

HOUSE FINANCE COMMITTEE
February 23, 2005
2:09 p.m.

CALL TO ORDER

Co-Chair Chenault called the House Finance Committee meeting to order at [2:09:32 PM](#).

MEMBERS PRESENT

Representative Mike Chenault, Co-Chair
Representative Kevin Meyer, Co-Chair
Representative Bill Stoltze, Vice-Chair
Representative Eric Croft
Representative Richard Foster
Representative Mike Hawker
Representative Jim Holm
Representative Reggie Joule
Representative Mike Kelly
Representative Carl Moses
Representative Bruce Weyhrauch

MEMBERS ABSENT

None

ALSO PRESENT

Pete Ecklund, Staff, Representative Kevin Meyer; Eddy Jeans, Director, Education Support Services, Department of Education and Early Development; Cheryl Frasca, Director, Division of Management & Budget, Office of the Governor; Eric Swanson, Director, Division of Administrative Services, Department of Administration; Jo Ellen Hanrahan, Acting Director, Division of Administrative Services, Department of Commerce, Community & Economic Development; Sharleen Griffin, Acting Director, Division of Administrative Services, Department of Corrections; Karen Rehfeld, Deputy Commissioner, Department of Education and Early Development; Mike Maher, Director, Division of Administrative Services, Department of Revenue; Janet Clarke, Assistant Commissioner, Division of Finance and Management Services, Department of Health and Social Services; Nancy Slagle, Director, Division of Administrative Services, Department of Transportation and Public Facilities; Kathryn Daughhete, Director, Administrative Services Division, Department of Law; Susan Taylor, Director, Division of Administrative Services, Department of Revenue; Kristin Ryan, Director, Division of Environmental Health, Department of Environmental Conservation; Marc Antrim, Commissioner, Department of Corrections; Al Clough, Deputy Commissioner, Department of Commerce, Community & Economic Development

PRESENT VIA TELECONFERENCE

Kate Giard, Chairman, Alaska Regulatory Commission,
Anchorage

SUMMARY

HB 135 An Act making supplemental appropriations, capital appropriations, other appropriations, and reappropriations; amending appropriations; making appropriations to capitalize funds; and providing for an effective date.

HB 135 was HEARD and HELD in Committee for further consideration.

HB 158 An Act relating to the public school account and renaming the public school account as the public education fund; and providing for an effective date.

HB 158 was reported out of Committee with a "no recommendation" and with a new zero note by the Department of Education & Early Development.

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#HB158

HOUSE BILL NO. 158

An Act relating to the public school account and renaming the public school account as the public education fund; and providing for an effective date.

PETE ECKLUND, STAFF, REPRESENTATIVE KEVIN MEYER, explained that HB 158 proposes changing the public school account and renaming it the Public Education Fund. In addition, HB 158 clarifies that money appropriated from the public education fund may be expended without further appropriation and that money left over in the fund would not lapse.

HB 158 adds that appropriations for pupil transportation can be made from the public education fund; however, interest earned on the fund would be appropriated back to it.

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Mr. Ecklund added that if the Legislature appropriated too much money into K-12 and there was a decline in student enrollment, the left over money would lapse back to the general fund. The main purpose of the legislation is to keep dollars appropriated for K-12 in the education fund

where they would be used for educating students. He urged the Committee's support for the bill.

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Representative Weyhrauch asked if pupil transportation would always come out of the fund. He asked how it would work for the long-term.

Mr. Ecklund explained that the bill would establish the fund, appropriations would go into that fund and formula programs including pupil transportation would take money from the fund to pay costs. Typically, there is a budget request by the Department of Education & Early Development regarding the anticipated costs. As long as the funds are appropriated into that account, there should be plenty of money to pay those costs. He pointed out that the lapse from K-12 would be available for pupil transportation.

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Vice-Chair Stoltze asked if it could be available for appropriation without being constitutionally dedicated. Mr. Ecklund commented that there would be no problem with it being constitutionally dedicated. The money appropriated into the fund could conceivably be appropriated out for other purposes; however, that would hurt the premise of the bill, which is to make funds available for educational purposes from year to year. If the Legislature decided to appropriate for other purposes, that would damage the premise of the bill.

