

SENATE FINANCE COMMITTEE
February 11, 2008
9:04 a.m.

CALL TO ORDER

Co-Chair Hoffman called the Senate Finance Committee meeting to order at [9:04:33 AM](#).

MEMBERS PRESENT

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

MEMBERS ABSENT

Josh Fink, Director, Office of Public Advocacy, Department of Administration; Tom Chapple, Director, Division of Air and Water Quality, Department of Environmental Conservation; Lynn Kent, Director, Division of Water, Department of Environmental Conservation

ALSO PRESENT

Karen Rehfeld, Director, Office of Management and Budget; Eric Swanson, Director, Division of Administrative Services, Department of Administration; Samuel Thomas, Director, Division of Administrative Services, Department of Commerce, Community and Economic Development; Chris Christensen, Staff Counsel, Alaska Court System; Larry Cohn, Executive Director, Alaska Judicial Council, Alaska Court System; Sharleen Griffin, Director, Division of Administrative Services, Department of Corrections; Mike Maher, Director, Division of Administrative Services, Department of Revenue; Laura Baker, Budget Chief, Division of Administrative Services, Department of Health and Social Services; Craig Tillery, Deputy Attorney General, Department of Law; Richard Svobodny, Deputy Attorney General, Criminal Division, Department of Law; Leta Simons, Director, Division of Support Services, Department of Natural Resources; Mark Lewis, Director, Administrative Services, Department of Education and Early Development; Tom Lawson, Director, Administrative Services, Department of Fish and Game; Guy Bell, Assistant Commissioner and Director, Division of Administrative Services, Department of Labor and Workforce Development; Gail Fenumiai, Director, Division of Elections, Office of the Lieutenant Governor; Jerry Burnett, Director, Division of Administrative Services, Department of Revenue;

federal cost allocation plan are redistributed to more closely align with costs.

From: DOA (406.2); Labor (216.5); and DOR (161.3) = (784.0)

To: DCCED 32.3; DOC 63.9; DEC 45.2; F&G 77.2; Gov 25.0; HSS 190.5; Law 48.7; DMVA 13.6; DNR 67.3; DPS 75.4; DOT 117.6; and Legislature 27.3 = 784.0 \$0.0

Mr. Swanson explained the request to redistribute funding that had previously been appropriated for increased costs of enterprise technology services chargeback. When the current allocation plan was prepared, a redistribution was needed.

Sections 7-9 Administration 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 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

Sections 7-9 Administration 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 spoke about a request for general funds for the Office of Public Advocacy and for the Public Defender Agency. He explained that both of the agencies require additional funding because of larger case loads. Also, the Public Defender Agency has recently become more aggressive

at identifying potential conflicts in cases early on. Those cases get deferred to the Office of Public Advocacy. Many cases have to be assigned to a private sector contract attorney and are more expensive. There have been a large number of higher cost cases.

[9:14:34 AM](#)

Section 28(a) Debt: Debt Service Administration Lease
Financing \$(2,907.9)

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.

Mr. Swanson related that a previous request for debt retirement for the Atwood parking garage was excessive. The amount of debt retirement for the current year is \$535,105.53 and the appropriation should be reduced to the necessary amount.

Co-Chair Hoffman asked about the Office of Public Advocacy amount, which he thought would be substantially smaller. Mr. Swanson deferred to Mr. Fink to answer.

[9:16:11 AM](#)

JOSH FINK, DIRECTOR, OFFICE OF PUBLIC ADVOCACY, DEPARTMENT OF ADMINISTRATION, explained the justification for the request. Earlier this year there were a number of cases with conflicts of interest, such as the one that, on the eve of trial, the public defender recognized that he had represented the victim. In another case witnesses had to "conflict out". These were high-end cases, and the public defender decided to direct all of the attorneys to re-analyze all cases for conflict, resulting in a large number with conflicts. He provided statistics regarding increases in case loads, especially felonies. This resulted in the need to use expensive, private contractors.

Senator Thomas noted that the increases are not due to a population increase. He wondered if there was a way to gather information about why there was such an increase in felonies and effect a change. Mr. Fink replied that there is a new case management system that is gathering that data. He added that some laws regarding misdemeanors/felonies have changed. He reported that he does not have solid data on the issue.

[9:19:41 AM](#)

Co-Chair Hoffman asked about the status of bargaining units other than GGU and possible requests for funding. Ms. Rehfeld reported that the Department of Administration is working with those bargaining units. She predicted that there would be more requests this session.

[9:20:24 AM](#)

Sections 7-9 Commerce AK Energy Authority PCE

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 a request to fully fund the Alaska Energy Authority Power Cost Equalization (PCE) by increasing the program by \$1.2 million due to higher fuel costs.

Sections 7-9 Commerce 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 addressed the request for funding estimated legal and administrative hearing costs above the funding level of the fiscal note for HB 162, a mortgage bill.

Sections 7-9 Commerce Insurance

Estimated legal and administrative hearing costs above funding level. \$140.0

Mr. Thomas explained the request related to estimated legal and administrative hearing costs above funding for insurance.

[9:26:05 AM](#)

Sections 7-9 Commerce Regulatory Commission of AK

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 spoke about the unexpected high, ongoing costs of major litigation. He related that there were expanding case loads, recently imposed statutory deadlines, and loss of tenured staff.

[9:27:50 AM](#)

Sections 10-12 Commerce Capital

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 turned to additional funding for the prescription drug monitoring program. The request is for the initial planning grant.

Sections 10-12 Commerce Capital

Organizational Grant. 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 a request related to an organizational grant. The Division of Elections will be conducting an incorporation election in Wrangell in May and will require a grant to be funded.

Sections 10-12 Commerce Capital

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 coordinators in communities demonstrating imminent threats; and funding for oversight of programs and grants. \$1,100.0

Mr. Thomas related that the request is for climate change impact mitigation program grants. These grants can be used by imminently threatened communities.

[9:32:10 AM](#)

Section 20(a) Commerce 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 spoke about the request for a technical correction in SB 53. The reference to "for the fiscal year ending June 30, 2008" would be deleted.

Section 20(b) Commerce 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 addressed an item which restores revenue sharing for the community of Whitestone, which was removed due to a misunderstanding.

Section 20(c) Commerce AK 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 - Kate - Petersburg Intertie and Alaska - British Columbia Intertie. \$0.0

Mr. Thomas explained the request would rename the Alaska Energy Authority - ALCAN Intertie to Alaska Energy Authority - Kate - Petersburg Intertie and Alaska - British Columbia Intertie.

Section 20 (d) Commerce Quality Trade Assoc 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 discussed the request to reduce the FY 08 operating appropriation for the Quality Trade Association in order to free up funds for the ATIA grant recipient in the FY 09 budget.

[9:38:05 AM](#)

Section 20(e) Commerce 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 addressed the request that would change the scope of the Community Development Assistance capital project to allow department spending to provide community assistance.

Section 27 Debt: Fund Capitalization 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 explained that the request would increase PCE Fund capitalization in order to provide more PCE funding due to increased fuel costs.

[9:40:17 AM](#)

Senator Elton requested more information about the FY 08 \$800,000 deduction to be used in FY 09 for the ATIA grant recipient. He wanted to know what the match would be after the transfer of the \$800,000. He also wondered if the vehicle rental tax was anticipated for ATIA's mission.

Co-Chair Hoffman echoed concerns about the same appropriation because it would remove the requirement for the match and may discourage future match contributions. Mr. Thomas agreed to provide more information.

Co-Chair Stedman requested more information about PCE fund changes, in particular, the cash flow changes. He assumed there would not be a need for as much fuel to heat homes in June, compared to February and March.

Co-Chair Hoffman summarized that more information is needed in both areas. He requested the information in writing.

