

HOUSE FINANCE COMMITTEE
January 29, 2013
1:32 p.m.

1:32:33 PM

CALL TO ORDER

Co-Chair Austerman called the House Finance Committee meeting to order at 1:32 p.m.

MEMBERS PRESENT

Representative Alan Austerman, Co-Chair
Representative Mark Neuman, Vice-Chair
Representative Mia Costello
Representative Bryce Edgmon
Representative Les Gara
Representative Lindsey Holmes
Representative Scott Kawasaki, Alternate
Representative Cathy Munoz
Representative Steve Thompson
Representative Tammie Wilson

MEMBERS ABSENT

Representative Bill Stoltze, Co-Chair
Representative David Guttenberg

ALSO PRESENT

Mike Barton, Trustee, Alaska Mental Health Trust Authority;
Paula Easley, Secretary/Treasurer, Board of Trustees,
Alaska Mental Health Trust Authority; Jeff Jessee, Chief
Executive Officer, Alaska Mental Health Trust Authority;
Becky Hultberg, Commissioner, Department of Administration.

SUMMARY

FY 14 GOVERNOR'S BUDGET OVERVIEW:

Alaska Mental Health Trust Authority
Department of Administration

HB 65 APPROP: OPERATING BUDGET/LOANS/FUNDS

HB 65 was HEARD and HELD in committee for further consideration.

HB 66 APPROP: MENTAL HEALTH BUDGET

HB 66 was HEARD and HELD in committee for further consideration.

#hb65

#hb66

HOUSE BILL NO. 65

"An Act making appropriations for the operating and loan program expenses of state government and for certain programs, capitalizing funds, amending appropriations, and making reappropriations; and providing for an effective date."

HOUSE BILL NO. 66

"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."

^FY 14 GOVERNOR'S BUDGET OVERVIEW: ALASKA MENTAL HEALTH AUTHORITY

[1:32:52 PM](#)

MIKE BARTON, TRUSTEE, ALASKA MENTAL HEALTH TRUST AUTHORITY, introduced various members of the Alaska Mental Health Trust Authority. He pointed out that the first subcommittee meeting was scheduled for February 18th.

Mr. Barton introduced slide 2: "Trust Beneficiaries."

- People with mental illness
- People with developmental disabilities
- People with chronic alcoholism and other substance related dementia
- People with traumatic brain injury

[1:36:58 PM](#)

Mr. Barton discussed slide 3: "Guiding Principles."

- To improve the lives of Trust beneficiaries, The Trust is committed to:
 - o Education of the public and policymakers on beneficiary needs;
 - o Collaboration with consumers and partner advocates;
 - o Maximizing beneficiary input into programs;
 - o Prioritizing services for beneficiaries at risk of institutionalization;
 - o Useful and timely data for evaluating program results;
 - o Inclusion of early intervention and prevention components;
 - o Provision of reasonably necessary beneficiary services based on ability to pay.

PAULA EASLEY, SECRETARY/TREASURER, BOARD OF TRUSTEES, ALASKA MENTAL HEALTH TRUST AUTHORITY, explained that the scorecard was assessed annually since 2008. She stated that a comparison of last year and this year displayed the effective determination of figures and how key issues were impacting beneficiaries. The information was carefully refined.

Mr. Barton offered to provide a copy of the scorecard to the committee.

Mr. Barton discussed slide 4: "Trust Advisors and Partners."

- Advisory Board on Alcoholism & Drug Abuse
- Alaska Mental Health Board
- Governor's Council on Disabilities & Special Education
- Alaska Commission on Aging
- Commissioners of Health and Social Services, Revenue, Natural Resources and Corrections
- Alaska Brain Injury Network
- Statewide Suicide Prevention Council

[1:40:27 PM](#)

Mr. Barton discussed slide 5: "Trust Funding FY 14." He noted that the great bulk came from the fund pay-out. The trust fund payout at 4.25 percent equaled \$18,090,000. The payout was based on a four-year average principal and reserve balances of \$426 million.

[1:41:30 PM](#)

Mr. Barton detailed slide 6: "The Trust Resource Portfolio." He explained that the trust had approximately 1 million acres of trust land that was the result of a settlement. The acres were divided by region. The trust had full fee ownership for 55 percent of the land. The trust owned coal, oil and gas rights for one third of the land and full mineral rights for 11 percent. The Trust Land Office (TLO) contributed a total of \$138 million since 1994 when the settlement was achieved.

[1:43:03 PM](#)

Mr. Barton detailed slide 7: "Formula for Success."

- Committed partners + Strategic thinking = Results for Trust beneficiaries
 - Identify a problem or community need
 - Collaborate with governmental agencies, advisory groups, nonprofits, service providers, philanthropic organizations and private sector
 - Develop strategic, sharply focused solutions
 - make lasting system improvements

Mr. Barton explained slide 8: "Five Program Focus Areas."

- Bring the Kids Home
 - reforming Alaska's mental health care for children and adolescents so they are diagnosed earlier and treated as close to home as possible
- Disability Justice
 - reducing the involvement and recidivism of Trust beneficiaries in the criminal justice system
- Affordable Appropriate Housing
 - increasing a continuum of housing options for Trust beneficiaries
- Workforce Development
 - creating an available and competent workforce for Trust beneficiaries and service providers
- Beneficiary Projects Initiative
 - supporting grassroots, peer-to-peer programs for Trust beneficiaries

[1:45:42 PM](#)

Mr. Barton detailed slide 9: "Alcohol Initiatives."