Vice-Chair Stoltze understood that the proposed legislation would be the best effort to protect educational funding.

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Mr. Ecklund reiterated that the intent of the legislation was to keep money appropriated for education in a fund that would not lapse and was available only for education.

Representative Joule asked if there was money currently in that fund. Mr. Ecklund replied that there is no money currently in the public school account. That account was created in 1998 and it has not been used.

Vice-Chair Stoltze requested that Ms. Frasca testify on the bill.

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AT EASE: [2:17:52 PM](#)
RECONVENE: [2:18:47 PM](#)

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Representative Croft questioned why the provision of expending without further appropriation had been included. Mr. Ecklund explained that the money would be appropriated into the education fund and then money would move out of the fund according to the formula.

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Representative Croft noted currently, those lapsed funds act as filler in the next budget. He asked if the legislation would make that impossible. Mr. Ecklund said that was correct and that any money that does not flow out of the fund would continue in the fund for the next year. It would be available for educational purposes for the next fiscal year.

Representative Croft agreed statutorily that could be done and asked if it would be a "sweep". Mr. Ecklund replied that it would not under the proposed language.

Representative Croft wanted to understand the concept. He asked if the Legislature could appropriate from that fund. Mr. Ecklund replied that they could, as it was not a constitutionally dedicated fund.

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Representative Croft questioned why the legislation was better than the current system and what would be accomplished. Mr. Ecklund discussed that the Legislature appropriated \$14.5 for education for FY05, which will lapse at the end of FY05. It is up to the Legislature to decide what to do with that money. The sponsors believe that by appropriating money to education, that it should be kept in that fund.

Representative Croft did not see any extra money being passed to education. Mr. Ecklund pointed out that \$14.5 million dollars would be available in the education fund for FY06; the Legislature could then decide the purposes for which to use those funds.

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Vice-Chair Stoltze asked how the proposal would interface with the Capital Budget Reserve fund (CBR).

CHERYL FRASCA, DIRECTOR, DIVISION OF MANAGEMENT & BUDGET, OFFICE OF THE GOVERNOR, explained that if it were a sub account of the general fund, then it would be subject to the sweep. She thought that the fund sounded similar to other ones such as the Marine Highway Transportation Fund. Mr.

Ecklund acknowledged that it was similar to that fund; however, would require further appropriation to take money out.

Representative Hawker stated that when funds are established as sub funds of the general fund, it should be stated in the language of the bill. The bill reads: "The public education fund is established". He understood that to mean that it was not a sub fund of the general fund.

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Representative Joule inquired if there had been feedback from the school districts. Mr. Ecklund did not know. He pointed out that the fund mechanism would not change their entitlement; otherwise, the money would lapse for educational purposes.

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Representative Foster MOVED to report HB 158 out of Committee with individual recommendations and with the accompanying fiscal note. There being NO OBJECTION, it was so ordered.

HB 158 was reported out of Committee with a "no recommendation" and with a new zero note by the Department of Education & Early Development.

AT EASE: [2:27:47 PM](#)

RECONVENE: [2:28:11 PM](#)

[2:28:27 PM](#)

#HB135

HOUSE BILL NO. 135

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

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CHERYL FRASCA, DIRECTOR, DIVISION OF MANAGEMENT & BUDGET, OFFICE OF THE GOVERNOR, provided an overview of the both the supplemental bills for FY05 & FY06. She noted in mid September when the Governor's spending plan was released, the Office had placeholders set for \$85 million dollars worth of supplemental spending. Additionally, there were placeholders for \$40 million dollars for initiatives proposed funded out of the windfall. Both of which are reflected in the supplemental. Ms. Frasca acknowledged that

it has not been smooth "marrying out the two". The bottom-line that the two amount to about \$125 million dollars.

In September, when that plan was submitted, all the supplemental requests had not been identified. When the proposal was submitted, the Office of the Governor "missed the mark" by \$17 million dollars and that part of that amount was off set by \$14.5 million dollars indicated for the K-12 formula program. She added that the proposed savings should be taken and used to off set some of the increases in other areas.

