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FILE

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January 8, 1996

The Honorable Drue Pearce
President of the Senate
Alaska State Legislature
State Capitol
Juneau, AK 99801-1182

Dear President Pearce:

Under the authority of art. III, sec. 18 of the Alaska Constitution, I am transmitting a bill making a supplemental appropriation that would provide "bridge financing" from the general fund to operate certain federally-funded activities pending resolution of the federal budget impasse and making necessary changes related to conditions on certain fiscal year 1996 appropriations.

The President and the Congress have been deadlocked over the proposed enactment of several appropriation bills. These bills contain amounts that would finance administrative costs and benefit payments for several programs providing essential assistance to Alaskans. The most pressing concern is caused by the lack of timely receipt of federal money to pay employees of the division of employment security in the Department of Labor. This division is responsible for the payment of unemployment insurance benefits to over 19,000 families. The administrative costs of this division are financed from the part of the federal budget that is in dispute between the President and Congress. Federal money to pay the salaries of employees engaged in operating the occupational safety and health programs of the state (OSHA) may also be unavailable during the impasse. Section 2 of the bill makes an appropriation from the general fund to provide the necessary "bridge financing."

Other essential benefit programs administered by the Department of Health and Social Services are nearing the end of available federal money. These programs include Medicaid, aid to families with dependent children, and "meals on wheels". Our ability to carry on with the provision of benefits is not immediately threatened because these programs also receive general fund matching money that could be expended on an accelerated basis to cover the immediate costs of benefits.

The Honorable Druce Pearce

January 8, 1996

Page 2

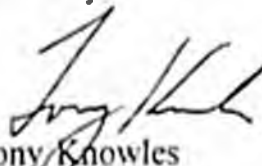
Section 3 of the bill contains a provision that would authorize program managers to spend matching money without regard to any requirement to also receive corresponding federal money.

All of the foregoing provisions would be made subject to the express intent that the Administration do whatever is necessary to recover full reimbursement from the federal government. There has been no suggestion from the responsible federal agencies that reimbursement would be unavailable upon enactment of the federal budget. Responsible state officials will be instructed to do whatever is necessary to preserve our limited general fund money.

The advice of the legislative budget and audit committee concerning this matter was sought during a special meeting held in Juneau on January 5, 1996. Depending on recent developments in the Congress, it may not be necessary to provide for immediate "bridge financing." However, as suggested by members of the legislative budget and audit committee, it is prudent to introduce this bill so that it may serve as the vehicle for addressing any other problems that may arise during the federal budget impasse.

I urge your favorable consideration of this bill.

Sincerely,



Tony Knowles
Governor