

MINUTES
SENATE FINANCE COMMITTEE
April 12, 2007
9:09 a.m.

CALL TO ORDER

Co-Chair Lyman Hoffman convened the meeting at approximately [9:09:37 AM](#).

PRESENT

Senator Lyman Hoffman, Co-Chair
Senator Bert Stedman, Co-Chair
Senator Charlie Huggins, Vice Chair
Senator Kim Elton
Senator Donny Olson
Senator Joe Thomas
Senator Fred Dyson

Also Attending: TOM MAHER, Staff to Co-Chair Hoffman; JANET CLARKE, Assistant Commissioner, Finance and Management Services, Department of Health and Social Services; EDDY JEANS, Director, School Finance and Facilities Section, Department of Education and Early Development.

Attending via Teleconference: There were no teleconference participants.

SUMMARY INFORMATION

SB 61-SUPPLEMENTAL APPROPRIATIONS

This was the second hearing for this bill in the Senate Finance Committee. The Committee heard from the Department of Health and Social Services and the Department of Education and Early Development. The bill was held in Committee.

#sb 61
[9:09:41 AM](#)

SENATE BILL NO. 61

"An Act making appropriations for qualified regional seafood development associations, for investigation and litigation relating to the public employees' retirement system and the teachers' retirement system, and for a special advisory election; and providing for an effective date."

[9:12:03 AM](#)

Co-Chair Hoffman introduced the Senate Finance Committee substitute for SB 61 and identified an accompanying spreadsheet.

[9:12:36 AM](#)

TOM MAHER, Staff to Co-Chair Hoffman, informed that the committee substitute contained new items in addition to items previously reviewed during hearings on SB 61, the "fast track" supplemental appropriation bill, and SB 83, the "time sensitive" supplemental appropriation bill.

Mr. Maher noted that the funding for the Fairbanks virology laboratory had been omitted from the current committee substitute. He summarized the total appropriation amount contained in SB 61 as \$1,006,893,600 in general funds, \$21,482,500 in federal funds, and \$1,765,400 in other funds, for a total of \$1,030,141,500.

Mr. Maher set forth that Section 1 of the bill was a new appropriation of \$1 billion to be deposited in the public education fund. Those monies were "carryforward" dollars from the current fiscal year (FY), FY 07.

[9:14:54 AM](#)

Co-Chair Hoffman remarked that this appropriation was an attempt to "semi-save" funds received from the Petroleum Profits Tax (PPT) by depositing them into the public education fund as a savings account. The action had been initiated last year by the 24th Legislature, and would act to reassure the public that the State was not engaging in a "spending spree".

[9:16:15 AM](#)

Senator Dyson asked for a list of the schools that could receive funds from this deposit, specifically whether charter schools would be eligible.

[9:16:51 AM](#)

Mr. Maher responded that the language in the bill was consistent with current statute governing the public education fund, and referred to a "central correspondence school". He was unsure if such an entity still existed, but the language was included to conform to statute.

Senator Dyson would research his question before the Committee took action on the bill.

[9:17:44 AM](#)

Mr. Maher reported that Section 2(a) was originally included as Section 1 of SB 61, and was a tax "pass through" for regional seafood development corporations. The \$153 million in other funds would be used for tax assessments, and had been "left out" of the budget the prior year.

[9:18:21 AM](#)

Mr. Maher relayed that Section 2(b) of the current committee substitute was initially requested in Section 1 of SB 83, and would provide funding to the Regulatory Commission of Alaska for continued litigation efforts before the Federal Energy Regulatory Commission (FERC). The supplemental appropriation amount for FY 07 would be \$750,000, with \$600,000 requested in the FY 08 regular Operating budget. The Committee opted to include the requested \$600,000 in the supplemental budget rather than in the FY 08 operating budget and to extended the lapse date associated with the funds to avoid a possible increase in fees.

[9:19:34 AM](#)

Mr. Maher spoke to Section 3(a) of the bill, originally requested in Section 1(c) of SB 83, relating to the Department of Corrections inmate health care costs. The allocation totaled \$3,903,400, but could be increased by the Palin Administration as the cost estimates were in flux. Any additional needs would be funded in a "final appropriation bill".

[9:20:16 AM](#)

Co-Chair Hoffman understood the Department could require a further \$1 million in addition to this appropriation.

Mr. Maher affirmed.

