

HOUSE FINANCE COMMITTEE  
March 14, 2005  
1:41 p.m.

CALL TO ORDER

Co-Chair Meyer called the House Finance Committee meeting to order at [1:41:58 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 Mike Kelly  
Representative Carl Moses  
Representative Bruce Weyhrauch

MEMBERS ABSENT

Representative Jim Holm  
Representative Reggie Joule

ALSO PRESENT

Senator Gary Wilken; Joel Gilbertson, Commissioner, Department of Health & Social Services; Sarah Nielson, Staff, Representative Ralph Samuels; Patty Ware, Director, Division of Juvenile Justice, Department of Health and Social Services; Bob Bartholomew, Chief Operating Officer, Alaska Permanent Fund Corporation, Department of Revenue; Linda Perez, Administrative Director, Division of Administrative Services, Office of the Governor; Janet Clark, Assistant Commissioner, Division of Finance and Management Services, Department of Health and Social Services; Deb Erickson, Deputy Director, Public Health; David Marquez, Assistant Attorney General, Department of Law; Cheryl Frasca, Director, Division of Management & Budget, Office of the Governor; Susan Taylor, Director, Division of Administrative Services, Department of Revenue; Joan Brown, Chief Budget Analyst, Office of Management and Budget, Office of the Governor

PRESENT VIA TELECONFERENCE

Jonathon Lack, Anchorage Youth Court

SUMMARY

SJR 6        Relating to a reduction in the Federal Medical Assistance Percentage for Alaskans, and urging the

United States Congress to take action to prevent the reduction.

HCS SJR 6 was REPORTED out of Committee with a "do pass" recommendation and with four zero fiscal notes from the Department of Health and Social Services.

HB 155 "An Act relating to youth courts and to the recommended use of criminal fines to fund the activities of youth courts; and relating to accounting for criminal fines."

CSHB 155 (JUD) was heard and HELD in Committee for further consideration.

CSSB 98(FIN) am

"An Act making supplemental appropriations, capital appropriations, and other appropriations; amending appropriations; making appropriations to capitalize funds; making appropriations under art. IX, sec. 17(c), Constitution of the State of Alaska, from the constitutional budget reserve fund; and providing for an effective date."

CSSB 98 (FIN) am was heard and HELD in Committee for further consideration.

[1:42:10 PM](#)

#sjr6

SENATE JOINT RESOLUTION NO. 6

Relating to a reduction in the Federal Medical Assistance Percentage for Alaskans, and urging the United States Congress to take action to prevent the reduction.

SENATOR GARY WILKEN, CO-CHAIR, SENATE FINANCE, read the sponsor statement for SJR 6:

Senate Joint Resolution 6 urges federal action to maintain the current level of federal funding for the state's Medicaid program. The U.S. Department of Health and Human Services recently announced that the federal share of the medical assistance program, known as the Federal Medical Assistance Percentage (FMAP), will be reduced by 7.58% on October 1, 2005.

The reduction in the FMAP will result in an approximately \$53 million loss in federal Medicaid dollars in fiscal year 2006 and \$73 million in fiscal year 2007.

It is imperative that Congress and the federal administration know and understand the reasons behind the high level of health care costs in Alaska. Senate Joint Resolution 6 requests Congress to take action to correct the formula flaw that resulted in the proposed substantial FMAP reduction and to take whatever measures necessary to hold Alaska harmless from the reduction in the Federal Medical Assistance Percentage for Alaska.

Please join me in support of our state Medical program and endorse Senate Joint Resolution 6.

[1:44:33 PM](#)

Representative Weyhrauch asked how 7.58 percent was determined and if it only applies to Alaska. Senator Wilken deferred to Commissioner Gilbertson.

JOEL GILBERTSON, COMMISSIONER, DEPARTMENT OF HEALTH & SOCIAL SERVICES, explained that the Medicaid program, a partnership between state and federal government, was created in 1965 to provide health care coverage and to reimburse some social services, primarily for needy and low income populations. Each state has its own Medicaid "match rate" or Federal Medical Assistance Percentage (FMAP). The formula was based on a state's per capita income over a certain period of time and the national per capita average. Mississippi has always received the highest level of federal support, which is 80 percent. The lowest amount of federal support is 50 percent, which is what Alaska paid until 1997 when Senator Frank Murkowski had the amount adjusted to slightly over 40 percent for three years, bringing in \$100 billion in additional federal support. Senator Murkowski passed further legislation, a five-year extension, which brought in an additional \$200 billion in federal support.