[9:43:29 AM](#)

Co-Chair Hoffman inquired if Section 20(c) was a renaming of a project or a reappropriation to a different project. Mr. Thomas replied that it is a reappropriation. Co-Chair Stedman asked why the item is in the supplemental budget. Co-Chair Hoffman agreed that it might be better included in another vehicle.

Co-Chair Stedman requested more information about the Bradfield corridor and the Kake-Petersburg corridor.

[9:45:42 AM](#)

Sections 7-9 Corrections 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, explained that the request is for a Correctional Academy. The recruitment campaign has been very successful and now there are a number of Correctional Officer I's that require training in a timely manner.

Sections 7-9 Corrections 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 spoke of the request for coverage for a shortfall of personal services, contractual, and commodities for all correctional facilities statewide. A portion of the request is due to Leap Year and having to run the institutions for an extra 24 hours. Another portion is for utility allocations. There is also a need to fund overtime at 24-hour correctional facilities, and supplies.

Sections 7-9 Corrections 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 said that the request for funds for inmate health care costs are due to an increased population,

Section 21(d) Corrections Population Management,
Anchorage Correctional Complex

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 related that the funds are needed to replace empty federal authorization with general funds. There has been a reduction in the number of federal offenders the department is housing, but the cost of the facilities is fairly static. She noted a shortfall last year.

[9:50:02 AM](#)

Senator Elton asked whether the correctional academy has been moved. Ms. Griffin responded that it had moved; it was previously housed with the Anchorage Police Department and now it is in the Palmer State Office Building. Senator Elton asked if moving costs were reflected in the request. Ms. Griffin said they were not.

Co-Chair Stedman asked if the costs for the academy were waiting for legislative approval. Ms. Griffin replied that the department is waiting for approval, however, if the funds are not approved, several officers will not meet the APSC requirements within the specified timeframe.

Senator Elton asked how much of the \$1.8 million Correctional Facilities shortfall is commodities. Ms. Griffin replied \$406,100 and an additional \$30,000 related to Leap Day. Senator Elton asked if there was \$900,000 for commodities last year, plus an additional request for \$250,000 that was also exceeded. Ms. Griffin said that was correct. She pointed out that the population has increased beyond what was anticipated - by over 300 offenders. Senator Elton thought that components 20 (b-d) did not appear to be capital expenditures. He questioned their inclusion in the capital budget. Ms. Griffin was not sure.

Ms. Rehfeld pointed out that they were in the regular operating section.

[9:54:02 AM](#)

Co-Chair Hoffman asked about 21(d) and why the federal appropriation was not received for housing federal inmates. Ms. Griffin replied that the federal authorization was overstated. Additionally, there has been a reduction in the number of federal offenders the state is housing. She explained that the federal government has procured several private industry beds out of state.

Co-Chair Stedman asked if the request for funds for the correctional academy had already been incurred. Ms. Griffin responded that the department is hoping to hold the academies this fiscal year. If they are not held, the time requirement for certification will lapse. Co-Chair Stedman concluded that they had not been dispensed yet, but would be dispensed by June 30. Ms. Griffin agreed.

[9:56:13 AM](#)

Senator Huggins asked about the Parole Board outstanding invoice. He wondered how the money would be allocated otherwise. Ms. Griffin responded that if the money is not allocated, the department cannot pay the vendor. In FY 05, the Parole Board was its own single component RDU and there are no funds left. Senator Huggins concluded that it is a one-time assistance.

Senator Huggins spoke of a concern about the Correctional Academy. He requested to know more information about curriculum needs. Ms. Griffin explained that it was materials, as well as ammunition. Senator Huggins requested a breakdown of those expenses, as well as for the Correctional Facilities shortfall request.

[9:58:13 AM](#)

Sections 7-9 Environmental Conservation Office of the
Commissioner

Support for the Climate Change work group process, with
an extended lapse date through June 30, 2009. \$230.0

MIKE MAHER, DIRECTOR, DIVISION OF ADMINISTRATIVE SERVICES,
DEPARTMENT OF REVENUE, addressed funding for support costs
for climate change work groups.

Section 13(a) Environmental Conservation Water Quality

Implementation of the Ocean Ranger program. The
contract needs to be established early enough to allow
the contractor to hire and train Ocean Rangers prior to
the season beginning in May 2008. The contractor will
incur substantial expenditures for hiring, training,
and purchasing equipment in preparation for the
upcoming season. In addition to the contractor's
costs, the department is incurring expenditures for
paying staff and other expenditures for implementation
of the program. \$2,800.0

Mr. Maher spoke of a request for implementation of the Ocean
Ranger program. The funding source is from the Cruise

Vessel Fund. The request is for projected revenues for the program.

Sections 13(a)-13(nn) Environmental Conservation Capital

Transfer unused balance (\$120,671 GF) from Stebbins - Water and Sewer Improvements (38) (Sec. 135, Ch. 103, SLA 1995, Pg 58, Ln 11) to a new Village Safe Water Study, Design and Construction Projects allocation.

Transfer unused balance (\$1,945,738 Fed) from Environmental Protection Agency Indian Set Aside Grants (ED 99) (Sec. 135, Ch. 103, SLA 1995, Pg 58, Ln 35) to a new Village Safe Water Study, Design and Construction Projects allocation.

New allocation: Village Safe Water Study, Design and Construction Projects \$2,066,409 - Sec. 135, Ch. 103, SLA 1995.

Transfer unused balance (\$55,000 GF) from Engineering/Feasibility Studies (ED 99) (Sec. 100, Ch. 123, SLA 1996, Pg 47, Ln 25) to a new Village Safe Water Study, Design and Construction Projects allocation.

New allocation: Village Safe Water Study, Design and Construction Projects - Sec. 100, Ch. 123, SLA 1996.

Transfer unused balance (\$49,503.69 GF Match + \$49,503.70 Fed) from Lower Kuskokwim School District - Tuntutuliak School Sewage Disposal Feasibility Study/Design (ED 39) (Sec. 82, Ch. 100, SLA 1997, Pg 46, Ln 14) to a new Village Safe Water Study, Design and Construction Projects allocation.

Transfer unused balance (\$59,662.26 GF Match + \$59,662.25 Fed) from Village Of Kipnuk - Aquifer Storage and Recovery Demonstration Study (ED 39) (Sec. 82, Ch. 100, SLA 1997, Pg 46, Ln 32) to a new Village Safe Water Study, Design and Construction Projects allocation.

New allocation: Village Safe Water Study, Design and Construction Projects - Sec. 82, Ch. 100, SLA 1997. Scope change needed to allow for Village Safe Water Design and Construction Projects.

New allocation: Village Safe Water Study, Design and Construction Projects - Sec. 131, Ch. 139, SLA 1998. Scope change needed to allow for Village Safe Water Design and Construction Projects.

Transfer unused balance (\$21,000 Fed + \$21,000 AHFC Rcpts) from Kwethluk Housing Water Systems Improvement Study (ED 39) (Sec. 131, Ch. 139, SLA 1998, Pg 43, Ln 3) to a new Village Safe Water Study, Design and Construction Projects allocation.

Transfer unused balance (\$68,140.59 Fed + \$68,140.58 AHFC Rcpts) from Gulkana Water Modernization Project (ED 36) Sec. 131, Ch. 139, SLA 1998, Pg 44, Ln 17) to a new Village Safe Water Study, Design and Construction Projects allocation.

Transfer unused balance (\$379,101.15 Fed + \$6.07 AHFC Rcpts) from Badger Richardson Water Supply Design (ED 29-34) (Sec. 131, Ch. 139, SLA 1998, Pg 45, Ln 10) to a new Village Safe Water Study, Design and Construction Projects allocation.

New allocation: Village Safe Water Study, Design and Construction Projects \$515,382 Sec. 131, Ch. 139, SLA 1998.