- Recover Alaska
 - initiative lead by Rasmuson Foundation, includes The Trust, Mat-Su Health Foundation, DHSS and other stakeholders
 - goal to help individuals, families and communities in Alaska "recover" from impacts of alcohol
 - focus on systems, policy, statutory and practice changes that will lead to long-term improvements
- Title 4 review
 - partnership with Alcohol Beverage Control Board, which is convening stakeholders to review and possibly recommend changes to Alaska's alcohol beverage control statutes in Title 4.

[1:46:29 PM](#)

JEFF JESSEE, CHIEF EXECUTIVE OFFICER, ALASKA MENTAL HEALTH TRUST AUTHORITY, detailed slide 10: "Bring the Kids Home."

- Problem
 - FY 06: 743 Alaskan children with severe emotional disturbances received out-of-state residential psychiatric treatment services
 - separated from families and communities
 - difficult transitions back to Alaska
 - length of stay varied from several months to multiple years
 - costs peaked at \$40+
- Committed partners
 - DHSS, behavioral health service providers, parent and youth advocates, Trust partner boards, Alaska Native health providers, Dept. of Education, Denali Commission and others
- Strategic thinking
 - intervene earlier, more intensively, and with the family
 - use residential resources carefully
 - expand implementation of effective practices
 - develop in-state treatment for youth with complex needs

[1:49:19 PM](#)

Mr. Jessee detailed slide 11: "Results for Beneficiaries." Less than 100 Alaskan children were located in out of state facilities. He noted that the recidivism rate was reduced from 20 percent to 5 percent. The 15 percent reduction translated into significant savings to the state, particularly with the Medicaid program.

Mr. Jessee discussed slide 12: "Shifting Expenditures in State." He explained that the Bring the Kids Home initiative was a reinvestment strategy. He noted that the reduction of the out of state Residential Psychiatric Treatment Centers (RPTC) costs was expected. He stated that a continuation of the path would have doubled the \$40 million spent out of state.

[1:51:55 PM](#)

Mr. Jessee discussed slide 13: "Results for Beneficiaries."

- Developing in-state treatment options for children with co-occurring and complex disorders
 - Complex Behaviors Collaborative
 - in-state RPTC unit
 - resources for youth who experience FASD

Mr. Jessee stated that some kids would always travel out of state for specialized programs because the AMHT could not provide for every need. He stated that children with intellectual disabilities and serious emotional disturbances typically left the state for an average of 400 days. He spoke about an in-patient treatment program that was closely tied to community based family services that took the same population and reduced the average length of stay to between 45 and 90 days. The trust funded a group of Alaskans from both the state department and providers to review the program. He stated that North Star, a core RPTC program in Anchorage, believed that they could duplicate the program. He worked with community providers to integrate the necessary level of care. The Bring the Kids Home initiative was winding down allowing the Trust to focus on other areas. Indicators would be in place to alert the Trust and the legislature if the numbers began to rise.

Mr. Jessee discussed slide 14: "Results for Beneficiaries."

- Working with young children to prevent severe disturbances

- Working with families to keep/return children to their homes
 - expanding early childhood services
 - increasing delivery and quality of family therapy services
 - expanding trauma training

Mr. Jessee informed the committee that most of the kids exhibiting serious issues were multiply traumatized. He commented on Adverse Childhood Experiences (ACE) and the effect on children and adults. A direct correlation existed between a child's negative experiences and their need for exceptional care. He spoke about Department of Health and Social Services and the Department of Corrections budgets and the need to contain them. He spoke to targeting funds appropriately by intervening in children with multiple ACE. He mentioned research to offset the negative experiences such as mentoring with adults. He stated that AMHT would continue to monitor ACE scores to focus prevention efforts to enable a long-term sustainable plan for the state budget.

[1:58:30 PM](#)

Mr. Jessee discussed slide 15: "Ahead in FY 14." He noted the incorporation of Mental Health Traits Authority Authorized Receipts (MHTAAR). He mentioned that the authority grants were made directly by the trust authority that was not processed through state government. He noted the importance of education because the schools provided an early-warning system for kids beginning to have difficulty. The trustees recommended a one-to-one match between trust funding for FY 14 and general funds. He stated that the governor's budget reduced the state match for evidence based family therapy models from \$600 thousand to \$270 thousand.

[2:00:43 PM](#)

Mr. Jessee informed the committee that evidence based family therapy was the most cost effective strategy to prevent future issues.

Mr. Jessee discussed slide 16: "Looking Toward FY 15."

- FY 15 BTKH increments, if any, will transition on-going successful projects from MHTAAR to GF/MH for long-term sustainability

- BTKH efforts will continue, using existing GF/MH resources to sustain planning and to maintain and build on success
- The AMHT believes further progress will require a shift in focus to earlier intervention, prevention and family-based services to decrease long-term costs for behavioral and health while improving outcomes for children and families.

