into another kind of lab. He hopes to move the Sexual Offenders Registration, the Alcohol Beverage Control Board and an investigation unit to the old building.

Vice-Chair Stoltze wanted to know how critical the situation was in the old lab in relation to preserving evidence.

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Representative Hawker asked for real numbers.

MATT TANAKA, ENGINEER, CONSTRUCTION AND OPERATIONS, DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES (TESTIFIED VIA TELECONFERENCE), reviewed the process of designing the new lab and establishing the dollar amount needed. An architectural firm with a nationally recognized crime lab expert was hired to determine the necessary size. The budget figure was arrived at from the bottom up based on need. An executive decision was made near the end of the study phase to limit the scope of the project to a \$100 million upper limit.

Representative Hawker asked what the optimal number would be.

Mr. Tanaka replied that initially they foresaw a need for up to 97,000 square feet, but the timeline for this square footage was too far in the future. They thought they could use up to \$120 million for the project. This was scaled back to \$106 million, which provides for a \$100 million face value plus up to \$6 million of interest earnings from the bonds.

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Representative Kelly observed the 400% increase in square footage over the old lab and asked for justification for the additional space.

Mr. Glass described the cramped conditions for the 41 people doing both lab and paperwork on the same workbenches, which causes serious concerns of cross-contamination of evidence. In addition, five new DNA analysts were added through the Legislature in FY 08 and space must be made for them. The lab is trying to expand into other sciences such as toxicology, which is currently sent out-of-state.

Representative Kelly thought a 400% increase still seemed excessive. He was also concerned about additional expenses for the proposed operations in the old building. He wondered if sending some work out-of-state wasn't appropriate.

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Co-Chair Meyer voiced similar concerns about costs. He recognized that the need for the crime lab was increasing. He wondered about using General Fund money instead of the bond and appropriating funds in phases, such as \$40 million each year for three years. Mr. Glass thought that could be a possibility. He said the planning and review money will run out in late July and General Funds could carry the project through to the planned ground-breaking in February 2009.

Co-Chair Meyer wondered how Alaskans might react to a \$100 million project for Anchorage on the ballot and asked about the Department's marketing strategy. Other municipalities might want the lab. Mr. Glass concurred that they were asking for a lot of money and reiterated the need for the laboratory.

DAN SPENCER, DIRECTOR, DIVISION OF ADMINISTRATIVE SERVICES, DEPARTMENT OF PUBLIC SAFETY, commented on Co-Chair Meyer's thought about appropriating \$40 million over three years. He said the State cannot let a contract for more than the appropriation.

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Representative Hawker noticed that HB 313 authorizes bonds for design and construction and asked if the \$106 million included equipment and land. Mr. Glass said equipment, land and moving costs were included. Representative Hawker wondered if this should be in the language of the bill.

Representative Gara calculated that the cost for the lab would be \$2.5 million per employee for 41 employees and thought that sounded high. Mr. Glass had had some of the same concerns; however, the numbers came from crime lab experts. Representative Gara asked for help understanding the enormity of the amount.

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Mr. Glass reiterated that the experts had said the amount was needed for the type of laboratory and services needed.

Representative Gara pointed out that Alaska had many needs. He questioned whether the consultants had both needs and efficiency in mind.

Mr. Tanaka assured the Committee that Representative Gara's questions were common. He said he had managed two other successful lab projects for the State: the environmental health lab for the Department of Environmental Conservation in Anchorage, and the virology lab for the Department of Health and Social Services in Fairbanks. He pointed out that laboratory space is sized based on the analyses that will be performed in the space, not on how many people are in the building. One analyst may need to work in several different laboratory modules. There may be very few people and many technologies. If the module is not built, the lab cannot perform the function.

Mr. Tanaka said the consultants hired for the project are nationally recognized crime lab experts, McClaren, Wilson and Lawrie, Inc. This firm has designed and built crime labs all over the country. The State can draw on the expertise of the consultants as well as the experience of the two labs already built in the state.

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Representative Gara asked about the process used to determine the size of the lab.

Mr. Tanaka explained the process. First, the national crime lab experts met with Public Safety staff, including Orin Dim, the Crime Lab Supervisor, and the architects to determine what the needs were for the new lab. The space was then designed for optimal use, factoring in both current and future program needs. The design is designed based on real need and not speculation. Mr. Tanaka said that at this point floor plans are developed and there is a program and needs analysis. The budget presented is based on thorough study.

