

SENATE FINANCE COMMITTEE  
February 16, 2012  
9:04 a.m.

9:04:52 AM

CALL TO ORDER

Co-Chair Hoffman called the Senate Finance Committee meeting to order at 9:04 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;

SUMMARY

SB 160 BUDGET: CAPITAL

SB 160 was SCHEDULED and NOT HEARD.

SB 161 APPROP: OPERATING BUDGET/LOANS/FUNDS

SB 161 was HEARD and HELD in committee for further consideration.

SB 162 APPROP: MENTAL HEALTH BUDGET

SB 162 was HEARD and HELD in committee for further consideration.

#sb161

#sb162

SENATE BILL NO. 161

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

SENATE BILL NO. 162

"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."

9:06:48 AM

KAREN REHFELD, DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET, OFFICE OF THE GOVERNOR, discussed the Operating Budget amendments. She declared that the Operating Budget totaled \$19,434,600; of that, \$12,542,400 was Unrestricted General Funds, \$5500 in Designated General Fund, \$1.8 million in other funds, and \$5.047 million in federal funds. She stated that some of the items would reflect some supplemental requests: the Judicial Retirement System past service costs of \$3.7 million, capitalization of the Trauma Care Fund of \$2 million, reduction in debt service due to refinancing of \$2.1 million, and an operating request for the Alaska Land Mobile Radio (ALMR) Emergency Response System of \$1.5 million. She stated that there were some technical corrections and transfers related to the executive order moving the Hearing and Appeals Office from the Department of Health and Social Services (DHSS) to the Department of Administration (DOA). She noted that ALMR was the only emergency response system, and DOA had recently made recommendations for consideration in the Operating and Capital Budgets.

Ms. Rehfeld looked at the Operating Budget spreadsheet. She explained that the spreadsheet was organized with the operating number changes were on pages 1 through 12, operating language changes were on pages 12 through 14, one proposed amendment to the Mental Health Trust Budget on page 14, and technical corrections on pages 15 and 16.

Ms. Rehfeld looked at six items on the first page that represented three transactions in the transferring of the Administrative Hearings and Appeals Office from DHSS to DOA. She furthered that there were two amendments that would need to be made in order keep the full billing system in working order. She explained that the amendments dealt with transferring general fund that was in the Administrative Hearing's budget, to the agencies that were paying the bills. She stressed that the proposed system was much more efficient.

Ms. Rehfeld looked at page 2 of the spreadsheet. She pointed out the transfer of about \$1 million from DHSS into the Office of Administrative Hearings in DOA. She explained that the transfer was in anticipation of the approval of Executive Order 116, which was highlighted in lines 7 and 8.

Ms. Rehfeld looked at line 9. She explained that the appropriation was a new request of \$75,000 for the Division of Retirement and Benefits, which had to do with costs that could not be covered by the Retirement System trust funds. She stated that the request included management of the political subdivision health contracts; consultant fees; legal expenses; and research and analysis on legislation and other activities that were not appropriate to charge to the retirement funds. She stressed that the Division of Retirement and Benefits did not have general funds for this purpose.

Ms. Rehfeld looked at line 10, and explained that the request was for \$1.5 million for ALMR. She noted that the Department of Defense was transferring sites to the State of Alaska, so the State would be required to maintain and operate 41 states beginning July 1, 2012. She added that there was a component under DOA in the Capital Budget for their upgrades to the ALMR system, and for four state agencies to upgrade to the new narrow band requirements.

[9:12:39 AM](#)

Co-Chair Hoffman wondered how the 41 new sites compared to the rest of Alaska, and queried the FY 13 ALMR spending. Ms. Rehfeld replied that there was approximately \$2.6 million in the operating budget for the ALMR system. She added that she would provide information from DOA's recently completed report on ALMR.

Co-Chair Hoffman stressed that there was concern about the cost of ALMR, and how it was implemented. He stressed that ALMR did not cover the entire state. He wondered if the administration was more accepting of ALMR. He felt that the federal government began programs and then turns the program to the control of the State, with added financial responsibility. Ms. Rehfeld responded that there were no other alternatives for emergency response than the Alaska Land Mobile Radio (ALMR).

