

HOUSE FINANCE COMMITTEE  
February 7, 2011  
1:32 p.m.

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CALL TO ORDER

Co-Chair Thomas called the House Finance Committee meeting to order at 1:32 p.m.

MEMBERS PRESENT

Representative Bill Stoltze, Co-Chair  
Representative Bill Thomas Jr., Co-Chair  
Representative Anna Fairclough, Vice-Chair  
Representative Mia Costello  
Representative Mike Doogan  
Representative Bryce Edgmon  
Representative Les Gara  
Representative David Guttenberg  
Representative Reggie Joule  
Representative Mark Neuman  
Representative Tammie Wilson

MEMBERS ABSENT

None

ALSO PRESENT

Representative Mike Chenault; Representative Alan Austerman; Karen Rehfeld, Director, Office of Management and Budget, Office of the Governor.

SUMMARY

HB 108      APPROP: OPERATING BUDGET/LOANS/FUNDS

HB 108 was HEARD and HELD in committee for further consideration.

HB 109      APPROP: MENTAL HEALTH BUDGET

HB 109 was HEARD and HELD in committee for further consideration.

HB 137 SUPPLEMENTAL/CAPITAL/OTHER APPROPRIATIONS

HB 137 was HEARD and HELD in committee for further consideration.

#hb108

#hb109

HOUSE BILL NO. 108

"An Act making appropriations for the operating and loan program expenses of state government, for certain programs, and to capitalize funds; and providing for an effective date."

HB 108 was HEARD and HELD in committee for further consideration.

HOUSE BILL NO. 109

"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."

HB 109 was HEARD and HELD in committee for further consideration.

#hb137

HOUSE BILL NO. 137

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

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Co-Chair Thomas explained the process by which the supplemental budget would be presented to the committee, using the 17-page spreadsheet, "FY2011 Supplemental Requests, Office of Management and Budget, Submitted to the Legislature January 31, 2011" (copy on file). He noted that each item had a line number in the spreadsheet and would be referred to using that number.

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KAREN REHFELD, DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET, OFFICE OF THE GOVERNOR, provided a high-level overview of the supplemental request using the 17-page summary. She noted that the Office of Management and Budget (OMB) had attempted to highlight whether a request was one-time, had been considered and included in the governor's FY 12 budget, or was being considered for a potential amendment. She reminded the committee that the amendments to the FY 12 budget were due on February 16, 2011.

Ms. Rehfeld summarized that HB 137 totaled \$160,512,100 overall; \$43.6 million of the total was unrestricted state general funds, \$105.2 million represented federal funds, and about \$19.5 million were other funds.

Ms. Rehfeld highlighted a few items from the federal funds category:

- \$46.8 million - Formula programs
- \$4.5 million - University Pell Grant program
- \$18.3 million - Airport improvement projects
- \$32.9 million - Surface transportation projects

Ms. Rehfeld highlighted that \$18.5 million of the other funds category related to Alaska Permanent Fund investment management fees, which were based on the value of the fund. She noted that the FY 12 budget included language to reflect adjustments that would be made over time.

Ms. Rehfeld reviewed items from the formula programs category (from within the Department of Health and Social Services):

- Children's services
- Alaska temporary assistance program
- General relief
- Senior benefits
- Medicaid growth
- Home and community-based services

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Ms. Rehfeld recalled specific contingency language in the FY 11 budget addressing the possibility that the higher Medicaid reimbursement rate would not be extended under the American Recover and Reinvestment Act (ARRA). General funds would have been made available if ARRA had not been extended. When the language was included in the FY 11 budget, OMB had contemplated a straight extension of ARRA provisions. However, Congress enacted a new bill and changed the reimbursement rates for the remainder of FY 11; Section 10 of HB 137 contained proposed amendments to the contingency language to reflect the new federal provisions. The total amount would be known at the end of the year and would be reflected in the final authorized budget; it represented approximately \$15 million in general funds.

Ms. Rehfeld added that requests for fire suppression represented about \$9.9 million of the general funds. She reminded the committee that the item generally reflected a particular fire season.

Co-Chair Thomas noted that the agency personnel were not present at the meeting and that Ms. Rehfeld would answer questions or get needed information to the committee.

Representative Gara referred to a misunderstanding related to the governor's FY 12 budget, an assumption that the higher federal Medicaid assistance percentage (FMAP) rate would apply. He noted that there was a deficit in the FY 12 budget before the law was changed. The law was not changed and there was a larger FMAP deficit than shown in the FY 12 budget. He asked how the mentioned anticipation of an FMAP change worth \$12 million applied to the earlier misunderstanding.

