

HOUSE FINANCE COMMITTEE
June 26, 2007
11:05 a.m.

CALL TO ORDER

Co-Chair Meyer called the House Finance Committee meeting to order at [11:05:16 AM](#).

MEMBERS PRESENT

Representative Mike Chenault, Co-Chair
Representative Kevin Meyer, Co-Chair
Representative Bill Stoltze, Vice-Chair
Representative Harry Crawford
Representative Les Gara
Representative Mike Hawker
Representative Reggie Joule
Representative Mike Kelly
Representative Mary Nelson
Representative Bill Thomas Jr.

MEMBERS ABSENT

Representative Richard Foster

ALSO PRESENT

Suzanne Cunningham, Staff, Co-Chair Meyer; Janet Clarke, Assistant Commissioner, Division of Finance and Management Services, Department of Health and Social Services; Allie Fitzjarrald, Acting Director, Division of Public Assistance, Department of Health and Social Services; John Bitney, Director, Legislative Office, Office of the Governor.

PRESENT VIA TELECONFERENCE

None

#sb4

SUMMARY

CSSB4(FIN) am

"An Act extending the cash assistance benefit program for seniors under the senior care program and increasing the benefit amount; amending medical income eligibility provisions for persons under 19 years of age and for pregnant women; and providing for an effective date."

HCS CSSB 4 was REPORTED out of Committee with an "amend" recommendation and with a new fiscal note by the Department of Health and Social Services.

CS FOR SENATE BILL NO. 4(FIN) am

"An Act extending the cash assistance benefit program for seniors under the senior care program and increasing the benefit amount; amending medical income eligibility provisions for persons under 19 years of age and for pregnant women; and providing for an effective date."

Co-Chair Meyer announced that the legislation required a title change since it referenced persons under 19 years of age [and these provisions were removed].

Vice-Chair Stoltze MOVED to ADOPT proposed Committee Substitute, 25-LS0056\N. There being NO OBJECTION, it was so ordered.

SUZANNE CUNNINGHAM, STAFF, CO-CHAIR MEYER reviewed the changes contained in the Committee Substitute. She noted that provisions pertaining to Denali KidCare were removed, as legislation pertaining to Denali KidCare was passed and enacted by the Governor.

Ms. Cunningham noted that a new section was added. Section 1, Legislative Intent clarifies that the Senior Benefit Payment Program would be funded under the FY 08 Adult Public Assistance (APA) appropriation as a General Relief allocation until the second session of the 25th Legislature convenes and passes an appropriation bill that creates a new allocation titled: "Senior Benefit Payments". The second part of this section clarifies that the pro-rata provisions contained in the legislation do not apply to appropriations made August 1 through June 30, 2008. She noted that in FY 08 the program is held harmless against reduction or elimination of benefits if the appropriation is insufficient.

There was no change to Section 2; Section 3, which establishes the Alaska Senior Benefits Payment Program; or Section 4.

Ms. Cunningham explained that the last change was made in Section 5: Applicability Section. This section pertains to the establishment and enactment of emergency regulations by the Department of Health and Social Services on June 18, 2007. The section clarifies that dual payments cannot be made.

Provides that an individual who receives cash assistance or a prescription drug benefit under the emergency regulations adopted by DHSS cannot receive a benefit under the senior benefits cash assistance program, enacted under Section 3, simultaneously.

Representative Thomas questioned if a separate appropriation bill would be forthcoming.

Co-Chair Chenault noted that the plan would be to add funding to a supplemental bill [at the beginning of the next regular session]. Representative Nelson expressed concern with the timing of a "fast track" supplemental bill. Co-Chair Meyer noted that the Administration would be consulted to make sure that the funding is in place before the program could expire.

Representative Gara explained that funding could run out as early as February or January. He suggested that the "safe" thing to do would be to fund the program now.

11:12:50 AM

[The Juneau LIO connection was lost.]

