

MINUTES
SENATE FINANCE COMMITTEE
February 27, 2007
9:00 a.m.

CALL TO ORDER

Co-Chair Lyman Hoffman convened the meeting at approximately [9:00:58 AM](#).

PRESENT

Senator Lyman Hoffman, Co-Chair
Senator Bert Stedman, Co-Chair
Senator Charlie Huggins, Vice Chair
Senator Kim Elton
Senator Fred Dyson
Senator Joe Thomas
Senator Donny Olson

Also Attending: KAREN REHFELD, Director, Office of Management and Budget, Office of the Governor; LAURA FLEMING, Communications Director, Alaska Seafood Marketing Institute, Department of Commerce, Community and Economic Development; SAMUEL THOMAS, Director, Division of Administrative Services, Department of Commerce, Community and Economic Development; SHARLEEN GRIFFIN, Director, Division of Administrative Services, Department of Corrections; JANET CLARKE, Assistant Commissioner, Finance and Management Services, Department of Health and Social Services; JAY BUTLER, Director, Division of Public Health, Department of Health and Social Services;

Attending via Teleconference: KATE GIARD, Commissioner and Chair, Regulatory Commission of Alaska, Department of Commerce, Community and Economic Development; LYNN KENT, Director, Division of Water, Department of Environmental Conservation.

SUMMARY INFORMATION

SB 83-SUPPLEMENTAL APPROPRIATIONS

The Committee heard department overviews from the Office of Management and Budget, the Department of Commerce, Community and

Economic Development, the Department of Corrections, the Department of Environmental Conservation, and the Department of Health and Social Services. The bill was held in Committee.

#sb83

[9:01:05 AM](#)

SENATE BILL NO. 83

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

This was the first hearing for this bill in the Senate Finance Committee.

Co-Chair Hoffman announced he expected the Committee to meet in executive session at a later date to discuss the lawsuit involving Mercer Human Resource Consulting, as well as portions of the Oil and Gas Supplemental bill.

[9:02:03 AM](#)

KAREN REHFELD, Director, Office of Management and Budget, Office of the Governor, introduced the bill, and informed that the first section included time-sensitive supplemental appropriation requests. The requests contained in the bill as a whole totaled \$98 million, \$51 million of which were general fund requests. The various departments would be presenting their specific requests to the Committee.

[9:03:48 AM](#)

Department of Commerce, Community and Economic Development

Section: 1(a)

Request Delivery Unit (RDU) or Component: ASMI

Supplemental Need: Increase the Alaska Seafood Marketing Institute's National Consumer Campaign promoting Alaskan seafood, as more than anticipated was received from industry assessment.

Legislative Finance Division (LFD) Notes: For several years, the Dept of Revenue has underestimated industry

assessments to ASMI. This request authorizes ASMI to spend past collections. Funding will be used to expand advertising for AK seafood on cable TV and in print media. The recalculations have increased ASMI's annual revenue projections:

Old projections: \$5.5 to \$6 million

New projections: \$6 to \$7 million

\$2,000,000 Receipt Supported Services

LAURA FLEMING, Communications Director, Alaska Seafood Marketing Institute (ASMI), Department of Commerce, Community and Economic Development, informed that the funds requested were industry taxes already remitted to the Department of Revenue, and ASMI needed legislative authorization to expend the money. She added that approximately \$1.4 million of the requested funds was an adjustment pass-through following an audit of industry receipts. The remaining amount was industry receipts, which came in higher than predicted due to a greater harvest value.

[9:05:27 AM](#)

Co-Chair Hoffman asked if ASMI's general fund request would be reduced if the current receipt supported services request was authorized.

Ms. Fleming did not anticipate a reduction in the general fund request, as the \$1 million in Governor Sarah Palin's requested budget for fiscal year 2008 (FY08) would be the State's participation in the "public/private partnership".

Co-Chair Hoffman inquired why this appropriation was deemed time sensitive.

[9:06:31 AM](#)

Ms. Fleming reported that ASMI must purchase television and print advertising time in advance, and although the Institute received the funds, it did not yet have authorization to spend them. The marketing board incorporated those funds into the planned advertising campaign with the assumption that authorization would occur.

[9:07:36 AM](#)

Section: 1(b)

RDU or Component: Regulatory Commission of Alaska
Supplemental Need: Outside council for litigation at the Federal Energy Regulatory Commission (FERC) to defend RCA's jurisdiction over intrastate rates on the Trans-Alaskan Pipeline (TAPS; and for other TAPS-related litigation at the Supreme Court of Alaska involving RCA.
LFD Notes: RCA anticipates that total litigation costs for FY07 could exceed \$1 million. Much of the requested funding has already been expended. RCA anticipates that the TAPS Pipeline case at FERC will last for years.
\$750,000 RCA Receipts

SAMUEL THOMAS, Director, Division of Administrative Services, Department of Commerce, Community and Economic Development, outlined this request.

Co-Chair Hoffman asked if this was a one time request.

Mr. Thomas replied that an additional \$600,000 had been included in the FY08 budget due to the "uncertainty of the legal cost."

[9:09:34 AM](#)

KATE GIARD, Commissioner and Chair, Regulatory Commission of Alaska, Department of Commerce, Community and Economic Development testified via teleconference that she was available to answer questions.

[9:10:34 AM](#)

Senator Huggins asked for an estimate as to how long the FERC case would continue.

Ms. Giard responded that the case was currently before an administrative law judge. After the judge ruled on the case, the decision would most likely be appealed to the full FERC body, followed by an appeal to the FERC appellate court, and possibly an appeal to the Supreme Court. She anticipated a "long progression" in the case.

Senator Huggins asked if Ms. Giard could estimate how many years this process could take.

Ms. Giard projected the case to be active for three to six years, with "significant beaks" in the litigation portion of the

case during the time the different levels of justices considered arguments.

