

HOUSE FINANCE COMMITTEE  
January 24, 2018  
1:30 p.m.

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CALL TO ORDER

Co-Chair Seaton called the House Finance Committee meeting to order at 1:30 p.m.

MEMBERS PRESENT

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

Representative Neal Foster, Co-Chair

ALSO PRESENT

Mary Jane Michael, Chair, Alaska Mental Health Trust Authority; Sheldon Fisher, Commissioner, Department of Revenue; Leslie Ridle, Commissioner, Department of Administration; Cheryl Lowenstein, Director, Division of Administrative Services, Department of Administration; Emily Ricci, Health Care Policy Administrator, Department of Administration. Mike Abbott, Chief Executive Officer, Alaska Mental Health Trust Authority.

SUMMARY

HB 285      APPROP: MENTAL HEALTH BUDGET

HB 285 was HEARD and HELD in committee for further consideration.

HB 286      APPROP: OPERATING BUDGET/LOANS/FUNDS

HB 286 was HEARD and HELD in committee for further consideration.

FY 19 BUDGET OVERVIEWS:

ALASKA MENTAL HEALTH TRUST AUTHORITY  
DEPARTMENT OF REVENUE  
DEPARTMENT OF ADMINISTRATION

Co-Chair Seaton reviewed the agenda for the day.

#hb285

#hb286

HOUSE BILL NO. 285

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

HOUSE BILL NO. 286

"An Act making appropriations for the operating and loan program expenses of state government and for certain programs; capitalizing funds; amending appropriations; making supplemental appropriations; making appropriations under art. IX, sec. 17(c), Constitution of the State of Alaska, from the constitutional budget reserve fund; and providing for an effective date."

^OVERVIEW: ALASKA MENTAL HEALTH TRUST AUTHORITY

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MARY JANE MICHAEL, CHAIR, ALASKA MENTAL HEALTH TRUST AUTHORITY, introduced herself and the other members of the board: Chris Cooke, vice chair; Laraine Derr, secretary; Paula Easley; Greg Jones; Jerome Selby; and Carlton Smith. She highlighted that the Alaska Mental Health Trust Authority (AMHTA) was established as a "perpetual trust" to improve the lives of beneficiaries. She recognized the trust's "partnership with the state" considering the changed fiscal "landscape" of the state. The authority wanted to implement broader systemic changes to create a "progressive and sustainable" structure. She listed the trust's investments in criminal justice reform and Medicaid expansion as examples of systemic change efforts. She

acknowledged the departure of the long-term Chief Executive Officer (CEO), Jeff Jesse. She reported that the trust examined its internal governance structure and operating procedures and hired an organizational management consultant, Catherine Wood, Raven Management Consultants. She believed the process lead to a "good foundation for moving forward." She spoke of internal organizational changes and announced that "the organization was financially and organizationally healthy."

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MIKE ABBOTT, CHIEF EXECUTIVE OFFICER, ALASKA MENTAL HEALTH TRUST AUTHORITY, introduced himself and reviewed the PowerPoint presentation: "Legislative Presentation: House Finance Committee." He moved to slide 3 titled "FY19 Anticipated Available Funding" that contained a table titled "Distributable Funds - Based on 4-year averages for stability."

Payout	\$21,137,000
Prior Years Carried Forward	\$3,042,000
Land Office Average Spendable Income	\$4,974,000
Interest Average	\$285,000
Total	\$29,438,000

Mr. Abbott noted that in FY 2019 the trust would expend \$29.5 million for trust beneficiaries. He indicated that the payout was derived from its invested resources totaling \$550 million; \$500 million of those funds were invested in the Alaska Permanent Fund Corporation (APFC) and the remainder managed by the Department of Revenue (DOR). He explained that the trust used a 4-year average payout of 4.25 percent from its investments. The trust's distributable funds increased approximately 1 to 4 percent per year and the upward trend was anticipated to continue.

Mr. Abbott discussed slide 4: "Trust Land Office Annual Revenue." The slide contained a graph that depicted the trust land revenue stream. He noted the 5 categories that comprised the trust land revenue: minerals, oil and gas, land's activity, timber, and real estate. He cautioned that not all the revenue was expendable, some of the land trust revenue was required to be invested via statute. He continued to slide 5 titled: "Trust Land Office Principal and Income Revenue" depicted as bars on the graph. He

indicated that the value of the investments exceeded "spendable" revenues.

