

MINUTES
SENATE FINANCE COMMITTEE
March 03, 2003
9:03 AM

TAPES

SFC-03 # 12, Side A
SFC 03 # 12, Side B
SFC 03 # 13, Side A

CALL TO ORDER

Co-Chair Lyda Green convened the meeting at approximately 9:03 AM.

PRESENT

Senator Lyda Green, Co-Chair
Senator Gary Wilken, Co-Chair
Senator Robin Taylor
Senator Lyman Hoffman
Senator Donny Olson
Senator Ben Stevens

Also Attending: KAREN MORGAN, Director, Division of Administration, Department of Public Safety; LARRY PERSILY, Deputy Commissioner, Department of Revenue; NANCY SLAGLE, Director, Division of Administrative Services, Department of Transportation and Public Facilities; CAPTAIN GEORGE CAPACCI, General Manager, Marine Highway System, Department of Transportation and Public Facilities; JOHN CRAMER, Director, Division of Administrative Services, Department of Military and Veterans Affairs; DENISE LICCILOI, Administrative Services Manager, Division of Administrative Services, Department of Military and Veterans Affairs; ELMER LINDSTROM, Deputy Commissioner, Department of Health and Social Services

Attending via Teleconference: There were no teleconference participants.

SUMMARY INFORMATION

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

The Committee heard testimony from the Department of Public Safety, the Department of Revenue, the Department of Transportation and

Public Facilities, and the Department of Military and Veterans Affairs. The bills were held in Committee.

SB 78-MEDICAID FOR BREAST & CERVICAL CANCER

The Committee heard testimony from the sponsor and the Department of Health and Social Services. The bill reported from 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 fourth hearing for these bills in the Senate Finance Committee.

Department of Public Safety

SB 75

Section 5

Department of Public Safety

Fish and Wildlife Protection

Increased costs for vehicle, heating oil, electricity, airplane, and helicopter fuel

\$229.3 general funds

KAREN MORGAN, Director, Division of Administrative Services, Department of Public Safety, stated that this request would provide for increased fuel costs. She informed that the Department's fuel budget is based on FY 2000 fuel prices; however, she noted, fuel costs have been increasing on a regular basis. She reminded the Committee that the Department submitted supplemental fuel requests in FY 01 and FY 02. She asserted that the Department attempted to mitigate the level of this request by utilizing funds from other areas within the Department, and she stated that the Department's ability to perform its duties would be adversely affected were this request denied.

Co-Chair Green asked whether the hiring of additional personnel, particularly seasonal support personnel in the Division of Fish &

Wildlife Protection, is a factor in the increased costs.

Ms. Morgan expressed that this request exclusively provides for fuel expenses. She stated that further mitigation efforts would require a reduction in the level of patrols conducted by the Department, and she furthered, denial of this request would prohibit the historical, budgeted hiring of seasonal employees, as those funds would be utilized to mitigate the fuel costs.

Senator Olson asked whether this request includes the fuel expenses for contractual services provided by non-State employees.

Ms. Morgan replied that the majority of the expense is for State owned vehicles; however, she continued, the State is liable for some contractual service fuel expenses if that were specified in the contract agreement.

Senator Olson asked whether private contractors pay for their own fuel.

Ms. Morgan replied that the State is responsible for fuel expenses, in addition to the contractual service.

Senator Hoffman inquired about the Department's total annual fuel consumption, in gallons.

Ms. Morgan replied that the Department tracks fuel consumption "by type: 96,000 gallons for vehicles; 24,000 gallons for heating fuel; 6,800 gallons for marine fuel; and 6,078 and 2,847 gallons for Fish & Wildlife Protection and Alaska State Troopers specific patrol missions."

Senator Hoffman asked whether the Department solicits fixed price bids for fuel on an annual basis, as, he contended, fuel requests are consistently included in the Supplemental requests. He asked what efforts the Department is undertaking to reduce fuel costs.

Ms. Morgan responded that the Department solicits bids for fuel; however, she noted, some regions of the State have limited vendor options. Additionally, she noted, the Department works with Juneau Services to develop appropriate bid documents as well as coordinating with the Marine Highway System regarding their fuel bidding process.

Senator Hoffman countered that nonetheless, the Department exceeds the budgeted fuel allotment by approximately \$230,000.

Ms. Morgan explained that fuel prices have increased between 40 and

80 percent in some areas.

Senator Hoffman questioned how fuel prices could increase when a contract is in effect.