[9:12:09 AM](#)

Department of Corrections

Section: 1(c)

RDU or Component: Inmate Health Care

Supplemental Need: The funding is needed to meet the medical obligations for the aging and increased offender population. The driving factors are the sharp increase in the number of offenders needing treatment, the cost of dialysis and cancer treatments and the growing number of life-threatening cases. The department will potentially run out of funds as early as March 2007 and not be able to pay vendors for services provided. \$439,000 of this request is related to nurses' market-based pay increase.

LFD Notes: Department projects that it may run out of funds as early as March. \$3,464,400 is for increased health care costs. \$439,000 is requested for Market-Based pay increases for Nurses. Although the nurses received a two-range increase in FY07, the department requested and received funding for a one-range increase.

\$3,903,400 General Funds

SHARLEEN GRIFFIN, Director, Division of Administrative Services, Department of Corrections, told that this time-sensitive request included funding for the second of a two-range increase for nurses, the first of which was funded the prior year. Catastrophic cases accounted for approximately \$1.5 million expended thus far in FY07, with an aging and increased population contributing to the increased health care costs.

[9:13:23 AM](#)

Co-Chair Hoffman asked if the Department's FY08 request would be adequate to address inmate health care.

Ms. Griffin answered that the Department's new commissioner was currently reviewing the request, and examining inmate health care for cost saving options.

Co-Chair Hoffman understood that the Department may not request supplemental funding the following year.

Ms. Griffin replied that it was possible that the Department would not make a supplemental request for FY08, but this depended on the accomplishments of the Medical Advisory Committee to contain the increasing medical costs.

[9:14:31 AM](#)

Senator Elton understood that the medical cost review could be completed within the next month.

Ms. Griffin explained that was the target, and added that out-of-state medical costs were also being reviewed.

[9:15:21 AM](#)

Senator Huggins asked regarding heart transplants or other extremely expensive medical procedures for inmates.

Ms. Griffin had no knowledge of such situations. The Medical Advisory Committee reviews and elects the least expensive solution for necessary medical care. There had not been a heart transplant performed on an inmate in Alaska.

[9:16:15 AM](#)

Section: 1(d)

RDU or Component: Anchorage Correctional Complex

Supplemental Need: The Anchorage Correctional complex is housing 50 offenders in crisis overflow beds in the gym due to overcrowding in the facility. This request is for required overtime for an additional security post which translates into four positions. The projected expenditures indicate that the component will run out of funds by the middle of April.

LFD Notes: The Department projects that current funding will be exhausted by the middle of April. According to the agency, as of December 13, 2006, overtime at ACC is equivalent to 21 FTE's. the overcrowding results in an additional five correctional officers stationed around the clock.

\$1,082,700 General Funds

Ms. Griffin spoke to this request.

Co-Chair Hoffman clarified that this request would cover the last six months of the current fiscal year.

Ms. Griffin explained that this request is to fund all FY07 expenditures.

Co-Chair Hoffman inquired if the additional positions would also be required in FY08.

Ms. Griffin expressed that the administration was reviewing population management and hoped to reduce inmate populations by placing offenders in Community Residential Centers (CRCs) and by using electronic monitoring. In addition to overcrowding, vacant correctional officer positions have contributed to overtime costs. Vacancies had been reduced from approximately 90 to 95 at the beginning of the fiscal year to approximately 60 open positions currently.

[9:19:33 AM](#)

Co-Chair Stedman was curious what the Committee could do to avoid supplemental requests through the Operating Budget process. He asked if prison overcrowding had been anticipated the previous year.

Ms. Griffin responded that the overcrowding in the Anchorage Correctional Complex (ACC) amounts to nearly 100 offenders, 50 of whom are housed in the gym. The placement of inmates in the gym is what created the need for an additional post. She stressed the importance of population management to the current administration, and was hopeful that better management would allow improved foresight in budgetary matters.

Co-Chair Hoffman recalled that the number of CRC "beds" was reduced the previous year.

[9:21:14 AM](#)

Ms. Griffin confirmed, adding that when the Palin Administration took office there were 100 empty CRC beds, which are now being more effectively utilized.

Co-Chair Hoffman asked why the Department was not attempting to "resurrect" those 100 CRC beds, rather than request such a significant increase in personnel costs. He understood that

offenders confined to a CRC were much less expensive to house than prison inmates.

9:21:56 AM

Ms. Griffin replied that the issue was under review, and the Department anticipated it would better utilize the option of CRC placement.

Co-Chair Hoffman surmised that the CRC option should have been exhausted before a request for additional funding was made. He asked if the inmates removed from CRCs the prior year had required continued incarceration.

Ms. Griffin told that offenders were not transferred from CRC facilities. At the time of the "reduction" there were 100 empty beds in CRCs. The use of CRCs as an alternative to incarceration is an issue of risk management and a policy decision concerning how much risk to expose the public to. While some pretrial offenders could be housed in CRCs, others, such as sex offenders, would be more appropriately incarcerated pending trial. The administration was reviewing the issue of risk management, and what types of offenders could safely be placed in CRCs.

9:23:53 AM

Co-Chair Hoffman asked for an estimate of the anticipated overtime hours for the ACC in the current fiscal year.

Ms. Griffin would provide the requested information.

9:24:15 AM

Section: 3(a)

RDU or Component: Out-of-State Contractual

Supplemental Need: FY 07 budget was based on 900 prisoners to be sent to Arizona. The current number of prisoners in Arizona is 1060 and the department anticipates the need for a total of 1,250 beds to assist in meeting the growing prisoner population.

LFD Notes: The Governor's FY08 budget includes \$8.1 million to increase the number of contract beds from 900 to 1250.

\$1,338,500 General Funds

Ms. Griffin informed that the FY07 budget included funding for 900 prisoners to be housed at the Red Rock, Arizona facility. There were currently 1,060 Alaskan prisoners at that facility, and this request would provide funding for 1250 inmates. The population management team would review this and may amend the request.

Co-Chair Hoffman asked if the amendment would increase or decrease the requested funding level.

Ms. Griffin expected any change would be a decrease in funding.

