

HOUSE FINANCE COMMITTEE
February 19, 2010
1:40 p.m.

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CALL TO ORDER

Vice-Chair Thomas called the House Finance Committee meeting to order at 1:40 p.m.

MEMBERS PRESENT

Representative Mike Hawker, Co-Chair
Representative Bill Stoltze, Co-Chair
Representative Bill Thomas Jr., Vice-Chair
Representative Allan Austerman
Representative Mike Doogan
Representative Anna Fairclough
Representative Neal Foster
Representative Les Gara
Representative Reggie Joule
Representative Mike Kelly
Representative Woodie Salmon

MEMBERS ABSENT

None

ALSO PRESENT

Karen Rehfeld, Director, Office of Management and Budget, Office of the Governor; Anna Kim, Division Director, Department of Education & Early Development; Alison Elgee, Assistant Commissioner, Finance and Management Services, Department of Health and Social Services; David Stone, Deputy Commissioner, Department of Labor and Workforce Development; Leta Simons, Director, Division of Support Services, Department of Natural Resources

PRESENT VIA TELECONFERENCE

None

SUMMARY

HB 300 APPROP: OPERATING BUDGET/LOANS/FUNDS
HB 302 APPROP: MENTAL HEALTH BUDGET
 Office of Management and Budget

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#hb300

#hb302

HOUSE BILL NO. 300

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

HOUSE BILL NO. 302

"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."

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OFFICE OF MANAGEMENT AND BUDGET

KAREN REHFELD, DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET, OFFICE OF THE GOVERNOR, presented a high level overview of the operating budget amendments first presented to the committee on February 17, 2010. In the amended budget there was a request of an additional \$55.8 million in operating budget expenditures. She noted that approximately \$41 million is related to the formula programs in Medicaid. She began listing the items from the spreadsheet (Governor's FY2011 Amended Operation Budget Submissions, February 17, 2010, Page 1 of 9, copy on file).

Department of Administration

Ms. Rehfeld began with the first request from the Department of Administration. Line 2, Elected Public Official Retirement System Benefits (EPORS), was reduced by \$250,000 due to a reduction in the member base where this number has been recalculated. She continued with line 3, Division of Finance, which allows for the authorization of the continuation of the COBRA benefit under the Federal Stimulus Act. The Office of Public Advocacy, line 4, reflects increased Operational Costs. The Public Defender Agency, line 5, shows a small decrement in an unrealizable funding source with line 6 showing the actual increased operational costs. She continued with the Violent Crimes Compensation Board, line 7, which is a deletion of an unrealized fund source for health insurance for the non-covered.

Department of Commerce and Economic Development

Ms. Rehfeld reviewed the Department of Commerce, line 8, for the Alaska Seafood Marketing Institute reflecting a fund source change to replace reduced federal receipts with receipt supported services. The Office of Economic Development, line 9, requests funds that will be used to facilitate economic development through aggressive outreach to the business community, identifying and removing barriers to growth, and forging of productive public-private partnerships.

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Representative Gara inquired if this was an extra state expenditure since the federal money was not received. He asked if the \$500,000 had not been needed by the department would be in general funds. Ms. Rehfeld indicated that these are receipts that come from industry to help support the seafood marketing effort. The funds are accounted for separately and are available to the Alaska Seafood Marketing Institute (ASME) for this purpose. If the legislature approves the fund source change then these receipts will be available for seafood marketing.

Representative Gara remarked that the incoming funds could just go into the general fund. He wondered if there was any legal requirement to put it just into seafood marketing. Ms. Rehfeld mentioned that none of these funds are dedicated and they could be used for something else other than seafood marketing, but the industry supporting this effort believes the when the receipts are provided then they should be used for the purpose given.

Representative Gara asked where the \$500,000 comes from. Ms. Rehfeld replied that this is an assessment that the industry pays for this effort.

Representative Austerman interjected that the industry pays \$9.5 million toward marketing and in the general fund budget there is a \$3.7 million match toward the \$9.5 million. The \$500,000 is industry receipts out of the \$9.5 million.

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Representative Foster asked what would have happened to the \$500,000 if the federal funds had still been available. Ms. Rehfeld responded that without an appropriation of the \$500,000 in industry receipts, the money would have remained in the general fund to appropriate.

Representative Austerman believed that federal receipts coming must have a match and the federal money must be used for specific issues.

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Ms. Rehfeld continued with the Office of Economic Development request on line 9 for \$250,000 in general funds. Ms. Rehfeld stressed that the governor is working to promote economic growth in Alaska and these funds would help the department to work with business and industry to identify barriers to economic development.

