

MINUTES
SENATE FINANCE COMMITTEE
February 24, 2003
9:10 AM

TAPES

SFC-03 # 7, Side A
SFC-03 # 7, Side B
SFC-03 # 8, Side A

CALL TO ORDER

Co-chair Green convened the meeting at approximately 9:10 AM.

PRESENT

Senator Lyda Green, Co-Chair
Senator Gary Wilken, Co-Chair
Senator Ben Stevens
Senator Con Bunde
Senator Lyman Hoffman
Senator Robin Taylor

Also Attending: NICO BUS, Acting Administrative Services Manager, Division of Support Services, Department of Natural Resources; JANET CLARKE, Director, Division of Administrative Services, Department of Health and Social Services

Attending via Teleconference: From Anchorage: JEFF JAHNKE, State Forester, Division of Forestry, Department of Natural Resources

SUMMARY INFORMATION:

SB 75-SUPPLEMENTAL APPROPRIATIONS: FAST TRACK
SB 76-SUPPLEMENTAL APPROPRIATIONS

The Committee heard testimony from the Department of Natural Resources and the Department of Health and Social Services. The bills were held in Committee.

#SB75
#SB76

SENATE BILL NO. 75
"An Act making supplemental and other appropriations; amending appropriations; and providing for an effective date."

SENATE BILL NO. 76

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

This was the second hearing for these bills in the Senate Finance Committee.

Department of Natural Resources

SB 76

Section 7

Department of Natural Resources

Fire Suppression

Fixed costs and fire suppression costs incurred to date

\$19,033.8 general fund

NICO BUS, Acting Administrative Services Manager, Division of Support Services, Department of Natural Resources, informed the Committee that the Department has provided a written response titled "Questions raised at 2/21/03 Committee hearing re: Fire Supplemental" [copy on file] that provides answers to the questions that arose during the previous meeting.

Co-chair Green asked whether, in addition to the specified stand-by status rates identified in equipment contracts, the State receives special rates for personnel and other related fire suppression associated costs. She stated that information pertaining to this subject is included on page one of the Department's aforementioned response, in the chart titled "Flight Time Breakdown PC-7s."

Mr. Bus responded that the contracts, which address discounted stand-by rates, are finalized well in advance of an upcoming fire season to assure that the State receives the best available rates.

Co-chair Green asked whether contracted aircraft are used for purposes other than fire suppression; specifically whether they are used to transport people to fire sites.

JEFF JAHNKE, State Forester, Division of Forestry, Department of Natural Resources, testified via teleconference from Anchorage and informed the Committee that aircraft are sometimes used for administrative flights, but the majority of the usage is for direct fire suppression or firefighter support.

Co-chair Green assumed, therefore, that the Department uses other available aircraft to transport individuals.

Mr. Jahnke agreed that this would be the norm for non-fire transportation needs.

Co-chair Green asked for further information regarding the \$58,000 designated for Parts, Bench, Stock and Replacement as specified in the Maintenance section of the Department's backup material.

Mr. Jahnke responded that the Division maintains an inventory of parts in order to quickly repair aircraft during the fire season. He noted that were this inventory not available, some of the aircraft would not be operational during crucial times.

Co-chair Green asked why this item is included in the supplemental request rather than in the annual budget.

Mr. Bus responded that this item is included in the section titled "Fixed Costs."

Co-chair Green noted that oftentimes firefighters are called upon to respond to fires outside of the area they reside. She asked how this practice is coordinated to ensure economy of scale.

Mr. Bus responded that there are 72 established village response crews that operate on a rotation basis beginning with Team One, then Team Two, and so forth. He stated that a team could decline to respond to a particular fire, and in that situation, the next team would be called upon.

Co-chair Green asked whether this approach is the most efficient way to respond, particularly when a team might be required to travel from one area to another.

Mr. Jahnke replied that the process allows the Division's dispatch office to contact "the closest, locally available crews" until that resource is exhausted. He continued that, at that point, the Division would resort to the rotation list.

Co-chair Green communicated the need to conduct a review on the Division of Forestry with a focus on the fire suppression operation and "those costs that have been fixed costs or well established as recurring costs;" from whence, she stated it could be determined which of those costs could be appropriately reflected in the annual budget rather than in the supplemental budget.

Co-chair Green asked whether the Department excludes May and June

2003 fire suppression expenses in the supplemental because the Department has "been told not to and that it is subject to Ratification," or is the Department's approach to the "fire suppression budget basically spend it and you will be refunded."

Mr. Bus commented that the potential cost of fires for the May and June 2003 time periods is not included in the \$19 million supplemental request because of the unknown extent of those fires. He explained that were an expense for large fires included, but smaller "regular incidence" fires experienced, then the supplemental request would have been significantly inflated. Therefore, he explained, "the practice" for the past several years has been "to just deal" with this expense through the Ratification process.

Co-chair Green voiced her preference to address this "predictable" expense as a fixed cost by "studying" the May and June expenses of the previous five years.

Co-chair Wilken observed that the State annually expends \$1 million for year-round use of two PC-7 aircraft, which, he stated, equates to \$500,000 per craft on a ten-year lease. He surmised that the State generates significant revenue from the 323 hours of flight time charged to the federal government for use of these craft, as depicted in the chart breakout provided on page one of the aforementioned handout.

Mr. Bus concurred.

Co-chair Wilken continued, therefore, that the 117 hours charged to the federal government in excess of the State's 206 hours of usage could be considered as "a profit on those leases."

Mr. Bus responded that the Department regards this revenue as a means of offsetting the cost to the State rather than as a profit.