[9:25:34 AM](#)

Section: 3(b)

RDU or Component: Institution Director's Office

Supplemental Need:

1) Correctional officer overtime is taking place due to vacant correctional officer positions and facilities overcrowding. When the offender population exceeds the emergency capacity in the facility, it becomes necessary to employ additional security staff for public safety and protection. \$2,096,500

2) The facilities are also dealing with costs resulting directly from prisoner overcrowding and the increased costs of goods and services. This is attributable to setting up crisis overflow beds. \$2,000,000

3) Electrical costs have also increased in all institutions. \$300,000

4) Funding transfer from Statewide Probation and Parole to offset increased costs in the institutions.

LFD Notes: The funding transfer from Statewide Probation and Parole is \$100,000 GF.

\$4,496,500 General Funds

Ms. Griffin told that this request related to all correctional facilities, and was necessitated by overtime costs and the increased cost of goods and utilities. She noted the \$100,000 transfer from the Probation and Parole RDU, listed in Section 3(k) of this bill.

[9:26:39 AM](#)

Co-Chair Hoffman asked if the "substantial increase" in operating costs reflected by this request was incorporated in the Department's regular operating request for FY 08.

Ms. Griffin replied that the Department had collaborated with the Office of Management and Budget to review budget amendments, and predicted that changes would be made.

[9:27:16 AM](#)

Senator Elton noticed that Section 3(b) contained some of the same costs listed in Section 1(b), and asked if Section 3(b) represented the "net" of the Anchorage costs.

Ms. Griffin responded that the ACC was listed separately as a time sensitive request in Section 1(b), and Section 3(b) reflects the remaining need.

Senator Elton asked for an estimated percentage of costs incurred by repeat violators.

[9:28:45 AM](#)

Ms. Griffin recalled that the Department witnessed 22,000 instances of reincarceration of offenders on probation, 1,600 of which were for new offences. The remaining arrests were due to probation violations.

Senator Elton continued, asking if the Department had cooperated with the Division of Probation and Parole to devise alternatives to reincarceration for probation violators.

Ms. Griffin told that the current administration was examining possible alternatives, and opined that probation violations were an area in which "soft beds", or placement in a CRC, would be appropriate.

[9:30:00 AM](#)

Section: 3(d)

RDU or Component: Inmate Transportation

Supplemental Need: More prisoner transports between Alaska and Arizona due to management of the increased inmate population in the state.

LFD Notes: The number of contract beds increased from the budgeted 900 to 1060 in FY07--resulting in an increase in prisoner transportation costs.
\$90,000 General Funds

Ms. Griffin reviewed the request.

Co-Chair Hoffman commented that he would expect the Department to be able to absorb the funding for inmate transportation, as it was a small supplemental request.

9:30:35 AM

Section: 3(e)

RDU or Component: Anchorage Correctional Complex

Supplemental Need: Revenue shortfall in federal manday billings is due to the reduction in federal detainees and the number of days these prisoners are held in this facility.

LFD Notes: A decline in the number of federal prisoners (and the number of days federal prisoners are incarcerated) reduces federal receipts, but costs have not declined--hence a request for GF to fill the gap. This subsection is linked to 3(f), below. According to subsection 3(f), if federal funds received exceed \$2,508,200 (which is \$1 million below the FY07 authorization), this appropriation is reduced accordingly.

\$1,000,000

Ms. Griffin explained that 3(e) and 3(f) could be considered together. The Department anticipated under-collecting for these costs by approximately \$1 million. The ACC bills the federal government for the housing of federal prisoners, and the Department anticipates under-collecting for those services. Section 3(f) contains language to allow for the reduction in the supplemental appropriation if more federal receipts were collected.

Co-Chair Hoffman asked the reason for the decline in the number of federal prisoners.

Ms. Griffin was unsure. The Department had historically housed more federal offenders than it was under contract to, but in recent years the number of federal prisoners had returned to approximately 60 as specified by the contract. She added that some funds had been available through the federal State Criminal

Alien Assistance Program (SCAAP) which could be placed in the receipt authority. SCAPP funds had been completely exhausted the previous year.

[9:32:48 AM](#)

Senator Huggins asked how the State billed for incarcerating federal prisoners.

Ms. Griffin informed that the federal government is billed by the day for those costs.

Senator Huggins asked the rate at which the federal government is billed.

Ms. Griffin replied that the rate had recently been recalculated, and increased from \$107.42 per day to \$121.60 per day. She hoped this new rate would assist the Department in funding the \$1 million shortage.

Senator Huggins understood that the Department had anticipated housing 100 federal prisoners but would actually be billing for only 60, and that difference created \$1 million funding gap.

Ms. Griffin responded that the difference of 40 federal prisoners would not solely create the \$1 million shortfall, but the Department's budget had assumed that the need for care of federal inmates would be greater.

Senator Huggins summarized the issue as a "charge per day" calculation.

[9:34:20 AM](#)

Section: 3(f)

RDU or Component: Anchorage Correctional Complex

Supplemental Need: If manday billings are greater than anticipated, the appropriation in 4(j) is reduced by an equivalent amount.

LFD Notes: This subsection is linked to subsection 3(e), above. According to this subsection, if federal funds received exceed \$2,508,200 (which is \$1 million below the FY07 authorization), the appropriation made in subsection 3(e) is reduced accordingly.

\$0.0 Total Funds

Ms. Griffin noted that this language section applied to section 3(e) and limits the expenditure of supplemental funds if more federal funds were collected.

[9:34:41 AM](#)

Section: 3(g)

RDU or Component: Hiland Mountain Correctional Center

Supplemental Need: The facility's well water system did not meet the EPA and DEC standards and therefore was decommissioned and demolished. The new system was connected to the Anchorage Water and Wastewater Utility system. Funding is needed for the increased costs of the new water system.

LFD Notes: Water system was connected in January and is expected to cost \$14,000/month. The FY08 budget included an increment request for \$90,000.