[9:20:27 AM](#)

Mr. Maher pointed out that Section 3(b) of this bill was incorporated from Section 1(d) of SB 83, and would provide \$1,082,700 to the Anchorage Correctional Complex to assist in addressing overpopulation issues.

[9:20:50 AM](#)

Mr. Maher explained that Section 4(a) was a new appropriation to the Department of Health and Social Services, Office of the Commissioner in the amount of \$2,315,000 for operating costs associated with implementing the recommendations of the legislative Medicaid review report. This multi-year funding would provide for efforts from 2007 through 2009 to obtain the potential Medicaid savings identified in the review report.

[9:22:09 AM](#)

JANET CLARKE, Assistant Commissioner, Finance and Management Services, Department of Health and Social Services, testified that she had collaborated with Jerry Fuller of the Office of Program Review within the Department to develop funding and execution plans to implement the recommendations in the Pacific Health Policy Group report. She directed attention to a memorandum from herself to the Committee chairs, dated March 28, 2007 [copy on file], and an accompanying one page summary spreadsheet.

Co-Chair Hoffman asked that she provide an overview of the projects associated with the Medicaid review report funding.

[9:23:32 AM](#)

Ms. Clarke referred members to the spreadsheet of the aforementioned memorandum, and indicated that 13 projects would be allocated funding under this appropriation.

Co-Chair Hoffman clarified that the spreadsheet was located on the last page of memorandum. The spreadsheet depicted the following.

Project #: 1
Projects in Medicaid Report: Tiered Pharmacy Pricing
Who/How: DHSS-Internal
Fiscal Year: FY07/08/09
Total Cost: 0.0
Comment: No new resources needed

Project #: 2
Projects in Medicaid Report: Pharmacy Prior Authorization
Who/How: DHSS-Internal
Fiscal Year: FY07/08/09
Total Cost: 0.0
Comment: No new resources needed

Project #: 3
Projects in Medicaid Report: Level of Care controls in
Personal Care Assistant program
Who/How: DHSS-Internal
Fiscal Year: FY07/08/09
Total Cost: 0.0
Comment: No new resources needed

Project #: 4
Projects in Medicaid Report: Alternate Reimbursement
Methodology for DD services
Who/How: DHSS-Internal
Fiscal Year: FY07/08/09
Total Cost: 0.0
Comment: No new resources needed

Project #: 5
Projects in Medicaid Report: Implement Disease Management
Program
Who/How: DHSS-Internal
Fiscal Year: FY07/08
Total Cost: 80,000

Project #: 6
Projects in Medicaid Report: Personal Care Assistant
Waivers

Who/How: DHSS-Internal
Fiscal Year: FY07/08/09
Total Cost: 0.0
Comment: No new resources needed

Project #: 7
Projects in Medicaid Report: Federal Financial
Participation in Pioneer Homes
Who/How: DHSS-Contractor
Fiscal Year: FY07/08
Total Cost: 50,000

Project #: 8
Projects in Medicaid Report: Address Wait List for DD
Services
Who/How: DHSS-Contractor
Fiscal Year: FY07/08
Total Cost: 20,000

Project #: 9
Projects in Medicaid Report: Federal Funds Participation
for CAMA
Who/How: DHSS-Contractor
Fiscal Year: FY07/08
Total Cost: 20,000

Project #: 10
Projects in Medicaid Report: Substance Abuse/Mental Health
Waiver
Who/How: DHSS-Contractor
Fiscal Year: FY07/08
Total Cost: 35,000

Project #: 11
Projects in Medicaid Report: Long Term Care Planning
Who/How: DHSS-Contractor
Fiscal Year: FY07/08
Total Cost: 250,000
Comment: \$50,000 GF already exists in DHSS

Project #: 12
Projects in Medicaid Report: Other Resources
Who/How: DHSS-Internal
Fiscal Year: FY07/08
Total Cost: 136,000

Comment: State coordination of project

Project #: 13

Projects in Medicaid Report: Increase Rural Providers
Federal Funds participation