Co-Chair Hoffman queried a time when the committee could review a cost sharing plan. Ms. Rehfeld replied that the Department of Administration was working on the project.

Co-Chair Hoffman stressed that there was great resistance to a cost-sharing plans, and wondered what alternatives were available. Ms. Rehfeld agreed that there was resistance, and explained that there were discussions about developing a sliding scale. She felt that a program could be structured without burdening the communities.

Senator Thomas pointed out that his district used the ALMR system often. He wondered if federal agencies had been considered for cost-sharing. Ms. Rehfeld replied that all system users were subject to the cost-allocation plan.

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Ms. Rehfeld explained page 3, line 11. She stated that the appropriation was \$800,000 for the Office of Public Advocacy. She pointed out that increased caseloads resulting in higher costs indicated a need for additional funding to meet FY 13 obligations. Projections were based upon actual expenditure for the first half of FY 12 and comparisons to prior year expenditures. In FY 11, the Office of Public Advocacy (OPA) received a supplemental in the amount of \$900,000. A supplemental request for FY 12 of \$800 had been requested. Additional funding was requested in the FY 13 amended budget to better reflect estimated.

Ms. Rehfeld looked at page 3, line 13. She explained that the request was for \$62,000 for Economic Development for the Department of Commerce, Community and Economic Development. She stated that the request provided grant funding for a new Alaska Regional Development Organization

(ARDOR) in the Lower Yukon, and noted that it was a new request for FY 13.

Ms. Rehfeld pointed out page 3, line 14, and explained that the request was for \$600,000 for Community Jails for the Department of Corrections (DOC). She noted that additional funding was necessary to cover operating costs of the 15 community jails based on financial reports provided to DOC. The Department of Corrections was currently analyzing financial data from the community jails and evaluating a methodology to adequately cover their operational costs. This amendment provided FY 13 funding based on a FY 12 supplemental request in the same amount, and DOC anticipated updating the community jails funding allocation for FY 14.

Senator Thomas looked at the request on line 13, and hoped that there was an examination of coordination that needed to exist between Department of Transportation and Public Facilities (DOT/PF), Department of Natural Resources (DNR), and DCCED. He felt there was an issue of the needs versus what was actually occurring.

Co-Chair Hoffman felt that there were some differences in the way that communities were reimbursed for community jails. He wondered if any of the major department conflicts had appeared during contract negotiations. Ms. Rehfeld replied that there were some difficulties at the community jail in Kotzebue, which resulted in its closing. She stated that Kotzebue was poised to re-open the community jail, and had worked hard to come to some agreements with DOC. She explained that the state had 15 community jails, each with their own unique circumstances and conditions. She stated that there had been an examination of the costs that were appropriately charged to the community jail contracts to ensure that there was consistency in how the costs were covered. She stressed that it was to everyone's benefit to have community jails functioning efficiently.

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Co-Chair Hoffman alleged that the State would probably see triple the cost of community jails, if the particular community did not offer the community jail service.

Senator Olson stressed that every year there were issues regarding community jails in the Northwest Arctic Region, and wondered why there was no effort to work directly with the communities in resolving the cost issues that the State was responsible for. Ms. Rehfeld replied that the issue was very complicated, and it was to everyone's benefit to resolve the issue.

Senator Olson stressed that the prisoner transport between Kotzebue and Nome was tremendously expensive, and wanted to see more results in resolving the situation. Ms. Rehfeld felt that there was progress, but it was slow.

Senator Olson stated that the City of Kotzebue had presented their priorities, and the City noted little or no acquisition from DOC.

Ms. Rehfeld looked at page 4, line 15, and explained that the request was for a minor technical adjustment for a decrement of \$29,900 to correct the amount of estimated Permanent Fund Dividend (PFD) felon funds available for fiscal health care under DOC.

Ms. Rehfeld discussed page 4, line 16, and noted that the request was for \$22,500 for the Human Rights Commission in the Governor's Office. The request would transfer general fund credit and bill all hearing services to existing reimbursable services agreement. After the December 15 budget release it was determined that the transfer would provide billing efficiencies.