Commissioner Gilbertson noted that the Medicaid match rate is not paid on every claim. A sizeable percent of Medicaid volume goes through services provided to Alaska Natives in a Native non-profit 638 or in an Indian Health Services (IHS) compacted facility, which are reimbursed at 100 percent. The expiration of the five-year Medicaid adjustment is Oct. 1, 2005, and Alaska's per capita income has increased. Those two factors plus the fact that there was a recalculation of how to determine per capita income, which involves including employer contributions to retirement plans as income earned, have led to a great reduction in Alaska's Medicaid match support from 57.58 percent to 50 percent.

Commissioner Gilbertson maintained that the reason Alaska was so successful in getting Medicaid match reductions twice before is because the formula is fundamentally flawed. It

looks solely at per capita income and does not consider cost of delivering health care, which is exponentially higher in Alaska. He suggested that the formula should reflect this higher cost. Senate Joint Resolution 6 encourages a resolution to hold Alaska harmless this year and work toward a solution.

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Commissioner Gilbertson related that the impact on the next fiscal year would be a loss of \$53 million of Medicaid support, which would have to be replaced by general funds or by service reductions. The impact on FY 2007 would be a loss of \$73 million. Over the next ten years the total impact would be \$914 million. He noted that other states are affected, but not by as much. Wyoming's match rate drops by three points. He concluded that Alaska's reduction is unprecedented in history.

Representative Hawker referred to the chart "Impact of FMAP Reduction on State Match" (copy on file.) He argued that the impact of reduction is understated because a linear growth trend for Medicaid expenditures is being used. He suggested that growth rate has been exponential rather than linear. Commissioner Gilbertson agreed that it is difficult to predict growth rate in the Medicaid program because there are moving targets such as population changes. He called this chart "our best guess" at projections. Representative Hawker noted legislators could also exacerbate the situation with further additions to the program such as adult dental care. Commissioner Gilbertson responded that he personally supports the dental care policy and other preventative programs. He concluded that it is fair to say reductions in Medicaid programs could lead to increases in services by the state outside of Medicaid.

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Representative Hawker observed that the federal formula includes personal income levels and as incomes go up the willingness to match goes down. The assumption is that state income has increased as the per capita has increased, which is true everywhere except Alaska. Commissioner Gilbertson responded that the formula is fundamentally flawed; the cost of delivery and care has to be included in it.

Representative Croft mentioned a recent trip to Bethel where members of the committee met with the head of the Yukon-Kuskokwim Health Corporation (YKHC). They visited the Bethel prenatal center, recently taken over by YKHC, which now gets 100 percent Medicaid match. There was discussion about other areas where that same percentage of match could be received. He asked about the advantages and

disadvantages of moving from partial to full funding of Medicaid and why it is not done more often.

Commissioner Gilbertson explained that Mr. Peltola, President and CEO of YKHC, helped to set up a planning group and management team to move such integration projects forward in his region. They found that a number of service delivery providers were not eligible to receive 100 percent reimbursement from Medicaid. He explained the Native Health Care Improvement Act, which allows Native-operated facilities to bill for services under Medicaid. He related the benefits for dual eligibility. He noted that a large portion of the current Medicaid claim volume for services to Alaska Natives goes outside of the IHS system and can only be reimbursed under the base rate. He stressed that he has had a number of dialogues with Alaska Native Health Care to try to built up its system and not create a new, general fund responsibility. An effort was made, with the help of MR. Peltola, to move all services under the umbrella of one Native Health Corporation. He pointed out downstream benefits: elimination of a wait list, increased services, and general fund savings. He suggested that integration of these services is a strong opportunity to strengthen the system and save money, but there has to be consensus at the community level. He concluded that more opportunities would be found in rural regions where there are large Alaska Native populations and strong native health corporations, plus local consensus.