Ms. Frasca clarified that before the Committee are two bills totaling \$40 million dollars in windfall proposals, \$28 million dollars related to the gas line costs, and \$6.5 million dollars for small city energy assistance program.

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Ms. Frasca noted \$5.5 million dollars for two programs within the Department of Health & Social Services, \$97 million dollars for more traditional supplemental requests of which a significant amount of that number is related to the fires last summer.

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Ms. Frasca continued, \$39 million dollars would be used for Medicaid programs, which are mostly related to the inability to realize some cost containment savings that the Department has embarked upon; \$11 million related to fuel and utility increases; and finally, \$6.5 million dollars for contractual and legal obligations.

Ms. Frasca pointed out that the departments were present to address their requests in the bill.

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Vice-Chair Stoltze asked if the individual judgments and claims had been listed. Ms. Frasca replied that the ones that they know of should be and as new ones come forward, they will be submitted.

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Representative Joule commented on the various departments' request for an increase because of high fuel costs. He stated that schools also have suffered those increases. Ms. Frasca stated that they had only received one of those requests and recommended speaking to the Department of Education & Early Development about that concern.

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DEPARTMENT OF ADMINISTRATION

Section 1

Increased costs for heating fuel and other utilities
for Non-Public Building Fund buildings.
General Funds \$110.0

ERIC SWANSON, DIRECTOR, DIVISION OF ADMINISTRATIVE SERVICES,
DEPARTMENT OF ADMINISTRATION, explained Section 1, Line 7,
would be used to cover cost increases incurred for heating
fuel and other utilities in the non-public building fund.
The amount also would help with added costs for snow removal
this year.

Co-Chair Chenault understood that these type costs would be
highlighted throughout the supplemental this year.

Section 13(a)-(c) Salary & Benefit Adjustment

FY 05 costs for the General Government Unit collective
bargaining agreement.
Total Funds \$5,566.2

Mr. Swanson continued, the requests would cover general
government contracts monetary unit. That contract was not
ratified until after the Legislature had adjourned last
year. It would be taken from a variety of fund sources and
primarily would cover health insurance increases.

DEPARTMENT OF COMMERCE, COMMUNITY & ECONOMIC DEVELOPMENT

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Section 2(a)

Small city energy assistance program.
General Funds \$6,450.0

AL CLOUGH, DEPUTY COMMISSIONER, DEPARTMENT OF COMMERCE,
COMMUNITY & ECONOMIC DEVELOPMENT, explained that due to the
rising costs of energy, the smaller communities were
disproportionately effected. The appropriation request was
put forward as a way to manage the effect to buy time on a
one-time basis. The funding would be based on the community
size.

Representative Hawker asked if there would be any
restriction on what the communities could spend that money
for. Mr. Clough understood that it was not overly
restrictive.

Representative Hawker noted that he does support some type of revenue sharing or community dividends; however, the request appeared to be more of a revenue sharing dividend program. He thought that the Governor's position was that there would be no revenue sharing program in the State. Mr. Clough did not think there had been changes to the Governor's intent. The language clearly states that the dollars can be used for energy assistance concerns.

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Section 2(b) - Office of Economic Development

The Office of Economic Development is coordinating an event at the Boston International Seafood Show that promotes the uniqueness of wild Alaska seafood.

Other Funds \$150.0

JO ELLEN HANRAHAN, ACTING DIRECTOR, DIVISION OF ADMINISTRATIVE SERVICES, DEPARTMENT OF COMMUNITY & ECONOMIC DEVELOPMENT, explained that the request would grant the authority to receive funds to participate in one of the largest seafood shows in the world.

Representative Weyhrauch requested that the Department make a commitment that only the highest quality salmon is offered at the show.

Section 2© - Regulatory Commission of Alaska (RCA)

Legal services costs of \$190.0 provided by the Department of Law were inadvertently omitted from the Regulatory Commission of Alaska's FY 05 budget. \$75.0 for outside counsel costs and \$258.0 to implement the Regulatory Commission of Alaska's improvement initiative to meet its mission more efficiently and effectively are also included.