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Mr. Abbott explained slide 6 titled "FY19 Budget":

Administrative Operations, \$8,703.7  
Inclusive of Trust Authority and Land Office

Authority Grants, \$9,895.5  
Designated to community providers, nonprofits, local governments and Tribal organizations

MHTAAR, \$10,838.4  
Designated to state agencies and approved by the Legislature

Mr. Abbott stressed that the trust's funds required trustee authorization for spending and some categories of spending also required legislative approval. He explained that the pie chart on the slide was roughly proportioned into thirds representing the three categories of AMHTA spending. He related that two agencies serviced the Trust; the Department of Natural Resources (DNR) and DOR.

Mr. Abbott continued to slide 7 titled " Current Priorities":

Current Priorities

- Medicaid Reform
- Criminal Justice Reform & Reinvestment

Established Focus Areas

- Disability Justice
- Substance Abuse Prevention & Treatment
- Beneficiary Employment & Engagement
- Housing and Long-term Services & Supports

Mr. Abbott discussed the current priorities of the Trust. The Trust had been the key investor in the reform and expansion of Medicaid and invested over \$10 million for a multi-year program. He offered that many new Medicaid beneficiaries covered under expansion were also trust beneficiaries. Mr. Abbott reported that the second priority of AMHTA was the criminal justice reform and reinvestment. He mentioned the trust's investment in the criminal justice

program and reforms and noted the "over-representation" of trust beneficiaries within the criminal justice system. He stated the trust's strong support and continued commitment to criminal justice reform and reinvestment. He commented that the trust was required to operate under a two-year budget cycle and FY 19 was the second of the two-year cycle.

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Mr. Abbott advanced to slide 8 titled "Operating Budget":

Operating Budget

- Governor's budget is very similar to trustee-approved budget, with one exception
  
- Governor's budget includes \$18 million increase in GF/MH for comprehensive continuum of care for substance use disorder services

Mr. Abbott reported that the governor's budget was "almost identical" to the trustee's recommended budget and he supported the increase for substance use disorder services.

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Mr. Abbott detailed slide 9 titled "Capital Budget":

- Homeless Assistance Project and Special Needs Grant
  - Trustees recognize the housing and homelessness crisis in the state
  - Trustees respectfully requested an increase of \$5.3 million in state funds to address this issue

Mr. Abbott reported that the trust had hoped for an increase to help the homeless in the amount of \$5 million and provide increased access to housing. He reported that statistics have proven that permanent supportive housing made a significant difference to the homeless addressing addiction; substance abusers were unable to deal with addiction issues while homeless. He pointed out that the funding would support two areas of housing; increase the number of permanent supportive housing and/or increase rapid rehousing funding. He noted that rent support through rapid rehousing was one way of helping to secure housing for the homeless. He reiterated that data was available

showing the success in combating addiction with permanent housing, which reduced other state spending attributed to addiction. He offered that the trust was fully engaged in investing in permanent supportive housing.

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Mr. Abbott turned to slide 10 titled " Administrative Budgets":

Trust Authority

- Trustees approved: \$4,135.3
- Governor's proposed budget: \$3,867.4

Trust Land Office

- Trustees approved: \$4,568.4
- Governor's proposed budget: \$4,213.2

Total difference: \$623.1

Impacts our ability to generate revenue and provide grants and oversight of existing programs for beneficiaries.

Mr. Abbott identified the trust's administrative budget as one area the Board of Trustees did not agree with the governor's recommended budget. The shortfall would affect the Trust's ability to "make smart decision" when deploying resources and managing the assets to gain maximum value. He reiterated that the funds requested were exclusively AMHTA funds and could not be used for other expenditures.