Ms. Rehfeld responded that the \$14 million referred to was for the remainder of FY 11. The contingency language included in the FY 11 budget needed to be amended, as the extension was treated differently than expected at the time the FY 11 budget was done. She noted that the situation could be the same for FY 12; part of the discussion related to the amended budget would be about contingency language in the event that the higher reimbursement rate was extended into the FY 12 budget; if it was not, about \$123 million general funds would be needed.

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Co-Chair Stoltze pointed out that the issue had been discussed extensively.

Co-Chair Thomas added that the legislature was aware of the issue; he mentioned that language could be put into the budget on the Senate side, if it was not put in on the House side because of timing.

Ms. Rehfeld noted that all of the items on the spreadsheet would be reviewed at the subcommittee level and that she would flag prominent items. She began with page 1, line 5:

- Section 1, line 5, Department of Administration, Office of Public Advocacy, \$900,000 unrestricted general funds.
- Section 1, line 6, Department of Administration, Public Defender Agency, \$300,000 unrestricted general funds.

Ms. Rehfeld detailed that both the organizations were caseload-driven. Need has typically been addressed through the supplemental with an adjustment to the following year's budget based on the direction of the caseload. She noted that both (line 5 and line 6) requests were being considered for potential amendments in the FY 12 budget. She added that the Department of Administration was carefully considering contract service practices and cost containment.

Representative Doogan queried the current base budget for the \$900,000 to the Office of Public Advocacy (OPA). Ms. Rehfeld did not know the answer but offered to get the information.

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Representative Gara pointed out that the head of OPA had done something controversial that did not sit well with the staff, which he believed was very overworked. The agency had given money back to the state from the prior fiscal year to demonstrate fiscal conservation. He asked whether the money in the supplemental budget was to replace the funds returned by OPA. Ms. Rehfeld replied that she was not familiar with the circumstances described. She understood the request in the supplemental was related to OPA's

ability to address the caseload for staff attorneys and contracted support.

Ms. Rehfeld turned to page 2 of the spreadsheet:

- Section 1, line 8, Department of Commerce, Community and Economic Development, Alaska Seafood Marketing Institute, fund switch from designated general funds to unrestricted general funds.

Ms. Rehfeld detailed that the request was a one-time request to address a cash-flow issue in the Alaska Seafood Marketing Institute (ASMI) that was the result of an accounting change needed to comply with governmental accounting standards. She explained that ASMI's accounting structures were changed to put all receipts into a separate fund; ASMI industry receipts come in at certain points of the year and a substantial portion do not come in until the end of the fiscal year. The institute was unable to access the funds without the one-time switch to general funds that would allow them to carry industry receipts into the beginning of the next fiscal year. The request would put the organization on a cash basis for the future.

Ms. Rehfeld moved to items related to the Department of Corrections (DOC); the department's total request in the supplemental was about \$8.5 million. She highlighted two items:

- Section 1, line 10, DOC, Institution Director's Office, \$3,504,400 unrestricted general funds.
- Section 1, line 14, DOC, Physical Health Care, \$4,011,500 unrestricted general funds.

Ms. Rehfeld detailed that the two significant requests were based on higher-than-anticipated numbers of prisoners, overtime costs, and healthcare costs. She noted that there had been a significant FY 10 supplemental and the FY 11 budget had been adjusted to accommodate that. However, the number of prisoners was higher than anticipated. The supplemental request also reflected the need to make adjustments to the FY 12 budget. She assured the committee that DOC was searching for ways to contain costs while meeting the required standard of care for inmates. Personal services costs were being considered. The number of

corrections officers was being looked at as well in order to address overtime issues.

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Vice-Chair Fairclough referred to past discussion regarding inmate healthcare and opined that the best choices had not always been made regarding expenses. For example, a dialysis machine could be rented and kept at a corrections facility rather than using the more expensive option of transporting an inmate daily for dialysis. She queried auditing medical treatments being provided. Ms. Rehfeld answered that DOC was engaging external assistance as well as using internal resources to study practices and possibilities.

Vice-Chair Fairclough commended efforts to audit and improve healthcare practices in correctional facilities. She referred to the use of telemedicine.

