

SENATE FINANCE COMMITTEE
February 10, 2010
9:08 a.m.

9:08:51 AM

CALL TO ORDER

Co-Chair Hoffman called the Senate Finance Committee meeting to order at 9:08 a.m.

MEMBERS PRESENT

Senator Lyman Hoffman, Co-Chair
Senator Bert Stedman, Co-Chair
Senator Charlie Huggins, Vice-Chair
Senator Johnny Ellis
Senator Dennis Egan
Senator Donny Olson
Senator Joe Thomas

MEMBERS ABSENT

None

ALSO PRESENT

Karen Rehfeld, Director, Office of Management and Budget, Office of the Governor; Jeff Jessee, Chief Executive Officer, Alaska Mental Health Trust Authority

PRESENT VIA TELECONFERENCE

None

SUMMARY

SB 229 APPROP: OPERATING BUDGET/LOANS/FUNDS

SB 229 was heard and HELD in Committee for further consideration.

SB 231 APPROP: MENTAL HEALTH BUDGET

SB 231 was heard and HELD in Committee for further consideration.

SB 253 APPROP: DEFERRED MAINTENANCE/REPLACEMENT

SB 253 was heard and HELD in Committee for further consideration.

SB 254 SUPPLEMENTAL/CAPITAL/OTHER APPROPRIATIONS

SB 254 was heard and HELD in Committee for further consideration.

#sb229

#sb231

SENATE BILL NO. 229

"An Act making appropriations for the operating and programs, and to capitalize funds; making supplemental appropriations; making appropriations under art. IX, sec. 17(c), Constitution of the State of Alaska; and providing for an effective date."

SENATE BILL NO. 231

"An Act making appropriations for the operating and capital expenses of the state's integrated comprehensive mental health program; and providing for an effective date."

[9:09:14 AM](#)

Co-Chair Hoffman described the agenda for the day. He said that the operating budget would be going into subcommittees. He listed the makeup of the various subcommittees.

[9:13:27 AM](#)

KAREN REHFELD, DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET, OFFICE OF THE GOVERNOR, related that she had previously provided an overview of the governor's proposed spending plan for FY 11, which also included the capital budget. She explained that the operating budget, SB 229, totals about \$9.8 billion in all funds. The bill has 34 sections and contains several key elements: operating numbers and language sections, fund capitalizations, debt service costs, special appropriations, including revenue sharing,

savings, and all other appropriations. She termed it a significant bill.

Ms. Rehfeld highlighted items from the budget: the statutory formula program, education - a \$56 million increase for school formula funding, and increases in Medicaid by about \$36 million more than in the FY 10 budget. She noted that supplemental requests for Medicaid and budget amendments would be forthcoming. There is an increase in the enrollment, utilization, and cost of providing Medicaid services. The unfunded liability of the retirement system shows about a \$73 million increase. Debt service on an annual basis totals about \$276 million, which is about a \$29 million increase in the FY 11 budget.

Ms. Rehfeld reported that the governor is very interested in holding the line on agency operating growth. Agencies will be required to absorb increases in their budgets. There are a few areas which will receive an increase in funding, such as domestic violence and sexual assault, which will receive about \$7 million of new general fund for the Departments of Law and Public Safety. She stressed the importance of holding the line on state agency growth while meeting the needs of the formula programs and the services that Alaskans expect from their government.

9:17:30 AM

Co-Chair Hoffman commented about a statement regarding the supplemental budget, which implied that if the supplemental is approved, where there are increments, there would be amendments forthcoming to address them in the FY 11 budget. Ms. Rehfeld said that was correct. In some areas of the supplemental, the administration anticipated that corrections would be needed and they are in the December 14 budget which is before the committee. She noted that amendments would be forthcoming.

Co-Chair Hoffman asked when labor contracts would be addressed. Ms. Rehfeld did not know when the agreement on labor contracts would happen. She offered to provide that information when it became available.

Co-Chair Hoffman thanked Ms. Rehfeld for her presentation. He said that the budget subcommittees were in progress and the Senate Finance Committee looks forward to working with the administration on the budget process.

Ms. Rehfeld pointed out that SB 231, the comprehensive mental health budget, contains operating and capital items. She noted that the subcommittee process would also address those items.

