

HOUSE FINANCE COMMITTEE
April 06, 2001
1:49 PM

TAPE HFC 01 - 75, Side A
TAPE HFC 01 - 75, Side B

CALL TO ORDER

Co-Chair Mulder called the House Finance Committee meeting to order at 1:49 P.M.

MEMBERS PRESENT

Representative Eldon Mulder, Co-Chair
Representative Con Bunde, Vice-Chair
Representative Eric Croft
Representative John Davies
Representative Carl Moses
Representative Richard Foster
Representative Bill Hudson
Representative Ken Lancaster
Representative Jim Whitaker

MEMBERS ABSENT

Representative Bill Williams, Co-Chair
Representative John Harris

ALSO PRESENT

Nancy Slagle, Director, Division of Administrative Services, Department of Transportation and Public Facilities; Janet Clarke, Director, Division of Administrative Services, Department of Health and Social Services; Remond Henderson, Director, Division of Administrative Services, Department of Labor and Workforce Development; Devon Mitchell, Executive Director, Alaska Municipal Bond Bank Authority, Department of Revenue; Wayne Regelin, Director, Division of Wildlife Conservation, Department of Fish and Game; Joan Brown, Chief Budget Analyst, Office of Management and Budget, Office of the Governor.

SUMMARY

HB 116 An Act making supplemental appropriations and making and amending other appropriations; and providing for an effective date.

HB 116 was HEARD and HELD in Committee for further consideration.

#HB116

HOUSE BILL NO. 116

An Act making supplemental appropriations and making and amending other appropriations; and providing for an effective date.

DEPARTMENT OF FISH AND GAME

WAYNE REGELIN, DIRECTOR, DIVISION OF WILDLIFE CONSERVATION, DEPARTMENT OF FISH AND GAME, spoke to an extra amendment request which had been submitted by the Department of Fish and Game.

The sum of \$301,200 to be appropriated from federal receipts to the Department, wildlife conservation special projects components, for seasonal work on the Steller sea lion federal project for the fiscal year ending June 30, 2001.

DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES

NANCY SLAGLE, DIRECTOR, DIVISION OF ADMINISTRATIVE SERVICES, DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES, spoke to the fuel cost requests.

SECTION 9 (a) - Increased fuel costs:

(*) The sum of \$116,900 to the Department of Transportation and Public Facilities, southeast region facilities;

(*) The sum of \$12,900 to the Department of Transportation and Public Facilities, central region facilities;

(*) The sum of \$387,200 to the Department of Transportation and Public Facilities, central region highways and aviation;

(*) The sum of \$314,200 to the Department of Transportation and Public Facilities, northern region highways and aviation;

(*) The sum of \$180,000 to the Department of Transportation and Public Facilities, marine highway system, southwest vessel operations;

(*) The sum of \$700,000 to the Department of Transportation and Public Facilities, marine highway system, southeast vessel operations.

SECTION 9 (b) - Fuel Costs for Airports

Ms. Slagle noted that Section 9(b) listed the appropriations

made from the International Airports Revenue Fund (AS 37.15.430) to the Department of Transportation and Public Facilities, international airports, for increased fuel and utility costs for the fiscal year ending June 30, 2001:

(*) The sum of \$300,000 for Anchorage airport facilities;

(*) The sum of \$100,000 for Anchorage airport field and equipment maintenance;

(*) The sum of \$35,800 for Fairbanks airport facilities;

(*) The sum of \$11,400 for Fairbanks airport field and equipment maintenance;

(*) The sum of \$10,400 for Fairbanks airport safety.

Ms. Slagle explained that the request would account for the additional funding needed to deal with increased fuel costs. There has been between a 26% - 30% increase in heating and vehicle fuel costs this year. All fuel areas have been impacted by the increase.

Co-Chair Mulder commented that the fuel costs are expected to come down. Ms. Slagle stated that the request took into account a decrease usage.

Co-Chair Mulder requested that Larry La Bolle, Staff, Representative Foster, provide an overview of the costs recommended by the Department.