Scope change needed to allow for match by any federal agency, not just RDA.

Transfer unused balance (\$11,837.60 Fed + \$5,915.42 AHFC Rcpts) from Crooked Creek Johnny John Sr. School Sewer System Feasibility Study (ED 36) (Sec. 100, Ch. 2, FSSLA 1999, Pg 41, Ln 7) to a new Village Safe Water Study, Design and Construction Projects allocation.

Transfer unused balance (\$9,299.99 Fed + \$4,639.98 AHFC Rcpts) from Crooked Creek Master Plan (ED 36) (Sec. 100, Ch. 2, FSSLA 1999, Pg 41, Ln 10) to a new Village Safe Water Study, Design and Construction Projects allocation.

Transfer unused balance (\$11,966.07 Fed + \$5,982.95 AHFC Rcpts) from Old Harbor Sanitation Improvements Feasibility Study (ED 6) (Sec. 100, Ch. 2, FSSLA 1999, Pg 42, Ln 15) to a new Village Safe Water Study, Design and Construction Projects allocation.

New allocation: Village Safe Water Study, Design and Construction Projects - Sec. 100, Ch. 2, FSSLA 1999. Scope change needed to allow for Village Safe Water Design and Construction Projects.

Scope change needed to allow for match by any federal agency, not just EPA.

Transfer unused balance (\$526,635.57 Fed + \$263,364.43 AHFC Rcpts) from Tununak Flush Tank and Haul (ED 38) (Sec. 100, Ch. 2, FSSLA 1999, Pg 44, Ln 10) to a new

Village Safe Water Study, Design and Construction Projects allocation.

New allocation: Village Safe Water Study, Design and Construction Projects - Sec. 100, Ch. 2, FSSLA 1999. Scope change needed to allow for any federal agency and to allow Village Safe Water Study Projects.

Scope change needed to allow for match by any federal agency, not just RDA.

Transfer unused balance (\$58,378.07 GF) from Rampart Water and Sewer (ED 36) (Sec. 100, Ch. 2, FSSLA 1999, Pg 45, Ln 21) to a new Village Safe Water Study, Design and Construction Projects allocation.

New allocation: Village Safe Water Study, Design and Construction Projects - Sec. 100, Ch. 2, FSSLA 1999.

New allocation: Village Safe Water Study, Design and Construction Projects - Sec. 1, Ch. 135, SLA 2000. Scope change needed to allow for Village Safe Water Design and Construction Projects.

Transfer unused balance (\$28,614.57 Fed + \$9,538.19 AHFC Rcpts) from Akhiok Water and Sewer Improvements Feasibility Study (ED 6) (Sec. 1, Ch. 135, SLA 2000, Pg 6, Ln 12) to a new Village Safe Water Study, Design and Construction Projects allocation.

Transfer unused balance (\$25,179.02 Fed + \$8,393.01 AHFC Rcpts) from Ivanof Bay Landfill Water Quality Protection Study and Preliminary Design (ED 40) (Sec. 1, Ch. 135, SLA 2000, Pg 7, Ln 10) to a new Village Safe Water Study, Design and Construction Projects allocation.

Transfer unused balance (\$43,895.02 Fed + \$14,631.68 AHFC Rcpts) from Kaltag Master Plan (ED 36) (Sec. 1, Ch. 135, SLA 2000, Pg 7, Ln 13) to a new Village Safe Water Study, Design and Construction Projects allocation.

Transfer unused balance (\$63,717 Fed + \$21,239 AHFC Rcpts) from Nuiqsut Sewage Lagoon Closure Feasibility Study (ED 37)(Sec. 1, Ch. 135, SLA 2000, Pg 8, Ln 3) to a new Village Safe Water Study, Design and Construction Projects allocation.

Transfer unused balance (\$73,500 Fed + \$24,500 AHFC Rcpts) from Saint George Water and Sewer System Planning Study (ED 40) (Sec. 1, Ch. 135, SLA 2000, Pg 8, Ln 11) to a new Village Safe Water Study, Design and Construction Projects allocation.

Transfer unused balance (\$20,684.79 Fed + \$6,894.93 AHFC Rcpts) from Saxman Water Storage Design Study (ED 1) (Sec. 1, Ch. 135, SLA 2000, Pg 8, Ln 16) to a new Village Safe Water Study, Design and Construction Projects allocation.

Scope change needed to allow for match by any federal agency, not just EPA.

Transfer unused balance (\$225,000 Fed + \$75,000 AHFC Rcpts) from Savoonga Water and Sewer Project (Sec. 1, Ch. 135, SLA 2000, Pg 9, Ln 13) to a new Village Safe Water Study, Design and Construction Projects allocation.

New allocation: Village Safe Water Study, Design and Construction Projects - Sec. 1, Ch. 135, SLA 2000. Scope change needed to allow for any federal agency and to allow Village Safe Water Study Projects.

Transfer unused balance (\$94,393.63 Fed + \$31,464.54 AHFC Rcpts) from Allakaket Sanitation Facilities Improvement Plan (Sec. 1, Ch. 61, SLA 2001, Pg 11, Ln 29) to a new Village Safe Water Study, Design and Construction Projects allocation.

New allocation: Village Safe Water Study, Design and Construction Projects - Sec. 1, Ch. 61, SLA 2001. Scope change needed to allow for Village Safe Water Design and Construction Projects.

Transfer unused balance (\$56,200 Fed + \$18,800 AHFC Rcpts) from Rampart Solid Waste and Water Quality Protection Plan (Sec. 1, Ch. 61, SLA 2001, Pg 13, Ln 18) to a new Village Safe Water Study, Design and Construction Projects allocation.

Transfer unused balance (\$10,682.06 Fed + \$3,560.69 AHFC Rcpts) from Chistochina Facility Plan (Sec. 1, Ch. 1, SSSLA 2002, CH 1, Page 29, Line 28) to a new Village Safe Water Study, Design and Construction Projects allocation.

Transfer unused balance (\$17,160.79 Fed + \$5,720.26 AHFC Rcpts) from False Pass Wastewater Treatment and Disposal Feasibility Study (Sec. 1, Ch. 1, SSSLA 2002, Pg 29, Ln 28) to a new Village Safe Water Study, Design and Construction Projects allocation.

New allocation: Village Safe Water Study, Design and Construction Projects - Sec. 1, Ch. 1, SSSLA 2002. Scope change needed to allow for Village Safe Water Design and Construction Projects.

Transfer unused balance (\$182,000 GF + \$1,200,000 Fed + \$218,000 AHFC Rcpts) from Tuluksak Water and Sewer Project - Phase I (Sec. 1, Ch. 1, SSSLA 2002, Pg 31, Ln 9) to a new Village Safe Water Study, Design and Construction Projects allocation.

New allocation: Village Safe Water Study, Design and Construction Projects - Sec. 1, Ch. 1, SSSLA 2002. Scope change needed to allow Village Safe Water Study Projects.

Transfer unused balance (\$1,042,500 Fed + \$347,500 AHFC Rcpts) from Tuntutuliak Water and Sewer Project (Sec. 1, Ch. 1, SSSLA 2002, Pg 35, Ln 11) to a new Village Safe Water Study, Design and Construction Projects allocation.

Transfer unused balance (\$525,000 Fed + \$175,000 AHFC Rcpts) from Alatna Water Supply and Sewage Collection and Treatment Project Phase 4 (Sec. 1, Ch. 82, SLA 2003, Pg 20, Ln 23) to a new Village Safe Water Study, Design and Construction Projects allocation.

Transfer unused balance (\$66,000 Fed + \$22,000 AHFC Rcpts) from Egegik Water and Sewer Improvement Project Phase 4 (Sec. 1, Ch. 82, SLA 2003, Pg 21, Ln 22) to a new Village Safe Water Study, Design and Construction Projects allocation.

