

HOUSE FINANCE COMMITTEE  
February 25, 2003  
1:47 P.M.

TAPE HFC 03 - 25, Side A  
TAPE HFC 03 - 25, Side B  
TAPE HFC 03 - 26, Side A

CALL TO ORDER

Co-Chair Harris called the House Finance Committee meeting to order at 1:47 P.M.

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

David Teal, Director, Legislative Finance Division; Eddy Jeans, Manger, School Finance and Facilities Section, Department of Education and Early Development; Janet Clarke, Director, Division of Administrative Services, Department of Health and Social Services; Patty Ware, Director, Division of Juvenile Justice, Department of Health and Social Services; Kevin Brooks, Director, Division of Administrative Services, Department of Fish and Game; Kathryn Daughhete, Director, Administrative Services Division, Department of Law; Patrick Gullufsen, Deputy Attorney General, Criminal Division, Department of Law; Scott Nordstrand, Deputy Attorney General, Civil Division, Department of Law; David Marquez, Legislative Liaison, Assistant Attorney General, Civil Division, Oil, Gas & Mining, Department of Law; John Cramer, Director, Administrative Services, Department of Military and Veterans Affairs; Nico Bus, Acting Director, Division of Administrative Services, Department of Natural Resources.

PRESENT VIA TELECONFERENCE

Jeff Jahnke, State Forester, Department of Natural Resources, Anchorage; Sharon Young, State Recorder, Department of Natural Resources, Anchorage; Peter Panarese, Acting Director, Division of Parks, Department of Natural Resources, Anchorage; Captain Howard Starbard, Director, Division of Fish and Wildlife Protection, Department of Public Safety, Anchorage; Roberta Carney, Division of Emergency Services, Department of Military & Veterans Affairs, Anchorage.

SUMMARY

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 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.

#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.

DEPARTMENT OF EDUCATION & EARLY DEVELOPMENT

Section 5(a)

Out of State Placement educational cost increase due to increased number of clients and increased length of stay. \$366.8

EDDY JEANS, MANGER, SCHOOL FINANCE AND FACILITIES SECTION, DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT, clarified that Department of Education & Early Development had requested the funding for increased costs for out-of-State placement for educational costs of children that are wards

of the State. The increase is due to the number of students served.

Section 5(b)

General fund reduction due to preliminary actual for foundation program that reconciles initial October student count to the electronic data. (\$6,728.8)

Mr. Jeans explained that there are supplemental funds available in the foundation program. The student-counts this past October came in lower than anticipated by the Department, which leaves \$6.7 million dollars available.

Representative Croft asked if that \$6.7 million was left from anticipated need for the operation of the normal foundation, which would not be needed. Mr. Jeans acknowledged that was correct and that fewer children showed up this year than anticipated. Additionally, there was a slight increase in impact aid, which does reduce the State obligation.

Representative Croft questioned if that amount was not appropriated through supplemental funding, what will happen. Mr. Jeans understood that it would lapse to the general fund at the end of the fiscal year. He added that he did not know where the money would be going.

Representative Croft thought that the action "artificially" made the supplemental look \$6 million dollars less than it really is and that it would be going for "other" supplemental purposes.

Co-Chair Harris informed members that it could be taken off the books for Legislative use. If nothing is done with it, it could then be available for Legislative use.

Co-Chair Harris referenced line item 5(a) and questioned its relationship to the Denali Kid Care program.

JANET CLARKE, DIRECTOR, DIVISION OF ADMINISTRATIVE SERVICES, DEPARTMENT OF HEALTH AND SOCIAL SERVICES, responded that there is a relationship with Denali Kid Care. For many of the children in the out-of-State residential psychiatric treatment centers, they do qualify for Medicaid and Medicaid does pay the treatment costs; however, Medicaid is prohibited from paying their educational costs. Those costs are a responsibility of the State.

Ms. Clarke responded to a query by Co-Chair Harris, noting that at present time, there are 84 kids in State custody in the out-of-State placement. Those children are in 22 different treatment facilities throughout many different states. Most of the facilities are locked facilities.

There is limited capacity in Alaska for locked facilities. She noted that the children that are out-of-State, are actually staying longer on the average from last year. The length of stay in those facilities is at least 10-12 days longer than last year, which is adding to those costs.

Section 15(b) & ©

(b) Increase School Fund appropriation for school debt reimbursement by amount of FY2002 cigarette tax carry forward and increased collections.

