

HOUSE FINANCE COMMITTEE  
February 24, 2003  
2:22 PM

TAPE HFC 03 - 24, Side A  
TAPE HFC 03 - 24, Side B

CALL TO ORDER

Co-Chair Harris called the House Finance Committee meeting to order at 2:22 PM.

MEMBERS PRESENT

Representative John Harris, Co-Chair  
Representative Bill Williams, Co-Chair  
Representative Kevin Meyer, Vice-Chair  
Representative Mike Chenault  
Representative Eric Croft  
Representative Richard Foster  
Representative Mike Hawker  
Representative Reggie Joule  
Representative Carl Moses  
Representative Bill Stoltze  
Representative Jim Whitaker

MEMBERS ABSENT

none

ALSO PRESENT

Dan Spencer, Director, Division of Administrative Services, Department of Administration; Dave Stewart, Personnel Manager, Division of Personnel, Department of Administration; Tom Lawson, Director, Administrative Services, Department of Community and Economic Development; Jerry Burnett, Director, Administrative Services, Department of Corrections

PRESENT VIA TELECONFERENCE

Brant McGee, Public Advocate, Office of Public Advocacy; Barbara Brink, Director, Public Defender Agency; Steve Ashman, Director, Division of Senior Services, Department of Administration; Daniel T. Seamount, Jr., Commissioner, Alaska Oil and Gas Conservation Commission, Department of Administration; Jeff Jahnke, State Forester, Department of Natural Resources; Sharon Young, State Recorder, Department of Natural Resources; Peter Panarese, Acting Director, Division of Parks, Department of Natural Resources

SUMMARY

Co-Chair Harris convened the meeting at 2:21 pm.

HB 100 "An Act making supplemental and other appropriations; amending appropriations; and providing for an effective date."

HB 100 was heard and HELD in Committee for further consideration.

HB 101 "An Act making a special appropriation for a grant to Arctic Power to promote the opening of the Arctic National Wildlife Refuge for oil and gas exploration and development; and providing for an effective date."

CSHB 101 (FIN) was REPORTED out of Committee with a "do pass" recommendation.

HB 110 "An Act making supplemental and other appropriations; amending appropriations; making appropriations to capitalize funds; and providing for an effective date."

HB 110 was heard and HELD in Committee for further consideration.

#hb101

HOUSE BILL NO. 101

"An Act making a special appropriation for a grant to Arctic Power to promote the opening of the Arctic National Wildlife Refuge for oil and gas exploration and development; and providing for an effective date."

Vice-Chair Meyer MOVED to ADOPT Committee Substitute for House Bill 101, Work Draft 23-LS0555/I.

Representative Croft OBJECTED and questioned for further clarification regarding changes made in the Committee Substitute.

Co-Chair Harris observed that the Committee Substitute would appropriate \$2.7 million to Arctic Power, \$100 thousand to Kaktovik, and \$300 thousand to the Office of the Governor for the specific purpose of working with the congressional delegation.

In response to a question by Representative Joule, Co-Chair Harris clarified that the total appropriation for Arctic Power would be \$2.8 million, of this \$100 thousand would be appropriated to Katovik. The \$300 thousand for the Office of the Governor would be a separate appropriation.

Representative Croft observed that Arctic Power has been used as the funding source of all the state's efforts and would funnel funds to Katovik. He noted that there was a separate appropriation to the Office of the Governor and questioned why Arctic Power was not used to fund these efforts.

Co-Chair Harris acknowledged that Arctic Power could be used to fund the Office of the Governor and indicated that the issue could be discussed after the adoption of the committee substitute.

Representative Croft WITHDREW his OBJECTION.

There being NO OBJECTION, the Committee Substitute, Work Draft 23-LS0555/I, was adopted.

Representative Croft reiterated his concerns and questioned why it was felt necessary to break up the appropriation. Co-Chair Harris responded that the Office of the Governor requested funding for personnel located in Washington D.C. who are coordinating efforts. He maintained that this coordination was especially important during the transition between administrations.