\$84,100 Total Funds

Ms. Griffin told that this request would fund partial-year costs of the new water system at the Hiland Mountain Correctional Center.

Senator Elton assumed that the State prison system provided for prisoners sentenced by the Municipality of Anchorage, and wondered if the Municipality contributed to those housing expenses.

Ms. Griffin confirmed that the State prisons do quarter Municipal prisoners, and the State has a contract with the Municipality. Anchorage is charged \$2 million per year for incarceration costs, with \$500,000 forgiven for programs offered to inmates by the Municipality.

[9:36:19 AM](#)

Senator Elton asked if the Department had determined that the payments by the Municipality were adequate to fund the number of prisoners in custody.

Ms. Griffin replied that the Department had reviewed the contract, and the payments by the Municipality were not sufficient to provide for the number of prisoners housed. The

charges would be "a few million" dollars more than the contract provided for.

Senator Elton commented that if Anchorage intended to charge the State for services such as water utilities, the State ought to reexamine the amount charged for the incarceration of municipal prisoners.

[9:37:15 AM](#)

Senator Dyson asked if there was a means to reopen the State's contracts with municipalities.

Ms. Griffin informed that the State and the Municipality were currently meeting with attorneys to address the 20-year contract, and may resolve the issue in court.

Co-Chair Hoffman asked when the contract was signed.

Ms. Griffin recalled the contract was signed six or seven years ago.

[9:38:20 AM](#)

Co-Chair Hoffman asked that the Department provide a copy of the contract to his office.

Senator Dyson asked for a copy of the contract as well.

[9:38:39 AM](#)

Section: 3(h)

RDU or Component: Fairbanks Correctional Center

Supplemental Need: The 50% increase in the prisoner population in Fairbanks created the need to expand staffing at the facility to maintain public safety. Funding is requested for the 19 new permanent full-time positions that have been established in FY2007

LFD Notes: These positions were established in the FY07 management plan. The FY08 budget includes an increment request for \$1,255,500 GF (and 19 positions).

\$729,900 Total Funds

Ms. Griffin reported that the request funds positions created the prior year. She recounted an incident in FY05 in which a

front-end loader was driven through a wall of the structure in an escape attempt, and another planned "major incident" at the facility on June 6, 2006 (6-6-06) that was prevented. She exemplified these incidents as illustrative of the problems overcrowding had caused and the threat to public safety.

[9:40:34 AM](#)

Co-Chair Hoffman, referencing the "dramatic increase" in the prison population, asked what alternatives had been considered other than the increased staffing in an overcrowded prison.

Ms. Griffin believed that options were reviewed, but the Department found it difficult to move prisoners out of Fairbanks, as much of that inmate population was unsentenced and awaiting trial.

Co-Chair Hoffman requested an explanation of the large population increase.

Ms. Griffin told that the administration was reviewing the issue. A year ago the Department was told that bail for offenders charged with Driving While Intoxicated (DWI offences) was a major contributor to increased prison populations, but Department officials had recently indicated that was no longer the case, as the judge responsible for those bail restrictions had retired. Thus the reason for the increase remains unknown. She informed that the Superintendent of that facility cited 6,500 remanded prisoners in one year, 1,600 of which were remanded under Title 47.

[9:42:41 AM](#)

Senator Huggins asked the definition of "Title 47".

Ms. Griffin responded that Title 47 violators are intoxicated individuals who may injure themselves or pose a threat to others.

Senator Huggins asked if the Department anticipated adjusting the number of new positions from the current 19.

Ms. Griffin allowed that an adjustment was possible as the administration was reviewing staffing at all facilities.

Co-Chair Hoffman understood the 19 positions were included in the FY08 budget request and were expected to continue to be funded.

Ms. Griffin affirmed.

9:43:46 AM

Section: 3(i)

RDU or Component: Fairbanks Correctional Center

Supplemental Need: Unpaid FY2006 water and sewer bills.

LFD Notes: This request is to pay Golden Heart Utility Company FY06 invoices.

\$18,700 Total Funds

Ms. Griffin told that there were not sufficient FY06 lapse funds to pay this invoice.

9:44:23 AM

Section: 3(j)

RDU or Component: Existing Community Residential Centers

Supplemental Need: Funding is needed to pay contractors for housing offenders at the Community Residential Centers (CRCs) for the remainder of the fiscal year. The department has professional service contracts with CRC providers to help meet the security and residential needs of adult offenders. Part of the increase is based on the CPI rate for the community in which the CRC is located and due to two re-negotiated contracts.

LFD Notes: Increase is partly due to renegotiated contracts with Tundra and Glacier CRCs as of 12/1/06.

\$553,500 Total Funds

Ms. Griffin informed that this supplemental request was due to renegotiated contracts and increases in the Consumer Price Index (CPI), and would not fund a full year of increases. The Department applied funds for unused "per diem beds" towards this request, and the \$553,500 requested represents the balance.

Co-Chair Hoffman referred to intent language inserted for this line item in the previous year, and asked why it was not followed.

9:45:10 AM

Ms. Griffin did not recall the intent language.

Co-Chair Hoffman informed that the intent language had instructed the Department to close Parkview Community Residential Center and have other CRCs absorb that population.

Ms. Griffin recollected that provision, and told that 100 CRC beds were deleted within the Department. A contractor successfully urged former Commissioner Antrim to allow Parkview to remain open and instead reduce beds in other facilities. Those actions reduced the CRC costs to meet the budget appropriation the previous year.

[9:46:14 AM](#)

Senator Elton identified an increment for the current fiscal year, but understood Ms. Griffin claimed to have reduced costs.

Ms. Griffin explained that per the intent of the Committee, 100 beds were closed and funding was not appropriated. This request represents the remaining contracts, some of which were renegotiated and renewed in August. The new contracts were negotiated at increased rates.

[9:47:27 AM](#)

Senator Olson asked if the intent language was overlooked.