SECTION 9 @ 1&2

Ms. Slagle noted that the following appropriation and allocation amendments were made to transfer money to pay increased fuel costs due to higher oil prices:

(1) Section 1, ch. 133, SLA 2000, page 28, lines 25 - 31, is amended to read:

ALLOCATIONS	APPROPRIATION ITEMS	GENERAL FUND	OTHER FUNDS
State Equipment Fleet	<u>19,109,400</u>		<u>19,109,400</u>
	[19,409,400]		[19,409,400]
Central Region State Equipment Fleet	<u>7,393,700</u>		
	[7,493,700]		
Northern Region State Equipment Fleet	<u>10,056,300</u>		
	[10,206,300]		
Southeast Region State	<u>1,659,400</u>		

Equipment Fleet [1,709,400]

(2) Section 1, ch. 133, SLA 2000, page 26, line 31, is amended to read:

	APPROPRIATION ITEMS	GENERAL FUND	OTHER FUNDS
Administration and Support	<u>16,804,900</u> [16,504,900]	7,555,100	<u>9,249,800</u> 8,949,800

SECTION 17

- (a) The sum of \$34,000 is appropriated from the general fund to the Department of Transportation and Public Facilities, central region facilities, for fuel day tank replacement or retrofitting to prevent fuel spills in state facilities for the fiscal year ending June 30, 2001.
- (b) The sum of \$236,000 is appropriated from the general fund to the Department of Transportation and Public Facilities, northern region facilities, for fuel day tank replacement or retrofitting to prevent fuel spills in state facilities for the fiscal year ending June 30, 2001.

Ms. Slagle explained that there had been a request submitted to delete these sections. Those sections had been replaced with a request for a reappropriation from the Department of Environmental Conservation to use some excess funding for underground storage tanks to be reappropriated for the purpose of dealing with the day tank issue. The intent would be to fix the day tank issue occurring within various State owned buildings such as the Court Plaza Building and elsewhere in the State.

Co-Chair Mulder clarified that 17 (a & b) became Department of Environmental Conservation reappropriation requests received from the Office of Management and Budget.

- (c) The sum of \$93,000 is appropriated from the general fund to the Department of Transportation and Public Facilities for additional operating costs for the Harborview Development Center for the fiscal year ending June 30, 2001.

Ms. Slagle noted that some of the requested monies would be used to address the asbestos and the shutdown concerns.

Representative Hudson questioned the status of the Harborview Development Center. Ms. Slagle stated that it had not yet been transferred to the City of Valdez. The appropriation would provide for continual funding for maintenance up keep for safety.

Co-Chair Mulder advised that the City of Valdez has voiced concern with taking the facility over at this point in time, because of the demolition costs to Harborview. He added, that City has been in contact with the U.S. Congressional Delegation regarding the concern. He noted that the problem rests with the health facility that is attached. He noted that the Department of Transportation & Public Facilities is attempting to stabilize the conditions of the facility.

GOVERNOR'S AMENDED 17 (b&c)

Ms. Slagle spoke to two projects:

(*) March 16 Amendment for Soldotna East Redoubt Avenue Improvements;
March 22 amendment effective date of May 14, 2001 in the amount of \$681.1 thousand federal fund dollars; and

(*) March 16 amendment for Palmer urban revitalization;
March 22 amendment effective date of May 14, 2001 in the amount of \$187.9 thousand federal fund dollars.

Ms. Slagle noted that these were projects that had been included in the appropriation bill that had been earmarked funds for the two communities of Soldotna and Palmer. These are federal funds and would require no match.

Ms. Slagle pointed out that the Fairbanks project had been placed into the fast track supplemental. She indicated that was a "companion" project.

Ms. Slagle addressed a project which had been included in the fast track supplemental and had been removed - The Copper River Highway consent decree in the amount of \$400 thousand dollars. The funds would be used to perform the environmental projects that are required to complete that consent decree.

DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT

SECTION 11

The sum of \$325,700 is appropriated from the second injury fund (AS 23.30.040(a)) to the Department of Labor and Workforce Development, second injury fund component, for payment of additional claims for the fiscal year ending June 30, 2001.

