

HOUSE FINANCE COMMITTEE  
February 7, 2013  
1:33 p.m.

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CALL TO ORDER

Co-Chair Austerman called the House Finance Committee meeting to order at 1:33 p.m.

MEMBERS PRESENT

Representative Alan Austerman, Co-Chair  
Representative Bill Stoltze, Co-Chair  
Representative Mark Neuman, Vice-Chair  
Representative Bryce Edgmon  
Representative Les Gara  
Representative Lindsey Holmes  
Representative Scott Kawasaki, Alternate  
Representative Cathy Munoz  
Representative Steve Thompson  
Representative Tammie Wilson

MEMBERS ABSENT

Representative David Guttenberg  
Representative Mia Costello

ALSO PRESENT

Karen Rehfeld, Director, Office of Management and Budget;  
Paloma Harbour, Acting Division Director, Division of  
Administrative Services; Dave Blaisdell, Director,  
Administrative Services Division, Department of Law;  
Michael Barnhill, Deputy Commissioner, Department of  
Administration

SUMMARY

HB 91 SUPPLEMENTAL/CAPITAL/OTHER APPROPRIATIONS

HB 91 was HEARD and HELD in committee for further  
consideration.

DEPARTMENT OF ADMINISTRATION - STATEWIDE INFORMATION  
TECHNOLOGY GOVERNANCE SYSTEMS OVERVIEW

#hb91

HOUSE BILL NO. 91

"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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KAREN REHFELD, DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET, (OMB) provided a spreadsheet and summary page for the FY13 Supplemental Bill, HB 91 (copies on file).

Ms. Rehfeld looked at the summary, and stated that there was a reduction in general funds requests of \$2.877 million; a designated general funds request increase of \$4,200; other funds requests totaled \$24.464 million; and federal funds requests totaled \$2.864 million. She noted that the total operating supplemental request showed a decrease of \$3.344 million. She remarked that the governor had asked for an additional \$5.3 million, based on the estimates of fire suppression activities for FY13. She pointed out a request of \$3.4 million in disaster relief; and \$900,000 of that request was related to the previous winter's storms and an anticipation of spring flooding. She pointed out the \$25 million general fund decrement in the Medicaid decrement. There was a debt service reduction of approximately \$6 million in general funds; and eight judgments and settlements from the Department of Law (DOL). The total capital supplemental items totaled \$27.8 million, of which \$3.8 million was general funds.

Ms. Rehfeld highlighted some of the sections of SB 42. She stated that Section 1 was the operating numbers portion of the bill. Section 2 was the funding summary by department for the individual items. Section 3 was the capital summary, followed by a funding summary in Section 4. Section 5 was the funding summary for all items contained in both the operating and capital supplemental budget.

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Ms. Rehfeld highlighted the items listed in the FY13 Supplemental Bill spreadsheet. Lines 2 and 3 were for the

Alcoholic Beverage Control (ABC) Board. The requests were program receipts requested specific to legal assistance, and maintaining an underage drinking enforcement program. Both of the requests were in the FY14 budget. She looked at line 4, which was a request for the Alaska Industrial Development and Export Authority (AIDEA). She explained that AIDEA requested to participate and assist in several large project development and financing options; and were seeking some additional capacity to hire some technical expertise. The \$200,000 in AIDEA receipts was also requested in the governor's FY14 budget. She explained that line 5 related to the DFG appropriation for the waterfowl and sanctuary access permit fees from DFG funds rather than from program receipts. She stated that line 6 was in compliance with federal findings. She pointed out that \$303,000 was requested to deposit shooting range fees into the fish and game fund. She explained that lines 7 and 8 were for the DHSS, and were for food service, laundry, and janitorial contracts at the Pioneer Homes. She explained that line 9 was a request for security upgrades at the Office of Children Services Anchorage Regional Office in response to recent security threats, and furthered that there was a request in the FY14 budget related to that item. Ms. Rehfeld stated that line 10 was a request to maintain services for child protection programs. She furthered that line 11 was a request for social worker class study implementation. That study is now complete. This request is included in the governor's FY14 budget.