© School construction reimbursement estimate has decreased from \$56,378.4 to \$52,536.0, a reduction of \$3,842.4 needed to capitalize the debt retirement fund. That amount plus the \$2,593.9 debt retirement fund reduction above is the amount the debt retirement fund is overcapitalized in FY03.

Mr. Jeans noted that this year, the Department has determined that they will not need a sum of \$28 million dollars to fully fund the debt reimbursement program. The second piece of the request is that a determination has been made that there is \$2.5 million dollars available in the Tobacco Tax Fund that the Department could use to offset the general fund requirement for the debt reimbursement.

Co-Chair Harris questioned why they would want to consider that. Mr. Jeans responded that tobacco tax revenue is dedicated to that reimbursement and it is available.

Representative Croft pointed out that the concern is that the Department would be using \$6 million dollars in each pot of non-general fund money to make the supplemental appear less. He claimed that action could cut the Legislature's options later on. Next year, much more will be needed for the debt retirement and that 'setting aside the individual items' will be problematic.

Representative Whitaker questioned how it could that be problematic.

Representative Croft explained that there is \$75 million dollars of general fund spending proposed, and taking money out of the foundation formula left over funds and taking \$6 million out of debt retirement, more will be needed next year.

Representative Whitaker interjected that since this is the same year, the Administration recognizes that this would not be a carry forward. He did not see this as an accounting concern or a political problem.

Section 16(9)

Miscellaneous Claims and Stale-dated Warrants \$47.50

Mr. Jeans noted that the request was for a late billing on a copier charge.

DEPARTMENT OF FISH AND GAME

Section 16(5)

Miscellaneous Claims and Stale-dated Warrants  
\$3,000.00

KEVIN BROOKS, DIRECTOR, DIVISION OF ADMINISTRATIVE SERVICES, DEPARTMENT OF FISH AND GAME, noted that these were miscellaneous claims and the Department has identified one additional item for that section for another \$250 dollars. Most of the claims are for bills that were over two years old when submitted. The Department of Law cannot pay them paid out of the current year appropriations.

Section 17(a)(4)(B)

Ratifications: AR42100-02 (Administrative Services)

Mr. Brooks stated that the amount requested is \$8.05, which would be used for an accounting issue. The supplemental would clean up that adjustment.

Section 17(a)(5)

Ratifications: AR 47829-03 (RS DOT/AST DET .08)

Mr. Brooks noted that the amount of the request was for \$16,047 dollars. The request was submitted after the cut-off date.

DEPARTMENT OF HEALTH AND SOCIAL SERVICES

Section 3(1) - Fast Track Supplemental

Caseload growth. Current funds projected to be fully spent by mid-April. \$271.0

JANET CLARKE, DIRECTOR, DIVISION OF ADMINISTRATIVE SERVICES, DEPARTMENT OF HEALTH AND SOCIAL SERVICES, explained the request was for \$271 thousand dollars for the General Relief Assistance (GRA) program, which dates back to territorial days. The State has paid the costs for indigent burials and emergency assistance for the very poor individuals. The burial part of the program has grown by 10 or more per month.

Vice-Chair Meyer asked the total monthly number. Ms. Clarke responded that there are nearly 42 per month. She pointed out the General Relief Assistance chart included in members packets. (Copy on File).

Co-Chair Harris asked if the program had been intentionally under-funded. Ms. Clarke replied that it had had not been under funded; the Department had not projected it correctly. She explained that there is a growing elderly poor population. The Department plans to look at the program to determine if there are existing demographics associated.

Representative Hawker commented that expenditures from FY00 - FY01 were same number and then all of a sudden in FY02, there was a 40% increase. He pointed out that the projection for this year was consistent with that number. He asked what had happened between FY01 and FY02 that would such a significant increase.

Ms. Clarke responded that the Department had not looked at that to determine if there had been a change during that time frame.

### Section 3(2)

Formula program short funding in the amount of \$445.3  
and caseload growth of \$170.0. Current funds projected  
to be fully expended in May. \$615.3

Ms. Clarke noted that the request was for foster care special needs in the amount of \$615,300 dollars. The program pays for one-time items in the foster care program. She pointed out that the program had been 'under-funded' by the Legislature last year. The bulk of the supplemental funding resulted from under funding in the FY03 budget.

Representative Hawker referenced the first six-month detail versus those projections. He advised that travel costs for that section typically had run small numbers. However, in September and October, those numbers increased dramatically. He asked if any of those costs had been subject to judgments.