Senator Olson agreed that it is difficult to understand how the fuel consumption increase warrants this level of supplemental request.

Ms. Morgan replied that further information would be supplied.

Senator Olson expressed concern regarding the price being paid per gallon to incur a \$230,000 supplemental request.

Ms. Morgan specified that the Department's FY 03 fuel budget is \$334,247 and that actual expenses are estimated to be \$522,782.

Co-chair Green clarified that this is the amount projected for the entire fiscal year.

Ms. Morgan concurred.

Senator Hoffman asked for further clarification regarding the gallon usage breakdown.

Co-Chair Green summarized that the Department projects the need for an additional 130,000 plus gallons at an anticipated cost of approximately \$300,000. She continued that the total cost is expected to be approximately \$500,000.

Co-chair Green asked the Department to supply usage breakout information to the Committee.

SB 76

Section 6

Department of Public Safety

Fish and Game Fund

Revise language appropriating criminal fines, penalties and forfeitures into the Fish and Game Fund based upon an analysis conducted by the Department of Public Safety and the Court System.

Ms. Morgan explained that the Division of Fish & Wildlife has been partially funded, since 1977, by general fund money transfers to the Fish and Game fund. She stated that the level of the general fund transferred is determined by a calculation based on adjudications generated from Fish and Game offender fines. She stated that the Department of Fish and Game transmits a letter to

the Court System to verify the amount collected and expected to be deposited into the general fund. She explained that, this year, the Court notified the Department that the actual collected amount could not be verified because the Court's accounting system "could not track collections on a per violation basis." She stated that this request would alter language to specify that the Department refer to "the amount adjudged" rather than the amount collected when transmitting the letter.

Co-Chair Green voiced the understanding that "there is no way to verify that" what is charged for a Fish and Game violation is collected at 100 percent. She continued that the amount requested to be transferred from the general fund to the Department is the "maximum money" even though that amount might not have been fully collected; therefore, she stated, this language change is not the solution to the issue.

Ms. Morgan agreed with Co-chair Green's comments. She informed the Committee that the Court System would be upgrading their accounting system within the next few years, and that the accountability process would be corrected.

SB 76
Section 16(9)
Department of Public Safety
Miscellaneous Claims and Stale-dated Warrants \$47.50

Ms. Morgan stated that this miscellaneous request concerns phone calls and fax simile charges from a village that were not billed until two years after the occurrence.

Senator Hoffman exclaimed that the paperwork pertaining to this request incurred more expense than the actual charge.

Ms. Morgan agreed; however, she stated that the State is obligated by statute to be responsible for the charge.

Co-Chair Green agreed that the transaction must be addressed in this manner.

SB 76
Section 17
Department of Public Safety
Ratification
Section 17(a)(5)
AR 47829-03(RS DOT/AST DET .08)
\$2,625.0

Ms. Morgan informed the Committee that this ratification provides funds for an advertising campaign resulting from a legislation lowering the Blood Alcohol Content limit to 0.08 percent.

Department of Revenue

SB 75
Section 6
Department of Revenue
Muni Bond Bank
Additional bond issuance costs
\$142.0 Muni Bond Bank Rcpts

LARRY PERSILY, Deputy Commissioner, Department of Revenue, explained that this request would provide for current and projected FY 03 Bond Bank operating expenses. He informed the Committee that "FY 03 is anticipated to be a record year for Bond Bank activity," resulting from the volume of municipalities arranging for revenue bonds and general obligation bonds. He stated that this request would fund such things as legal financial advisors' fees, trustee services, and rating agencies' fees. He stated that, historically, the Bond Bank budget "is based on estimates of how much activity the Bond Bank would have the next fiscal year." He stated that the FY 03 budget is \$522,700, and he reminded the Committee that in previous years, if the activity of the Bond Bank were lower than budgeted, the money would not be spent. However, he continued, were a higher volume of activity to occur, the Department historically presents a supplemental request.

Senator Hoffman asked whether a portion of the increased bond activity results from loan refinancing due to lowered interest rates.

Mr. Persily responded that some of the bond issuances are due to refinancing "to save money." He explained that while the Bond Bank strives to lock in the best available interest rate for a municipality from the onset, the Bond Bank would work with a municipality to refinance were lower interest rates to occur.

Senator B. Stevens asked why the borrower, rather than the State, is not responsible for loan fees.

Mr. Persily replied that the Bond Bank being responsible for the financial fees is an established procedure. However, he voiced, the procedure of paying these fees from the Bond Bank Earnings Reserve Account could be revisited. He reiterated that earnings from the loan fund, rather than general funds, are used to pay the fees.

