

SENATE FINANCE COMMITTEE
February 5, 2013
9:08 a.m.

[9:08:25 AM](#)

CALL TO ORDER

Co-Chair Kelly called the Senate Finance Committee meeting to order at 9:08 a.m.

MEMBERS PRESENT

Senator Pete Kelly, Co-Chair
Senator Kevin Meyer, Co-Chair
Senator Anna Fairclough, Vice-Chair
Senator Click Bishop
Senator Mike Dunleavy
Senator Lyman Hoffman
Senator Donny Olson

MEMBERS ABSENT

None

ALSO PRESENT

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

SUMMARY

SB 42 SUPPLEMENTAL/CAPITAL/OTHER APPROPRIATIONS

SB 42 was HEARD and HELD in committee for further consideration.

#sb42

SENATE BILL NO. 42

"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."

[9:09:35 AM](#)

KAREN REHFELD, DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET, OFFICE OF THE GOVERNOR, provided a spreadsheet and summary page for the FY13 Supplemental Bill, SB 42 (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 the 19 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.

[9:13:17 AM](#)

Ms. Rehfeld stated that the language sections began on page 8 of SB 42. Section 6 related to Department of Fish and Game (DFG) for a scope change and additional industry receipts. Section 7 was directed for the Department of Health and Social Services (DHSS) to provide some carry-forward of some bonus payments for DHSS received as a result of their performance managing the Children's Health Insurance Program. Section 8 related to DOL, with items related to the settlements mentioned earlier. There was a request for an increase in appropriation for litigation related to the fast ferry engines, and to extend the lapse date of that appropriation through June 30, 2014. Section 9

was for the Department of Natural Resources (DNR) to extend a lapse date on an oil and gas appropriation through Jun 30, 2015. Section 10 related to Department of Public Safety (DPS) for reappropriation of Aircraft, Hangar, and Statewide Facilities Maintenance to a statewide aircraft hangar improvement project. Section 11 had two items for Department of Revenue (DOR): reappropriating funding for Loussac Manor project to be combined with other funding sources for the San Roberto Mountain View Development; and a request to reappropriate prior funds for payment card security for oil and gas fiscal systems analysis.

Ms. Rehfeld looked at the two parts of Section 12: ongoing litigation for the Ruth Burnett Sport Fish Hatchery; and compliance language for federal right-of-way receipts. Section 13 related to debt and other obligations, with a request to replace general funds with a general obligation (GO) bond debt service with approximately \$1 million in debt retirement funds. Section 13 also requested a shift for the international airports to balance the utilization of their construction funds, with the receipts that were received from their airport customers; and a reduction of \$5 million debt service for school debt reimbursement.

Ms. Rehfeld stated that Section 14 outlined a request of \$3.4 million for disaster relief. Section 15 was for fund transfers to allow compliance with some federal audit findings regarding revenue that was collected from shooting ranges, waterfowl conservation stamps, and sanctuary access permits in the DFG fund. Section 16 was specific to a ratification for fire suppression from the FY12 budget, because it was difficult to predict the actual expenditures for fire suppression year by year. Section 17 was a lapse of appropriations, and pointed out that the reappropriations would have a capital project lapse. Section 18 was the retroactivity piece related to fire suppression, with an effective date of June 30, 2012; and the DOT right-of-way receipts were retroactive to June 30, 2012. Section 19 was the effective date of SB 42: April 14, 2013.

[9:18:46 AM](#)

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.

[9:23:44 AM](#)

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 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.

[9:27:13 AM](#)

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.

Ms. Rehfeld concluded her presentation, and offered to answer questions.

[9:31:56 AM](#)

AT EASE

[9:36:00 AM](#)

RECONVENED

[9:36:06 AM](#)

Senator Dunleavy looked at line 23, and wondered if the request was in place because the federal government withdrew funds. Ms. Rehfeld replied that DOT/PF would still receive funding from the federal government, but DPS would not receive the federal money to continue the efforts of the Alaska Highway Patrol.