Representative Austerman requested a further breakdown on exactly what the funds would be used for. He wondered if the plan was to hire new employees or create new programs. Ms. Rehfeld replied that this funding will be used to fund existing positions in the agency. Representative Austerman asked that the department send a representative to talk on this further. Ms. Rehfeld surmised that would be happening.

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Representative Gara questioned why this was not an interagency receipt if it was only a matter of moving positions. Ms. Rehfeld replied there were not enough general funds available in the department to fill the positions to do the work. Representative Gara asked if that would be two new employees. Ms. Rehfeld remarked it would be people hired in existing positions. Representative Austerman emphasized that an inventory on vacant positions was needed throughout the departments.

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Representative Foster believed the funding was for two vacant positions and the hiring of one new position. Ms. Rehfeld reported that the DOC has more details that will be provided to the subcommittee.

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Department of Corrections

Ms. Rehfeld remarked that line 10, the Department of Corrections, needed the funding to meet the physical health care shortfalls for inmate care. There is a supplemental request of \$4.6 million for the current fiscal year. The department believed it needed to include an additional \$3 million in the FY11 budget. She added that part of the difficulty is not knowing what catastrophic medical needs might occur.

Representative Kelly contended that inmate health care is very expensive and encouraged the administration to put the stops on some of these growing government cost areas and think of alternative actions. He noted that after the Goose Creek facility is on line there will be a \$50 million increase in the budget.

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Representative Gara noted that the legislature has moved many crimes one grade up and wondered if this added to the prisoner population. He requested more information on why the medical costs are so much higher.

Ms. Rehfeld agreed that this was a great concern for everyone. She believed a number of issues have caused the increase with the rising incarcerated population a definite contributor as well as the aging inmate population.

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Department of Education and Early Development

Ms. Rehfeld reported on line 11, the Department of Education for the Alaska State Council of the Arts, a recent lease negotiation for new office space at \$70,000.

Representative Austerman asked if the \$70,000 was the increase on the lease space or the total lease cost. Ms. Rehfeld responded that it is the increase. Representative Austerman inquired about the total lease cost. Ms. Rehfeld stated that the move was from the downtown Anchorage to a new space is in another location.

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Representative Fairclough asked if there was an increase in space. Ms. Rehfeld responded that she does not have that information.

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ANNA KIM, DIVISION DIRECTOR, DEPARTMENT OF EDUCATION & EARLY DEVELOPMENT, indicated that she would provide the information, but she does not presently have it. She noted part of the reason for the move had to do with air quality issues. The new location is in Mountain View.

Representative Gara asked if this breaks down to \$5600 a month extra over what they were paying before. Ms. Kim reiterated that she would have to get the information.

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Ms. Rehfeld continued with some technical adjustment items for Mt. Edgecumbe Boarding School on line 11, 12, 13. These adjustments are in the interagency receipt authority and designated receipt authorization.

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Department of Fish and Game

Ms. Rehfeld moved to page 2, line 16, for the Department of Fish and Game. This is a budget cleanup specific to federal authorization needed for the Bering Sea Crab Research and Revitalization program. Lines 17 through 20 are technical corrections for the Fish and Game fund revenue accounting. She stated that line 21 is for the state subsistence division for the handing of the Donlin Creek project for interagency receipts from the Department of Natural Resources. Line 22 is for the Habitat Division for federal receipt authority needed regarding the petroleum diesel spill that occurred in Helment Creek on Adak Island on January 11, 2010.

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Office of the Governor

Ms. Rehfeld explained that line 23 cleans up statutorily designated receipts; the Office of the Governor.

Department of Health and social Services

Ms. Rehfeld moved to line 24 from the Department of Health and Social Services. She noted there are a number of requests before the committee from line 24 to line 47, many of them of a technical nature or Medicaid adjustments. Line 24 reflects a few position adjustments, reversing a transfer of a position from Administrative Services to Senior and Disabilities Services. Line 25 corrects a transfer of funds from a Medicaid School Based Administrative claims to stabilize the Administrative Support Services budget.

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Representative Austerman asked for a definition of stabilizing the Administrative Support Services budget.

ALISON ELGEE, ASSISTANT COMMISSIONER, FINANCE AND MANAGEMENT SERVICES, DEPARTMENT OF HEALTH AND SOCIAL SERVICES, indicated that the department placed a priority to clean up their budget and reflect what could be experienced in federal revenue collections. They requested general fund replacement in some areas where those federal revenue collections were overstated in the budget. She explained that when stabilizing the budget it means to provide the funding in terms of money that is real as opposed to empty authorization for the existing operations. Ms. Elgee emphasized that this would not be for anything new.