Transfer unused balance (\$1,473,750 Fed + \$491,250 AHFC Rcpts) from Tuluksak Sanitation Facilities Construction Phase 2 (Sec. 1, Ch. 82, SLA 2003, Pg 23, Ln 28) to a new Village Safe Water Study, Design and Construction Projects allocation.

New allocation: Village Safe Water Study, Design and Construction Projects - Sec. 1, Ch. 82, SLA 2003. Scope change needed to allow for Village Safe Water Study Projects.

Transfer unused balance (\$16,500 Fed + \$5,500 AHFC Rcpts) from Delta Junction Downtown Water and Sewer Master Plan (Sec. 1, Ch. 82, SLA 2003, Pg 24, Ln 26) to a new Village Safe Water Study, Design and Construction Projects allocation.

Transfer unused balance (\$9,025.56 Fed + \$3,008.52 AHFC Rcpts) from Port Protection Wastewater Engineering Study (Sec. 1, Ch. 82, SLA 2003, Pg 25, Ln 21) to a new Village Safe Water Study, Design and Construction Projects allocation.

New allocation: Village Safe Water Study, Design and Construction Projects \$34,034 - Sec. 1, Ch. 82, SLA

2003. Scope change needed to allow for Village Safe Water Study Projects.

Transfer unused balance (\$847,500 Fed + \$282,500 AHFC Bond Proceeds) from Hyder Sewer System Development Phase 1 (Sec. 1, Ch. 159, SLA 2004, Pg 22, Ln 27) to a new Village Safe Water Study, Design and Construction Projects allocation.

Transfer unused balance (\$531,000 Fed + \$177,000 AHFC Bond Proceeds) from Kivalina Sewer and Water Haul System (Sec. 1, Ch. 159, SLA 2004, Pg 23, Ln 5) to a new Village Safe Water Study, Design and Construction Projects allocation.

Transfer unused balance (\$687,000 Fed + \$229,000 AHFC Bond Proceeds) from Koyukuk Sanitation Improvement Project Phase 2 (Sec. 1, Ch. 159, SLA 2004, Pg 23, Ln 11) to a new Village Safe Water Study, Design and Construction Projects allocation.

Transfer unused balance (\$2,190,000 Fed + \$730,000 AHFC Bond Proceeds) from Tuluksak Sanitation Facilities Construction Phase 3 (Sec. 1, Ch. 159, SLA 2004, Pg 24, Ln 18) to a new Village Safe Water Study, Design and Construction Projects allocation.

New allocation: Village Safe Water Study, Design and Construction Projects - Sec. 1, Ch. 159, SLA 2004. Scope change needed to allow for Village Safe Water Study Projects.

Transfer unused balance (\$798,750 Fed + \$266,250 GF Match) from Brevig Mission Water and Sewer Connections (Sec. 1, Ch. 3, FSSLA 2005, Pg 48, Ln 20) to a new Village Safe Water Study, Design and Construction Projects allocation.

New allocation: Village Safe Water Study, Design and Construction Projects - Sec. 1, Ch. 3, FSSLA 2005. Scope change needed to allow for Village Safe Water Study Projects.

Mr. Maher referred to Sections 13(a)-(nn) as a net zero supplemental. They reallocate funding for various projects in the Village Safe Water Program. They allow the department to close out a number of old projects and to go further down the prioritization list and finish some projects that will need additional funding.

Co-Chair Stedman asked about the request for the Climate Change work group process. He wanted information about the timing of the request. Mr. Maher said the request was for an extended lapse date for a two-year period. Co-Chair

Stedman asked why it is not included in the regular operation budget. Mr. Maher said it was because operating funds were already being spent on this project. Co-Chair Stedman wondered if there was a hardship to not run it through the regular budget. Mr. Maher thought there may not be a hardship.

Senator Elton pointed out that the work group was established by the Governor and includes other departments. He wondered if other departments were contributing to the cost. Mr. Maher deferred to Mr. Chappell.

10:03:20 AM

TOM CHAPPLE, DIRECTOR, DIVISION OF AIR AND WATER QUALITY, DEPARTMENT OF ENVIRONMENTAL CONSERVATION, replied that there were several other agencies involved that were making the same "in kind" commitments as the Department of Environmental Conservation (DEC) was. The supplemental request would support contractual work that would help the work group effort go forward. The general fund request would leverage other grant funds. The total of the effort would be considerably more than the \$230,000 by using the grant funds. The total consequence of the work group effort would have a more significant impact on DEC and the other agencies if it was not funded separately. Senator Elton asked if the working group was ordered by the Governor's office. Mr. Chapple replied that was correct. The Governor signed Administrative Order 238 in September 2007, creating the cabinet to develop a climate change strategy for the state. Senator Elton asked if the Governor realized the fiscal impact of the working group. Mr. Chapple replied that was not possible at the time.

Co-Chair Hoffman asked if there would be further such requests in 2010. Mr. Chapple said this request would result in the project's completion.

10:06:03 AM

Co-Chair Stedman requested a letter from the Administration notifying the legislature of the request.

Senator Elton asked about the request for \$2.8 million from the Commercial Passenger Vessel Fund. He wondered how much would go to the contractor and how much would go to staff costs.

LYNN KENT, DIRECTOR, DIVISION OF WATER, DEPARTMENT OF ENVIRONMENTAL CONSERVATION, responded that of the budget for the current fiscal year, a little under \$400,000 is allocated for DEC staff. The bulk of it is intended for the Ocean Ranger contract. Senator Elton asked if the \$400,000 is from the \$4 million total, if the \$2.8 million is

approved, or if the \$400,000 comes out of the \$2.8 million. Ms. Kent replied that in the current budget, \$1.2 million is already authorized; combined with the supplemental, it equals \$4 million. The \$400,000 is a portion of the \$4 million.

Co-Chair Stedman asked about the need to research the constitutional obligations of the Ocean Ranger program. He also cautioned to keep an eye on the appropriation so that its intent is not breached.

[10:09:02 AM](#)

Sections 7-9 Health & Soc Services 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, BUDGET CHIEF, DIVISION OF ADMINISTRATIVE SERVICES, DEPARTMENT OF HEALTH AND SOCIAL SERVICES, explained that the request is to fund additional "bed days", or days of service for foster care homes. The receipt supported services are funds that are coming back in from Child Support Enforcement Division as part of federal guidelines.

Sections 7-9 Health & Soc Services 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 increased costs for special needs children in foster care due to a higher case load.

Sections 7-9 Health & Soc Services 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 talked about the replacement of lost federal funds. The request is for the Medicaid refinancing program called ProShare. The state started this process in FY 04. Over a 2-year period \$4 million was saved, but the federal government disagreed with the procedure that was used. This request would replace the lost funds related to FY 08, and a smaller adjustment for FY 07.

Sections 7-9 Health & Soc Services 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 spoke about funding for increased operating costs for the Nome Youth Facility for personal and contractual services.

[10:12:11 AM](#)

Sections 7-9 Health & Soc Services 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 the cost request related to the Johnson Youth Center. The funding is actually spread among five youth centers: McLaughlin, Fairbanks, Bethel, Nome, and Juneau. The request is for increased medical cost for juveniles in these facilities, above and beyond the regular operating costs for the division.

Sections 7-9 Health & Soc Services Probation Services

Replace uncollectible federal funding for Targeted Case Management. \$0.0

Ms. Baker related that the request for probation services in the Juvenile Justice Division is a fund source change. It will replace lost federal receipts, which the division had hoped to use as part of the federal targeted case management procedure. The federal government's Health and Human Services, Centers for Medicare and Medicaid, have ratcheted down the cost that states are able to claim under target case management.