Senator B. Stevens commented that, in private industry, the borrower, rather than the lender, pays the fees associated with a loan. He furthered that in this case, some of the costs of issuance are paid for by the State.

Mr. Persily agreed; however, he reiterated that the fees are paid from the Bond Bank's earnings reserve account at no additional cost to the State.

Senator B. Stevens expressed that a \$142,000 increase over the \$522,000 FY 03 budget is a significant increase in fee expenses.

Co-Chair Green calculated this to be a twenty five percent increase.

Mr. Persily asserted that the Bond Bank activity this year has "significantly increased."

Co-chair Green asked whether the concern regarding which entity would be responsible for loan fees has previously been addressed.

Senator Taylor interjected that this issue has been discussed. He shared the concern that small communities might not have the ability to absorb fee expenses.

Mr. Persily pointed out that the Bond Bank Authority, in addition to using its reserve fund earnings to pay for the cost of operations, also remits a dividend to the State from those earnings. He concluded that the State "does receive some funds from the Bond Bank."

SB 76
Section 13
Department of Revenue
Alcohol Beverage Control Board
Contractual expenses for hearing officers for increased number of formal hearings in contested liquor license complaints and suspensions, and staff travel and per diem for hearings.
\$26.0 general funds

Mr. Persily stated that this request is the result of more hearings than projected occurring in FY 03. He mentioned that six liquor licenses are currently being contested, and he noted, each hearing costs approximately \$6,000 to conduct.

Co-Chair Green asked whether funding this expense by receipt supported services is an option.

Mr. Persily stated that discussion is occurring to change the funding mechanism, as, he continued, the Alcoholic Beverage Control (ABC) Board receives more in licensing fees than it expends for operating costs each year.

AT EASE 9:31 AM / 9:32 AM

Department of Transportation and Public Facilities

SB 75
Section 7(a)
Department of Transportation and Public Facilities
Capital
Title change: Nondalton: Airport Resurfacing to Nondalton:
Airport Improvements and Airport Layout Plan

NANCY SLAGLE, Director, Division of Administrative Services, Department of Transportation and Public Facilities, explained that this request would authorization a title change involving the Nondalton Airport. She informed that during the FY 03 budget process, an amendment from the Office of the Governor combined this project with a project for an airport layout plan. She stated that as a result, both projects were consolidated under one Federal Aviation Administration (FAA) grant. She continued that during this consolidation process, the corresponding name change was overlooked. She stated that the title change is required in order for the project to continue.

SB 75
Section 7(b)
Department of Transportation and Public Facilities
Capital
Title change: Anchorage: Muldoon Road Landscaping and Pedestrian Improvements - Glenn Highway to 36th Avenue to "...Improvements - Regal Mountain to Bartlett Drive"

Ms. Slagle stated that this request is also the result of the Office of the Governor's amendment process that expanded the Anchorage Metropolitan Area Transportation Study (AMATS) improvement projects. She reiterated that the title change is required before the project could continue.

SB 75
Section 7(c)
Department of Transportation and Public Facilities
Capital
Title change: Juneau West Douglas Highway Extension to Juneau:
Gastineau Channel Second Crossing

Ms. Slagle informed the Committee that this project was "earmarked" and subsequently amended by the US Congress because the City and Borough of Juneau levied a higher priority status to the Gastineau Channel second crossing than to the West Douglas highway extension. She stated that the title of the project was inadvertently overlooked and a name change is required.

Senator Taylor asked whether the State granted an appropriation to this project.

Ms. Slagle verified that a State appropriation was granted in FY 00.

Senator Taylor asked how many projects have received appropriations, but have had no action due to such things as the need for a name change.

Ms. Slagle acknowledged that the Department is investigating the status of appropriations that have been "on the books for an extended length of time," but have had no action. She voiced that she did not know the total dollar amount "of old projects."

Senator Taylor asserted that, "it is a very significant number."

Ms. Slagle agreed, and clarified that numerous airport projects would be included in this exercise because, while appropriations have been made, the Department receives direction from the FAA concerning which projects would be undertaken. She stated that these projects are "constantly being reviewed."

Senator Taylor asked whether the amount of projects on hold could amount to as much as \$400 million.

Ms. Slagle voiced uncertainty as to the total amount.

Senator Taylor asked whether the appropriation for the Gastineau Channel crossing is sufficient to complete the project.

