

HOUSE FINANCE COMMITTEE
February 28, 2011
1:40 p.m.

1:40:55 PM

CALL TO ORDER

Co-Chair Thomas called the House Finance Committee meeting to order at 1:40 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 Les Gara
Representative David Guttenberg
Representative Reggie Joule
Representative Mark Neuman
Representative Tammie Wilson

MEMBERS ABSENT

Representative Bryce Edgmon

ALSO PRESENT

Representative Mike Chenault; Peter Ecklund, Staff,
Representative Bill Thomas; 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.

#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."

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."

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Vice-chair Fairclough MOVED to ADOPT Committee Substitute, Work Draft CSHB 108(FIN) 27-GH1737\E (Bailey, 2/28/11) as a working document before the committee. There being NO OBJECTION, it was so ordered.

Vice-chair Fairclough MOVED to ADOPT, Committee Substitute, Work Draft CSHB 109(FIN) 27-GH1738\B (Bailey, 2/26/11) as a working document before the committee. There being NO OBJECTION, it was so ordered.

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PETER ECKLUND, STAFF, REPRESENTATIVE BILL THOMAS, discussed the highlights of CSHB 108(FIN). He relayed that detailed budget subcommittee reports had been posted on the Legislative Finance Division website. The budget subcommittees had reduced the governor's amended budget in the amount of \$18,473,900 in general funds. He discussed that between the agencies and the statewide components that reductions in the bill equaled \$8,970,202,200 and were \$29,830,000 less than the governor's amended request. The CS authorized \$1,099,426,000 in transfers and was approximately \$49,600,000 less than the governor's request. He pointed to the language section of the operating budget that had been rearranged to reflect a more logical order. He explained that the CS included minor modifications to additional sections and several other changes. Including the language section, the general fund was \$20,022,400 less

than the governor's request. He reviewed several of the larger items that were included in the language section of the bill. He discussed that the governor's fuel trigger had a base of \$50 with a budget that was based on approximately \$83 per barrel oil. Section 20 of the CS would increase the minimum trigger to \$64 and would result in the spread of \$9.5 million of fuel general fund money into the departments' base budgets within the number section of the bill. The change used the same allocation that the Office of Management and Budget (OMB) had used in the past. The supplemental budget had included an exception related to a \$4 million reappropriation request from the Alaska Marine Highway System (AMHS), Department of Transportation and Public Facilities that would apply excess fuel revenue towards maintenance and operations of vessels; therefore, the fuel trigger had been reduced by \$4 million.

Mr. Ecklund directed attention to the Public Education Fund in Section 24 (e) and explained that the CS fully funded the FY 13 K-12 need based on the foundation formula; however, the CS transferred approximately \$49 million less in order to avoid a fund surplus of \$56 million to \$57 million. The appropriation would still fully fund K-12 education in FY 13, but the surplus would be reduced to \$11 million or one percent. He opined that the allocation should be adequate. The governor's amendment for Federal Medical Assistance Percentage (FMAP) backstop language had been added in Section 14(b). The appropriation of approximately \$129,400,000 from the general fund would be necessary if the federal law and the FMAP rate did not change. He delineated that the \$129.4 million was not included in the current report and subsequently would represent an increase to the budget. He moved to Section 12 (e), Page 59, related to the Alaska Seafood Marketing Institute (ASMI). The supplemental had included a request to replace \$4.6 million in ASMI receipts, for processor tax collections for marketing, with general funds. Currently the agency determined its future marketing budget by projecting how many federal receipts and self-assessment tax collections it would have and general funds were added to the number. The governor had proposed \$6.5 million to fund the agency in FY 12. The CS used the actual \$7.7 million that had been collected by industry for marketing in FY 10 instead of using projections of future tax collections. The CS language mirrored the Alaska Travel Industry Association (ATIA) QTA statutory language that provided a fifty-fifty match with industry and matched the

\$7.7 million of general funds from ASMI's FY 10 collections. He detailed that there would be carry-forward from actual receipts from FY 11 and FY 12 in the amount of \$5.5 million if the supplemental was approved. Additionally, the bill authorized ASMI to expend 20 percent or \$1.5 million of the FY 10 collections.

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Mr. Ecklund detailed that the goal was to move away from funding based on projections and towards matching the most current actuals on a dollar-per-dollar basis. The receipts would roll forward if the agency collected more in a fiscal year than it was authorized to expend. The change would help give the agency more stability in its marketing program from year-to-year and would allow it to plan future marketing strategies without requesting supplemental general funds. Intent language expressed that the state was willing to match up to \$9 million in industry collections and the agency would carry the money forward if the industry brought in more than \$9 million.