Ms. Rehfeld looked at page 4, lines 17 and 18, and explained that the requests were for an increase for both the State Heating Assistance Program and the Heating Assistance Program that would go directly to native tribes. She noted that the request was included in the supplemental bill. She stressed that the numbers would be refined. She explained that the Heating Assistance Programs would total \$31.7 million for FY 13.

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Co-Chair Hoffman appreciated the monitoring of the numbers, but houses that relied on fuel had seen the highest heating costs ever, if the houses depended on oil heat. He stressed that it was the first year that the State had anticipated revenues from oil to exceed over \$100 per barrel, and added

that gas prices continued to rise on a national level. He requested further analysis of the two programs on Heating Fuel Assistance. In rural areas of the state, people were spending 50 percent of their disposable income on energy. He felt that the State was benefitting, but the people were not. Ms. Rehfeld replied that the numbers would be carefully examined.

Ms. Rehfeld discussed page 5, line 19, and explained that the request was for \$350,000 for Women, Children and Family Health in DHSS. She noted that due to increasing demand for specialty clinic, the Women, Children and Family Health component requests a general fund program receipts authority increase in order to utilize collection of an increasing total of fee receipts. This amendment provided funding based on a FY 12 supplemental request in the same amount.

Senator Thomas wondered if there was an audit regarding exactly what the need and demand was pertaining to newborn screenings. Ms. Rehfeld replied that DHSS had looked closely at public health services.

Co-Chair Hoffman requested more detailed information in response Senator Thomas's question.

Ms. Rehfeld looked at page 5, lines 20, 21, and 22. She explained that the requests were related to the Executive Order 116 transfer from DHSS to DOA.

Ms. Rehfeld discussed page 6, line 23, and explained that the request was for \$168,000 for the Workers' Compensation Benefits Guaranty Fund in the Department of Labor and Workforce Development (DLWD). She reported that due to increased legal costs and increase in Workers' Compensation Benefit Guaranty Fund authorization was required to pay for representation provided by DOL. The amendment provided FY 13 funding based on an FY 12 supplemental request of the same amount.

Ms. Rehfeld looked t page 6, line 24, and explained that it was for a technical fund source adjustment of \$7.2 million from the federal American Recovery and Reinvestment Act (ARA) funding to regular federal receipts in Business Services in DLWD.

Ms. Rehfeld discussed page 6, lines 25 and 26 and 27, which were specific items that were identified in the supplemental bill for the Department of Military and Veterans Affairs (DMVA) having to do with the match requirement change for Kodiak, Ketchikan, and Kenai armories. She added that the Bethel Armory had not been decommissioned, but the new armory was already operating, so there were additional costs. She noted a calculation correction on electrical usage charges at Eielson Air Force Base.

Ms. Rehfeld looked at page 7, line 28, and explained that the request would remove the FY 13 governor's request for a partial year of the annual estimated operating costs for the certified veteran's cemetery in Fairbanks. The cemetery's ongoing operating and maintenance costs would instead start in FY 14, allowing additional preparatory arctic construction requirements. The delay became known after the December 15 release of the governor's budget.

Ms. Rehfeld discussed page 7, line 29, and noted that a contribution amount needed for the normal cost and expense load in FY 13 had decreased from the FY 12 recommended contribution amount, and was a new request for FY 13.

[9:32:48 AM](#)

Ms. Rehfeld looked at page 7, line 30, and explained that the request was for \$260,000 for the North Latitude Plant Material Center for DNR. She noted that the project would address the needs of the commercial plant industry in developing new crops, determining which varieties to produce, and evaluation of the technology needed to be competitive. This was a new request for FY 13.

Co-Chair Hoffman wondered where the Plant Materials Center was located. Ms. Rehfeld replied that it was in Palmer, Alaska.

Ms. Rehfeld discussed page 7, line 31, and noted that the request was for \$75,000 for the Alaska State Trooper Detachments in the Department of Public Safety (DPS). She explained that DPS currently contracted with the City of Kotzebue to provide 24-hour dispatch services and for local transport of prisoners to and from court. The amendment provided FY 13 funding based on an FY 12 supplemental request in the same amount.