Co-chair Wilken commented that the federal government, in essence, is helping pay for the State's lease of these aircraft. He asked whether the Department is concerned with the expense associated with the leasing of these two-seat high performance aircraft, which he calculated, cost approximately \$2,000 per hour to operate. He asked if a different aircraft could perform the required service at a lesser cost.

Mr. Bus noted that the Department has determined that the federal government pays approximately half of the lease cost. He continued that consideration should be given to the fact that, at the end of the lease period, the State would own the aircraft as the result of

the lease/purchase agreement.

Co-chair Wilken asked whether \$1900 an hour is an "excessive" price to pay for a spotter aircraft.

Mr. Jahnke responded that the Division conducted "a very lengthy analysis" on the type of aircraft required to conduct the necessary missions. He continued that the high performance aircraft currently under the lease/purchase agreement are the most efficient of the aircraft options and are very maneuverable. He stated that this is important, as these are high-risk missions.

Co-chair Wilken asked whether the cost per hour for these aircraft is an acceptable cost.

Mr. Jahnke replied, "it is indeed" given the mission that the aircraft fly.

Co-chair Wilken asked whether the calculation that the lease costs \$500,000 per year per plane is correct.

Mr. Jahnke clarified that the cost per plane is \$250,000 and that \$500,000 is the cost for both planes.

Co-chair Wilken acknowledged the correction, and recalculated the per hour cost to be approximately \$900.

Co-chair Wilken supported Co-chair Green's position that a review should be conducted on the fire suppression operation, and suggested that the review be conducted in the interim between Legislative sessions. He stressed that the cost of fire suppression should be wrestled with "proactively rather than retroactively."

AT EASE 9:28 AM / 9:28 AM

Co-chair Green noted that some of the items identified in the FY 03 Fire Suppression Fixed Cost table in the backup material are paid at the beginning of the fiscal year. She asked whether the numbers reflect the full year or a six-month expense.

Mr. Bus stated that the pre-paid Fixed Cost expense reflects the full year.

Co-chair Green asked whether the \$600,000 equipment charges identified in the Department's Supplemental backup information are reoccurring expenses that could be included in the annual budget request. She also asked the nature of the equipment in the request.

Mr. Bus responded that a list of the supplies purchased under this request would be provided to the Committee.

Co-chair Green voiced that were this amount spent annually for new equipment, she would consider the amount excessive.

Mr. Bus responded that the forthcoming list would provide expenditure details.

AT EASE 9:31 AM / 9:31 AM

Co-chair Green asked how long fire suppression expenses have been processed as a portion of the Supplemental Budget Request.

Mr. Bus responded that this has been the procedure for at least ten years.

Co-chair Green asked whether the Department "adequately considered" the removal of \$85,000 of the Department's FY 03 unallocated budget reduction "from the fire suppression line item."

Mr. Bus commented that when "percentage reductions" are discussed, "the unfortunate situation at the Department of Natural Resources is that the Division of Forestry's fire suppression portion is a sizable chunk of our general funds," therefore, he continued, the Department attempts to "find that money in our regular programs." However, he concluded, this is "not fair" as the fire suppression's unallocated percentage is then subtracted from the Department's other programs.

Co-chair Green stated that this "is a really bad idea."

Mr. Bus agreed.

Co-chair Green recommended that the Department reconsider this approach for future budgeting. She voiced that "since its funded after the expense is incurred," she opined, the Department could have submitted the entire unallocated cut in this section because the Department is aware "that they are going to get it."

Mr. Bus stated that the Department carefully considered other options, and he voiced that, "unallocated reductions are a bad idea in the first place. He voiced support for assigning reductions to specific programs, as, he continued, decisions regarding unallocated reductions are difficult on a Department without specific direction.

Co-chair Green restated her desire for the Department to assign

fixed costs to its annual budget.

Senator Taylor commented that the PC-7 aircraft "looks like a hotrod." He asked why such a fast aircraft is required.

Mr. Bus expressed that the PC-7 serve as air traffic control and that these planes are required to fly the fire zone and direct other aircraft and equipment to locations as needed. He asserted that wilderness area settings require a high performance plane.

Mr. Jahnke confirmed that the high performance PC-7 is the lead plane. He continued that their ability to maneuver close to the ground in smoky conditions provides the needed information regarding a fire. He stated that the cost of operating these aircraft is similar to costs incurred by other fire fighting aircraft used in the Lower 48.

Senator Taylor asked the cost of fuel and maintenance for the PC-7 in addition to the lease/purchase agreement cost.

Mr. Jahnke stated that he would supply this information to the Committee.

Senator Taylor stressed the need to know the inclusive actual cost of operating the PC-7 on a per hour basis.

Mr. Jahnke assured the Committee that this information would be forthcoming.

Department of Health and Social Services

SB 75

Section 3(1)

Department of Health and Social Services

General Relief Assistance

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

\$271,000 general funds

JANET CLARKE, Director, Division of Administrative Services, Department of Health and Social Services informed the Committee that this program "was developed as a safety net program" in the territorial days to pay for indigent burials and low income individuals' emergency needs.

Ms. Clarke continued that indigent burials account for approximately 81 percent of the program's funding with the remaining 19 percent supporting the emergency needs program. She

stated that as a result of these unexpected FY 03 expenditures, the Department developed the line chart that is included in the backup information, to determine whether a trend was occurring. She stated chart depicts the total cost, the burial costs, and the emergency assistance costs. She explained that the emergency assistance costs have lowered and remained constant over the past several years; however, she noted, the indigent burial expenses have increased substantially. She noted that an average of 42 indigent burials have occurred per month in FY 03 compared to an average of 32 per month in FY 02. She stated that this explains the increase in program expenses.