Ms. Clarke responded that all of the travel expenses were client related. The Department pays for parents to visit children for reunification purposes, etc. She acknowledged that the Department could always do a better job when looking at the travel costs to make sure that they are the most cost effective possible. She stressed that for this program, every payment is scrutinized before it is authorized.

Representative Hawker commended the Department on their preparation for the Supplemental Budget request. He reiterated that most of the requests had been well documented, however, this section needs to have more information provided.

Co-Chair Harris inquired if there were ever times when there were more than one-time special needs. Ms. Clarke advised that foster care has several different components.

- There is the base rate component which pays the monthly foster care payment to the foster parents; and the
- Augmented component for the very difficult special needs child. The foster parent is then paid an additional rate every month.

Foster care special needs are for one-time purposes. It could be that a child has a one-time purchase for special equipment and/or clothing. The program is about one-time purchases of specific needs and is not a reoccurring event. She stressed that these are not a re-occurring monthly expense.

### Section 3(3)

Formula program short funding \$2,000.0 and caseload growth in the amount of \$833.3. Current funds projected to be fully expended in April. \$2,833.3

Ms. Clarke commented that the request was for the subsidized adoption and guardianship program in the amount of \$2.8 million dollars. She explained that the program provides a subsidy for the special needs children that are adopted. The subsidy covers the needs of those children until they reach 18 years old. This is federal reimbursement through the Title 40 program. Last year the request was under funded by \$2 million dollars. She stated that the program is a success as the program pays less than foster care and the children are getting a permanent home. Ms. Clarke pointed out this year's program growth of 9%.

Co-Chair Harris asked if this program was related to the 'balloon project'. Ms. Clarke responded that none of this program was funded through that project. She added that the balloon project has helped get children permanent home placements.

Vice-Chair Meyer assumed that the foster parents that adopt these children do it out of love. He asked if the children would still get adopted without these subsidies. Ms. Clarke responded that it would be more difficult for some families to take on the extra financial burden because many of these

kids have a lot of problems. The federal government as well as the State government has adopted this program to guarantee that the families are not disadvantaged by these adoptions.

Representative Hawker advised that the program has been short funded 5 out of the past 6 years. He noted the indirect cost savings, as Division of Family and Youth Services (DFYS) no longer carry the children. He asked if there was an off set cost savings in the base rate.

Ms. Clarke acknowledged that the Department has looked at that for savings. She noted that the Legislature cut those projected savings out of the budget already. It was reduced in the Governor's request from \$11.3 million down to \$10 million dollars.

Representative Hawker voiced concern with the projected increase of children in the program. He noted that it had been running approximately 9-10 children per month and then commencing January; the projection was raised to 18 children each month, for the remainder of the year. Ms. Clarke pointed out that in January and February, the Department has already had 18 new enrollees. She added that the Department would look at the increased numbers to determine if in the last six months, there was an increase in participation.

Representative Hawker stated that the line item had been a substantial request in the amount of \$2.8 million dollars. He asked if there was any room to compromise on that number. Ms. Clarke responded that the Department attempts to provide an update on the formula programs in March to determine if the projections are in line.

Representative Whitaker commented on the method of payment for the program. Ms. Clarke advised that there is a contract with the parents and that they receive a monthly payment.

Representative Croft noticed that the Department had attempted to indicate the amount saved from subsidized adoption as opposed to foster care. He projected that daily number was around 20. Ms. Clarke stated that the children in the subsidized program are all special needs children. The foster care program costs run about \$41 dollars a day and the subsidized adoption program costs run about \$23 a day.

Representative Croft estimated that would be about \$7,000 per child, with a total savings of approximately \$13 million dollars. He asked what would be the effect be of under-funding and then attempting to make a contract with the parent for the special needs child. Ms. Clarke stressed that the Legislature has always come through for this

program. The Legislature shares the goals for all children to be placed in permanent homes. She added that it would be a breach of contract.

Section 3(4)

Caseload growth. Current funds projected to be fully spent by the end of May. \$110.0

Ms. Clarke stated that the request was for \$110 thousand general fund dollars for old age assistance for Alaska Longevity hold harmless. This is the program that holds people harmless from receiving a longevity bonus, a benefit drop from the Adult Public Assistance (APA) or the Supplemental Security Income (SSI) components. The reality of the request is that last year; the Department had suggested a decrement of \$232 thousand dollars. The Legislature adopted that decrement. The program is declining, but not as quickly as thought. She acknowledged that this mistake was that of the Department.