11:15:15 AM

[Connection with Juneau was restored].

JANET CLARKE, ASSISTANT COMMISSIONER, DIVISION OF FINANCE AND MANAGEMENT SERVICES, DEPARTMENT OF HEALTH AND SOCIAL SERVICES explained that the current version of HB 148 would have cost [the state] \$11 million. She concluded that both programs [Adult Public Assistance and Alaska Senior Benefits Payment Program] could be run through April [at the level contained in the Committee Substitute].

Representative Gara questioned when funding would run out if the level contained in HB 198 were enacted.

Ms. Clark explained that they could operate both programs until February 2008, if HB 198 funding levels were adopted. Representative Gara asked how comfortable the Department was in their estimates and observed that funding could run out sooner if estimates are off. Ms. Clark noted that the current program serves 6,700 individuals and they have projected a growth of 3,000 more. Additional caseload growth has been factored in to each assumption.

Representative Gara noted that historically supplemental legislation has not passed until February or later. He observed that the Department might have to divert funding if a supplemental appropriation is not passed and questioned what programs would suffer.

Ms. Clark advised that the temporary transfer would come from the Adult Public Assistance program, which is a cash assistance program that supports very poor individuals who are over 65 years of age or disabled. The Department chose not to tap into other general funds within the appropriation since they are matched with federal funds for maintenance of effort. These transfers would be more complicated. She

indicated that the Department could borrow from "less easily done" sources to continue to make the payment if the supplemental legislation was making its way through the process and they were convinced that it only needed another month or so [to be enacted]. She expressed concern with that option, but emphasized that they would not want payments to be jeopardized. The Department is not legally able to expend funds for the program without an appropriation.

Representative Gara asked the Administration's position regarding an appropriation during the special session to prevent further worries.

[11:20:33 AM](#)

Ms. Clark noted that the Department would work out the funding to the best of their ability, but that the decision lies with the Legislature.

Representative Gara noted that clients of Adult Public Assistance could be in jeopardy for the competing funds and asked the criteria for those that qualify for APA. Ms. Clark noted that in order to qualify for APA, individuals must be at no more than 92.5 percent of the poverty level and must be disabled or over 65 years of age.

Co-Chair Meyer noted the various options before the Committee. He questioned how other states operate.

[11:22:56 AM](#)

ALLIE FITZJARRALD, ACTING DIRECTOR, DIVISION OF PUBLIC ASSISTANCE, DEPARTMENT OF HEALTH AND SOCIAL SERVICES explained that most states do not offer cash supplemental programs to needy seniors. There are no programs such as the Longevity Bonus Program.

Co-Chair Meyer noted that programs offered by other states are also offered in Alaska, such as property tax exemption and senior housing.

Representative Gara suggested that other states with similar APA programs may have a higher monthly rate and more people that qualify for assistance. Ms. Fitzgarrald explained that each state structures their program differently. Some states pay significantly less and some pay a comparable amount. She did not think that other states paid at a higher rate. She noted that most seniors access prescription drugs through the new Medicare Part B program through Social Security. Their contributions to the premiums vary.

[11:25:29 AM](#)

JOHN BITNEY, DIRECTOR, LEGISLATIVE OFFICE, OFFICE OF THE GOVERNOR observed that the Governor submitted legislation to extend the prior benefit level of the Senior Care Program (at the current \$125 a month level). There were some changes in relation to the drug benefits in the Governor's proposal. The Governor would like to see the issue brought to some closure. He noted the need to pass legislation, which would resolve the issue, without an appropriation. The CS would place a benefit level that could be managed until appropriation legislation could be passed during the next regular session. It may be necessary to adopt funding authorization prior to the next regular session if the benefit level is increased. The Governor does not object to an increase in the payment level, but is concerned with management of the program.

Co-Chair Meyer summarized that the Governor would be comfortable with a program in the \$11 - \$16 million range. Mr. Bitney affirmed.