Co-chair Green noted that this program's FY 03 budgeted funding level was at the level requested by Governor Tony Knowles.

Ms. Clarke concurred.

Co-chair Green summarized that this increase is a result of an increase in the number of indigent burials.

SB 75

Section 3(2)

Department of Health and Social Services

Foster Care Special Needs

Formula program shortfunding \$445.3 and caseload growth \$170.0. Current funds projected to be fully expended in May \$615,300 general funds

Ms. Clarke stated that this program provides funding for special one-time items such as "extraordinary" clothing for "fragile" children or food for children with special dietary needs in the foster care program. She noted that this program could also provide for special dental care that is not covered through Medicaid. She characterized these expenses are non-reoccurring items.

Co-chair Green noted that the Foster Care program consists of three components: base; Augmented Care; and Special Needs. She asked for the definition of these three components.

Ms. Clarke explained that federal regulations and Title 4E primarily establish the definitions for these components. She stated that the definitions would be forthcoming.

Co-chair Green asked whether individuals could transfer from one program to another.

Ms. Clarke replied that the base rate, which is the monthly rate paid to Foster Care providers, applies to all Foster Parent

participants. She stated that the other two components are "add-ons."

Co-chair Green asked for the definition of the augmented program.

Ms. Clarke explained that this program provides for an increase in monthly payments to Foster Parents to provide for the reoccurring needs of a special needs child. She continued that this differs from special needs payments, which are for a one-time non-reoccurring item.

Co-chair Green summarized, therefore, that augmented payments are for long-term situations. She asked how the decision to grant augmented payments is determined.

Ms. Clarke responded that an extensive review is conducted.

Co-chair Green observed that the level of this request is higher than the amount requested in FY 01 and FY 02.

Ms. Clarke agreed.

SB 75
Section 3(3)
Department of Health and Social Services
Subsidized Adoptions & Guard
Formula program shortfunding \$2,000.0 and caseload growth
\$833.3. Current funds projected to be fully expended in April.
\$2,833.3 general funds

Ms. Clarke informed the Committee that this request is in anticipation of program funding being depleted in April. She stated that this program provides for the cost of special needs for children and the families who adopt them until the child reaches the age of eighteen. She shared that the needs of approximately 1,961 children would be provided for through this program. She stated that this amount is in excess of the FY 03 Governor's proposed budget allocation, and that the program request was short funded by the Legislature in FY 03. She additionally noted that the number of special needs children has increased.

Co-chair Green asked whether the expenses of this program have been affected by changes in other programs.

Ms. Clarke referred the Committee to the line chart, titled attachment B in the backup material, which depicts the growth of the subsidized adoption and guardianship program as well as the foster care base rate. She pointed out that while the subsidized

adoption and guardianship program has been growing, the base rate has remained constant. She stated that being able to move special needs children into permanent homes has offset the need to increase funding for the foster care program.

Co-chair Green questioned why, if this were the situation, there is a request for increased funds for the foster care program.

Ms. Clarke clarified that the request for the foster care program involves funds to support the special needs portion of the program which provides for "the one-time, extraordinarily high" items not provided for in the monthly base rate.

Ms. Clarke expressed that the chart reflects the "good news" that the growth of the foster care program has slowed because the Department has been able to place more children into permanent homes. She stated that this placement has been accelerated by recently adopted legislation that established program timelines.

Co-chair Green asked whether the legislation being referred to was "the balloon project."

Ms. Clarke responded that in addition to the balloon project other legislation as well as "congressional mandates for timeliness to move children who had been in the foster care program for more than 22 months into permanent homes." She stated that the Department has accomplished these directives by moving more children into permanent homes. She voiced that while the number of children coming into the foster care program is still large, it is "not overwhelming" the program as the Department has been able to move a corresponding number of children into permanent homes.

Senator Taylor commented that a "policy shift" occurred during the first years of Governor Tony Knowles' administration "where we, as a State, went from being comparable to all other states on a per capita basis for the number of children we had placed in foster care, to within about a year and a half after that policy change occurred, we were running the highest in the nation, at almost double the nearest state to us on a per capita basis." He stated that this policy shift created the need for a large increase in the budget of this Department, as well as increasing the need for more foster homes. He recalled there "being perhaps three child deaths" resulting from the State removing a child from one home due to a perceived threat to the child's safety and placing that child in a foster home that had not been sufficiently investigated and at which the child died. He asked whether the Department continues to abide by the same guidelines that created the rapid growth in the program.

Ms. Clarke responded that she could not verify that Alaska has the highest per capita number of children in the foster care program; however, she voiced that the Department would investigate this. She stressed that Governor Murkowski's administration is committed to solving issues that were identified in a recent federal review of the Department. She stated that these issues include "serious" concerns regarding the child protection system. She continued that Commissioner Joe Gilbertson "is committed to hiring the best manager for the child protection division." She stated that, "there is an attitudinal shift" in addressing this problem within the Department and that the Department's findings would be shared with the Legislature.

Senator Taylor continued to voice his concern, and urged the Committee to not only discuss the situation with the Commissioner, but additionally to request a statistical analysis be conducted to compare the cost of specialized childcare, general foster care, and general relief care prior to and after the aforementioned policy shift. He stressed that additional research should be conducted to determine the "cost of keeping children in their home rather than removing them and placing them in foster care" He declared that involving parents in the latter project would be beneficial in developing the "baseline parameters," and he pointed out that the answer to this question should be reviewed and discussed by this Committee as well as the Senate Health & Social Services Committee as it "could have major ramifications on how we focus" the budget for the Department.