Mr. Jessee discussed slide 17: "Disability Justice." He recommended a shift of focus from symptoms of a poorly designed system to focus on early intervention and prevention. He stated that 43 percent of youth in the juvenile justice system were trust beneficiaries, as were 42 percent of people in Department of Corrections (DOC). He expressed concern that beneficiaries in both systems had higher rates of recidivism.

[2:02:35 PM](#)

Mr. Jessee discussed slide 19: "Strategic Thinking."

- Prevent and reduce inappropriate or avoidable arrest, prosecution, incarceration and criminal recidivism of juvenile and adult AMHT beneficiaries
- Increase criminal justice system's ability to accommodate, support, protect and provide treatment for victims and offenders who are AMHT beneficiaries
- Reduce use of jails and prisons to provide protective custody of adult AMHT beneficiaries under Alaska Statute 47.37.170 (protective custody hold)
- Improve community re-entry planning from juvenile detention and treatment, and adult correctional facilities back into Alaska communities.

[2:04:06 PM](#)

Mr. Jessee discussed slide 20: "Outcomes Driven Results."

- Working together state, local agencies save lives, improve public safety
 - 75 percent reduction in non-criminal Title 47 protective custody holds at Yukon Kuskokwim Correctional Center from 2010-2012
 - Individuals screened, referred to appropriate treatment

- Therapeutic Courts
 - Juneau Mental Health Court opened May 2012
 - Anchorage Mental Health Court combined savings almost 2.5 times program annual operating cost (293,000)

[2:06:46 PM](#)

Mr. Jessee discussed slide 23: "Affordable Appropriate Housing." He commented on recent discussions regarding the safety of people with mental health issues. He resisted enforcing the stigma that mentally ill people were more dangerous than anybody else. Statistically, mentally ill people are not more violent, although they are more likely to be victims. He stated that the lack of safe, affordable housing was the largest challenge facing beneficiaries. He pointed out the chart on slide 23 detailing that a person receiving a state supplement earned approximately \$12 thousand per year. He added that a person working a minimum wage job earned \$16 thousand. A studio apartment in Alaska required an income of \$28 thousand. Historically, a dividend was taken from Alaska Housing Finance Corporation (AHFC) and not returned into the housing industry, but instead placed in the general fund for appropriation.

[2:09:33 PM](#)

Mr. Jessee discussed slide 24: "Committed Partners."

- Alaska Council on the Homeless: Alaska Housing Finance Corporation, the departments of Health and Social Services, Corrections, Labor and Public Safety, and the Veterans Administration.
- Housing development organizations
- Social service agencies
- Local affordable housing and homeless coalitions
- Private business owners

Mr. Jessee discussed slide 26: "Strategic Thinking."

- Adapting programs for sustainability - replicating successful strategies through AHFC
 - Special Needs Housing Grants (SNHG)
 - Homeless Assistance Program (HAP)
- Collaborating on creating "no wrong door"

- o coordinating services statewide through homeless coalitions
 - o assessment of housing barriers
- Collaborating on creating "no wrong door"
 - o DHSS Divisions of Behavioral Health and Senior and Disability Services
 - o Assess needs by region and beneficiary group
- Effective program models implemented
 - o Trust/DHSS/AHFC collaboration on HUD pilot (reducing General Relief participants through supported housing)
 - o program development: Bridge Home and more intensive community outreach models

Mr. Jessee discussed slide 27: "Results for Beneficiaries."

- Working the Plans
 - o Alaska Council on the Homeless Ten-Year Plan, Anchorage Ten-Year Plan on Homelessness, other community plans
- Replicating Housing First
 - o targeting the most vulnerable and costly homeless
- Anchorage and Fairbanks on-track to replicate Outside results:
 - o Seattle decreased drinking by 30 percent and reduced costs by \$4 million in 12-month period.
 - o Anchorage tenants are becoming stable - 78 percent retention compared to 80 percent in similar programs
- Karluk Manor phase II - expansion and design improvements
 - o working with Municipality of Anchorage to identify land to relocate
 - o new facility will allow more individuals to be served and will create space and staffing efficiencies
- New projects under consideration: Anchorage, Juneau, Nome

[2:11:22 PM](#)

Mr. Jessee discussed slide 28: "Ahead in FY 14"

- Policy - Governor's Council on the Homeless
 - o state interagency collaboration modeled on federal agencies

- 10-year homeless plan and budget recommendations being implemented
- Budget - \$10 million annual recommendation for 10-year plan (\$8 million allocated)
 - The Trust, AHFC, GF/MH and other funding sources
- Effective program models implemented
 - Trust/DHSS collaboration to serve most challenging individuals cycling through API and DOC (Bridge Home and more intensive community outreach models)
 - replicating Housing First for beneficiaries who are chronically homeless with alcohol addiction and low income people with disabilities
 - services located on-site using housing projects large enough to make programs sustainable and robust
- Long-term care strategic planning for Alaska
 - planning that makes use of right resources at right time
 - continuum of care for people with disabilities, Alzheimer's disease and related dementia.

Mr. Jessee stressed that the lack of housing opportunities in the state affect many different departments. He planned to work with various subcommittees on the issues.

[2:12:31 PM](#)

Mr. Jessee discussed slide 30: "Workforce Development."