Sections 7-9 Health & Soc Services 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 turned to court ordered costs for probation services in juvenile justice. The request is for costs that are outside the normal operating budget for the division. Several years ago Senator Green suggested that the division propose these costs as supplemental requests similar to the Department of Law's judgments and claims. That has worked out well for both the Administration and the legislature. The estimated costs are for about \$221,000 for the year, similar to previous years' requests.

Sections 7-9 Health & Soc Services Women, Infants, and Children

Increased SDPR from baby formula rebates. This corresponds to the department's FY09 increment request of \$650.0. \$852.3

Ms. Baker explained the increased Statutory Designated Program Receipt (SDPR) authority for the Women and Infants Program in Public Assistance. These are for infant formula rebates.

[10:14:40 AM](#)

Sections 7-9 Health & Soc Services Certification & 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 spoke of projected increases for receipt supported services for the certification and licensing costs in the background check unit. The background check unit is seeing a higher level of requests than anticipated. Most of the receipts get signed over to the Department of Public Safety for the actual fingerprinting.

Sections 8-9 Health & Soc Services 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. \$0.0

administratively separate appropriation structure than the normal operating for unbudgeted RSAs. During the year-end closeout and after, there were some miscommunications and timing issues and now there is a need for legislative ratification. The programs in Public Health actually have enough general funds to cover them, but there is no administrative fix available without legislative approval.

Section 29(b)(5) Ratification Health & Soc Services

Medicaid Services - \$25,141,116.00

Ms. Baker reported on the FY 06 ratification for Medicaid Health Care Services. It relates to the federal government turning down ProShare claims for grant refinancing. It is important to note that with the ratification, the department is carrying accounts receivable on the accounting system because it was thought that the federal receipts would be forthcoming. The payments have been made and once ratification is approved, the receivable will come off. There are also payments for Indian Health Services referrals, which the federal government denied, and now needs ratification.

Section 29(b)(6) Ratification Health & Soc Services

Medicaid Services - \$4,350,407.00

Ms. Baker addressed the need for ratification regarding Medicaid ProShare for a smaller amount in FY 07. Ms. Baker emphasized that both the legislature and the Administration were aware of the risk of ProShare refinancing.

Section 29(b)(7) Ratification Health & Soc Services

Health Care Services - \$231,500.00

Ms. Baker explained the ratification request for the Women and Adolescent Services component, which is a year-end closeout issue. After the reappropriation period closed the end of August, with federal revenues expected, it was discovered that the federal receipts were over-collected leading to a shortfall.

Co-Chair Stedman asked for more information about the "backfill" of the previous items. Ms. Baker asked if he was requesting information for all items. Co-Chair Stedman replied yes. Ms. Baker explained that the Office of Management and Budget is considering budget amendments for FY 09 that will bring the Foster Care base rate and special needs proposal, as well as the target case manage proposal for Probation Services, in line. The requests for Youth Facilities are already included in the FY 09 budget.

[10:22:49 AM](#)

Co-Chair Stedman pointed out that there were capital requests in the supplemental budget which did not belong, especially in light of the shortened session. Ms. Baker noted that these requests would have an impact on current department budget and management decisions. Ms. Baker stated that the capital item for API is in the supplemental because they have a contract to purchase the electronic medical records and, without the additional funding, cannot fully implement it. Co-Chair Stedman argued for having accurate capital and operating budgets and a bare minimum in the supplemental.

[10:25:12 AM](#)

Senator Elton referred to the Johnson Youth Center request and asked why the language did not reflect that the funding goes statewide to several youth facilities in the state. Ms. Baker said that information is provided in the backup material. Senator Elton thought it was deceptive because the money is not for Juneau, as it appears.

Senator Elton asked a question about Probation Services. He wondered what percentage of the budget the \$600,000 request for Targeted Case Management was. Ms. Baker replied that that amount was expected in federal funds for juveniles who were Medicaid eligible. She could not provide the specific number, but thought it was about \$1 million to \$1.2 million.

Co-Chair Hoffman asked about the foster care base rate. He wondered why there was a need for general funds, as well. Ms. Baker responded that it is a combined proposal. The case load is increasing, plus there is an increase in receipts that cover state costs for children with parents who are paying child support.

[10:27:47 AM](#)

Senator Olson asked who the community service providers were now that ProShare was disallowed. Ms. Baker explained that in FY 04, general funds were reduced in grant programs in Behavioral Health, Seniors and Services Disabilities, Children's Services, and Public Health. She offered to provide a list of grantees in FY 08 that were covered by ProShare funds. The budget reductions were taken in grant programs, which sent the match over to the Medicaid programs so that the 100 percent funding went out. Now that there are no federal funds, those grant programs are no longer fully funded at the previous service level. Senator Olson asked if community health centers are included. Ms. Baker said she would find out.

[10:29:26 AM](#)

Ms. Baker emphasized that the Senior Benefits item is a time-sensitive item. Money has been borrowed from the Adult Public Assistance Program. Without the supplemental, both programs will run out of money at the end of the month. Co-Chair Stedman thought that the legislature and the Administration worked together during the special session to take care of that issue, and it is reasonable to expect the legislature to fund it. Co-Chair Hoffman explained that there may be a cash flow problem. Ms. Baker agreed.

10:30:18 AM

Sections 7-9 Law Oil, Gas, and Mining

During FY2008 the Department of Natural Resources (DNR) requested that Law allocate \$3.0 million of Law's \$21.5 million Oil, Gas, and Mining supplemental (Sec 1, Ch 6, SLA07, Pg 1, Lns 4-6) to pay a contractor to do a financial analysis of the TransCanada proposal to evaluate that the state's financial interests are being met. Law has entered into a Reimbursable Services Agreement (RSA) with DNR to pay the costs of the valuation expert. The \$3.0 million RSA'd to DNR was not included in the costs Law anticipated at the time of the \$21.5 million request. Law is requesting that part of these funds be replaced for their original purpose. Law is requesting only \$1,750,000 (and not the full \$3 million) because one large case recently settled and Law spent \$1,250,000 less than originally anticipated on that case. \$1,750.0

CRAIG TILLERY, DEPUTY ATTORNEY GENERAL, DEPARTMENT OF LAW, explained the request. The Department of Law (DOL) received a combination supplemental for FY 08 for oil and gas projects including the oil and gas pipeline. Recently, an unfunded need for approximately \$3 million in order to do a financial analysis of the gas pipeline proposals was discovered. The DOL will enter into a Reimbursable Services Agreement with the Department of Natural Resources in order to facilitate the analysis. That leaves DOL with an unfunded liability amount for regular oil and gas cases. Since DOL is \$1.25 million under budget, the request is for only \$1.75 million.

Section 25(a) Law Deputy Attorney General's Office

Judgments and Settlements. Amount is \$587,910.81 as of January 28, 2008. \$588.0

Mr. Tillery explained that the request is for judgments and settlements by the Superior Court or the Supreme Court and all have been reduced from the original amount requested.

Section 25(b) Law Deputy Attorney General's Office

The amount necessary for additional judgments awarded on or before June 30, 2008 is appropriated. \$0.0

Mr. Tillery spoke about additional judgments awarded.

Section 25(e) Law Human Services & Child Protection

Native Village of Curyung v. State DHSS, Office of Children Services

This is a complicated case involving four tribes suing the state over alleged violations of various state and federal laws. the Department of Law estimates that there are roughly 120 children who are part of this case. It is anticipated that litigation and/or trial costs are expected to be at least \$200.0 in FY08 with another \$300.0 needed in FY09, so an extended lapse date through June 30, 2009 is requested. \$500.0

Mr. Tillery discussed the law suit regarding the Native Village of Curyung v. State Department of Health and Social Services, Office of Children's Services. The tribes are suing the state over alleged violations of state and federal laws and involving about 20 children. DOL is asking for \$500,000 with the anticipation that \$200,000 would be expended in FY 08 and \$300,000 in FY 09.