Ms. Rehfeld continued with the next highlighted items for the Department of Health and Social Services (DHSS):

- Section 1, line 17, DHSS, Foster Care Base Rate, \$120,000 federal funds.
- Section 1, line 18, DHSS, Foster Care Augmented Rate, \$100,000 federal funds.
- Section 1, line 19, DHSS, Subsidized Adoptions/Guardians, \$260,000 federal funds.

Ms. Rehfeld detailed that the three items were formula programs under Title IV-E and totaled \$480,000 in federal funds to the state.

- Section 1, line 21, DHSS, McLaughlin Youth Center, \$450,000 unrestricted general funds.

Ms. Rehfeld noted that there were two clients in the youth center who were suffering from very significant medical conditions. The \$450,000 cost was expected to be one-time; the number would not be incorporated into the FY 12 budget.

- Section 1, line 22, DHSS, McLaughlin Youth Center, \$500,000 unrestricted general funds.

Ms. Rehfeld detailed that the second youth-center item was for personal services. She noted that staff had been retained over the past couple years and the high turnover rate had changed from previous years. The funding was included in the FY 12 proposed budget as well as in the supplemental for the current year.

- Section 1, line 23, DHSS, Alaska Temporary Assistance Program (ATAP), \$4,500,000 federal funds.

Ms. Rehfeld noted that the \$4.5 million federal funds were from a block grant for temporary assistance to needy families.

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Vice-Chair Fairclough returned to page 3, line 15 (Department of Environmental Conservation, increased lease costs) and asked which facility had increased lease expenses at 87 percent in the past seven years. She wondered whether the number was a cumulative total spread across a variety of buildings. Ms. Rehfeld responded that the Department of Environmental Conservation was referring to all department facilities statewide on which leases were paid. She offered to get a break-down of the lease-spaces included.

Representative Gara pointed to page 2, line 8 (Department of Commerce, Community and Economic Development, ASMI); he thought the description sounded like funds had to be transferred at an earlier time to meet some kind of compliance requirement. He stated that it sounded like an extra \$6.4 million was put into ASMI, which should come out of the next year's budget. On other lines, the item looked like a fund transfer. He asked for explanation. Ms. Rehfeld responded that the proposal in the FY 11 budget was for a one-time general funds supplemental to ASMI, which would allow the use of industry receipts that would not come in until late in the year. The FY 12 budget would show industry receipts available. She stated that the one-time adjustment for general funds was required.

Representative Gara thought that the state should get the \$6.4 million back if the money came in sooner. He asked whether the state was providing an additional \$6.4 million that it would not get back. Ms. Rehfeld responded that

general funds given in the current year would be spent in the current year; the industry receipts would be available at the end of the year. Otherwise, FY 12 would be started in the same place, as the money was now segregated in its own fund and ASMI would not have the opportunity to utilize the receipts until they were received. The proposal was a one-time action to cover the shortfall, as the receipts would not come in until the end of the fiscal year. The item would put ASMI on a cash basis and they would know what they had in FY 12.

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Representative Gara did not want the budget to increase without legislative approval. He did not understand whether ASMI was getting \$6.4 million more than the legislature had appropriated the previous year. Ms. Rehfeld replied that ASMI would not be getting \$6.4 million more than what was appropriated. She described the action as a fund switch in the current year. She reiterated that ASMI would not end up with more than what was appropriated in the current year.

Representative Doogan stated that he did not understand. He thought there was either \$6.4 million more or not. He understood the issue was timing, but he asked when the \$6.4 million came back to the state. Ms. Rehfeld explained that the item was a fund switch. The budget was currently written for industry receipts, which would not come in until the end of the year. The supplemental proposed switching the fund to unrestricted general funds, which would pay for the planned budget. At the end of the year, the \$6.4 million of industry receipts would be available for ASMI to spend in FY 12. The FY 12 budget was built around the \$6.4 million.

Representative Doogan asked whether the FY 12 budget would be \$6.4 million smaller. Ms. Rehfeld answered that the budget would not be smaller, but ASMI would have actual receipts in the fund that could be spent.

Representative Doogan wanted a more coherent explanation.

Representative Edgmon explained that ASMI got funding from three different sources: state general funds, federal funds, and program receipt authority. Because of the schedule, the program receipt authority changed and caused a cash-flow shortage. The state has to inject the \$6.4

million to help the agency get where they needed to go from a cash-flow standpoint.