Representative Austerman noted that the department had authorization for \$700,000 in federal receipts, but since they did not receive those funds the department wants to receive them from general funds.

Ms. Elgee responded that this program may or may not continue to receive federal revenue, but the level of funding available will not be known until next year.

Representative Austerman reiterated that it is still supplanting federal funds with state funds. Ms. Elgee agreed that was correct. This was one of the many refinancing schemes employed by the DHSS to expand Medicaid and utilize it for ongoing operations.

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Representative Doogan remarked that for the purposes of this document line 25 is a pairing with line 41 with the actual cost at zero, therefore it has just been moved from one place to another. Ms. Elgee responded that is correct.

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Ms. Rehfeld moved to line 26 transferring a position from the Department of Law to the Department of Health and Social Services so there can be a hearing officer in their budget rather than in the Department of Law budget. Line 27 reflects a correction of a position transfer so there is a negative here and a positive in Administrative Services.

Ms. Elgee expounded that on page 2 and 3, lines 28,32,42,44, that these are requested budget amendments to the Medicaid program. There has been significant growth in Medicaid that had originally not been expected to continue but has grown to 12 percent by FY2010. A reflection of this growth was presented in the supplemental. These budget amendments reflect an increase necessary in FY2011 to bring the base level funding level up to date.

Representative Gara asked for the year to year percent Medicaid spending growth. Ms. Elgee projected a total growth of the program at six percent. This will vary between different components of the program.

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Representative Austerman noted that the total requested budget increase in this amendment is \$40 million, but inquired about the total yearly increase.

Ms. Elgee responded that she can provide that information later. She added that there is a direct correlation between the supplemental and the budget amendment.

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Ms. Rehfeld continued on line 29 with an increase of \$1.5 million to cover the growth in the Adult Public Assistance enrollment.

Representative Austerman asked if this growth was due to new people coming into the system or increased benefits. Ms. Elgee replied that the benefits have not been increased for many years, so the growth is due to increased enrollment.

Representative Fairclough inquired if these enrollees were first time to the system or people migrating to Alaska for the benefits. Ms. Elgee indicated that she could provide some demographic information later, but did not believe the growth was due to migration into the state.

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Representative Gara asked if an individual can receive adult public assistance their whole life.

Ms. Elgee responded that the adult public assistance program addresses the aged, blind and disabled. This is a state run program so there are no limitations on how long someone can be on the program, but she stressed that the money is only nominal and meant to supplement the social security income benefits.

Representative Gara contended that one could not be an able bodied working age person and receive these benefits. Ms. Elgee agreed that was correct.

Ms. Rehfeld moved to the line 30 request from the Mental Health Trust Psychiatric Emergency Services for designated evaluation and treatment component. Line 31 and line 33 is a correction between two components. She stated that line 32 deals with Medicaid growth. On page 3, line 34 shows ARRA funding for Communities Putting Prevention to Work and line 35 denotes ARRA funding for Prevention and Wellness. Line 36 requests \$3.8 million for general relief temporary assisted living. This corresponds to the FY2010 supplemental request. Line 37 and line 39 shows a request for Mental Health Trust receipts of \$150,000 for Student Loan repayments for healthcare practitioners in high need areas. Line 38 requests \$1,110,000 in statutory designated program receipts. She reported that the Department of Health and Social Services is working with Oregon and West Virginia on a program to improve children's healthcare delivery systems.

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Representative Doogan asked for the definition of statutory designated program receipts. Ms. Rehfeld replied that it is a contract for a certain entity to provide receipts to do a certain body of work; funds coming into the state of Alaska for a specific purpose.

Ms. Rehfeld indicated that line 40 reflects a transfer of positions from the Department of Law to the Department of Health and Social Services. She reiterated that line 42 reflected Medicaid Growth and line 43 requests \$3.5 million in interagency receipts under Medicaid services. These are coming through the behavioral health component which deals with services from Providence, Fairbanks Memorial and Bartlett Memorial. Line 45 requests \$942,000 for senior disabilities Medicaid services. This is to comply with the corrective action plan mandates by CMS. Lines 46 and 47 are position transfer technical adjustments.

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Department of Labor & Workforce Development

Ms. Rehfeld continued with the Department of Labor page 3, line 48, for a one-time ARRA federal authorization for Alaska Energy Section Partnership Grant. This will provide funding for training in energy areas.