Ms. Slagle responded that the appropriation allows for preliminary engineering work, reconnaissance, and environmental scoping to be conducted. She noted that construction costs are not included in the appropriation. She stated that further State appropriations would be requested were additional Congressional support forthcoming.

Senator Taylor asked the testifier the status of the funding for the 3.5-mile Juneau highway extension to Cascade Point that was

appropriated approximately three years ago.

Ms. Slagle answered that the status of that project would be forthcoming.

Senator Taylor requested that information be provided. He asserted that extending the highway to Cascade Point would reduce a ferry transport from Juneau northbound by 37 miles. He declared that, rather than allotting funding for additional Juneau projects; the Legislature should encourage the City and Borough of Juneau to begin projects that have already been funded.

Co-Chair Wilken asked the reason this request is included in the supplemental budget fast track.

Ms. Slagle responded that approval of this item would allow for a request for project bids to be let in April; which, she furthered would allow for "a full construction season."

Co-Chair Wilken asked whether there were any other expenditures dependent upon approval of the title change supplemental requests.

Ms. Slagle explained that the Department currently has some expenditure authority for portions of the combined projects; however, she clarified, authority must be granted in order to conduct the portions that were added to the original titled project.

Co-Chair Wilken asked the Department to provide the Committee with a breakout detailing which of the five projects are arrested until approval of the title change is granted.

Senator Hoffman asked the criteria whereby the Department determines whether an item is identified as a reappropriation or as a supplemental request.

Ms. Slagle defined reappropriation as using funds appropriated to, or available from, a specific project for a separate project. However, she expressed, some projects such as the West Juneau Road extension item afore detailed as a title change, could, according to the reappropriation definition, be considered either as a reappropriation or as a supplemental title change request.

Co-Chair Green stated that the issue of how a project is identified is worthy of discussion.

SB 76
Section 7(d)

Department of Transportation and Public Facilities
Nunapitchuk Resurfacing and Lighting to Nunapitchuk Airport
Relocation (SLA 2001)

SB 76

Section 7(e)

Nunapitchuk Resurfacing and Lighting to Nunapitchuk Airport
Relocation (FSSLA 1999)

Ms. Slagle explained that these requests are the result of a revision to the scope of the project. She explained that the original project addressed resurfacing the runway; however, she continued, as the project proceeded, it was determined that the runway needed "to be shifted" from its original site to allow for better site drainage; a safety zone around the extended runway; and the accommodation of power lines and new runway lighting. She stated that this request also provides for a new building to house airport snow removal equipment.

Co-Chair Green asked whether the original runway would be abandoned.

Ms. Slagle clarified that the runway is not being moved enough to warrant abandoning the original runway. She continued that the new airstrip would allow for larger aircraft and a safer runway setting.

Senator Olson affirmed that the Nunapitchuk Airport, like other airports in the region, has drainage problems. He asked for further explanation regarding the scope of the project.

Ms. Slagle stated that the location of the new runway would be in close proximity to the original runway and would include new lighting.

Senator Olson asked whether the original runway would be without lights during the construction phase.

Ms. Slagle responded that the reason this request is included in the supplemental bill to allow the new runway to be completed this construction season.

Senator Olson clarified that his concern arises from new FAA regulations requiring runways to be lit.

SB 75

Section 7(f)

Department of Transportation and Public Facilities

Highways and Aviation, and Facilities
Restore highways and maintenance cuts as directed by Governor
Murkowski on Dec. 12
\$2,562.0 general funds

Ms. Slagle expressed that the FY 03 road maintenance and operations budget was not adequately funded, and that as a result, employees were laid off and maintenance stations were closed. She continued that in December 2002, the newly elected Governor Frank Murkowski, ordered maintenance stations re-opened and approximately 69 employees hired or rehired to provide the necessary level of road and airport maintenance.

SFC 03 # 12, Side B 09:51 AM

Co-Chair Green asked whether the mild winter has provided cost saving opportunities.

Ms. Slagle responded that the majority of the funds being requested provide for fixed costs such as equipment expenses, utilities, and employee benefits. She professed that, while some areas have received lower than normal levels of snow, other areas have experienced higher than usual levels. She continued that the warmer temperatures have resulted in icing situations that have required both chemical and sand treatments. She stated that the Department continues to monitor the situation to determine any cost savings, particularly overtime expenses.

Co-Chair Wilken expressed surprise that the lack of snow experienced in the State had not generated more savings. He asked that information be provided detailing the percent of the expenses attributed to fixed costs.

