

**ALASKA STATE LEGISLATURE
HOUSE STATE AFFAIRS STANDING COMMITTEE**

February 26, 2015

8:04 a.m.

MEMBERS PRESENT

Representative Bob Lynn, Chair
Representative Wes Keller, Vice Chair
Representative David Talerico
Representative Liz Vazquez
Representative Louise Stutes
Representative Max Gruenberg
Representative Jonathan Kreiss-Tomkins

MEMBERS ABSENT

All members present

COMMITTEE CALENDAR

CONFIRMATION HEARING(S):

Department of Administration, Commissioner

Sheldon Fisher - Anchorage, Alaska

- CONFIRMATION(S) ADVANCED

Department of Corrections, Commissioner

Ronald Taylor - Anchorage, Alaska

- CONFIRMATION(S) ADVANCED

Lieutenant Governor Successor Designee

Craig Fleener - Anchorage, Alaska

- CONFIRMATION(S) POSTPONED

PREVIOUS COMMITTEE ACTION

No previous action to record

WITNESS REGISTER

SHELDON FISHER, Commissioner Designee
Department of Administration
Anchorage, Alaska

POSITION STATEMENT: Testified as commissioner designee of the Department of Administration (DOA).

RON TAYLOR, Appointee as Commissioner
Department of Corrections
Anchorage, Alaska

POSITION STATEMENT: Testified as commissioner appointee to the Department of Corrections (DOC).

ACTION NARRATIVE

[8:04:44 AM](#)

CHAIR BOB LYNN called the House State Affairs Standing Committee meeting to order at 8:04 a.m. Representatives Gruenberg, Keller, Kreiss-Tomkins, Stutes, Talerico, Vazquez, and Lynn were present at the call to order.

CONFIRMATION HEARING(S) **DEPARTMENT OF ADMINISTRATION**

[8:05:00 AM](#)

CHAIR LYNN announced that the first order of business was the confirmation hearing for Sheldon Fisher, Commissioner Designee, Department of Administration.

[8:05:35 AM](#)

[Due to technical difficulties, portions of Commissioner Fisher's testimony were reconstructed from the secretary's log notes.]

SHELDON FISHER, Commissioner Designee, Department of Administration, testified as commissioner designee of the Department of Administration. He related a story from his youth when he and his brother shirked their berry-picking duties on the family farm to play in the woods, and when they returned home late that night their mother sent them out with a flashlight to pick the berries, which taught him a lesson in follow-through and diligence. He said he thinks he can bring dedication, hard work, and commitment to the job of commissioner.

[8:07:35 AM](#)

COMMISSIONER FISHER stated that after law school, he practiced for a while, but then changed careers to work first for Hughes Electronics Products Corporation, followed by Sprint Corporation, and then, after moving to Alaska, for Alaska Communications. He said he enjoyed the complexity of the telecommunications industry. He stated that he is accustomed to "getting things done in a challenging environment." He relayed Sprint had invested money in one of its divisions, whose business model failed, and subsequently he was put in charge of the division and successfully redefined its purpose and operations. He said the foundation of that organization became the foundation of Sprint Corporation's wireless data strategy for the next seven to eight years. He stated that he is accustomed to being presented with operational and fiscal challenges and "finding a way through them."

[8:09:15 AM](#)

COMMISSIONER FISHER talked about his decision to move to Alaska, and he related that his nine-member family has made Alaska home. He said he had been on the job for five weeks, and although he expected "an interesting time for the state," he had not anticipated how much he would enjoy the work. He said the issues are complex, the people are smart, and he is glad to be here at this point in time. He opined that the governor assigned a diverse cabinet, and the budget challenges that exist become the framework for all decision making. He expressed his hope that he will be able to make a difference.

COMMISSIONER FISHER said he has identified five priorities for the department. The first addresses the way the department manages its labor force. In particular, he stressed the importance of preserving the department's best employees by ensuring that "as we right-size government," the most capable employees have long-term opportunities. He also highlighted the importance of making those employees more productive, which he said is a joint effort made by management and employees. Commissioner Fisher stated that the second priority is to continue to address the cost of health care, which is higher than other places in the country. He said he thinks the prior administration had some success in changing the cost curve; however, there are still challenges to address.