Ms. Griffin replied that the intent language requiring the closure of Parkview facility was considered. The vendor that operated CRCs in the Anchorage area proposed an alternative to closing Parkview, with a net effect of reducing 100 beds as required. If Parkview had been closed when contracts were up for renegotiation, Parkview could have bid on the available contracts and reopened as the State could not alter the procurement process. The Department thus believed it had complied with the legislature's intent to reduce the number of CRC beds by approximately 100, although this reduction did not occur at the Parkview facility.

[9:49:17 AM](#)

Senator Olson asked if the current year's budget would include similar intent language.

Co-Chair Hoffman stated that the Committee would await the recommendations of the Department of Corrections subcommittee chair.

[9:49:48 AM](#)

Senator Thomas inquired what the Department does to assist with the problems of alcohol and drug misuse that had resulted in the ballooning prison population.

Ms. Griffin told that the administration was reviewing the programs offered at the correctional facilities throughout the State in order to allow programs to be consistent statewide. The Department currently offers residential substance abuse treatment programs in the Wildwood and Hiland Mountain Correctional Centers, as well as at Red Rock facility in Arizona. The administration would strive to create a Department-wide program to "affect positive change" while offenders were incarcerated.

[9:52:04 AM](#)

Senator Thomas recounted his recent visit to the Fairbanks Correctional Center, and opined that the placement of offenders in the gym seemed "accepted" as a long-term solution. He asked if that level of overcrowding existed statewide.

Ms. Griffin confirmed that many of the facilities are that crowded. Funding had been appropriated to convert the Correctional Industries building at the Fairbanks Correctional Center to a 50-bed dormitory. The conversion had not yet begun, and the administration was reviewing the project, as the space would still qualify only as "crisis overflow" housing.

[9:53:33 AM](#)

Senator Huggins asked the Department's total supplemental request for the current fiscal year.

Ms. Griffin estimated the request at approximately \$13.5 million.

Senator Huggins asked if the Department had a target for budget reductions in the coming year.

Ms. Griffin stated the target was \$19 million.

Senator Huggins identified a "clash in capability versus wishes" with reference to the targeted budget reductions.

[9:54:10 AM](#)

Ms. Griffin set forth that the Department had collaborated with Governor Palin's Office of Management and Budget to achieve a viable plan to manage the prison population while operating as conservatively as possible.

[9:54:35 AM](#)

Senator Huggins admitted the Department's "tough task" in educating its operating budget by \$19 million given the supplemental requests amount of \$13.5 million.

Co-Chair Hoffman asked if the increases in Title 47 incarcerations in Fairbanks were due to a policy change.

[9:55:16 AM](#)

Ms. Griffin answered that the administration was reviewing the situation in Fairbanks to determine the cause of the increase.

[9:55:31 AM](#)

Section: 3(k)

RDU: Statewide Probation and Parole

Supplemental Need: Transfer to Institution Director's Office to assist in meeting the institutions' increased costs. Funding is available due to lag time in creating and filling probation officer positions in FY 07.

LFD Notes: The FY 08 budget includes this transfer (\$100,000) General Funds

Ms. Griffin noted that she spoke to this fund transfer earlier. The funds were available for transfer due to position vacancies and recently added judge positions earlier in the year, and would assist in offsetting increased institutional costs.

[9:56:20 AM](#)

Section: 14(c)

Ratification

Supplemental Need: Internal department RSA from Administration and Support (AR50560-06) to Institutional Facilities (AR50580-06) to cover inmate costs.

LFD Notes: The FY 08 budget includes this transfer \$600,807,000 General Funds

Ms. Griffin reported that this ratification was to the Department's FY 06 supplemental request for out-of-state contracts to a private prison in Florence, Arizona. At the time the Department was prepared to make the prisoner transfers to Florence, that facility did not have availability to receive the inmates. The delay in sending the prisoners to Florence caused the facilities they were housed at to incur additional costs, and this transfer would provide for a reimbursable service agreement between the Administration and Support RDU and the Institutional Facilities RDU. The transfer had been reviewed and recommended by the Division of Legislative Finance.

[9:58:02 AM](#)

Senator Elton returned to section 3(k) to ask the reasoning behind the transfer of funds to the Institution Director's Office, rather than to one of the other supplemental request areas.

Ms. Griffin replied that the \$100,000 transfer to the Director's Office would be applied to shortfalls in all facilities. The request for the institutional supplemental would be distributed to all facilities with shortages.

[9:59:12 AM](#)

Senator Elton opined that the request seemed vague, with no "activity connected to the request."

Ms. Griffin understood the concern, and clarified that the \$100,000 transfer from Statewide Probation and Parole had reduced the supplemental request for Institutions from \$4,596,000 to \$4,496,000.

[9:59:57 AM](#)

Senator Olson asked the "net effect" of the decommissioning of the jet purchased by former Governor Murkowski.

Ms. Griffin informed that the Department of Corrections did not receive additional funding to use the jet, and it was very expensive to operate. She characterized the lack of jet use as "cost avoidance".

[10:00:51 AM](#)

Department of Environmental Conservation

Section: 1(e)

RDU: Water Quality

Supplemental Need: The cruise ship head tax ballot initiative was adopted by voters during the August 2006 primary election. Passage of the initiative, however, did not result in an appropriation for the program. DEC needs a current year appropriation to cover costs that are being incurred in order to make a good faith effort to implement the program within the initiative's timeline. FY2007 expenditures are occurring to establish the program.

LFD Notes: Ballot Measure 2 took effect in December 2006. An initiative has no funding method similar to fiscal notes, so a supplemental appropriation is required to begin the program during FY07. Because cruise vessels register by 3/1/07 for the coming season--with arrivals beginning in May--revenues from the \$4/berth fee will be available in FY07.

\$811,300 CPVEC Funds

LYNN KENT, Director, Division of Water, Department of Environmental Conservation, testified via teleconference from an offnet location that the initiative contained a head tax on cruise ship passengers, as well as requirements of the Department, including the Ocean Ranger program. That program mandates that large cruise ships have a Coast Guard licensed marine engineer, or "Ocean Ranger", aboard when entering State waters. The Ocean Ranger will serve as an independent observer to monitor State and federal requirements for marine discharge and pollution, and ensure proper sanitation practices.