Ms. Slagle expressed that the Department, when verifying the amount, was "assured" that full time employees were working on deferred maintenance needs when not dealing with snow conditions. She would supply the fixed cost information to the Committee.

Co-Chair Wilken specified that maintenance expenses associated with the Fairbanks North Star Borough area, which has experienced three snow falls greater than four inches, would provide a good cost analysis. He inquired as to whether the Department's unallocated reductions were isolated to the maintenance budget.

Ms. Slagle stated that the FY 03 management plan reflected that the unallocated reduction was distributed throughout the Department.

Co-Chair Green commented, however, that highways and aviation maintenance and facilities experienced the bulk of the reduction.

Ms. Slagle responded that the highway maintenance budget accounts for approximately 85 percent of the Department's general fund budget and therefore would experience the largest "hit."

Senator Hoffman voiced his appreciation to Governor Murkowski for supporting the restoration of maintenance funding.

SB 75
Section 7(g)(h)(i)
Department of Transportation and Public Facilities
Capital
Central Region Planning new capital project.
Dillingham-Aleknagik Road Milepost 8-23 Resurfacing.
Accelerated in the STIP to coincide with the airport runway repaving project scheduled for summer of 2003.
\$8,200.0 federal funds

SB 75
Section 7(h)
Department of Transportation and Public Facilities
Capital
Glenn Highway Intersection Improvements & Resurfacing, Gambell to McCarrey. Accelerated in STIP to address increasing deterioration of the roadway surface.
\$6,000.0 federal funds

SB 75
Section 7(i)
Department of Transportation and Public Facilities
Capital
Central Region Planning new capital project.
Old Glenn Highway Reconstruction, N Eagle River Exit to Peters Creek. Accelerated in the AMATS TIP to accommodate substantial increase in traffic projections due to recent area developments.
\$5,625.0 federal funds

Co-chair Green asked the process whereby a project's ranking is advanced in the Statewide Transportation Improvement Program (STIP).

Ms. Slagle responded that these three projects are being requested to allow sufficient time for bid advertising in order to permit the projects to have a full construction season. She stated that these

projects include such things as allowing a road project to be combined with a separate airport project to provide "for efficiencies in the process." She stated that approval of these projects would not negatively affect other projects identified in the STIP.

SB 75
Section 7(j)
Department of Transportation and Public Facilities
Capital
Barrow runway apron paving and safety area expansion project.
\$4,900.0 federal funds

Ms. Slagle stated that this request is being presented to accommodate the approximately one-month construction season at this location.

AT EASE 10:00 AM / 10:01 AM

SB 76
Section 14(a)
Department of Transportation and Public Facilities
Central Region Highways and Aviation
Carry forward excess Whittier Tunnel toll revenue above FY2002 appropriation to comply with federal code requiring all toll revenue to be spent on the toll facility.
\$819.1 Receipt Supported Services

Ms. Slagle informed the Committee that this request would authorize the Department to access the revenue generated by the Whittier Tunnel toll. She explained that federal regulations specify that any revenue generated by a toll facility constructed with federal dollars is required to support operation and maintenance needs of that facility.

Senator Taylor asked what other funds support the facility.

Ms. Slagle specified that a combination of federal highway funds and toll revenue provide maintenance and operation funds.

Co-Chair Green asked whether the Whittier Tunnel toll receipts could be used for other federal projects maintenance needs.

Ms. Slagle responded that any revenue, in excess of the tunnel's maintenance and operation needs, could be used to fund other federal Title 23 eligible projects.

Ms. Slagle reminded the Committee that due to the Whittier Tunnel's

toll fees being lowered the previous year, these funds would be required to offset the resulting budget shortfall.

Co-Chair Green clarified therefore that these funds are a "temporary fix."

Ms. Slagle agreed.

SB 76
Section 14(b)
Department of Transportation and Public Facilities
Fairbanks International Airport
Federal Homeland authority fund source switch from federal funds to International Airport Revenue Fund for mandated security activities at Fairbanks airport.
(\$326.0) federal funds
\$326.0 International Airport Revenue Fund

Ms. Slagle voiced that this funding change request results from the implementation of homeland security measures at the Fairbanks' airport. She continued that the expected federal dollars to assist in the implementation of the measures were never received.