Representative Whitaker expressed his belief that it was appropriate to support the Governor's longstanding efforts to develop ANWR resources.

Vice-Chair Meyer noted a conflict of interest and MOVED to be excused from voting. Co-Chair Harris OBJECTED.

Representative Hawker also noted a conflict of interest and MOVED to be excused from deliberations. Co-Chair Harris OBJECTED.

Co-Chair Harris pointed out a difference in the intent language in Section 1 of the CS. He explained that the intent language directs Arctic Power to coordinate with the delegation in Washington D.C.

Co-Chair Williams MOVED to report CSHB 101 (FIN) out of Committee. There being NO OBJECTION, it was so ordered.

CSHB 101 (FIN) was REPORTED out of Committee with a "do pass" recommendation.

#hb100

#hb110

HOUSE BILL NO. 100

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

HOUSE BILL NO. 110

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

Co-Chair Harris discussed the Regular and "Fast track" Supplemental Budget requests. He expressed an intention to move the bills out of Committee by early next week, after amendments had been heard.

DEPARTMENT OF ADMINISTRATION

Section 1 (fast track)

Program shortfunding was estimated to be \$2,200.0 in May. Caseload growth has added an additional \$1,100.0. An additional \$2,473.5 is requested in the regular supplemental bill to meet the total need of \$3,300.0.

Section 1(a) (4) (regular supplemental)

1(a)(4) Program shortfunding was estimated to be \$2,200.0 in May. Caseload growth has added an additional \$1,100.0. An additional \$826.5 is requested in the fast track supplemental bill to meet the total need of \$3,300.0.

DAN SPENCER, DIRECTOR, DIVISION OF ADMINISTRATIVE SERVICES, DEPARTMENT OF ADMINISTRATION explained that the requests of \$826,500 (Fast track) and \$2,473,500 for the Office of Public Advocacy (OPA) were based on current caseload, as well as projections for the remainder of the fiscal year. He maintained that OPA had a history of being "short-funded". A supplemental has been needed in all but one of the last 19 years. The FY 03 budget was less than the FY 02 budget. The Office of Public Advocacy received a supplemental appropriation of over \$2 million for the past year [FY02].

Mr. Spencer anticipated that OPA would require a \$2.2 million supplemental for FY 03, and observed that the amount could continue to grow with the caseload. He explained that the office deals with guardian ad lidum and public guardianship cases, as well as some criminal cases. He clarified that most of the budgetary funds were paid to private attorneys, working under contract with OPA to defend clients at a highly reduced rate.

Mr. Spencer explained that OPA utilized the previous year's funding to pay current bills in a timely fashion. He went on to note that, after the end of a fiscal year, OPA continued to pay bills in the 13<sup>th</sup> and 14<sup>th</sup> accounting month. He stated that they have paid over \$700 thousand to private

attorneys during those periods. He explained that, at the end of the fiscal year, OPA projected payments for June and the holdover accounting months, and requested this amount in the regular supplemental. He noted that the balance, \$826,500, represented projected payments into the month of May. He pointed out that, if the budget was passed prior to that time, the figures could be combined into one request.

Co-Chair Harris asked why, for the sixth consecutive year, a significant amount was requested in the supplemental. He asked whether the department had been under-funded, or if caseload growth affected the amount of the request.

Mr. Spencer explained that caseload was one of a number of factors contributing to the request. He observed that in the year, which had not required a supplemental, the Ombudsman completed a report stating that OPA was delaying payments to vendors due to legislative short-funding.

Mr. Spencer discussed historical trends in caseload size. Caseload has been affected by population size and legislative changes. Changes in legislation that shortened the turnaround time in Child in Need of Aid cases caused more aggressive litigation. More intensive litigation has been required in various criminal cases, which were classified as felonies rather than misdemeanors. He stated that OPA could not decline to accept court-assigned cases, and did not have the capability to predict amounts needed to support caseloads. He pointed out that, over the past seven years, the amounts requested in the supplemental had been adjusted during the course of the legislative session as more information became available.