Ms. Kent informed that the initiative levied a \$4 per person tax to support this program, which would be deposited into the

Commercial Passenger Vessel Environmental Compliance (CPVEC) fund. Cruise ship revenues would not be available until later in the fiscal year, and therefore the Department requested a supplemental appropriation to provide training for the Ocean Ranger positions.

Co-Chair Hoffman asked the number of positions that would be required.

[10:03:08 AM](#)

Ms. Kent replied that the Department did not yet know how many positions would be necessary, as the initiative did not specify the level of coverage required. An Ocean Ranger may be needed for a 12-hour shift, a 24-hour shift, or perhaps to ride between two Alaskan ports to monitor activity.

Co-Chair Hoffman asked the option this request would fund.

Ms. Kent answered that the supplemental request would provide for a single Ocean Ranger on board every vessel for a 12-hour shift. She noted that should the Department elect less coverage, any unspent funds would be redeposited into the CPVEC fund.

Co-Chair Hoffman understood the request to be the "minimal" amount of funding necessary.

Ms. Kent characterized it as a "middle of the road" request.

[10:04:22 AM](#)

Senator Dyson understood that the House Transportation Committee was currently considering a less costly alternative, and asked if the Department was aware of those discussions.

Ms. Kent told that the House Transportation Committee had contemplated using the existing environmental officer, who is an employee of the cruise ship company, to serve as the Ocean Ranger. She was doubtful that this option would be acceptable, as the initiative required an "independent observer".

[10:05:39 AM](#)

Senator Elton asked if the Department had solicited for Ocean Rangers.

Ms. Kent responded that the Department did not yet have State employee job descriptions or class specifications established. The initiative allowed for Ocean Rangers to be State employees or contract employees, and the Department had not decided which option would be more appropriate. The Department had hired a contractor to evaluate the options, and assist in establishing a training program.

Senator Elton understood the training would be significant, and asked how long the training program was expected to last.

[10:07:03 AM](#)

Ms. Kent did not know the duration of the training. The U.S. Coast Guard requires training in the operations and machinery of the vessel systems, but does not provide instruction on State and federal health and safety laws.

Senator Elton reiterated that the Department needed to recruit Ocean Rangers, develop a training program, and train the recruits. He asked the probability that the program would be fully operational and able to utilize the requested funds.

Ms. Kent could not commit to spend the entire amount of the supplemental request, but assured that the Department was dedicated to developing a program that could be implemented in the current fiscal year. One of the biggest challenges was locating a sufficient number of Coast Guard licensed engineers.

[10:08:54 AM](#)

Senator Elton stated that the Department of Environmental Conservation was expecting \$3.6 million to be generated from the \$4 per person tax in the coming cruise ship season, yet was requesting General Fund dollars to supplement the Ocean Rangers program. He asked if that funding request was still supported by the Department.

Ms. Kent told that the \$5.6 estimate contained in the FY08 budget was based on 24-hour coverage of every large vessel while in State waters. A change in funding from General Funds to CPVEC funds was under consideration, as was a lesser rate of coverage.

[10:10:23 AM](#)

Senator Huggins commented that the current discussion was illustrative of why he voted against the tax. He opined that funds could be more effectively expended monitoring higher risk areas, such as the North Slope, and was concerned about the direction the State was headed.

[10:11:20 AM](#)

Department of Health and Social Services

Section: 1(f)

RDU: Capital

Supplemental Need: Fairbanks Virology Laboratory Completion. Costs have risen over what was originally determined, particularly the costs of steel, transportation, and petroleum based products. The miscellaneous receipts come from interest earnings on the Certificate of Participation (COP) which is being used to fund the majority of the project. The original appropriation was \$24.2 million in FY06.

LFD Notes: The Dept. states that if funds are not received

- (1) the lab will not be constructed;
- (2) the IRS will restrict the construction fund due to non-expenditure of bond proceeds; and
- (3) cost projections will increase by 10%-15% annually.

The miscellaneous earnings from these COPs may be used for this project, but cannot be used for other projects. The requested amount of Misc Earnings includes all earnings to date plus about \$1.7 million of anticipated earnings.

\$3,500,000 General Funds

\$3,000,000 Miscellaneous Receipts

\$6,500,000 Total Funds

JANET CLARKE, Assistant Commissioner, Finance and Management Services, Department of Health and Social Services testified that this request for the Fairbanks Virology Laboratory was time-sensitive. She reminded that when the Department approached the legislature two years prior for the Certificates of Participation (COPs) the estimate was based on a feasibility study completed the previous year. The feasibility study assumed that construction of the Laboratory would be 50 percent completed at the present time, but construction progress had

lagged, thus adding an additional year of inflation. Material costs and inflation were underestimated, as were "soft costs" related to building the Laboratory, and Laboratory equipment costs.

Ms. Clarke informed that when the Department realized the escalating costs a year ago, she and then Public Health Director Dr. Mandsager attempted to contain costs by reducing the square footage of the Laboratory from 26,000 to 18,000 square feet, "tightening up" the construction schedule, and "innovating" the procurement process. The request is considered time-sensitive to allow site work during the summer and initial construction before winter weather hampers efforts.

[10:14:51 AM](#)

JAY BUTLER, Director, Division of Public Health, Department of Health and Social Services, spoke to the need for a virology laboratory. The virology laboratory in Fairbanks receives approximately one-third of the specimens tested by the Division annually. These tests include the detection of influenza, rabies, AIDS/HIV, hepatitis, and SARS. The lab is also crucial to the State's ability to respond to the threat of Avian flu.

[10:16:02 AM](#)

Co-Chair Hoffman commented that the justification for the laboratory was not in question, but that overrun costs were. He asked the effect on the laboratory if the supplemental request was not appropriated.