Co-Chair Harris inquired about the trend the Legislature had taken to make that decision. Ms. Clarke stated that in FY01, the Department decreased the program by almost 11%; in FY02, the program was decreased by 10%, and the Department anticipated that they could decrease it in FY03 with a 11% reduction, however, in reality, that amount turn out to be a 7% reduction.

Co-Chair Harris asked how many people qualify for that program. Ms. Clarke responded that there are 1,137 Alaskans that qualify.

Section 3(5)

Funds to hire superintendent and unit leader and provide other operating funds needed to open the facility that will be completed April 15, 2003. \$155.2

Ms. Clarke remarked that the request was for \$155 thousand dollars to allow the Department to open the new Kenai Peninsula Youth facility. The construction will be complete in mid April. The request would allow the facility to be staffed so that there can be kids in the facility by July 1<sup>st</sup>.

Co-Chair Harris asked if the request were not received at this time, would the Department then enter it into the normal budgeting process. Ms. Clarke acknowledged that would be difficult given that the utility costs. She added that it is important that there is enough security to make sure that the facility does not get vandalized.

Vice-Chair Meyer inquired how much money would be needed for the superintendent position. Ms. Clarke pointed out that the backup failed to indicate that the requested amount includes two and half months for superintendent costs and unit leader for one full month. She indicated that the supplemental could be decreased, while keeping the superintendent and unit leader on while hiring the staff.

Representative Hawker advised that the request was predicated upon opening the facility by the mid April completion date.

In response to Representative Hawker, Ms. Clarke advised that the Department had received appropriation for the construction of the project two years ago. They also had received the design and planning money before that. Construction began this past year.

Representative Hawker asked if the anticipated completion date for the project would be early. Ms. Clarke indicated that had been the scheduled date for completion for quite some time. Funds had not previously been requested for opening the facility.

Representative Hawker found it troubling that the Department was requesting funds to fully staff the facility at this time. He noted that the size of the request. He asked if there was funding available from other facilities to help cover these costs or if employees running other facilities could be brought in to manage this one for the initial opening.

PATTY WARE, DIRECTOR, DIVISION OF JUVENILE JUSTICE, DEPARTMENT OF HEALTH AND SOCIAL SERVICES, responded that it was possible that staff from other facilities might apply for the positions of superintendent or unit leader; however, in terms of transfer opportunities, the reality is that someone would choose to apply for a promotion. There are potential savings in other facilities.

Representative Stoltze commented that recruitment would not be a problem in the Kenai area. He added that he did not think that there was a sense of urgency for funding the project.

Representative Chenault commented that bringing the facility on line earlier would keep the Department from needing to transfer juveniles to Anchorage.

**TAPE HFC 03 - 25, Side B**

Representative Chenault continued, that action would encourage the Department to address the concern on the local level. He admitted that he had not kept track of the work being done on that facility and acknowledged that there will be costs associated whether the project is funded or not. Those costs will be related to the utilities.

Ms. Ware added that it takes a significant amount of time to provide the appropriate staff training. She noted that the some staff might transfer, however, the Department anticipates a number of new hires from the Kenai. That will require the Division to do a significant amount of on-site training. Part of the request allows the Division to gear up and have a trained staff by July 1<sup>st</sup>.

Co-Chair Williams advised that the funding had not been added last year as the Legislature proposed that funding could be addressed through this supplemental. He did not foresee any problems with that.

#### Section 8(a)(1)

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.) \$400.0

Ms. Clarke spoke to the Adult Public Assistance (APA) program request in the amount of \$2.368 million dollars, including the combined federal assistance funds that would meet the need of that program. The program provides a cash supplement for those that receive SSI. The State provides about \$362 dollars per month, and the feds provide approximately \$500 dollars per month up to a total of \$890 dollars per month. The individuals on the program have to be low-income elderly or permanently disabled person. The FY03 appropriation was reduced by \$1.8 million dollars last year and part of the supplemental is due to that shortfall. There has been consistent growth in the program and it has averaged 5% the last ten years. She pointed out that the disabled population seems to be growing at a faster rate than the elderly population.

Representative Hawker commented that the program has become a two to one ratio of disabled to elderly. He questioned the reasons for the exponential growth in the program. Ms. Clarke pointed out that previously, the disabled population would have been treated in institutions. The State is now able to serve the disabled person in their home. The supplemental would provide cash assistance so that these individuals can remain in their own homes or assisted living homes. As people are living longer, some of the elderly

become disabled and then reclassified. She added that disabled children are being identified at an earlier age and are tending to live longer.

Representative Hawker observed that the formula is a 'matter of statute' and added that it is the highest supplement in the United States. He questioned if there are other areas with lapsing funds.