[8:12:40 AM](#)

COMMISSIONER FISHER stated that the third priority is information technology (IT), which he said can be "an enabler of a lot of things in the state and a lot of efficiencies." He stated that the department has a responsibility to ensure that the data it collects is secure. He said the department is currently conceptualizing how IT should be delivered in Alaska, and he thinks it can be done more efficiently and effectively. He opined that some of the savings ought to be reinvested in additional IT systems and services to enhance productivity, while some of the savings would need to be returned to the State of Alaska. Commissioner Fisher said the fourth priority is related to purchasing. He said "we" purchase approximately \$1.9 billion in goods and services "in the state," and even a modest reduction of 5 percent would equal nearly \$100 million in savings. He relayed the fifth priority is to improve the way the State of Alaska purchases, uses, leases, and manages its facilities. He said this would include using leased space more effectively, potentially using less space, and attempting to negotiate more favorable rates for less expensive property. Commissioner Fisher said his prioritization was largely driven by the impact they may have on the budget.

[8:14:30 AM](#)

CHAIR LYNN asked what the most surprising thing was that Commissioner Fisher discovered in his new position.

COMMISSIONER FISHER ventured it was the diversity of issues covered by the department, including IT, purchasing, and retirement and benefits.

CHAIR LYNN relayed his own experience with diversity, in terms of the issues that had been brought to him by his constituents.

[8:15:51 AM](#)

REPRESENTATIVE KELLER emphasized the immensity of the health cost containment issue, which he acknowledged Commissioner Fisher had addressed.

[8:17:16 AM](#)

REPRESENTATIVE GRUENBERG echoed Representative Keller's remark that that Commissioner Fisher had spoken of cost containment, and he opined that there must be a willingness in all areas of Alaska's government to considering restructuring, reforming, and adopting a fresh approach. He said of all the priorities that

Commissioner Fisher listed, he thinks workforce management, productivity, and efficiency are "huge." He said health care is connected.

COMMISSIONER FISHER concurred. He stated that similar to the entire department, health care is a huge and complex issue. He said the term "cost containment" may not be the best choice, because it assumes the state will stay at its present level. He suggested perhaps a better description may be that the State of Alaska needs to "bend the cost curve" in order to drive down costs.

[8:17:56 AM](#)

REPRESENTATIVE GRUENBERG opined that it is important to consider quality of health care as equally as cost.

COMMISSIONER FISHER said he thinks the state needs to give its employees "a level of medical service that is sufficient and adequate." He stated that he does not necessarily think that quality and cost go hand in hand in the health care industry. For example, he indicated that in the Lower 48, there is [health care] service that is equal or higher to that in Alaska, but at a lower cost. He said he does not disagree with Representative Gruenberg's sentiment, but said he thinks there is a way to provide appropriate and adequate health care at a reduced cost. He said he has met with retirees and their association, and he thinks there are some issues regarding quality there.

REPRESENTATIVE GRUENBERG compared health care to a three-legged stool, [the legs of which are] the customers, the insurance companies, and the providers. He said providers are often overlooked. He stated that in the Lower 48, one of the ways insurers lower the cost of health insurance is by "squeezing out the providers; forcing them into big organizations; [and] destroying the time-honored Alaskan tradition, which is a different model of health care delivery." He said Alaska does not have large HMOs, but rather has several independent providers and independent doctors. He warned that without using caution, the State of Alaska could significantly change the delivery of health care in the state for the worse. He said the average age of medical professionals in Alaska is rising; physicians are not able to make it when, for example, insurers delay payment of bills. He stated that delayed compensation on worker's compensation cases is also a problem. He said a new law was passed by the State of California that unless insurers controvert a charge within 24 hours, it is conclusively proven

that they will approve it. He urged Commissioner Fisher to work with the dental and medical associations [to prevent a situation in which] the insurers continue to make money and the doctors leave the state.

8:23:04 AM

COMMISSIONER FISHER concurred that the state wants a healthy and robust medical system in Alaska. He said he thinks "the facts will kind of depend on the specialty and the practice and the individual and how that all plays out." He said the cost of health care in Alaska has risen dramatically faster than it has in the Lower 48, and the State of Alaska has an unfunded liability of \$10 billion overall, with \$3.5 billion of that associated with health care. He stated, "I'll be happy to work with you and with the doctors, but I just feel like we've got to find a different way of delivering services."