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Ms. Rehfeld explained that line 12 was a request from DHSS for social security income and child support for children in State custody. There is additional Social Security Income and child support receipts for protective custody available. There is also a reduction of federal funds. This request was included in the governor's FY14 budget. She stated that line 13 was a fund source. She relayed that line 14 was a request from DHSS for increased medical costs for clients in the Division of Juvenile Justice. This request is included in the governor's FY14 budget. She explained that line 15 was for an increase federal receipt authority to provide cash assistance and work services to low-income families with children to help them with basic needs while they work toward becoming self-sufficient. This request, and the request on line 16, was included in the FY14 Governor's budget.

Ms. Rehfeld shared that line 17 was a correction of an omitted fiscal note from the previous year. Line 18 was a one-time request of \$137,000 for a general relief program increase.

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Ms. Rehfeld reported that line 19 was a request from DHSS for Health Care Access and Service Delivery Evaluation and System Development Funds were available from the Children's Health Insurance Program Reauthorization Act of 2009 (CHIPRA) based on the Department of Health and Social Services' performance in managing the CHIP program. These funds would be used to help oversee and manage health care services and Medicaid programs through evaluation of health care services and delivery. Studies to evaluate and determine the most cost efficient and effective delivery of health care services and systems and equipment to help achieve increased efficiency and effectiveness of health care delivery and reporting capabilities are included in this request. The impact of this supplemental request was being considered for a FY14 budget amendment.

Ms. Rehfeld explained that line 20 was for a \$25 million decrement for savings from Medicaid cost containment measures. She communicated that line 21 was from the Department of Labor and Workforce Development (DLWD) for department-wide unavoidable lease cost increases. She explained that line 22 was from DNR for fire suppression activity.

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Ms. Rehfeld announced that line 23 was from DPS to replace federal pass-through funds from the Alaska Highway Safety Office, which would cover both Driving Under the Influence (DUI) and non-DUI related activities. A similar request is included in the FY14 governor's budget in the amount of \$2.937 million. She shared that line 25 was from the Department of Transportation and Public Facilities (DOT/PF), and was a request for legal fees related to Old Quihaguk Airport; line 26 was for storm water compliance; and line 27 was for maintenance and operations of New Akutan Airport. She shared that line 28 was for retiree health insurance increases for Alaska Marine Highway Systems unions, and furthered that certain retirees in the

Alaska Marine Highway System bargaining units can elect to remain covered under their active health plan through the North West Marine Welfare Trust. Recalculations of premiums occur annually, based on claims and number of participants. Bargaining Units include the Inland Boatmen's Union representing the Unlicensed Marine Unit; Marine Engineer's Beneficial Association; and International Organization of Masters, Mates, and Pilots. She explained that line 29 was from the Alaska Court System (COURT) to provide reasonable accommodations to assist a hearing impaired judge who was appointed to the superior court bench in Bethel. She stated that line 32 was from Department of Commerce, Community and Economic Development (DCCED) for the Petersburg Borough organization grant, and was a one-time request. She announced that line 33 was from DOR for the Alaska Housing Finance Corporation (AHFC) San Roberto Mountain View development project.