9:19:43 AM

JEFF JESSEE, CHIEF EXECUTIVE OFFICER, ALASKA MENTAL HEALTH TRUST AUTHORITY, referred to a handout entitled, "Senate Finance Committee FY 2011 Budget" (copy on file). He referred briefly to slide 2 - trust beneficiaries. He noted that in addition to the list shown, there were also associated beneficiaries, such as people with traumatic brain injury. He showed slide 3 - trust advisors - and commented that the Alaska Mental Health Trust Authority (AMHTA) does not work in a vacuum.

Mr. Jessee spoke of AMHTA funding for FY 2011 - slide 4. He said that the amount of \$24,870,374 is basically stable from FY 10. He spoke of a loss of \$90 million in the Permanent Fund; however, he termed the Trust's financial structure as extremely robust. The Trust Fund's payout is 4.25 percent and there is an income reserve account set at four times the annual payout. Even in a year with significant reductions in assets, the Trust is able to continue to make the payout. He noted when compared to other foundations, AMHTA fares well.

Mr. Jessee shared joint FY 11 legislative priorities - slide 5. The first priority is to increase the adult dental Medicaid reimbursement cap. It was originally set based on the cost of one plate of dentures, but since then, costs have increased. Another priority is to establish a regular and periodic schedule of rate reviews for home and community-based services. The vehicle for this goal is SB 32. The most expensive level of care is hospital and nursing home services. Home and community-based services save money, but require monitoring to do so. He spoke of the advantages of periodic reviews.

Mr. Jessee said a third priority is to support a 10-year plan to reduce homelessness, which is making significant progress. He reminded the committee about the critical aspects of special needs housing - to combine the three legs of the stool: capital, operating, and support services funds. This is now possible due to legislative action to

expand AHFC's authority and provide funding. The last priority is to fund community-coordinated transportation systems. He spoke of the need to coordinate transportation systems in order to save money.

[9:27:41 AM](#)

Mr. Jessee turned to slide 6 - the formula for success. It begins with identifying a problem or community need. Next is collaboration with governmental agencies, advisory groups, non-profits, service providers, philanthropic organization, and the private sector. Another strategy is to develop strategic, sharply focused solutions. He emphasized that the solution has to be data-driven. Finally, it is important to make lasting system improvements for Trust beneficiaries.

[9:30:09 AM](#)

Mr. Jessee listed the five program focus areas - slide 7. They are Bring the Kids Home, Disability Justice, Workforce Development, Affordable, Appropriate Housing, and Beneficiary Projects Initiative.

Mr. Jessee highlighted the very successful Bring the Kids Home (BTKH) program - slide 8. He detailed how the program filled a community need. In FY 06 there were 743 Alaskan children who were served out of state. Currently, less than 110 children are referred to out-of-state placements. In FY 06 \$40 million was spent on out-of-state Medicaid care; currently, that amount has been cut in half. He listed the partners AMHTA works with.

Mr. Jessee explained the projected BTKH reinvestment process - slide 9. There was no promise to save the state money; the intent was to spend effectively by reinvesting savings, which has been very successful. The chart shows overall costs as stable and down from the peak in FY 07. The governor's budget has a number of increments that are related to these investments.

[9:33:12 AM](#)

Mr. Jessee shared the results for beneficiaries - slide 10. Out-of-state admits are down 85.4 percent; Residential Psychiatric Treatment Center (RPTC) recidivism is down from 20 percent to 3.4 percent. That means when kids come out of

residential psychiatric treatment, they are receiving support in the community.

Mr. Jessee spoke about one of the key components of BTKH - individualized services. He called it a reinvention of the Alaska Youth Initiative. There is a plan to phase out BTKH by 2013, but continue to have safeguards. He related the results of returning youth home and ensuring quality programs. He emphasized that individualized services used to require Medicaid eligibility. He gave an example of the success of individualized services without the need for Medicaid involvement. He reported that of over 500 youth who receive individualized services, less than 1 percent received RPTC care.

[9:37:55 AM](#)

Mr. Jessee shared data on the BTKH FY 11 budget - slide 11. It depicts what the Trust recommended for GF/MH and the continued investment of MHTAAR in the project. The numbers in red show where there is a difference between what the Trust recommended and what the governor included in his budget. There are some areas that continue to need attention.