Ms. Rehfeld discussed page 7, line 32, and explained that the request was for \$1.9 million of the Alaska State Trooper Detachments in DPS. She noted that the Alaska Bureau of Highway Patrol would no longer receive federal funds for non-DUI related traffic enforcement. In order to maintain traffic enforcement to include non-DUI specific activity, such as impaired driving, youth drivers, aggressive driving and speeding, and seat belts enforcement, additional funding was necessary. The amendment provided FY 13 funding based on an FY 12 supplemental request in the same amount.

Ms. Rehfeld looked at page 8, line 33, and explained that the request was for \$5,000 for the Alcoholic Beverage Control Board in DPS. She noted that the request would transfer the general fund credit and bill all hearing services to the existing reimbursable services agreement. After the December 15 budget release it was determined that the transfer would provide billing efficiencies.

Ms. Rehfeld discussed page 8, line 34, and noted that the Alaska Records and Identification Bureau had been under collecting various restricted revenue sources for several years. The reduction in restricted revenue authority would bring budgeted authority in line with actual revenue.

Ms. Rehfeld looked at page 8, line 36, and noted that the request was for \$45,600 for the Tax Division in DOR. She explained that the request would transfer a general fund credit from DOA Office of Administrative Hearings and bill all hearing services to the existing reimbursable services agreement.

Ms. Rehfeld looked at page 8, line 37, and explained that the request would eliminate a request in the FY 13 governor's budget released on December 15, 2011 for increased contract costs to manufacture Alaska's cigarette tax stamps. The manufacturer had agreed to delay the increase in the price due to push back from state governments. The Tax Division anticipated that the increase would be implemented in 2012.

Ms. Rehfeld discussed page 9, line 38, and explained that the request was for \$77,000 for the Treasury Division in DOR. It would replace the language section 27(d) with an appropriation in Section 1.

Ms. Rehfeld looked at page 9, line 39, and stated that the request was for \$1.044 million for the Child Support Services Division in DOR. The Outdated language in Section 19 (a) and (b) would be removed so that it allowed Federal incentive payments to be used as State matching funds.

[9:37:47 AM](#)

Ms. Rehfeld discussed page 9, lines 40 and 41, and explained that the requests were for the Alaska Permanent Fund for three positions having to do an in-house investment management. She pointed out that currently those positions were held by outside management services. She stressed that the Permanent Fund believed that they could provide the positions in-house at greatly reduced cost to the State.

Ms. Rehfeld looked at page 9, line 42, and explained that there were some adjustments in the December 15, 2011 budget relating to insurance costs for rural airports. She noted two transactions in the amended budget to correct those calculations.

Ms. Rehfeld looked at page 10, line 43, and stated that the request was for \$121,100 for the Northern Region Highways and Aviation in DOT/PF. She explained that funding for an airport manager position at the Barrow Airport was necessary in order to comply with Federal Security (TSA) and Certification (FAA) requirements, mandates and directives delivered to the department after the December 15 release of the FY 13 budget.

Co-Chair Stedman requested information regarding an increment to close the gap at the Ketchikan airport. Ms. Rehfeld responded that there was intent to cover insurance costs for the ferries to and from the airport in Ketchikan. She pointed out that there was an issue because the ferries were not state-owned.

Co-Chair Hoffman appreciated the effort to make the Bethel airport a 24-hour facility and the improved services.

Senator Olson looked at the Barrow airport, and wondered what the plan for the manager would be. Ms. Rehfeld replied that the position would be in Barrow.

Senator Olson wondered if the manager would be local. Ms. Rehfeld did not know, and hoped it would be a local person in Barrow.

[9:42:19 AM](#)

Ms. Rehfeld looked at page 10, line 45 to page 12, line 54. She pointed out line 57. She stated that the requests were for the University of Alaska. She looked at line 47, and stated that a federal grant had been received for mentoring in urban areas. It was a \$14.9 million grant over a five-year period. She explained that the University had requested \$2.5 million in federal funds for the grant. She furthered that line 49 was a request for increased federal authorization for Pell Grants. She furthered that the other University requests were for moving federal authorization from one component to another.