Other Funds \$523.0

Ms. Hanrahan commented that the request comes from revenue rolled forward for various purposes such as legal services and defending RCA decisions on tax court case appeals. The result of the initiative is for improved timeliness and to reduce the costs of doing business for the RCA.

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Co-Chair Chenault asked why the request had been included in the fast track supplemental.

KATE GIARD, (TESTIFIED VIA TELECONFERENCE), CHAIRMAN, ALASKA REGULATORY COMMISSION (RCA), ANCHORAGE, responded that RCA needs the funding for the current year attorney general's

charges. The remainder of the request would be used to support some initiatives that the RCA is currently studying.

Representative Kelly reiterated concern why it had not been included the FY06 operating budget and asked if there would be carry over in 2006.

Ms. Hanrahan said that they were not being carried in next year's budget. They result in greater efficiencies. She added that the two management positions would be carried over.

Representative Kelly questioned if the requested funds had already been spent. Ms. Giard replied that they have not. The RCA has not been filling the vacant positions because they have not wanted to go over budget but noted that they now were in the process of hiring two new managers. Co-Chair Chenault voiced appreciation that RCA had not gone over their budget.

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Sections 2 (d) & (e) - Alaska Seafood Marketing Institute (ASMI)

Fund source switch from Federal Receipts to Receipt Supported Services in order to receive funding from the Alaska Fisheries Marketing Board.

Receipt Supported Services -0-

Ms. Hanrahan noted that the request was a technical fund source change from federal to receipt supported services.

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DEPARTMENT OF CORRECTIONS

Section 3(a) - Office of the Commissioner

Support for enhanced correctional officer and probation officer recruiting efforts in urban and rural Alaska. Workplace Alaska alone is not bringing enough applicants. The department will purchase TV and radio spots, and advertisements in smaller publications in locations such as Seward, Bethel, Nome, Kenai, Eagle River and Mat-Su.

General Funds \$50.0

MARC ANTRIM, COMMISSIONER, DEPARTMENT OF CORRECTIONS, explained that the request was part of a recruitment campaign through FY05 to buy media time to help address the many vacancies in both front line positions and the number of probation officers.

Co-Chair Chenault asked what type program is currently being used and why more funds were needed. Commissioner Antrim advised that currently, there is no program and that the Department depends solely on Work Place Alaska. There are two problems confronting the Department and the hiring process has been very cumbersome. He pointed out that the psychological tests have removed a large number of applicants. Now, many of the mental health screening questions have been integrated into the up-front interview process.

Commissioner Antrim emphasized that it is essential that more people are being tracked into correctional facility jobs and choosing that as a career option. The Department needs an add campaign to help with that and noted that they would target small rural communities.

Co-Chair Chenault inquired if targeted areas would be ones that currently have correctional facilities. Commissioner Antrim replied they would.

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Vice-Chair Stoltze commented that his office sends newsletters and offered to help the Department in any way with advertising. Commissioner Antrim voiced his appreciation.

Representative Holm asked how the Department would advertise on television. Commissioner Antrim responded that was why they were seeking funds to contract with an advertising firm. Developing a campaign will be challenging, getting people to want to work in the statewide prison system.

Representative Holm commented on the type of person recruited to do that kind of work and mental health screening required.

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Representative Weyhrauch agreed that attracting correctional officers would be difficult given the serious considerations.

Representative Hawker noted the vacancy factor in excess of \$6 million dollars and asked why is there not sufficient funding to pay for the proposed request. Commissioner Antrim responded that much of those funds go into overtime costs.

Representative Hawker knew that there was an excess vacancy factor and that not all of those positions require overtime. He asked that the need of the supplemental request be

reconsidered. Commissioner Antrim stressed that some of the vacancy money was used to pay for advertising RFP. Representative Hawker encouraged the Department to use the rest of the available funds.