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Representative Croft asked if any Alaskan Native could obtain this service and why there would be a wait list. Mr. Gilbertson replied that the service has to be in a region where there is a qualified Native provider. There has to be a "dual eligible served by a 638" in order to get 100 percent reimbursement. He pointed out that currently 40 percent of Medicaid beneficiaries are Alaska Native. The challenge is that there is no integrated managed care in this state and individuals can go wherever they want to receive health service. He pointed out that there is a need to expand services.

Commissioner Gilbertson informed the committee that currently there is a dispute between the states and the federal government concerning the Native Health Care Improvement Act. The Department of Health and Social Services believes that Congress intended the language which states, "services provided through an IHS facility are reimbursed at 100 percent FMAT" to also include referral and contract. He provided examples of the department's interpretation of the intended language. Greater clarity of this language would make it easier to collect 100 percent reimbursement because then contract and referral networks

could deliver the services. Representative Croft clarified, in that case, the individual would go to the facility, even if it were not an Indian Health provider, be referred, and then be able to receive full Medicaid reimbursement.

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Representative Croft asked Commissioner Gilbertson to talk to the sponsor about encouraging clarification of that language before the resolution goes to Congress. He inquired if it would be best to do a Congressional resolution or a judicial resolution. Commissioner Gilbertson replied that the Medicaid match rate is statute and will not be handled by the courts. He opined that it would be resolved by an act of Congress with Congressman Young's help.

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Co-Chair Meyer asked if an Alaska Native could choose either an Alaska Native Hospital or Providence Hospital when medical services are the same. Commissioner Gilbertson said that is correct. The state does not manage service delivery; it authorizes the service and licenses the providers.

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Co-Chair Meyer closed public testimony.

Representative Weyhrauch referred to line 11, page 2, "gasoline prices in much of rural Alaska are close to \$6 a gallon" and opined that gas is expensive in other areas of Alaska, as well. He MOVED to ADOPT Amendment 1, which would delete "are" and substitute "can be". There being NO OBJECTION, it was so ordered.

Representative Foster MOVED to report HCR SJR 6 out of Committee, as amended, with the accompanying zero fiscal notes.

HCS SJR 6 was REPORTED out of Committee as amended with a "do pass" recommendation and with four zero fiscal notes from the Department of Health and Social Services.

[2:17:29 PM](#)

At ease.

[2:21:21 PM](#)

#hb155

HOUSE BILL NO. 155

"An Act relating to youth courts and to the recommended use of criminal fines to fund the activities of youth courts; and relating to accounting for criminal fines."

SARAH NIELSON, STAFF, REPRESENTATIVE RALPH SAMUELS, explained that HB 155 gives authority to appropriate up to 25 percent of the fines collected by the Alaska Court System to fund youth courts. She related that youth courts help young offenders by intervening early to help set them on the right track, and to deter them from becoming adult offenders. The Anchorage Youth Court, the oldest in Alaska was established in 1989. In the first two quarters of the current fiscal year there have been 471 youth offenders referred to these programs, which has resulted in over 8,800 hours of community service, and \$7,500 in restitution has been ordered. She explained that HB 155 provides an accounting mechanism for the legislature to give money to the youth courts. The committee substitute (CS) was written in House Judiciary to address concerns of the court system. An amendment deleted specific language giving United Youth Courts the money.

Representative Croft asked about a change in the wording on page 11, "distribution to youth courts". Ms. Nielson replied it used to say "the United Youth Courts".

In response to a question by Vice-Chair Stoltze, Ms. Nielson asked Mr. Lack to address the issue of the lack of the victim's participation in the process.

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PATTY WARE, DIRECTOR, DIVISION OF JUVENILE JUSTICE, DEPARTMENT OF HEALTH AND SOCIAL SERVICES, stated support for the bill and offered to answer questions. She noted that youth courts handle, in a timely and effective manner, between 10 and 15 percent of the delinquency cases that come to the Department of Health and Social Services.

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At ease.

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JONATHON LACK, ANCHORAGE YOUTH COURT, testified via teleconference in support of the legislation. He stressed the importance of youth courts and noted that the bill would provide an accounting mechanism for them. He spoke in support of HB 155.