Co-Chair Harris observed that the two budget requests totaled over \$3 million. He asked if, since OPA cases were court mandated, this prevented any control over caseload growth. Mr. Spencer confirmed that this was true.

BRANT MCGEE, PUBLIC ADVOCATE, OFFICE OF PUBLIC ADVOCACY, testified via teleconference. He explained that the greatest increase in caseload was in Child in Need of Aid cases, when the State takes custody of a child due to accusations of abuse or neglect. He explained that the State represents the child in these cases, which have become more intensive in recent years, due to time crunches in the system. He acknowledged that, while these time efficiencies help to resolve cases more quickly and are in the best interest of the children involved, this also made the process more expensive for the State. He also noted that often the State is called on to also represent one of the parents involved in these cases, causing an increase in costs as well.

Representative Joule asked whether the increase in the amount of children's cases was a result of recent legislation.

Mr. McGee confirmed that HB 375, passed in 1998, had increased both the number and the intensity of these cases. He also noted the intent of the previous Administration to increase the percentage of investigations by the Division of Family and Youth Services into reports of harm, which increases the number of petitions filed, triggering the appointment of attorneys. He concluded that, although these changes were positive for the children, they had also increased costs.

#### PUBLIC DEFENDER'S OFFICE

##### Section 1 (a) (5) and (6)

Program shortfunding was estimated to be \$1,000.0 in May. Caseload has added an additional \$157.0. Funding is also included to continue the mental health court attorney.

Mr. Spencer then discussed the two requests for the Public Defender's Office: one for \$1.157 million from General Fund for operating costs, and one for \$73 thousand from the Mental Health Trust Authority for a court attorney. He noted that they would have requested the \$73 thousand as an RPL, but explained that the program was already underway and that an RPL was not required if the funds were approved before the end of the fiscal year.

Mr. Spencer went on to explain that the agency had anticipated the need for a \$1.2 million supplemental, and cited the number and intensity of court assigned cases as necessitating the request.

Co-Chair Harris asked whether in-depth investigation occurred into the financial situations of those requesting public defense.

BARBARA BRINK, DIRECTOR, PUBLIC DEFENDER AGENCY, noted that, due to legislative concerns regarding appointment of cases to the agency, the court system completed an in-depth study two years ago, resulting in a change in statute (Alaska Criminal Rule 39.1). She noted that, due to this Commission study, procedures had improved: the process had been tightened, specific assets were listed to account for, estimates for certain types of cases were determined, and the rigor with which indigence was reviewed had increased. She also noted that if any concerns over a defendant's ability to hire an attorney were raised, these were brought to the attention of their judicial district.

Responding to a comment by Co-chair Harris, Ms. Brink clarified that the standard applied was whether or not an individual, based on their assets and debts, as well as their location, could afford to retain counsel. She affirmed her confidence that any mistakes were corrected.

Representative Stoltze asked whether an indigent individual could request that outside counsel be hired by other family members.

Mr. Brink indicated that if the individual could obtain outside counsel that they would not be eligible for the Division's services.

#### LABOR RELATIONS

##### Section 1 (a) (7)

Arbitration settlement with ASEA union on Fair Labor Standards Act (FLSA) residual claims including interest of \$9,238.36

Mr. Spencer then discussed the request for Labor Relations, explaining that a settlement had been reached last May from Fair Labor Standards Act claims dating back to FY 1993. He stated that the settlement stipulated that the agency request funding for this fiscal year. The amount of the settlement was \$200 thousand, in addition to statutory interest from May until the time of the passage of the supplemental, estimated at \$209,800, assuming the bill was signed in June.

Mr. Spencer also explained that the outstanding claims represented a liability to the State of \$700,000 to \$1 million, if all cases were lost, in addition to hearing officer or other costs incurred. He asserted that the mediated settlement mitigated financial risk that already existed.