Ms. Rehfeld looked at the language amendments beginning with page 12, line 57. She explained that the amendment would delete language appropriating general funds to an unexpended and unobligated balance of \$5 million in the state insurance catastrophe reserve account.

Ms. Rehfeld explained page 12, line 58. She stated that the amendment deleted Section 19 (a) and (b) for federal incentive payments to be used as state matching funds. The appropriation for state match would be requested in Section 1 and increased by \$265,300 for a total request of \$1.044 million to recalculate the 34 percent match rate.

Ms. Rehfeld highlighted page 12, line 59, and explained that the amendment was for the sum of \$2 million appropriated from the general fund to the trauma care fund.

Ms. Rehfeld discussed page 12, line 60, and stated that it would delete Section 27 (d) and replace with and appropriation in Section 1.

Ms. Rehfeld highlighted page 12, line 61, and explained that the amendment would delete the deposit in the defined benefit plan account in the Alaska National Guard and Alaska Naval Militia retirement system for past service costs. She noted that no direct contribution was required for past service costs.

Ms. Rehfeld explained page 13, line 62, and explained that the deposit in the defined benefit plan account in the judicial retirement system for the purpose of funding the judicial retirement system un AS 22.23.046 for the fiscal year ending June 30, 2013.

Co-Chair Stedman queried the position of the administration on the request on line 62. Ms. Rehfeld replied that the administration supports funding the past service cost. She explained that there was no requirement and no cap, and the administration wanted to be sure that there was an incorporation of the courts' request.

Co-Chair Hoffman pointed out that the request was left out of the FY 13, and wondered if the language would be included in the original FY 14 budget. Ms. Rehfeld replied that it was preferred to include the request in the original budget request.

[9:48:54 AM](#)

Ms. Rehfeld explained page 13, line 63, and explained that the general fund debt service amount was reduced from \$29,689.9 million to \$27,578 million as a result of refinancing the 2003A bonds in January 2012.

Ms. Rehfeld looked at page 13, lines 64 to 67, and stated that these amendments would address refinancing related to the refinancing of the General Obligation Bonds, Series 2003A

Ms. Rehfeld explained page 14, and noted the request for the Mental Health Budget. She stated that the amendment was from the Mental Health Trust for \$500,000 in Mental Health Trust receipts for patient-centered medical homes. She explained that the request was for a strategic integration plan development and one-time competitive grants for up to four pilot programs for medical home infrastructure development. She added that it was a new Mental Health Trust recommendation for FY 13.

Co-Chair Hoffman wondered where the pilot project was located. Ms. Rehfeld replied that the request was for competitive grants, so she did not know exactly where it would be located.

Ms. Rehfeld explained that pages 15 and 16 highlighted technical corrections having to do with language and numbers sections. She pointed out line 78, and stated that there would be a deletion of \$1.5 million in federal funds. She stressed that it was a carry-forward estimate, and would be included in the end of the year. She stated that those items were identified by Legislative Finance and the Office of Management and Budget.

Senator Thomas looked at line 40, and wondered what the decrement would amount to. Ms. Rehfeld replied that she did not know, but noted a section that highlighted the investment management costs for the Permanent Fund, and agreed to provide further information.

Senator Thomas looked at line 28, and noted that DVMA was being charged 30 percent overhead by DOT. He felt that 30 percent was high, and hoped that there would be an examination of that percentage. Ms. Rehfeld agreed to explore that issue.

Senator Egan pointed out lines 40 and 41, and wondered where those specific positions would be located. Ms. Rehfeld replied that the positions would be in Juneau.

SB 161 was HEARD and HELD in committee for further consideration.

SB 162 was HEARD and HELD in committee for further consideration.

#sb160

SENATE BILL NO. 160

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

SB 160 was SCHEDULED and NOT HEARD.

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ADJOURNMENT

9:53:57 AM

The meeting was adjourned at 9:53 AM.