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Mr. Abbott scrolled to slide 11 titled " Legislative Priorities":

- Protect Criminal Justice Reform
- Pass SB 76, Title 4 Revisions
- Pass Trust Investment Legislation

Mr. Abbott reviewed the legislative priorities. He reiterated the trust's "ardent" support for criminal justice reform. He shared that the University of Alaska (UA) was measuring the impacts of 10 key elements of criminal justice reform. The recent findings indicated that 8 elements were found to reduce criminal activity and state costs. The UA project was funded by the trust and focused

on criminal activity, recidivism, and state expenditures. The study would be ongoing. He remarked that SB 76 - Alcoholic Beverage Control; Alcohol Reg, sponsored by Senator Micciche, represented a cooperative effort between the alcohol industry and other stakeholders to address "long needed reform" in alcohol related statutes. Finally, he remarked that a special legislative audit related to the investments the trust made over the prior 5 to 8 years, initiated in December 2016 was in progress. The findings would be available to the legislature in March 2018. The trust recommended the legislature introduce a bill prior to the completion of the audit due in the following month. He hoped clarifying legislation would be offered soon.

Mr. Abbott thanked the committee for the opportunity to testify.

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Co-Chair Seaton asked about the total difference of \$623.1 thousand in the budget on slide 10. He wondered where the difference came from. Mr. Abbott responded that the administrative budget was short funded in the prior year while experiencing some increased expenditures. He elaborated that the trust land office anticipated an "aggressive year" with the Southeast land exchange and a large mineral project in the Icy Cape region of the Gulf of Alaska. In addition, the Trust Authority office was attempting to shift to a "fund and measure approach" to spending that impacted personnel and contract services.

Co-Chair Seaton indicated that Representative Grenn joined the meeting.

Representative Ortiz returned to slide 9 and cited the \$5.3 million increase request for homelessness. He wondered how funding for the homeless would be distributed. Mr. Abbott responded that the money would fund community based grants that would be allocated via a merit based process in concert with Alaska Housing Finance Corporation (AHFC). He mentioned the brick and mortar and rapid rehousing grant types and noted the possibility of other housing related grants as well.

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Representative Wilson asked about the 40 thousand Alaskans that were served resulting from Medicaid expansion. She asked whether Mr. Abbott knew how many more services were available to the expanded population with substance abuse or behavioral health. Mr. Abbott replied in the negative. He relayed that the Department of Health and Social Services (DHSS) had informed him that an additional \$50 million in claims for behavioral health were funded since expansion. Representative Wilson offered that the Department of Corrections (DOC) was considering opening the Palmer facility. She heard of conversations underway regarding use of the facility for behavioral health and substance abuse in concert with Medicaid. She asked whether the trust had had conversations with DOC regarding the issue. She preferred a treatment facility versus incarceration. Mr. Abbott was unaware of the specific proposal. He voiced that if offered a similar proposal the trust would consider supporting the initiative.

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Representative Grenn referenced the last slide related to criminal justice reform and the measured 8 of 10 benchmarks. He asked for more information. Mr. Abbott reiterated the information concerning the trust funded UA study measuring criminal justice reform impacts that discovered 8 of 10 positive results. Representative Grenn would like to see the information.

Co-Chair Seaton directed Mr. Abbott to send the information to his office for distribution to committee members.

Vice-Chair Gara sympathized with projects for the homeless. He asked for details regarding the effective use of the funds. He wondered why the governor's inclusion of \$18 million for substance use disorder services for a four year program was not included in the capital budget instead of the operating budget. Mr. Abbott was unsure and concurred with the later statement.

Representative Guttenberg asked how Medicaid expansion impacted the trust's budget. He wondered how the governor's proposed \$18 million budget increase affected the trust's two-year budget cycle. Mr. Abbott replied that the trust facilitated services for beneficiaries and did not fund direct services; consequently, Medicaid expansion did not

impact trust funding. The governor's proposed increase was in general funds (GF) and was not expending trust dollars.

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Representative Tilton inquired whether the trust was applying "some sort of metrics" to determine the impact of the grant dollars in each of the communities. Mr. Abbott responded in the affirmative. He added that the trust employed an "aggressive evaluation process" associated with the grants. He offered to provide further information to the committee.

Co-Chair Seaton referred to slide 7 regarding substance abuse prevention and treatment priorities. He relayed that whether the AMHTA could use its funding on prevention was in question. He wondered how the AMHTA was endeavoring to reduce its number of beneficiaries. Mr. Abbott responded that in previous times the Trust had not invested in prevention activities but currently the trust was funding prevention in targeted activities, which the Trust would continue to fund.

Co-Chair Seaton thanked Mr. Abbott for his presentation.

