

SENATE FINANCE COMMITTEE
March 10, 2008
9:19 A.M.

CALL TO ORDER

Co-Chair Hoffman called the Senate Finance Committee meeting to order at [9:19:25 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

None

ALSO PRESENT

Karen Rehfeld, Director, Office of Management and Budget;
Kevin Brooks, Deputy Commissioner, Department of Administration

SUMMARY

CSHB 310(FIN) am

An Act making appropriations for the operating and loan program expenses of state government, for certain programs, and to capitalize funds; making appropriations under art. IX, sec. 17(c), Constitution of the State of Alaska; and providing for an effective date.

CSHB 310(FIN) am was HEARD and HELD in Committee for further consideration.

CSHB 312(FIN)

An Act making appropriations for the operating and capital expenses of the state's integrated

comprehensive mental health program; and providing for an effective date.

CSHB 312(FIN) was HEARD and HELD in Committee for further consideration.

#HB310

#HB312

CS FOR HOUSE BILL NO. 310(FIN) am

An Act making appropriations for the operating and loan program expenses of state government, for certain programs, and to capitalize funds; making appropriations under art. IX, sec. 17(c), Constitution of the State of Alaska; and providing for an effective date.

CS FOR HOUSE BILL NO. 312(FIN)

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

KAREN REHFELD, DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET, discussed the status of the operating budget amendments totaling approximately \$41 million dollars. She pointed out the two packets of amendments submitted by the Office of the Governor, one on February 13th and the others forwarded on February 29th, which indicates General Fund reductions of approximately \$7.6 million dollars.

She advised that the Senate Finance Committee would be considering the House version of the operating budget. There are issues in the House version because some budget amendments were submitted just as the subcommittees work had been completed. She understood that amendments from February 29th had not been incorporated.

Ms. Rehfeld identified a new appropriation level included for oil and gas development items related to the Alaska Gas Inducement Act (AGIA). There are some corrections that need to be made to the structure of the appropriation to include the correct items. She addressed interest expressed by legislative members to move some capital requests to the operating budget.

[9:23:32 AM](#)

Ms. Rehfeld continued, there has been approximately nine projects identified by the Senate Finance Committee (SFC) to be moved to the operating budget. In the House budget, six of the items were moved and three remain for consideration.

- The Department of Health and Social Services project for Child and Family Services reviews;
- The Department of Natural Resources, Boating Safety Program; and
- The Department of Natural Resources, Oil & Gas Royalty evaluation work.

She explained that the requests could be moved into the operating budget. She anticipated that the boating safety program would present challenges due to the three year grant funding cycle. She added that if the Senate intends to look toward that structure, some clean-up work will need to be accomplished.

Other areas in the House operating budget were reduced based on fiscal conservative points of view. She stated there are a few that the Administration would like to see the Senate restore.

[9:25:32 AM](#)

Ms. Rehfeld highlighted inclusion of the bargaining unit agreement costs, which cover the General Government Unit {GGU) and the supervisory unit. Also attached before the Committee is a non-exempt pay bill. The bargaining agreements are included in the operating budget.

[9:26:35 AM](#)

Senator Dyson inquired about the issues related to boater safety. Ms. Rehfeld explained that originally, the project was requested as a capital budget item, however, legislative interest has been to move it into the operating budget. The only concern with the boater safety program is that it is under a grant program, which exceeds the one-year timeframe with a longer lapse date.

Senator Dyson inquired if the grant funds were federal pass-through dollars. Ms. Rehfeld confirmed. In response

to Senator Dyson, Ms. Rehfeld clarified that the Department prefers to see the request stay in the capital budget but if the Legislature chooses to move it, the Administration will work with that.

Senator Dyson asked the position of the House.

[9:28:33 AM](#)

Ms. Rehfeld explained that they had not intended to move the program and that they moved six of the nine proposed projects.

Ms. Rehfeld highlighted items not included in the House submitted budget, which the Administration would like to see addressed:

- The Department of Administration reduction for maintenance at the Atwood parking garage. That was an area of concern to the Administration and the Department requested it be added back in. She noted that \$962 thousand dollars had been requested and it was reduced by \$400 thousand dollars.

[9:30:16 AM](#)

In response to queries by Senator Elton, Ms. Rehfeld explained that she was addressing changes made in the House proposed budget and not specific amendments to the handout.