Representative Gara did not see the state getting the money back. He saw an extra \$6.4 million that the state would in theory get back for the general fund when the program receipts came in. It appeared to him that the state was spending \$6.4 million more and not getting it back. Ms. Rehfeld noted that the issue was timing. The general fund had always filled in until the industry receipts came in, even before the separate, segregated fund was established, which the auditor suggested to meet accounting standards. The new accounting structure was more appropriate, and would allow ASMI to be on a cash basis. She acknowledged that the account should have been set up in originally the proposed way.

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Representative Joule asked whether the legislature had appropriated the amount at one point. Ms. Rehfeld replied that the annual ASMI budget had included the projected industry receipts.

Co-Chair Thomas thought the state was appropriating money that had not been received yet. Ms. Rehfeld explained that the appropriation was based on projected annual receipts. She offered to get more information to the committee.

Representative Gara expressed confusion. Ms. Rehfeld reported that there were good written explanations on the issue that she would get to the committee.

Ms. Rehfeld continued with her highlights with two formula programs that were included in the FY 12 budget:

- Section 1, line 24, DHSS, General Relief Assistance, \$250,000 unrestricted general funds.
- Section 1, line 25, DHSS, Senior Benefits Payment Program, \$1,300,000 unrestricted general funds.

Ms. Rehfeld detailed that the second item reflected additional costs in the current year for the Senior Benefits Program; the changes were also reflected in the fiscal note passed out of committee [with HB 16].

- Section 1, line 26, DHSS, Energy Assistance Program, \$2,500,000 federal funds.

Ms. Rehfeld detailed that the item represented \$2.5 million in federal authorization for the low-income Home Energy Assistance Program.

Representative Neuman referred to line 25 (senior benefits) and queried the 10 percent increase for caseload growth. He wondered whether there was a 10 percent increase in the number of seniors in the state or a decrease in income levels. Ms. Rehfeld responded that there were two things happening, an increase in the number of seniors and an increase in the number of seniors qualifying for the higher payment level.

Representative Neuman thought it would be interesting to see the trend over the past five years related to the increase in the number of seniors as well as a decrease in senior income. The information could provide better information and help plan future appropriations.

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Representative Wilson returned to page 4, line 21 (two individuals in the McLaughlin Youth Center with medical needs). She asked what would happen when the individuals moved out of the system and how the number was arrived at. Ms. Rehfeld replied that one individual was a cardiac patient and one had cancer. The state was responsible as long as the individuals were in the facility.

Representative Wilson asked how many years the appropriation would cover. Ms. Rehfeld answered that DHSS had not asked the item to be considered in the next year's budget; she assumed the supplemental request provided sufficient authorization to address the needs of the two clients.

- Section 1, line 29, DHSS, Nursing, \$1,750,000 unrestricted general funds.

Ms. Rehfeld noted that the nursing item related to an issue that OMB had been trying to address throughout the DHSS budget. In the past, federal funds have been included in personal services lines, and then later the federal funds had not been available for the relevant positions. The FY

12 budget already included \$1 million dollars for public health nursing. She assured the committee that the item would be looked at very carefully when considering the amended budget. She did not want to decrease public health nurse capacity.

- Section 1, line 32, DHSS, General Relief for Temporary Assisted Living, \$825,000 unrestricted general funds.

Ms. Rehfeld noted that there had been an increase in the utilization of the funds as well as an increase in both the costs and the length of stay. The item was being considered for an FY 12 budget amendment.

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Ms. Rehfeld turned to the next item:

- Section 1, line 33, DHSS, Senior and Disabilities Services Administration, \$1,400,000 unrestricted general funds.

Ms. Rehfeld reported that item was related to the department's centers for Medicare/Medicaid services corrective action plan. The administration has been working hard to address a backlog of applicants and services to participants in the program. The increment would cover some of the non-permanent employees that had been helping address the backlog; \$1,250,000 of the amount was included in the FY 12 budget.

- Section 1, line 34, DHSS, Behavioral Health Medicaid Services, \$556,400 unrestricted general funds, \$4,061,100 federal funds, total \$4,617,500.
- Section 1, line 35, DHSS, Adult Preventative Dental Medicaid Services, \$72,100 unrestricted general funds, \$141,900 federal funds, total \$214,000.
- Section 1, line 36, DHSS, Health Care Medicaid Services, \$4,296,100 unrestricted general funds, \$20,312,200 federal funds, total \$24,608,300.
- Section 1, line 37, DHSS, Senior and Disabilities Medicaid Services, \$1,473,200 unrestricted general funds, \$2,046,800 federal funds, total \$3,520,000.

