

**ALASKA STATE LEGISLATURE
LEGISLATIVE BUDGET AND AUDIT COMMITTEE**

November 9, 2017

8:00 a.m.

MEMBERS PRESENT

Senator Bert Stedman, Chair
Senator Anna MacKinnon
Senator Click Bishop
Senator Lyman Hoffman
Senator Natasha von Imhof (alternate)

Representative Andy Josephson, Vice Chair
Representative Scott Kawasaki
Representative Paul Seaton
Representative Ivy Spohnholz
Representative Jennifer Johnston

MEMBERS ABSENT

Senator Cathy Giessel

Representative Dan Ortiz (alternate)

COMMITTEE CALENDAR

APPROVAL OF AGENDA
APPROVAL OF MINUTES
REVISED PROGRAM LEGISLATIVE (RPLS)
EXECUTIVE SESSION
PRELIMINARY AND FINAL AUDIT REPORTS

PREVIOUS COMMITTEE ACTION

No previous action to record

WITNESS REGISTER

DAVID TEAL, Legislative Fiscal Analyst
Legislative Finance Division
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Provided information on RPLs to the Joint
Legislative Budget and Audit Committee.

SHAWNDA O'BRIEN, Assistant Commissioner

Central Office
Finance Management Services
Department of Health and Social Services (DHSS)
Juneau, Alaska

POSITION STATEMENT: Answered questions during the Joint Legislative Budget and Audit Committee discussion on RPLs.

ACTION NARRATIVE

[8:00:46 AM](#)

CHAIR BERT STEDMAN called the Legislative Budget and Audit Committee meeting to order at 8:00 a.m. Senators MacKinnon, Bishop, Hoffman, von Imhof (alternate), and Stedman and Representatives Josephson, Kawasaki, Seaton, Spohnholz, and Johnston were present at the call to order.

APPROVAL OF AGENDA

[8:01:19 AM](#)

REPRESENTATIVE JOSEPHSON made a motion that the Legislative Budget and Audit Committee approve the agenda. There being no objection, the agenda was approved.

APPROVAL OF MINUTES

[8:01:32 AM](#)

REPRESENTATIVE JOSEPHSON made a motion to approve the minutes of the Legislative Budget and Audit Committee meeting of September 7, 2017. There being no objection, the minutes from the meeting of September 7, 2017, were approved.

[8:02:33 AM](#)

REPRESENTATIVE JOSEPHSON made a motion to approve the minutes of the Legislative Budget and Audit Committee of October 26, 2017. There being no objection, the minutes from the meeting of October 26, 2017, were approved.

REVISED PROGRAM LEGISLATIVE (RPLs)

[8:02:47 AM](#)

CHAIR STEDMAN announced that the next order of business would be revised program legislative (RPLs).

[8:03:09 AM](#)

DAVID TEAL, Legislative Fiscal Analyst, Legislative Finance Division, Alaska State Legislature, explained that in RPL 06-8-0367, the Department of Health and Social Services requests \$525 million in federal receipts for the Medical Assistance Program. He said the money would be split between Indian Health Services (IHS) expansion and non-expansion and Medicaid expansion and non-expansion. He said expansion counts for about 80 percent of the funds. He stated that the Legislative Finance Division does not see any technical issues. Further, he said the request comes as no surprise to the division, given a fiscal year 2017 (FY 17) supplemental appropriation of approximately \$238.5 million and then an FY 18 increase of only \$21.8 million. He explained that the division expected a shortage of federal funds. Mr. Teal proffered that there is information in the RPL, which is not information that is not presently before the committee, but which he interprets as an indication that the Legislative Budget and Audit Committee might expect a supplemental request for general funds somewhere between \$63 and \$100 million. He clarified that at present, the only amount being requested is \$525 million.

[8:05:05 AM](#)

CHAIR STEDMAN asked what the impact of declining the request would be.

MR. TEAL answered that the department would probably run out of federal authority, which may mean that providers do not get paid. He said a delay in payment would most likely result in the committee receiving the same request in the supplemental. He said it is a matter of timing: "They need the money sooner rather than later."

[8:05:54 AM](#)

REPRESENTATIVE JOSEPHSON asked for confirmation that under the RPL, approximately \$400 million of the \$525 million are expansion dollars that would, presumably, make people healthier and pay providers, and "those dollars come into the state."

MR. TEAL answered that's correct.