Representative Crawford questioned a proposed bullet-proof wall to the road. He asked for a breakdown of costs of machinery and equipment separate from the costs of the actual building. He agreed with other Committee members that the amount requested seemed high.

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Mr. Glass said that part of the cost-cutting did include the removal of the bullet proof wall. He said Orin Dim has conducted a study of the dollar values of the equipment.

Representative Nelson wondered if part of the high expense was due to storage space needs for DNA and crime scene material. Mr. Glass emphasized the critical importance of storage space. He provided the Committee with photographs documenting crowded evidence storage and work space (On File). The garage space needed for examination of cars is also used for evidence storage. Each time the garage is

needed to examine a car, the stored evidence must be moved out and back in, wasting a great deal of time. He went on to say that although storage space is important, work space for the DNA analysts and other scientists is more of an issue.

Representative Meyer asked for a breakdown of costs for the building, land, equipment and so on. Mr. Glass said they would get that information to the Committee.

Co-Chair Meyer added he would also like to know the future operating costs of the building.

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Vice-Chair Stoltze clarified the sterile, secure and non-public nature of the building. He wondered if the building could obtain an exemption from One Percent for Art, which could save \$1 million.

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Representative Gara stated for the record his respect and appreciation for members of the arts community.

Representative Gara asked if the proposed land for the crime lab is private. Mr. Glass responded that the land is not private but belongs to the Municipality of Anchorage Heritage Land Bank. The Department is still in negotiations for the land and close to a contract agreement for long-term lease.

Representative Gara wondered what the lease price was and if it was included in the \$106 million figure. Mr. Glass clarified that in exchange for the use of the land, the lab would do free work for the municipality.

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Representative Gara asked if the \$100 million covered more than construction costs. Mr. Glass replied that the money was also for site preparation, design and engineering costs, in addition to construction costs. Representative Gara wondered if there a per square foot cost. Mr. Glass described some of the complexities that made finding a square foot cost difficult.

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Mr. Tanaka said a square-foot figure could be calculated by comparing the project with other similar projects. After taking out project specifics and escalating the figures to the present, the cost for the DEC environmental health lab was \$950 per square foot. The Fairbanks virology lab, in comparison, cost \$1,136 per square foot. The proposed crime

lab comes to approximately \$1,050 per square foot. He concluded that the cost is on par with other laboratories of similar complexity in Alaska.

Mr. Tanaka delineated site preparation costs: \$7 million for site preparation, \$3 million for laboratory-specific features in the building, and \$2.3 million for laboratory equipment.

Representative Gara questioned whether the costs for the other state buildings were scrutinized.

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Co-Chair Chenault wondered how much work the lab would do for Anchorage in exchange for the land use. Mr. Glass said approximately 70% of the crime lab's work is currently for the Anchorage Police Department.

Vice-Chair Stoltze compared the building to a hospital. He pointed out that hospitals out-source their records and wondered if every function in the crime lab was essential. Mr. Glass answered in the affirmative. He explained that part of the challenge is that a piece of evidence might have to be put through many processes. Once the piece is brought on-site, shipping it out can cause cross-contamination.

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Representative Nelson acknowledged progress made on specific cold case files because of the application of forensic science. She didn't want the State to contract out vital pieces of evidence. She thought the price well worth the money for victims' rights.

Vice-Chair Stoltze agreed but wondered if there could be less expensive buildings for storage.

Co-Chair Meyer asked Mr. Glass for a breakdown of the costs. He referred to the case of a fish hatchery in which costs were double what the Legislature approved.

Mr. Glass said he would bring the numbers the following week.

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Representative Kelly wondered if other states sub-contracted to the private sector.

ORIN DYM, FORENSIC LAB MANAGER, CRIME LAB SUPERVISOR, DEPARTMENT OF PUBLIC SAFETY (TESTIFIED VIA TELECONFERENCE), answered that some evidence cannot be farmed out. Some is sent to the FBI. There are no facilities to perform

controlled substance analyses. Currently, major outsourcing is non-evidentiary, such as convicted offender DNA samples.

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Representative Gara wanted to know the annual financing cost for the \$100 million bond.

DEVEN MITCHELL, EXECUTIVE DIRECTOR, ALASKA MUNICIPAL BOND BANK AUTHORITY, DEPARTMENT OF REVENUE, thought the cost would correlate to the interest on the bonds; Alaska's current rate would be close to 4%. This would make the annual payment approximately \$7.5 million.

Co-Chair Meyer asked for a fiscal note from Revenue showing the repayment schedule and the ultimate cost of the bond. Mr. Deven said he would get the fiscal note to him.