Ms. Clarke responded that other programs such as General Relief assistance, old age assistance and the welfare, located in the same BRU, have requested supplemental assistance. She did not anticipate additional lapsing funds. The program has a maintenance of effort requirement in order to receive the federal Temporary Assistance to Needy Families (TANF) block grant.

Section 8(a)(2)

Unanticipated federal grant award to fund Child Abuse Treatment Plans for Alaska Native Children and Parents project. \$450.0

Ms. Clarke observed that the request in the amount of \$450 thousand federal fund dollars would be used for the Indian Child Welfare Act to allow the Department to increase Native foster home participation and to work with the Native Health Board. The program is 100% federally funded and no State matching funds required.

Sections 8(a)(3) - 8(a)(8)

8(a)(3) Population increase of 18.9% has resulted in increased overtime of \$16.7 and laundry, food, and clothing costs of \$9.1. FY2002 average population was 179.6, while FY03 has averaged 198.3. \$25.8

8(a)(4) Extraordinary medical costs including MRI, extensive brain testing, weekly allergy shots, and surgery. \$20.0

8(a)(5) Staff for population increase. Average daily population has increased 36% over FY02. Facility capacity is 6. Average population in FY02 was 6.9, while in FY03 the average population has been 9.3. \$100.8

8(a)(6) Medical costs for physical therapy for 1 youth. \$11.5

8(a)(7) Population increased 34.7% over FY02 and extraordinary medical costs. \$35.0.

8(a)(8) Operating costs driven by increased number of licenses and certificates, including non-permanent positions to deal with backlogs. Also covers rent for a move into a new facility earlier than anticipated.  
\$195.0

Ms. Ware discussed the difficulties with the current budget dealing with the pressures and population problems. She pointed out the pressure this fiscal year in the Bethel Youth Facility and the Nome Youth Facility. She observed that the Bethel Youth Facility is over capacity and children from there have been sent to Fairbanks. She compared the average monthly bed days and observed that there has been a 46% increase. Bethel consistently has been overcrowded and it is continuing to grow. She stressed that the number of increases in the Class A felonies. None of the youth in the detention unit are there for anything less than a very serious offense.

Ms. Ware discussed increases in the Nome Youth Facility. It is a six-bed facility and has operated with as many as 9 to 12. She acknowledged that many of the youth are from other areas. Staff has had to be increased to address the concerns.

Ms. Ware remarked that the Division has not been able to absorb the increased costs. There was a \$70 thousand dollar cost for the American Correctional Association Accreditation, which insures that outside reviewers check the detention and treatment facilities. Due to the increased detention counts, the Division has had to pay for escorts and travel costs related to transferring children to other facilities.

Ms. Clarke pointed out that the other costs include extraordinary medical costs. The State does attempt to go after their insurance if they have it, however, most are not insured.

Co-Chair Harris asked about the McLaughlin Youth Facility.

Ms. Ware explained that youth picked up in Kenai area are then brought to the McLaughlin Youth Facility. The Kenai Facility will be used for short periods of time for detention time. These are not treatment beds.

Co-Chair Harris commented that the opening of the Kenai Facility would not necessarily bring down the cost of McLaughlin. Ms. Ware understood that it would in the longer term.

Ms. Clarke noted that the Department shows that the McLaughlin Facility averaged daily a population of just fewer than 180 in FY02; currently, it is running just over

198 daily. If those were detention kids, there would be some relief.

Representative Stoltze asked if there were any court directives regarding the capacity concerns. Ms. Ware stated there are not. The Division uses the tools of making sure that they have the accreditation guaranteeing that they are in compliance.

Vice-Chair Meyer questioned if other correctional centers required a local contribution. Ms. Clarke noted that many of the local communities have donated land. Anchorage is the only municipality that participates in the operating budget.

Representative Hawker observed that Nome request was over \$224 thousand dollars. He pointed out that the Juvenile Justice budget for FY03 had been \$35 million dollars. He pointed out that this request was for .6% of their annual budget. That 'troubled' him that the Division did not have enough managerial control to deal with such a small variance.

Ms. Ware emphasized that the Division's budget has been very tight. She explained that the Division has maintained vacant positions and undertaken a number of things to keep the budget under control. She offered to meet with Representative Hawker to discuss these concerns.

Representative Foster interjected that the Nome facility houses kids from all over Arctic Alaska and that the overcrowding has not resulted from only Nome kids.

