

HOUSE FINANCE COMMITTEE  
January 26, 2017  
1:31 p.m.

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CALL TO ORDER

Co-Chair Seaton called the House Finance Committee meeting to order at 1:31 p.m.

MEMBERS PRESENT

Representative Neal Foster, Co-Chair  
Representative Paul Seaton, Co-Chair  
Representative Les Gara, Vice-Chair  
Representative Jason Grenn  
Representative David Guttenberg  
Representative Scott Kawasaki  
Representative Dan Ortiz  
Representative Lance Pruitt  
Representative Steve Thompson  
Representative Cathy Tilton  
Representative Tammie Wilson

MEMBERS ABSENT

None

ALSO PRESENT

Michael Johnson, Commissioner, Department of Education and Early Development; Heidi Teshner, Director, Administrative Services, Department of Education and Early Development; Patience Frederiksen, Director, Division of Libraries, Archives, and Museums, Department of Education and Early Development; Stephanie Butler, Executive Director, Alaska Commission on Postsecondary Education, Department of Education and Early Development; Walt Monegan, Commissioner-Designee, Department of Public Safety; Kelly Howell, Director, Division of Administrative Services, Department of Public Safety; Greg Jones, Interim Chief Executive Officer, Alaska Mental Health Trust Authority; John Morrison, Executive Director, Trust Land Office, Alaska Mental Health Trust Authority; Jeff Jessee, Legislative Liaison, Alaska Mental Health Trust Authority.

SUMMARY

HB 57            APPROP: OPERATING BUDGET/LOANS/FUNDS

HB 57 was HEARD and HELD in committee for further consideration.

HB 59            APPROP: MENTAL HEALTH BUDGET

HB 59 was HEARD and HELD in committee for further consideration.

FY 18 BUDGET OVERVIEWS:

DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT  
DEPARTMENT OF PUBLIC SAFETY  
ALASKA MENTAL HEALTH TRUST AUTHORITY

Co-Chair Seaton addressed the meeting agenda.

^FY 18 BUDGET OVERVIEW: DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT

[1:32:4v1 PM](#)

MICHAEL JOHNSON, COMMISSIONER, DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT, introduced a PowerPoint presentation titled "Alaska Department of Education and Early Development: Department Overview, House Finance Committee" dated January 26, 2017 (copy on file). He referred to slide 2 and addressed the department's mission statement: to ensure quality standards-based instruction to improve academic achievement for all students. He noted that the State Board of Education was updating its mission statement to: An excellent education for every student every day. He read from slide 2. The performance review performed under HB 30 had proved an asset for the department and was being used for restructuring the department, however, the budget documents reflected the current structure.

Co-Chair Seaton recognized Representative Kawasaki had joined the meeting. He reminded the committee that the overview would be identifying questions for the subcommittees to delve into.

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HEIDI TESHNER, DIRECTOR, ADMINISTRATIVE SERVICES, DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT, addressed a chart from the Legislative Finance Division on slide 3:

The chart on Slide 3 shows a 10-year look back of the non-formula appropriations in the department's budget, for both unrestricted and designated general funds, compared to all agencies budgets.

The department's total general fund budget is \$50,144,400, of which \$35,822,900 is unrestricted general funds and \$14,321,500 is designated general funds.

Since FY2015, the unrestricted general funds in department's non-formula appropriations have been reduced \$21.6 million or 37.6%.

Of particular note on this slide is the increase in FY2015, which was attributed to the passage of HB278, which was the Education Bill. Some of the items included in that legislation were:

- Funds for the College and Career Readiness Assessment (\$525.0);
- Middle School STEM 3-year pilot program (\$3,000.0); and
- School Broadband Access Grants (\$5,000.0)

Ms. Teshner turned to slide 4 and read from prepared remarks:

The chart on Slide 4 shows a 10-year look back of the formula and non-formula appropriations in the department's budget, for both unrestricted and designated general funds, compared to all agencies budgets.

The graph on the previous slide is shown on this graph as the blue bars.

As you can see with the purple bars, the Formula programs are the largest part of the department's general funds. Included in the formula is: Foundation, Pupil Transportation, Boarding Home

Grants, Special Schools, Youth in Detention; and the Alaska Performance Scholarship.

Formula is 95% of the general funds, and non-formula is 5%.

Of particular note on this slide is the increase to the formula funding in FY2015, which was attributed to the passage of HB278, the Education Bill.

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Ms. Teshner moved to slide 5 and addressed all funds:

The chart on Slide 5 shows a 10-year look back of the non-formula appropriations in the department's budget, by line item, for all fund sources. The department receives unrestricted and designated general funds, federal funds, and other funds.

As noted by the purple bars, grants to school districts and other grantees is the majority of the department's non-formula budget. Most of this grant funding is from federal funds.

Of particular note is the spikes in FY2010 and FY2012.

In FY2010, this was attributed to ARRA funding (the American Recovery and Reinvestment Act of 2009).

In FY2012, this was attributed to the addition of the BTOP grant (which was the Broadband Technology Opportunities Program); funding for the Education Jobs Fund which was part of ARRA (\$649.0).

I would also like to point out that the FY2018 personal services, travel, and commodities lines are all below the FY2012 level.