- Problem
 - growing need for workforce to serve Trust beneficiaries, especially Alaskans 65+ (fastest growing population segment)
 - high vacancy rates in many health care jobs
 - high turnover, especially in rural areas
 - many are temporary workers from Outside
 - lack of housing
 - lack of in-state training/education for some fields
 - lack of continuing education required for licensure and certification for some professions

Mr. Jessee detailed slide 31: "Health Care Job Growth."

- 38,749 new jobs in all Alaska sectors

- o 12 percent increase from 2010-2020
- Health care and social service jobs expected to grow 31 percent by 2020 or one-third of total job growth
- Ambulatory health care - practitioners, outpatient care, home health services - will gain 5,860 jobs or 28 percent increase by 2020
- Alaskans age 65+ expected to increase 89 percent by 2020, contributing to rising demand for health care workers
- Aging population will boost social service sector, adding about 2,400 jobs, up 25 percent by 2020

[2:13:34 PM](#)

Mr. Jessee highlighted the necessary partnerships in slide 33: "Alaska Health Workforce Coalition."

- Core Team
 - o The Trust, departments of Labor, Education, Health and Social Services; University of Alaska, Alaska State Hospital and Nursing Home Association, Alaska Workforce Investment Board and Alaska Native Tribal Health Consortium
- Coalition
 - o Health Commission, AFL/CIP Alaska Nurses Association, U.S. Dept. of Labor; Providence Health and Services, Fairbanks Memorial Hospital, Laborers Local 341, Alaska Area Health Education Centers, Trust Training Cooperative, Alaska Rural Behavioral Health Training academy, Alaska Behavioral Health Association, service providers, non-profit agencies, faith-based organizations and Alaska Native Health Board

Mr. Jessee discussed slide 35: "Results for Beneficiaries."

- 1,684 providers across Alaska attended 2,126 distance delivery and on-site training sessions on behavioral health related topics through the Trust Training Cooperative in FY 12.
- 695 professionals attended Training and Technical Assistance for Providers program, increasing providers' capacity to respond to disability-related abuse cases
- 2,618 individuals received distance delivery and on-site training on autism through Autism Resource Center

- 1,521 students enrolled in behavioral health training, of which 295 received a degree, through University of Alaska in 2011 (2012 data not available)
- 850+ healthcare providers, stakeholders and policymakers attended presentations and educational events about the Alaska Health Workforce Coalition

[2:14:20 PM](#)

Mr. Jesse discussed slide 36: "Ahead in FY 14."

- Funding Alaska Health Workforce Coalition Coordinator
- Analyzing and applying results of the 2012 Vacancy Study
- Supporting development of a Graduate Certificate in Marriage and Family Therapy (LMFT) program at University of Alaska
- Securing a permanent home within UA system for non-academic training and professional development for health careers

Mr. Jesse continued with slide 37: "Ahead in FY 14." He stated that he would work with subcommittees to increase funding.

Mr. Jesse discussed slide 38: "Beneficiary Projects Initiatives."

- Community need:
 - peer-based recovery support programs and peer workforce to provide support to others with similar experiences
 - community-based peer support and other peer-based recovery programs to help prevent need for more expensive, intensive levels of service, including hospitalization and/or incarceration
 - recovery support for persons with high severity and complex social and behavioral health issues who do not fare well in traditional services
- Partners:
 - 27 beneficiary grantee organizations since 2006
 - Alaska Peer Support Consortium
 - Divisions of Behavioral Health, Senior & Disability Services Vocational Rehabilitation
 - Trust Training Cooperative, Center for Human Development

- o Advisory Board of Alcoholism and Drug Abuse, Alaska Mental Health Board, Governor's Council on Disabilities and Special Education, Alaska Commission on Aging

[2:16:03 PM](#)

Mr. Jessee discussed slide 39: "Strategic Thinking."

- Funding and technical assistance to support safety, effectiveness and sustainability of peer programs and services throughout Alaska
- Effective collaborations across service system, advocacy groups and coalitions
- Training and education for peer support workforce
- Integration of peer support specialists across service delivery systems
- Mini Grants to improve beneficiaries' quality of life
- Small Project Grants for small, beneficiary-focused projects

Mr. Jessee discussed slide 40: "FY 12 Beneficiary Mini Grants." He explained that the Trust continued to fund \$1,058,146 in mini grants. The grants were up to \$2500 per person to improve their quality of life. He pointed out that a significant amount of funds were requested for dental services that were not met by Medicaid.

[2:17:17 PM](#)

Mr. Jessee detailed slide 41: "FY 12 Small Project Grants."

- \$250,000 budgeted annually
- 25 grants in FY 12 totaling \$191,361
- Up to \$10,000 each
- Innovative new projects or enhancements to existing projects of direct benefit to beneficiaries
- Organizations in Anchorage, Chugiak, Eagle River, Homer, Juneau, Kodiak, North Pole, Palmer, Scammon Bay, Sitka and Tanacross

Mr. Jessee slide 42: "Results for Beneficiaries."