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SHARLEEN GRIFFIN, ACTING DIRECTOR, DIVISION OF ADMINISTRATIVE SERVICES, DEPARTMENT OF CORRECTIONS, added that a review of current year projections for personal services indicates that overtime costs are higher than they have ever been and within the Division of Probation Parole, are the highest overtime rates. She pointed out that the Department has reviewed the projections and has delegated \$75 thousand dollars to the project.

Co-Chair Meyer agreed with Representative Hawker and that the request should not be placed in the fast track supplemental.

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Representative Kelly commented on the efforts to attract new people into the Department, asking if programs could be offered through the University and community colleges. Commissioner Antrim replied that the Department does have a good track record in attracting people from the University system. He pointed out that the internship programs offer limited paid internships, directed toward probation officer (PO) options.

Representative Kelly asked if the systems were getting the Department needs met and encouraged that Alaskans be hired for positions being discussed.

Representative Holm asked if there were any programs through the Juvenile Justice System, which works on such issues. Commissioner Antrim did not know.

Section 3 (b) - Administrative Services

The department is seeking an e-procurement application to lower purchasing prices and improve efficiencies within the buying process for commodities, equipment, food and services.

General Funds	\$225.0
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Commissioner Antrim explained that the request addresses an e-commerce system. The FY05 was built with taking a 7% reduction in the commodity line and that the process of procuring has been more daunting than anticipated. The Department has requested June 30th, 2006, as a term date of completion of the project.

Co-Chair Meyer questioned if the procurement process could be centralized. Commissioner Antrim agreed that was the way that the State should go and note that they are in the experimental phase.

Representative Weyhrauch cautioned giving total procurement responsibility to just one governmental entity.

Section 3© - Out of State Contractual

The new contract with the Arizona facility started November 1, 2004. With the increased bed cost from \$53.99 to \$57.15 and the projected population at the facility, the department needs additional funds to pay the contractor for housing Alaskan offenders.

General Funds \$2,292.9

Ms. Griffin stated that the bed price in Arizona increased and the supplemental request addresses that cost increase. The bed rate increase includes prisoner gratuities. The money appropriated toward gratuities has been moved toward the bed cost increase.

Co-Chair Chenault pointed out that the number associated with bed costs in Arizona does not jive. Ms. Griffin explained that the Department has been running around 750 prisoners. Co-Chair Chenault questioned if the calculations were done, would the result be close to the requested amount. Ms. Griffin thought it would.

Representative Hawker asked if the number included any amount for out of facility medical requirements. Ms. Griffin replied that it did not. Commissioner Antrim noted that there was a separate medical contract used by the Arizona correctional facility with a facility outside of Tucson.

Co-Chair Meyer questioned if that would be an annual supplemental request. Commissioner Antrim explained that the current contract is for 48 months and it then returns to the yearly contract.

Co-Chair Chenault asked if there would be escalators included in the contract. Ms. Griffin advised that there was an increment in the FY06 budget request to cover the FY06 increase.

Section 3 (d) - Parole Board

Funding needed to conduct discretionary and mandatory parole hearings through the fiscal year. The anticipated savings from conducting hearings telephonically or using video conferencing equipment were insufficient.

General Funds

\$65.0

Commissioner Antrim discussed parole board hearings. He anticipated that there could be a savings. He provided requirement statistics comparing the Arizona and Alaskan contracts. There have been numerous hearings held with the parole officers and the victims, attorneys and various victim-right groups. He pointed out the required travel in and out of Arizona and the rights of those prisoners. Commissioner Antrim stressed that not funding the component would be a liability issue to the State of Alaska. Ms. Griffin emphasized that without the supplemental funding, the parole board will shut down in April.

Co-Chair Meyer questioned where was the money was going. Ms. Griffin explained that the reduction taken by the Department in FY05 was \$75 thousand dollars; that technology did not work out as anticipated.

Section 3 (e) - Parole Board

Funds needed to pay outstanding bills from FY2004.

General Funds

\$4.0

Ms. Griffin explained that the request would cover bills from FY04 and that the parole board had run out of funding the prior year.