[1:39:46 PM](#)

Ms. Teshner addressed slides 6 through 8:

The chart on Slide 6 shows a 10-year look back of the non-formula appropriations in the department's budget, broken down by appropriations, for all fund sources.

Teaching and Learning Support (the blue line towards the top of the graph) contains the largest percentage of federal funding compared to the other appropriations; thus the gap between that blue line and the rest.

The chart on Slide 7 shows a 10-year look back of the non-formula appropriations in the department's budget, broken down by appropriations, for unrestricted and designated general funds only.

Teaching and Learning Support, which has the largest unrestricted and designated general fund budget compared to the other non-formula appropriations, is shown on the green line. Please note that the Governor's FY2018 proposed budget shows the TLS budget below the FY2009 levels.

- Increases from FY2008 through FY2013 included items such as:
  - Funding for programs such as the Alaska Native Science and Engineering Program (ANSEP), Best Beginnings, and Parents as Teachers; among others.
- Reductions from FY2015 through FY2017 included items such as:
  - Repeal of the HSGQE (which was the High School Graduation Qualifying Exam); as well as reductions in personal costs and budgeted positions (a total reduction of 28 positions since FY2013)

The chart on Slide 8 shows a 10-year look back of the total funding comparison by fund category: unrestricted and designated general funds, federal funds, and other funds.

As noted in the blue bars, unrestricted general funds are the largest percentage of DEED's overall budget, followed by federal, other, then designated general funds.

Again, the increases in federal funds from FY2010 to FY2012 were attributed to ARRA, Education Jobs Funds, and BTOP funds.

And the increase in unrestricted general funds in FY2015 was attributed to the passage of HB278, the Education Bill.

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Ms. Teshner addressed slides 9 through 11:

On the next 6 slides, we break down the department by results delivery units and component/allocations, this is shown in the 1st column. The remaining columns contain the information that this committee asked us to prepare.

Column 7 is the Rating of Effectiveness. For this we used a "grade" of A, B, or C - where A means we are getting the job done; B means we are getting the job but there are areas for improvement; and C we are not getting the job done with limited opportunity for improvement. These ratings are of the department's performance in our ability to get the job done to meet the mission and is not a ranking of the school district's in Alaska.

The other columns contain the funding breakdown by fund category; the total # of positions; the # of Alaskan's served; the % cost through fees; the rating of importance to mission (which will have a rating of critical, important, beneficial, or status quo); and the final three right-hand columns show the constitutional, federal, and statutory requirements.

In the interest of time, I will not go over these slides line by line but will address some FY2018 budget highlights.

- Foundation - fully funded at the statutory Base Student Allocation (BSA) of \$5,930
- Pupil Transportation - Funding maintained at the FY2017 funding level of \$72,619.8

Within the Education Support Services Results Delivery Unit,

Administrative Services -

- Transfer 1 PFT position to Department of Administration for Shared Services of Alaska Implementation

- \$9.5 Other (I/A receipt authority) decrement - savings from Shared Services of Alaska Implementation

Information Services -

- \$110.0 Other (I/A receipt authority) decrement to reduce uncollectible inter-agency receipt authority and delete 1 PFT position
- Transfer 1 PFT position to Department of Administration for Centralized Office of Information Technology Implementation

Within the Teaching and Learning Support results delivery unit,  
Student and School Achievement -

- Delete two vacant positions
- State System of Support -
- \$250.0 UGF one-time increment request for the Innovative Best Practice Initiative

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Ms. Teshner moved to slide 12 related to commissions and boards, Mount Edgecumbe High School, and state facilities maintenance:

Within the Commissions and Boards results delivery unit,

Alaska State Council on the Arts -

- Transfer 1 PFT position to Department of Administration for Shared Services of Alaska Implementation
- \$6.6 decrement [\$2.1 Fed; 4.5 G/F Match] - savings from Shared Services of Alaska Implementation

Within Mt. Edgecumbe High School (MEHS) -

- \$100.0 UGF increment request for the warm storage and maintenance costs for the new MEHS Aquatic Center

Ms. Teshner turned to slide 13:

Within the Alaska State Libraries, Archives, and Museums results delivery unit,

Library Operations -

- Transfer 2 PFT position to Department of Administration for Shared Services of Alaska Implementation
- \$25.6 UGF decrement - savings from Shared Services of Alaska Implementation
- Delete 2 long-term non-perm positions

Museum Operations -

- Delete 1 PFT vacant position due to a reorganization with that component

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Ms. Teshner addressed program administration and operations on slide 14.

Within the Program Administration & Operations results delivery unit -

- \$625.1 Other decrement and delete 7 vacant positions (4 PFT and 3 NP)
- \$125.0 DGF increment request for the Alaska Education Grants, which is a needs-based grant program that is set in statute to equal half the amount allocated to the APS
- Transfer 1 PFT position to Department of Administration for Shared Services of Alaska Implementation
- \$7.8 Other decrement - savings from Shared Services of Alaska Implementation

Within the WWAMI Medical Education results delivery unit -

- \$106.0 DGF increment request to cover program contractual increases
- And within the Alaska Performance Scholarship (APS) Awards results delivery unit -
- \$250.0 DGF increment request to cover the expected demand increases

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Vice-Chair Gara spoke to the department's mission statement. He said that, according to the Division of Legislative Finance, the state was behind two years

previous by around \$31 million in terms of classroom funding and pupil transportation. There had been a classroom funding grant of \$43 million that was no longer available, and \$6 million for pupil transportation had been vetoed. He asked if the department was able to meet its mission.