Co-Chair Meyer asked how many youth courts are in Alaska. Representative Foster replied 14.

HB 155 was heard and HELD in Committee for further consideration.

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At Ease

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#sb98

CS FOR SENATE BILL NO. 98(FIN) am

"An Act making supplemental appropriations, capital appropriations, and other appropriations; amending appropriations; making appropriations to capitalize funds; making appropriations under art. IX, sec. 17(c), Constitution of the State of Alaska, from the constitutional budget reserve fund; and providing for an effective date."

Sections 7(a) - 7(e)

Appropriations associated with the Natural Gas Pipeline

BOB BARTHOLOMEW, CHIEF OPERATING OFFICER, ALASKA PERMANENT FUND CORPORATION, DEPARTMENT OF REVENUE, responded to questions regarding the use of permanent fund receipts. The Board does not take a position on the expenditure of permanent fund earnings. The Board manages the investments and it is the Legislature's prerogative on how the earnings are used. The Corporation does recommend that any use of the earnings stay within the annual sustainable earnings of the Fund, which is 5% of its value.

Mr. Bartholomew spoke to corporate receipts. He observed that receipts are used to fund the Corporation's operating budget (the cost of investment management). There has been an additional use of receipts to cover costs relating (in some sense) to the collection of royalty revenues. The Board accounts for, but has no comment on this use.

Mr. Bartholomew noted that the designation of corporate receipts is important from the investment management prospective. The designation allows expenditures of the investment revenues, before calculating the amount available for distribution. Corporation receipts come from gross revenues, not the Earnings Reserve Account. He observed that \$64 million dollars designated as corporate receipts have been spent out of the Fund, which did not pertain to the cost of managing the Fund. Mr. Bartholomew commented on the difference between what is accounted for as corporate receipts and what comes out of the Earnings Reserve Account. Corporate receipts come "up stream", out of revenues, minus expenditures. The determination of net income goes into the

statutory formulas for what is available for distribution: 50 percent of which goes to dividends. Other expenditures would have to be clarified as to whether they are coming out of the Earnings Reserve Account or "up stream" out of corporate receipts.

Representative Croft asked if it would affect future calculations of available distributions, which would affect the dividend. Mr. Bartholomew observed that anytime money is taken out of the Permanent Fund, it affects future earnings.

Representative Croft asked if the \$7 million dollar diversion of monies affected the dividend. Mr. Bartholomew stated that they had not.

Representative Hawker thought that the affect on dividends would be .85 cents after five years. Mr. Bartholomew agreed that the estimate would be in the "ball park" range. Representative Croft asked the Department of Revenue to provide an estimate. Mr. Bartholomew agreed.

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Co-Chair Chenault questioned if the investments, over time, would help bolster the Fund. Mr. Bob Bartholomew replied that there are two lines that show the expenditures: the costs of investment management and other appropriations, which relate to royalty payments. He observed that 25 percent of royalty payments go into the Permanent Fund. The Fund has received approximately \$7 billion in royalty payments. Any increase in royalties would correspond to an increase in the Permanent Fund.

In response to a question by Vice-Chair Stoltze, Mr. Bartholomew discussed sources of oil revenue. He noted that the three largest are: royalties, severance tax and corporate income tax. Royalties are the primary source of the Permanent Fund's deposit from mineral income. The Fund does not receive a share of corporate income tax or the severance tax.

In response to a question by Representative Stoltze, Mr. Bartholomew noted that the Board of Trustees has a neutral position on the use of earnings.

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In response to a question by Representative Weyhrauch, Mr. Bartholomew reiterated that corporate receipts come out of the revenues of the investment. Statutes determine what is available for appropriation from the Fund and are determined "downstream" as the net income. The net income goes into the formula adopted by statute, which leads to a five-year average. Currently, 50 percent of this amount goes to the

dividend. Corporate receipts don't have a limit. They are an appropriation of gross revenues of investment income. Earnings go through the Earnings Reserve Account and are either subject to the statutory formula. Under the Constitution all of the earnings are available for appropriation.

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Representative Kelly referred to the \$64 million [spent from the Fund] not related to the management of the Permanent Fund.