[10:34:42 AM](#)

Section 25(c) Law Administrative Services

Unpaid FY06 bills. Contractor was very late in submitting final bills to Law. Bills were submitted in May/June of 2007 so they were not included in the FY06 supplemental for Law. The actual amount in hand as of January 28, 2008 is \$3,109.36. \$3.1

RICHARD SVOBODNY, DEPUTY ATTORNEY GENERAL, CRIMINAL DIVISION, DEPARTMENT OF LAW, addressed the request to pay bills received from FY 06 from a murder case.

Section 25(d) Law Criminal Division

Additional federal authorization is needed for the U.S. Department of Justice, Office of Violence Against Women grant to "Encourage Arrest Policies and Enforcement of Protection Orders" for \$937,000, as allocated below. The grant term is for 15 months, so a lapse date of June 30, 2009 is requested. Second Judicial District - \$127.8 Third Judicial District: Anchorage - \$399.2 and 1 new PFT (Paralegal) Fourth Judicial District - \$410.0 and 2 new PFTs (Attorney and Paralegal). \$937.0

Mr. Svobodny explained the request for authorization to spend \$937,000 the state received in a grant to the Office of Violence Against Women to encourage arrest and to enforce protective orders. It funds positions in the Second, Third, and Fourth Judicial Districts. The primary focus is for funding a half-time paralegal in Barrow, a paralegal in the prosecution unit, and a position in the Office of Special Prosecution and Appeal.

[10:36:44 AM](#)

Senator Elton asked why the First Judicial District is not included in the grant. Mr. Svobodny responded that there was no particular reason. The Rural Prosecution Unit has spent a lot of time in Southeast Alaska due to three murder trials. The money comes to the area, but the people are physically located in Anchorage. Senator Elton requested more information about why the district was left out of grant funding. Mr. Svobodny agreed to do that.

Co-Chair Stedman concurred that it was odd that the First Judicial District was not included.

Co-Chair Stedman asked about expectations regarding judgments against the state. Mr. Tillery replied that those appropriations have been taken care of through the supplemental budget. He explained the process and the advantages of timely settlements.

[10:40:05 AM](#)

Senator Huggins asked about DOL's request for money to pay a contractor to do a financial analysis of the TransCanada proposal to evaluate if the state's financial interests are being met. He wondered if this information was available to the legislature.

LETA SIMONS, DIRECTOR, DIVISION OF SUPPORT SERVICES, DEPARTMENT OF NATURAL RESOURCES, explained where the state is at in the AGIA evaluation process. The professional contractors are being hired for risk analysis and financial analysis. She related that the reports would be made available. Senator Huggins requested that it be done in a timely manner.

[10:41:53 AM](#)

Co-Chair Hoffman asked if \$21 million was appropriated for that purpose. Mr. Tillery said that was correct; however, this item was not anticipated. Other than that, the budget is holding up well.

Co-Chair Stedman asked DOL to separate gas line endeavor expenses from taxes and royalty collections in order to keep track of expenditures directed toward the gas line and of tax and royalty issues. Mr. Tillery agreed.

Co-Chair Stedman mentioned a letter dated February 6 requesting that be done.

[10:44:01 AM](#)

Sections 7-9 Natural Resources Oil & Gas

Cost to implement ch.1, SSSLA 2007 (HB 2001) Alaska's Clear and Equitable Share legislation. Add two Oil & Gas Revenue Audit Master exempt positions. The amount is reduced from the original fiscal note due to later than anticipated hiring of the positions. The FY09 budget contains a related increase of \$303.5. \$110.0

Ms. Simons continued with an explanation of the request for \$110,000 to implement the ACES fiscal note regarding two Oil and Gas Revenue Audit Master exempt positions. The amount has been reduced from the original fiscal note in anticipation that the positions won't be filled until April 1. The FY 09 budget also contains the related increase for the positions.

Sections 7-9 Natural Resources Fire Suppression Preparedness

Letter of Grievance Resolution over Implementation of the Forest Technician Class Study. This supplemental request funds a Letter of Grievance Resolution between the State and the Alaska State Employees Association (ASEA) related to step placement of employees during implementation of a classification study for Forestry-specific job classes. The retroactive operating costs for 20 Wildland Fire Dispatcher positions is \$47.5 for FY07, and current-year FY08 costs are \$61.7, resulting in this supplemental request of \$109.2. A corresponding FY09 budget amendment of \$61.7 will be requested. \$109.2

Ms. Simons explained that the request is for a Letter of Grievance Resolution between the state and ASEA over implementation of the Forest Technician Class Study.

Sections 10-12 Natural Resources Capital

Eagle River Nature Center Planning and Design Study
\$117.2

Ms. Simons turned to a capital request to collect statutory designated program receipts from the Friends of Eagle River Nature Center which have received HUD funding. The Department of Natural Resources is requesting the money in

GF reduction desired. This is reflected in section 8,
the departmental fund source list. \$0.0

Sections 8-9 Education Mt. Edgecumbe High School

Correction of late session transactions for TRS
solution that erroneously cut component twice for the
GF reduction desired. This is reflected in section 8,
the departmental fund source list. \$0.0

MARK LEWIS, DIRECTOR, ADMINISTRATIVE SERVICES, DEPARTMENT OF
EDUCATION AND EARLY DEVELOPMENT, turned to the adjustment of
funding related to the Teachers' Retirement System (TRS)
within the Student and School Achievement, Head Start, and
Mt. Edgecumbe High School components. These transactions
inadvertently removed general funds from the base numbers.
The supplemental items correct the transactions and the
associated funding sources.

Section 22 Education School Performance Incentive

If the amount necessary to pay school performance
incentives exceeds the amount appropriated for FY08,
the additional amount necessary is appropriated. The
department won't know the final amount until after the
legislature has adjourned. Similar language is
included in the FY09 operating budget. \$0.0

Mr. Lewis spoke about the School Performance Incentive
Program which was established under AS 14.03.126 as a three-
year pilot program. It is currently in the second year with
a budget of \$2.5 million. The FY 08 budget request was
originally for \$5.8 million, but it was reduced during the
last session by \$3.3 million. As a new program, actual
costs cannot be projected with total accuracy. The finance
subcommittees recommended reviewing this request in the FY
09 budget cycle. This language section provides the
mechanism to fund this pilot program in order to distribute
the awards as intended within established statutory limits.
The estimated additional funding required is projected to be
\$1.6 million.

[10:52:42 AM](#)

Section 23 Fish and Game

Carry forward of federal indirect cost plan receipts to
include the FY07 unexpended and unobligated balance.
Similar language is included in the FY09 budget. \$0.0

TOM LAWSON, DIRECTOR, ADMINISTRATIVE SERVICES, DEPARTMENT OF
FISH AND GAME, explained the language section that fixes a
cash flow issue to allowing unspent revenue to be carried

costs. The base operating increases in personal services and contractual are included in the FY09 operating budget request. \$0.0

GAIL FENUMIAI, DIRECTOR, DIVISION OF ELECTIONS, OFFICE OF THE LIEUTENANT GOVERNOR, explained a request which deals with election funding. The division has seen an increased work load over the years and new staff is needed. Additional funds are being requested for contractual items and increased costs.

Senator Huggins asked how many total positions there would be, including the three new ones. Ms. Fenumiai replied that there would be a total of 33 permanent, full-time positions, including some that are funded with federal funds.

RECESSED: [11:02:07 AM](#)

The meeting was recessed at 11:02 AM until 9:00 AM on February 12, 2008.

RECONVENED: [9:01:55 AM](#)

KAREN REHFELD, DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET, introduced Dan Spencer from the Department of Public Safety.