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Co-Chair Meyer closed public testimony on HB 313.

Representative Kelly stated his skepticism regarding space studies. He wondered what would happen if the square footage of the crime lab was cut in half.

Co-Chair Meyer reiterated the need for a break-down of costs.

HB 313 was HEARD and HELD in Committee for further consideration.

[2:32:10 PM](#) AT EASE  
[2:43:42 PM](#) RECONVENE

HOUSE BILL NO. 343

"An Act making supplemental appropriations, capital appropriations, reappropriations, and other appropriations; amending certain appropriations; ratifying certain expenditures; making appropriations to capitalize funds; and providing for an effective date."

KAREN REHFELD, DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET, thanked the committee for hearing the bill.

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DEPARTMENT OF HEALTH AND SOCIAL SERVICES

Section 7-9 Foster Care Base Rate

Increased costs in the amount of \$656.3 due to increase in Protective Services Reports received. Increased collections of Supplemental Security Income (SSI) and Child Support Services Division (CSSD) receipts \$800.0. Collections attached to IV-E eligible children are reimbursed to the federal government; other funds are built into the Foster Care Base Rate payments. Approximate 2,000 children are in foster care at any given time. The Foster Care Base Rate is \$24.13 per day or \$724 per month.

\$1,456.3

LAURA BAKER, ACTING DEPUTY DIRECTOR, FINANCE AND ACCOUNTABILITY, DEPARTMENT OF HEALTH AND SOCIAL SERVICES, spoke regarding the Foster Care Base Rate. She said an increase in foster parenting and foster children in care has resulted in a need for increased funds.

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Representative Hawker thought the FY 09 budget request should be looked at to reflect the increased need. Ms. Baker agreed.

#### Section 7-9 Foster Care Special Needs

Increased costs. An estimated 240 more children will require special needs funding support for their foster care this year. Approximately 1,800 children are eligible to receive special needs funds at an average cost of \$240.00 per month.

\$699.8

Ms. Baker addressed Foster Care Special Needs at \$622.8 General Fund (GF) with a \$77.0 federal match, which relates to a case load increase.

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Representative Hawker referred to the FY 09 budget request for \$1.2 million in interagency receipts and no additional GF and wondered if that should be reconciled. Ms. Baker explained that the \$1.2 million in FY 09 relates to child care costs for foster care children connected to the Childcare Development Fund. These are different cost issues. Representative Hawker asked if the Department was requesting \$622.8 in General Funds that won't be needed in FY 09. Ms. Baker said she would follow up on that.

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#### Section 7-9 Medicaid Services

ProShare Disallowance. ProShare was disallowed by the U.S. Department of Health and Human Services Departmental Appeals Board in July 2007. Before ProShare was begun, the department funded these grants with general funds. Supplemental funding is needed to continue the grants to community service providers.

\$17,062.3

Ms. Baker addressed the ProShare disallowance. The Department worked to maximize federal revenue over the past years and was able to save a total of \$40 million for two years of that time. The federal government decided that the Department cannot use the financing mechanism which results in a GF increase of \$17,062.3.

Representative Gara asked for clarification regarding the foster care base rate. He asked if the base rate was the per-day reimbursement rate for foster families. Ms. Baker answered in the affirmative. Representative Gara clarified that the rate had increased in 1999 to reflect the 1993 poverty level. He asked about the proposed rates for FY 09. Ms. Baker said the rates were still being discussed. Representative Gara wondered if the supplemental amount would accommodate that change. Ms. Baker answered that the amount did not accommodate any change but makes up for an increased case load and reflected a component of the base services.

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#### Section 7-9 Nome Youth Facility

Increased operating costs. The facility is fully staffed and cannot cover the budgeted 4% vacancy factor or other costs related to the larger facility. This request provides \$70.0 personal services and \$80.0 contractual services costs.

\$150.0

Ms. Baker explained that the Nome youth facility is now fully staffed and has new utility costs.

#### Section 7-9 Johnson Youth Center

Increased medical costs for services provided to juveniles at the facility. In the past two years these costs were covered with ProShare funds, but that is no longer an option.

\$250.0

Ms. Baker explained that although the request is listed under the Johnson Youth Center, it also applies to increased medical costs at the McLaughlin, Fairbanks, Bethel, and Nome

centers. Up until this year the Department has been able to expand ProShare coverage to absorb the increase.

Co-Chair Chenault asked if Kenai was included in the request. Ms. Baker replied that Kenai has not had the increased expenses. Co-Chair Chenault wondered if all the centers would be seeing the increased costs that the Nome Youth Facility was experiencing. Ms. Baker explained that the FY 09 budget does contain a request for more money to bring all the facilities closer to being fully staffed.

