

SENATE FINANCE COMMITTEE  
February 21, 2011  
9:01 a.m.

9:01:10 AM

CALL TO ORDER

Co-Chair Hoffman called the Senate Finance Committee meeting to order at 9:01 a.m.

MEMBERS PRESENT

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

MEMBERS ABSENT

Senator Lesil McGuire, Vice-Chair

ALSO PRESENT

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

PRESENT VIA TELECONFERENCE

None

SUMMARY

SB 46        BUDGET: CAPITAL

SB 46 was HEARD and HELD in committee for further consideration.

SB 47        APPROP: OPERATING BUDGET/LOANS/FUNDS

SB 47 was HEARD and HELD in committee for further consideration.

SB 48        APPROP: MENTAL HEALTH BUDGET

SB 48 was HEARD and HELD in committee for further consideration.

#sb46  
#sb47  
#sb48

SENATE BILL NO. 46

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

SB 46 was HEARD and HELD in committee for further consideration.

SENATE BILL NO. 47

"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."

SB 47 was HEARD and HELD in committee for further consideration.

SENATE BILL NO. 48

"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."

SB 48 was HEARD and HELD in committee for further consideration.

[9:02:13 AM](#)

KAREN REHFELD, DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET, OFFICE OF THE GOVERNOR, announced that she would be using the amended fiscal summary, and the amendment spreadsheets (copy on file). She stated that she would occasionally refer to the supplemental budget, SB 76.

Ms. Rehfeld stated that the FY 12 budget amendments totaled \$148.8 million, of which \$15.4 million was unrestricted general fund. She declared that the budget included \$31.8 million for agency operating non-formula amendments, and \$4 million for operating agency formula amendments; with \$112.9 million in capital budget amendments. She announced that the updated fiscal summary included lines that displayed amendments since December 15, 2010.

Ms. Rehfeld discussed the operating budget amendments. She stressed that there were three categories for the operating budget amendments: some were based on the supplemental requests, some were technical adjustments or corrections, and some were new items that were reconsidered since the budget was drafted.

Ms. Rehfeld highlighted some major amendments in the operating budget. She discussed line 1 of the spreadsheet: costs associated with mail carrier charges from the Department of Administration (DOA), and stated it was a new request for \$60 million. She remarked that most of the other items for DOA were technical, and were mostly interagency receipts. She stated that lines 6 and 7 were specific to the Alaska Oil and Gas Conservation Commission. She remarked that line 8 was a correction for the Qualified Trade Association Contract, and the fund source was changed from ports and harbors to the unrestricted general fund. She reported that lines 11 through 15 were specific to the Department of Corrections (DOC), and mirrored the supplemental bill.

[9:08:26 AM](#)

Co-Chair Hoffman remarked that \$8.8 million was substantial, and wondered how it was overlooked. Ms. Rehfeld replied that the Office of Management and Budget (OMB) had not originally considered the cost of overtime. She stressed that inmate health costs were also considered in the supplemental budget.

Co-Chair Hoffman pointed to line 12, and wondered if the consideration was short term. Ms. Rehfeld responded that the DOC was advised to evaluate its personnel.

Co-Chair Hoffman wondered when the DOC personnel analysis would be incorporated into the FY 12 operating budget. Ms. Rehfeld replied that if the analysis was available before

the deadline of the operating budget, it would be incorporated.

Ms. Rehfeld referred to lines 20 and 21, and stated that the amendments related to the Bering Sea crab and management activities. She remarked that \$400,000 was requested from test fisheries receipts, and announced that in years prior a federal earmark had been requested for the program.

Co-Chair Hoffman wondered if there were previous federal earmarks that were currently requested in the state budget. Ms. Rehfeld replied that in the two years prior, earmark requests had significantly reduced.

Ms. Rehfeld continued with line 23, and specified that the funds would be used for research in labeling endangered species listings.

[9:13:32 AM](#)

Ms. Rehfeld discussed Health and Social Services amendments, and remarked that many were budget restructuring adjustments. She referred to line 26, and remarked that there was a \$935,000 request for front line social workers. This funding would target the significant case load in Wasilla. She discussed lines 30 through 33, and stated that those funds were because of restructuring and combining components. She pointed to line 34, and remarked that it was the amount necessary for the senior benefits program in FY 12: totaling \$22.4 million. She stressed that \$1.968 million would be necessary for full funding of the senior benefits program. She discussed line 35, and stated that the amendment was for the Public Assistance/Energy Assistance Program. She pointed to line 38, which would continue the Student Loan Repayment Program; this funding would allow 16 to 22 health care practitioners to receive support for their student loans based on their residency a high need area. She referred to lines 39 and 40, and stated that those amendments were based on re-structuring. She pointed to line 41, and stated that there were three grantees in the state that were providing public health services: Anchorage, Maniilaq, and the North Slope Borough. She stressed that requested \$1 million would help to stabilize funding for public health nursing grantees. She pointed to line 42, and stated that that funding would enhance the personal services for the

public nursing programs around the state. She looked at line 44, and stated that the Corrective Action Plan (CAP) would require an additional \$250,000. She pointed to lines 45 through 49, which were technical adjustments to Medicaid growth.