Ms. Clarke answered that without supplemental funding the project would not be viable. The square footage had already been reduced, and further decreases would render the laboratory non-functional.

Co-Chair Hoffman asked how much of the original \$24.2 million had been expended.

Ms. Clarke was unsure, and referred the question to the Department of Revenue, as COPs had already been sold.

[10:17:40 AM](#)

Co-Chair Hoffman requested that information, as well as the amount of funding used for administrative purposes.

[10:17:58 AM](#)

Senator Olson commented that the safe operation of a virology laboratory requires space to accommodate necessary equipment. He asked who paid for the design changes.

Ms. Clarke replied that the Department of Health and Social Services was managing the project through the Department of Transportation and Public Facilities and in cooperation with the University of Alaska, as the laboratory is on the University campus. The original COPs have funded the design changes.

[10:19:23 AM](#)

Senator Olson wondered if the State's virology needs could be addressed more economically by building the laboratory in another location.

Ms. Clarke believed that the issue had been examined when the initial authorization was issued several years prior. At that time, the legislature and the University had discussed partnerships between University scientists and Department scientists, and decided to build the laboratory where it currently existed in Fairbanks.

[10:20:28 AM](#)

Senator Huggins asked if the laboratory would be able to detect Avian influenza.

Mr. Butler affirmed.

[10:20:41 AM](#)

Section: 1(g)

RDU or Component: Capital

Supplemental Need: Title change: "Juneau Pioneer Home Roof Replacement" to "Pioneer Homes Roof Repair and Replacement". The department would like to use excess funds from the original project to repair Sitka Pioneer Home roof.

LFD Notes: DOT/PF estimates that a balance of \$350,000 will remain when the Juneau Pioneer Home's roof project is completed. The estimated cost of repairs for the Sitka Pioneer Home ranges from \$300,000-\$350,000. If the Sitka repairs are completed for less than estimated, remaining funds will be used for other pioneer home roof needs, such as the Palmer Veterans Home.
\$0.00 Total Funds

Ms. Clarke informed that the Juneau Pioneer Home roof replacement came in under the \$1 million appropriated and this request would allow for those excess funds to be used to address roofing needs at the Sitka Pioneer Home. The Sitka Pioneer Home had severe leaks, which the Department had documented with photographs. This request was a language expansion to allow the Department to utilize excess funds at other Pioneer Homes as needed for roofing issues.

[10:22:12 AM](#)

Senator Huggins asked the number of residents at the Sitka Pioneer Home, and the capacity of that facility.

Ms. Clarke believed there to be 40 to 45 residents at the Sitka Pioneer Home, and would provide exact details. The facility was not operating at full capacity, due to recent staffing difficulties.

[10:22:51 AM](#)

Senator Elton asked if there consideration had been given to inclusion of the Juneau or other Pioneer Homes in the public building fund.

Ms. Clarke responded that the Department had had internal discussions regarding long-term care, as some Homes are at capacity and others are underutilized. There had been no finalized plans or reports.

[10:23:56 AM](#)

Senator Elton was unclear as to who performed maintenance on the Pioneer Homes.

Ms. Clarke clarified that the Department of Health and Social Services employed staff at the Homes to complete routine maintenance, and annual deferred maintenance appropriations funded complex projects to be contracted through the Department of Transportation and Public Facilities.

Senator Elton commented that the Juneau public building fund administered to a pool of buildings providing for on-going maintenance, and thus avoided some of the more costly deferred maintenance expenditures.

[10:24:58 AM](#)

Co-Chair Stedman added that the Pioneers Home Advisory Board was interested in a planning study to determine the long-term direction of the Homes.

[10:25:31 AM](#)

Section: 6(a)

RDU or component: Pioneer Homes

Supplemental Need: Receipt supported services authority to cover

1) nurses' salaries \$86,900

2) funds to offset uncollectible federal revenues \$231,000

3) safety, sanitation and operating costs \$482,100

LFD Notes: The receipts are derived from payments by Pioneers who live in the homes.

\$800,000 Receipt Supported Services

Ms. Clarke informed that the Department had underestimated the amount of receipt supported services needed in the FY07 budget, and therefore requested additional authority.

[10:27:21 AM](#)

Co-Chair Hoffman asked why the legislature should replace the \$231,000 of uncollectible federal revenues for the Palmer Veterans Home.

Ms. Clarke explained that the Palmer Veterans Home only recently received federal certification, and the budget was based an assumption that the Home would have been certified and generating revenue earlier.

[10:28:23 AM](#)

Section: 6(b)

RDU or component: Behavior Health Medicaid Services

Supplemental Need: Cost recovery of overpayments to comply with provisions of SB 41 (CH. 66, SLA 03) related to audits.

LFD Notes: The legislation requires annual audits and the collections of overpayments from providers. In calendar year 2006, the department collected \$579,800 in recovered overpayments for the Medicaid program. On a department-wide basis, the total cost recovery for Medicated overpayments in the FY 07 supplemental request is \$2.2 million.

\$600,000 Statutory Designated Program Receipts

Ms. Clarke outlined this item noting it was the first of several requests for Statutory Designated Program Receipts for Medicaid.

Co-Chair Hoffman asked why reauthorization was necessary if the monies were already considered spent.

[10:29:57 AM](#)

Ms. Clarke replied that the audits were conducted "after the fact," thus the funds were from prior years. The federal government requires that it be reimbursed for its share of the overpayment within 60 days, so this request would provide the authority for that compensation.

[10:30:39 AM](#)

Section: 6(c)

RDU or component: Children's Medicaid Services

Supplemental Need: Cost recovery of overpayments to comply with provisions of SB 41 (CH. 66, SLA 03) related to audits.

LFD Notes: The legislation requires annual audits and the collections of overpayments from providers. In calendar year 2006, the department collected \$579,800 in recovered overpayments for the Medicaid program. On a department-wide basis, the total cost recovery for Medicated overpayments in the FY 07 supplemental request is \$2.2 million.