REMOND HENDERSON, DIRECTOR, DIVISION OF ADMINISTRATIVE SERVICES, DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT, stated that this was a dedicated fund.

SECTION #19

RATIFICATION:

(2) Former Department of Community and Regional Affairs
AR52901-00 1STOP/AJCN Staff Sup
\$249.68

Mr. Henderson noted that the request would cover the costs of an accounting correction.

DEPARTMENT OF REVENUE

SECTION 15

The sum of \$58,000 is appropriated from Alaska Municipal Bond Bank receipts to the Department of Revenue, Alaska Municipal Bond Bank Authority, for additional bond sales for the fiscal year ending June 30, 2001.

DEVON MITCHELL, EXECUTIVE DIRECTOR, ALASKA MUNICIPAL BOND BANK AUTHORITY, DEPARTMENT OF REVENUE stressed the importance of the request.

Co-Chair Mulder commented on the bond debt reimbursement that was received last year for the ports and harbors. He inquired if a similar package could be used on behalf of all those communities to consolidate the effort. Mr. Mitchell acknowledged that would be possible through the existing statute. He stated that Whittier would be a good example. If it should be structured through a municipal bond bank, it would require further consideration. Right now, there is a two-year lag to the communities. If there were a more timely reimbursement from the State, the communities would have less concern.

Co-Chair Mulder indicated that he was not aware that there had been lag time. He asked if the Legislature had ever not fully made a bond debt that they made a commitment to. Mr. Mitchell replied that the last time that happened was in 1992.

OFFICE OF BUDGET AND MANAGEMENT

SECTION 16 (a & b)

Section 16 (a) is the amount of the SDPR from the Medicaid Pro-Share program used for the labor contracts and to the amount actually used. Section 16 (b) simply clarifies that it was only general fund lapse that would be used for labor contracts.

JOAN BROWN, CHIEF BUDGET ANALYST, OFFICE OF MANAGEMENT AND BUDGET, OFFICE OF THE GOVERNOR, stated that Sections 16 (a&b) are technical corrections from HB 3001 last year.

Co-Chair Mulder asked if 16 (a) had any impact to the current general fund budget. Ms. Brown replied that within the Department of Health & Social Services budget, the amount was needed to free up the Pro-Share budget.

Representative Croft asked why the State was \$7.2 million dollars off. Mr. Brown explained that originally, a little over \$8 million dollars had been calculated for Pro-Share, however, there was a last minute amendment made that added the \$4 million dollars, and there was not a corresponding reduction to the Pro-Share to bring it down to the \$4 million dollar level. The other amendment swept the general fund lapse.

Representative Croft noted that this was not a change in the Pro-Share amount, but rather, it should have been reflected in the other section.

Representative Hudson asked where the statutory designated program receipts (SDPR) originate from. Ms. Brown explained that they resulted from the Medicaid Pro-Share program.

Co-Chair Mulder asked if those funds were needed in order to make the Medicaid budget for the current year. Ms. Brown stated they were.

UNIVERSITY OF ALASKA

SECTION 16 ©

The amount of \$220.3 thousand dollars for the Alaska Higher Education Crafts, Trades and Employees union.

Ms. Brown noted that the University had submitted an amendment for a negotiated contract increase in the amount of \$220.3 thousand dollars for the Alaska Higher Education Crafts, Trades and Employees union. That contract does not expire until December 31st, 2000, so it was not part of the HB 3001 calculation.

DEPARTMENT OF HEALTH AND SOCIAL SERVICES

SECTION 8a

The sum of \$71,180,300 is appropriated to the Department of Health and Social Services, Medicaid services, for the fiscal year ending June 30, 2001, from the following sources:

Federal receipts	\$50,642,700
General fund match	\$ 9,124,700
SDPR	\$11,412,900

JANET CLARKE, DIRECTOR, DIVISION OF ADMINISTRATIVE SERVICES,

DEPARTMENT OF HEALTH AND SOCIAL SERVICES, noted that there have been two amendments which have been added to the request, increasing the request to \$78 million dollars.

Ms. Clarke stated that the first amendment was an increase of \$6.5 million federal fund dollars for an increase in the rates paid to the Indian Health Service facilities.