[8:06:24 AM](#)

SENATOR MACKINNON asked Mr. Teal to confirm whether there is an authorized system - a Medicaid system that has already been approved.

MR. TEAL offered his understanding that that process is over. He said, "That's kind of a two-year-old problem, with new [information technology] (IT) systems and approval by the [federal government] ("feds") of reimbursements, and I believe all that's cleared up." He deferred to the department for a more definitive answer.

SENATOR MACKINNON said she would like to hear from the department, because "that was not certified at the beginning of this year, and we were still under review with federal auditing."

[8:07:20 AM](#)

SHAWNDA O'BRIEN, Assistant Commissioner, Central Office, Finance Management Services, Department of Health and Social Services (DHSS), said the department has been working for quite some time with the Centers for Medicare & Medicaid Services (CMS) to get the certification of the Medicaid Management Information System (MMIS). She said the department believed it would have the certification by early FY 18; however, because of changes in leadership, the department has been given a corrective action plan, which must be completed by December. She said the department believes the certification will be done by the end of December.

SENATOR MACKINNON remarked that the auditors would have concerns if they cannot audit the system. She recollected that the Legislative Budget and Audit Committee had been told that the system would be certified last summer, and then it had been told that certification would be completed by January 2017. She stated that she does not want to vote against providing services to Alaskans, but she cautioned that the necessary funds could increase. She emphasized that the auditors cannot conduct a compliance check until the system is certified.

CHAIR STEDMAN advised that the Legislative Budget and Audit Committee should move forward with the RPL and bring the issue discussed by Senator Mackinnon into the Senate Finance Committee and House Finance Committee for discussion of the legislative budget process.

[8:09:41 AM](#)

SENATOR VON IMHOF asked if the audit would look at Medicaid eligibility, processing speed, and backlog.

[8:10:06 AM](#)

The committee took a brief at-ease at 8:10 a.m.

[8:10:31 AM](#)

SENATOR VON IMHOF allowed that the question she had asked prior to the at-ease had been premature and could be taken up later.

[8:10:48 AM](#)

REPRESENTATIVE SPOHNHOLZ asked Ms. O'Brien if there were new standards or questions raised when the administration changed that may have extended the deadline.

MS. O'BRIEN offered her understanding that the issues with certification were not related to the change in administration. She continued:

But there's new leadership in CMS, and I believe that they had an opportunity to review some things and maybe had a few more requirements that they wanted to address. But we've been given communication that indicates that they don't believe that there's going to be any problem with us demonstrating that we've met those requirements; it's just a timing issue. And so, we've been working pretty regularly in communicating very frequently with CMS on the certification; particularly we had some communication early in the summer that indicated that we would have certification by August, but ... it was delayed.

[8:12:18 AM](#)

REPRESENTATIVE JOSEPHSON moved that the Legislative Budget and Audit Committee approve RPL 06-8-0367, Department of Health and Social Services, Medical Assistance Program, \$525 million in federal receipts, fund code 1002, as a supplemental FY 18 operating budget item. There being no objection, it was so ordered.

[8:13:07 AM](#)

MR. TEAL next discussed RPL 09-8-0106, which was submitted by the Department of Military & Veterans' Affairs to request authority to receive and spend \$1 million in federal receipts to reimburse costs associated with deploying 60 Alaska National Guard members to the Virgin Islands to help with the aftermath of Hurricane Irma. He said the deployment already occurred, and the urgency in this case is that the money is needed to ensure personnel are paid in a timely manner.

CHAIR STEDMAN commented that this would be a federal disbursement.

MR. TEAL answered that's correct.

[8:13:59 AM](#)

REPRESENTATIVE JOSEPHSON moved that the Legislative Budget and Audit Committee approve RPL 09-8-0106, Department of Military & Veterans' Affairs, State Active Duty, \$1 million statutory designated program receipts, fund code 1008, as a supplemental FY 18 operating budget item. There being no objection, it was so ordered.

[8:14:29 AM](#)

MR. TEAL next explained RPL 12-8-3016, in which the Department of Public Safety (DPS) requests \$2 million in federal grant receipts for domestic violence programs. He said the grants are complicated by the fact that they come from four primary sources in amounts that change from year to year. Further, they are often multi-year grants that overlap, which makes it difficult to determine how much money is available for a particular year. He stated that DPS intends to improve service by better managing the grants. He explained, "The primary issue here is that they can't spend the grants they have without an increase in authorization, which is what this RPL is asking for." He said DPS anticipates requesting an increase of approximately \$4 million in federal receipt authority in the FY 19 governor's request. He said no additional general funds are associated with this additional grant money.