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RECONVENED

^OVERVIEW: DEPARTMENT OF REVENUE

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SHELDON FISHER, COMMISSIONER, DEPARTMENT OF REVENUE, introduced himself and introduced the PowerPoint presentation: "Department of Revenue Overview."

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Commissioner Fisher turned to slide 2 titled "Department of Revenue - The mission of the Department of Revenue is to collect, distribute and invest funds for public purposes" He reported that the department had 4 primary divisions: the Tax Division, Treasury Division, Permanent Fund

Dividend Division, and the Child Support Services Division. He listed the basic responsibilities of each division.

Commissioner Fisher turned to the chart on slide 3 titled "Authorities, Corporations, and Boards" and listed the following:

Alaska Housing Finance Corporation (AHFC) -Invest and Distribute  
Alaska Permanent Fund Corporation (APFC) -Invest  
Alaska Retirement Management Board (ARMB) -Invest  
Alaska Mental Health Trust Authority (AMHTA) - Distribute  
Alaska Municipal Bond Bank Authority (AMBBA) - Distribute

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Commissioner Fisher advanced to slide 4 titled "DOR Budget Compared to All Agencies." He indicated that the graph depicted the GF portion of DOR's budget and how it compared to other agencies. The department's budget declined both in terms of absolute dollars and in terms of a percentage of agency operations. He reported that the FY 19 budget declined by \$640 thousand from FY 18. A large portion of the decline, \$525 thousand, reflected a shift in allocation from the Treasury Division to the ARMB budget associated with a decline in state assets and a reallocation of the cost of managing the assets. He noted a reduction in the Child Support Services Division in the amount of \$425 thousand, which \$145 thousand was GF. He noted an increase of \$31 thousand in the AMHTA budget associated with the long-term care ombudsmen.

Commissioner Fisher continued to slide 5 titled "DOR Budget Line Items -All Funds" He pointed out that the chart represented the entire DOR budget. He noted that the green portion of the bar graphs were associated with AHFC grants. The red portion of the bars that represented services was the cost of managing the state's assets. The costs were growing, which meant the assets were growing. He pointed to the blue portion of the bars that depicted personal services, which were growing. He qualified that the growth was beneficial because the increase was due to bringing more asset management in-house in Juneau at a reduced rate.

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Commissioner Fisher advanced to slide 6 titled "DOR Appropriations-GF Only" He relayed that the graph provided the same information that had been presented in a prior slide but showed a view over time. He remarked that the blue line at the top portrayed the taxation and treasury functions. He pointed to the steep decline between FY 15 and FY 16 when significant reductions were made. He noted generally declining budgets in other areas of the department over the prior few years. He moved to slide 7 titled "DOR Appropriations-All Funds." He highlighted that the APFC budget increased primarily as a result of increased asset management fees as a result of a rise in Permanent Fund asset values. The remainder of the department maintained a flat budget with a modest decrease in AHFC.

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Representative Grenn cited the sharp increase in the AMHTA budget. He asked for further information. Commissioner Fisher replied that the increase occurred between FY 14 to FY 15 from \$410 thousand to \$911 thousand. The increase was associated with a fetal alcohol syndrome awareness campaign.

Representative Ortiz asked about the significant reduction in the taxation and treasury line from FY 15 through FY 19. He wondered if the decline reflected a reduction in auditing staff. Commissioner Fisher responded that the reductions resulted from 2 issues. The first was due to automating the financial system. The change allowed a reduction of 19 positions, mostly through attrition. Representative Ortiz asked whether the reductions interfered with the ability of the auditing staff to keep up with oil tax audits. Commissioner Fisher answered in the negative. He admitted that oil tax audits were experiencing a "significant delay" but did not attribute the delay to staff reduction.

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Commissioner Fisher turned to slide 8, slide 9, and slide 10 that provided information related to DOR's core divisions and corporations. The information showed the same information for each division in a table format. He drew attention to slide 8 relating to the number of positions in the Tax Division. He highlighted that 107 positions existed

and 91 were full, with a number of the vacant positions recently being filled. He noted the complexity of certain jobs within the Tax Division made the jobs more difficult to fill. He mentioned the same issue with the Treasury Division and noted that the vacant positions were mostly investment officers and noted that recently 3 were hired. He also called attention to the effectiveness ratings that were ranked as follows: exceptional, highly effective, effective, moderately effective, and low effective. He strongly endorsed the ranking system that established standards and measured performance against the standards.