Representative Croft referred to the February 18 spreadsheet produced by the Office of Management and Budget (OMB) and asked whether in the Fast track Supplemental, under General Relief, there was indeed a savings of \$300 thousand in the Department of Administration (Item 1(b), Senior Services). He noted that in the Department of Health and Social Services' budget (Section 3(1) of the Fast track Supplemental), there was a cost of \$271 thousand for General Relief Assistance.

Mr. Spencer noted that the HESS budget was entirely different than that of Administration. He noted that the Department of Administration's Senior Services program, AS47.24 addressed "vulnerable adults", mandating state

assistance when an adult was reported as in danger or incapable of caring for himself or herself.

#### SENIOR SERVICES

##### Section 1 (b) (regular supplemental)

Caseload for general relief program is lower than anticipated.

Mr. Spencer clarified that the Vulnerable Adults Program there had been considerable caseload growth in the past, necessitating supplemental requests, but that no growth had occurred this year. He maintained his opinion that the program was currently over funded.

#### DIVISION OF FINANCE

##### Section 1 (a) (1) (regular supplemental)

The Division of Finance is incurring substantially more costs for accounting and payroll data processing charges, due to both increased usage and rate increases, and unanticipated increased costs due to conversion from ADABAS to DB2. (Savings in general relief program offsets \$300.0.)

Mr. Spencer stated that this was an unusual supplemental request. He explained that the Division of Finance pays for all costs related to the accounting and payroll system. He discussed the history of changes in payroll processing. He noted that the supplemental is based on a rate change from Information Technology Group (ITG), another Department of Administration program; the charge back to ITG causes the need for the supplemental request. He explained that the reasons for this have to do with cost accounting principals. He noted that rates were adjusted in the previous year, late in the budget development process, before an accurate cost projection could be made. He pointed out that, if the supplemental was not requested, it would have to be charged in some way.

In response to a question by Co-Chair Harris, Mr. Spencer stated that they anticipated that rates would be down in the following year and another supplemental request would not be necessary.

Representative Hawker referred to the contractual services line as being the item for which funding was requested. He asked whether the conversion process did not meet expectations.

Mr. Spencer conceded that the Department had not initially been aware of the costs of the conversion process. He

confirmed that the process was more lengthy and costly than anticipated. Responding to a follow up by Representative Hawker, he stated that the majority of the cost was in processing time. He also confirmed that the process was the State's own internal process, which was cost center oriented. He summarized that charges were made to the State by the State.

Representative Hawker asked about the income available for this request.

Mr. Spencer explained that it was a statutory fund in the Department of Revenue, called Internal Services. He clarified that the Department of Administration is paying the costs on behalf of other agencies.

Representative Joule asked why a request for cost equalization was not present in either supplemental.

Mr. Spencer was not able to answer that question, as it is not a Department of Administration program.

#### PIONEER'S HOME

##### Section 1(a)(2)

Cost of the certified nurse aide and assisted living aide reclassifications which was effective December 1, 2002. The classification study found that the positions were underpaid by one range compared to other similar positions. Affects 323 positions at approximately \$175 per month per position. Total of \$390.7 thousand in General Fund.

Mr. Spencer then discussed the Pioneer's Home and explained that the request was a result of a study, which compared compensation levels to other staff in the State system. He noted that, as a result, the nursing aids were upgraded by one range, and the Pioneer Home aids were upgraded by two ranges, which resulted in a net cost increase of an estimated \$700 thousand per year. The request of \$390.7 thousand is based on an evaluation of actual cost increases during the month of December, after the salary adjustment became effective. He recalled a historical situation of a raise in pay for nurses in the Pioneer Home, which was based on a different study. Responding to a question by Representative Stoltze, he noted that the Division of Personnel completed the study.

Representative Stoltze cautioned against a classification study, in which an agency was tasked with evaluating itself.