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Ms. Rehfeld explained that line 36 was from the Department of Fish and Game (DFG) for wildlife conservation aircraft maintenance, to allow for general maintenance of aircraft as Capstone avionics is not feasible in the primary locations flown by the aircraft. Line 37 was from DFG to add authority to the Wild/Hatchery Salmon Management Tools project to receive funding from processors. Line 38 was a request from the Department of Health and Social Services (DHSS) for the unobligated balance estimated to be \$1.3 million of the federal unrestricted receipts from the Children's Health Insurance Program Reauthorization Act of 2009, for operating costs for the fiscal year ending June 30, 2014. Lines 39 and 40 were from DOL for actual judgment and settlement costs received as of January 30, 2013. Line 41 was from DOL for the purpose of paying the costs associated with fast ferry litigation for the fiscal years ending June 30, 2012; June 30, 2013, and June 30, 2014. Line 42 was from DNR to extend the lapse date for permitting and application processing related to the state gas pipeline right-of-way work related to bringing North Slope natural gas to market. Line 43 was from DPS to reappropriate funds for a statewide aircraft hangar improvement project. Line 44 was from DOR for a reappropriation for the San Roberto Mountain View development project. Line 45 was from DOR to reappropriate funds for an Oil and Gas fiscal systems analysis.

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Ms. Rehfeld announced that line 46 was from DOT/PF for legal fees related to the Ruth Burnett Sport Fish Hatchery. Line 47 was from DOT/PF for right-of-way carry forward language. Line 48 through 50 was for debt service. Line 51 was a fund transfer to allow fees from shooting ranges, sanctuary permits and waterfowl prints to be deposited in Fish and Game Fund. Line 58 was HB 91 effective date of April 14, 2013. Line 62 was a request from DNR for the unpredictable cost of each fire season.

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Co-Chair Stoltze wondered if each item was necessary to be placed in the supplemental budget, rather than the capital or operating budgets for FY14. Ms. Rehfeld replied that there was constant work analyzing the priorities, and stressed that the current supplemental bill was relatively small.

Co-Chair Stoltze looked at line 36, and did not believe that there was an anticipation of supplemental aircraft maintenance. He felt that request was more opportunistic, rather than an emergency. Ms. Rehfeld replied that there were items that were reappropriations, and if those reappropriations were not approved by the legislature, the money would be deposited into the general fund.

Co-Chair Stoltze declared that he had heard that the ABC Board had been complaining about office and administrative issues related to moving from DPS to DCCED. The appropriation in this bill caused suspicion, because he felt like the ABC Board was not "a team player." Ms. Rehfeld replied that the legal fees request for the ABC Board was in the bill, because legal fees were billed differently in DPS than they were in DCCED.

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Representative Gara looked at line 2, and wondered if the request was an extra \$62,000; or if it was receipts that were moving from DPS to DCCED. Ms. Rehfeld replied that the request was for increase program receipt authorization, because DCCED's billing for legal services was greater than what was paid under DPS. She furthered that DPS's cost

allocation plan was based on number of positions, and DCCED's cost allocation plan was based on cost for a specific program. The ABC Board had significant legal assistance.

Representative Gara wondered if the ABC Board's request for legal fees was considered an "extra expenditure." Ms. Rehfeld replied that the request was general fund program receipts, which come from the licensees under the ABC Board. She reiterated that, under DCCED, the ABC Board was billed for the percentage of time that an attorney needs to spend on the legal work. In DPS, the ABC Board's legal fees were billed differently. She added that DPS and DCCED could provide more information.

Co-Chair Stoltze agreed with Representative Gara.

Representative Wilson looked at line 21, and queried the time of the agreement for the change in contracts. Ms. Rehfeld replied that Anchorage lease came into effect in April 2012, and the Juneau lease expired in June 2012.

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PALOMA HARBOUR, ACTING DIVISION DIRECTOR, DIVISION OF ADMINISTRATIVE SERVICES, replied that the item on line 21 was a partial year's expense. The lease costs for the Eagle Street increased in April 2012, and would increase again in 2013 at the time of completed renovations. The costs for the 8th Street facility increased in July 1, 2012, with an anticipation of a greater increase once the renovations are complete at the end of FY13.

Co-Chair Austerman wondered if the Medicaid decrement would carry forward into the FY 14 budget. Ms. Rehfeld responded that DHSS had projected an increase in the number of eligible individuals under Medicaid in FY 14. She pointed out that the costs were driven by how many people participate in Medicaid, and the ability of the State to contain the costs in Medicaid. The DHSS commissioner was encouraged by the decrement in the current year, however DHSS was not able to project a decrement in FY 14.