- Section 1, line 38, DHSS, Senior and Disabilities Medicaid Services, \$4,982,100 unrestricted general funds, \$15,270,300 federal funds, total \$20,252,400.

Ms. Rehfeld highlighted items related to the Department of Law (DOL).

- Section 1, line 43, DOL, Oil, Gas and Mining, \$3,870,000 unrestricted general funds.

Ms. Rehfeld detailed that the item related to oil, gas, and mining legal cases. She noted that the supplemental item had to do with the timing of when cases would move to litigation and funding for the work necessary, such as outside counsel or experts supporting the state's position. The cases were related to oil and gas royalty issues, the Trans-Alaska Pipeline System (TAPS), and others. A \$5 million continuation of the item was proposed in the FY 12 capital budget. She acknowledged concerns about incorporating the item into the capital budget. She argued that it was difficult to predict when the larger cases moved forward and what would be needed.

Ms. Rehfeld turned to a highlighted item in the Department of Natural Resources (DNR).

- Section 1, line 49, DNR, Fire Suppression Activity, \$9,894,700 unrestricted general funds.

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Representative Wilson asked who decided whether a fire was put out quickly or allowed to burn and whether the decision affected costs. Ms. Rehfeld thought the state fire personnel could answer the question.

Ms. Rehfeld moved to items by the Department of Revenue (DOR).

- Section 1, line 52, DOR, Permanent Fund Corporation, \$18,500,000 other funds (Permanent Fund Receipts).

Ms. Rehfeld detailed that the Alaska Permanent Fund Corporation had requested the funds for additional investment-management fees, which were calculated based on the market value of assets. She noted that a language

section was being proposed that would adjust the management fees as necessary throughout the fiscal year.

Ms. Rehfeld discussed highlighted items for the Department of Transportation and Public Facilities (DOT/PF).

- Section 1, line 57, DOT/PF, Northern Region Highways and Aviation, \$431,100 unrestricted general funds.

Ms. Rehfeld detailed that the operating item was for additional costs due to the Fairbanks ice storm, a unique occurrence that required overtime expense and additional supplies.

Vice-Chair Fairclough returned to the \$18.5 million DOR item on line 52 (Alaska Permanent Fund Corporation investment management fees) and noted that the DOR subcommittee would hear a report by the corporation addressing interest rates, management fees, and management of assets.

Vice-Chair Fairclough turned to line 45 (DNR, Land Acquisition and Title Defense, \$41,700 general funds). She noted that the oversight of federal land transfers had included Native allotments and Alaska Native Claims Settlement Act (ANCSA) conveyances. She asked whether the state was putting in money to replace federal funds that were no longer available to the state. Ms. Rehfeld did not have details; she referred to declining federal receipts available and the significant amount of work still to be done on the land transfers. The administration felt the item was appropriate; it was addressed in the FY 12 budget as well.

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Vice-Chair Fairclough hoped the administration would go after the federal government related to unfulfilled commitments.

Representative Gara directed attention to page 10, line 52 (Alaska Permanent Fund Corporation investment management fees, \$18,500,000) and expressed concerns. He wanted the corporation to manage itself without interference from the legislature, but he questioned the management fee increasing 20 percent just because the value of the fund increased. Ms. Rehfeld replied that there was a specific

allocation for the permanent fund investment management fees. She believed work was being done at the subcommittee level and that the topic had been discussed; she thought the corporation should answer the question.

Representative Neuman pointed to line 49 (fire suppression payment to the Bureau of Land Management (BLM) for fire-fighting efforts on state lands). He asked whether the federal government reimbursed the state. Ms. Rehfeld responded that during fire season, the state and federal agencies cooperated on all fire-fighting activities. The reimbursement in the item was specific to costs that BLM incurred; BLM invoices the state. She noted a ratification request further down in the supplemental for fire suppression from the prior year. The effort was a joint one, with shared costs and reimbursements on both sides.

Co-Chair Thomas spoke to fund management by the Alaska Permanent Fund Corporation. He understood that the amount was based on an 18 percent return during half of the year and the projection was based on an 8 percent return; the difference accounted for the difference in management fees. He did not mind paying for making 10 percent more than what had been projected.

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Representative Doogan informed the committee that the chair of the permanent fund corporation had been in his office to discuss the topic. The corporation was going to provide him and by extension the committee with a simple explanation of the return to the fund and why the amount was increasing. He suggested that additional information would have to be taken in an executive session.