Ms. Clarke commented that the second amendment addressed a reduction in another supplemental request in which the Department retroactively claimed some Medicaid funds for individuals that were on Chronic & Acute Medical Assistance (CAMA). She acknowledged that the supplemental request for the Medicaid program was large. Part of what lead to such a large supplemental was that last year, in the FY01 budget, the budget was not amended upwards based on a previous supplemental. The Governor submitted a low case scenario and the Department kept with that budget request throughout the year. Last year, the supplemental request was \$22 million dollars. The Department had to pay \$15 million dollars for claims from the previous fiscal year, making the Department \$37 million short at the beginning of the fiscal year.

Ms. Clarke advised that the costs for the aging and the disabled population are driving the Department's cost above what had been projected. In particular, the Home and Community Based waiver program has increased substantially. That program allows the Department to have individuals that are disabled or elderly, live independently in their homes or in assisted living homes. Nursing homes do not have to be built for them. She stated that it is a program that is growing.

Representative Davies asked if the low case scenario had been changed. Ms. Clarke explained that the low case scenario had been submitted to the Legislature this year. The Department is looking at it based on the current spending in order to update it to a mid-case scenario. The analysis has not yet been completed. She stated that the State is having more customers and that the cost of those customers is now more. She noted that there have been increases in pharmacy costs.

Representative Davies stated that using the low case estimates would make next year's supplemental higher.

Representative Croft asked why there was not a general fund component in the fast track supplemental. Ms Clarke stated that the only general fund impact for the Medicaid supplemental is in the slow track supplemental. The other funds in the fast track were statutory designated program receipts (SDPR) from the hospital Pro Share program. The Department found a "window of opportunity" to increase the

pro share payments for this fiscal year

In response to Representative Croft, Ms. Clarke explained that the Department could use the SDPR as a match. That was a strategic decision on part of the Department to help get the fast track supplemental through "fast". Ms. Clarke commented that in the Pro Share program, a payment is made to the hospitals. First, the Department has to pay back the initial payment. There becomes a double budgeting effect.

Representative Davies noted if there were not the luxury of the Pro Share, the Department would have had to use some general funds for the match. Ms. Clarke explained that the Department would receive roughly a \$10 million dollar gain.

Representative Lancaster pointed out that the cases and the wait lists are growing. Ms. Clarke did not know what the costs would be for the developmental disabilities wait list. She offered to provide that information to the Committee.

Vice-Chair Bunde pointed out that the fastest growing segment of the State's population is over 65 years old group.

SECTION 8(b)

The sum of \$57,900 is appropriated to the Department of Health and Social Services, Medicaid services, for facility rate setting settlements for the fiscal year ending June 30, 2001, from the following sources:

Federal receipts	\$34,800
General fund match	\$23,100

Ms. Clarke indicated the requested item is a Medicaid related item from some rate setting settlements for nursing homes and hospitals. The Department has changed their methodology to deal with the appeal issues. The small request resulted from the Department's attempt to settle those issues in a timelier manner. The settlement would cover Ketchikan General Hospital, Cordova Community Medical Center and St. Ann's Care Center.

SECTION 8 ©

The sum of \$430,400 is appropriated from the general fund to the Department of Health and Social Services for catastrophic and chronic illness assistance (AS 47.08) for the fiscal year ending June 30, 2001.

Ms. Clarke noted that Section 8 © had been dropped. She stated that the Department was able to reduce the \$430 thousand dollar supplemental request for the CAMA program, as some of those people have become eligible for Medicaid.

The Department was able to go back and register those claims. There was a slight increase in the Medicaid supplemental, but Section 8© was dropped saving \$258 thousand general fund dollars.

