

SENATE FINANCE COMMITTEE
February 3, 2011
9:02 a.m.

9:02:30 AM

CALL TO ORDER

Co-Chair Hoffman called the Senate Finance Committee meeting to order at 9:02 a.m.

MEMBERS PRESENT

Senator Lyman Hoffman, Co-Chair
Senator Bert Stedman, Co-Chair
Senator Lesil McGuire, Vice-Chair
Senator Johnny Ellis
Senator Dennis Egan
Senator Donny Olson
Senator Joe Thomas

MEMBERS ABSENT

None

ALSO PRESENT

Karen Rehfeld, Director, Office of Management and Budget,
Office of the Governor

PRESENT VIA TELECONFERENCE

None

SUMMARY

SB 76 SUPPLEMENTAL/CAPITAL/OTHER APPROPRIATIONS

#sb76

SENATE BILL NO. 76

"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."

SB 76 was HEARD and HELD in committee for further consideration.

[9:03:51 AM](#)

KAREN REHFELD, DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET, OFFICE OF THE GOVERNOR, presented a spreadsheet outlining the FY2011 Supplemental Budget Requests (copy on file). She stated that the spreadsheet was organized by order of each section of SB 76, and included the page and line of each item.

Ms. Rehfeld stated that the total supplemental budget bill was \$160.5 million; which included \$105 million in federal funds, \$19 million in other funds, and \$43 million in unrestricted general funds. She highlighted key pieces of the federal fund budget: Medicaid (\$46.8 million), Alaska Temporary Assistance Program (\$4.5 million), University of Alaska (\$4.5 million for Pell grants), and the Department of Transportation and Public Facilities (\$18.3 million in federal aviation projects, and \$32.9 million in federal surface transportation projects).

Ms. Rehfeld stated that in the other funds category, the Alaska Permanent Fund Investment Management Fees had \$18.5 million of the \$19 million request. She stated that the investment management fees were based on the current value of the permanent fund. She furthered that within the FY12 budget was a language section that would address the amount necessary for the investment management fees.

[9:07:20 AM](#)

Ms. Rehfeld summarized the formula program portion of the bill. She stated that Medicaid required the most money, with a request of \$46.7 million; the temporary assistance programs requested \$4.5 million; home and community based services requested \$3.5 million; and senior benefits requested \$1.3 million in additional funds for FY11. She stated that the base budget of FY12 included the original estimate of approximately \$20 million for senior benefits. She remarked that there was current legislation to reauthorize the senior benefit program. She also stated that there were some smaller programs in the formula program section, which included general relief and children's services stimulus funds.

Ms. Rehfeld discussed Medicaid. She stated that the FY 11 budget contained contingency language to accommodate a potentially higher reimbursement rate. She stated that congress had enacted a new piece of legislation that would change the reimbursement rates for the last half of the fiscal year. She remarked that section 10 of the supplemental bill included amendments to the contingency language, in order to reflect the new federal provisions. She stated that once the contingency language was authorized, she expected the change to result in \$15 million in general funds.

Ms. Rehfeld pointed out that there was \$9.9 million in general funds requested for fire suppression activities.

Ms. Rehfeld highlighted some key pieces of the non-formula portion of the budget. She pointed out lines 4 through 6 of the spreadsheet. She stated that there was a request in the Office of Public Advocacy for \$900,000; and a Public Defender Agency request for \$300,000. She explained that both of the programs were case-load driven. She furthered that there had been an increase in cases and a rise in contracted costs for services. She stated that needs were gauged based on the previous years' supplemental budget requests; and remarked that the Department of Administration was determining negotiations for contracted attorney fees.

[9:10:53 AM](#)

Ms. Rehfeld discussed Commerce, Community, and Economic Development (DCCED) requests. She stated that there was a request for a one-time adjustment for the Alaska Seafood Marketing Institute (ASMI), which would address a cash-flow issue due to an accounting change. She mentioned that auditors had suggested that the ASMI funds be in a segregated fund to meet government accounting standards. She remarked that if \$6.4 million of state general funds was put into a designated fund for ASMI, it would allow the entire amount of their industry receipts be put into that account. She remarked that this adjustment would simplify ASMI's budget planning, and announced that this request was also included in the FY 12 capital budget.

Ms. Rehfeld addressed the requests for the Department of Corrections (DOC). She stated that there were requests of approximately \$8.5 million relating to DOC. She highlighted the institutions requests of approximately \$3.5 million, and

inmate health care requests of \$4 million. She stated that several factors contributed to the costs, and remarked that OMB had struggled to determine priorities in budget development. She remarked that there had been an FY 10 supplemental request for corrections institutions and inmate health care, and the FY 11 budget had been adjusted to accommodate the request. She pointed out that DOC was determining the most cost effective health care for inmates. She stressed that amendments related to institutions and inmate health care would be proposed for the FY 12 budget.

Co-Chair Hoffman wondered if the change in alcohol laws in Kotzebue and Bethel had a significant impact on inmate populations. Ms. Rehfeld agreed to provide that information.

[9:16:03 AM](#)

Senator Ellis remarked that other states had gone through innovative health care reforms, namely Texas. He wondered if OMB had instructed DOC to look at other states' attempts at managing the costs of inmate health care and rising institution populations. Ms. Rehfeld responded that DOC had looked very closely at what other states were attempting to address regarding inmate health care and rising inmate populations.