[9:02:54 AM](#)

Sections 7-9 Public Safety Fire Prevention Operations

RSS shortfall from building plan review fees. Division would like to make this into a straight GF operation since revenues vary drastically. Included in the FY09 budget at the same level of \$220.0 Additional travel of \$50.0 for building life safety inspections and to provide inspections in rural locations. Funded in FY09 at \$105.0. Increased fuel/utility \$8.3 and vehicle \$4.8 costs. FY09 fuel/utility cost increment is \$4.5. \$281.3

DAN SPENCER, DIRECTOR, DIVISION OF ADMINISTRATIVE SERVICES, DEPARTMENT OF PUBLIC SAFETY, referred to three basic categories of cost increases: fuel and utility, vehicle operation and replacement, and leases. There has been a high vacancy rate in uniform positions and new positions have been added. The Department of Public Safety has been able to absorb cost increases until now.

[9:05:00 AM](#)

Mr. Spencer acknowledged success with the new Alaska State Trooper Academies. All positions will be filled that are currently vacant. A number of cost increases have been absorbed over the years which now require back filling.

Mr. Spenser explained the largest requests needed to fund fire prevention operations: an anticipated revenue shortfall and money for increased travel for safety inspections in rural communities.

Mr. Spenser continued to explain that municipal governments can hold their own building plan reviews and the department would not get that revenue. At this point, the shortfall is about \$220,000.

[9:09:42 AM](#)

Sections 7-9 Public Safety Fire Service Training

Increased fuel/utility \$8.3 and vehicle \$9.4 costs.
FY09 fuel/utility cost increment is \$9.6. \$17.7

Mr. Spenser explained the request for additional funds for Fire Service Training due to increased fuel and utility costs.

Sections 7-9 Public Safety Alaska State Troopers/Special Projects

Replace federal Rural Alcohol Interdiction Team funds for part year. Fund change is included in FY09 in the amount of \$870.0. \$150.0

Mr. Spenser related that the request is to replace federal Rural Alcohol Interdiction team funds.

Sections 7-9 Public Safety Judicial Services - Anchorage

Assume Anchorage prisoner transport duties. Assumes December 2007 hire date for six new positions. Covers one-time purchases and share of annual expenses. If one-time costs are not funded here, additional funds will be needed in FY09. In the FY09 budget at \$656.3 for a full year's costs, but that does not include one-time costs. \$620.3

Mr. Spenser reported that several years ago the state and Anchorage entered an agreement regarding prisoner transport duties. The request is for hiring six new positions and beginning to transport prisoners. This line may be reduced if not all positions are hired.

[9:11:16 AM](#)

Sections 7-9 Public Safety Prisoner Transportation

Increased prisoner transports costs. FY09 increment is in the same amount. \$455.0

Mr. Spencer noted that the request is due to increased prisoner transport costs.

Sections 7-9 Public Safety Rural Trooper Housing

Rural housing costs of \$244.2 due to unrealized SDPR including leases without rent contribution at Selawik and for Bethel commons. Increased fuel and utility costs of \$92.7. FY09 fuel/utility cost increment is \$147.1. \$336.9

Mr. Spencer referred to the request for housing for troopers in rural communities. When housing is left vacant no revenue is coming in for the department. This request also covers increased fuel and utility costs.

Sections 7-9 Public Safety AST Detachments

Increased trooper move costs \$425.0, dispatch contracts with Kodiak and Wasilla (MatCom) \$420.3, lease costs \$60.6, fuel/utility costs \$236.2, vehicle costs \$610.9, and facilities maintenance costs \$25.5. FY09 increments are: trooper move travel \$425.0; lease \$60.6; fuel/utility \$164.9; and vehicle \$113.9. \$1,778,5

Mr. Spencer explained the increase in rural trooper transfer costs and dispatch contracts.

[9:13:38 AM](#)

Sections 7-9 Public Safety Alaska Bureau of Investigation

Increased lease costs. No corresponding FY09 increment. \$17.5

Mr. Spencer continued to explain increased lease costs for the Alaska Bureau of Investigation.

Sections 7-9 Public Safety Alaska Wildlife Troopers

Increased fuel/utility \$70.8, vehicle \$288.6 and facilities maintenance \$17.1 costs. FY09 increments are: fuel/utility \$38.6; vehicle \$145.3. \$376.5

Mr. Spencer addressed the increase in costs for the Alaska Wildlife Troopers.

Sections 7-9 Public Safety AK Wildlife Troopers Aircraft Enforcement

Increased fuel/utility \$70.8, vehicle \$288.6 and facilities maintenance \$17.1 costs. FY09 increments are: fuel/utility \$38.6; vehicle \$145.3. \$174.5

Mr. Spencer mentioned Alaska Wildlife Troopers Aircraft Enforcement and the increased fuel, utility, and lease costs.

Sections 7-9 Public Safety AK Wildlife Troopers Marine Enforcement

Increased fuel/utility costs. FY09 increment is \$66.0. \$41.6

Mr. Spencer explained the Alaska Wildlife Troopers Marine Enforcement increases in fuel and utility costs.

Sections 7-9 Public Safety Domestic Violence/Sexual Assault

CDVSA received an unanticipated Rural Domestic Violence and Child Victimization (RDVCV) grant in October 2007. The majority of projects from another federal grant (GTEA) fell into FY08 as well, leading to a shortfall in federal authority. \$230.0

Mr. Spencer noted the shortfall in federal authority regarding grants.

[9:14:58 AM](#)

Sections 7-9 Public Safety Training Academy

Increased fuel/utility \$5.2 and vehicle \$11.6 costs. FY09 increment for fuel/utility costs is \$8.2. \$16.8

Mr. Spencer noted increased fuel and utility costs for the Training Academy.

Sections 7-9 Public Safety Administrative Services

Increased fuel/utility \$2.6, lease \$9.2, and vehicle \$2.2 costs. FY09 increment is \$9.2 for office lease costs. \$14.0

Mr. Spencer noted increases in Administrative services costs.

Sections 7-9 Public Safety Alcoholic Beverage Control Board

Increased vehicle costs. FY09 increment is \$1.9. \$4.3

Senator Elton wondered why the Department of Corrections personnel were able to transport prisoners cheaper than the Department of Public Safety personnel. Mr. Spencer could not comment on the cost difference. Senator Elton thought that issue should be looked into. Mr. Spencer said that the duties of a Department of Corrections Transportation Officer differ from that of a Court Services Officer.

[9:22:56 AM](#)

Senator Dyson said he has heard that Village Public Safety Officers want more backup. He questioned what would be the appropriate number of state troopers. He offered the idea of 10 more hires and a 10 percent pay increase. He requested input from the department on that idea and what it would cost.

Co-Chair Stedman questioned the requests for supplemental money for utility costs and lease costs. He wondered why those were not in the regular operating budget.

[9:25:26 AM](#)

Mr. Spencer reiterated that the department was able to forestall requesting money in the past because of vacancies, but now the department plans to fill all positions and new costs have emerged.

Co-Chair Hoffman referred to the 34 dispatch contracts with Kodiak and Wasilla. He wondered if the contracts were with the cities. He pointed out that Bethel has been requesting similar contracts and providing services to the troopers. Bethel has been absorbing those costs, which they feel should be paid by the state. The state has been unwilling to do this. He questioned if there was a double standard.

Mr. Spencer said he was not familiar with Bethel's requests. He reported that other communities have asked for increases and the department is working with those communities. He offered to research that information.

[9:28:27 AM](#)

Senator Olson requested more information about the increase of \$425,000 in moving costs. Mr. Spencer replied that moving cost increases have accumulated over the years. The department pays for moving officers around the state and for household goods up to 15,000 pounds. The cost of moving has gone up all over the state.

Senator Olson disagreed with the department's practice of filling the budget with vacancies.