[11:29:37 AM](#)

In response to a question by Representative Crawford, Mr. Bitney reiterated that the Governor is only concerned that they have the ability to manage the benefit and is not concerned with an increased benefit level.

Representative Crawford noted that supplemental appropriations are not commonly passed timely and questioned how the appropriations would be managed.

Mr. Bitney noted that the funding would come from different allocations, but that careful consideration must occur regarding required matches.

Representative Thomas asked if a stand alone appropriation bill would be preferable to inclusion in a supplemental appropriation bill. He concluded that it would be quicker.

[11:32:16 AM](#)

Mr. Bitney reiterated the desire to resolve the issue in an efficient manner and felt that the proposal would achieve those goals.

Representative Gara noted the risk that funding would run out before an appropriation were adopted and questioned if the Administration would approve funding authorization in the current special session.

Mr. Bitney concluded that an appropriation bill would need a minimum of three legislative days [to be passed].

Representative Joule questioned if it is the intent of the Finance Committee Chairmen to be expeditious and to find the necessary funds. Co-Chair Meyer deferred comments until the funding level could be determined, but noted that there are mechanisms to make the program work until funding is available in March or April.

[11:36:14 AM](#)

Representative Gara noted that there are two inflation issues. The qualifying level is adjusted for inflation in the legislation. However, there is no inflation proofing to the benefit payment amount. He questioned if the Administration would support the ability to provide, at their discretionary, an increase adjusted for inflation.

Mr. Bitney replied that they would not object and emphasized the need for reviews, which the four year sunset would allow, in light of the long-term fiscal health of the state. Representative Gara observed that the Administration has the authority to raise the APA rate for inflation. He spoke against a hard cap [for the Senior Benefit Program]. Mr. Bitney noted the need to have further discussions with the Department regarding the issue.

[11:39:37 AM](#)

Co-Chair Chenault expressed concern with inclusion of an inflation provision on the benefit and emphasized that it is the legislature's job to determine appropriations.

Representative Gara observed that the legislature would retain the appropriation power even if the governor was given the discretion to increase the benefit for inflation proofing. He noted that, as it stands, the benefit cannot be increased.

[11:42:18 AM](#)

Co-Chair Chenault provided members with a handout (copy on file). The handout identified the various programs that benefit seniors: Adult Public Assistance, Senior Care, Food Stamps, Property Tax Exemptions, Energy Assistance, Assisted Living Medicaid Wavers, Assisted Living Medicaid Waiver, Personal Care Attendants, Federal Income Tax Break, Sales Tax Exemption and Sales tax exemptions in some areas that have sales tax. He acknowledged that the funding levels aren't high in many of the programs and that it would be difficult for some to live on the annual benefits provided. He emphasized that the entirety of programs need to be considered in order to determine if the state is providing intended services and to identify who is affected by the exemptions.

[11:44:51 AM](#)

Representative Kelly MOVED to ADOPT conceptual amendment #1: extend current program to June 30, 2011; eliminate prescription drug benefit; change the name to Senior Benefit Program; and allow Alaska Legal Services to make conforming changes. Vice-Chair Stoltze OBJECTED.

Representative Kelly acknowledged that some want to change the terms of the program, but emphasized that the primary intent of the Special Session is to prevent termination of the Senior Care Program. He maintained that Alaska has one of the most comprehensive senior benefit programs in the nation. He expressed concern that an increase benefit cannot be sustained in the future due to projected deficits, which could occur in the next year or the year after. He expressed concern with attempts to revive the Longevity Bonus Program and observed that it has not been funded for the past five years. He noted that 7,000 of those that received the Longevity Bonus are currently covered under the Adult Public Assistance and Senior Care programs. He mentioned that there is dual eligibility in the current programs (APA and Senior Care). He stressed the need to stop a growth into a "grander" program. He did not feel that the state should attempt to attract seniors from other states. He maintained that not every senior is sick or broke and that, except for the "poorest of the poor, you are on your own". He maintained that individuals and their families are supposed to provide for the benefits of the later years. He stressed that the "bar should not be lowered so low that we don't have the cash to do a real first class job of taking care of those people who absolutely cannot take of themselves."