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Representative Gara referred to increased Medicaid service cost. His understanding was that the State budgeted money to replace lost federal Medicaid funding. He wanted clarification on the difference in what Medicaid funds the State received from the federal government last FY compared to this FY to get a sense of how much has to be replaced.

Ms. Baker pointed out that the federal match rate has gone down and some of the increases relate to replacing the lost federal receipts for ProShare.

#### Section 7-9 Probation Services

Replace uncollectible federal funding for Targeted Case Management.

\$600.0

Ms. Baker described a fund source change for Probation Services in Juvenile Justice consisting of a reduction of \$600.0 in federal receipts and an increase of the same amount in General Funds. Juvenile Justice had planned to use targeted case management, but they will not be able to claim those funds this fiscal year. There is a similar request in FY 09. Co-Chair Chenault clarified that this cost will be picked up by the State. Ms. Baker said the State had picked up the cost until FY 08 when the reduction was taken, hoping the case management method would work.

Representative Hawker asked how the item would be reflected in the FY 09 operating budget. Ms. Baker said there would be an amendment.

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#### Section 7-9 Probation Services

Court Ordered costs. Per legislative direction, these costs are requested through supplementals instead of being incorporated into the base budget.

\$221.0

Ms. Baker explained that the Legislature had asked the Department to come through the supplemental process for costs that were above and beyond regular operating and that were court ordered. Juvenile Justice has tracked those costs and is asking for \$221.0 GF to cover the projected need.

#### Section 7-9 Women, Infants and Children

Increased SDPR from baby formula rebates. This corresponds to the department's FY 09 increment request of \$650.0.

\$852.3

Ms. Baker explained that manufacture rebates come to the State for any infant formula that the State disbursed. Co-Chair Chenault asked what the funds would be used for. Ms. Baker said the infant food packages sent out through the program are funded by statutory designated program receipts.

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#### Section 7-9 Certification and Licensing

Increased authority to receive and expend fees generated by background check applications. Originally anticipated 16,000 to 18,000 applications; projected increase is 12,000 applications from Foster Care and Child Care employees.

\$945.0

Ms. Baker explained that when the Department originally put the numbers together for FY 08, they had anticipated processing approximately 14,000 background check applications from hospitals, nursing homes, residential child care, assisted living homes and other health related service providers. At the end of August 2007 there had been 23,000 processed and over 9,000 more by the end of December. The majority of the funds are for the Department of Public Safety for fingerprint checks.

#### Section 8-9 Alaska Psychiatric Institute

Increased Third-Party payment receipts enabling the department to save some general funds. This is reflected in section 8, the departmental fund source list.

Ms. Baker described this delete/add supplemental item as the Department offering up \$850.0 GF mental health funds and replacing that with statutory designated receipts for the same amount. The Alaska Psychiatric Institute has increased collections related to third-party payments such as

Medicare. Changes in the Medicare regulations allowed for reimbursement for diagnosis-related group activities; more activities can be claimed for Medicare reimbursement.

#### Section 10-12 Capital

Alaska Psychiatric Institute Automation. Funding for electronic records system and tele-behavioral health evaluation and treatment system. The electronic records system is partially funded with an existing capital project with the remainder coming from the operation budget. This system is used to track important patient data and will provide API with reliable funding and census information. API is moving towards tele-behavioral health to allow psychiatric evaluation and treatment of patients from remote locations.

\$1,200.00

Ms. Baker said that the Alaska Psychiatric Institute (API) expects to collect approximately \$2 million in additional statutory designated program receipts. In addition to the fund source change discussed in the previous item, the Department would like to supplement the capital project the Legislature provided a few years ago for an electronic medical records system for API. The original system was of limited scope.

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Ms. Baker explained that in addition, API hopes to expand treatment options to include more community-based work. The Department thought it would be more beneficial to ask for the money as a capital project.

Co-Chair Chenault acknowledged that the Legislature started the program DHSS was asking to capitalize. He recalled that \$674,000 was put into the program and wondered what the total cost would be to bring the records up to date. Ms. Baker did not have a specific estimate.

Co-Chair Chenault requested the total cost as it affects both this year's budget and the out years. The Governor has said that she would like to control the increases. Ms. Baker responded that she would follow up on that.

#### Section 14 Senior Benefits Payment Program

Senior Benefits. SB 4, which passed in June 2007, does not establish a flat rate, but sets rates from \$100 to \$175/month depending on household income. Maximum income eligibility level is 150% of federal poverty guidelines for Alaska.