Co-Chair Austerman remarked that the Affordable Health Care for America Act had addressed expansion of Medicaid, but the FY 14 did not include the expansion of Medicaid. He wondered if there were any anticipated amendments that

would address Medicaid expansion. Ms. Rehfeld replied that she did not anticipate any amendments. She stated that DHSS had reviewed the impacts, pros, and cons of Medicaid expansion in order to inform any decision.

Representative Gara looked at line 46, and wondered if in-house attorneys or private attorneys would be used for the litigation. Ms. Karen deferred to LAW.

DAVE BLAISDELL, DIRECTOR, ADMINISTRATIVE SERVICES DIVISION, DEPARTMENT OF LAW, stated that the request would pay for both in-house and private attorneys.

SB 91 was HEARD and HELD in committee for further consideration.

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RECONVENED

^DEPARTMENT OF ADMINISTRATION - STATEWIDE INFORMATION TECHNOLOGY GOVERNANCE SYSTEMS OVERVIEW

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MICHAEL BARNHILL, DEPUTY COMMISSIONER, DEPARTMENT OF ADMINISTRATION, (DOA) displayed the PowerPoint presentation, "Statewide Information Technology Governance" (copy on file).

Mr. Barnhill pointed to slide 2, "IT Governance Overview." The slide included tiers of review. The first step was that all state departments submit an IT plan on an annual basis; that plan advances to the Technology Management Council (TMC); that review funnels to the Enterprise Review Team (ERT); the Enterprise Investment Board (EIB) is the next step; and finally, investment decisions were made at OMB. All executive branch departments annually prepare and submit IT plans.

Mr. Barnhill reiterated that all departments must annually prepare and submit IT plans (slide 3). He read from the slide.

Department IT Plans



IT Plans describe the department's:

IT strategy

IT accomplishments

- non-standard technical solutions
- strategy to migrate to standard technical solutions
- plan for backup and recovery
- plan for desktop provisioning
- use of the mainframe
- plan to meet storage needs
- plan for desktop and server virtualization

IT Plans set out

- IT project funding requests
- IT projects that require no further funding
- IT operational costs

IT Plans are reviewed and evaluated by the Technology Management Council (TMC)

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Mr. Barnhill believed IT plans had been collected from departments for 13 years. The documents had been fairly large in years past, but under the stewardship of former Director Pat Shire they had been scaled down.

Mr. Blaisdell explained that a reduction to the size of the plans would make them more useful.

Mr. Barnhill indicated that the plans had been dramatically reduced (with his hands).

Mr. Barnhill looked at slide 4, "Technology Management Council."

The TMC consists of:

Director of Enterprise Technology Services (Adam Paulick)

DHSS IT Data Processing Manager (Tim Banaszak)

DOTPF IT Data Processing Manager (George Crowder)

General Seat 1 (DOA, Gov, Law) (Jennifer McCaul)

General Seat 2 (DCCED, DEED, DOLWD, DOR) (Paul Hegg)

Public Protection (DOC, DMVA, DPS) (Lonnie Leibbrand)

Resources (DEC, DF&G, DNR) (Greg Light)

Duties of the TMC:

Sets technology standards for all agencies

Reviews exemption requests

Reviews and makes recommendations regarding department IT plans

Makes recommendations for new and emerging technologies

Meets every two weeks

Mr. Barnhill looked at slide 2, again. He pointed to the dotted line on the right connecting TMV to the Administratives Service Director's Team (AST). He stated that AST performed an important function in overall IT governance.

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Mr. Blaisdell slide 5, "Administrative Services Directors" (ASDs).

This group consists of the administrative services directors of all departments

-ASD purpose: focus on new initiatives in the administration of State government, substantive changes in administrative policies and procedures, and items that have a fiscal impact across all departments.