[11:52:30 AM](#)

Co-Chair Meyer summarized that the current program would be kept in place by Conceptual Amendment 1, which mirrors the Governor's originally proposal.

Vice-Chair Stoltze questioned if the intent is to continue the program for the neediest seniors and provide sustainability. Representative Kelly agreed, but added that it is also a matter of determining an appropriate level for public assistance to "kick in, given all of the things that we are applying right now to the equation." He did not think [the state] had anything to be embarrassed about in terms of its senior programs and suggested that the state may be "going overboard here".

Representative Gara acknowledged the issue of sustainability, but stressed that the time to adjust for sustainability is when funding has decreased. He emphasized that the first place he would cut would not be senior assistance. He pointed out that there was a \$5 million

capital budget, which he felt should be looked at first for reductions. He asserted that private enterprises in the capital budget should be eliminated before senior assistance. Representative Kelly interjected that he is not proposing a "cut". Representative Gara acknowledged, but stressed that consideration of a decent senior benefit program should be based on "what we are going to do in the future" and maintained that there should be better prioritization. He noted that he did not want to get into the "longevity bonus fight", but pointed out that a person would have to have been in the state for 14 years to be eligible for a longevity bonus if it were funded. He felt the debate would not be over the longevity bonus, but on the senior care benefit. He maintained that in order to qualify for benefits under Conceptual Amendment 1, a person would have to be pretty close to pauper statute; a person would qualify if they earned \$16,000 a year. He noted that rent in Anchorage for a modest one or two bedroom place would be \$1,200 a month, before food, clothing, or fuel was added. He stressed that none of the proposals would fund those that are wealthy, but that Conceptual Amendment 1 would cut many off that do not have enough money for food, rent, cloths and other basic necessities.

[11:57:33 AM](#)

A roll call vote was taken on the motion to adopt Conceptual Amendment 1.

IN FAVOR: Kelly, Stoltze, Chenault, Meyer

OPPOSED: Thomas, Nelson, Gara, Crawford, Hawker, Joule

Representative Foster was absent from the vote.

The MOTION FAILED (4-6).

[11:59:01 AM](#)

Co-Chair Meyer MOVED to ADOPT Amendment 1. Representative Hawker OBJECTED. Ms. Cunningham noted that Amendment 1 would make technical changes suggested by the Department of Health and Social Services and Department of Law. She noted that "relief" would be added on page 1, line 9 to be consistent with the allocation, which is "general relief assistance." The title would be changed from the "Senior Benefit Assistance" to "Senior Benefit Payment Program". The final part of the amendment would add a new transition section that restates the legislative intent section as requested by the Department of Health and Social Services. A new transition section restates the legislative intent section that clarifies in un-codified law that the payments from August 1, 2007 - June 30, 2008 would not be held harmless against a pro ration.

Representative Hawker WITHDREW his OBJECTION.

Representative Gara OBJECTED for purpose of discussion and asked if the amendment clarifies that benefits would not be reduced through pro-ration if an appropriation is expected during the next legislative session. Ms. Cunningham agreed and noted that the fiscal year FY08 would be covered as long as there is an appropriation during the Twenty-Fifth Alaska State Legislature.

Representative Gara WITHDREW his OBJECTION. There being NO OBJECTION, Amendment 1 was adopted.

[12:01:12 PM](#)

Representative Hawker MOVED to ADOPT Amendment 2. Co-Chair Meyer OBJECTED. Representative Hawker noted that the amendment would raise the benefit level to the same level as considered under HB 198: \$250 per month at the upper level. The lower bracket would be raised to households not exceeding 175 percent of the poverty level. He acknowledged sustainability issues, but maintained that these levels could be achieved and emphasized that "where there is a will; there is a way."