[9:20:21 AM](#)

Ms. Rehfeld looked at lines 51 and 52 under the Alaska Vocational Technology Center, and stated that two training grants were not known when the December budget was drafted. She stressed that the funding would allow for distance education training and medical coding/billing training. She pointed to lines 53 through 55, which specifically focused on Department of Law needs. She looked at line 59, and stated that the Veterans Affairs Office was moving off base providing additional service for veterans. She discussed lines 60 through 64 that referred to amendments under the Department of Natural Resources (DNR), and she remarked that DNR was facing some permitting issues that required further funding relating to mining, land, and water.

Co-Chair Stedman looked at line 62, and commented that there had been a potential permit back log, and he wondered what the expectation was to alleviate the backlog. Ms. Rehfeld replied that DNR had plans to improve the permitting process, and stated that there was a concern about filling positions.

Co-Chair Stedman requested that the committee develop a methodology related to addressing permit and application backlog issues. Co-Chair Hoffman agreed, and wondered if the backlog issue had to do with DNR taking on other departments' responsibilities. Ms. Rehfeld replied that multiple factors contributed to the backlog problem.

[9:27:13 AM](#)

Ms. Rehfeld continued with lines 67 and 68, and stated the amendments referred to access issues, RS2477. She referred to line 69 with a request of \$390,000 to continue the Wildland Fire Academy: training courses for 80-120 students for training in fire-fighting activities. She discussed line 70 that was a request of \$1.3 million for the Bureau of Highway Patrol. She referred to line 71, which was a request for two new troopers to establish a new post in northwest Alaska (Kiana or Selawik). She looked at line 72,

which was a request for a position to coordinate public safety communications. She referred to line 73, which requested a position in the Council on Domestic Violence and Sexual Assault that would deal specifically with prevention.

Co-Chair Hoffman referred to line 71, and wondered if Northwest Alaska had a high rate of domestic violence and sexual assault. Ms. Rehfeld replied that she was unsure, but stated that it was an area of significant concern. She stressed that the region had asked for trooper presence in the area.

Senator Olson wondered if the new Alcohol laws in Kiana and Selawik were the reason for the trooper request. Ms. Rehfeld did not know.

Ms. Rehfeld looked at line 75, and stated that two positions were requested for the Kodiak Airport. The positions were needed to maintain the service hours and operations. She pointed to line 76, and stated that five positions were requested at the Bethel airport to extend the hours of operations to 24 hours a day. She referred to line 77, and stated that the request was for \$980,000 in Pell grant funding. She looked at lines 79 and 80, which were for funding related to bargaining unit requests at the University of Alaska.

[9:33:29 AM](#)

Ms. Rehfeld looked at line 84, which was a continuation of the Alaska Energy Authority (AEA) \$2 million renewable energy fund.

Senator Olson wondered if AEA's request would provide for the Susitna Hydro-electric project. Ms. Rehfeld responded that it was not.

Co-Chair Hoffman wondered if the \$2 million was for additional positions, or if it was for a replacement of general funds. Ms. Rehfeld replied that the funding was specifically for AEA grant management.

[9:35:55 AM](#)

Ms. Rehfeld looked at line 85, and stated that it was a request for the Department of Education to carry forward

funds that were made available in August 2010 for the education jobs bill. She pointed to line 86, and stated that it was Federal Medical Assistance Percentage contingency language. She stressed that if the state did not receive the higher reimbursement rate, \$123 million would be needed in FY 12. She referred to lines 88 through 90, and stated that they were language clarifications in debt management.

[9:37:10 AM](#)

AT EASE

[9:37:59 AM](#)

RECONVENED

Senator Thomas wondered if money would be requested from the federal government for Medicaid. Ms. Rehfeld replied that the language in the bill was specific to overall reimbursement rates, so money would be requested if the federal government did not extend the reimbursement rate.

Co-Chair Hoffman wondered if the reimbursement estimate was \$123 million. Ms. Rehfeld affirmed.

Senator Thomas encouraged the administration to request some money. He referred to line 62, and stated that he appreciated the attempt to streamline the recurring permitting process.

Senator Thomas referred to line 35, and queried the plan if the federal funding were cut. Ms. Rehfeld responded that increased state general funds would be used if the federal funding were cut.