Representative Holm referenced Section 3© and asked clarification regarding the requested amount. Ms. Griffin explained how that had been calculated from base costs with the Arizona contract; she offered to distribute a detailed breakdown to Representative Holm's office.

DEPARTMENT OF EDUCATION

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Section 4 (a) - School Finance and Facilities

Legal and expert services due to the Moor v. State funding lawsuit; extended lapse date to June 30, 2006.

General Funds

\$230.0

KAREN REHFELD, DEPUTY COMMISISONER, DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT, noted that the request resulted from a lawsuit last year challenging the State public school funding formula. She added that the Department was requesting an extended lapse date through June 30th, 2006.

Vice-Chair Stoltze asked about the lawsuit and the costs associated with it. Ms. Rehfeld noted that there is an estimate of about \$800 thousand dollars. A trial date has

been set in April 2006. The costs will be \$230 thousand dollars as requested in the fast track.

Vice Chair Stoltze asked for an update on the National Education Association (NEA) lawsuit.

Representative Weyhrauch asked if the costs had already been incurred on the legal issue. Ms. Rehfeld interjected that the request covers the contractual costs.

Representative Weyhrauch understood and asked if that related to the issue currently before the court and whether it was purely a legal question and not subject to litigation. Ms. Rehfeld did not know.

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Section 4 (b) - Mt. Edgecombe Boarding School

Residential operating costs related to expanded student population.

General Funds	\$800.0
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Ms. Rehfeld noted that last fall, the Legislative Budget and Audit Committee (LBA) approved an expansion project that will serve an additional 60 students. The Governor requested that 30 additional students be housed at Mt. Edgecombe this year. The requested costs are associated to food services, dorm management, janitorial and other costs related to the residential program. She anticipated a corresponding increase in the FY06 budget.

Section 4 © - Museum Operations

Funding shortfall due to unanticipated decline in program receipts and increased internal chargeback's.

General Funds	\$100.0
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Ms. Rehfeld clarified that the request would help the Department with a funding shortfall in the personal services line. There was a large decrease to program receipts this year due to the nice weather and they were down about \$38 thousand dollars.

Representative Hawker noted that he was happy to see that the Department was requesting money that the Legislature put in last year's budget but which the Governor had vetoed. He noted that RSA money had resulted in the Department's inability to do any public advertising. He suggested that the decline was a direct result of the under-funding and advocated support for the facilities. He hoped that the Governor would not veto them. Ms. Rehfeld thought that the \$100 thousand dollars had been the addition for library operations and it had been vetoed. She added that the

Department was happy to see it included in this year's Governor's request.

Co-Chair Meyer asked about the \$60 thousand dollars for museum operations. Ms. Rehfeld explained that there are a couple of confusing sections. In the regular track supplemental, the Department will be asking for an additional \$30 thousand dollars resulting from the job class study completed in the current fiscal year. The amended budget will include another \$60 thousand dollar request for that job study going into FY06.

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DEPARTMENT OF ENVIRONMENTAL CONSERVATION

Section 5 (a) - Capital

Due to safety issues relating to emerging bio-terrorist threats and animal diseases, changes in design were necessary to meet original intent and provide a safe and secure laboratory facility. This amendment provides additional funding to cover those design changes and complete construction of the new Environmental Health Laboratory.

Total Funds \$855.0

KRISTIN RYAN, DIRECTOR, DIVISION OF ENVIRONMENTAL HEALTH, DEPARTMENT OF ENVIRONMENTAL CONSERVATION, commented that when the laboratory was designed, there were unknown present day diseases. She pointed out that there have been changes made to the animal diagnostic section of the laboratory. Those changes were essential in order to comply with what was emerging in somatic diseases. The requested amount would cover costs to finish the facility.

Vice-Chair Stoltze commented that the building is like a "bad dream".

Section 5 (b) - Capital

Agriculture economic disaster match of \$500.0 of federal unrestricted receipts in DNR for non-existent federal funds is reappropriated from sec. 24(n), ch. 159, SLA 2004, page 81, to DEC for the Seafood and Food Safety Lab Replacement project.