Section 8(a)(b)

8(a) Operating costs driven by increased number of licenses and certificates, including non-permanent positions to deal with backlogs. Also covers rent to move into new facility earlier than anticipated.  
\$195.0

8(b) Claims growth and match rate adjustment.\$10,991.3

Ms. Clarke noted that these were supplemental requests for a total of \$195 thousand dollars in receipt-supported services for Vital Statistics. A few years ago, Vital Statistics increased their fees for certificates by \$5 dollars to help pay for their activities. She noted that the supplemental request had two components addressing:

- A considerable backlog. The Division hired temporary staff to reduce that backlog.

- Moving costs and a small amount for an additional lease cost. The Juneau office moved to a new facility in the Lemon Creek area. The Legislature authorized funds for seven months.

Vice-Chair Meyer commented that he had received a certificate for his adoptive child and that it was a small charge. Ms. Clarke responded that the charge for that type certificate is \$15 dollars.

Vice-Chair Meyer recommended that fee costs be increased. Ms. Clarke responded that would be good especially if service levels could be increased.

Co-Chair Harris noted that the Division earns more than they spend. Ms. Clarke discussed that the amount earned over budget for FY02 was \$132 thousand dollars. She advised that the Department was requesting \$195 thousand dollars. It is anticipated that the Division will earn \$215 thousand dollars this year.

Representative Croft clarified that the Division is requesting to be able to keep the fees that they are already raising.

Representative Joule asked when the fees previously had been raised. Ms. Clarke did not know when the increase occurred.

#### Section 8(b)

##### 8(B) Claims growth and match rate adjustment.\$10,991.3

Ms. Clarke indicated that the request was for the Medicaid services. It is a request for \$28.1 million general fund dollars. The request resulted from changes in the federal Medicaid authorized percentage rate, which impacts the program dramatically. Prior to 1998, Alaska was a 50% match State. Then Senator Frank Murkowski was able to bring the rate up to 59.8% percent. In FY00, Alaska's rate changed and then Senator Murkowski increased Alaska's overall rate by 5% because the cost of living was so much higher. That was good for the State; however, the Bureau of Economic Analysis changed the way the national formula calculates per capita income, and that went into the national formula for the rate. Due to the way that they recalculated that, Alaska took a 3% hit in the rate. Last year, the Legislature did provide funds to address that rate and at the time, legislators anticipated that there would be some way that Congress would be able to fix it. However, that did not happen.

The other change in the rate is that the Division had budgeted a larger amount that they thought would be 100%

claimable from the Indian Health Service facilities. That money has not been seen. The other request is for growth in the program.

Co-Chair Harris asked how the Administration was attempting to do to curb the growth of Medicaid expenses.

Ms. Clarke advised that in the past week, regulations had been adopted which allow the Department to do more administrative cost containment in the program, which will impact the long run. At present time, there is a billing lag within the Medicaid program. Ms. Clarke advised that the Administration is also considering other options.

Co-Chair Harris inquired if the poverty level percentage would be analyzed.

Ms. Clarke asked if Co-Chair Harris was referring to the Denali Kid Care program. There are varying percentage levels of poverty that the Medicaid program covers. The Commissioner is looking at all those rates with everything being on the table.

Ms. Clarke distributed the Option List. (Copy on File). She explained that the way that list works, it is important to cut the #1 service first; however, the items at the top of the list are the ones that are most cost effective. That would not be a good tool. She emphasized how complicated this matter is and that the option list is not a good cost cutting tool.

Co-Chair Harris asked if the option list statute were to be changed or eliminated, would that help the Department. Ms. Clarke responded that it could provide more flexibility in managing and that is what other states are doing.

Sections 8(c) & (d)

8(c)&(d) Suicide Follow-back Study; extend lapse date to June 30, 2004.

Ms. Clarke commented that the request was for a lapse date extension for the Suicide Follow-back study.

Section 16(6)

Miscellaneous Claims and Stale-dated Warrants  
\$42,267.93

Ms. Clarke noted that the request was for ratifications. One for approximately \$2.7 million dollars for the Medicaid Program in response to a budget shortfall. The federal fund claims had been disallowed in that amount.

The second ratification request was for \$54.9 thousand dollars from the federal Title 4-E Program. The Department claimed the funds at the federal rate; upon review, it was determined that they should not have been claimed as federal costs.

Ms. Clarke pointed out the third section was a whole number, (30+), claims resulting from old invoices and late bills.