Mr. Ecklund discussed that the CS removed a \$9 million ATIA QTA appropriation from the numbers section and moved it to the language section (Section 12 (g)). He explained that the same model would be used for ATIA as was proposed for ASMI. The proposal was to match industry collections that had been \$3,045,000 in FY 10. The agency could not increase its contributions for FY 10 because it had not known that the legislature would move to the new methodology. Additional funding of \$5,954,600 was available to the agency for FY 12 through the QTA dollar-for-dollar match. He expounded that the language section used the same mechanism and level of appropriation as the numbers section, but it was split out slightly differently. He added that the ASMI appropriation had been moved from the numbers section to the language section of the CS.

Co-Chair Stoltze hoped that a collective effort would produce a better solution to help the tourism industry with the challenges that it faced. He did not want the funding to come from the capital budget.

Co-Chair Thomas agreed. He thought that the appointment of a task force for ATIA would be helpful. He discussed a similar task force had been appointed for salmon fishing that had assessed the fishermen at about seven percent. He

noted that in the meantime the legislature was bound by law to follow the specific equation.

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Representative Gara asked whether funding related to Medicaid school receipts had been forgone because there were schools that had not applied for the receipts correctly. Additionally, he wondered how strongly the tourism industry taxed itself to fund its share of tourism marketing. He suggested looking at the industry the following year to determine the amount of funds that were contributed by the industry and whether a fifty-fifty match was deserved.

Mr. Ecklund asked whether Representative Gara was referring to Medicaid school-based claims.

Representative Gara explained the legislature had "backfilled" funding because school districts had not properly applied for the money. Mr. Ecklund replied there was approximately \$5.6 million in Medicaid school-based claims that a few districts had applied for. The CS proposed moving the entire funding amount to the districts that applied, whereas, currently half of the funding went to schools that applied and the remaining funds went to the K-12 formula.

Representative Gara asked whether school districts were following through on their promise to do a better job applying for the Medicaid school-based claim funding in the current year. He thought the large debate that had occurred the prior year had been centered on backfilling funds that school districts had not applied for. Mr. Ecklund needed clarity on the question.

KAREN REHFELD, DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET, OFFICE OF THE GOVERNOR, verified that the debate had been related to Medicaid school-based claims. She relayed that the Department of Health and Social Services (DHSS) and the Department of Education and Early Development (DEED) had been working to increase the level of school involvement in the program. She believed that the CS would direct the received funds to the participating districts.

Mr. Ecklund agreed.

Representative Gara wondered whether more districts had submitted applications, which would prevent the loss of federal funding. Ms. Rehfeld responded that the departments were working hard to make sure that districts were submitting their applications. The departments would need to provide specifics related to progress that had been made from the prior year.

Representative Gara asked whether the state was funding as much foregone federal funding as it had the prior year. Ms. Rehfeld replied that there was not a backfill request for the current year.

Co-Chair Stoltze wondered what it would take to get the school districts to apply. He discussed that both Anchorage and Matanuska-Susitna had large school districts with numerous employees and that the schools should have no problem applying.

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Ms. Rehfeld believed that Anchorage and Mat-Su were both participating in the direct services portion of the program. She relayed that there was also an administrative portion of the program and that DEED would be able to provide more detail.

Representative Doogan asked whether language on Page 61 would backfill \$129.4 million for DHSS. Mr. Ecklund responded in the affirmative. The language would backfill the shortage of federal funds with general funds if the FMAP rate was not changed.

Representative Doogan wondered when the state would know whether FMAP funds would be available. Mr. Ecklund deferred the question to Ms. Rehfeld.

Ms. Rehfeld did not know when the state would find out whether the FMAP extension would occur.

Representative Doogan asked whether the "drop-dead" date on the FMAP extension was July 1, 2011. Ms. Rehfeld responded in the affirmative.

Representative Gara was concerned about the \$129.4 million in the governor's budget. He believed it was a deficit and

that it would require a law change by Congress in order to ensure the state would receive the money.

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Co-Chair Thomas noted that the money had not been included in the CS in order to reduce the size of the budget.

Representative Neuman wondered whether the intent in the CS was to provide slightly less funding than ATIA had requested and to require almost double or triple the amount the agency had previously provided. He liked the approach that included a set amount for the agency and the matching requirement.

Co-Chair Thomas answered in the affirmative. He noted that the CS followed the law that stated the match would be fifty-fifty by July.

Representative Doogan opined that the legislature should not pass a budget with a \$129 million hole in it that would be present in the absence of federal funding.

Mr. Ecklund clarified that the appropriation would occur if the federal law did not change. He noted that the money was currently not included in the Finance Committee report or the governor's report because the outcome regarding federal funding was not yet known.

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ADJOURNMENT

The meeting was adjourned at 2:12 PM.