SB 76
Section 14(c)
Department of Transportation and Public Facilities
Regional Admin Services
Increased costs per negotiated contract with the Confidential Employees Association, retroactive to September 2001 and full FY 2003 costs.
\$72.6 total funds
 \$25.7 general funds
 \$46.9 various funds

Ms. Slagle explained that this request would provide for increased wage expenses for 14 employees who were reclassified as a result of a recently completed re-classification study. She continued that the contract with the Employees Association provided that these re-classification expenses would be retroactive to September of 2001.

Co-Chair Green asked the reason this request is being submitted in the supplemental budget rather than as a ratification.

MS. Slagle responded that these expenses were "not encumbered" in FY 02, and therefore, she continued, are not eligible for ratification consideration.

SB 76

Section 14(d)

Department of Transportation and Public Facilities

Marine Highway System

Marine Highway System increased fuel costs. July 2 fuel cost projected at 81.4 cents per gal with 8.7mm gallon use; Jan 27 revised projection at 90.7 cents with 9.6mm gallon use. Increased use was due to cancellation of private service contract to Metlakatla.

\$450.0 Marine Highway System Fund

Ms. Slagle stated that this request results from increased fuel costs as well as an increase in the amount of fuel utilized by the Alaska Marine Highway System. She detailed the increases and specified that, while the Department experienced a 1.6 million increase in fuel expenses, it was able to absorb all but \$450,000 of the increase.

Co-Chair Green asked for further information regarding the circumstances resulting from a route cancellation by a private contractor, the Silver Eagle.

Ms. Slagle noted that the community of Metlakatla did not approve of the type of vessel being used by the private contractor, and the Department decided to replace the contracted service with the State ferry, the M/V Aurora. She stated that adding service to Metlakatla incurred additional fuel expenses.

Co-Chair Green asked whether the Alaska Marine Highway System experienced increased fuel costs throughout the system.

Ms. Slagle responded that the increased fuel costs were experienced throughout the system.

CAPTAIN GEORGE CAPACCI, General Manager, Alaska Marine Highway System (AMHS) explained that in developing the FY 03 AMHS budget, the AMHS investigated the use of alternate methods to reduce costs to the System, and, he continued, contracting for service to Metlakatla was considered a temporary solution until the vessel being built by the State to service the community is completed in the spring of 2004.

Senator Olson asked the difference in the cost of using the Silver Eagle rather than the M/V Aurora.

Captain Capacci responded that this number would be provided to the Committee.

Senator Olson asked which vessel is owned by the State.

Captain Capacci clarified that the M/V Aurora is owned by the State.

Senator Olson asked how the decision to use the M/V Aurora for the service to Metlakatla transpired.

Captain Capacci responded that the Department made the decision.

Senator Hoffman commented that, by his calculations, the funding request for fuel should be higher than the supplemental amount requested.

Captain Capacci pointed out that the AMHS was able to absorb approximately \$1.2 million of the \$1.6 million fuel overage expense.

Senator Hoffman questioned how the AMHS budget "could be ten percent off" from its estimated fuel consumption since its routes are consistent. He asked whether service was expanded.

Captain Capacci concurred that while the AHMS schedule is established, such things as weather and currents do affect the cost. He stated that the unexpected service to Metlakatla impacted the budget.

Senator Hoffman opined that, by utilizing such things as historical costs, the AHMS could more accurately project fuel consumption.

Co-Chair Green requested that further information regarding the service to Metlakatla be provided to the Committee.

SB 76

Section 14(e)

Department of Transportation and Public Facilities

Capital

Title change: Scammon Bay: Snow Removal Equipment Building should include "and Airport Layout Plan"

Ms. Slagle stated that this title change request is the result of the original project being amended.

Senator Olson voiced concern that the name change indicates that funding would now be earmarked for the airport rather than for the snow removal equipment building.

Ms. Slagle clarified that the name change would allow the Department to fund both projects.

Senator Olson asked for assurance that the snow removal equipment building would be built.

Ms. Slagle responded that the building would be built.

SB 76
Section 14(f)
Department of Transportation and Public Facilities
Capital
Title change: Hatcher Pass: Milepost 34 to 39 - Rehabilitation
should be Milepost 24 to 39 - Rehabilitation

Ms. Slagle noted that this title change would accommodate the expansion of the project to provide drainage and culvert repair.

SB 76
Section 16(10)
Department of Transportation and Public Facilities
Miscellaneous Claims and Stale-dated Warrants \$26.82

Ms. Slagle stated that this request would fund an outstanding debt from the year 2000.