- Promotes recovery, stability and wellness
- Provides sense of empowerment and connection

- Reinforces consumer choice in managing recovery
- Wide range of beneficiary-led programs statewide
 - o peer-support services
 - o recovery-community support programs
 - o housing
 - o clubhouses
 - o drop-in centers
 - o community outreach and engagement
 - o illness self-management
 - o alternatives to residential treatment
 - o supported employment
 - o training and education

Mr. Jessee concluded his presentation with slide 44: "FY 14 Joint Legislative Priorities."

- Shared with all beneficiary advisory boards
 - o long-term support services for people with disabilities
 - o Complex Behaviors Collaborative

[2:19:02 PM](#)

Mr. Barton apologized for his voice. He recently underwent surgery that affected his throat.

Co-Chair Austerman commented that the state was faced with deficit spending because of decreased oil production. He noticed the Trust had \$1.5 million less in the FY 14 fund source. He mentioned the increases requested for FY 14 of \$6 million. He addressed the facts to prepare Mr. Jessee for the subcommittee process.

Representative Kawasaki asked about slide 13 and the Residential Psychiatric Treatment Centers (RPTC). He appreciated the support for Fairbanks and the Housing First model that existed in the district's center. He asked if available space could be found in the Alaskan RPTCs. Mr. Jessee responded that there were many beds at the facility in Fairbanks. The facility was on suspension by the department for a couple of occasions. The Trust did not plan to utilize additional beds in the Fairbanks facility.

Representative Kawasaki asked how many beds were potentially available in the Fairbanks RPTC. Mr. Jessee did not have an exact number for Representative Kawasaki.

[2:22:06 PM](#)

Representative Costello asked why 4.25 percent was the market value chosen by the Trust for the fund. She wondered if the amount was in statute or would the Trust consider 5 percent as an alternative. Additionally, she asked about slide 25 and wondered why a person in foster care was more likely to die on the streets.

Mr. Jessee responded to Representative Costello's first question. He explained that when the trustees began their process in 1995, they faced decisions regarding investment of the original \$200 million endowment. Since the trust was perpetual, the trustees could not go into the principal, which would violate the rights of future beneficiaries. A foundation model was decided upon with a 3 percent principal. The need for a budget reserve was discovered, which led to an increase suggested by Callan and Associates. A decision was made to remain with 3 percent while saving any additional Permanent Fund earnings until a total of 400 percent. Within five years the reserve was fully funded. Once the reserve was fully funded, the trustees increased the payout to 3.25 percent, while allowing the reserve to catch up to the higher demand.

Mr. Jessee furthered that the decision was made to inflation-proof the principal, which led to further increases in the payout. Since the economic downturn, the reserve was used to make the payout, and 4.25 percent was the peak. The maximum sustainable payout had been discussed and many experts advocated for 5 percent, but the Trust chose to retain the 4.25 percent payout until the reserve is once again fully funded and inflation proofing is taken care of.

[2:26:06 PM](#)

Mr. Jessee responded to Representative Costello's second question about slide 25. He explained that people in foster care had experienced a break down in the family structure. Even in the best foster care situations a person's experience was one of serious disruption in a person's healthy and productive environment.

[2:26:59 PM](#)

Representative Gara explained that the legislature faced long-term deficit spending. He expressed interest in money saving tactics that could be presented by the Trust. He asked if the legislature had funded Housing First. Mr. Jessee responded in the affirmative. He noted that housing vouchers through AHFC existed for the Housing First facilities in Anchorage and Fairbanks.

Representative Gara asked if the funding was in the governor's proposed budget. Mr. Jessee replied that the Special Needs Housing Grants through AHFC could be used in a competitive process for Housing First.

[2:28:24 PM](#)

Representative Gara asked about slide 14, which made the point that a poor upbringing for a child increased the likelihood for services. He asked if the Office of Children Services (OCS) might provide assistance in reducing the number of children in abusive situations that lead to the need for housing services.

Mr. Jessee replied in the affirmative. He explained that a parent seeking sobriety was eligible to immediate access to substance abuse treatment.

Representative Gara referred to the Complex Behavioral Initiative, which was funded for problems resulting from brain injuries. He asked if the category was similar. Mr. Jessee answered in the negative. He elaborated that the Complex Behavioral Initiative was a specific project, not yet included in the governor's budget.

Representative Gara asked if the Complex Behavioral Initiative would serve people with brain injuries. Mr. Jessee replied in the affirmative.

[2:30:47 PM](#)

AT EASE

[2:32:25 PM](#)

RECONVENED

^FY 14 GOVERNOR'S BUDGET OVERVIEW: DEPARTMENT OF ADMINISTRATION

BECKY HULTBERG, COMMISSIONER, DEPARTMENT OF ADMINISTRATION, delivered the PowerPoint presentation: "Alaska Department of Administration Department Overview (copy on file)."

2:34:09 PM

Commissioner Hultberg discussed slide 3: "Service Across Alaska." She explained the department's core purpose to provide support services for state agencies. The department included the Division of Motor Vehicles, the Public Defender Agency and the Office of Public Advocacy. The department had 1,145 employees in FY 13 with 1,087 serving in full-time positions, 18 in part-time positions and 40 in non-permanent positions. The department had 30 different locations.

Commissioner Hultberg discussed slide 4: "Strategic Plan Highlights."