SECTION 8 (d)

The following \$1,000,000 fund source change from inter-agency receipts to general fund is to replace unrealized inter-agency receipts, and the following \$323,000 fund source change from general fund to general fund/mental health is to accurately report mental health expenditures:

(1) Section 1, ch. 133, SLA 2000, page 15, line 10, is amended to read:

	APPROPRIATION ITEMS	GENERAL FUND	OTHER FUNDS
Purchased Services	41,549,200	<u>29,642,700</u>	<u>11,906,500</u>
		[28,642,700]	[12,906,500]

(2) Section 3, ch. 133, SLA 2000, page 45, lines 6 - 8, is amended to read:

General Fund Receipts	<u>149,987,400</u>
	[149,310,400]
General Fund/Program Receipts	2,710,700
<u>General Fund/Mental Health</u>	<u>323,000</u>
Inter-Agency Receipts	<u>48,953,600</u>
	[49,953,600]

Ms. Clarke stated that Section 8(d-1) was a fund source change for the subsidized adoption and guardianship program of \$1 million dollars. Last year, the Department believed that they could spend \$1 million temporary assistance to needy families fund (TANF) for that program, however, they were wrong. The Department requests a funding source change from other funds to general funds.

Ms. Clarke noted that 8(d-2) was a technical change in moving funds. The Department of Law recommended that the changes be submitted.

SECTION 8 (e)

The sum of \$125,000 is appropriated from statutory designated program receipts to the Department of Health and Social Services, division of juvenile justice, for delinquency prevention services for the fiscal year ending June 30, 2001.

Ms. Clarke commented that the request would provide funding for the juvenile justice system. The Department received a juvenile federal accountability block grant in the amount of

\$1.5 million dollars. The Department established an interest bearing trust account to spend those proceeds on the program. The interest earnings would not go back into the State general fund. Those funds will be spent on a training video on the judicial process and the other would be used to help process the computer activity in the juvenile justice system.

Vice-Chair Bunde asked who the video was aimed at. Ms. Clarke replied that it was aimed at victims of juvenile crime, juveniles and caregivers.

SECTION 8 (f)

The sum of \$974,100 is appropriated from the general fund/mental health to the Department of Health and Social Services, community and mental health grants, designated evaluation and treatment, for additional operating costs due to caseload growth for the fiscal year ending June 30, 2001.

Ms. Clarke noted that Section 8 (f) would provide funding for a designated evaluation treatment program, a mental health program that provides community based psychiatric in-services at local hospitals for indigent Alaskans. The program is a "fee for service" program for designated hospitals. The program has been expanded with increases in Fairbanks, Juneau, Ketchikan, and Mat-Su.

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SECTION 8 (g)

The sum of \$225,000 is appropriated from receipt-supported services to the Department of Health and Social Services, bureau of vital statistics, for operating costs for the fiscal year ending June 30, 2001.

Ms. Clarke noted that Section 8 (g) request would be used for the Bureau of Vital Statistics allowing the Department to fund three primary items.

- New lease space in Fairbanks;
- Hire non permanent employee back log records; and
- Transfer general funds into the nursing component for public health nurses pay increase.

Vice-Chair Bunde asked the amount of backlog. Ms. Clarke advised that the Department is currently experiencing a five to six week backlog.

Representative Hudson asked if the fees changed for the services would adequately cover the costs. Ms. Clarke noted that they were "almost" enough to cover costs. She added that the fees had been increased this year.

Representative Hudson asked if there was authority to adjust the fees according to the needs. Ms. Clarke acknowledged that the Department does have that authority.

SECTION 18

Miscellaneous Claims and State-Dated Warrants:
Department of Health & Social Services
\$217,000 dollars

Ms. Clarke noted that \$140 thousand dollars of the request would be federal funds. Included in that number are some late invoices collectable from the federal government. The remainder is late bills that need to be paid.

SECTION 19

Radifications.

Ms. Clarke discussed that Section 19 was a radification from FY 2000 in the amount of \$4,268,866.67 dollars. It was not intended to be a general fund ratification in FY 2000. The radification amount became about because the funding source within the Medicaid program was deferred. Because of that, the federal receipts have not been forthcoming.

The way in which the federal government system works is that first the claim is deferred, and then reviewed, and if disallowed, then the State goes to an appeal. She emphasized that the Department believes that they will prevail and that the federal funds will come through.

HB 116 was HELD in Committee for further consideration.
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ADJOURNMENT

Vice-Chair Bunde adjourned the meeting at 2:45 P.M.