\$18,492.1

Ms. Baker explained that the senior benefits program request is a fast-track request. Senior care benefits expired last year and SB 4 continued those benefits. The request is for \$18,492,100; the estimate is in the informational fiscal note that passed with SB 4. Ms. Baker reported that the program is on track with the payments.

Section 29(b)(1) Ratification: Team Nutrition	\$8,210.00
Section 29(b)(2) Ratification: EMS Data Collection	\$9,488.71
Section 29(b)(3) Ratification: Phase II EMS Data Collection	\$5,533.25
Section 29(b)(4) Ratification: IPEMS CPS Coord.	\$6,980.98

Ms. Baker talked about Ratifications in Section 29(b)(1) through 29(b)(4), which all relate to unbudgeted reimbursable services agreements (RSA) or services within Public Health. Due to timing and miscommunications, DHSS has ended up in a shortfall situation. There is no administrative way to remedy the shortfall; however, the programs impacted would have had the necessary funding in the regular side of the accounting system to cover these costs.

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Section 29(b)(5)Ratification: Medicaid	\$25,141,116
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Ms. Baker explained that in FY 03 and FY 04 the DHSS saved a total of \$40 million related to ProShare. When ProShare was disallowed, the \$21,357,000 spent in FY 06 was ratified. These funds were within the total appropriation; DHSS expected the federal revenue and carried a federal accounts receivable on the books. However, the payment has gone out of the GF. She reminded the Committee that DHSS had the understanding of both the Administration and the Legislature that there was risk to continuing the refinancing process.

Ms. Baker further explained that the second part of the 29(b)(5) ratification is the Indian Health Services (IHS) request for \$3,784,017. If someone goes into an IHS facility and they are referred to a non-HIS, the Department feels that the referral should be covered by 100% federal funds. The federal government disagrees, and other states have lost this appeal.

Section 29(b)(6) Ratification: Medicaid	\$4,350,407.00
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Ms. Baker explained this ratification as a small piece of the FY 07 ProShare ratification.

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Section 29(b)(7) Ratification: Health Care Serv.	\$231,500.00
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Ms. Baker described another ratification related to health care services in FY 05 for the women and adolescent services component. The Department over-collected on the grant resulting in a shortfall of \$231,500.

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DEPARTMENT OF ADMINISTRATION

Section 1-3 General Government Unit (GGU)

Ratified bargaining unit agreement costs for the GGU. 4% wage increase and health insurance increase of \$16.58 from \$863.20 to \$879.78  
\$24,234.3

ERIC SWANSON, DIRECTOR, DIVISION OF ADMINISTRATIVE SERVICES, DEPARTMENT OF ADMINISTRATION DOA, explained that the section pertains to the funding necessary to provide for the GGU contract. The increase will be reflected in adjustments for virtually every agency.

Section 4-6 ETS Net Zero Supplemental

Funds previously distributed to state agencies to offset increased chargeback rates for enterprise technology services as identified in the statewide federal cost allocation plan are redistributed to more closely align with costs.  
\$0.0

Mr. Swanson reassured the Committee that DOA was not looking for new funding with this request but looking for approval to redistribute some of the funding that has been appropriated in prior years for enterprise technology services charge backs. For three departments the cost is going down; for the remainder of the departments costs are going up.

Section 7-9 Office of Public Advocacy

Current projections indicate OPA will require supplemental funding in the amount of \$2,400.0 to operate through FY2008. Caseload growth has gone beyond anybody's expectation. OPA has seen a significant spike in case assignments in Anchorage and Palmer. OPA has also seen a number of the more complicated and expensive cases go to trial (cold cases and numerous murder cases). While OPA projected an increase in felony cases of 12% statewide based on a 5 year average, in Anchorage OPA has seen a 43% increase in felony filings in the first half of FY2008 compared to last year. On

the higher level crimes, OPA saw a 48% increase in unclassified cases and a 158% increase in A felonies.

There are \$90.0 excess guardianship fees receipts in FY2008, which will be used to fund a portion of this supplemental.

\$2,400.0

#### Section 7-9 Public Defender Agency

Current projections indicate the PD will require supplemental funding in the amount of \$820.0 to operate through FY2008. The PD has experienced significant increases in case load of a variety of types throughout the much of the state in the first quarter of FY2008 as compared to the same period in FY2007. In Anchorage felonies are up 2% and misdemeanors are up 19%. In Southcentral Alaska felonies are up 12%, misdemeanors are up 19%, child in need of aid (CINA) cases are up 82%, while in Southwest Alaska those cases are up 30%, 21%, and 85% respectively.