Mr. Bartholomew reviewed expenditures. Money has been spent from the Permanent Fund for the cost of the Corporation and costs of investments. Corporate receipts have also been used for three agencies. He observed that \$65 million was appropriated between 1989 to 2004: Department of Law - 70 percent, Department of Natural Resources - 15 percent, and Department of Revenue - 5 percent. The Department of Law's funding was related to litigation on settlements. In addition, \$13 billion has been appropriated based on the statutory formula leading to the dividend fund distribution: \$12.5 to dividends and \$480 million for various programs. He discussed some of the programs funded. The Permanent Fund Division receives costs associated with the payout (\$5 million a year). The Department of Health and Social Services' has a Hold Harmless Program. The Departments of Public Safety and Corrections receive dividends withheld from felons. There is also a small amount to legislature.

Representative Croft questioned if expenditures have settled to a yearly average. Mr. Bartholomew observed that the peak was in the late 1980's and early 1990's, due to a large level of litigation. In 1994, \$10 million dollars was withdrawn. There was \$5.5 withdrawn in 2004 and \$6.8 million withdrawn in 2005. The FY 05 supplemental request is for another \$6 million. Representative Croft concluded that the FY05 upstream intake would be doubled. Mr. Bartholomew agreed and pointed out that expenditures are associated with the proposed natural gas pipeline. Representative Croft pointed out that the Permanent Fund receives 25 percent of the royalty and lease, not 25 percent of the oil revenues. He thought the percentage [of oil revenue received by the Fund] would be closer to 10 percent.

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Vice-Chair Stoltze asked how much the hold harmless draw is. Mr. Bartholomew noted that the draw has been between \$15.4 and \$15.9 million in the last two years. He added that any allocations that come out of the Dividend Fund would go out in dividends if they were not otherwise expended.

Representative Kelly observed that the public has indicated that dividends should not be touched and expressed concern with the appropriation in the fast track. He did not think the approach was "straight up".

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Section 8 (a)

ANWR            Total \$500

Funds for support of national efforts to open ANWR for oil and gas exploration and development

LINDA PEREZ, ADMINISTRATIVE DIRECTOR, DIVISION OF ADMINISTRATIVE SERVICES, OFFICE OF THE GOVERNOR, spoke in support of the appropriation. The Senate removed the original language, which would have appropriated the grant directly to Arctic Power. The Administration has requested that the language be restored. Without the language the Administration would have to go through a request for proposals. She stressed that a direct grant would be faster. The version before the Committee would provide a direct appropriation to the Office of the Governor, without any mention of Arctic Power.

Representative Hawker observed that the appropriation would be subject to the state of Alaska's procurement code, which would require competitive contracting, as opposed to a named recipient grants, which would be recognized instantly. Ms. Perez agreed and noted that it would add to the timeframe.

Representative Kelly referred to an earlier discussion about Arctic Power and the change in staff. He questioned the intent in the deletion [of Arctic Power] by the Senate. Ms. Perez noted that the change occurred as a result of a Senate floor amendment; he could not speak to the intent.

Section 9 (a) Alaskan Pioneer Homes: Pioneer Homes

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

(1,200.0) 1,200.0 Receipt Supported Services 0.0

Section 9 (b) Health & Soc Srvcs Behavioral Health:

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

\$2,653.7 General Fund    \$3,517.7 Federal Funds  
\$6,171.4 Total funds

JANET CLARK, ASSISTANT COMMISSIONER, DIVISION OF FINANCE AND MANAGEMENT SERVICES, DEPARTMENT OF HEALTH AND SOCIAL SERVICES, explained that there was no change to sections 9(a) or 9(b) on the Senate side. She noted that in the FY05 budget the department began to pursue Medicaid eligibility for residents of the pioneer homes. There was a slower, than anticipated, ability to earn these federal receipts. However, there has been an increase in receipts paid by residents for a net zero in funding.

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Section 9 (c) Health & Social Services Health Care Services:

Women's and Adolescents Services 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.

\$500.0 GF (500.0) 0.0

Ms. Clark apologized for a miscommunication, which indicated that the Department had received a reduction in federal funds from FY04 to FY05. Federal money has not been reduced. There was a misunderstanding between the program staff and the budget staff. The program had applied for an increased federal allocation. When the increase did not occur, they perceived it as a reduction. The FY05 federal allocation is \$1.9 million, the same as FY04.