Commissioner Johnson answered that, during his state-of-the-state address, the governor had stated that for far too long too many of Alaska's students were near the bottom, which indicated that the department had work to do to meet its mission. He spoke to an achievement gap in the schools. He referred to it as "Alaska's education challenge" and indicated that they were planning to spend the next several months presenting legislators with a series of recommendations and five priorities the department believed needed addressing, including a discussion of finances.

Vice-Chair Gara spoke to the \$6 million veto for pupil transportation which the governor had proposed for a second year. He asked if some districts had economized on pupil transportation, or if the money was coming out of classrooms.

Commissioner Johnson answered that it differed between districts. There were some districts that had to use operating budget money to fund pupil transportation, while others had not.

Co-Chair Seaton mentioned that the subcommittee would address pupil transportation, whether it was by adjusting school bus routes or getting money from other places. He asked the finance subcommittee to look into the issue.

Representative Kawasaki spoke to the Washington, Wyoming, Alaska, Montana, and Idaho (WWAMI) program and performance scholarship rewards on slide 14. He asked about whether funding was coming from the Higher Education Trust Fund.

Ms. Teshner answered in the affirmative.

Representative Kawasaki asked if it was an appropriate use of the funding.

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Ms. Teshner replied it had been done for the past few years. She did not know a further answer.

Co-Chair Seaton noted the subcommittee would look at the history and designated uses of the fund.

Representative Kawasaki commented that he would like to know whether the trust fund was solvent.

Co-Chair Seaton stated the high-level overview would identify areas needing answers in subcommittee, as well as indicating for the department which answers they would need to present.

Representative Pruitt noted some of the designated general fund (DGF) had been changed in the past several years that he had disagreed with. He wondered about the aquatic facility at Mount Edgecumbe. He asked for a repeat of the information.

Ms. Teshner answered that the facility was currently under construction and set to open in November 2017. The total operating cost was \$583,000. The request for \$100,000 was to keep the facility in warm storage until it could be fully operational. There were currently no revenue sources to open the facility.

Representative Pruitt noted the information had been brought up in an audit. He stated the audit had identified the facility may not be needed. He wondered if there would ever be a request to complete the facility or whether the legislature would be asked for funding to keep the building warm year after year.

Ms. Teshner answered that other revenue sources were being pursued in Sitka, including opening it for public use and developing a fee structure. She did not know the time frame. The department wanted to find the revenue to ensure that it could open.

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Representative Wilson spoke to boarding home grants, youth in detention and special schools on slide 9. She asked whether the Base Student Allocation (BSA) was included in the amounts on the slide.

Ms. Teshner answered that the BSA was only included within the foundation program itself. The others were in addition to the BSA.

Representative Wilson noted that the boarding home grants called for \$16,784 each, however the slide showed \$3,055 to Youth in Detention and \$4,949 for Special Schools, and asked about the significant difference. She remarked that the boarding home and detention facility would not require as much for transportation.

Ms. Teshner answered that the programs had a specific formula set in statute. For example, the boarding homes saw funds through a statewide program and/or a stipend program and a set amount went to the Special Education Service Agency which was also set in statute.

Representative Wilson hoped the subcommittee would look at the large difference. She asked if the formula money followed a child in a boarding home rather than going into the district, and whether it was half to the district and half to the boarding home, or whether all of the money went to one place.

Ms. Teshner responded there was a variable term and a 180-day term. For the 180-day term, the money would stay, for example, in Galena in its residential school. For the variable term, she gave the example of the Chugach Voyage to Excellence Program, where the students come in for two-week periods. She detailed that if the students came from Kashunamiut, the funding would remain in Kashunamuit and Chugach would only receive funding to board the pupils for the two-week period.

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Representative Ortiz referred to slide 6 and the graph showing a reduction in funding for teaching and learning support services. He asked what kinds of things were not happening in teaching and learning support that did happen when larger funding sources had been available.

Ms. Teshner said that the peaks showing in the graph indicated funding from the American Recovery and Reinvestment Act (ARRA) which were one-time items for school districts. Since then there had been a decline from FY 13 to the FY 18 governor's budget. The Alaska Statewide

Mentor Project (ASMP) had ended, and the Alaska Native Science and Engineering Program (ANSEP) no longer received state funding.

Representative Ortiz asked about the statewide mentoring program.

Ms. Teshner did not have the background history on the program. The department would address the issue in the subcommittee.

Representative Guttenberg spoke to slide 13 related to Online with Libraries and e-rates. He brought up the huge differential in costs between different communities. The state had cut its participation in the previous year. He asked about the impact.

Ms. Teshner deferred to a colleague.

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Representative Guttenberg asked for a graph showing the different costs that libraries faced for broadband around the state and what e-rate covered, which he thought was around 90 percent. He asked whether there was a coordinated plan to deal with costs of library operations and broadband for schools and how that was broken out.