Ms. Rehfeld turned to the last operating item she was highlighting in the supplemental budget spreadsheet.

- Section 1, line 59, University of Alaska, Anchorage Campus, \$4,500,000 federal funds.

Ms. Rehfeld detailed that the item was for federal receipt authority to accept an increase in Pell Grants by the university. She noted that \$3.5 million had already been included in the FY 12 budget and that OMB was researching whether the federal authorization had to be adjusted further.

Ms. Rehfeld informed the committee that the capital portion of the supplemental (Section 3) began on page 11 of the spreadsheet.

- Section 3, line 64, Department of Public Safety, Alaska Public Safety Information Network (APSIN), \$1,356,600, unrestricted general funds.

Ms. Rehfeld detailed that the Department of Public Safety (DPS) had hoped to secure federal dollars to help with the migration of the system from the state mainframe to the department network. The move was scheduled to occur by October 2011. She noted that the system was a critical component of the state's public safety information system.

- Section 3, line 65, DOT/PF, Airport Improvement Program, Appropriation Level, \$18,250,000 federal funds.

Ms. Rehfeld detailed that the item was for federal aviation funds for four specific projects that were ready to go to bid and begin work in the upcoming construction season.

- Section 3, line 70, DOT/PF, Surface Transportation Program, Appropriation Level, \$32,960,000 federal funds.

Ms. Rehfeld detailed that the item was for federal highway funds for three specific surface transportation projects ready to go out for bid.

Representative Gara pointed to page 11, line 64 (DPS, APSIN migration). He supported the APSIN system but asked why the request was not a FY 12 general fund one. He wondered why the request was special.

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Ms. Rehfeld replied that OMB had asked the same question. The issue was timing; the department would not be able to get the federal dollars for the on-going work if the next step in the project was not taken in a timely manner.

Representative Gara thought the item should have been in the previous year's general funds request. He thought it reflected bad budgeting. Ms. Rehfeld agreed and reported

that the departments were encouraged to work with federal agencies to apply for competitive and discretionary grants as well as appropriate formula funds. However, without authorization in the budget, departments would not be able to accept the federal funds without going through the supplemental process or through the Legislative Budget and Audit Committee. She thought that departments should budget for federal funds when they really believed the funds were available. However, when the funds cannot be secured (such as occurred with the public health nursing item) the function must continue.

Vice-Chair Fairclough acknowledged the presence of Anchorage Assembly Chair Dick Traini.

Vice-chair Fairclough referred to updates that had been received on ARRA funding. She thought five or ten of the DOT/PF projects listed in the supplemental looked similar to projects that had been in the previous year's capital budget appropriation for ARRA funds. She wondered whether the prior year's numbers were related to the planning phase of projects that were in later phases in the current budget. She requested more information.

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Representative Doogan turned to line 65 (DOT/PF, airport improvement program) with \$18,250,000 federal funds. He asked where the extra money came from. He thought the budget for the previous year had used the funds. Ms. Rehfeld believed the projects were Statewide Transportation Improvement Program (STIP) approved and had gone through the various steps (including design and environmental phases) and were ready to be put out to bid in the summer of 2011. However, the projects did not have specific authorization to spend the money. She added that there may have been specific projects in the FY 11 budget approved the year prior that were not able to move as quickly. The items listed in the supplemental needed legislative authorization in order to move forward.

Representative Doogan asked whether the projects were new in terms of what has been before the committee. Ms. Rehfeld offered to get more information. She pointed out that the notes should highlight whether the projects were new.

Representative Doogan also wanted to know whether the requests were the result of other projects that the legislature thought it had approved but for which appropriating the money had not been approved. He wanted to know which projects were not going forward.

Co-Chair Thomas asked why the requests were in the supplemental budget instead of waiting for the regular capital budget. He thought there were other projects that should be on the list. He believed that some of the items on the list had been authorized previously. Ms. Rehfeld answered that the projects were in the supplemental only because of their ability to go to bid in order to take advantage of the summer 2011 season. She understood that DOT/PF had a pool of projects that were approved either through the STIP or through the appropriation process, but the actual timing depended on the various steps associated: the planning, design, environmental, and then construction phases.

Co-Chair Thomas maintained that during the ARRA hearings, four projects were approved for his district that he had not even heard about because the designs had been approved before his tenure and happened to be in the queue. He asked why the particular projects in the supplemental were being highlighted. He questioned the consistency of the process. Ms. Rehfeld replied that the department would respond to the questions.