Ms. Clark clarified that without the supplemental request the department would have to restrict access to the Breast and Cervical Program and will not be able to serve all those that are currently eligible and who have applied. The program can only save \$250 thousand if service is restricted on April 1 to women ages 40 - 64 (the program currently serves women ages 18 - 64). The program serves 6,000 women annually and provides clinical breast exams, pelvic exams and pap smear tests to women ages 18 - 64. The program also provides screening mammograms for women age 50 - 64, which is the highest risk group. The program is always the payer of last resort. Income eligibility is 250 percent of poverty, which is consistent with 37 other states that provide the same service.

In response to a question by Vice-Chair Meyer, Ms. Clark noted that states set the ages of service. Alaska has provided screening for women ages 18 - 64 since the

program's inception. Mammograms are considered diagnostic and are provided to the suggested age group of women who are 50 - 64 years of age.

Co-Chair Meyer asked about the high-risk group. Ms. Clark clarified that mammograms are recommended every couple of years for women who are 40 years old; and every year for those 50 years of age or older. The state does not cover the age 40 - 50 group. Co-Chair Meyer questioned how Alaska compares with other states. Ms. Clark stated that Alaska's program provides "very minimal coverage". Most state programs are the same on coverage, but differ as to the age of women served. Some states do not serve the 18 - 40 age group. The service array is the same.

In response to a question by Co-Chair Meyer, Ms Clark noted that a reduction in service to age 40 and above would not result in sufficient savings, due to the time remaining in the current fiscal year. She did not know what the savings would be if the age of those served were changed for a full fiscal year. She noted that a number of states cover the same age group as Alaska.

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Representative Hawker observed that the Administration was aware in September that \$500 thousand in federal funds would not be available. He asked why corrections were not made at that time to modify the program, to account for the lack of federal funding. He noted that the department could have reduced coverage to 30 years of age and over in order to reduce the impact. Ms. Clark replied that the Administration felt that program should be continued and a supplemental sought since it has such a direct impact on saving women's lives. Representative Hawker asked if the Administration considered providing funds through the Governor's Office. Ms. Clark reiterate the belief that the Legislature would approve the supplemental and see the merits of the program since it directly saves lives.

Representative Hawker pointed to inconsistencies. He felt there was a conflict between the Administration's request for legislative guidance and their actions regarding the request. Ms. Clark disagreed; she pointed out that the Administration was in front of Legislature and acknowledged the Legislature's authority to decide the appropriate funding level.

Representative Kelly asked what percentage of population served is Alaska Native. Ms. Clark did not know the exact percentage, but observed that the program does not serve those that are eligible for funding through Indian Health Services (HIS). He suggested that an adjustment in age population could have been done, in order to protect the

high-risk group. He felt the poverty level was appropriate and noted the affect of the missing \$500 thousand in federal funds.

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Representative Croft questioned how many women would be served by the \$500,000 request.

DEB ERICKSON, DEPUTY DIRECTOR, PUBLIC HEALTH, noted that with the additional funding, 7,400 women would be served (if services were continued at the same level). Without the request only 5,500 women would be served. The request would fund an additional 1,800 to 2,000 women.

Representative Croft noted that the cost is approximately \$300 per person. He asked if that number includes the examination and "some sort of last ditch insurance". Ms. Clark clarified that the program would only cover the screening program itself.

Mr. Croft asked what would happen to someone who does not have insurance, who finds that they have cancers as a result of the screening. Ms. Clark noted that women with cancer would be eligible for Medicaid, which would pay for treatment. Representative Croft stressed that the program provides prevention and avoids a tremendous amount of cost as well as human tragedy. Ms. Clark estimated that for every dollar spent there is a \$7 dollar savings in treatment with an early diagnosis.

[3:21:18 PM](#)

Section 9 (b)

Ms. Clark observed that there was no change in the request for the Behavior Health Program.

Section 9 (e)

There were no questions on Section 9 (e).

[3:22:13 PM](#)

Section 10 (a)

There were no questions for Section 10 (a), which remained the same.