[9:41:45 AM](#)

Ms. Rehfeld discussed Capital Budget amendments, and referred to the Capital Budget Amendment spreadsheet (copy on file). She pointed out line 1, and stated that \$2.8 million in DGF program receipts were requested for improvements in security, safety, and access at the Atwood Building and Linny Pacillo Parking Garage. She stated that \$3 million in cruise vessel funds were proposed for Skagway City dock improvements. She stated that line 4 referred to the Health Insurance Portability and Accountability Act, which was for specific electronic transaction standards. She pointed out line 5, and stated that it was a \$36.5

million request for federal authorization for electronic health record incentive payments. She stated that lines 7 through 27 had to do with the Airport Improvement Program.

[9:45:34 AM](#)

Senator Olson referred to line 6, and wondered where the DOT/PF deep water studies would occur. Ms. Rehfeld replied that the money was for a review for potential deep water sights. She remarked that she did not know of any specific areas DOT/PF would be exploring.

[9:47:24 AM](#)

Co-Chair Stedman requested more information on line 4. Ms. Rehfeld detailed that it was a request for the Health Insurance Portability and Accountability Act. She stated that there was a previous planning grant for the project, and approval had since been given for implementation of the grant system. She stressed that the compliance was needed by January 2012.

Senator Olson looked back to line 4, and wondered why the implementation was not approved. Ms. Rehfeld replied that the information was not available at the time the budget was created in December 2010.

[9:49:22 AM](#)

Ms. Rehfeld continued with lines 28 through 50. She stated that these changes were based on State Transportation Improvement Program (STIP) amendments. She stressed that DOT/PF could provide more information about the projects.

Co-Chair Stedman remarked that it was frustrating for the STIP amendments to come in after the December budget.

Ms. Rehfeld looked at lines 52 and 53, and stated that the request was for an additional \$3.1 million from the Denali Commission that would go into the Emerging Technology Fund. She stated that line 54 referred to the National Petroleum Reserve-Alaska (NPR) Impact Grant Program.

[9:52:27 AM](#)

Co-Chair Hoffman referred to a letter he and Co-Chair Stedman wrote to the administration that requested a

separation of capital and operating budget items. He wondered if there were any amendments regarding that request. Ms. Rehfeld replied that there were no amendments to move specific items from the capital budget to the operating budget.

Co-Chair Hoffman stressed that the legislature uses oversight, and felt that they would not be able to carefully analyze the capital budget. Ms. Rehfeld understood the concern, and stated that OMB was attempting to find a balance.

Co-Chair Hoffman furthered that the capital items and operating items should be carefully separated in order to fully analyze the items. Ms. Rehfeld replied that discussions would occur regarding placement of the items in the budgets.

[9:55:47 AM](#)

Co-Chair Stedman requested a comparison between the Operating Budget and Capital Budget. Co-Chair Hoffman stated that the Operating Budget was the daily operations and funding for the state for one year. He furthered that the Capital Budget could be extended for up to six years, and allowed for flexibility in the departments. He stressed the issue of the DOL's requests, and felt that many cases were still unresolved. He pointed out that past governors had not requested money in the capital budget for rural schools. He appreciated that the governor had requested rural school funding in the capital budget. Ms. Rehfeld responded that she understood the concerns.

Senator Thomas wondered if the governor had requested federal funding for Medicaid. He also requested a detailed description of the state dollars needed for the Heating Assistance Program, should the federal government cut the funding; and would the governor request federal funding for the Heating Assistance Program. Ms. Rehfeld replied that the OMB alerts the delegation of any concerns in the budget. Senator Thomas surmised that specific requests for those items would not occur. Ms. Rehfeld replied that the delegation were aware of concerns.

[10:00:05 AM](#)

Senator Olson referred to line 54, and wondered if the NPRA grants would be re-allocated somewhere else. Ms. Rehfeld replied that the amendment adjusts the actual amounts of the approved grants.

Co-Chair Hoffman referred to the Fiscal Summary Spreadsheet (copy on file), and wondered what the savings would be if \$123 million was appropriated with a higher Federal Medical Assistance Percentage (FMAP). Ms. Rehfeld pointed to line 54, and stated that there would be \$266.2 million that could go into the statutory budget reserve, and would be reduced to \$134 million if the higher reimbursement rate was not extended.

Co-Chair Stedman remarked that if the FY 12 budget was compared with the FY 12 revenue, the state would be under \$92 million; and if the FMAP was not extended the state would be under \$215 million. He stressed that the budget was predicated on \$62.67 per barrel of oil, with 622,000 barrels of oil produced per day. He understood that a revenue adjustment would occur, but stressed that there was no savings component in FY 12. Co-Chair Hoffman furthered that savings were used in the FY 12 budget. Ms. Rehfeld replied that the governor was presenting strategic investments for consideration, and stressed that OMB had been very clear about the budget strategies.

Co-Chair Hoffman commented that the savings accounts would be diminished. Ms. Rehfeld responded that the long term plan included how reserves are managed.

#  
ADJOURNMENT

The meeting was adjourned at 10:06 AM.