REPRESENTATIVE GRUENBERG asked Commissioner Fisher to keep that commitment.

8:24:15 AM

REPRESENTATIVE KELLER noted that Medicaid is the biggest payor of health care services in Alaska, and when discussing health care, "it is the elephant in the room." He opined that the system is flawed. He asked Commissioner Fisher if he plans to work with the Department of Health and Social Services (DHSS) in considering the method by which to pay back providers. He stated his perception is that paying providers on a "fee-for-service basis" has "gotten out of hand."

COMMISSIONER FISHER confirmed that he and the commissioner of DHSS, Valerie J. Davidson, met the day before to discuss the subject. He indicated that they both understand there is overlap between the commercial health care system and the Medicaid and Medicare systems, and they are looking for opportunities to work together.

8:25:28 AM

REPRESENTATIVE TALERICO expressed appreciation to Commissioner Fisher for his prior remarks about purchasing, and he concurred that there are millions of dollars that could be saved. Regarding facilities, he observed that the state is not uniform in its management of facilities, such as office space. He recollected a few years ago there had been conversations aimed

at attempting to create a more uniform and efficient system. He asked Commissioner Fisher to talk more about his plans in this area.

8:26:15 AM

COMMISSIONER FISHER responded that there are two dimensions to the issue. First, he noted that the department had adopted universal space standards, which resulted in placing more people in the same square footage. He offered his understanding that 10 to 12 of those standards had been implemented in the last couple years. He said the issue is controversial; some people have objected or expressed concerns. In fact, he said, an unfair labor practice [lawsuit] has been lodged against the State of Alaska for not going through a negotiation process. He said he does not think the department has an obligation to negotiate space standards; however, in part because of the administration and the work the department is doing to redefine its budget, it has put a pause on implementing more space standards. He explained that he wanted to avoid a scenario where the department would build a space only to come back a year or two later to rebuild it because the department had reconceptualized how it operates. He said there have been opportunities to discuss space standards with labor representatives. He said the standards the department adopted were similar to those that BP adopted in North America, and he indicated that [the spaces per individual] are actually larger than those provided by many Fortune 500 companies.

COMMISSIONER FISHER stated that the second dimension is that the department's budget will be defined by "a reality of the revenue the state can ... create." He opined that in that scenario, the department should be reducing all the costs it can that do not impact people. He said he is reasonably confident that as the administration finalizes DOA's work, the department will once again implement space standards and "have the support of the employees as part of that process." He said another focus is to figure out an intelligent plan for space that is owned or leased. He expressed his hope that if the economy experiences the downturn people are predicting, then that may give the department the ability to leverage better deals.

8:29:54 AM

CHAIR LYNN offered his understanding that retired employees of the State of Alaska have the choice to get brand-name drugs,

which are more expensive. He asked Commissioner Fisher to look into that.

COMMISSIONER FISHER said he would. He opined that if there is no medical difference between the two, it would not be a diminishment to insist that people take the generic brand drug.

CHAIR LYNN said he introduced a bill on that subject in the past and was assured by the department that "everything was going to be fixed," but he said apparently it was not.

[8:31:44 AM](#)

REPRESENTATIVE VAZQUEZ expressed appreciation for Commissioner Fisher's energy and clear priorities for improving efficiency within state government. She characterized DOA as the brain of the state government that oversees functions critical to the good functioning of government. She noted that HB 39 had passed out of House Education Standing Committee and would establish a voluntary wellness program for State of Alaska employees. She said she has an MBA in Health Care Services Administration and her research has shown that in the private sector, for every dollar spent in a wellness program, most companies will "see" at least \$3 to \$4. She suggested that the State of Alaska could reduce health care costs by implementing such a program. She said she knows a lot about health and social services, and she welcomed Commissioner Fisher to discuss the issues with her.

[8:34:15 AM](#)

REPRESENTATIVE GRUENBERG said he "authored the generic drug law" during his first term in the legislature, in '85-'86. He said before then a person could not receive generic drugs unless his/her prescription was written specifically for them; that was changed so that a person can get the generic drug unless it is prohibited under the prescription. He stated his hope that Commissioner Fisher would ascertain whether that is still the practice.