[12:04:03 PM](#)

Representative Crawford spoke in support of the amendment.

Representative Kelly spoke against the amendment. He noted that, under the original proposal [HB 198], the Longevity Bonus Program would have been eliminated forever. He felt that the purchase price was too high, even with the deletion of the Longevity Bonus Program.

Co-Chair Meyer summarized that the Administration would be comfortable with the funding levels of the current program or those contained in SB 4 and questioned if they would still be comfortable with a \$20 million program as contained in HB 198.

[12:07:20 PM](#)

KARLEEN JACKSON, COMMISSIONER, DEPARTMENT OF HEALTH AND SOCIAL SERVICES responded that she would not use the word "comfortable" for a program that went beyond \$120 a month, since funds would run out at an earlier date if the funding were increased. She indicated that a special session would be an option if funding ran out before the next regular session.

Ms. Clark provided a proposed fiscal note, which would pertain to HCS CSHB 198 (FIN). The note estimates \$18.5 million would be spent for FY 08 under Amendment 2. She

observed that 3,000 more seniors would qualify under the benefit level contained in Amendment 2 than under the Governor's proposal. The Department projects that funding for APA and the new Senior Benefit program would run out in February 2008. Caseload assumptions project that a significant number of individuals in the mid level, below 100 percent of poverty, would take advantage of the benefit. Under the amendment, they would receive \$175 a month or \$50 more than under SB 4. The Department estimates that fewer individuals would take advantage [of the Senior Benefit]. At the lower level of 175 - 100 percent, 5,700 individuals at \$125 a month for a total of 10,700 individuals are estimated to take advantage of the program. The Department has not managed a peer benefit level before and is trying to use available data for the best estimates. She summarized that the first year would cost \$18,500,000 and that funds would run out in February 2008.

[12:11:00 PM](#)

Representative Hawker acknowledge comments by Representative Kelly and pointed out that the amendment only pertains to payout provisions and is only half of the compromised reached by HB 198.

[12:11:55 PM](#)

Representative Kelly noted that the state's population is aging and questioned what the program would look like in 2020. Commissioner Jackson concurred that there is a growing senior population and acknowledged concerns of sustainability.

Representative Kelly questioned if there is intent to grow the senior population in the state. Commissioner Jackson was not aware of such intent.

Representative Joule spoke in support of the amendment with the understanding that choices would need to be made in the coming years. He stressed the difference in value of the dollar to the out reaches of the state.

[12:15:10 PM](#)

Representative Gara asked what was spent on the Longevity Bonus when it ended in 2003. Ms. Clark stated that it would cost \$33.7 million to restart the program. The program was in the \$40 million dollar range when it ended. The Longevity Bonus Program was over \$50 million in 1993. Representative Gara stressed that the state had sufficient funds while the price of oil was \$18 a barrel (not \$60) and concluded that it was unfair to say this is a new \$20 million burden. He suggested that it is a cost savings for a program that the

state supported at a higher level with less revenue available.

[12:17:06 PM](#)

Representative Thomas noted that other programs benefiting seniors have been added. Ms. Jackson suggested that "in many ways we are comparing apples to oranges." Different services have been added and the costs of services have gone up in general. Representative Thomas expressed concern that the amendment would require an additional special session for an appropriation. He observed the number of special sessions over the past years. He spoke in opposition to the amendment.

[12:19:47 PM](#)

Representative Crawford recalled that the Personal Care Attendance Program was initiated to save the state funding by reducing the cost of nursing homes.

Representative Kelly expressed concern that the legislature would find it difficult to sunset the [Senior Benefit] program.

Commission Jackson noted that the Department of Health and Social Services' budget has been approximately a third of the state's overall [general fund] budget, but that it is slightly less at the current time.