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Representative Guttenberg referred to the increase in the AMHTA budget and wondered why the media campaign was not a capital budget item. Commissioner Fisher was not sure of the details but guessed the operating budget was the appropriate budget for the type of expenditure.

Co-Chair Seaton had a question concerning tax auditors. He did not see the additional positions in the governor's budget. He asked if DOR would be hiring the 2 tax auditors. Commissioner Fisher replied that the tax auditors had been hired and were performing their duties. Co-Chair Seaton asked whether DOR had a policy regarding the number of days positions would remain open before a new hire was brought on in order to fund the positions. Commissioner Fisher pointed to the vacancies in the Tax Division and noted that the number was higher than the departments overall vacancy factor. He reported that the vacancies were less by design and due to the nature of filling technical jobs. He was uncertain whether a delay in hiring was necessary and would follow up with answers. Co-Chair Seaton asked for a written or generalized policy regarding a length of time a vacancy needed to remain open. Commissioner Fisher replied that none of the divisions had a policy regarding delaying hiring or a vacancy factor.

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Representative Kawasaki asked if the committee would hear from Alaska Housing Finance Corporation (AHFC). Co-Chair Seaton replied in the negative.

Representative Kawasaki requested further information regarding AHFC grant funding for specific grants to be

distributed to different agencies. He was trying to determine how the grants worked together. Commissioner Fisher responded that he would follow up.

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^OVERVIEW: DEPARTMENT OF ADMINISTRATION

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LESLIE RIDLE, COMMISSIONER, DEPARTMENT OF ADMINISTRATION, introduced herself. She introduced the PowerPoint presentation: "Department of Administration Overview." She began with slide 2 titled " Department of Administration":

The mission of the Department of Administration is to provide consistent and efficient support services to state agencies so that they may better serve Alaskans.

Ms. Ridle moved to the Department of Administration (DOA) flow chart on slide 3. She mentioned that DOA directly served the public through the Division of Motor Vehicles (DMV), Office of Public Advocacy (OPA), and the Public Defender Agency (PDA).

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CHERYL LOWENSTEIN, DIRECTOR, DIVISION OF ADMINISTRATIVE SERVICES, DEPARTMENT OF ADMINISTRATION, reported that the first 4 slides were supplied by the Legislative Finance Division (LFD). She reviewed slide 4 that depicted a chart representing the DOA Share of Total Agency Operations (General Fund (GF) only). She delineated that the department's budget peaked at \$111 million in FY 15 then steadily declined. The FY 19 budget contained a \$1 million increase each for OPA and PDA.

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Ms. Lowenstein reviewed the chart on slide 5 that represented DOA's line items in all funds. She reported that the bulk of DOA's budget was in Services and Personal Services. She continued to slide 6 that contained a graph

portraying "Appropriations within the Department of Administration (GF Only)." She highlighted that Legal and Advocacy Services comprised 50 percent of the budget or 60 percent counting Undesignated General Funds (DGF) only; DMV was the second largest budget component and was 100 percent receipt driven; it returned money to GF. The third highest budget component was Centralized Administrative Services that was comprised of four areas: Division of Finance, Division of Personnel and Labor Relations, Division of Retirement and Benefits, and HPA Health Plans Administration. She reported that slide 7 showed "All Funds." She elucidated that the agency budget was comprised of 31 percent UGF and Designated General Funds (DGF) and 69 percent other funds, which was primarily interagency receipts.

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Ms. Lowenstein moved to slide 8 depicting a chart titled "DOA Budget by Division - GF Only." She reported that in all the divisions that provided services to the agencies DOA continued to find efficiencies and reduced GF without raising rates.

{Secretary Note: The remainder of the slides were presented in chart form containing information regarding each division or area of the agency.]

Ms. Ridle reviewed slide 9 titled "Division of Finance." She reported that the division launched the new accounting system, Integrated Resource Information System (IRIS). She moved to slide 10 titled "Division of Personnel and Labor Relations." She noted that the division was negotiating 7 public employee contracts. She pointed out that the agency did not have a policy to hold vacant positions open before hiring.