Co-chair Wilken characterized the 47 percent growth of subsidized adoption and guardianship depicted on the aforementioned graph "B" to reflect "an alarming rate" of increase. He asked how this graph would have looked in the mid 1990's. He reiterated Senator Taylor's concern regarding the Department's policy for placing children in foster care.

Ms. Clarke stated that the Department would provide the requested statistical information about the Foster Care program.

SB 75
Section 3(4)
Department of Health and Social Services
Old Age Asst/ALB Hold Harmless
Caseload growth. Current funds projected to be fully spent by the end of May.
\$110.0 general funds

Ms. Clarke commented that this request for Old Age Assistance and

the Alaska Longevity Bonus (ALB) Hold Harmless program is the result of "an error" in Department calculations regarding the number of participants in the program. She explained that the Department should have requested a decrement of \$122,100 rather than its "aggressive" requested decrement of \$232,100. She stated that while this program, "mirrors the Longevity Bonus program," it has experienced more delays in its participant reduction levels.

Co-chair Green clarified that this request concerns the Hold Harmless program.

Ms. Clarke concurred.

Co-chair Green understood the request to be based on the number of people in the system requiring payment resulting from the Hold Harmless provision. She inquired as to whether receiving a permanent fund dividend could disqualify an individual.

Ms. Clarke responded that the longevity program is based on Alaska statute that "requires that any benefits from federal SSI [Supplemental Security Income] or State Adult Public Assistance that are reduced or terminated because of the receipt of the ALB payment shall be replaced with State general funds." Therefore, she continued, individuals are held harmless from losing these funds.

Co-chair Green asked whether individuals could receive two hold harmless provisions: one resulting from the Old Age Assistance program and one from the Permanent Fund program.

Ms. Clarke responded in the affirmative.

Co-chair Green asked the average age of the participants in the Old Age Assistance Program.

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Ms. Clarke responded that she did not have that information. She stated the Hold Harmless program participants must be over 65 years of age, which is the same age required to participate in the Alaska Longevity Bonus Program.

Co-chair Green asked how the current number of program participants compares to the prior year. She noted that every year the number of people qualifying for the program should be decreasing as the population ages.

Ms. Clarke informed the Committee that the program expenditures for FY 03 are less than the amount spent in FY 02. She reiterated that this request is the result of the Department "missing the mark" in its projections.

SB 75

Section 3(5)

Department of Health and Social Services

Kenai Peninsula Youth Facility

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 general funds

Ms. Clarke informed the Committee that, when completed in mid-April 2003, this facility would be the newest youth facility in the State. She reminded the Committee that the Department received authorization from the Legislature to build several youth detention facilities with the intent of housing youth within their communities or local regions. She explained that this request would provide funding for utilities and facility management staff in preparation of housing youth as of July 2003.

Co-chair Green asked the reason for including this funding in the supplemental budget request since of the opening of the facility was anticipated.

Ms. Clarke agreed that this is not an unexpected event. She stated that the decision was made the previous year not to request the funds in the regular budget; however, she stressed that funding the facility's utility costs is necessary. She reported that partial funding has been requested in the past for facilities that opened in the spring; however, she stated, the reason for presenting the request in the supplemental budget is not known.

Co-chair Green asked the number of youth currently housed at the McLaughlin Youth Center, and whether the opening of the new facility would alleviate any overcrowding that McLaughlin might be experiencing.

Ms. Clarke responded that the opening of the facility would assist in relieving overcrowding at McLaughlin. She noted that additional information would be presented in other supplemental requests.

Co-chair Green asked whether the start-up costs associated with the new facility are comparable to the start-up costs of other youth facilities.

Ms. Clarke believed the costs to be comparable, but stated that a cost comparison with the facilities in Ketchikan and Mat-Su would be provided to the Committee.

Senator Taylor opined that the Legislature could request that the opening of the facility be delayed until July.

SB 76

Section 8(a)(1)

Department of Health and Social Services

Adult Public Assistance

Program shortfunding was estimated to be \$1,750.0 GF in May. Caseload growth has added an additional \$333.0 GF and \$285.0 Fed. Average projected monthly caseload is 4.3% higher than the 1% caseload growth level funded last session.

\$2,368.0 total funds

\$2,083.0 general funds

\$ 285.0 federal funds

Ms. Clarke stated that this request would provide funds for a projected average of 15,390 individuals in the Adult Public Assistance program. She stated that this number is approximately 4.3% higher than projected. She mentioned that eligibility requirements include being elderly or being at least 18 years of age and blind, or a person diagnosed by a physician as permanently disabled. She noted that this program supplements the federal Supplemental Security Income (SSI) program by providing cash assistance to individuals to help them remain independent and in their own homes for longer periods of time.

Co-chair Green asked whether the requirements for the program are stringent.

Ms. Clarke responded in the affirmative and mentioned that the people in the program must qualify for the federal definition of disabled in addition to meeting the income eligibility requirements. She stated the average supplement is \$162 per month, which, when combined with the SSI payment, amounts to approximately \$900 per month.

Co-chair Green asked the number of individuals being served by this program.

Ms. Clarke stated that of the projected average of 15,390 individuals being served in this program per month, 10,614 are disabled and 4,776 are elderly. She mentioned that this program has been growing approximately 4.5 to 5.5 percent per year.