PATIENCE FREDERIKSEN, DIRECTOR, DIVISION OF LIBRARIES, ARCHIVES, AND MUSEUMS, DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT,

Ms. Frederiksen answered that library operations were not shown in the charts.

Representative Guttenberg stated that he was looking for graphs. He asked what portion of broadband was used for Live Homework Help and whether it was also discounted.

Ms. Frederiksen indicated that Live Homework Help was provided over the web to students directly, so there were no internet costs for that service. Additionally, the legislature had provided \$138,200 for Live Homework Help annually, and that had been supplemented with library grant funding to make the remaining cost. Each tutoring session

was \$7.50 and federal funds were covering the remaining amount. There were no internet costs associated with it, as students were using it in their homes.

Co-Chair Seaton asked the department to bring performance data on Live Homework Help to the subcommittee.

Ms. Frederiksen complied.

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Vice-Chair Gara spoke to the merit-based Alaska Performance Scholarship (APS) and questioned whether it represented a stable or rising cost.

Ms. Teshner deferred the question to a colleague.

Co-Chair Seaton asked for clarification on the question.

Vice-Chair Gara clarified he was only interested in the information related to the non-needs-based portion of the scholarship.

STEPHANIE BUTLER, EXECUTIVE DIRECTOR, ALASKA COMMISSION ON POSTSECONDARY EDUCATION, DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT, replied that now that there was a full cohort of students, costs were fairly stable. Total rewards had been \$11.5 million and the program was asking for an additional \$250,000 for FY 18 and did not expect an increase.

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Co-Chair Seaton mentioned the Parents as Teachers and a pre-K pilot project. He asked the department to provide any performance data to the subcommittee. He was interested in comparing the results of the programs.

Ms. Teshner replied in the affirmative.

Representative Wilson spoke to the teaching and learning component. She asked if the department had looked at financial participation by the school districts rather than the money coming from the state. She asked the subcommittee to look at the detail.

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^FY 18 BUDGET OVERVIEW: DEPARTMENT OF PUBLIC SAFETY

[2:12:18 PM](#)

WALT MONEGAN, COMMISSIONER-DESIGNEE, DEPARTMENT OF PUBLIC SAFETY, introduced a PowerPoint presentation titled "Department of Public Safety Department Overview, House Finance Committee" dated January 26, 2017 (copy on file). He referred to the department's mission on slide 2 and pointed to various website links included on the slide.

KELLY HOWELL, DIRECTOR, DIVISION OF ADMINISTRATIVE SERVICES, DEPARTMENT OF PUBLIC SAFETY, addressed slide 3 showing a 10-year lookback of the department's budget produced by the Legislative Finance Division. She spoke to growth in the Alaska State Troopers, Village Public Safety Officer (VPSO), and Council on Domestic Violence and Sexual Assault (CDVSA) appropriations. The FY 18 budget request was slightly over FY 12 levels, with a difference of about \$2.2 million. The chart on slide 4 showed the department's budget by line item. The travel line item was lower than the FY 08 level.

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Ms. Howell spoke to slide 5 which provided a 10-year lookback at the General Fund (GF) budget by appropriation. Alaska State Troopers made up 71 percent of the budget and included both State Troopers and Alaska Wildlife Troopers. Statewide support, Fire and Life Safety, and Alaska Fire Standards Council appropriations were below FY 12 levels. The Alaska State Troopers and VPSO levels were below FY 13 levels, with the Domestic Violence and Sexual Assault appropriation close to FY 13 levels.

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Ms. Howell turned to slide 6 and addressed the department's appropriations for all funds. Alaska State Troopers represented 67 percent, the largest share of the FY 18 proposed budget. The note from the Legislative Finance Division identified that a portion of the appropriation was

attributable to funding from the American Recovery and Reinvestment Act (ARRA) and capital improvement program receipts for the Bureau of Highway Patrol. She moved to slide 7 and addressed the department's total funding by fund group. The unrestricted general fund (UGF) budget category comprised 81 percent of the department's FY 18 proposed budget. The next five slides provided a breakdown of the department's budget by allocation. She highlighted some of the significant budget changes proposed for FY 18.

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Ms. Howell spoke to fire and life safety on slide 8. There was a proposed reduction of \$170,000 in two permanent full-time positions, namely a building plans examiner in Anchorage and office assistant II position in Fairbanks. The Alaska State Troopers detachments (slide 9) allocation was the fourth row down and was the largest allocation in the department's budget in terms of cost and personnel. The allocation saw a total reduction of \$403,100 by deleting three administrative positions at the Anchorage headquarters, namely a state trooper captain position, an environmental services journey position in Fairbanks, and a criminal justice technician position in Anchorage. She spoke to the Alaska Wildlife Troopers allocation on slide 9. Two positions were vacant in Ketchikan and Kodiak.

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Ms. Howell skipped to slide 11 and spoke to the administrative services and statewide information technology services allocations. Some positions would be transferred to Department of Administration under the Office of Shared Services and the Office of Information Technology for a total savings to the department of \$25,100 in UGF. One significant change was in the prisoner transport allocation on slide 8. The department was proposing a \$500,000 reduction based on a decreased need for physical prisoner transportation due to the use of video arraignments.

Co-Chair Seaton asked for verification she was speaking to the line at the bottom of slide 8.