Department of Department of Military and Veterans Affairs

SB 76
Section 4
Department of Military and Veterans Affairs
Disaster Relief Fund
Capitalize the fund for declared disasters: earthquake \$5,086.4 GF and \$14,848.1 Fed; interior flood \$1,268.0 GF and \$4,541.3 Fed; NW Arctic Borough fall sea storm \$851.0 GF; Kenai Peninsula flooding \$3,571.0 GF and \$11,704.5 Fed and \$830.0 GF for core emergency services.
\$42,700.3 Total Funds
 \$11,606.4 general funds
 \$31,093.9 federal funds

JOHN CRAMER, Director, Division of Administrative Services, Department of Military and Veterans Affairs explained that this request would capitalize the Disaster Relief Fund for the four disasters the State experienced in FY 03.

Co-Chair Green asked whether the federal/state funding formula has been revised as she questioned the percentage of State general funds being requested compared to the federal funds.

Mr. Cramer stated that the number of disasters could contribute to this increase.

DENISE LICCILOI, Administrative Services Manager, Division of Administrative Services, Department of Military and Veterans Affairs informed the Committee that the state/federal emergency-funding ratio is 25/75 percent respectively for public assistance and HazMat funding expenses. However, she clarified, the Federal Emergency Management Agency (FEMA) recently changed the funding process regarding individual assistance. She continued that FEMA is now paying its portion of the expenses directly to the individuals rather than routing those funds through the State. Therefore, she expressed, rather than the numbers reflecting the entire amount paid by the federal government, the numbers only reflect the 25 percent paid by the State.

Co-Chair Green summarized that the federal government is continuing to pay 75 percent of the expenses, however, that amount is not reflected in the presentation.

Co-chair Green questioned the \$830,000 being requested for core emergency services.

Mr. Cramer clarified that \$680,000 of the \$830,000 identified in the request is the historical base amount. He detailed that \$30,000 of the additional \$150,000 being requested would provide for on-going training and preparedness exercises for the State's defense force, and, he asserted, the remaining \$120,000 would provide the necessary funding to operate the State Emergency Coordination Commission (SECC).

Ms. Liccioli informed the Committee that prior to the last two years, response to emergencies was on an as-needed basis by utilizing existing staff. However, she continued, in order to ensure quicker emergency response, the Department dedicated staff to handle SECC calls. She continued that the absorption of this responsibility jeopardized traditional duties and diverted funds from other sources to fund the SECC program. She specified that the \$120,000 being requested would allow the Department to reestablish its ability to perform traditional functions and hire staff to explicitly manage training and preparedness efforts.

Co-Chair Green stated that this program should be funded in the Department's operating budget. She questioned whether it is appropriate to include this request in the supplemental budget bill.

Senator Hoffman voiced the understanding that the SECC program has

been underfunded; and therefore, he asked whether \$120,000 would be an annual expense.

Ms. Liccioli concurred that the SECC program has been underfunded by \$120,000. She stated that the Department has maintained the program by the hiring non-permanent staff and leaving some positions vacant.

Senator Hoffman, noting the historical funding level of \$688,000, asked how many years the SECC has been under-funded.

Ms. Liccioli clarified that the under-funding occurred two years ago when there was a shift from staffing the SECC on an as-needed basis by using personnel assigned to other duties to full-time, dedicated SECC staff.

Co-chair Green ordered the bills HELD in Committee.

AT EASE 10:27 AM / 10:29 AM

Co-chair Wilken chaired the remainder of the meeting.

#sb78

SENATE BILL NO. 78

"An Act relating to an optional group of persons eligible for medical assistance who require treatment for breast and cervical cancer; relating to cost sharing by those recipients under the medical assistance program; and providing for an effective date."

This was the first hearing for this bill in the Senate Finance Committee.

Co-Chair Wilken stated that this bill continues the optional breast and cervical cancer Medicaid coverage due to terminate in June 2003. He stated that this bill would authorize the Department of Health and Social Services to impose recipient cost sharing procedures as allowed by federal regulations.

Co-Chair Green, the bill's sponsor, stated that the purpose of this bill is to extend the termination date for this program. She reminded the Committee that those individuals who have begun treatment would continue to receive Medicaid coverage as previously mandated by separate Legislation. Additionally, she noted, the bill would allow the Department of Health and Social Services to impose allowable cost sharing between the State and program recipients.

She furthered that the bill's language is consistent with language of the Denali KidCare program. She noted that the bill would allow the State the flexibility required to align with any upcoming federal "re-workings" of the program. She noted that were the existing legislation to include this flexibility, the State would have been eligible for additional federal funding.