Mr. Spencer maintained that most classification studies conducted by the Division of Personnel have generated

internal controversy, since not all positions receive an upgrade as a result of the studies. He affirmed that the study in question was extensive, covering nearly 340 positions, dealing with a variety of issues, including establishing clear standards of comparison.

Representative Stoltze reiterated his question as to whether any agency would ever conduct its own classification study.

Mr. Spencer asserted that this would not be the case, and pointed to a similar case regarding employee bargaining units, which the Division of Personnel contracted out.

Responding to a question by Co-chair Harris, Mr. Spencer noted that the Pioneer Home study was completed in the fall of 2002.

Co-Chair Harris observed that the budget of last year stated that it would not pay for reclassifications, and asked if this request conflicted with that intent language.

**TAPE HFC 03 - 24, Side B**

Mr. Spencer cited the action of former attorney general Bothello determining that this language was an administrative action and did not intend to create a condition. He maintained that the State had an obligation to implement the results of the study. He also expressed his understanding that the former Administration spoke to Senator Donley and Representative Mulder about the language, but stated that he himself was not present for the discussion.

Responding to a question by Co-Chair Harris, Mr. Spencer confirmed that, if the request were not funded, the cost would come directly out of the Pioneer Home Budget. He expanded that this would mean more vacant beds, although not necessarily a reduction in staff. He also noted that as a part of fiscal monitoring, the department had, in the past, brought receipt changes to the attention of the legislature, but that at this time such changes were not clear.

Representative Hawker asked whether this was a contractual obligation or a voluntary classification study.

Mr. Spencer confirmed that the study was voluntary. He explained that a classification study was ordered when it became apparent that a group of employees, in this case 340 employees, might be misclassified.

Representative Hawker asked whether the obligation to implement the study results, as referred to by Mr. Spencer, was a legal obligation.

Mr. Spencer clarified that the obligation to implement the results of the classification study was statutory. He noted that, although the division daily faced position reclassifications, the scope of this particular reclassification was unusual.

DAVE STEWART, PERSONNEL MANAGER, DIVISION OF PERSONNEL, DEPARTMENT OF ADMINISTRATION, pointed out that the State Constitution requires that state employment be based on the merit principal. He referred to the Personnel Act, Title 39, which defines the merit system as containing a requirement to give like pay for like work. He continued that statutory changes required effective dates for job classification changes be paid on the first pay period following a study. He concluded that the obligation was therefore statutory.

Representative Croft asked whether a union or other right existed to request a study be done.

Mr. Stewart responded that union contracts contain language strongly urging them to request studies each year.

Representative Croft clarified whether a limited right existed when an employee perceived a difference between their work and their level of pay.

Mr. Stewart confirmed that, through a grievance process, an employee could order a study. Responding to another question by Representative Croft, Mr. Stewart also stated that, if the study indicated a change in salary level, the state was obligated to fund the new salary.

Representative Stoltze suggested that such studies might be examined as a means of containing governmental costs.

#### OIL AND GAS CONSERVATION COMMISSION

##### Section 1(a)(3)

Increased federal grant for the Underground Injection Control Program.  
\$14.3 thousand of Federal Funds

Mr. Spencer then addressed the request for the Alaska Oil and Gas Conservation Commission (AOGCC). He mentioned an existing federal grant for \$105 thousand, dating to FY 2001. He also noted that the request could have been addressed in an RPL, but was included in the supplemental since there was no urgency.

##### Section 16

16(2) Miscellaneous Claims and Stale-dated Warrants  
\$3,385.35 General Fund

16(3) Miscellaneous Claims and Stale-dated Warrants  
\$5,107.28 General Fund

16(4) Miscellaneous Claims and Stale-dated Warrants  
\$568.03 General Fund

Mr. Spencer referred back to Section 16 of the regular supplemental. He noted that these miscellaneous warrants were state checks that had not been cashed within the two-year limit. He also explained that the miscellaneous claims referred to debts owed by the state, where bills for services occurred more than a year after the services were given, and the funding was no longer available.