Comment: Estimates of costs provided by rural providers

Projects in Medicaid Report: 13-a Managed Care

Who/How: Grant to ANTHC

Fiscal Year: FY07/08

Total Cost: 50,000

Projects in Medicaid Report: 13-b Specific Service
Plan/Definitions

Who/How: Grant to ANTHC

Fiscal Year: FY07/08

Total Cost: 700,000

Who/How: Additional Grant

Fiscal Year: FY07/08

Total Cost: 214,000

Comment: Grant to Regional Provider

Projects in Medicaid Report: 13-c Reimbursement methodology

Who/How: Grant to ANTHC

Fiscal Year: FY07/08/09

Total Cost: 250,000

Who/How: Additional Grant

Fiscal Year: FY07/08/09

Total Cost: 138,000

Comment: Grant to Regional Provider

Who/How: DHSS-Internal State

Fiscal Year: FY07/08/09

Total Cost: 372,000

TOTAL COSTS: 2,315,000

Comment: Costs to DHSS can be funded at 50% federal thru
Medicaid

State General Fund costs: 1,132,500

Ms. Clarke explained that projects one through four and project six could be accomplished internally without additional resources by utilizing existing staff.

[9:25:59 AM](#)

Ms. Clarke informed that the Disease Management Program was an innovative approach that focused on disease prevention. Alaska, along with many other states, had made progress on this front, and the funding would allow for continued efforts.

[9:27:01 AM](#)

Ms. Clarke spoke to the seventh project listed, Federal Financial Participation in Pioneer Homes. When the Pioneer Homes were moved into the Department in FY 2004, "extensive" efforts were exerted to increase Medicaid participation for eligible Pioneer Home residents. This funding would assist in this endeavor.

[9:27:53 AM](#)

Ms. Clarke summarized Project #8, and told that the funding would support the Department in its goal of reducing the wait list for those who receive services to assist with developmental disabilities (DD).

Ms. Clarke informed that the ninth project would examine the CAMA program to possibly modify the State-funded program into a federally-funded Medicaid program.

[9:29:01 AM](#)

Co-Chair Hoffman asked for a definition of the "CAMA" program.

Ms. Clarke defined CAMA as the Catastrophic and Medical Assistance program, which provided service for "very, very poor" uninsured individuals with chronic conditions who were not Medicaid eligible.

Ms. Clarke told that Project #10 would explore the potential for federal waivers relating to substance abuse and mental health expenditures.

[9:30:02 AM](#)

Ms. Clarke set forth that Long Term Care Planning, listed as Project #11, was identified in the Pacific Health Policy Group as an area that could be eligible for "significant federal dollars." The request would fund contractor support, and is in addition to \$50,000 currently in the Department's budget. This project would likely result in the largest "payoff" to the State in terms of general fund savings.

[9:30:41 AM](#)

Ms. Clarke characterized the implementation of these recommendations as "comprehensive", and noted that the twelfth request would provide funds to monitor the overall progress of the Medicaid plan.

[9:31:12 AM](#)

Ms. Clarke explained that Project #13 addressed prospective savings related to rural providers. She spoke to the three subsections, noting that grants were included for both the Alaska Native Tribal Health Consortium and for regional providers.

Ms. Clarke informed that the total amount of this request was \$2,315,000, 50 percent of which was reimbursable through a federal Medicaid administrative claim.

[9:33:33 AM](#)

Co-Chair Hoffman commented that this was a "small amount of funds" considering the growth of the Medicaid and Medicare programs in recent years, and the continued expansion of services to eligible Alaskans. The Pacific Health Policy Group study and this subsequent appropriation represented an attempt to control and manage costs.

[9:34:39 AM](#)

Senator Olson inquired regarding Project #8, the DD wait list, and asked if the Department would consider the age of the recipient.

[9:35:04 AM](#)

Ms. Clarke responded that the wait list for DD services currently included people who were on wait list for Medicaid services or not eligible for those federally funded services due to current screening requirements. The State pays for those services through the use of grants of general funds. For others, such as children with autism, early diagnosis and treatment could improve their prognosis. It may be possible to expand Medicaid eligibility to include these individuals, thereby reducing general fund expenditures. The project would assist Alaskans of all ages.

[9:36:27 AM](#)

Mr. Maher identified Section 4(b) as Section 1(g) of SB 83, which would add language to the Juneau Pioneer Home's allocation to allow for repair and replacement by adding the word "repair" to the section.

[9:37:09 AM](#)

Mr. Maher communicated that Section 5 was an amended appropriation from SB 61 Section 2, and would pay the Department of Law for investigatory work performed in relation to the State's former actuary, Mercer Human Resource Consulting. The appropriation was drawn from the Public Employees' Retirement System and the Teachers' Retirement System.