Representative Fairclough asked if there is a training program for energy efficiency within the Department of Labor.

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DAVID STONE, DEPUTY COMMISSIONER, DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT, responded that there is some energy training. The ARRA grant will train seven hundred Alaskans directly under the Alaska Work Force Investment Board who will oversee the development of a training plan. This will also be in conjunction with a number of other partners.

Representative Fairclough asked how much and where is the current training being expended in the department.

Mr. Stone responded he would have to get back with the specific information. Representative Fairclough mentioned that there is a one-time \$3.5 million request below the line for the Construction Academy. She wondered if ERA funding is available to pay and keep employed the people currently being trained instead of using general funds. Mr. Stone relayed that he would have to get back to the committee with that answer.

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Representative Austerman asked if this program was set up to train twenty people. Mr. Stone replied it would train seven hundred people.

Representative Foster asked if these people would also be trained for raiders and assessors positions. Mr. Stone answered yes.

Ms. Rehfeld informed that line 49 was a decrease in state training and employment program authorization to align with planned expenditures.

Representative Gara asked if this was for line expenditures on step or is the money being used somewhere else. Mr. Stone replied that the fund has been growing substantially over the years. The contributions to this fund come from employee contributions to unemployment insurance which is one tenth of one percent. Since it is not known what the future holds, this would help provide funds for the future.

Representative Gara expressed his frustration that a request for \$85,000 to train and transition foster children into jobs was denied. He asked if out of the \$1.5 million being saved some could be used to job train foster youths. Ms. Rehfeld asserted that she was not aware of any prohibition in using step funds for such a program. Mr. Stone replied that one of the conditions of using the state training program is an individual must contribute to unemployment insurance. There could be an issue with youths who have not worked or contributed to unemployment. Representative Gara declared that he does not care which department is saving or spending the money. He reminded that there was a saving of \$1.5 million on job training in the Department of Labor and an under training for those coming out of foster care and he questioned why \$85,000 could not be spared for them.

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Representative Fairclough commented that it was a recommendation from the subcommittee to save the money and hold it. She indicated that unemployment rates are going up so Legislative Finance has indicated that paying out the original requested amount by the department may adversely affect the following year's program. If unemployment rates keep rising, it was decided to hold these funds, so there is really not an extra \$1.5 million.

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Representative Doogan remarked that this decrease is \$1.5 million and questioned how much of the total is to be funded. Mr. Stone responded that the fund is currently at \$10 million so they would fund \$8.5 million for this fiscal year, leaving \$1.5 million in the fund.

Representative Doogan asked if it grows at such an extent that it is replenished at a greater rate every year. Mr. Stone pointed out that it has grown in the last few years, but it could drop if there was increased unemployment.

Representative Fairclough presented the forecast for FY2010 and FY2011 for that fund showing an ending balance in FY2009 of \$5.9 million. There is expected revenue of \$6.5 million in FY2010 and \$9 million is being paid out. They are trending down to maintain payout.

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Ms. Rehfeld continued to line 50, Vocational Rehabilitation Client Services with a one-time carry forward of \$200,000 in the ARRA federal authorization for employment services to disabled Alaskans. Line 51 shows decrease training and building fund authorization to align with their projected expenditures of \$250,000. Line 52 reveals an increase requested in federal authorization of \$4 million under unemployment insurance which is workload and caseload driven. Line 53 request of \$600,000 is for a onetime ARRA federal authorization for unemployment insurance development.

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Co-Chair Hawker remarked there are so many additional ARRA monies in some departments that the committee will want to look if this is money being reauthorized from last session or if it is new federal money under the umbrella of ARRA.

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Department of Law

Ms. Rehfeld continued on line 54 with the Department of Law for a request of \$165,000 from the Tobacco Education Cessation Arbitration regarding a dispute with the master settlement agreement. This would prepare for the pending arbitration. Line 55 and 56 reflects the two general fund source requests that had been made on general funds because they department was not sure at the time if there would be an extension of federal grants. They have recently learned the federal funds will be extended. On line 57 and 58 show the transfer of positions from the Department of Health and Social Services for replacement to another position. Line 59 requests \$400,000 to add two new permanent full time Kenai District attorneys.

Department of Natural Resources

Ms. Rehfeld moved to line 60 in the Department of Natural Resources requesting \$130,000 that reflects an error in the December budget that needs to be corrected. Line 61 is a decrement of \$300,000 as the project for the reverse statewide parcel database is not ready to proceed for the next fiscal year.