Senator Ellis stated that rising costs were a greater burden on poorer and more conservative states.

Senator Thomas wondered if the prison population increase was commensurate with the population increase of the state. Ms. Rehfeld replied that DOC could provide more information.

[9:20:02 AM](#)

Ms. Rehfeld addressed the Department of Health and Social Services (DHSS) supplemental budget requests. She pointed out lines 21 and 22 of the spreadsheet, regarding the McLaughlin Youth Center. She stressed that these requests were unusual for juvenile justice centers. The request of \$500,000 for personnel services and staffing was because of the steady turnover rate from years prior had halted. She furthered that \$450,000 was for unanticipated medical costs. She felt that the request to cover medical costs was a one-time occurrence, so there would not be a need for additional funds in the FY 12 budget.

Ms. Rehfeld stated that there were federal funds that were budgeted for public health nursing positions, but the federal funds were uncollectible. The division was able to stay within budget during recent years due to difficulty recruiting nurses, which resulted in a high vacancy rate. If the request was not approved, the division would need to maintain a 17 percent vacancy rate, which would require

layoffs, closing of health centers, and reduced nurse visits to villages.

Ms. Rehfeld discussed General Relief/Temporary Assisted Living, and stated that the supplemental request was for \$825,000. She stressed that there was an increase in cost per recipient, and in some cases longer lengths of stay. She stated that this issue was a potential budget amendment. She addressed Senior and Disabilities Services, and stated that the request was for \$1.4 million. She announced that DHSS was addressing a backlog of applicants for the Corrective Action Plan.

[9:23:54 AM](#)

Ms. Rehfeld discussed the Department of Law (DOL) requests, and specifically mentioned \$3.9 million for legal and timing issues regarding oil, gas, and mining legal issues. She stressed that it was difficult to predict when cases would be moved, and when outside experts or consultants would be needed for litigation. She stated that continued funding was included in the FY 12 \$5 million capital request.

In a response to a question by Co-Chair Hoffman, Ms. Rehfeld stated that it was difficult to predict exactly when and how the \$5 million would be spent. She furthered that DOL could provide detailed projections for the budget.

Co-Chair Hoffman stated that he and Co-Chair Stedman would be reviewing those findings from DOL, so they could determine the operating budget. He pointed out that while the money gives DOL more flexibility, it restricts the legislature's oversight. Ms. Rehfeld understood his concerns.

[9:26:43 AM](#)

Ms. Rehfeld discussed the \$431,000 request from the Department of Transportation and Public Facilities (DOT/PF). This request was for a Fairbanks area ice storm to cover additional operating and overtime costs, and was considered a one-time cost.

[9:27:14 AM](#)

Ms. Rehfeld addressed the structure of HB 76, and highlighted each section. She stated that section 1 contained the operating, supplemental requests in formula and non-formula programs.

Ms. Rehfeld stated that section 3 contained the capital budget supplemental requests, and stated that many of the requests were straight forward. She announced that there was a \$1.6 million request for DOT/PF repairs.

Ms. Rehfeld stated that there was a \$1.356 million request for the Alaska Public Safety Information Network. She remarked that DOT/PF hoped to secure federal funds, and furthered that DOT/PF hoped to complete the project by the end of September 2011.

Ms. Rehfeld summarized that the requests in section 6 were corrections to the calculations of the personal service adjustments for bargaining units. She stated that, initially, OMB overstated the health insurance costs under supervisory units, and OMB understated the general government unit. She announced that the net-effect of the corrections was an overall decrease of approximately \$2.5 million.

[9:30:25 AM](#)

Ms. Rehfeld stated that sections 9 through 24 were language sections of the bill. She pointed out that the Medicaid back-stop language in the amendments was because the federal government extension into FY 11. She also stated that there were some requests for settlements and claims.

[9:31:21 AM](#)

Ms. Rehfeld pointed out three items that would reflect reductions in available balances for specific capital projects: Department of Environmental Conservation (DEC) for the oil and gas risk assessment; DOT/PF for the purchase of land for a driving range; and the Department of Public Safety for construction of the crime lab.

[9:33:15 AM](#)

Ms. Rehfeld pointed out two ratifications: fire suppression of \$23 million and public safety related to a reimbursable services agreement of \$18,000.

Co-Chair Hoffman remarked that he appreciated the ratifications.

[9:34:08 AM](#)

Ms. Rehfeld discussed section 20, which stated that any excess balance at the end of FY 11 be put into the statutory budget reserve fund.

[9:34:43 AM](#)

Co-Chair Hoffman requested further explanation of DOL requests, specifically related to Joe Miller and Lisa Murkowski's 2010 United States Senate election costs. Ms. Rehfeld replied that DOL's requested unanticipated legal

action costs totaled \$705,000. She specified that the election matters were \$268,000; and public records requests were \$122,300.

Co-Chair Hoffman specifically pointed out that the law would require Joe Miller to pay the state 20 percent of the court fees, and wondered how much of that 20 percent the state had collected. Ms. Rehfeld agreed to provide that information.

9:37:26 AM

Senator Ellis queried the administration's request for increased management fees. Ms. Rehfeld replied that DOC and DOR could give more detailed justification of budget requests.

Senator Ellis requested an official discussion regarding administration funds. Co-Chair Hoffman agreed.

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ADJOURNMENT

The meeting was adjourned at 9:41 AM.