Ms. Howell answered in the affirmative. The allocation was primarily composed of travel and services for troopers, whether they be in the judicial services or detachment

allocations. The funding was also used to assist local police departments when they assisted in transporting prisoners.

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Ms. Howell remained on slide 8. She highlighted a newly proposed fund under the Alaska Bureau of Highway Patrol, the Alaska Transportation Maintenance Fund, which was a significant change in the governor's FY 18 proposed budget.

Ms. Howell turned to slide 10 and addressed the CDVSA in the last row. The department was requesting an increase of \$1 million in federal receipt authority due to an increase in federal grants. The \$1 million designated general fund (DGF) was associated with the passage of SB 91 in the previous session and reflected recidivism reduction efforts.

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Ms. Howell turned to slide 11 and the \$1.2 million increase related to the transfer in of nine positions from Department of Revenue (DOR). These were investigator positions which would operate within the commissioner's office and would focus on revenue investigations concerning tax, child support, and Permanent Fund Dividend fraud. She spoke to the statewide information technology services allocation request for \$600,000 in federal receipt authority for the grant funds related to improving the history of criminal records and National Instant Check System (NICS) improvement program grants which assist in transmitting mental health records to the court system.

Representative Ortiz asked about overall staff reductions in the Alaska State Troopers and how those were determined.

Ms. Howell deferred the question to Commissioner Monegan.

Commissioner Monegan cited Haines as an example and explained that its police department would continue to staff a wildlife trooper for the community. The department would hesitate to pull staff from an area in which there was not another form of law enforcement.

Representative Ortiz spoke to total existing trooper forces. He asked about the percentage of troopers in areas with no other law enforcement agency.

Commissioner Monegan would follow up with the information.

Representative Ortiz asked if it would also include communities without VPSOs.

Commissioner Monegan replied the department recognized there were about 100 communities in rural Alaska with no form of law enforcement. The goal was, at a minimum, to provide support to communities with no protection by operating out of a hub location. He gave the example of Bethel and the 56 villages in the area. It was based on which community had the greatest need.

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Representative Guttenberg asked about CDVSA and a \$1 million savings from SB 91 [omnibus crime legislation passed in 2016]. He asked where the savings had come from.

Ms. Howell answered that the Recidivism Reduction Fund had been created with \$1 million to the CDVSA. She did not know the formula for how the fund was filled.

Representative Guttenberg noted that many of the fund sources had not yet materialized. He was concerned that the department was factoring in the funding that had not yet come about. He recognized that it was not possible to compare Alaska to other states. There were no police officers in his borough. He was concerned about a lack of backup for troopers in the field. He asked if a report was available showing the appropriate level of staff. He related a report from a trooper who had said his backup in a given situation was 30 miles away.

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Commissioner Monegan answered it was a true statement that haunted the department on a daily basis. There were many challenges related to the safety of troopers and the people that the department was aiming to protect. He believed all police departments nationwide were having difficulty finding enough qualified individuals to apply. He stated there was an unfavorable light cast upon the job of a

police officer due to recent events in the Lower 48. He believed everything was cyclical and the number of applicants would increase. The department had some small ideas about how to increase recruitment. He related that Colonel Jim Cockrell, Director, Division of Alaska State Troopers, Department of Public Safety, would agree that troopers were being asked to work without immediate assistance. He believed it spoke volumes about the character of the employed individuals.

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Representative Guttenberg clarified the finger pointing was at the legislators as policy makers, and not at the department.

Representative Grenn turned to rural trooper housing on slide 9. He asked for detail.

Ms. Howell turned to the second row of the slide to explain. The state provided housing for troopers stationed in remote areas of the state. The collective bargaining agreement provided housing for troopers in remote areas and allowed rent to be charged or, if the agreement was not applicable, then the troopers were charged rent at market value and the rent was deposited back into the allocation. A portion of the facilities were state-owned, some were from federal sources, and the majority were leased from private landlords.

Representative Grenn asked if the allocation pertained to VPSOs as well.

Ms. Howell answered that VPSOs were not covered under the collective bargaining unit. They were employees of other entities and therefore were not covered under the allocation.

Vice-Chair Gara stated that one of the problems was the state was not able to pay a competitive rate for troopers and that municipalities generally paid more. He asked whether the department could address the issue.

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Commissioner Monegan spoke to unique challenges for troopers in Alaska. He stated that when the department

engaged with communities, villages, and tribes, it needed to engage via acts of kindness and role-modelling to inspire the youth to do the same. He referred to an email from Colonel Jim Cockrell which related an act of kindness performed by a trooper, and how it demonstrated mutual respect and trust. He hoped it would inspire others to do the same.

Vice-Chair Gara asked how many unfilled Alaska State Trooper positions there were at present. He asked about the differential in pay with police departments around the state.

Commissioner Monegan answered there were 19 trooper vacancies. The two largest police entities were the Anchorage Police Department (APD) and the Alaska State Troopers. The difference in starting pay was \$10 per hour. The department had recently lost four troopers to the APD. He did not know how to address the issue without hindering something else in the budget. The department recognized that once the fiscal gap had been filled perhaps the issue could be revisited. He recalled when he had worked for APD many years earlier, he was earning about \$6.25 per hour. He stated that money was valued, but the hope was the tradition of standing up to do something bigger than oneself was important. He did not see a quick answer at present.