[8:15:51 AM](#)

SENATOR MACKINNON stated that when the administration changed Council on Domestic Violence and Sexual Assault (CDVSA) leadership last year, it said there would be a plan for combatting domestic violence and sexual assault in Alaska. She

said she has not seen such a plan. She relayed that she had spoken briefly with the new administrator and director of CDVSA. She emphasized how big an issue this is. She said there is a national conversation going on, particularly in regard to the treatment of women, who are 90 percent more likely to be the victim of violence or sexual assault, although she said violence is also perpetrated against males. She explained that she is making the point that the administration owes the Legislative Budget and Audit Committee the plan and although she supports the RPL, she would like additional details from the administration.

CHAIR STEDMAN suggested that this may be a topic of immense public interest that could warrant meetings in both bodies, at which time the department could provide information.

[8:17:54 AM](#)

REPRESENTATIVE JOSEPHSON moved that the Legislative Budget and Audit Committee approve RPL 12-8-3016, Department of Public Safety, Council on Domestic Violence and Sexual Assault, \$2,004,750 in federal receipts, fund code 1002, as a supplemental FY 18 operating budget item. There being no objection, it was so ordered.

[8:18:24 AM](#)

MR. TEAL explained RPL 12-8-3013 was submitted by DPS to request \$1 million to allow the agency to spend a portion of a federal grant to improve the criminal record system in Alaska, which would bring the state into compliance with Federal Borough of Investigation (FBI) requirements. He said the same amount would be requested in the FY 19 budget and "presumably later than that, since the deadline for compliance is January of 2021." He said there are no new positions and there is no general fund associated with this, and the Legislative Finance Division sees no technical issues with this RPL.

[8:19:21 AM](#)

REPRESENTATIVE JOSEPHSON moved that the Legislative Budget and Audit Committee approve RPL 12-8-3013, Department of Public Safety, Statewide Information Technology Services, \$1 million in federal receipts, fund code 1002, as a supplemental FY 18 operating budget item. There being no objection, it was so ordered.

EXECUTIVE SESSION

[8:19:51 AM](#)

CHAIR STEDMAN announced that the next order of business would be to move into executive session.

[8:20:02 AM](#)

REPRESENTATIVE JOSEPHSON moved that the Legislative Budget and Audit Committee go into executive session under Uniform Rule 22 for the purpose of discussing confidential audit reports under AS 24.20.301. He asked that the following individuals remain in the room or on line: Kris Curtis, necessary committee staff, any legislators not on the Legislative Budget and Audit Committee, and any legislative staff working for committee members. There being no objection, the committee went into executive session at 8:20 a.m.

[8:20:31 AM](#)

The committee took an at-ease from 8:20 a.m. to 8:58 a.m.

[8:58:26 AM](#)

CHAIR STEDMAN called the committee back to order at 8:58 a.m. Senators MacKinnon, Bishop, von Imhof (alternate), and Stedman and Representatives Josephson, Kawasaki, Seaton, Spohnholz, and Johnston were present at the call back to order.

PRELIMINARY AND FINAL AUDIT REPORTS

[8:59:13 AM](#)

CHAIR STEDMAN announced that the final order of business would be the preliminary and final audit reports discussed during executive session.

[8:59:19 AM](#)

REPRESENTATIVE JOSEPHSON moved that the Legislative Budget and Audit Committee release the following preliminary audits to the appropriate agencies for response: Department of Commerce, Community & Economic Development, Board of Psychologists and Psychological Examiners; Department of Commerce, Community & Economic Development, Board of Massage Therapists; and Department of Commerce, Community & Economic Development,

Marijuana Control Board. There being no objection, it was so ordered.

[8:59:47 AM](#)

REPRESENTATIVE JOSEPHSON moved that the Legislative Budget and Audit Committee release the following final audit: Department of Commerce, Community & Economic Development, Board of Certified Real Estate Appraisers. There being no objection, it was so ordered.

[9:00:03 AM](#)

ADJOURNMENT

There being no further business before the committee, the Legislative Budget and Audit Committee meeting was adjourned at 9:00 a.m.