Section 10 (b)

Contractual costs for a prosecutor to represent the Department of Law in the Therapeutic Courts program.

DAVID MARQUEZ, ASSISTANT ATTORNEY GENERAL, DEPARTMENT OF LAW, observed noted that a prosecutor would be hired from the Department of Law's Juneau District Attorney's Office. The cost would be \$21,312 for a contract attorney.

Section 7 (b)

Civil Division, Oil, Gas and Mining

Legal costs for work related to the state gas pipeline and to bringing North Slope natural gas to market, and other oil and gas projects for FY05 and FY06.

9,000.0

In response to a question by Representative Croft, Mr. Marquez noted that the request is needed in the supplemental. The work for the Natural Gas Pipeline would be mostly for outside council. There are three firms assisting the state of Alaska. He estimated that current funding would run out in March or April.

Representative Croft observed that some of the request was not needed for the proposed pipeline and asked for additional information demonstrating that the entire amount was needed in the supplemental.

[3:27:37 PM](#)

Section 12 (b) Tax Division

Increased tobacco tax enforcement costs for the Tobacco Tax legislation passed as ch. 1, FSSLA 2004.

CHERYL FRASCA, DIRECTOR, DIVISION OF MANAGEMENT & BUDGET, OFFICE OF THE GOVERNOR, explained that Section 12 (b) relates to Denali Commission funding for the Fairbanks Detoxification Center. The state authorization of the federal funds was given to the Department of Health and Social Services, but the Denali Commission appropriated the funds to the Mental Health Trust Authority because they were the original recipient of the federal funds.

SUSAN TAYLOR, DIRECTOR, DIVISION OF ADMINISTRATIVE SERVICES, DEPARTMENT OF REVENUE, explained that the Denali Commission granted the funds to the Alaska Mental Health Trust Authority. The Administration was unable to change the grant to the Department of Health and Social Services, where the legislature had appropriated the funds. The funds need to be spent by September 30, 2005.

Section 7 (a)

Vice-Chair Stoltze asked about corporate receipts in Section 7 (a). Ms. Frasca acknowledged that the Legislature has

used corporate receipts in previous years for oil and gas litigation and other related matters. She did not know what the Governor would decide regarding their use.

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Section 6 (c)

Representative Croft asked for more information regarding expenditures from the Information Services Fund. He noted that purchases would be consolidated into a master line of credit, which would make sense, as long as the costs were charged back to individual departments. He worried that the debt would be paid out of general funds, which would go around the GO bond process. He questioned if state debt would be borrowed through the master credit card line.

Ms. Frasca stressed that it is a financing mechanism, which has been used over the years.

JOAN BROWN, CHIEF BUDGET ANALYST, OFFICE OF MANAGEMENT AND BUDGET, OFFICE OF THE GOVERNOR, explained that the Division of Elections, Accuvote system was purchased in this manner. Ms. Frasca added that the intent was to charge out to the departments and capture federal funds over time. She emphasized that they were attempting to lower general fund spending.

Representative Croft thought that the total amount would be \$37 million dollars. Ms. Frasca noted that there was another \$20 million dollars in the capital budget for their payroll system replacement. The Administration has not decided how to proceed, but the intent is to charge out to those that get payroll checks issued, which would allow them to capture some non-general fund, fund sources to be paid over time.

Representative Croft reiterated his estimate that there had been a total of \$37 million dollars used in this type of debt financing. Ms. Frasca summarized that there was a total of \$17 million in information technology (IT) capital projects and \$20 million from the payroll system.

Section 6 (a)

Representative Hawker referred to Section 6(a), fuel increases for the Alaska Marine Highway System. He observed that \$10 million dollars were allocated for fuel costs in the FY06 budget, while the expected cost is \$16 million dollars. He questioned if the additional money should be contained in the "whole" budget and not be brought back as a supplement. Ms. Frasca explained that they did not know if the high prices would continue when the budget was put

together in September 2004. She did not know if it was appropriate to proceed with a FY06 budget amendment.

SB 98 was HELD in Committee for further consideration.

[3:38:03 PM](#)

#

ADJOURNMENT

The meeting was adjourned at 3:38 P.M.