#### COMMUNITY AND ECONOMIC DEVELOPMENT

TOM LAWSON, DIRECTOR, ADMINISTRATIVE SERVICES, DEPARTMENT OF COMMUNITY AND ECONOMIC DEVELOPMENT, referred to the five items in the regular supplemental request, none of which are funded by general funds.

#### Section 2(a)

Retroactive section to ratify the transfer of \$51,000 from the disaster relief fund back to the commercial fishing revolving loan fund in response to recommendation 20 in the FY01 Statewide Single Audit prepared by Legislative Audit. 0.0

Mr. Lawson pointed out that this request was generated by an audit conducted in FY 01, for a program initiated in 1997 involving federal funds. He noted that in 1998, \$375 thousand federal funds were appropriated by the legislature into the Fund. He stated that the purpose was to mitigate the fishing industry disaster. He explained that, once the loans from the Fund were closed out, \$51 thousand remained in the Disaster Relief Fund, which was then moved into the Commercial Fishing Loan Fund. He concluded that the auditor had objected to this procedure, and recommended that a legislative appropriation be requested.

#### Section 2(b)

Change RPL 08-3-0104 for Rural Internet Access from operating to capital 0.0

Mr. Lawson referred to Section 2(b) of the regular supplemental. He explained that Regulatory Commission of Alaska received a federal grant of \$7.5 million, which was included into the operating budget. He stated that, since the program was not now projected as operational by the end

of the operating budget fiscal year, they sought to transfer the authorization from the operating to the capital budget.

Section 2( c)

Authority to receive and expend fees paid by licensees for background checks. The Division of Insurance will then enter into a contract (RSA) with Department of Public Safety who performs the background checks.  
\$200.0

Mr. Lawson then discussed Section 2(c), seeking \$200 thousand in authorization for the Division of Insurance. He explained that the Department of Public safety completes background checks for licensing in the State. He further observed that, since the September 11 attacks, the number of checks had overwhelmed the Division of Insurance, and that they had requested the process be changed.

Co-Chair Harris asked whether a corresponding decrement would be found in the Department of Public Safety's budget. Mr. Lawson did not know the answer, but speculated that issue had been addressed in past budgets.

Section 2(d)

Authority to receive and expend registration receipts from the Korea USA economic conference. The 2002 conference was held in Korea; 2003 will be in Anchorage. Subsequent years' conferences will be held in other western states.  
115.0

Mr. Lawson referred to Section 2(d) regarding an economic conference in Anchorage. He request seeks authorization to receive and spend \$115 thousand. He noted that due to the funding source these funds could only be used on the function.

Representative Hawker noted that the \$35 thousand difference between the receipts and expenses for the conference would come from the International Trade Marketing's existing appropriation.

Section 2(e) and (f)

Income is insufficient to fund appropriation due to stock market declines. Fund source switch from income to endowment and a reduction of \$6,418.6 in the appropriation, leaving authorization of \$4.1m.  
(6,418.6)

Mr. Lawson referred to Section 2(e) and (f), regarding the Alaska Science and Technology Foundation endowment. He explained that the market value of the endowment had

decreased beneath the original principal investment. He noted that the request served as a stopgap measure, which changes the funding source and reduces the spending authorization. The \$4.1 million will cover existing operations and obligations.

Co-Chair Harris questioned if it is legal for the Alaska Science and Technology Foundation to use their endowment funds without legislative approval. Mr. Lawson replied that the questioned has not yet been answered. He noted that efforts were being made to alter statute. He added that no one envisioned that the principle of the fund would be \$10 million less than the original investment. He concluded that this request representative an interim measure.

#### Section 17

17(a)(1)(A) AR 56381-02 (Delta Junction Economic Recovery)

17(a)(1)(B) AR 56385-02 (Rural Utility Mgt.)

Mr. Lawson reviewed ratifications dating back to the DCRA (Department of Community and Regional Affairs). He explained that a federal grant was closed out before \$562.85 dollars were received. The second ratification is for .83 cents.