[8:35:37 AM](#)

CHAIR LYNN stated the point is that a lot of money is being wasted when people are not being given generic drugs that could provide the same benefit as their non-generic equivalent.

[8:36:00 AM](#)

REPRESENTATIVE KELLER moved to advance the confirmation of Sheldon Fisher as Commissioner Appointee of the Department of Administration to the joint session for consideration. There being no objection, the confirmation was advanced.

DEPARTMENT OF CORRECTIONS

8:36:25 AM

CHAIR LYNN announced that the next order of business was the confirmation hearing for Ronald Taylor, Commissioner Appointee, Department of Corrections.

8:37:13 AM

RON TAYLOR, Commissioner Appointee, Department of Corrections, relayed that his father was a police officer, and he initially had no interest in following in his footsteps. He began college as a statistics major, but his interest was peaked in criminal justice and he took courses in that subject. He said he came to Alaska in the military and, when he finished his service, began working as a part-time probation officer with the Department of Health and Social Services (DHSS), in the Alcohol Safety Action Program (ASAP), and stayed there for 18 years. He said the job afforded him the opportunity to look at what was being done in the justice system and to look at ways that it could be improved.

COMMISSIONER TAYLOR said no matter what probation department a person goes to across the country, there will be the same two common denominators: everyone will complain about his/her caseload and say, "We need more people." He said he found that to be true in ASAP. He stated, "In an area like that, you have to work smarter and not harder." He said ASAP did some creative things with its case management system that allowed caseworkers to manage "quite a few cases." He said he was able to bring those ideas over to the Board of Parole. He recounted that when he first moved to the Board of Parole office as its executive director, he was shocked by the "paper" he saw. He said each board member had to read about 60 one- to two-inch packets in about two weeks, and then there would be hearings on those cases. The people who had to do the work were the probation officers "back at the institution" and other support staff that would help copy those cases six different times. He said one of his first tasks was to begin an effort to streamline that process, going to a computer process and putting the information

on a "jump drive." He said the process took about a year and a half, but the result was that now those documents can be looked at electronically, and there no longer is a need to waste resources by shredding all that paper.

8:42:03 AM

COMMISSIONER TAYLOR said he thinks the probation and correction officers in Alaska are some of the most dedicated in the country, and he expressed pleasure in not only leading them, but also learning from them. He said he learned how important it is to ensure everyone is going in the same direction. He said the focus has been on law enforcement, and officers have been doing a good job; however, he has changed the focus to the success of people on probation and parole. He said the change has not been made across the board, but one area where there has been success is in changing the focus from surveillance to "reentry" and being successful on probation or parole. He said the department's completion rate - when people complete their probation or parole requirements - has increased from a low- to mid-40 percent to 60 percent. He said there is still work to do to further increase that percentage.

8:44:00 AM

COMMISSIONER TAYLOR said he oversees the Division of Institutions and the Division of Probation and Parole, as well as "the academy" and departmental programs. Of those, he stated that the most challenging is the institutions, because they operate 24 hours a day and there is "always something going on inside of an institution every single day." He listed some issues are medical care, grievance filing, food service, and security. He said he thinks people take for granted that when someone goes into an institution, he/she is given care, but many processes are in play to not only keep them safe, but to ensure the safety of those who work in the institutions.

COMMISSIONER TAYLOR emphasized the importance of looking holistically at each person who comes through the institution's doors, so that he/she is successful upon leaving. He said there are some people so dangerous that any available programming will not help them, and they need to be locked up for their own safety and for the public's safety; however, that is not the vast majority of the people who go through the department's system. He said many have issues that need to be addressed, and he does not think the department has been as proactive as it

could be in addressing them. He talked about the community continuing the work that was done in the institution.

[8:47:56 AM](#)

REPRESENTATIVE STUTES asked if there are any programs or potential multi-departmental programs in mind to prevent people with mental illness from taking up so much space in Alaska's jail system.