The ASDs meet every two weeks

The ASDs have formed an ASD IT subcommittee

- IT issues are brought to the IT subcommittee by the ETS Director
- reviews the fiscal impact of IT initiatives
- reviews chargeback rates
- reviews technical issues and their impacts to business processes
- considers technology needs that may require direct multiple agency funding
- helps direct monthly IT issues that should be addressed at enterprise level

Mr. Barnhill slide 6, "Enterprise Review Team, Enterprise Investment Board, Office of Management and Budget."

Enterprise Review Team (ERT):

The ERT consists of DOA Deputy Commissioner, OMB Chief Policy Analyst, ETS Director, and ASD/IT Chair

Enterprise Investment Board (EIB):

The EIB consists of DOA Commissioner, Gov Chief of Staff, OMB Director, ETS Director, ASD/IT Chair

- collectively, ERT/EIB/OMB perform a filtering and review function of IT project proposals and policy direction.

- the ERT met twice in the last year to consider IT project proposals

- adjustments to the IT Governance structure may be taken up in the future

Mr. Barnhill referred back to slide 2. He stated that the arrows pointing upward were a structure that was developed in 2008. The nature of the structure was beneficial, because the small groups have a large stake in how the decisions were made. He furthered that there may need to be a change in structure, so that upper level policy makers could insert direction in the policy making process.

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Mr. Barnhill emphasized that there was a government structure. He declared that DOA's focus had been almost entirely internal, and examining how ETS functioned internally.

Co-Chair Austerman queried the long-term planning process. Mr. Barnhill replied that the structure would continue to exist, and the plans would be analyzed based on the tiered government structure. He furthered that DOA was in the process of implementing a replacement for the State accounting and payroll systems. He stressed that the interface was complicated, and it great need of replacement.

Representative Munoz queried the number of people that work on each IT plan. Mr. Blaisdell replied that it varied depending on the department. He shared that DOL had a small staff, and DHSS had a very large staff.

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Representative Munoz wondered if the process was ongoing. Mr. Blaisdell responded that DOL's process included a two-week development phase, followed by a couple of reviews. He stated that he used the IT plan was used as a tool throughout the year, but it did not get updated. The IT plan was a once-a-year project.

Representative Holmes looked at slide 2, and wondered where the oversight authority was placed in the chart. Mr. Barnhill responded that the oversight should exist at multiple levels. He stressed that there were dozens of interfaces that exist in the enterprise.

Representative Holmes felt that there should be a process for the departments to work together, for continuity. Mr. Barnhill agreed that there should be an improvement in achieving scale. He stressed that DOA was de-centralized in how IT was managed.

Mr. Blaisdell furthered that there was some dialog between departments.

Co-Chair Austerman commented that there advanced technology was of great interest to the legislature, in order to address the long-term cost savings to the State. Mr.

Blaisdell agreed, and furthered that there were many exciting technologies that DOA was considering.

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Representative Gara wondered if the new technology actual saved money. He felt that the high cost of technology implementation may not be worth it. He pointed out that some people would be laid-off, and worried about those jobs. He wondered if the new payroll system would actually save the State money. Mr. Barnhill replied that the new payroll system was an interesting topic. He announced that the current payroll system company was implemented in 1990, and was profoundly old fashioned. The payroll company currently had 12 customers, and was threatening to file for bankruptcy. The interface was difficult, and made for unnecessary manual input. The personnel had a high turnover rate, and stressed that a new system would greatly improve employee morale.

Representative Gara wondered if the case-management system had been analyzed on a cost benefit level. Mr. Blaisdell responded that a feasibility study had been conducted geared toward what would happen if the electronic tool was lost.

Mr. Barnhill clarified that his earlier comments pertained to the time and attendance systems.

Representative Gara stressed that he made the point because he wanted to be sure that he was not mandating too much downsizing in personnel.

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ADJOURNMENT

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The meeting was adjourned at 3:05 p.m.