Federal Unrestricted Rcpts (\$500.0)

Ms. Ryan noted that the \$500 thousand dollars was the reappropriation.

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DEPARTMENT OF TRANSPORTATION & PUBLIC FACILITIES

Section 6 (a) - Marine Highway Stabilization

Fuel cost increases.

General Funds \$6,813.3

NANCY SLAGLE, DIRECTOR, DIVISION OF ADMINISTRATIVE SERVICES, DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES, stated that the Department has experienced increased fuel prices for the Alaska Marine Highway System. It is anticipated that the total usage this year will be about 10.2 million gallons. The costs reflect about an 88% increase in the fuel prices for the year. The fuel prices are tied to the Oil Price Information Services (OPIS).

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DEPARTMENT OF MILITARY & VETERANS AFFAIRS

Section 6 (b) - Disaster Relief

Base capitalization of fund \$1,000.0; 2004 Bering Strait Sea Storm \$4,054.4; Interior Earthquake shortfall \$259.3; and Kaktovik Winter Storm \$2,363.5
General Funds \$7,677.2

No one was present to address Section 6 (b).

Representative Foster commented that it would cover costs for improvements.

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DEPARTMENT OF ADMINISTRATION

SUSAN TAYLOR, DIRECTOR, DIVISION OF ADMINISTRATIVE SERVICES, DEPARTMENT OF REVENUE, advised that the Chairman had told the agencies that the gas line appropriations would be at the bottom of the agenda. She stated that the Department of Revenue's Deputy Commissioner, Steve Porter had not been called and stressed that he needed to be present to discuss the items in order to provide the correct context for the requests.

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DEPARTMENT OF LAW

KATHRYN DAUGHHETEE, DIRECTOR, ADMINISTRATIVE SERVICES DIVISION, DEPARTMENT OF LAW, added that the Mr. Porter would

need to be present to discuss Sections 7 (a) - 7 (e) and Section 8.

DEPARTMENT OF HEALTH & SOCIAL SERVICES

Section 9 (a) - Alaskan Pioneer Homes

Replacing unrealizable federal Medicaid funds with receipt supported services. Lower receipts are due to the voluntary nature of residents signing up for Medicaid.

Receipt Supported Services -0-

JANET CLARKE, ASSISTANT COMMISSIONER, DIVISION OF FINANCE AND MANAGEMENT SERVICES, DEPARTMENT OF HEALTH AND SOCIAL SERVICES, commented that the supplemental request was a result from last year when the Department initiated an effort to use Medicaid funds in the Pioneer Homes. The Department has had a slow start in getting individuals on Medicaid and has been unable to collect the \$1.2 million dollar Medicaid receipts in the current fiscal year. She added that there are receipt-supported services which offset payments that the pioneers actually make for the cost of their care. It will be a net zero effect to the budget.

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Section 9 (b) - Behavioral Health Medicaid Services

Medicaid caseload growth above FY 05 budget projections. At current expenditure rate, the existing appropriation will be gone in April or May.

Total Cost \$6,171.4

Ms. Clarke stated that the request was for both general funds and federal funds. The request is based on increased costs above the projected growth for FY05. There has been a continual increase for residential psychiatric treatment centers above that projected a year ago. The request is basically for the increased costs. It is the fastest growing part of the mental health portion of the budget.

Representative Hawker emphasized that there are regulatory actions that the Legislature can take to help mitigate those cost growths in the future. Ms. Clarke agreed. In the past, it was the kids in State custody, who were the ones being sent out of State. Now, it is the individuals, parents and/or physicians, that are sending the child to an out of State facility; after 30-days, they are eligible for Medicaid. The Department is attempting to put controls in place in order to regulate the number of children sent out of State.

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Section 9 ©-Health Care Services: Women's & Adolescents Svc.

Feds reduced FFY05 funding in the Breast and Cervical Cancer screening program. The fund source change will allow services to 1600 enrolled women that otherwise would not be served due to federal funding reductions. Funds will be required by late March or early April to continue the program.