- Mission: The mission of the Department of Administration is to provide consistent and efficient support services for state agencies.
- Vision: As employees of the Department of Administration, we will provide innovative, cost-effective and responsive service.
- Department Goals:
 - Service Excellence: Provide excellent program delivery through clear communication and respectful and responsive actions.
 - Spending Growth Reduction: Reduce the rate of spending growth to sustainable levels.
 - Effective and Efficient Delivery of Services: Implement strategies to achieve operational efficiencies.
 - Employee Development and Support: Encourage employee growth and development by providing leadership, training and resources in an atmosphere that fosters mutual trust and respect.
- Core Values:
 - Integrity: We will be honest, transparent, and ethical
 - Service: We will provide excellent service.
 - Accountability: We will take responsibility for and ownership of the services we provide.
 - Balance: We will honor our commitments to our work and personal lives.

Commissioner Hultberg detailed slide 5: "Department Level Results." Commissioner Hultberg described the graph demonstrating the results of the goals listed above. The graph detailed the five year trend of DOA expenditures and the moderation of the growth rate during the last few years. The annual state average for personal services growth was 5.45 percent, so the department's growth of 2.14 percent exhibited its efficiencies.

Commissioner Hultberg detailed slide 6: "Department Level Results." She noted that service excellence was surveyed by the department.

[2:36:38 PM](#)

Commissioner Hultberg discussed slide 7: "Share of Total Agency Operations." For FY 14, the largest share of designated general funds was the Division of Motor Vehicles.

Commissioner Hultberg discussed slide 8: "Department Level Results." She noted that the majority of the department's costs were paid for by general funds. She explained that 66 percent of the department's budget was "other funds." Interagency receipts represented approximately 38 percent of the total budget. Other funds addressed health care costs and leases.

Commissioner Hultberg discussed additional slide 1: "Legislative Finance Division - 10 year plan (All Funds)." The growth of the budget was 5.5 percent annually since 2005. The 10 year plan number did not include the increases associated with personal services.

[2:38:36 PM](#)

Commissioner Hultberg discussed additional slide 2: "Legislative Finance Division - 10 Year Plan (General Fund Only)." She pointed out that the two largest recipients of general funds included the Office of Public Advocacy and the Public Defender Agency. The two agencies experienced a growth rate that was higher than the overall department growth rate.

Commissioner Hultberg discussed slide 9: "Services to the Public."

- Division of Motor Vehicles

- Office of Public Advocacy
- Public Defender Agency
- Division of Retirement and Benefits
- Office of Administrative Hearings
- Alaska Public Offices Commission
- Alaska Oil and Gas Conservation Commission
- Alaska Public Broadcasting Commission

[2:41:11 PM](#)

Commissioner Hultberg discussed slide 10: "Services to State Agencies." She explained that the department employed people for state agencies to perform tasks. Labor unions were negotiated with for wages. Benefits were provided by the department. Roles existed for the Division of Personnel, the Division of Finance and the Division of Retirement and Benefits. The employees were provided with Enterprise Technology Services, commodities and office furniture. The employees and the buildings they worked in were insured against injury through the Division of Risk Management. Office and lease space was provided by the Division of General Services.

[2:42:32 PM](#)

Commissioner Hultberg discussed slide 11: "Personal Services." Personal services increased by an average of 5.45 percent per year. Personal services included benefits, merit increases (both negotiated and statutory) and a negotiated cost of living allowance. The retirement contribution was fixed.

[2:44:19 PM](#)

Commissioner Hultberg discussed slide 12: "Benefits." The graph depicted the increase in employer contribution to employee health plans. The plans included the AlaskaCare plan, ASEA Health Trust, LTC 51 Health Trust, PSEA, MMP Health Trust and ASCEA/TEAME.

[2:45:27 PM](#)

Commissioner Hultberg discussed slide 12: "Benefits PERS/TRS." The chart depicted the actual benefit payments that would be made to retirees in the defined benefit plans over the next 70 years. She noted that many new retirees

were entering the system creating an operational challenge. A statewide challenge also existed regarding the management of the ongoing liability. The unfunded liability was estimated at \$11.9 billion.

[2:47:11 PM](#)

Commissioner Hultberg discussed slide 15: "Business Processes." Business processes included payroll, procurement and accounting. The department sought improvements to the business processes. She introduced the Integrated Resource Information System (IRIS) project, which would replace the 25 year-old payroll and accounting systems. The IRIS system would add a human resources and procurement system and streamline all business process for the state. The new system promised to allow opportunities for savings.

[2:49:19 PM](#)

Commissioner Hultberg discussed slide 16: "Space Costs." She explained that the department could do little to control the costs that were climbing because of natural inflation and greater space needs.

[2:49:55 PM](#)

Commissioner Hultberg discussed slide 17: "New Universal Space Standards." She noted that the state's space standards were loosely enforced. The anticipation was for savings of \$125 million over the next 20 years with reduced lease costs in the new plan. She noted concern and anxiety among employees regarding the space changes, but she had personally toured facilities implementing the concept and found them to be light and pleasing. She mentioned the added productivity value of the design.

[2:51:27 PM](#)

Commissioner Hultberg discussed slide 18: "Purchasing."

The Division of General Services (DGS) awards multi-department contracts for use by all Executive Branch agencies and various political subdivisions of the state.