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Vice-Chair Fairclough thought it would be helpful if the new DOT/PF commissioner presented the supplemental with comparisons to requests from the previous year. She referred to past testimony by Frank Richards [previous deputy commissioner of DOT/PF] that had included at least five of the projects listed in the supplemental. She wanted to know whether the past presentation was about earlier phases of the projects. She thought the projects had been paid for and wanted clarification from the new commissioner. She specified that she wanted information about the following items: line 65 (\$18,250,000 for airport improvement), line 69 (Talkeetna airport pavement), and all the projects listed under line 70 (\$32,960,000 for the Surface Transportation Program).

Co-Chair Thomas wanted information on other DOT/PF projects, including the history of which were appropriated or authorized before.

Ms. Rehfeld asked how the committee wanted the follow-up to occur.

Co-Chair Thomas responded that he wanted information on all of the items.

Co-Chair Stoltze agreed with Vice-chair Fairclough regarding previous expectations set by Mr. Richards in providing full information to the committee.

Ms. Rehfeld continued with the next DOT/PF items in Section 3, (Emergency Projects). She noted that line 74 was the appropriation request for \$1,586,700 general funds for the following emergency projects:

- Section 3, line 75, DOT/PF, Hyder-Salmon River Levee Rehabilitation, \$472,000 unrestricted general funds.
- Section 3, line 76, DOT/PF, Tatalina River Bridge repair, \$15,000 unrestricted general funds.
- Section 3, line 77, DOT/PF, Taylor Highway Repair, \$810,000 unrestricted general funds.
- Section 3, line 78, DOT/PF, Haines Highway MP 19 repairs, \$89,700 unrestricted general funds.
- Section 3, line 79, DOT/PF, Ketchikan-South Tongass Highway repair, \$200,000 unrestricted general funds.

Ms. Rehfeld detailed that the repairs were done in the current fiscal year.

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Ms. Rehfeld turned to Section 6 of the supplemental bill, which covered lines 83 through 97. She explained that the section corrected calculations related to bargaining unit agreements approved by the legislature the previous year. The lines summarized the impact of the calculation changes by department.

Ms. Rehfeld acknowledged that the items were the result of an OMB error and had to do with the personal services calculations for the supervisory and general government bargaining units (SU/GGU). She detailed that there were numerous transactions because every personal services line in the budget that had an SU or GGU employee had an adjustment. In addition, a fund switch for the Department of Law had been omitted in some of the changes submitted the previous year. The overall effect of Section 6 was a decrease of \$2,525,200 in personal services in the FY 11 budget. She apologized for the error and pointed to procedures that had been put in place at OMB to avoid similar errors in the future.

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Ms. Rehfeld moved to Sections 9 through 24, the language sections of the supplemental. She highlighted a reduction related to the Department of Environmental Conservation (DEC):

- Section 9, line 100, DEC, Comprehensive Oil and Gas Infrastructure Risk Assessment Phase 1 project reduction, (\$2,250,000).

Ms. Rehfeld detailed that the original appropriation was \$5 million; the project was completed and there was an additional \$2,250,000 available. The proposal was to lapse the balance.

Representative Gara returned to a previous item related to DCCED. He reported that he had gotten a press release from DCCED nearly every day. The department had had difficulty finding efficiencies, yet each agency seemed to have its own press secretary. He thought a reduction in the number of press secretaries should be considered in the revised budget. Ms. Rehfeld responded that the administration had been trying to improve communications with the public by making information available through accessible websites and so on. She hoped improving communication would happen in an efficient way.

Representative Gara noted that the two issues were separate. He supported providing the public with information, but he was concerned about the number of press releases. He thought a few positions could provide press releases for many departments.

Ms. Rehfeld continued with her presentation:

- Section 10(a), line 101, DHSS, Medicaid Services ("FMAT Backstop"), \$0.

Ms. Rehfeld noted that the next highlighted items were legal settlements:

- Section 10(b), line 102, DHSS, Senior and Disabilities Services Administration (Legal settlement to Hope Community Resources, Inc.), \$167,000 unrestricted general funds.
- Section 10(c), line 103, DHSS, Commissioner's Office (Legal settlement to NANA Management Services), \$132,000 unrestricted general funds.
- Section 12(a), line 105, DOL (Annual judgment and settlement costs), \$241,200 unrestricted general funds.