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Ms. Ridle continued to slide 12 titled "Division of Retirement & Benefits." She mentioned that the division was engaged in a new effort, the AK Reform Group, to discuss health care in the state; the appropriation for the group was \$250 thousand. She hoped to produce a "blueprint" for health care in Alaska by the year's end. She pointed to the \$750 thousand appropriation to continue to study the consolidation of state and school district health care

plans. She cited the \$3.7 million appropriation for the implementation of an enhanced Employee Group Waiver Plan (EGWP), which was a federal subsidy for the retiree health prescription drug benefit. The agency was typically reimbursed at the end of the year (\$10 million in the prior year), but the new plan would reimburse the state as funds were expended. She expected \$30 million to \$40 million in reimbursements.

Co-Chair Seaton pointed to Health Plans Administration that designated zero employees and asked for clarity. Ms. Lowenstein responded that the Health Plans Administration was paid to the third party administrator (AETNA) that received an additional \$3.7 million to manage EGWP. Co-Chair Seaton deduced that the state contracted out all the work and did not utilize state employees. Ms. Lowenstein responded affirmatively.

Representative Guttenberg asked about the healthcare spend noted on the chart and read the following:

\$700M health care spend; new cost share & plan design provisions reduce employee health plan cost trend less than 4%, below nat'l avg.

Representative Guttenberg wondered how the state could manage an "out of control" system. Ms. Ridle deferred to a later slide that contained more detail.

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Representative Kawasaki cited a one-time increment in the Comprehensive Health Insurance Fund that might be an inappropriate use of the fund. He asked Ms. Ridle to address the issue. Ms. Ridle responded that a bill would be introduced to correct the fund source. Representative Kawasaki mentioned the Alaska Mental Health Trust Authority (AMHTA) feasibility studies that were contained in SB 74 - Medicaid Reform; Telemedicine; Drug Database [CHAPTER 25 SLA 16 - 06/21/2016] that were utilized as part of the consolidation study Ms. Ridle cited. He remembered that the study was funded in a fiscal note as part of HB 74. He asked for clarity. Ms. Lowenstein replied that the study had been completed and the non-perm position had been fulfilled. Representative Kawasaki asked about the report and whether it had been completed. Ms. Ridle indicated that 3 reports were generated and were available on DOA's

website. The appropriation she referred to was for implementation.

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Ms. Ridle briefly mentioned slide 13 titled "Division of Risk Management." She discussed "Shared Services of Alaska" on slide 14. She noted the \$500 thousand appropriation for the Business Transformation Office, which was funded through a 1.5 percent vendor fee. The office helped other agencies create more efficient processes and was a successful effort. She mentioned the increase of \$138 thousand for state surplus for staff due to increased online sales. The department acted aggressively to consolidate space and negotiate leases and had saved \$1 million.

Representative Wilson noticed that three positions that were part of Shared Services had returned to the Governor's office and wondered why. Ms. Ridle did not know and would provide the information.

Ms. Ridle scrolled to slide 15 titled "Office of Information Technology" (OIT). She spoke to the first phase of consolidating technology as mandated by the governor the prior year. Seven agencies had been rolled in and the remainder would be added by the end of the fiscal year. The second phase would begin next year.

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Representative Guttenberg declared that he had a significant issue around the state's broadband services. He thought it was very costly for the state to operate and conduct business in areas of the state lacking broadband. He voiced that the private sector was not providing service and the state lacked a plan. He favored the consolidation of services, but the lack of broadband was very expensive to the state. He noted every department would benefit from better broadband. He wanted to see a breakdown of broadband costs. He mentioned several communities and the need for broadband. He asked what the administration was doing to enhance the ability of the state to function in places without broadband. He opined that Alaska was operating as a third world country. He believed that the state was not dealing with a vital issue. Ms. Ridle responded that the Office of Information Technology's consolidation plan

consolidated the work of the 17 state agencies and did not involve broadband. She indicated that broadband delivery was not in DOA's budget. She was not an expert in broadband and was unaware of a plan. She offered to provide further information. Representative Guttenberg stated that "if not you who" regarding Ms. Ridle's response. He pointed out that DOA was charging departments for computer use across the state and should create efficiencies for use instead of maintaining the "status quo," which was very expensive. He noted that all departments were advancing various distance delivery services for services like telehealth, education, and court hearings. He countered that the state was unable to deliver the services. Ms. Lowenstein was aware of several things OIT was working on. She admitted that the network was old and OIT was undertaking a network refresh and was installing devices in rural areas to increase the speed and availability of the network. In addition, circuits were being consolidated. Representative Guttenberg believed the old network should be completely scrapped.