Representative Austerman requested a return to line 60 with a better description of the Guide Concession Area Program development.

LETA SIMONS, DIRECTOR, DIVISION OF SUPPORT SERVICES, DEPARTMENT OF NATURAL RESOURCES, responded that it will be a statewide program, but based on the amount of funding, it might start in parts or pieces. This funding is to complete the process of getting information back from the public and to understand how to better develop a program and work on developing regulations.

Representative Austerman remarked that this is creating a new program. Ms. Simons stressed that there was a program at one time, but it was declared unconstitutional and thrown out. There has not been a guide program since the 1980s.

Representative Kelly remarked that in the Department of Natural Resources subcommittee there was a hearing on this issue. He was shocked to see the additional funding request as that is a lot of money for this work. He remarked it is a contentious issue on both sides.

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Co-Chair Stoltze asked if some of the old history regarding the dissolution of the old Big Game Commercial Guiding board is involved. Ms. Simons said that was correct. The game guide concessions that were set up long ago were challenged, but it does have its roots in that situation. This is an attempt to revise it so there is a permit policy on state land.

Co-Chair Stoltze mentioned there might have been a larger fiscal note with reestablishing the Big Game and Commercial Services board. Ms. Simons replied that she was not sure she was aware of all the history, but she would research and provide the answers.

Representative Austerman commented that there are always complaints on the guiding permits.

Ms. Rehfeld moved to the line 62 request for \$113,000 land sales receipts to help the department fund some of the positions who do this work. Line 63 is a request for \$240,000 in general funds for the Outer Continental Shelf lease planning mineral management to fund cooperating agency

status with the Minerals Management Service in order to address the Outer Continental Shelf issues. The Department of Natural Resources would act as the coordinator concerning environmental impact statements.

Representative Kelly understood that the step was needed, but normally these services are billed and he wanted to know if this could be reviewed. The whole idea of the permitting services is to that those being regulated in that area ends up paying the costs of that regulation. He indicated that he would like some feedback how these services might be billed.

Ms. Simons furthered that the Office of Project Management and Permitting normally is reimbursed for their work by industry. In this case they are asking for the state to be a participant in order for the state to have more input in the environmental impact studies that are being conducted by Mineral Management Services for the outer continental shelf work. The state would like to add their expertise in this area, but there is no industry that can reimburse for this type of work if they are not directly involved.

Representative Kelly suggested getting industry involved. He added that the state was trying to get a handle on growth on the number of state employees and growth in government.

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Co-Chair Hawker agreed that passing the costs to another at-interest party was a good plan, but inquired if they would need statutory authority to establish a contract with someone who might be pursuing a permit. If statutory authority is needed to undertake a contract, then the legislature could provide that. Ms. Simons replied that they would look into that.

Department of Public Safety

Ms. Rehfeld reviewed line 64 request for \$125,000 in Public Safety for Domestic Violence and Sexual Assault for victim's services. The goal is to make sure that within the Council of Domestic Violence and Sexual Assault component that they could cover some of the lost funds and also added some general funds into the component. It is hard to predict if the applied for federal grants will be successful. On line 65, on prisoner transportation there is a request for \$300,000 in general funds. There was a request in the FY2010 supplemental bill and this would be an addition for FY2011.

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Ms. Rehfeld explained that in Public Safety, line 66, under Special Projects there is \$97,000 in federal funds under the stimulus for combating internet crimes against children.

Department of Public Safety

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Ms. Rehfeld continued with line 67 for \$220,000 under the Department of Revenue for funding a new Investment Officer position. This is a position within the Treasury Division. On page 5, line 68, is the request to hire a new Investment Officer position.

Co-Chair Hawker explained that the negative \$850,000 is exactly related to the change in the previous one adding the internal investment officer. These are integrated transactions.

Representative Austerman requested a return to line 67 with the funding of a new Investment Officer and asked if that is full or part time. Ms. Rehfeld replied that the position is already in the budget, but the funding is lacking. Representative Austerman asked if it was a new position. Ms. Rehfeld noted that technically it is not a new position, but it has not yet been funded so the department is using the term new position. Representative Austerman reiterated the need to look at the vacancy positions throughout the state.

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Ms. Rehfeld referred to the line 69 Alaska Permanent Fund Corporation \$8 million request from the for adjusted manager fees. There has been a stronger than projected market recovery with some changes to the fund's portfolio structure, but there is still a decrement.

Co-Chair Stoltze returned to the question of the Kenai attorneys and wondered if there were people already in mind to fill these positions.