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Representative Wilson spoke about nine individuals moving over from DOR [to the Department of Public Safety (DPS)]. She stated that the move was related to the legalized marijuana industry and the fact they would be carrying a gun. She asked if the individuals would go through trooper training. She was concerned about safety. She wondered if it was really where the individuals belonged.

Commissioner Monegan answered that most of the investigators transferring over were former, certified officers under DPS and had been trained. The department wanted to ensure that the individuals underwent the same training as the Alaska State Troopers.

Representative Wilson did not want to send a message to a legalized business that the officers would be more

endangered than in another business. She did not know if it was the message they wanted to send.

Co-Chair Seaton believed part of the issue was related to cash and whether the state wanted to send someone in where there was a large cash situation without personal defense or training. He indicated that this would be dealt with in subcommittee.

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AT EASE

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^FY 18 BUDGET OVERVIEW: ALASKA MENTAL HEALTH TRUST AUTHORITY

[2:50:37 PM](#)

GREG JONES, INTERIM CHIEF EXECUTIVE OFFICER, ALASKA MENTAL HEALTH TRUST AUTHORITY, introduced a PowerPoint presentation titled "Legislative Presentation, House Finance Committee" dated January 26, 2017 (copy on file). He reviewed slide 2:

Trust Duties

- Enhance and protect the trust
- Provide leadership in advocacy, planning, implementing, and funding of a Comprehensive Integrated Mental Health Program
- Propose a budget for the Comprehensive Integrated Mental Health Program
- Coordinate with state agencies on programs and services that affect beneficiaries
- Report to the Legislature, the governor and the public about the Trust's activities

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Mr. Jones stated that he was the interim CEO of the trust, charged with guiding it through a series of challenges, including an ongoing legislative audit. He briefly outlined the background of the audit. A few years previous, commodity prices, upon which the trust based the bulk of its revenue, began to drop. Subsequently, it began investing in

commercial real estate with great success for about five years. However, there had been questions raised about its authority to do so, and the audit was in place to remove any cloud from the trust.

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Mr. Jones stated that the trust had about \$460 million in the Permanent Fund currently. It took a payout every year based on a 4-year trailing average of the percentage of market value (PMV) of its portion. Each year the trust took 4.25 percent, and while this percentage grew each year as it funded its budget reserve and inflation-proofed the fund, the trust was comfortable with 4.25 percent.

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JOHN MORRISON, EXECUTIVE DIRECTOR, TRUST LAND OFFICE, ALASKA MENTAL HEALTH TRUST AUTHORITY, reviewed slide 7. He explained that the Trust Land Office was tasked with managing the 1 million acre land base for the trust. He stated that his office could be thought of as a "mini DNR." In regulation, their task had a five point mission: maximize revenue, protect the corpus, enhance the long-term productivity of trust land, and diversify revenue streams prudently and with accountability to the trust. He pointed to the diverse revenue streams portrayed in the slide and how these had changed over time. He explained that the majority of the revenue was principle-based. The principle related to one time activities and revenue that had to be reinvested. He pointed to the blue bar representing real estate investments.

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Mr. Morrison jumped to slide 23. He discussed the forest service land exchange and timber revenue over the years. The trust had endeavored to proceed with the Forest Service land exchange in Southeast Alaska, a value-for-value exchange with 18,000 acres of trust land for 20,000 acres of US Forest Service land. On the federal level, there was legislation in place (S.131 & H.R.513) He highlighted that there was a need for accompanying state legislation which he believed was coming up for consideration.

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Mr. Jones returned to slide 8 and addressed AMHTA funding history. He moved to the top three numbers on slide 9 including payout for FY 18 of \$21 million payout, \$3 million prior year's average lapse, and \$4.5 million land office income, for a total of just under \$29 million for the current year. He emphasized the trust was fully self-supporting and did not receive GF. Just over 25 percent of funds was used to run the Trust Authority and Land Office.

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Co-Chair Seaton referred to slide 9. He spoke to the \$3 million in lapsed unused grant funds. He asked if the amount was normal and whether it was allocated for treating beneficiaries.

Mr. Jones answered that the number was not unusual and that it varied from year to year. He addressed new initiatives and underlined that these were sometimes harder to get started than one may think, and therefore the funds would lapse back.

Co-Chair Seaton asked that they bring the numbers for the past three years before the subcommittee.

Representative Guttenberg addressed Trust Land Office spendable income. He noted the office had received a \$4 million appropriation the prior year from the legislature. He wondered whether that was different from the spendable income.

Mr. Jones answered that the bulk of the revenue was principle, which the trust had to reinvest and could not spend on programs. He thought the representative may be referring to operating costs.

Representative Guttenberg noted AMHTA had received a direct appropriation to the Land Office and asked about spendable income.

Mr. Jones answered that the \$4.4 million was overhead cost, the \$4.5 million was separate and invested in the Land Trust Office, and a third amount was principle income for reinvestment.

Representative Guttenberg was specifically asking about the \$4 million. He was trying to determine the difference.

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Mr. Morrison replied that the Trust Land Office generated income and principle through its activities. The principle must be reinvested, whereas the income went into a 4-year average, and the average was what was available for Trust activities in the subsequent fiscal year.