\$820.0

Mr. Swanson explained that in these supplemental requests for the Office of Public Advocacy (OPA) and Public Defender Agency (PD), the funding amount is driven by caseload. Caseload is up for both agencies. The disparate amount requested by the agencies is explained by several factors.

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Mr. Swanson thought PD has improved its ability to identify potential conflicts early in a case. A case with conflicts is automatically transferred to the OPA. Those types of cases have tended to be more expensive ones with significant fiscal impact. Many of those cases must be assigned to contract attorneys, who cost more than staff attorneys.

Representative Gara pointed out that under the previous administration there was an attempt to save costs by hiring in-house. He wondered if the case load was expected to increase substantially and if the Department has given OPA the authority to save money by hiring more staff attorneys. He was concerned that past administrations have tried to keep down the number of state employees.

JOSH FINK, PUBLIC ADVOCATE, OFFICE OF PUBLIC ADVOCACY, DEPARTMENT OF ADMINISTRATION (TESTIFIED VIA TELECONFERENCE), explained that in FY 08 the DOA was authorized ten new positions. Those positions were not enough to handle the significant and unexpected increases in caseloads. Anchorage is up 43% on felony cases; the trial rate is up 61% from the

previous year. He believed the Commissioner of DOA is amenable to bringing on staff as long as people will be represented more efficiently. He is currently looking at data to figure out how to hire staff to lessen the need for contractors and reduce those costs.

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Co-Chair Chenault asked how many of the ten employees had been hired. Mr. Fink replied that eight have been hired and DOA is recruiting for the others. Co-Chair Chenault wondered if Mr. Fink saw the increase in cases as an on-going trend or a one-time spike. Mr. Fink thought the situation was unusual and that although typically PD gets most of the criminal cases, OPA would start getting a larger percentage of them. Early in FY 08 as a number of cases were going to trial, PD realized they had a conflict and so OPA received a surge of unanticipated cases. The Public Defender decided to conduct conflict analysis early in the cases.

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#### Section 28(a) Administrative Lease Financing

Atwood parking garage debt: \$3,443,000 was appropriated in HB 95, Sec 30(m) for FY08. Only one debt payment in the amount of \$535,105.53 will be made in FY08, a reduction of \$2,907,894 from the maximum amount that had originally been estimated.

(\$2,907.9)

Mr. Swanson explained the debt service reduction for the Atwood parking garage.

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#### DEPARTMENT OF COMMERCE, COMMUNITY & ECONOMIC DEVELOPMENT

#### Section 7-9 Alaska Energy Authority Power Cost Equalization

Fully fund PCE by increasing the program \$1,200.0 from \$26,760.0 to \$27,960.0 due to the increase in fuel costs.

\$1,200.0

SAMUEL THOMAS, DIRECTOR, DIVISION OF ADMINISTRATIVE SERVICES, DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT, explained the increase requested for PCE.

#### Section 7-9 Banking and Securities

Estimated legal and administrative hearing costs above the funding level of the fiscal note for

Chapter 50, SLA2007 (HB162 - Mortgage Bill). At the time the bill was passed it was agreed with the legislature that, if necessary, these additional costs would be sought for FY08.

\$95.0

Mr. Thomas explained that Banking and Securities are requesting \$95,000 receipt support services money because of recent legal costs especially on the ANCSA oil site.

#### Section 7-9 Insurance

Estimated legal and administrative hearing costs above funding level.

\$140.0

Mr. Thomas described the Division of Insurance request for \$140,000 receipt supported services to cover increased cost due to fraud convictions.

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#### Section 7-9 Regulatory Commission of Alaska

Unexpected high, ongoing costs of major litigation are exceeding FY07 supplemental and FY08 operating funding amounts. In the past, some litigation costs were funded by not filling positions. This is no longer possible due to expanding case load, recently imposed statutory deadlines, and dramatic loss of tenured advisory staff.

\$ 500.0

Mr. Thomas explained the rising costs of the Regulatory Commission of Alaska.

#### Section 10-12 Capital Request: Prescription Drug Monitoring

This capital project grant request is for the initial planning grant awarded by the U.S. Department of Justice related to the Prescription Drug Monitoring Program. Prescription monitoring programs help prevent and detect the diversion and abuse of pharmaceutical controlled substances, particularly at the retail level where no other automated information collection system exists.