Representative Stoltze questioned if there is a minimum standard to warrant legislative review. Co-Chair Harris responded that accounting practices necessitated exact balancing.

Representative Joule reiterated his earlier question regarding the Power Cost Equalization (PCE) program funding.

Mr. Lawson stated that the program was funded at \$15.7 million for FY 03. He further speculated that there would not be a request for additional funding. He acknowledged that PCE would not be fully funded, and pointed out that past governors have requested full funding through a supplemental. Mr. Lawson did not know the required amount for full funding, but observed that the amount would be for April through June. Responding to a follow up from Representative Joule, Mr. Lawson noted that the amount had been pro-rated. He committed to providing a more specific dollar amount for the Committee.

Co-Chair Harris summarized that the projected annual cost of providing power is higher than the actual appropriation, therefore the payments have been pro-rated. Mr. Lawson observed that the department anticipated that the amount would not be sufficient and began prorating from the first month.

DEPARTMENT OF CORRECTIONS

JERRY BURNETT, DIRECTOR, ADMINISTRATIVE SERVICES, DEPARTMENT OF CORRECTIONS provided information regarding the department's supplemental requests.

Section 2(a)

Costs incurred due to the November 19, 2002 accident involving a prisoner transport van at mile 19.5 of the Seward Highway.

Section 2(b)

Due to increased negotiated contract amount with Municipality of Anchorage, the department will realize increased manday billings and needs receipt authority to utilize those receipts.

Mr. Burnett explained that the requests related to an auto accident occurring in November of 2002. He explained that the amount needed to cover the cost of health care for the three injured inmates was estimated at \$1 million. He noted that the bill requested \$500 thousand from program receipts, which would then replace the \$500 thousand, requested in general funds.

Co-Chair Harris observed that fault had not yet been determined. Mr. Burnett speculated that, upon completion of the police report, insurance payments would be pursued by the State to return to the General Fund.

Section (3) of the Regular Supplemental

Prior year bill for dialysis services for an inmate in FY2002. The vendor inadvertently billed a wrong party and recently discovered the error. An appropriation is needed in order for the department to pay the bill of \$187,680.05.

Mr. Burnett explained that the department received a bill for a patient for dialysis treatment in FY02. He noted that the bill was received in June 2002 and was submitted to Medicare. Medicare remanded the charge to the state of Alaska. He pointed out that, since the fiscal year had been closed out, the department could not pay the bill without a supplemental request.

Responding to a question from Representative Meyer, Mr. Burnett noted that the patient was no longer in the Alaskan correction system, but was released on June 18, 2002. He went on to explain that a final bill for services had been billed in June of FY 02, and that Medicare had refused payment.

Responding to a question from Representative Chenault, Mr. Burnett clarified that the bill is from a private provider in Anchorage.

In response to a question by Representative Whitaker, Mr. Burnett explained that Medicare would not pay for a prisoner in state custody.

Mr. Burnett noted that, in a case like this that required extensive medical treatment, a policy existed that would normally transfer an inmate to an out of state provider where care was more cost effective.

Representative Whitaker asked whether the amount was beyond what was customary.

Mr. Burnett stated that these were customary.

Representative Stoltze asked whether refusal of the legislature to pay the amount would aid in negotiating the bill. Mr. Burnett stated that the Agency was obligated to pay the stated amount.

17(a)(2)(A) AR 50981-01 (Noncust Fingerprints)	\$219.77GF
17(a)(2)(B) AR 50982-01 (ADAM Pgm/Univ AK Anc)	\$66.65 GF

Mr. Burnett noted other miscellaneous requests, which were to complete bookkeeping, including some stale dated warrants.

Representative Croft stated his understanding the stale dated warrants were funneled through Administration.

HB 100 and HB 110 were heard and HELD in Committee for further consideration.

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ADJOURNMENT

The meeting was adjourned at 3:48 PM