Total Costs -0-

Ms. Clarke clarified that this summer the Department was notified that they would lose \$500 thousand federal dollar receipts for the Breast and Cervical Cancer screening program. She noted that they expected to serve 7200 women in FY05. Without the \$500 thousand dollar request, the screening will be frozen and will reduce the number of women's screening to 5600.

Ms. Clarke stressed that the program is effective in diagnosing cancer; it has saved a number of lives. The Administration made a decision in the fall to come to the Legislature for supplemental funding for this important program.

Section 9 (d) - Health Care Services / Medicaid Services

Unable to implement cost containment measures as quickly or to the extent planned: e.g., Prescription Drug List delay, Transportation, Rate Setting, Cost Avoidance of Medicare Covered Drugs. At current expenditure rate, the existing appropriation will be gone in April or May.

Total Cost \$30,709.7

Ms. Clarke explained that in FY04, the Department had reduced the general fund by \$120 million dollars. In FY05, the Department came to the Legislature with a proposal to save \$60 million dollars in general funds. The current request is the first in which the Department has not been able to save the \$67 million dollars in general funds. Those are the "unrealizable cost containing efforts". The Department has been aggressive in attempting to contain Medicaid costs. Some of those efforts have not been successful. There is a total fund shortfall of \$31 million dollars.

Ms. Clarke noted the back-up material details. There were two large areas in which the Department had hoped to save money but was not able to:

- An \$11 million dollar savings proposal for transportation costs for Medicaid; and the
- Establishment of the Preferred Drug List (PDL). It was anticipated that the Department would save \$20 million dollars, however, they will only save \$8.4 million dollars.

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Section 9 (e) - Senior/Disabilities Services

Unable to implement cost containment measures as quickly or to the extent planned: e.g., Contract Waiver Assessments, Medicaid Waivers, Reducing Respite Utilization, Nursing Homes Preadmission Care Plans, \$7,084.4 GF and \$7,606.3 Federal = \$16,690.7. Formula growth over budgeted amount will cost \$15,487.8 GF and \$20,930.2 Federal = \$36,418.1 Primary growth is in Personal Care Attendant Services. At current expenditure rate, the existing appropriation will be gone in March.

Total Costs	\$53,108.8
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Ms. Clarke commented on the continuing, expedient growth in the personal care attendant program component above last year's projections.

Ms. Clarke addressed unrealized cost containments for senior and disability services. In FY05, the Department signed up for \$48.5 million dollars. The Department has been able to achieve \$32 million dollars in that savings. This portion of the request is general funds in the amount of \$7.1 million dollars; with a total component request of \$16.7 million dollars.

Ms. Clarke added that the back up would outline why the Department was able to achieve only 2/3 of that goal. Individuals in Medicaid have the right to appeal that decision if there are changes in their plan of care, which was not anticipated. Also, the Department anticipated a savings in the Medicaid waiver program of \$4 million dollars. No one bid on that RFP, so the Department has tried a different approach to standardizing the rates.

Ms. Clarke added that it had been anticipated that the Department would be able to eliminate the exceptional relief from the nursing homes; however, the regulations did not eliminate that component. Additionally, the Department anticipated a \$4 million dollar saving by implementing a screening for nursing home care. The logic was flawed and there has been no realized reduction.

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Ms. Clarke noted that the Department has achieved some consideration for cost containment in the waiver programs.

The other portion of this request is for the Personal Care Attendant Program, which continues to grow beyond all estimates. The program has "exploded" in costs. The initial cost was about \$8 million dollars in FY 2000 and now has grown to nearly \$76 million dollars for FY05. Ms. Clarke pointed out that they are working with the Subcommittee to look at policy changes around the eligibility criteria. She commented that the Department is getting information from other states regarding their eligibility criteria and that policy choices need to be made. The program is serving a good need and the Department wants to guarantee that they do not jeopardize individuals that can get home care. The Department is looking at eligibility related to disability.

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Representative Hawker observed that this year's supplemental proposals are very large and that members can expect that next year's budget will be even larger.

HB 135 was HELD in Committee for further consideration.

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ADJOURNMENT

The meeting was adjourned at 3:57 P.M.