\$49.4

Mr. Thomas described a new prescription drug monitoring program. Investigators are spending a great deal of time searching for drugs. The \$49,000 is for planning purposes, to research the purchase of a software program that will cut search time from three months to a few weeks.

Co-Chair Chenault voiced concerns that this is a mechanism to start a new program that will eventually lead to new State operating costs.

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Section 10-12 Capital Request: Grant for Elections.

The Division of Elections will be conducting an incorporation election in Wrangell in early May. If voters approve, city will be dissolved and a borough will be formed. The department only has 30 days after the election is certified to provide the first year organization grant. This request is for the first year grant for Wrangell, the FY09 Capital Budget requests the second year grant.

\$300.0

Mr. Thomas explained that the city of Wrangell is asking for a grant to cover costs related to becoming a borough.

Section 10-12 Capital Request: Climate Change Impact

Climate Change Impact Mitigation Program. Grants (\$150.0 max) to imminently threatened communities for planning for addressing threats and mitigation measures; mini grants (\$50.0 max) to identify climate change related impacts that are threatening life, property or economics; support for local coordination in communities demonstrating imminent threats; and funding for oversight of programs and grants.

\$1,100.0

Mr. Thomas delineated the \$1.1 million request for the Climate Change Impact Mitigation Program. He described major erosion problems in villages and other effects of climate change in northern Alaska.

Co-Chair Chenault reiterated concerns and questions regarding new programs.

[3:28:01 PM](#)

Representative Joule wondered if help would get to communities when urgently needed rather than depend on funding cycles. He described the difficulties in Kivalina after a bad season and wondered about the need for a capital supplemental.

Section 20(a) Capital

Correct sec 42(c), SB53, SLA 2007, pg 164, line 19, by deleting the reference to "for the fiscal year ending June 30, 2008."

\$0.0

Mr. Thomas pointed out a language change.

#### Section 20(b) Capital

Restore \$34,334 revenue sharing for the community of Whitestone - sec. 55(c), ch. 30, SLA 2007, page 184, line 3.

\$34.3

Mr. Thomas talked about restoring \$34,334 to the community of Whitestone which did not receive money appropriated to them due to confusion about two locations with the same name. One of the locations was a mining operation.

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#### Section 20(c) Alaska Energy Authority

Rename the Alaska Energy Authority - ALCAN Intertie project (sec. 4, ch. 82, SLA 2006, page 117, lines 21-22 - \$3,200,000) to Alaska Energy Authority - Kake - Petersburg Intertie and Alaska - British Columbia Intertie.

\$0.0

Mr. Thomas talked about the Alaska Energy Authority name change and said he did not have many details. Co-Chair Chenault wanted to be sure the Alaska Energy Authority is changing their name and not re-appropriating to a different project.

#### Section 20(d) Quality Trade Association Contract

Reduce the FY08 operating appropriation for this component by \$800.0 from \$5,005.1 to \$4,205.1 to "free up" funds that are then used in the FY09 capital budget named recipient grant to ATIA.

(\$800.0)

Mr. Thomas said the Alaska Tourism Industry Association could not come up with a match in FY 08, so they asked for an \$800,000 reduction in that appropriation.

#### Section 20(e) Capital

Scope change: Community Development Assistance [GRANTS] capital project to expand scope to allow department spending to provide community assistance. Currently scope is too narrow, only

allowing grants to communities. (Sec. 4, ch. 30, SLA 2007, page 84, line 26) The estimated unobligated balance is \$11,089,500.

\$0.0

Mr. Thomas said this item proposes adjusting language to reflect a change in scope. The current scope is too narrow and only allows grants to communities.

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Representative Kelly asked if the section dealt with federal funds. Mr. Thomas said some of the money comes from other agencies and some from other sources. Representative Kelly wanted to make sure a simple word change does not have a broader effect.

Section 27 PCE Fund

PCE Fund Increase PCE Fund capitalization by \$700.0 from \$12,999.4 GF to \$13,699.4 GF (total funds from \$25,273.0 to \$25,973.0) in order to provide more PCE funding needed due to increased fuel costs.

\$700.0

Mr. Thomas said he would provide more detail if the Committee needed it.

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DEPARTMENT OF CORRECTIONS

SECTION 7-9 Correctional Academy

Training Academy - Recruitment efforts have been successful, however, this has created a very critical backlog in getting new hires their mandatory training. This is a serious safety and security issue. A supplemental request will meet the current training needs of the recruits as well address the curriculum needs of the academy.