ELMER LINDSTROM, Special Assistant, Office of the Commissioner, Department of Health and Social Services voiced the Department's support of this legislation. He specified that the Office of the Governor would welcome legislation that would make Medicaid coverage of breast and cervical cancer treatment "permanent," and he noted that the bill's fiscal note would be included in the Governor's amended FY 04 budget. He affirmed that the bill's fiscal note is consistent with the Department's projections as there has been no unexpected growth in the program.

Senator Olson, a medical doctor, thanked the sponsor on behalf of the individuals provided coverage by this bill. He questioned whether the State is charging patients the maximum co-pay amount allowable under federal law.

Mr. Lindstrom specified that, "the language in the proposal is consistent with current practice relative to co-pays." He continued that the issue of the co-payment amount "is something worth reiterating" as this program provides coverage to people whose income is "significantly" above the typical qualifying level. He stated that the Murkowski Administration is committed to the broader qualification coverage. Furthermore, he noted, the Administration supports a co-payment "cost sharing" contribution by the beneficiaries of the program. He noted that further expansion of qualifications into the program would require changes in federal regulations.

Senator Olson asked whether the State is charging participants the maximum co-payment amount.

Mr. Lindstrom responded that the Department would collect the same level of co-payments under the proposed legislation as collected under the current legislation.

Senator Olson asked whether the State collects the maximum co-payment amount allowed under federal law.

Mr. Lindstrom replied that is correct.

Senator Olson asked whether the proposed bill would change the amount of money that the State would either pay or collect through

the program.

Co-Chair Green clarified that, rather than the State collecting the co-payments, the co-payments would be paid to service providers. She shared some the co-payment amounts. She reiterated that the State's broadened "asset eligibility" requirements allow Medicaid coverage for individuals earning significantly higher incomes than normally allowed.

Senator Olson surmised that this legislation would not result in cost savings to the State.

Mr. Lindstrom agreed.

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Senator Hoffman asked the reason the legislation includes cost sharing language if there is no related reduction in the cost to the State.

Mr. Lindstrom responded that language is included in the proposed legislation to allow the State to pursue higher cost-sharing co-payment levels with program-eligible women in "significantly higher" income brackets, provided that future changes in federal regulations allow for that option.

Senator Hoffman asked whether the State has attempted to expand the existing cost-sharing language in the Denali KidCare program, which also provides benefits to those with incomes higher than the normal qualifying amounts.

Mr. Lindstrom responded that, as a result of a State inquiry, the federal government ruled against including additional cost sharing language in the Denali KidCare program "barring some change in federal law."

Senator Hoffman asked whether the Department anticipates a different federal ruling pertaining to the additional cost sharing language included in this breast and cervical cancer legislation.

Mr. Lindstrom responded that the Department does not currently anticipate a different ruling; however, he reiterated, the language is included in this legislation in anticipation of future federal changes regarding cost-sharing allowances.

Co-Chair Wilken asked the testifier to clarify information in the fiscal note regarding whether Alaska Native women, who receive 100 percent medical coverage through Indian Health Services, are eligible for this program.

Mr. Lindstrom responded that the federal government has determined that Native women could participate in this program. He stated, however, that the reason for there being "fewer billings than anticipated" for Native women is unclear.

Co-Chair Green informed the Committee that a financial arrangement has been established whereby the Indian Health Services would reimburse the State for the breast and cervical cancer treatment provided to Native women. She continued that Native women could not be denied this program.

Mr. Lindstrom concurred with Co-chair Green's comments.

Senator Hoffman specified that, while many health providers contract with the federal government to provide services, the provider and the client have the option to determine whether or not to bill Indian Health Services, an insurance company, or the State.

Co-Chair Wilken asked for further clarification regarding language in the fiscal note regarding the expected growth rate; specifically whether the growth rate would be five or ten percent.

Mr. Lindstrom clarified that, while there has been a five percent increase in the number of program participants, there has been a ten percent increase in program expenses due to the rising cost of health care.

Co-Chair Wilken summarized that program expenditures are expected to increase at twice the rate of the number of program recipients.

Mr. Lindstrom agreed.

Senator Taylor moved to report SB 78 from Committee with individual recommendations and the accompanying fiscal note.

There being no objections, SB 78 reported from Committee with a \$970.0 fiscal note, dated February 24, 2003 from the Department of Health and Social Services.

ADJOURNMENT

Co-Chair Gary Wilken adjourned the meeting at 10:49 AM.