DEPARTMENT OF LAW

Section 4(a)

Criminal Justice Litigation - Outside counsel and experts for the parental consent lawsuit \$432.6 and the sex offender registration lawsuit \$150.0

KATHRYN DAUGHHETEE, DIRECTOR, ADMINISTRATIVE SERVICES DIVISION, DEPARTMENT OF LAW, explained that \$582 thousand dollars for the Criminal Division for two cases used in defending Alaska Statutes and that the one for sex offender registration, funds of \$150 thousand dollars had been expended. The balance of that request is for \$482 thousand dollars and would be used for the Planned Parenthood cases. The trial phase of that has just been completed in Anchorage. The requested funds are for the expenses incurred for 2 attorneys and the anticipated costs in preparing the post trial brief and appeal costs.

Co-Chair Harris asked why outside counsel had been hired. Ms. Daughhete stated that a Supreme Court brief is complicated language and that the State needed someone experienced in drafting that type language.

PATRICK GULLUFSEN, DEPUTY ATTORNEY GENERAL, CRIMINAL DIVISION, DEPARTMENT OF LAW, added that these two cases are within the Criminal Division's management responsibility. They are connected with criminal activity and legislation. With respect to the Alaska's Sex Offender Registration Act and the hiring of outside counsel, the Department used in-house counsel up through the 9<sup>th</sup> Circuit. They ruled the statute unconstitutional. In 1994, the 'toughest' sex offender laws were passed by the Legislature. The case was the first before the Supreme Court. The Department of Law, at that point, thought it was appropriate, given the significance of the case nationwide, to hire the best that could be found in outside counsel to represent the case.

Section 4(b)

Oil and gas caseload shortfall. \$500.0 is needed for the reopener-specific casework and \$100.0 for ongoing D.C. casework primarily regarding Federal Energy

Reserve (FERC) and TAPS (utility) reopener.  
Extended lapse date thru June 30, 2004 \$600.0

Ms. Daughhete explained that within the Oil and Gas Division, the Civil Division needs \$6 thousand dollars to deal with reopening cases on the horizon. The Department of Law anticipates that the oil companies will marsh significant resources and the State needs to be on equal footing to protect the interest's in these royalty items.

**TAPE HFC 03 - 26, Side A**

DAVID MARQUEZ, LEGISLATIVE LIAISON, ASSISTANT ATTORNEY GENERAL, CIVIL DIVISION, OIL, GAS & MINING, DEPARTMENT OF LAW, explained that if the Department does not receive the money, they would have to do it 'in-house'. He did not believe that they had the expertise.

Co-Chair Harris asked what would happen if the State prevails. Mr. Markus responded that if the State prevails, Alaska could get up to \$60 million dollars in royalties through to June 2003, and could then expect some \$10 million per year in royalties from then on.

Representative Joule asked what would happen if Alaska did not do this and if it would it be a technical violation of the Constitution. Mr. Markus did not believe that it could rise to a constitutional issue; however, the State should do all that it can to make the argument, so that the State will prevail.

Section 9

Judgments and Claims  
\$1,064,246.51 GF, \$72,053.97 PERS \$1,136.4

Ms. Daughhete pointed out the Judgment and Claims request. She added that component would total \$4 - \$5 million dollars when the Catastrophic Reserve Fund was added in.

Section 10

Fairbanks DA office had unexpected move and lease costs due to the Department of Transportation and Public Facility's closure of Fairbanks court building. \$95.0

Ms. Daughhete observed that the Department of Transportation and Public Facilities decided to close the State owned facility in which the District Attorney's office was housed. The office was moved to a non-State facility, which required lease costs.

Co-Chair Harris questioned if there would be a RSA from the Department of Transportation and Public Facilities, reducing the supplemental request. Ms. Daughhete explained that issue was yet to be determined. There could be a shortfall in the prosecutorial effort of vacant positions if the funding is not realized.

Section 16

MISCELLANEOUS CLAIMS AND STALE-DATED WARRANTS  
\$17,947.00

Ms. Daughhete noted that there were set of stale-dated warrants that the Department has accumulated in the amount of \$17 thousand dollars and that they need to be paid.

DEPARTMENT OF MILITARY AND VETERANS AFFAIRS

Section (4)

Criminal Justice Litigation - Outside counsel and experts for the parental consent lawsuit \$432.6 and the sex offender registration lawsuit \$150.0 \$582.6

JOHN CRAMER, DIRECTOR, ADMINISTRATIVE SERVICES, DEPARTMENT OF MILITARY AND VETERANS AFFAIRS, noted that the request was in the amount of \$42.7 million dollars to capitalize the fund for declared disasters during the FY03 and for emergency preparedness and operation costs. He added that \$680 thousand dollars has been the appropriation seed money for the period of time until the fiscal year starts. The additional \$150 thousand dollars is for items associated with running the State Emergency Coordination Center around the clock. The additional \$30 thousand dollars will be used for the Alaska State Defense Course for protecting assets.