Ms. Rehfeld informed that there are approximately seven attorneys who cannot meet the work load so she is confident they would move rapidly to fill those positions.

Co-Chair Stoltze asked if the positions would be filled by July 1. Ms. Rehfeld noted that the funding would not be available until July 1. He wanted to make sure the department would have attorneys ready to come on board. Ms. Rehfeld responded that the Department of Law could come to the table, but they are interested in moving forward on hiring. Co-Chair Stoltze stressed that he was looking for a commitment.

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Ms. Rehfeld continued with line 70 with the Child Support Services Division. She indicated this request was a "just in case" scenario. In the past federal incentive payments were used to match federal funds and with the ARRA program the extension was allowed. This funding would provide room to cover the federal incentive payments. There is also the potential that with the temporary assisted needy families, they may be unable to cover with as many receipts. She agreed there may need to be some language improvements so it is clear what is being attempted.

Co-Chair Hawker interjected that this is the same transaction where it is not positive if the state will receive a certain amount of federal receipts, so this is the most beneficial position for the state in the number section of the budget to back fill if these federal receipts are not authorized.

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Ms. Rehfeld maintained that on line 71, Permanent Fund Dividend Division, there is a request for central mailroom equipment replacement. Co-Chair Hawker noted this would be one-time increment, not an ongoing expenditure.

Mr. Rehfeld continued with line 72 and line 73 for additional requests from the Permanent Fund Dividend Division, concerning bandwidth cost increases and the ability to access data from vital statistics. Each request is for \$25,000.

Co-Chair Hawker wondered if there is something different about this request. Ms. Rehfeld replied that there was nothing different about this particular item. There is a struggle in each department to provide the services and support expectations. These requests are small dollar amounts, but it was important to bring them forward. Ms. Rehfeld continued with line 74, Treasury Division funding for an Investment Officer to replace an external Investment Manager.

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Representative Austerman inquired if this was the same position discussed in line 67. Ms. Rehfeld responded this was interagency receipts from the other component so the answer is yes.

Department of Transportation

Ms. Rehfeld moved to page 7, line 75 for the Southeast Design and Engineering Services request of \$50,000 receipt supported services on the utility permitting program. Line 76, Statewide Public Facilities, is a fund source change for

a position for capital improvement projects. This is a change from interagency receipts to CIP receipts.

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University of Alaska

Ms. Rehfeld continued on line 77 with the request to return to a single appropriation for technical reasons.

Representative Austerman stated the system is broken and he would oppose this.

Ms. Rehfeld moved to the line 78 request for \$2.1 million for the University of Alaska Federation of Teachers compensation adjustment for the ratified collective bargaining agreement approved by the Board of Regents.

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Co-Chair Hawker asked if the university's initial budget request included an aggregate of some \$11 million in compensation in adjustments and increases. He wondered if this \$11 million was anticipating changes or is this for additional bargaining changes. Ms. Rehfeld informed that this agreement was not in when the original request was put forward in December. Co-Chair Hawker asked if these were calculated on authorized positions or with an actual person already in that position. Ms. Rehfeld commented that they were calculated on authorized positions.

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Co-Chair Hawker commented that the committee would not need to go through all the language for the remaining list, but requested more information on line 89.

Ms. Rehfeld moved to page 9, line 89 that amends the management of the Constitutional Budget Reserve (CBR). There had been general fund request rather than from the CBR and this request was being continued for the FY2011 budget.

Co-Chair Hawker explained the motivation for this section is that in the FY2010 operating supplemental budget, the \$400 million would pay off the state's obligation to the CBR. The historic use of CBR proceeds to pay for its own management fees is a circular inefficient and unnecessary pattern. It is better to fund the management fees out of excess general funds.

Ms. Rehfeld elaborated about an earlier question regarding the Arts Council lease. The previous lease square footage was 2200 at \$1.54 a square foot and new lease is 2802 square feet at \$3.28 per square foot.

Ms. Kim interjected that the annual amount for the old lease was \$40,754 and the new lease is \$110,373. The additional space will accommodate the contemporary art bank, delicate art storage, and art maintenance areas. The lease is about 10 years old and they were informed by the Department of Administration that the lease space was reasonable. Representative Fairclough asked if this was prime space. Ms. Kim responded that it is a much better space. Representative Gara asked what the monthly total is for 2800 square feet. Ms. Kim responded \$110,373 a year or about \$9,000 a month.

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ADJOURNMENT

The meeting was adjourned at 3:15 PM