Senator Hoffman looked at line 27, and wondered how the funds would be utilized. Ms. Rehfeld replied that the funds were specific to the operations of the airport on Akun Island. She furthered that there were a number of issues associated with the transportation between of the airport on Akun and the City of Akutan.

Vice-Chair Fairclough joined the meeting.

Senator Hoffman wondered if there would be recommendations to the committee to address Federal Aviation Administration requirements for ease of access to the Akutan Airport. Ms. Rehfeld replied that conversations and work regarding the Akutan Airport was ongoing.

Co-Chair Kelly requested that the Office of Management and Budget keep Senator Hoffman informed regarding his request. Ms. Rehfeld agreed to continue to provide that information.

9:39:48 AM

Co-Chair Meyer wondered why there was a request for additional \$62,500 for the ABC Board. Co-Chair Kelly furthered that he would like a history of the moving of the ABC Board from DPS to DCCED. Ms. Rehfeld explained that the way that the cost allocations were different between DPS and DCCED.

Co-Chair Meyer remarked that there was some debate in the year prior regarding the ABC Board. He did not recall an issue regarding extra costs. Ms. Rehfeld replied that there was some discussion of the difference in how the costs would be allocated in DCCED's fiscal note. She understood that the amount of legal that was required may not have been fully addressed in the fiscal note.

Vice-Chair Fairclough emphasized that she was against moving the ABC Board from DPS to DCCED. While the ABC Board was in DPS, the businesses would be treated punitively. Because of the lack of education, businesses were often punished, because of their ignorance. In the previous legislature, some felt that it would better serve the businesses to be overseen by DCCED.

9:44:57 AM

Senator Bishop looked at line 7, and wondered if the request was for the Pioneer homes statewide or for just one location. Ms. Rehfeld replied that the request was statewide.

Senator Bishop wondered if DHSS did not foresee the increase in service costs. Ms. Rehfeld responded that DHSS knew there would be cost increases, felt in the prior budget that those costs would be managed properly, but some unrealized receipts resulted in this supplemental request.

Senator Hoffman looked at line 20, and wondered if the request was a one-time request or ongoing. Ms. Rehfeld replied that those efforts were expected to continue.

Senator Olson looked at line 9, and wondered if the request would be ongoing. Ms. Rehfeld replied in the affirmative.

Senator Olson felt that a construction expense should be one-time. Ms. Rehfeld replied that there would be pieces

of the construction that would be one-time requests like surveillance cameras, but there would be ongoing costs.

Co-Chair Kelly wondered what the status was for the fish hatchery in Fairbanks Ms. Rehfeld replied that there would be two pieces in SB 42 related to with page 8, line 19 of the bill.

[9:49:06 AM](#)

Co-Chair Kelly wondered where that would be located in the spreadsheet. Ms. Rehfeld replied that it was on page 9, line 39. She shared that there was a total \$4.775 million requested for settlements and judgments; \$3.638 million of that request was for the contractor that performed the work on the hatchery. There was an additional request to cover ongoing litigation to attempt to recover some of the costs from the company that worked on the building.

Senator Olson looked at line 36 of the spreadsheet. He felt that engine maintenance should be considered an operating expense, rather than a capital request. He expressed that the Capstone request should not be appropriated, because there should be more a focus on safety. Ms. Rehfeld replied that DFG could provide detailed information regarding Senator Olson's concerns. She shared that the areas where the aircrafts were operated, did not have the Capstone capability.

Senator Olson restated that he did not agree with the Capstone reappropriation.

Senator Olson looked at line 51, and queried the status of the significant erosion issue in Kivalina. Ms. Rehfeld responded that she did not know, but agreed to provide that information.

SB 42 was HEARD and HELD in committee for further consideration.

Co-Chair Kelly discussed housekeeping.

#

ADJOURNMENT

[9:55:43 AM](#)

The meeting was adjourned at 9:55 a.m.