Co-Chair Seaton believed clarification was needed regarding a line item from GF from the previous year.

Mr. Jones clarified there was a Mental Health Trust Authority Authorized Receipts (MHTAAR) grant of roughly \$4.5 million that went to Department of Natural Resources for the TLO and which the legislature had to agree to accept. He thought this might have been the appropriation that the representative was referring to.

Representative Guttenberg asked whether the proposal that was about to be rewarded of \$25,000 was to go to public relations campaigns.

Mr. Jones replied in the affirmative; the funds would come from the normal annual operating budget.

Vice-Chair Gara asked for verification the costs for running the land office were not \$4 million and the office was only generating \$4.5 million.

Mr. Jones responded that it was generating much more than that. The money from the principle had to be invested in stewardship of the land to increase its value, in the real estate program, or in the Permanent Fund. The amount was well above the \$4.5 million.

Vice-Chair Gara spoke to an investment controversy with the Attorney General's Office. He asked whether the trust had begun to invest separately from the TLO.

Mr. Jones clarified that the TLO was making investments on behalf of the trust.

Vice-Chair Gara surmised the TLO was also investing in items which were not related to the land given to the trust by the state.

Mr. Jones replied in the affirmative. The trust was purchasing new real estate.

Vice-Chair Gara asked whether Mr. Jones had an estimate on how much was being spent on that portion of the investments.

Mr. Jones asked whether he was referring to how much overhead was being spent or how much had been invested.

Vice-Chair Gara was interested in the overhead.

[3:07:54 PM](#)

Mr. Morrison replied the number was very low and the TLO did not even have an entire position dedicated to those operations in the administrative budget.

Co-Chair Foster believed the controversy concerned investments made outside of Alaska.

Mr. Jones answered the trust had investments in Alaska and in the Lower 48. The real estate investments were based on the strength of tenants and the type of lease, as well as location and quality of the property.

Co-Chair Foster asked for verification the out-of-state nature of the investments was not the issue.

Mr. Jones agreed.

Co-Chair Seaton asked whether the controversy regarded the use of cash assets to reinvest while the statute required that those assets be managed by the Permanent Fund.

Mr. Jones agreed that the allegation was as stated. He stated that the trust was working with the Attorney General to determine whether it had the authority to do so.

Co-Chair Seaton stated it was not the management of the land, but rather that the board had decided to invest the money instead of the Permanent Fund.

Mr. Jones believed the assessment was fair.

Co-Chair Seaton believed they would get further into the topic during the subcommittee meetings.

Mr. Jones turned to slide 11 showing a representation of the beneficiaries of the Trust.

- Mental Illness 34,000
- Developmental Disabilities 13,000
- Chronic Alcoholism/Substance- 20,000  
Related Disorders
- Alzheimer's Disease and Related 6,000  
Dementias
- Traumatic Brain Injury 12,000

Mr. Jones believed that those served in Alaska totaled around 85,000. He clarified that the slide numbers did not represent a census, but was based on national averages.

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Co-Chair Seaton asked about the trust's role in treating mental illness. He asked if the trust was working on preventing disabilities.

Mr. Jones answered the trust worked hard on prevention, diagnosis and early treatment. The goal was to intercept conditions as early as possible.

Representative Ortiz spoke to the state's aging population and increasing problem with Alzheimer's. He asked how a resident of Alaska could access the resources provided by the trust.

JEFF JESSEE, LEGISLATIVE LIAISON, ALASKA MENTAL HEALTH TRUST AUTHORITY, answered that the trust could be viewed as venture capital. He stated that the trust did not provide a lot of base services, but looked to use the trust funds to improve efficiency or effectiveness of the mental health system. It worked to improve training by developing programs. The trust did not want to create a separate system of care, but to act as venture capital for the system already in place.

[3:13:05 PM](#)

Mr. Jones turned to slide 13 titled "General Fund/Mental Health Base." There was a separate capital budget including bonds and construction for beneficiary housing. He moved to slide 15 and spoke to MHTAAR grants, which were the authorized receipts which went out to agencies, and must be legislatively approved.

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Mr. Jones moved to slide 16 titled "Established Focus Areas:

1. Disability Justice
2. Substance Abuse Prevention & Treatment
3. Beneficiary Employment & Engagement
4. Housing and Long-term Services & Supports

Mr. Jesse relayed there was a repeating theme in the focus areas. He spoke to treatment and support, safe and secure housing, and employment as the key priorities for a beneficiary to be successful. He moved to slide 17 and addressed current priorities including Medicaid redesign and justice reinvestment. He stated if the efforts of SB 91 from the previous year [29<sup>th</sup> Legislature] were going to be successful and whether it was necessary to view Medicaid differently, and not just as medical model paying for activity rather than for outcomes. The current system was unsustainable, in that it paid for events. The more service provided, the more they were able to bill. Similarly, with justice reinvestment, if there is no upfront investment for treatment services, beneficiaries that already have higher rates of recidivism and serve longer sentences will not be successful in the community.