\$145.4

SHARLEEN GRIFFIN, DIRECTOR, DIVISION OF ADMINISTRATIVE SERVICES, DEPARTMENT OF CORRECTIONS, began with the \$145,400 supplemental request for the Department's training academy. She said the Department has done well with a recruitment campaign which has succeeded in filling the positions; however, an additional academy is needed to train new officers this year.

Section 7-9 Institution Director's Office

This request covers the Correctional Facilities shortfall of personal services, contractual, and commodities. This includes costs such as correctional officer overtime, fuel surcharges, electricity and other utility and heating costs, increased commodities costs for food and other operational commodities. The prisons are 24-hour facilities that must remain open. Every effort is made to control costs, however, actual costs are exceeding the FY2008 budget.

\$1,852.0

Ms. Griffin said a portion of the \$1,852,000 is needed to pay an additional day of salaries and meals because of leap year. Another \$795,000 is to make up for increased fuel costs. There are additional costs for overtime to cover for new officers going through the correctional academy. Supplies also cost more because of fuel costs.

Co-Chair Chenault asked for clarification regarding the overtime expenses. Ms. Griffin explained that correctional officers are working as well as being trained. Additional resource is needed to cover for them during training.

#### Section 7-9 Inmate Health Care

The department is requesting a supplemental for increased inmate health care costs and to meet medical staff overtime costs. The funding is needed to meet the department's mandated obligations of medical care for the aging and increased population of offenders and for the sharp increase in the number and the cost for inmates needing dialysis, cancer treatment and the growing number of life-threatening cases. Funding will also assist in meeting the personal service overtime costs associated with providing the required nursing oversight.

\$2,427.3

Ms. Griffin described the additional costs for inmate health care due to increases in population and to catastrophic cases.

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Co-Chair Chenault wondered how the State is doing regarding catastrophic cases. Ms. Griffin answered that so far this year the cost is \$2 million. She said some of those costs are being recovered due to a \$1.9 million increase in the budget. She said the population is aging and has serious health challenges, including several heart cases.

#### Section 21(a) Community Jails

The Division of Legislative Audit recommends that the Department of Corrections restructure the community jails program to promote equity between communities. This involves identifying the various types of activities and costs associated with operating local jails while being consistent with security standards and staffing requirements. This is even more important because according to the Department of Administration each community participating in the community jails program is already required to have a State single audit. Establishing a professional services agreement with an independent contractor will assist the department in its endeavor to ensure that a balanced distribution of funding is allocated on an equitable basis within the community jails program. An extended termination date is required to allow sufficient time to procure a contract and assure the vendor has adequate time to complete this analysis.

\$45.0

Ms. Griffin described the request of \$45,000 to restructure the community jails program to promote equity between communities. The Department would like a term date extension on the supplemental. In response to an audit, the Department proposes to hire a contractor to review each of these communities and present a plan to more equitably distribute the money.

Representative Kelly wondered about correcting inequity in the smaller facilities. He hoped the Department could recognize that there are differences in what can be provided in different communities. He was concerned about spending too much money.

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Representative Nelson thought Dillingham, a community in her district, had one of the smaller facilities. A boom in prison population during the fishing season resulted in prisoners sleeping on the floor. She thought there were disparities in smaller communities compared to places with larger and more consistent populations.

Ms. Griffin listed some of the smaller prison communities in the state.

Representative Kelly reiterated his concerns and wanted the list.

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Section 21(b) Out-of-State Contractual

This amount pays for an FY2006 unpaid outstanding contractual invoice for \$50,000 from the Correctional Corporation of America.

\$50.0

Ms. Griffin explained that the vendor had overlooked sending the invoice.

Section 21(c) Parole Board

This request is to pay an FY2005 unpaid outstanding invoice for \$399.09 from the Voyager Hotel.

\$0.4

Section 21(d) Population Management, Anchorage

There have been lower than anticipated costs and therefore federal receipts, for housing federal inmates (man-day federal shortfall). Beds are used for state and local inmates so general fund authorization is necessary.

\$0.0

Ms. Griffin said DOC is requesting that \$1 million of empty federal receipt authorization be replaced with General Funds. She said last year federal receipts collected could not be expended and required a GF replacement. The Department was \$960,000 short last year. These receipts are slightly overstated as the federal population is going down and the costs of the facilities are static.

Co-Chair Chenault wondered if there would be another supplement request next year. Ms. Griffin replied that the FY 09 request addresses this issue.

HB 343 was HEARD and HELD in Committee for further consideration.

ADJOURNMENT

The meeting was adjourned at 3:50 PM.