SB 76
Section 8(a)(2)
Department of Health and Social Services
Family Preservation
Unanticipated federal grant award to fund Child Abuse
Treatment Plans for Alaska Native Children and Parents
project.
\$450.0 federal funds

Ms. Clark stated that this request would authorize the receipt of \$450,000 in federal Indian Child Welfare Act funds. She stated that, although the Department applied for the grant in May 2002, the awarding of this federal grant in October 2002 dictated its being submitted in the supplemental budget request rather than as a revised program request through the Legislative Budget and Audit Committee. She stated that the Child in Need of Aid program would use these funds to work on such issues as Native child welfare concerns, Native foster homes, and implementation of policy procedures for Native children in foster care.

SB 76
Section 8(a)(3)
Department of Health and Social Services
McLaughlin Youth Facility
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 FY2003 has averaged 198.3
\$25.8 general funds

Ms. Clarke referred the Committee to the chart in the backup material that denotes the capacity levels of the Facility. She shared with the Committee that cost containment efforts have concentrated on keeping staffing levels to a minimum and curbing expenses by delaying the purchasing of items; however, she continued, the overtime demanded of staff to oversee the growing youth population at the facility, combined with the increase in costs for such things as laundry, prompted the need for this request.

Ms. Clark added that the opening of the new youth facility in Kenai is welcome as the youth population at McLaughlin is reaching capacity.

Co-chair Green voiced that the staff at McLaughlin should have better addressed this situation.

Senator Taylor asked how an increase of 19 youth caused this level

of expense.

Ms. Clark responded that the numbers projected are not a daily count but rather depict the average of the number of youth in the facility. She continued that, at times, there could be a large number of youth or a lesser number of youth. She stated that another factor is that situations arise that create an over-capacity situation in one unit, particularly the detention unit, thereby concentrating the numbers in one area rather than spreading them throughout the overall bed count.

SB 76
Section 8(a)(4)
Department of Health and Social Services
Fairbanks Youth Facility
Extraordinary medical costs including MRI, extensive brain testing, weekly allergy shots, and surgery.
\$20.0 general funds

Ms. Clarke conveyed that the extent of these medical costs could not be covered through the regular budget. She stated that, similar to adult correction facilities, juveniles in State institutions are not eligible for Medicaid. She furthered that if a juvenile has other insurance in effect, that insurance would be billed as primary; however, she explained, in these situations, no other coverage was available and there was no other payment "source."

Co-chair Green voiced that juveniles in correction faculties are classified as adults according to federal law. She voiced being unaware that Medicaid coverage is not available for correctional facility inmates.

Ms. Clarke identified this exemption "as a big barrier that the feds put up; they will not pay for those medical costs to Medicaid even if the individuals are eligible if they're in a correctional facility."

SB 76
Section 8(a)(5)
Department of Health and Social Services
Nome Youth Facility
Staff for population increase. Average daily population has increased 36% over FY2002. Facility capacity is 6. Average population is FY2002 was 6.9 while FY2003 average population has been 9.3.
\$100.8 general funds

Ms. Clarke responded that the Nome facility is one of the State's

smallest youth facilities. She stated that it was reopened in the mid 1990's with the intention of being staffed as a community detention facility. She continued that the increase in the number of youth entering the Nome facility, primarily from the Kotzebue area, has required the staffing of the facility "to be increased by one on every shift to deal with these kids who come in to our facility." She stated that some of these children have serious offenses and require twenty-four hour supervision. She explained that the "original plan" for this facility included one staff person for each evening and graveyard shift; however, she stated, "that was not a safe assumption for the number of children coming into the Nome facility," and additional staff was required "to keep that facility safe."

Co-chair Green asked whether Nome is a lockdown facility.

Ms. Clarke responded that it could be a locked facility.

Co-chair Green noted that the facility is not very large.

Ms. Clarke stated that it is not large "and is very cramped."

Co-chair Green commented that the request appears to be "an excessive amount" for 2.4 extra occupants.

SB 76
Section 8(a)(6)
Department of Health and Social Services
Johnson Youth Facility
Medical costs for physical therapy for 1 youth
\$11.5 general funds

Ms. Clarke stated that this facility, much like the Fairbanks Youth Facility, experienced additional medical expenses for a youth needing braces for which the Shriners Club could not fully provide coverage. She stated that physical therapy needs also exceeded the budgeted amount.

Co-chair Green asked whether this addressed a pre-existing condition.

Ms. Clarke stated that this information would be provided.

SB 76
Section 8(a)(7)
Department of Health and Social Services
Bethel Youth Facility
Population increased 34.7% over FY2002 and extraordinary

medical costs estimated at \$35.0
\$66.1 general fund

Co-chair Green asked whether a medical review group could address changes to State policy to clarify the level of coverage the State would be responsible for individuals in State custody.

Ms. Clarke responded that multiple issues, including the growth in the number of youth in State facilities, have created the increase in medical expenses being experienced. She stated that while the Department does budget for medical expenses, the "increased pressure" placed on this budget by a growing population, combined with increased medical expenses, have "outstripped" the Department's ability to cover the expenses.

Co-chair Green asked whether the Department attempts to recoup the medical expenses.

Ms. Clarke assured the Committee that attempts are made; however, she communicated, the findings reveal that many of these children do not have medical coverage.

Co-chair Green asked whether any of the children at the Bethel facility, for instance, qualify for Indian Health Services.

Ms. Clarke stated that this would be investigated.

Co-chair Green stated that children qualifying for Indian Health Services should be 100 percent covered for medical expenses.

Co-chair Green voiced that children who qualify for Indian Health Services should be treated at an Alaska Native Hospital rather than at a non-Native hospital where expenses would be totally charged to the State.

Ms. Clarke concurred.

Co-chair Green requested a review be conducted regarding where services are being provided.