Mr. Jessee did not envision the focus areas to be perpetual. When the goals are achieved, the Trust moves on to other focus areas. He requested the committee's support to bring BTKH to a conclusion.

Mr. Jessee turned to the topic of disability justice - slide 12. He stated that the Trust has worked very well with the Department of Corrections (DOC). A study indicates that 42 percent of those incarcerated are Trust beneficiaries. They serve longer sentences for similar crimes and have a higher degree for recidivism. The Trust has invested significant resources with its partners to try to turn this problem around. The Criminal Justice Working Group is trying to address the issue. He emphasized that in terms of impact on the state budget, a cooperative approach to lessen recidivism is critical. He expected that the new prison would be full within 12 to 18 months, prisoners would have to be housed out-of-state again, a new prison would have to be built, and costs would increase. He concluded that other states have been successful at lessening recidivism and Alaska could also with the right investment.

9:41:15 AM

Mr. Jessee shared information about outcome driven results - slide 13. Therapeutic Courts have become central to diverting beneficiaries from corrections. The basic model is to engage the participants in treatment and community service, and provide housing and jobs. He gave an example of a success in the Anchorage Mental Health Court.

Mr. Jessee showed what the Trust is continuing to contribute to MHTAAR and to grants for FY 11 - slide 15. Slide 16 depicts General Fund recommendations. The governor provided significant support for some of the key components. He drew attention to the Bethel Project, which needs additional operating and capital funds.

9:44:15 AM

Mr. Jessee turned to slide 17 - workforce development, which continues to be a major problem. The focus is on recruitment and retention, wages and benefits, which are topics of SB 32, and training and education. He shared that the Trust has learned that one of the biggest factors of job retention is having a good supervisor.

Mr. Jessee shared accomplishments of workforce development - slide 18. He spoke of looking ahead at workforce development programs - slide 19. There is a plan to start up a psychiatric residency program in Alaska. Another goal is to expand the student loan repayment program and other incentives for health professionals. A Ph.D. psychologist internship program will be implemented, and increments for University of Alaska health programs will be supported.

Mr. Jessee highlighted the Trust's plan for financial support for workforce development - slide 20. Slide 21 depicts a need for continued discussion and dialogue regarding the governor's budget.

9:48:02 AM

Mr. Jessee reported on affordable, appropriate housing programs - slide 22. He pointed out that the Trust has \$10 million committed to affordable housing. He expressed frustration that \$300 million has been allotted to

weatherization. He preferred to address the needs of the homeless.

Mr. Jessee said that slide 23 depicts the Bridge Home program outcomes when there are adequate resources. Supporting beneficiaries after institutional care leads to dramatic decreases in admissions to Alaska Psychiatric Institute (API) and to the Department of Corrections (DOC). Each decrease is an economic benefit. With additional resources, the ability to serve these beneficiaries improves, especially for those in corrections.

Mr. Jessee related fiscal goals for FY 11 - slide 24. He voiced appreciation for the \$10 million included in the governor's budget to begin implementing the 10-year homeless plan. He spoke highly of AMHTA's partnership with AHFC and Housing First projects. He shared examples of project needs for those with alcohol addictions. He maintained that the solution is "housing first". He dispelled several commonly held myths about homeless with alcohol addictions. He shared results and cost reductions from a successful Seattle program.

Mr. Jessee shared information about a project in Anchorage sponsored by the Trust. He suggested that members may want to view the Seattle program.

[9:54:47 AM](#)

Mr. Jessee shared budget recommendations for the homeless assistance program in FY 11 - slide 25. He praised the governor's support for the program. He highlighted the Trust beneficiary projects initiative - slide 26. The Trust will continue to carry these projects because it believes that beneficiaries can do a lot to support each other.

Mr. Jessee referred to slide 28 - results for beneficiaries. He commented on slide 29 - the beneficiary budget picture. The Trust is carrying a large amount of the load - nearly \$4 million.

Mr. Jessee concluded by voicing support for the governor's domestic violence and substance abuse initiative. He suggested other strategies for dealing with the problems of domestic violence and for enhancing the governor's initiative. He shared problems with the current system. He suggested integrating behavioral health and addressing

children's needs. He mentioned that Representative Fairclough was forming a group to look at ways to enhance the governor's initiative.