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Ms. Ridle scrolled through slide 16 titled "SATS and ALMR" and slide 17 titled " Administrative Services Division." She moved to slide 18 titled "Division of Motor Vehicles." She reported that DMV returned \$39 to \$42 million per year to state government. She offered that DOA was utilizing public and private partnership to deliver services and collected and distributed over \$18 million in motor vehicle registration tax changes to communities. The wait time at DMV was reduced from 40 minutes to 8 minutes. She declared that the improvements were accomplished through reorganization and process efficiencies.

Representative Guttenberg agreed that DMV had been turned around. He thanked the department for their effort.

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Ms. Ridle continued to slide 19 titled "Office of Public Advocacy." She related that OPA received \$86.7 thousand from AMHTA to hire one public guardian. The department was requesting \$1 million to hire 9 more public guardians and one guardian ad litem. She elaborated that the courts send over 100 wards to OPA, which burdened the staff with the high volume of caseloads. The division had raised its fees and had collected more funding than expected. She added

that the OPA had a 40 percent criminal and 60 percent civil case load.

Vice-Chair Gara spoke of the guardian ad litem and stated that they carry the highest caseloads in the country. He asked the commissioner to talk to the administration about doing something different or adding funding to the supplemental budget.

Representative Wilson asked about the "Parent CINA Representation/Civil" listed under the "Allocation or Service" grid on slide 19. Ms. Ridle replied that OPA represented both children and parents in Children In Need of AID (CINA) cases. Representative Wilson deduced that OPA and PDA were involved on both sides of some cases. She asked for the budget breakdown for guardian ad litem.

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Ms. Ridle reviewed slide 20 titled "Public Defender Agency." She noted the amount of \$193.8 from AMHTA for a project in Bethel for a wholistic defense model study. In addition, \$453 thousand was appropriated for Rule 39 to supplement prior underfunding based on faulty estimates.

Co-Chair Seaton asked her to define Rule 39. Ms. Ridle explained that Rule 39 was the payment the department received from the Permanent Fund Dividend.

Ms. Ridle reviewed slide 21 titled "Office of Administrative Hearings." She highlighted that the office was highly effective and had eliminated its backlog via a new caseload management system that was cost efficient. She turned to slide 22 titled "Violent Crimes Compensation Board." She commented that the Violent Crimes Compensation Board (VCCB) budget was derived from federal funds and DOA merely administered its budget. She advanced to slide 23 titled "Alaska Public Offices Commission." She offered that Alaska Public Offices Commission (APOC) budget was cut in half recently and that DOA only administered its budget.

Representative Kawasaki asked how many vacant positions were within the commission. Ms. Ridle replied that two out of the 8 positions were vacant. Representative Kawasaki suggested that other boards and commissions were funded through fee collection. He suggested that APOC could be funded similarly and wondered why it was not. He asked

where the fines and judgments administered by APOC were deposited. Ms. Ridle responded that a part of APOC's budget was supported by fee collection. She agreed with Representative Kawasaki and would be happy to work with someone on legislation to restructure or increase APOC fees.

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Ms. Ridle reported that the "Alaska Oil and Gas Conservation Commission" on slide 24 was basically its own commission funded by industry and chaired by Hollis French. She reviewed slide 25 titled "Public Communication Services." She reported that the Public Broadcasting Commission (PBC) administered its grants.

Representative Ortiz noted the reduction of \$902 thousand since FY 2009 in funding for Public Radio. He asked how the decrease impacted public radio. Ms. Ridle was unable to answer the question and would follow up. Representative Ortiz asked whether it was possible for someone from PBC to advocate for its funding. Ms. Ridle answered in the affirmative.

Representative Wilson asked whether the PBC grants had parameters it had to follow for expenditure of the funds. Ms. Ridle replied that the commission administered and directed its grants. She addressed the Satellite Infrastructure allocation and informed the committee that the infrastructure was a critical piece and backbone of the Emergency Broadcasting System (EMS).