The total savings realized by DGS for FY 12 is \$46,691,337, with \$36,191,752 being saved by state agencies and the remaining \$10,499,585 being saved by political subdivisions of the state.

Some examples of state savings:

- Software - \$11,991,321
- PCs, Printers, and Peripherals (WSCA) \$7,123,705
- Industrial Supplies and Equipment (WSCA) \$4,368,075
- Marine Diesel Fuel - \$3,835,929
- Fuels: Heating, Diesel, Unleaded, Jet A, Aviation - \$2,517,028
- System Furniture Add-On - \$2,475,082

[2:52:17 PM](#)

Commissioner Hultberg discussed slide 19: "IT Services."

- Enterprise Technology Services Priorities.
- Bandwidth
- Security: Department Gap Analysis
- Mobile Device Strategy and Support
- Continuity of Operations (COOP)
- Identity Management: myAlaksa V3
- Experienced-based rate-setting and rate-setting alignment with budget process.

[2:55:33 PM](#)

Commissioner Hultberg discussed slide 20: "Insurance and Injury: Risk Mgmt." She explained that risk management costs continued to rise. The budget in recent years exceeded the authorization. When risk management exceeded authorization, the Catastrophic Reserve Fund was utilized. The fund was maxed out and the department requested an additional authorization.

[2:56:49 PM](#)

Commissioner Hultberg discussed slide 21: "Operating Increments."

Maintenance of Services

- ALMR: Restore one-time increment, "\$1.5 million UGF

- ALMR: maintenance costs and receipt authority, \$1.6 million (\$600.0 UGF, \$500.0 I/A, %500 statutory designated program receipts)
- DOA: "Core Services" Increases, \$725.4 UGF
- General Services: Interagency Receipts, \$663.6 total other (\$465.91/A receipts and \$197.7 PBF)
 - Lease costs, \$100.0 I/A
 - Lease Administration, \$265.9 I/A
 - Facilities operation and maintenance costs, \$100.0 I/A
 - Facilities administration, funding for two new PFT positions, \$197.7 PBF

[3:01:07 PM](#)

Commissioner Hultberg discussed slide 22: "Operating Increments"

New Programs/Program Expansion

- Risk Management: Rising medical and legal costs of insurance premiums, \$4,224.2 (I/A)
- Health Plans Administration: Third party administrator contract increase for new health contract, \$1.5 million (Group Health and Life Benefits Fund)
- Enterprise Technology Services:
 - Additional receipt authority to accurately charge user agencies for legacy systems, \$1.2 million (ISF)
 - Decrement to eliminate uncollectable federal receipt authority, \$1.7 million (federal receipts)
- Retirement & Benefits: consolidation and automation of division processes: \$875.0 (various)
- AOGCC: increased overtime for petroleum inspectors, \$125.0 (AOGCC receipts)

[3:03:30 PM](#)

Commissioner Hultberg discussed slide 23: "Department Level Results."

- Continuation of partial HR decentralization from the Division of Personnel: transfer 43 PFT positions back to agencies for recruitment and management services

- Legal & Advocacy Appropriation
 - No anticipated supplemental
 - Potential increment in Governor's Amended
- Bargaining Unit Negotiations
 - General Government Unit (ASEA)
 - Supervisory Unit (APEA)
 - Confidential Employees Association (APEA)

Commissioner Hultberg explained that feedback from agency customers communicated that the department did not understand the unique needs of the divisions leading to the changes made. She noted that contracts were bargained on a rotating basis. The two largest bargaining units were negotiated in 2013. The cost of the contracts were not included in the governor's budget, but would be presented to the legislature on March 15, 2013.

[3:06:33 PM](#)

Commissioner Hultberg detailed slide 24: "Capital Requests."

- APBC: Alaska Rural Communications System: Digital Conversion, \$5,300,000 UGF
- DGS: Douglas Island Building, \$9,600,000 UGF (year 2 of 2)
- DGS: Repair Juneau State Office Building Parking Garage, \$2,000,000 UGF (phase 2 of 3)
- DGS: Nome State Office Building, \$3,252,170 UGF
- DGS: Alaska Geologic Materials Center Replacement Facility, \$15,000,000 UGF (phase 2 of 4)
- DGS: ADA Improvements, \$192,300 UGF
- DGS: Capital Asset Management System: \$2,000,000 UGF
- DGS: Deferred maintenance: \$7,017.0 UGF plus \$3,000,000 PBF
- DRB: Combined Retirement System Upgrade, \$350,000 UGF (phase 4 of 5)
- DRB: Document Management System, \$135,000 UGF (year 4 of 4)
- DRB: Retirement and Benefits Policy Automation, \$880,000 UGF
- DRB: Retirement and Benefits Identity and Security Governance, \$749,400 UGF
- ETS: Virtual Tape Systems Replacement, \$500,000 UGF

3:11:01 PM

Co-Chair Austerman commented on IRIS. He noted that multiple departments requested modernized systems. He hoped that the departments were communicating with each other about their upgrades. Commissioner Hultberg stated that she had discussed the IRIS system with every commissioner individually. She stressed the importance of the upgrade. She felt that coordination about the upgrades was a work in progress and she promised to make her best effort to communicate well with the other agencies.