SB 76
Section 8(a)(8)
Department of Health and Social Services
Vital Statistics
Operating costs driven by increased number of licenses and certificates, including non-permanent positions to deal with backlogs. Also covers rent as were able to move into new facility earlier than anticipated.

\$195.0 Receipt Supported Services

Ms. Clarke informed the Committee that the Division of Vital Statistics charges fees for the issuance of certificates for such things as births and deaths. She shared that the Division experienced a significant increase in the number of certificates being requested, which resulted in an "unacceptable backlog" of requests. She continued that a portion of this supplemental request would pay for the expense of hiring non-permanent staff to address the backlog and bring the requests current. She stated that another portion of the request provides for non-budgeted lease payments and associated costs of moving the Juneau facility to a larger, competitively bid location in the Lemon Creek area. She explained that the expense of moving the vital statistic records to the new facility exceeded the Division's estimates.

Co-chair Green asked whether "glamour certificates," which designate a portion of the fee to such things as a non-profit organization, are included in these requests.

Ms. Clark responded that the bulk of the backlogged requests are regular certificates required for legal purposes.

Senator Taylor expressed disbelief that the majority of the increase is for death certificates.

Ms. Clarke responded that the percentage of certificates being requested for death certificates is not defined; however, she continued, in the last several years, the overall number of requests has increased significantly.

Senator Taylor inquired whether the increase in requests for certificates required the move to the new facility.

Ms. Clarke responded that rather than the move to the new facility resulting from an increase in the number of certificates being requested, the move was approved by the Legislature to provide more space for vital statistics records. She shared that these records were overcrowded and that inadequate space was available for individuals doing research on family history or other private matters. In addition, she noted, the Division recently absorbed the responsibility of housing both medical marijuana and abortion records, as well as records that were once the responsibility of the Court System.

Co-chair Green asked whether such things as moving and increased lease payment expenses "are typically" included in a supplemental budget request.

Ms. Clarke responded that it is not typical, unless it is something that "is extraordinary" and was not budgeted.

Co-chair Green asked for verification that the moving expenses amounted to \$75,000.

Ms. Clarke specified that the request includes \$120,000 to cover the expense of hiring non-permanent employees to address the backlog and \$75,000 in moving and increased lease payment expenses.

Senator Taylor interjected that this Division generates money from the fees charged for certificates.

Co-chair Green clarified that the funding for this request is generated from the fees charged for the certificates.

Co-chair Wilken asked, were this receipt expenditure authority request approved, whether the current five-dollar fee being charged for certificates would be sufficient to address the current backlog of requests.

Ms. Clarke stated that a fee increase is not anticipated.

SB 76
Section 8(b)
Department of Health and Social Services
Medicaid Services
Claims growth and match rate adjustment
\$10,991.3 total funds
 \$28,055.8 general funds
 (\$16,064.5) federal funds
 (\$ 1,000.0) statutory designated program

Ms. Clarke stated that this request results from a combination of an FY 03 federal match adjustment and a decline in Native Medicaid participants.

Ms. Clarke shared that, historically, the authorized federal Medicaid match was 50 percent; however, she noted that when recently-elected Governor Frank Murkowski was a Congressional Senator, he was instrumental in raising Alaska's authorized match rate to 59.8 percent for a four-year period. She continued that Alaska's match level has "floated" according to the national formula level since the time the elevated rate expired. She explained that Alaska's per capita income level, which is a factor in determining the federal Medicaid contribution to a state, increased as a result of a federal calculation adjustment that

began factoring in 401K or federal contributions to federal employees in the State. She noted that the high percent of federal employees in the Alaska resulted in increasing the State's per capita income level and consequently, lowering the federal Medicaid percent contributed to the State.

Ms. Clarke stressed that for a variety of reasons, the State's Medicaid reimbursement rates have fluctuated, making it difficult to budget. She stated that the Department must adjust to working within the floating rate structure.

Ms. Clarke continued that another factor determining this request is that the number of Tribal Native participants, whose Medicaid expenses are reimbursed at 100 percent rather than at the floating rate, has, "unexpectedly," declined this past year.

Co-chair Green asked for further information regarding Native Medicaid reimbursements.

Ms. Clarke responded that the Medicaid program has a variety of Medicaid match rates, and that were a Native Alaskan to receive treatment in a Tribal facility, the State would receive 100 percent federal Medicaid reimbursement. She stated that the number of 100 percent reimbursements "dropped" this past year.

Co-chair Green asked whether this resulted from individuals choosing to go to non-Native hospitals.

Ms. Clarke responded that this might be possible; however, she noted that a change in the Alaska Native Medical Center claim process might have delayed receipt of some of the billings. She stated that, due to the importance of this issue, an investigation is being conducted by the Department to determine why there has been a decline in Native billings.

Co-chair Green asked for further information regarding the Alaska Native Medical Center billing process.

Ms. Clark responded that the Center bills the Department for services rendered, on an individual basis. She continued that the Department pays the bill at 100 percent using money from the federal 100 percent Tribal Medicaid program.

Ms. Clarke communicated that \$3.9 million of the \$28 million general fund request is for unanticipated growth in the Medicaid program in FY 03 as a result of a growth in children's expenses.

Co-chair Green interjected that the limits for children medical

expenses are established by the State.

Ms. Clarke clarified that rather than individual children's expenses increasing, the number of children served is increasing.

Co-chair Green concluded that the increase is, therefore, the result of caseload growth.

Ms. Clarke informed the Committee that there has also been an increase in the number of pregnant women in the Medicaid program.

Co-chair Green asked whether these expenses include the Denali KidCare program.

Ms. Clarke responded yes.

Co-chair Green asked whether there has been a change in the Medicaid rate for the Denali KidCare program.