Representative Kelly noted that the Department of Health and Social Service's budget has grown at a very rapid and unsustainable rate. He maintained that the state is "doing more for folks than we were." In reference to the raising cost of the Personal Care Program, he maintained that "we were paying family members to do what family members out to do." He acknowledged the work of the personal care attendants, but felt that the bar was too low and "it got away from us." He spoke in support of the high multiplier and against the amendment, since he is "hesitant to put something in place and then take it away." He spoke in support of continuing the current program without increase.

[12:23:37 PM](#)

Representative Gara pointed out that at the highest level Senior Care would not be given to people that have a lot of money. Individuals would not be eligible under the amendment "if they made anything close to \$2,000 a month and I don't think there is anyone here that can live on \$2,000 a month." He did not "buy the argument that we should punish people who make less than \$2,000 a month because other people are so sick that they need personal care attendants to take care of them at home."

[12:25:32 PM](#)

Representative Hawker acknowledged the challenges of an unsustainable human services budget. The Lewin study, which analyzed the demographics of the populations being served by the Department, showed that by 2025 the preponderance of services would go to adults instead of children due to the growth in the low income senior population of the state. Currently, \$380 million in general funds are spent on Medicaid; this number would be \$2.2 billion by 2025 for Medicaid alone, which is more than the entire current human services budget. He acknowledged the catastrophe the state faces in meeting this level of need. He maintained the state's priority is to target the needs of the most vulnerable citizens. He could not support the non-needs based Longevity Bonus program. The rate structure [in Amendment 2] would target the preponderance of poverty in the state. He acknowledged the level of poverty in rural areas, which he felt was equal to some of the most horrendous third-world poverty conditions. The amendment would offer \$250 [a month] to someone whose household income does not exceed 75 percent of the federal poverty guideline. "The ideal was to get to those most impoverished individuals with the most money", in particular, in regards rural Alaska "because that \$250 is going to go probably as far as \$120 in an urban area". He explained that by taking the program to 175 percent of poverty with a \$125 dollar payment, the intent is "to get to the margins, to make sure there's no one on the existing programs that is left out". He observed that original version of HB 198 included an extension of the Denali KidCare program at 175 percent. He felt that it was reasonable parity to provide benefits to seniors at the same level as those contained in Denali KidCare legislation (175 percent of poverty). He acknowledged the merit of concerns regarding sustainability, but spoke in support of the amendment.

[12:31:14 PM](#)

A roll call vote was taken on the motion.

IN FAVOR: Nelson, Gara, Crawford, Hawker, Joule
OPPOSED: Kelly, Stoltze, Thomas, Chenault, Meyer

Representative Foster was absent from the vote.

The MOTION FAILED (5-5).

[12:32:39 PM](#)

Representative Gara MOVED to ADOPT Amendment 3. Co-Chair Meyer OBJECTED. Representative Gara explained that the amendment would allow the commissioner of the Department of

Health and Social Services to make adjustments to the monthly benefit for inflation if funds are available. Actions by the governor would be subject to legislative appropriation. The legislation does not allow the governor or the legislature to adjust the benefit upwards if funds are available without passage of authorizing legislation and an accompanying appropriation. The monthly benefit would be frozen without the passage of new legislation.

Co-Chair Chenault questioned where additional funds would be found. Representative Gara stressed that the program would work like any other appropriation. He spoke in support of allowing the legislature the authority to increase the benefit, without mandating an increase or leaving all the power with the governor.

Representative Gara WITHDREW Amendment 3.

[12:35:21 PM](#)

Ms. Clark clarified that there are no cash payment programs that have automatic inflation proofing, including APA.

Co-Chair Meyer reviewed the fiscal note.

Representative Hawker MOVED to report HCS CSSB 4 (FIN) out of Committee with the accompanying fiscal note. There being NO OBJECTION, it was so ordered.

HCS CSSB 4 was REPORTED out of Committee with an "amend" recommendation and with a new fiscal note by the Department of Health and Social Services.

#

ADJOURNMENT

The meeting was adjourned at 12:37 PM