AT EASED: [9:31:02 AM](#)

RESUMED: [9:31:19 AM](#)

Ms. Rehfeld stated that the amendments on the first page of the handout had been included in the House version of the budget. She highlighted the most important references:

- The Office of Public Advocacy (OPA) and the Public Defender's Agency. The Administration did include in those budgets the amount attached in the supplemental this year.

She added that work is needed on the proposed 2009 budget area, which has been a difficult area to project. The actual costs of the program in conjunction with the work to

the criminal justice working group has been provided, attempting to determine all important components necessary for that system. Until the amount can be determined, the Administration is requesting the identical number sought in the supplemental bill.

Ms. Rehfeld addressed specific corrections:

- To the Department of Education and Early Development holdover from last year, when direct-deposit for the retirement system cost errors were made.

[9:33:07 AM](#)

Ms. Rehfeld indicated Line 14:

- An addition to the Head Start program amount in order to address the wait list. The current budget contains approximately \$6 million dollars in grants, whereas, the proposed provides a 10% increase.

[9:34:21 AM](#)

Senator Elton asked if the House created a matching component for the Head Start grant and if they had, would the amendment address the match. Ms. Rehfeld responded that the Governor's budget amounted to an increase of \$600 thousand dollars without a matching component. The Head Start funding was to specifically address the waitlist for that program. She pointed out that the House had included intent language to require the match. She explained that the Department would issue the first round of grants at \$6 million dollars and then look at the \$600 thousand dollar allocation based on which programs could demonstrate a match.

[9:35:26 AM](#)

Senator Elton questioned the historic grants related to Head Start in relationship to the matching component. Ms. Rehfeld reiterated that the proposed Administration's budget would be an increase of \$600 thousand dollars, which would be used for that program's wait lists. The House had added intent language to require the match.

She continued the overview of Page 2.

- Monetary corrections to the retirement system.
- Series of amendments to the Department of Fish and Game related to the unexpected lose of federal dollars. The request was adopted in the House version.
- Department of Health and Social Services, where the Administration attempted to allocate a \$17.5 million dollar placeholder in the budget to be used for rate adjustments.

[9:37:54 AM](#)

Ms. Rehfeld continued:

- Department of Health and Social Services - an allocation for moving the Senior Benefit program into its own component. Most of the components address the recommendations for the rates as accepted by the House.
- Department of Labor and Workforce Development - a one time funding for the Southwest Alaska Vocational Education Center (SAVEC) operating grant, which experienced an unexpected loss of federal dollars.
- Department of Law - dollars requested to cover lease space costs in Anchorage.
- Department of Law - requested funding in the amount of \$4.7 million dollars related to corrosion litigation, as adopted in the House version.

[9:39:56 AM](#)

Ms. Rehfeld emphasized that the following items were the most significant areas:

- Department of Natural Resources - fire suppression aviation costs as adopted in the House version.
- Department of Public Safety - vehicle cost included at ½ the requested amount in the House version.

Senator Olson referenced a letter from the Department of Public Safety indicating that the Department would be acquiring three new aircrafts, one of which being a King Air 350. He questioned if the Administration had been aware of that request. Ms. Rehfeld was not aware of the King Air purchase; however, understood that the Department of Public Safety needs to acquire additional aircraft.

Senator Olson clarified that the Request for Proposal (RFP) had been distributed on March 11th for those two aircrafts. Ms. Rehfeld advised that there could have been existing funds for the aircraft purchase. She offered to research that request.

Co-Chair Hoffman recalled that two aircrafts had been damaged. Senator Olson acknowledged that there were two super cub accidents that damaged the two aircrafts and taking them out of commission. Those aircraft were rebuilt when a RFP went out for the additional two.

Co-Chair Hoffman asked Senator Olson if the intent was to fix the damaged aircraft and keep them or if they would be replaced and sold for the acquisition of the new aircraft. Senator Olson understood that the two new ones would be retained along with repairing the other two. Ms. Rehfeld offered to investigate the concern.

[9:43:32 AM](#)

Senator Thomas referenced:

- Department of Law - an anticipated law-suit reference item 82 BPXA Corrosion Litigation for pursuing the claims for penalties and lost revenues in the 2006 Prudhoe Bay pipeline spills and production shutdowns. The Department of Law anticipates making a recommendation to commence litigation to recover the State's revenue losses, as well as civil penalties and damages under the State's environmental statutes. The Department anticipates the litigation will last three to four years and that additional appropriations will be needed.

Ms. Rehfeld recommended that the Committee could be briefed during an Executive Session to discuss those elements of concern.