Ms. Rehfeld noted that any additional legal settlement costs that occurred would be brought to the legislature during the course of the legislative session.

Ms. Rehfeld pointed to reductions to three specific capital projects proposed. One (DEC, oil and gas risk assessment) had been addressed. She listed the others:

- Section 14(a), line 111, DPS, Public Safety Academy-Land Acquisition and Construction project, (\$4,000,000) unrestricted general funds.

Ms. Rehfeld detailed that the item related to the DPS driving range at the trooper academy. In the FY 11 budget there was a \$5 million appropriation made for the range; it was vetoed by Governor Parnell down to \$1 million to provide for the purchase of the land for the driving range at the academy. However, the veto inadvertently did not get recorded and therefore appeared in the supplemental (line 111).

- Section 14(b), line 112, DPS, Reduction in the Crime Lab Replacement project, (\$5,000,000) unrestricted general funds.

Ms. Rehfeld recalled the \$75,750,000 appropriation for construction of the DPS crime lab; construction on the project had been coming in under budget, enabling the reduction of \$5 million.

Representative Neuman returned to page 15, line 100, regarding the comprehensive oil and gas infrastructure risk assessment. Given the corrosion and other problems that had been occurring, he questioned the change in the scope of the project. Ms. Rehfeld answered that DEC had looked at the actual methodology and what it could accomplish within the appropriation and realized that all of the areas would not be covered. The focus was narrowed to what could reasonably be done based on specific recommendations from the study. She thought DEC Commissioner Hartig could provide more details.

Representative Neuman asked whether the Petroleum Systems Integrity Office was involved in developing the scope of the project. Ms. Rehfeld replied that several agencies were involved.

Representative Doogan turned to page 16, line 12 (DPS, Crime Lab Replacement reduction) and noted that he had never seen a project cost estimate lowered in the middle of a construction project. He asked for assurance that the reduction would actually happen. Ms. Rehfeld responded that the people working on the project would be able to provide a more in-depth answer. She believed that the bids that had come in and the work already accomplished indicated that the project would be able to complete with the reduced level of funding.

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Representative Doogan thought the amount listed in the supplemental was under the amount that the designers intended in the first place. He did not want the state to take money from one place and then need it from another. Ms. Rehfeld replied that there had been higher cost estimates a few years back, but changes were made to the project, along with the understanding that there would be future need for expansion for certain types of testing not currently done. Based on the project that was submitted to the legislature last year, the construction bids came in at

a lower amount; the department was confident that the lower amount would be sufficient to complete the project.

Representative Doogan referred to a concept he called "innovative accounting," a practice that meant saving now but spending at a later date.

Co-Chair Stoltze wanted to be watchful as well, but was not surprised by the lower bids given the competitive economic environment and the number of available workers needing jobs. He recalled the first round of ARRA stimulus funding when there were \$30 million of projects ready to begin right away; there was discussion about bids that came in lower at that time. He did not think there was "evil afoot."

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Representative Gara referred to earlier skepticism expressed by the committee about the original price of the crime lab at \$100 million. He recalled that the price had come down. He hoped the department had found a way to do the project for less. He stated that he would be disappointed if the \$5 million reduction came back to cost the state at a later date.

Co-Chair Thomas commented that his district did not get anything out of the expensive project.

Ms. Rehfeld directed attention to two ratifications in the supplemental budget:

- Section 19(a), line 127, Department of Natural Resources, Fire Suppression Activity, \$23,458,478.12 unrestricted general funds.
- Section 19(b), line 128, DPS, Bureau of Highway Patrol, \$18,407.80 unrestricted general funds.

Ms. Rehfeld detailed that line 128 was a closeout of a reimbursable services agreement (RSA) with DOT/PF.

Ms. Rehfeld concluded with Section 20 (line 118), a proposal that any unobligated balance of funds at the end of FY 11 would go into the statutory Budget Reserve Fund.

Ms. Rehfeld thought the agencies would speak with the House Finance subcommittees about the details of the supplemental requests.

Representative Wilson requested a breakdown of the fires covered by the \$23 million for fire suppression. In addition, she had questions about the state obligation to BLM. Ms. Rehfeld replied that OMB would get DNR to provide the information.

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Vice-Chair Fairclough commented that the university subcommittee would meet to review the Fisher report and that the meeting would be televised.

HB 137 was HEARD and HELD in committee for further consideration.

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ADJOURNMENT

The meeting was adjourned at 2:55 PM.