3:13:03 PM

Co-Chair Austerman agreed that changes in the systems were necessary. He discussed slide 16 and the graph's importance. He expressed concern about the rising costs of leases. He hoped that the department would present a plan to purchase buildings in an effort to reduce costs.

3:14:37 PM

Commissioner Hultberg agreed and recalled a proposal to build a large office building in Juneau during the time that the existing building's lease was expiring. She wished to optimize the state's office building's space prior to spending the capital on a new building. The Space Standards Initiative was an effort to optimize existing office space. Co-Chair Austerman opined that the department's 10-year plan did not look very good.

3:15:51 PM

Representative Wilson asked about rising oil prices and wondered about a change to pellet stoves. Commissioner Hultberg replied that the department commissioned studies on a couple of buildings to ascertain the savings from pellet stoves. She would provide the results to the committee.

3:16:26 PM

Representative Kawasaki commented that DOA was comprised of various unique divisions. He pointed out slide 17 and asked about the space standards. Commissioner Hultberg responded that while the offices seemed small, the plan's

incorporation of natural light provided a feeling of spaciousness. The department's plan would create open, light, collaborative spaces for people to work. Private meeting places and café style break rooms were part of the plan. She added that private offices were restricted to directors and their superiors with the exception of a few specific job classes.

[3:19:46 PM](#)

Representative Kawasaki pointed out that the six-by-six space was very small. He compared the space requirements of prisoners in the new Goose Creek Correctional facility to those proposed in the department's plan. He commented that the prisoner would receive more space than the social worker writing his transition plan. He did appreciate the cost saving intention.

Representative Kawasaki discussed the capital requests and the Douglas Island Building, the Nome State Office Building and the deferred maintenance proposal. He asked if the proposals would receive the same space savings plan.

[3:21:18 PM](#)

Commissioner Hultberg replied that she was planning to implement the space savings plan on renovated buildings. She stated that the capital projects were still in the early stages before the RFP process.

[3:21:54 PM](#)

Representative Gara asked why agencies were not combined with other agencies in buildings. Commissioner Hultberg replied that the goal was to best utilize the space, even if the building housed multiple agencies.

Representative Gara asked if agencies would be combined in buildings. Commissioner Hultberg replied in the affirmative. She noted that the Nome State Office Building housed multiple agencies.

[3:23:09 PM](#)

Representative Gara asked about slide 12. He noted that the medical care costs had increased in Alaska faster than any state in the country. He requested testimony from the

Health Care Commission. He asked if the commissioner had worked with other departments to reduce medical costs. Commissioner Hultberg responded that she spoke often with Commissioner Streur about the potential for an enterprise view of healthcare cost to leverage the resources. She noted that DOA operated from a different set of rules than Department of Health and Social Services and Medicaid. She spoke about the implementation of the Employee Wellness Program. She hoped that members could become better consumers. She offered to provide the legislature with more information following the process of choosing new vendor partners. The third party administrator piece would play a large part in the department's cost-saving plans.

[3:26:59 PM](#)

Representative Gara asked about slide 24 and the department's capital management system. He understood that the system would help determine when maintenance was needed. Commissioner Hultberg responded that if the necessary repair was visible, then yes, but she presented the example of a boiler repair, which might not be apparent and was a candidate for capital planning. She added that the state owned thousands of buildings, so the potential for missing a problem was great. She advocated for a manual tracking system.

[3:28:33 PM](#)

Representative Gara discussed denial of colonoscopy coverage for retired state employees. He understood that the recommendation by doctors was for people over 50 to receive routine colonoscopy. Commissioner Hultberg replied that the issue was complex. Preventative care was not available to retirees and the plan was covered by the diminishment clause of the constitution. Raising the deductible and copay of the retiree plan was viewed as a diminishment. Deductibles and copays could not be adjusted for inflation. She stated that approximately \$4 billion of the \$12 billion in unfunded liability was related to health care costs. Adding a service like colonoscopy would further increase the state's unfunded liability. Changes made in the plan would lead to litigation and the state actuaries were working to determine the best approach.

[3:31:57 PM](#)

Representative Gara noted that a supplemental request was not provided to the legislature. He commented on the guardian ad litem position in the Office of Public Advocacy. The attorneys represented foster kids and other children in need of aid. He understood that the guardian ad litem position was overburdened. Commissioner Hultberg clarified that while the Office of Public Advocacy did not require a supplemental request, needs did exist in the agency and the needs would be addressed by the department.

3:33:19 PM

Representative Thompson appreciated the presentation. He discussed the Alaska Land Mobile Radio (ALMR). He noted that decreases in federal funding would force some communities to opt out of the program, which would increase costs to the others remaining. Commissioner Hultberg agreed. She decided not to assess and bill individual communities for that reason. The department recommended that the ALMR payment was made on behalf of the communities rather than by the communities. She recognized the importance and value of the ALMR service.

3:35:16 PM

Representative Thompson expressed constituent concerns that a portion of a community's revenue sharing would be used for ALMR. Commissioner Hultberg responded that she would not have input in the decisions regarding revenue sharing.

HB 65 was HEARD and HELD in committee for further consideration.

HB 66 was HEARD and HELD in committee for further consideration.

#

ADJOURNMENT

The meeting was adjourned at 3:36 p.m.