Ms. Clarke responded that the match rate for the Denali KidCare program has been reduced.

Co-chair Green asked whether the Medicaid rate for cervical and breast cancer has been reduced.

Ms. Clarke responded that the rate for this program "floats" with the federal Medicaid formula; therefore, she stated, this match rate has also been lowered.

Co-chair Green asserted that this has resulted in an increased demand on State general funds.

Ms. Clarke estimated that the current cervical and breast cancer match rate is 70.79 percent.

Ms. Clarke stated that elderly caseloads are projected to rise slightly; however, she noted, disabled caseloads and costs are projected to rise approximately, 2 percent and 4 percent, respectfully more than anticipated in the FY 03 budget.

Co-chair Green asked whether any of the program's qualifiers have changed or broadened.

Ms. Clarke responded no. She noted that a regulation package to clarify eligibility was introduced in the fall of 2002 regarding the waiver program; however, she noted that the previous Administration removed the package from consideration. She stated that Governor Murkowski's Administration recently adopted a

separate general cost containment package.

Co-chair Green voiced that the savings resulting from this recently enacted legislation would be forthcoming.

Ms. Clarke clarified that this legislation is effective as of now, and that some cost savings are anticipated.

Co-chair Green distributed a packet of material and from the packet; she read language located on line 32, page 3 of **CCS** HB 404, Sec.1 [copy on file] as follows.

"This statement is a statement of the purpose of the appropriation for Medical Assistance and is neither merely descriptive language nor a statement of legislative intent. It the intent of the legislature that the amount appropriated in this appropriation is the full amount that will be appropriated for Medical Assistance for the fiscal year ending June 30, 2003. If the amount appropriated in this appropriation is not sufficient to cover the costs of Medical Assistance for all eligible persons, the department shall eliminate coverage for optional medical services that have a federal match and optionally eligible groups of individuals in accordance with AS 47.07.035. It is the intent of the Legislature that requests for supplemental appropriations for Medical Assistance for the fiscal year ending June 30, 2003 will not be approved. This intent covers the budgeted reductions to Medicaid, but does not apply to any loss of funds that may occur if the department's "Fair Share" funding mechanism is not approved by the federal government."

Co-chair Green continued that the aforementioned package includes a Medicaid Services- Component memo, dated December 14, 2001 [copy on file] from the Department of Health and Social Services that contains information about the Federal Medical Assistance Percentage (FMAP) that reads as follows.

"Alaska's federal FY 02 FMAP rate was decreased to 57.38 percent for Title XIX and 70.17 percent for Title XXI. This is a significant drop from FY 01 that carries with it a potential loss of federal funds for Alaska of more than \$10 million. On November 6, 2001, U.S. Senator Mac Baucus introduced the "Economic Recovery and Assistance for American Workers Act of 2001" that includes FMAP relief. The Act holds harmless states with 02 FMAP rates that were reduced, provides an across-the-board 1 percent increase and an additional 1 percent increase to states with a higher than average unemployment rate over the previous 3 months.

In anticipation of the enactment of the Economic Recovery and Assistance for American Workers Act of 2001, the department is not asking for additional general funds to replace potentially lost federal dollars at this time."

Co-chair Green referenced the letter she authored to Commissioner Jay Levy of the Department of Health and Social Services, dated August 5, 2002, [copy on file] that requested, among other things, the Department's plans for implementing the FY 03 budget and cost cutting strategies. She noted that she has not received a response from the Department.

Co-chair Green expressed that this is very disturbing. She noted that the Legislature "will be going on the record again this year" that there would be "a very tight ship" on supplemental and budget requests. She voiced support for the implementation of cost cutting strategic programs; programs to attract federal dollars; and possible re-organization as determined to be necessary. She asserted that "for reasons that are not clear, items that could have been anticipated, end up on the supplemental request, without any information being provided that indicates that any options were considered to produce cost saving measures or to stop funding things when money was limited."

Ms. Clarke responded that the Department, under the management of its new commissioner, Joel Gilbertson, is focusing on cost containment and alternatives. She noted that Commissioner Gilbertson brings a breath of experience on the federal level. She stated that the Department has been reviewing cost containment in the Medicaid program, and she distributed a cost containment options list to the Committee titled "FY 02 Optional Expenditures and Recipients" [copy on file] that contains each item's associated dollar amounts.

Co-chair Green interjected that this list is not the only variable being discussed, "as the cuts were supposed to be very broad based, and if the money is not there, the message was do not come back this year with a supplemental like this, and now you're here."

Senator Bunde asked which item on the optional services list would allow schools to submit claims for Medicaid eligible students.

Ms. Clark noted that FY 02 legislation allowing school districts to bill Medicaid for student services in not a component of the optional services list.

Co-chair Green concurred.

Ms. Clark described the elements of the optional service list and the costs expended per item. She explained that using the optional services list to generate savings in the Medicaid program is difficult because the order of services performed "must match the list order as presented in the bill," however, she noted that were these services not part of the optional services list, the Department would be required to pay more to supply those services through mandatory coverage provisions.

Co-chair Green voiced appreciation for being provided the list as well as the understanding of its implication; however, she stated, "it does not disallow other cost cutting and saving" measures being implemented. She stated that cost costing measures have not occurred, and that she would be expecting them to occur in FY 04.

Ms. Clarke agreed. However, she asserted that cost containment efforts in Medicaid or any other regulated program must be implemented early in a fiscal year to reflect significant savings.

Co-chair Wilken, referring to page 13 of the backup material, asked whether the federally formulated Medicaid match rate for Title XIX is usually a 60/40 match percent.