Senator Thomas inquired if Ms. Rehfeld knew the anticipated amount to the State from the litigation. Ms. Rehfeld replied that she did not have that information but the Department of Law would be able to provide it. She indicated that the Department anticipates the litigation to

extend up to five years and that the request would be a significant amount of recoverable funds.

Ms. Rehfeld continued:

- Department of Revenue - the Natural Gas Commercialization component in the amount of \$1.2 million dollars. The amount had been indicated under Alaska Gas Inducement Act (AGIA), which the Department failed to include. It would provide FY09 operating funds as indicated on the fiscal note.
- Department of Transportation and Public Facilities - some amendment proposals had not been included in the House version of the budget. Priority requests including a new maintenance management system; maintenance and operations increment for road weather information system; specific road maintenance projects and risk management increments. She stressed that for the most part, the Department of Transportation and Public Facilities requests were not included in the budget from the House version of the operating budget.

[9:47:20 AM](#)

Ms. Rehfeld continued:

- University of Alaska - the Alaska Community Colleges' Federation of Teachers (ACCFT) union agreement was ratified on February 4th, 2008. The agreement included a 4.9% salary increase, no increase for employer health care contributions and a one-time \$800 workforce development stipend per retained ACCFT faculty member for FY09. The total FY09 increment for the ratified agreement with ACCFT is \$1,195.8 (\$978.7 GF, \$217.1 UA Receipts). Of that amount, the University has already requested \$823.8 (\$606.7 GF, \$217.1 UA Receipts) in the FY09 operating budget. The University reached a tentative three-year agreement with the United Academics (UNAC) union on December 17, 2007. The tentative agreement includes a 6.3% salary increase and no increase for employer health care contributions. The agreement is tentative, but the University anticipates the union will ratify the agreement as early as the week of February 18th.

- An additional request to increase the amount distributed under "fuel allocations" in the budget. That request was based on the amount included in the supplemental bill with some adjustments made. She pointed out that the House Finance Committee (HFC) was reworking the "trigger mechanism base amount", resulting in some changes.

Co-Chair Hoffman asked why the increased costs to the school districts had not been included in the request for the fuel cost increase. He acknowledged that districts do receive funds under the area cost differential, which covers only 50% of the recommended increase.

Ms. Rehfeld clarified that the Administration had not received a request from school districts regarding fuel cost recommendations separate from the funding that is provided through the foundation formula. She further commented on discussions regarding whether fuel costs should be a part of the foundation formula.

Ms. Rehfeld identified specific amendments submitted on February 29th that are not specified on the green sheet (Gov's FY09 Operating Budget Amendments):

- Supervisory bargaining unit agreement, which is a total General Fund amount of \$7.23 million dollars; all funds total \$16.9 million dollars for the supervisory bargaining unit agreement.
- Additionally, \$200 thousand dollars for the Alaska Energy Authority (AEA) for the Executive Director position, which was recently appointed.
- Proposal to spread the Medicaid unallocated reduction in the House budget to some specific components.
- An amendment to address the completion costs for the Bethel runway project.

[9:51:39 AM](#)

Senator Dyson requested further information on the component in the Department of Public Safety, the Alaska State Trooper salary and benefit package. Ms. Rehfeld responded that the budget submitted included specific increases to cover the five new trooper positions and personal services funding associated with that.

Senator Dyson asked if there had been an increase added to the salary and benefit package for troopers. Ms. Rehfeld explained that the State was currently working on an agreement with the Department of Public Safety employees and that it had not yet been negotiated.

Senator Dyson requested assurance that there would be an increase would be covered in the budget.

[9:54:39 AM](#)

KEVIN BROOKS, DEPUTY COMMISSIONER, DEPARTMENT OF ADMINISTRATION, clarified that the Administration is in active negotiations with the Department of Public Safety employees and that the intention is to reach a monetary term agreement as quickly as possible.

Senator Dyson questioned how many new troopers would join the force next year if the proposed plan is accepted. Ms. Rehfeld responded that there would be five new trooper positions built into the FY09 budget. She understood that there were approximately eleven vacant positions and that five positions would be hired for the FY09 budget. She offered to provide the exact numbers to the Committee.

Senator Olson added his request for those specific numbers.

CSHB 310(FIN) am & CSHB 312(FIN) were HELD in Committee for further consideration.

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ADJOURNMENT

The meeting was adjourned at 10:12 A.M.