\$100,000 Statutory Designated Program Receipts

Ms. Clarke remarked that this request was for the same authorization as in 6(b), but related to Children's Medicaid services.

Section: 6(d)

RDU or component: Medicaid Services

Supplemental Need: Alaska Regional Hospital Medicaid Rate Settlement for 1991 through 2000. Settlement agreement has been signed.

LFD Notes: According to the department, the settlement is eligible for reimbursement through Medicaid at the regular FMAP of 57.58% for SFY 2007. The Department of Law is recommending settlement of this long standing rate dispute.

\$3,393,600 General Funds

\$4,606,400 Federal Funds

\$8,000,000 Total Funds

Ms. Clarke told that this request was a Medicaid rate settlement with the Alaska Regional Hospital, which applied to the years 1991 through 2000. This would settle all rate issues between the hospital and the State during that ten-year period.

[10:31:30 AM](#)

Section: 6(e)

RDU or component: Medicaid Services

Supplemental Need: Cost Recovery of overpayments to comply with provisions of SB 41 (CH 66, SLA 03) related to audits.

LFD Notes: \$700,000 is for overpayment recoveries. \$300,000 is for School Based Services - The school based services allows schools to bill and receive Medicaid reimbursement for health services provided in the school situation. The school is responsible to pay the match portion of this, which is received as SDPR. The request will allow the Medicaid program to collect and expend the receipts above the current authorization.

\$1,000,000 Statutory Designated Program Receipts

Ms. Clarke informed that this was an overpayment issue for Medicaid related to health care services.

[10:31:48 AM](#)

Section: 6(f)

RDU or component: Probation Services

Supplemental Need: Court ordered costs. The legislature has directed the department to bring the costs forward in a supplemental each year.

LFD Notes: The FY 05 supplemental totaled \$194,100. The FY 06 supplemental totaled \$295,400.

\$206,500 General Funds

Ms. Clarke summarized this request as relating to court-ordered costs for the juvenile justice component. The Department had previously included a court-ordered cost budget component in annual budget requests. The legislature asked that that general fund request be eliminated, and the Department specify the exact costs each year. Detailed back-up was available for this request.

[10:32:45 AM](#)

Section: 6(g)

RDU or component: Adult Public Assistance

Supplemental Need: Formula program reduction. Savings are from a combination of continued savings in Interim Assistance from nurse reviews and payment size per client decreases as clients have more pension income.

(\$750,000) General Funds

Section: 6(h)

RDU or component: Senior Care

Supplemental Need: Caseload reduction; people are not applying for the pharmacy benefit as much as anticipated.

\$1,500,000 General Funds

Section: 6(i)

RDU or component: Senior and Disabilities Services Appropriation

Supplemental Need: The Senior and Disabilities Services appropriation decreases by \$5,000,000 from \$334,174,200 to \$329,174,200 because of the allocation change below:

\$0.00

Section: 6(j)

RDU or component: Senior and Disabilities Medicaid Services Allocation

Supplemental Need: Savings in the personal care attendant program due to implementation of regulations which did such things as requiring medical determinations by department

staff or designee (had been done by the provider), limiting hours of service, limiting to one attendant a household with more than one person qualifying for PCA, and other cost savings.

LFD Notes: According to the Department, a 4% reduction is expected in FY 08 for PCAs, bringing the projected costs down to \$77 million (vs. \$80 million in FY 07). FY 08 increment to \$21.7 million is included in the FY 08 request.

(\$5,000,000) General Funds

AND

RDU or component: Senior and Disabilities Medicaid Services Supplemental Need: Cost recovery of overpayments to comply with provisions of SB 41 (CH 66, SLA 03) related to audits.

LFD Notes: Legislation passed in 2003 requiring the State to bill agencies to collect Medicaid overpayments. Through an audit process, it may be discovered that there was a claiming discrepancy or an incorrect eligibility determination, annual audits and the collections of overpayments from providers. In calendar year 2006, the department collected \$579,800 in recovered overpayments for the Medicaid program. On a department-wide basis, the total cost recovery for Medicaid overpayments in the FY 07 supplemental request is \$2.2 million.

\$800,000 Statutory Designated Program Receipts

Ms. Clarke stated that Section 6(g) reflected a reduction in the general funds needed for the adult public assistance program, achieved due to cost containment efforts and the fact that eligible individuals have more income so payments are smaller despite the program serving more individuals.

[10:33:53 AM](#)

Senator Olson asked if the cost containment efforts denied services to individuals who would otherwise be eligible.

Ms. Clarke explained that the cost containment efforts related only to interim assistance. Interim assistance is paid to people who have applied for Social Security disability benefits, but had not yet been deemed eligible for that assistance by the federal government. Previously, the State would provide a benefit of \$280 per month while a person awaited permanent disability benefits from Social Security. It was revealed the 40 to 50 percent of those who applied for disability were ruled

ineligible by the federal government, and the State had no method of recouping interim assistance payments. The State now conducts an initial medical review before granting interim assistance.

Senator Olson asked the number of people affected by this practice.

Ms. Clarke would provide that information.

[10:35:19 AM](#)

Section: 14(b)(3)
Ratification
Supplemental Need: AR23020-05 Behavioral Health Medicaid
\$3,051,744.30 General Funds

Section: 14(b)(4)
Ratification
Supplemental Need: AR23301-05 Medicaid Services
\$2,606,666.14 General Funds

Section: 14(b)(5)
Ratification
Supplemental Need: AR23551-05 Senior and Disabilities
Medicaid
\$349,170.66 General Funds

Ms. Clarke informed that these requests related to Medicaid. The Department was requesting ratification of those expenditures from FY05. The ratification was due to under-collection of federal receipts and higher costs than expected. In this case, expenditures were "very close" to what the Department anticipated, but federal collections were less than expected.

#

ADJOURNMENT

Co-Chair Lyman Hoffman adjourned the meeting at [10:37:13 AM](#)