[9:37:58 AM](#)

Mr. Maher stated that Section 6 was incorporated from SB 83 Section 1 (h) through (m). These proposed appropriations were requested by the Governor, and included a language addition in subsection (g) relating to the Chitina Personal Use Dip Net Fishery.

[9:38:34 AM](#)

Mr. Maher spoke to Section 7, which had previously been included in SB 61 as Section 3. This allocation would provide funds to the Division of Elections to pay for costs associated with the April 3, 2007 special advisory election. The initial funding request was for more than \$1 million, but had been revised to \$775,000.

[9:39:12 AM](#)

Co-Chair Hoffman announced that the Committee would discuss two items that were not included in SB 61. These items were the Fairbanks Virology Laboratory and an appropriation for the Chenega Bay School.

Mr. Maher informed that the virology laboratory had previously been included in another appropriation request, and the funding for the Chenega Bay School was a new consideration.

[9:40:11 AM](#)

Ms. Clarke explained that the Department had requested as "time sensitive" in SB 83 funding for cost over-runs in the construction of the virology laboratory. The Department of Health and Social Services was informed by the Department of Transportation and Public Facilities that the "notice to proceed" would be withheld from the contractor until the total necessary funding was provided. When the Department learned that the funding was not included in the supplemental budget, a conversation occurred with the Department of Transportation and Public Facilities regarding the cost to delay the project. The Department of Transportation and Public Facilities informed that any delay past May 1, 2007 would result in an estimated cost of \$10,000 per day. She noted that an estimate was also provided for a delay into the next fiscal year, and this information was provided to the Committee in a memorandum from the Department of Health and Social Services dated April 11, 2007 [copy on file] distributed to Members previously that day.

[9:42:34 AM](#)

Co-Chair Stedman had not seen that memorandum, and asked for a "break down" of the \$10,000 per day delay cost quoted.

Ms. Clarke replied that the quote from the Department of Transportation and Public Facilities was not delineated, the cost was based on the assumption that any delay would push construction costs into the winter season, thus requiring more over-time expenses.

[9:43:11 AM](#)

Ms. Clarke clarified that the contractor was prepared to begin construction, but had not yet been given notice to proceed. This predicament was the source of the delay costs.

[9:43:41 AM](#)

Co-Chair Stedman asked if there existed "flexibility" in the contractual arrangement to avoid the delay costs.

Ms. Clarke responded that the Department of Health and Social Services would have to confer with the Department of Transportation and Public Facilities, as that department was managing the contract.

Co-Chair Stedman requested information regarding the contractual arrangement and the "bid documents".

[9:44:29 AM](#)

Ms. Clarke shared knowledge of "concern" within the Department of Transportation and Public Facilities in regards to the funding for the laboratory, and informed that the construction schedule was "very tight".

[9:45:09 AM](#)

Senator Elton asked if savings could be achieved if construction began prior to May 1, 2007.

Ms. Clarke would research that question with the Department of Transportation and Public Facilities.

[9:45:52 AM](#)

Senator Thomas asked if Ms. Clarke received an explanation from the Department of Transportation and Public Facilities as to why the virology laboratory funding was removed from the supplemental appropriation bill.

Ms. Clarke had received no such explanation.

Senator Thomas furthered, asking if the funding referred to was the ultimate request for the final stage of construction.

Ms. Clarke affirmed, stating that the current request represented the "final number".

[9:46:50 AM](#)

Senator Olson asked regarding penalties related to construction delays.

Ms. Clarke was unsure, but would examine the question with the Department of Transportation and Public Facilities.

[9:47:16 AM](#)

EDDY JEANS, Director, School Finance and Facilities Section, Department of Education and Early Development, explained that the requested funds were to be used to replace the roof of the Chenega Bay School. The repairs had already been completed, but the school district did not have the funds to pay the contractor for the work that was done, thus the district was making monthly interest payments to the contractor in anticipation of a supplemental appropriation.

AT EASE [9:48:39 AM](#)/[9:53:12 AM](#)

Co-Chair Hoffman concluded the hearing on SB 61. He announced that the Committee would take action on the bill at a later time.

#sb 61

ADJOURNMENT

Co-Chair Lyman Hoffman adjourned the meeting at [9:54:52 AM](#)