Mr. Jessee suggested using a strategic approach similar to that of the Trust's to address domestic violence. He also thought that a work group should be formed. He was optimistic about "turning the curve" regarding domestic violence. He listed obvious gaps to addressing the problem, such as lack of substance abuse help for the victim.

[9:59:35 AM](#)

Co-Chair Hoffman spoke of a concern about the high rates of suicide in Alaska. Mr. Jessee agreed that suicide was a serious problem. He listed ways the Trust was working with partners on the problem. He stated that the Trust needs to have a focus in order to be effective in this area.

Co-Chair Hoffman asked if there was any movement to solve the problem in the near future. Mr. Jessee did see progress if the legislative task force could come forth with evidence-based strategies that are data driven. Co-Chair Hoffman emphasized that it is an area that needs to be addressed.

[10:02:18 AM](#)

Senator Ellis requested information on traumatic brain injuries and about only half of the current state taxes on alcoholic beverages going to substance abuse prevention and treatment services. He wondered how to proceed to increase treatment services if that amount were to be increased.

Mr. Jessee addressed the issue of traumatic brain injury. He commented on new studies about screening for traumatic brain injuries and the high number of prisoners with traumatic brain injuries. He opined that Alaska is too small to have three separate systems of care for traumatic brain injuries: the state, the tribal health system, and the Department of Defense and Veterans' Administration. There is a need for more collaboration. He noted that the state has not integrated services with the tribal health care system, the VA, or the Department of Defense. He suggested there should be one system of care.

Mr. Jessee answered the question about the alcohol tax and needing more services for alcohol treatment. He thought it would be a challenge even with significant additional dollars. He suggested continuing to partner with the tribal health system. He thought the state could absorb more resources and enhance services over time. He suggested being very specific about expected outcomes. He noted that the Trust produced statistics about the cost of alcoholism to the state - over \$5 million. He shared a recent frustration with the association between drinking and sports.

10:09:24 AM

Senator Thomas asked about the number of out-of-state admissions in the BTKH program, both in FY 04 and currently - slide 10. He also wondered how much of the capacity is being used in Fairbanks. Mr. Jessee replied that 740 is the number of kids served at some time in an out-of-state facility during FY 04. The high-water mark for out-of-state admissions at a point in time was about 435. Right now there are around 117 kids served out of state.

Mr. Jessee provided some history of the program. He discussed the need for early community support. Most referrals do not come from the families, so an education subcommittee was formed to partner with schools to help identify the kids who need residential services. He spoke of a need to focus on family issues as a prevention tool. He explained that small facilities are more successful and can be converted to family homes.

Senator Thomas asked if the in-state capacity was being fully utilized. He asked if the state was lacking the capacity to bring the remaining 117 back to Alaska. Mr. Jessee replied that there are vacant beds in the state, but they are not able to provide the level of care that is needed. The kids living outside have the most severe needs. They should be brought back to appropriate services, so the Trust is working with in-state programs to build their capacity. The facility in Fairbanks is not yet able to receive Level 5 kids. The kids' needs and the capacity of the programs need to be matched.

10:16:50 AM

Senator Thomas referred to slide 12 and asked if the 42 percent of those incarcerated included in-state as well as out-of-state prisoners. Mr. Jessee said it was all correctional inmates, but he did not know the percentages of each.

Ms. Rehfeld spoke favorable of working with Mr. Jessee on common programs and achievements.

SB 229 was heard and HELD in Committee for further consideration.

SB 231 was heard and HELD in Committee for further consideration.

#sb253

SENATE BILL NO. 253

"An Act making capital appropriations for deferred maintenance projects, equipment replacement, and emergency repairs; and providing for an effective date."

[10:18:39 AM](#)

Co-Chair Hoffman turned to the issue of deferred maintenance. Ms. Rehfeld offered to provide that information as soon as possible.

SB 253 was heard and HELD in Committee for further consideration.

#sb254

SENATE BILL NO. 254

"An Act making supplemental appropriations, capital appropriations, and other appropriations; amending appropriations; repealing appropriations; making effective date."

[10:20:02 AM](#)

Co-Chair Hoffman asked if there were any questions about SB 254.

SB 254 was heard and HELD in Committee for further consideration.

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ADJOURNMENT

The meeting was adjourned at 10:19 AM.