Section 11 (a)&(b)

11(a) and (b) Structure change to move Commissioner's Office and Unallocated Reduction components to National Guard BRU

Co-Chair Harris pointed out that the Commissioner's Office was requesting a structure change. Mr. Cramer could not provide information on the reason for that request.

DEPARTMENT OF NATURAL RESOURCES

NICO BUS, ACTING DIRECTOR, DIVISION OF ADMINISTRATIVE SERVICES, DEPARTMENT OF NATURAL RESOURCES,

Section 7

Fixed costs and fire suppression costs incurred to  
date. \$19,033.8

Mr. Bus observed that the request was for \$19 million dollars for fire suppression. Co-Chair Harris asked historical information regarding the costs associated with fire suppression.

Mr. Bus replied that the average fire suppression expense is about \$14 million dollars.

Co-Chair Harris asked if the Legislature put \$14 million dollars into the budget this year, would the Department then not need to request a supplemental. Mr. Nico responded that he would hope so as that would mean that there would have been fewer fires than this past year, which was a high year.

Co-Chair Harris questioned if 'hot shot fire crews' were used to fight outside of their local areas. Mr. Bus explained that the 'hot shot' crews are an elite group and are not always called as they cost more. There are 70+ village crews that are made up of 16-20 member teams that are trained by the Division of Forestry. They are on a rotation schedule and those are the crews that are usually called in.

Co-Chair Harris asked about the practice the Department uses in hiring crews.

JEFF JAHNKE, (TESTIFIED VIA TELECONFERENCE), STATE FORESTER, DEPARTMENT OF NATURAL RESOURCES, ANCHORAGE, explained that there are four hot shot crews in the State of Alaska. They are sponsored by the federal government. The Department brings those crews on early to do work around Anchorage and Kenai to reduce the damage of the bark beetle. They are on all summer and spend much of their time on demand. They are also used in the fall to do field reduction work and then they are laid off and brought back the next year. They are a very good crew.

#### Section 12(a)

Increased costs to process heavy volume of mortgage  
refinance activity and increased postage and supplies  
costs. \$149.1

Mr. Bus noted the \$149.1 thousand dollar request for the Recorder's Office as a result of the low interest rates and refinancing of loans, program receipts have increased.

#### Section 12(b)

Increased fees for City of Kodiak park maintenance contract. \$4.0

Mr. Bus explained that the request in the amount of \$4 thousand dollars would allow for the management of a city park in Kodiak.

Co-Chair Harris observed that last summer many parks had been closed due to budget restraints. He questioned how the parks could be opened without a supplemental request.

Mr. Bus clarified that last year's appropriation had been short-funded. Some parks were opened as a result of the Capital appropriation. The Department is evaluating the situation and currently is in discussion with the Governor's Office with the anticipation that all parks will open.

Co-Chair Harris questioned what would happen if a local non-profit group volunteered to keep them open at their expense. Mr. Bus responded that the Department would attempt to support that effort.

Section 12©

National Coastal Wetlands Conservation grant pass thru to Juneau for purchase of wetlands near Herbert River. \$553.0

Mr. Bus observed that the request was for \$553 thousand dollars for a federal grant for the Department of Natural Resources to distribute to the City of Juneau.

Co-Chair Harris noted that property has been deforested. Mr. Bus observed that the owner had begun cutting on the property to the dismay of many local residents. The owner has agreed to sell the land to the City & Borough of Juneau and this appropriation would allow the purchase of that land. The City & Borough of Juneau has taken action and will own the property.

Representative Hawker understood that there were a number of complications and protests within the community regarding the sale of the land. Mr. Bus advised that the issues had been resolved through the Planning Commission.

Section (17)(b)

FY02 Fire Suppression costs AR37313-02 Fire General Fund and AR37311-02 Fire Federal Receipts

Mr. Bus discussed the fire suppression request for \$13,340,900 dollars. He explained that the funds were spent after the last legislative session adjourned. He pointed

out that this had been the fifth largest fire year on record for the State of Alaska.

Co-Chair Harris stated that HB 100 & HB 110 would be HELD in Committee for further consideration.

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ADJOURNMENT

The meeting was adjourned at 3:51 P.M.