Ms. Clarke concurred.

Co-chair Wilken asked for an explanation of Tile XXI, which is referred to having a federally formulated enhanced rate.

Ms. Clarke responded that the federally formulated enhanced rate is a better rate that is allowed for Denali KidCare. She stated that it is approximately 71 percent compared to the 58 percent of the Title XIX formula.

Co-chair Green reminded the Department to provide the Committee with information regarding detention facility occupants who might qualify for Indian Health Services.

Senator Hoffman asked whether the \$53.1 million identified for long-term care on the optional services list is the total expense. He additionally asked the portion of the medical fee that is the patient's responsibility.

Ms. Clarke responded that this is the total expenditure amount. She stated that the federal government remits approximately 58 to 60 percent of the services expense to the State. She explained that this category provides for the home and community based waiver program for elderly and disabled individuals.

Senator Hoffman asked whether the recipients are responsible for any of the expense of this service.

Ms. Clarke understood that recipients are not responsible for any of the cost; however, she continued, the federal government specifies a small co-payment fee for some services.

Co-chair Green asked which institutions are involved in this service.

Ms. Clarke clarified that this program involves non-institutional services. She stated that these services could be provided to people in assisted living homes or to people in their own homes who receive Medicaid services.

Senator Hoffman asked what organizations would be providing these services.

Ms. Clarke responded that personal care attendants could provide these services.

Co-chair Green asked if food and medications are included in this category.

Ms. Clarke voiced that Medicaid does not provide for room and board services unless the service is conducted in a nursing home. She clarified that these are non-nursing home services.

Co-chair Green concluded that the distinction in these services could be characterized as nursing home service verses non-nursing home service.

Ms. Clarke stated that a broader definition of the services would be provided.

Senator Hoffman voiced that the cost of the service equates to approximately \$24,000 per recipient. He understood that assisted living would be a less expensive alternative to nursing home care.

Ms. Clarke asserted that, when compared to the cost of Alaska's nursing home care, the cost "is significantly less." She continued that the "home and community based waiver program is one of the fastest growing programs in the Medicaid program as it serves a number of people who, without this service, might end up in a nursing home" at a per person annual cost of approximately \$80,000.

Senator Bunde asked for further distinction between an

institutional and non-institutional home.

Ms. Clarke responded that clarifying material would be supplied to the Committee.

Co-chair Wilken asked the Department to supply a breakout of the entities that would receive \$300,000 of the total \$450,000 allotment of the federal Family Preservation Grant detailed in 8(a)(2).

Ms. Clarke answered that the \$300,000 grant would be allocated to the Alaska Native Health Board.

Co-chair Wilken asked the Department to provide a breakout of how the Alaska Native Health Board grant would be spent, particularly the portion of it allocated to rural Alaska non-profit entities.

Senator B. Stevens asked for a breakout detailing the amount spent by the State, the federal government, and the recipients of the items on the optional services list.

Ms. Clarke stated that this information would be provided.

SB 76
Ratifications: Section 17(a)(3)(A)
Department of Health and Social Services
AR 22520-01 (Medicaid Services)
\$2,753,274.86 general funds

Ms. Clarke informed the Committee that FY 2001 Medicaid expenses generated this ratification expense. She explained that the Department claimed some family planning services at the allowed 90 percent rate; however, she noted, \$4.3 million of that claim was disallowed by the federal agency administering the program. She stated that the federal determination specified that the State supplied inadequate documentation and consequently disallowed a portion of the claim. She stated that this ratification would provide funding to cover those expenses, which, she attested, the State believed to be legitimate at the time.

Co-chair Green asked whether there is a challenge process whereby the State could have contested the federal ruling.

Ms. Clarke responded that the State has challenged the federal determination of the "Fair Share" program.

SB 76
Ratifications: Section 17(a)(3)(B)
Department of Health and Social Services

AR 22553-01 (Family and Youth Services Staff Training)
\$54,910.55 general funds

Ms. Clarke this ratification request was generated by a claiming error in the Federal Title IV-E program wherein the Department submitted legitimate direct charge claims, which were subsequently reviewed and disallowed by the federal government.

Senator Hoffman asked why the State misinterpreted the eligibility of these charges for services.

Ms. Clarke commented that these claims were understood to be eligible; "but the determination was that the State did not supply adequate documentation to prove" their eligibility to the federal reviewers.

Senator Hoffman voiced the hope that the Department "is providing adequate documentation now, and in the future."

Ms. Clarke stated yes, the Department believes it is.

SB 76
Miscellaneous Claims
Section 16(6)
Department of Health and Social Services
Admin Support
Miscellaneous Claims and State-dated warrants \$42,267.93
\$42.3 general funds

Ms. Clarke informed the Committee that this claim consists of a series of individual miscellaneous invoices.

Co-chair Green asked whether these invoices were processed late.

Ms. Clark stated that these claims consist of such things as an invoice that was misplaced by a vendor, then found and submitted two years later. She noted that State law obligates the Department to obtain authorization to pay late expenses under these circumstances. She then exemplified a situation where a child in custody of the Division of Family and Youth Services, and whom the Department believes is Medicaid eligible, would receive Medicaid funded treatment. However, she continued, it would be determined that the child is not covered. She characterized these charges as resulting from a wide variety of situations.

Co-chair Green observed that the Department of Health and Social Service's miscellaneous charges "are about ten times higher the rest of the entire State."

Co-chair Green announced that the Departments' projected expenses must be addressed in order to mitigate next year's supplement request.

The bills were HELD in Committee.

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ADJOURNMENT

Co-Chair Lyda Green adjourned the meeting at 10:54 AM.