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Representative Guttenberg was aware that Senator Ted Stevens had been a strong supporter of Satellite Infrastructure. He asked what part the infrastructure funding played in the early warning and EMS system. Ms. Lowenstein reported that the funding was for the entirety of the satellite system and was imperative for the EMS system.

Ms. Ridle moved to slide 26 titled "Miscellaneous". relating to several miscellaneous services and allocation within the agency. Ms. Ridle continued to slide 27 titled "DOA Health Care Costs." She deferred to Ms. Lowenstein.

Ms. Lowenstein reported that the slide was a look back at health care cost trends; the amount DOA paid per PCN (Position Control Number) for health care contribution and workers compensation. In FY 19 the amount was \$764.8 and was based on 1,224 PCN's at the time the information was provided. She added that the total DOA health care amounted to \$341,218.4 thousand and was 6.2 percent of the budget.

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Ms. Ridle addressed slide 28 titled "AlaskaCare Annual Savings." She relayed that the slide showed the changes to Alaska Care that would bring down costs to the state. In addition to items listed on the chart, the department was constantly attempting to find ways to bring down costs. She commented that the department recently issued RFP's for travel, pharmacy, and a best value RFP for a third party plan administrator. She reiterated that the department was working on implementing the EGWP to save \$40 to \$60 million in savings. The department was working diligently to save health care costs.

Co-Chair Seaton referenced an individual bid system and asked whether the state was engaged in the system. Ms. Ridle replied that the department did obtain as many providers under contract as possible to offer employees a better price. She added that the third party administrator also tried to bring in as many providers as possible under the network. Co-Chair Seaton restated that he referred to a bid within the network that included travel. Ms. Ridle responded that the travel RFP addressed travel to a doctor outside the network. The RFP allowed the travel and made the arrangements for the patient. The travel RFP would save the state money by allowing and arranging travel to a doctor that provided less expensive services. Co-Chair Seaton understood the process was left to the employee. He mentioned a bid process that offered less expensive services including travel. He asked whether the state was considering the bid based service. Ms. Ridle deferred to the health care policy administrator.

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EMILY RICCI, HEALTH CARE POLICY ADMINISTRATOR, DEPARTMENT OF ADMINISTRATION, responded that she understood the Co-Chair's description was that if someone required a specific specialty procedure a bid process existed among network

providers and the patient would travel to receive the lowest bided service. She answered that the scenario was not an idea contemplated before, but she would follow up. Representative Guttenberg mentioned speaking to a plan administrator who sent everyone out of state for a hip replacement. The plan covered travel for the patient and spouse hotel and for the procedure. He reported that the plan was saving a lot of money.

Representative Kawasaki referenced the Department of Education and Early Development (DEED) health care totals and noted its health care totals were one-quarter of DOA's. He wondered why. Ms. Ridle was unable to answer the question and would follow up.

Co-Chair Seaton mentioned DOA's percent of health care costs at 5.9 percent in FY 18 going to 6.2 percent in FY 19. He asked what drove the increase. Ms. Ridle responded that the largest change was the employee count rising due to the increase in shared services employees moving into the department from other agencies.

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Representative Wilson asked why Medicaid was separate and part of the Department of Health and Social Services (DHSS) budget. Ms. Ricci responded that both Medicaid and the public employer health plans functioned in different regulatory environments. In addition, types of service utilization differed. She delineated that long-term care services and behavioral health services were much higher with Medicaid compared to the commercial plans while the medical care services were essentially the same. However, how the plans were reimbursed were different; fee for service versus a strict regulatory system. She declared that it was not as easy to compare the two systems as it seemed. Representative Wilson opined that pooling services or administration between the plans would save money.

Co-Chair Seaton responded that he read studies that concluded that pooling employee plans and Medicaid was unworkable due to the federal regulations and prohibitions. He deduced that pooling would probably prove to be costlier to the state.

Representative Wilson was suggesting that services such as travel could be shared and believed that cost savings in

health care should be able to cross over plans. Ms. Ricci reported that the two departments had been communicating over the last year about how to share some of the services such as a medical director or some pharmacy services.

Co-Chair Seaton reviewed the agenda for the following day.

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ADJOURNMENT

3:35:57 PM

The meeting was adjourned at 3:35 p.m.