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Mr. Jesse addressed legislative priorities briefly on slide 18:

- Criminal Justice Reform + Reinvestment
- Medicaid Reform Efforts
- Alcohol Excise Tax
- Title 4 Revisions
- Forest Service Land Exchange -Trust Land Office

Mr. Jessee turned to slide 19 and spoke to criminal justice reform and reinvestment:

- Continue efforts to ensure the successful diversion and re-entry of beneficiaries
- Committed nearly \$4 million in FY18 for community prevention, diversion and re-entry programs
- Support Criminal Justice Commission recommendations

Mr. Jessee noted he was a member on the Alaska Criminal Justice Commission. He said that the term "reinvestment" was not accurate. The savings anticipated from criminal justice reform would not happen right away, but would occur downstream. This would occur not only in corrections, but in public safety and the court system. In order to achieve the savings, it was essential to make investment upfront. In the beginning it was not reinvestment because the savings had not yet occurred. The investment upfront enabled the system to reap the long-term financial and societal benefits. Investing upfront was a problem in the current fiscal environment. He spoke to the previous year and the fiscal notes for SB 91. Senator Anna Mackinnon had been creative in using prospective marijuana tax funds as a way to jump start the services. He explained there was a risk of not achieving goals established by SB 91 if the state was unable to resource the services individuals needed in order to get out of the criminal justice system.

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Mr. Jessee turned to slide 20 and addressed Medicaid reform efforts:

- Approved nearly \$10 million on reform efforts over three years
- Advocating for maintaining same optional services that the state currently provides which allows beneficiaries to remain in their community and often at a lower cost of care
- Build flexibility into programs to accommodate potential federal funding changes

Mr. Jessee elaborated that trustees had approved over \$10 million over three years to support the department with the resources they needed to make good on commitments made in SB 74 of the previous year [Medicaid reform legislation

passed by the 29<sup>th</sup> Legislature]. The trust was hoping it could work with the legislature in the current year to avoid doing things to the Medicaid program that would not only harm beneficiaries but put the success of the entire reform program at risk, just to gain some short-term savings.

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Mr. Jessee addressed the alcohol excise tax priority on slide 21:

- Increased alcohol excise tax generates much needed revenue which could be used to fund programs that reduce the negative impacts of alcohol abuse and state general fund costs for the consequences

Mr. Jessee stated that it was often said that Alaska had one of the highest alcohol tax rates in the country. This was close to being true if only looking at the excise tax. He underscored when considering the total tax burden Alaska was not near the top in terms of state taxation. He moved to Title 4 on slide 22:

- Multi-year effort to rewrite Title 4 statute
- Balance the interests of alcohol industry, public health and public safety

Mr. Jessee expounded that the previous year the trust had thought it had agreement with the Alaska Cabaret, Hotel, Restaurant and Retailers Association (CHARR), but the agreement had not come to fruition. They had however been able to get reforms in the areas of minor consuming, and the makeup of the Alcohol Beverage Control board. He spoke to Senator Peter Micchiche's work during the interim.

Mr. Jessee moved to slide 24 and addressed FY 18 operating increments. The Alaska Justice Information Center had completed a cost-benefit analysis and had examined whether the system was employing evidence-based practices. There were 52 adult criminal justice programs that had been reviewed, 56 percent of which were state funded. He specified that 57 percent of the programs had matched an evidence-based strategy. However, of the \$23 million that the state spent on those programs, 89 percent of the programs funded by the legislature matched evidence-based practices. The Justice Information Center would begin

looking at the outcomes of the programs and track the system across seven different criminal offences. The increment on slide 24 was to take the operations of the Justice Information Center to the next step to develop an integrative data platform. Much information could be gathered and analyzed by the information center in order to receive feedback. Bring the Kids Home had been a data-driven effort as it was modified as data was collected and evaluated. He spoke to IT Application/Telehealth service system improvements as an advanced view by the Senior and Disabilities Services Division of the use of telehealth systems in their purview. The division had been very proactive and it had started when they received a backlog of assessments in the state. It provided a mechanism to maximize the use of telehealth to assess, evaluate, and monitor people, particularly in rural areas, to avoid the cost of transportation and remote treatment and to deal with the health issues early on before they became more expensive.

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Mr. Jessee turned to slide 25 and addressed the Trust's capital budget. He stated that the trust partner was the Alaska Housing Finance Corporation but that areas such as the Homeless Assistance Project and special needs housing grants were largely operational in nature, and provided operating base funding for projects that had been provided previously. He moved to slide 26 showing a "roll up" of FY 18 mental health budget bill increments. He referred to operating totals and relayed that the trust was providing over \$8 million MHTAAR and was looking for a \$250,000 General Fund increment. He noted that the governor's proposed budget had reduced much of the funding for capital projects. He referred to administrative costs and underlined that the trust was self-funded and reducing the increments did not save the state any money. He stated that the trust would be working with the subcommittee to restore the funds in the budget.

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Co-Chair Seaton asked the trust to bring information on telehealth compliance rates to the subcommittee.

Representative Wilson stated she had recently learned the trust had put a social worker in the public defender's

office in Bethel. She requested any data showing how successful it had been. She was interested in considering whether something similar could be done in other areas.

Mr. Jessee replied in the affirmative.

Co-Chair Foster addressed the schedule for the following meeting.

#

ADJOURNMENT

3:31:21 PM

The meeting was adjourned at 3:31 p.m.