He commented that a lot of alcohol was still getting through to the villages. He questioned if there was a way to measure the effectiveness of the Rural Alcohol Interdiction Team funds. Mr. Spencer reported that the interdiction efforts are showing good results. He offered to provide that information to the committee.

[9:32:13 AM](#)

Mr. Spencer addressed the concern about absorbing vacancies savings to pay for other items, and he assured the committee that the department was making every effort to fill the positions, trooper as well as support positions. Co-Chair Hoffman recommended the department look at other ways to save money. Mr. Spencer wanted to start the year with the intent to fill positions and when they are not filled, the department would go to a revised plan. He emphasized that the department is not trying to conceal anything.

[9:35:39 AM](#)

Senator Olson questioned how much of the CDVSA money will go to shelters. Mr. Spencer replied that all of it would. Senator Olson requested a full list of how the money is allocated.

Senator Olson inquired about when the six recommendations for the VPSO Task force, especially the community stipends and pay raises, might be implemented. Mr. Spencer replied that he has not met with the commissioner yet and does not have an answer right now, but he offered to get back to the committee on it.

Senator Olson asked if there is a carry over for this fiscal year for the VPSO program. Mr. Spencer thought there was probably some money left over. In the past there were several federal appropriations to increase the number of VPSO's, but now the state is not able to spend that money because of federal rules. Mr. Spencer remarked that recently more than \$5 million has been freed up to increase the number of VPSO's. Senator Olson understood that there was about a \$1 million carry over and he requested that it be implemented as soon as possible.

Senator Dyson underscored the suggestion to regularly review existing mission statements in statute and the mechanisms for effectiveness of programs.

[9:40:10 AM](#)

Sections 7-9 Revenue Tax Division

Implementation of Tax Division's fiscal note for Chapter 1, SSSLA 2007 (HB 2001), which passed during

the second special session in 2007 absent an appropriations bill. Beginning in January 2008, the department will begin incurring costs to immediately implement the new production tax structure. These costs include: Personal services - \$275.8 for the new exempt class of oil and gas revenue auditors and an additional analyst programmer; Supplies - \$6.0 for analyst programmer's computer and software; Contractual - \$506.6 for audit assistance. \$788.4

JERRY BURNETT, DIRECTOR, DIVISION OF ADMINISTRATIVE SERVICES, DEPARTMENT OF REVENUE, referred to the implementation of the fiscal note for the ACES legislation, HB 2001. The bill was effective on December 20, 2007, so some of the contracting services for audit assistance have already been expended. The positions have not yet been hired. The expense represents between three and four months of personal services costs.

Sections 7-9 Revenue Treasury

Investment management services for the Retiree Health Insurance Major Medical Fund. Management costs are increasing as the assets under management are growing (35.9% in FY2007 from \$152.4 to \$207.1 million). \$15.0

Mr. Burnett reported the need for additional funds for investment management services for Retiree Health Insurance Major Medical Fund due to increased management costs.

Sections 7-9 Revenue Alaska Housing Finance Corporation

4% wage increase and health insurance increase of \$28.78 from \$851 to \$879.78 \$1,262.0

Mr. Burnett addressed the 4 percent wage increase and health insurance increase for AHFC employees, which mirror the general government unit pay increases.

Sections 7-9 Revenue AHFC

Wage and health insurance increase fund source switch to 100% Corp Rcpts. \$0.0

Mr. Burnett said that this item is a switch from \$417,000 in federal funds to other funds. AHFC recognizes their federal funds as corporate receipts.

[9:42:32 AM](#)

Sections 7-9 Revenue Permanent Corporation

Custody Management Fees \$6,000.0

Mr. Burnett overviewed the \$6 million custody management fees for the Permanent Fund Corporation. Those are based on increased costs for certain asset allocations based on expected increases on fund balance. Anything not spent will revert to the Permanent Fund.

Section 17(a) Debt: Fund Capitalization Oil and Gas Tax Credit Fund

Increased oil and gas tax credits from \$25 million that was appropriated in the FY08 budget to an updated estimated maximum need of \$150 million. The new oil and gas tax credit fund was established in ACES for these credits. \$125,000.0

Mr. Burnett reported on the debt fund capitalization of the oil and gas tax credit fund to pay for refundable credits created in HB 2001.

Section 17(b) Debt: Fund Capitalization Oil and Gas Tax Credit Fund

Reappropriate the balance of the \$25 million tax credit appropriation to the new Oil and Gas Tax Credit Fund that was created by ACES. The Department of Revenue expects a balance of approximately \$4.2 million. \$0.0

Mr. Burnett noted that this item is a reappropriation of the balance of the \$25 million general fund appropriation for tax credits in the FY 08 budget. The department expects a balance of about \$4 million by the time the bill passes.

Section 18(a) Debt: Reimbursement Jail Construction Reimbursement

Reimbursement to the Municipality of Kodiak for expansion of the Kodiak jail. Kodiak will start construction this season, but can't finalize contracts without secured funding. This reimbursement is per Ch. 160 (SB65), SLA 2004. \$2,000.0

Mr. Burnett related that the jail construction reimbursement in matching funds to Kodiak comes from an authorization in SB 65.

Section 18(b) Debt: Debt Reimbursement Jail Construction Reimbursement

Reimbursement of design and site selection costs of the Pt. Mackenzie Correctional Center to the Matanuska-Susitna Borough through AHFC. \$2,500.0

Mr. Burnett reported that the calculation will be done on June 14 and the payment must be done within 60 days of that date. The money is for FY 08 and before, so the payment should not be in the FY 09 budget. Co-Chair Stedman agreed it was important to keep the fiscal years lined up.

Co-Chair Stedman wondered if that concept applied to the tax credits for the oil and gas tax credit fund. Mr. Burnett replied that for those the state expects to pay about \$21 million prior to the end of April. Between the annual tax filing date and the end of the fiscal year, there will be a number of claims calculated and certificates issued and paid. Without this supplemental appropriation, the state would be paying for FY 08 earned tax credits. The amount of \$125 million would be used between April and August.

[9:48:52 AM](#)

Co-Chair Stedman noted that the credits were a new mechanism. He questioned if, in the future, these credits could be fully funded in the regular operating budget with a balance carry forward at the end of the fiscal year. Mr. Burnett affirmed they would be fully funded in each budget cycle, with the hope of no shortfall.

Co-Chair Hoffman requested a further breakdown of the numbers in order to get a clearer picture of each fiscal year. Mr. Burnett clarified that valid FY 08 bills are paid up through August 31.

[9:51:10 AM](#)

Senator Huggins asked if the debt reimbursement request for jail construction was in last year's budget. Mr. Burnett replied that originally there was \$28 million in the budget which was vetoed. There was money left in the budget - bond proceeds - to pay for this; however, the bonds have not been sold, which is why this is a general fund. Senator Huggins emphasized that the money that was vetoed could have been used against this debt. Mr. Burnett agreed, had the money been real. It was an authorization to use bond proceeds which could not have been sold.

Co-Chair Hoffman believed that in SB 65 the intent was for the municipalities to pay for the construction of jails. The state would then contract with the municipalities once the facilities were built. The two supplemental appropriations appear to be grants to the municipalities. He wondered if the appropriations follow the intent of SB 165.

[9:53:26 AM](#)

Mr. Burnett believed they did. He said that the one to Kodiak was meant to be a grant. He explained the expense involved with the COP issue. Co-Chair Hoffman suggested it could be wrapped into a larger COP. Mr. Burnett clarified Kodiak's plan. Mat-Su costs can no longer be financed. Co-Chair Hoffman replied that he was co-sponsor of SB 165 and needed to look at other municipalities' requests for COP's.

AT EASE: [9:55:24 AM](#)

RECONVENED: [10:45:49 AM](#)

ADJOURNMENT

The meeting was adjourned at 10:46 AM.