COMMISSIONER TAYLOR responded that that is one of the most difficult issues. He stated that unfortunately, the Department of Corrections is the largest mental health provider in the state. He said DOC has not only partnered with DHSS, but also with [The Alaska Mental Health Trust Authority (AMHTA)] to work on programming inside the institution. Further, he said DOC works with "the mental health courts" through the Institutional Discharge Project Plus (IDP+) to help people transition out of the system. He said DOC also works with other departments in assessing, planning, identifying, and coordinating, in order to do a better job of coordinating with community providers beginning the last 90 days within the institution through at least the first 30 days outside the institution. He admitted the effort is still not enough, and indicated that DOC is not meeting all programming needs. He mentioned a crime summit he attended the day before, and he said the department spends about 2.9 percent of its entire budget on programs. He said it is challenging to meet these goals when there is a budget crunch, but he reemphasized the importance of being invested in people's success and supporting those programs that produce the greatest benefits.

REPRESENTATIVE STUTES asked if there is a program in place to assess if person is mentally ill.

COMMISSIONER TAYLOR responded that screenings are done when a person enters one of DOC's institutional facilities. He said if a person presents with mental illness at the time of intake, then the staff actively works with him/her; however, if the person starts decompensating while inside of the institution, then the department must depend on its correctional officers and staff to recognize those signs in order to provide the person with the appropriate mental health care. He said there probably are not enough mental healthcare workers in the system. He relayed that the department had its first performance review, which showed that the department is minimally staffed across the board. He stated his challenge is to determine what it will

take to have a fully functioning department with the appropriate staffing level. He related that he has asked the auditors that did the performance review to do a full staffing analysis. He said he thinks that information will help

[8:52:34 AM](#)

REPRESENTATIVE STUTES expressed appreciation for the work that Commissioner Taylor does, and she requested time to speak further with him before his return to Anchorage.

[8:53:00 AM](#)

REPRESENTATIVE KELLER, in response to Representative Stutes, noted that Commissioner Taylor serves on the Justice Reform Commission and has been working with DHSS and [AMHTA] "on those tough issues." He observed that the challenge of DOC is workforce development. He acknowledged the difficulty in spreading a new philosophy throughout the entire corrections system, and he wished Commissioner Taylor well in the effort. He said he is impressed with Commissioner Taylor's "heart" and "philosophy," and he looks forward to good things from him.

[8:54:13 AM](#)

REPRESENTATIVE VAZQUEZ asked for clarification regarding Commissioner Taylor's resume.

COMMISSIONER TAYLOR specified he had attended the University of Florida, and explained that between 1986 and 1990, he served in the military and worked part-time jobs.

REPRESENTATIVE VAZQUEZ asked what other priorities Commissioner Taylor has for the department.

COMMISSIONER TAYLOR stated that reentry management is one of the biggest priorities. Medicaid expansion, as supported by Governor Bill Walker, is a priority for the institutional system. Another priority, he reiterated, is to have sufficient staff. He said the current staff is doing an incredible job, but it is important to ensure each individual is doing the right job. He explained that sometimes staff is overloaded, and there is a need to streamline jobs and give staff the resources they need to be effective.

[8:56:41 AM](#)

COMMISSIONER TAYLOR responded to follow-up questions. He said the aforementioned performance review can be found on the Legislative Budget & Audit's web site. He said it summarized the mission of the department in three phases: secure confinement, reform programs, and supervisory entry. He said each area was rated as being efficient and effective. He stated, "With the limited resources that we have, they commended the department for what we were able to provide - especially in programming." He stated that in 2007, the department had one program for residential substance abuse treatment in two locations, and now the department has "one of the most robust and comprehensive programming systems in the nation." He stated that the "justice reinvestment part of this" is the biggest priority, because it would reshape how the department does business throughout the system, change how officers are supervising people when they are on probation or parole, and require that the community step up as a more active participant to helping people transition. He said he thinks the department has not been as successful in working with Native organizations and other community stakeholders to help transitions minorities back into the community successfully. He said that includes help with employment, job training, housing, and covering the benefits that need to be obtained.

[8:59:17 AM](#)

REPRESENTATIVE TALERICO noted Commissioner Taylor had received a certificate from the U.S. Army for Exceptional Meritorious Achievement, and he expressed appreciation for Commissioner Taylor's service.

[8:59:40 AM](#)

REPRESENTATIVE KELLER moved to advance the confirmation of Ronald Taylor, Commissioner Appointee, Department of Corrections, to the joint session for consideration. There being no objection, the confirmation was advanced.

[9:01:13 AM](#)

ADJOURNMENT

There being no further business before the committee, the House State Affairs Standing Committee meeting was adjourned at 9:01 a.m.