

HOUSE FINANCE COMMITTEE
January 26, 2018
1:34 p.m.

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CALL TO ORDER

Co-Chair Seaton called the House Finance Committee meeting to order at 1:34 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 Cathy Tilton
Representative Tammie Wilson

MEMBERS ABSENT

Representative Steve Thompson

ALSO PRESENT

Brigadier General Laurel Hummel, Adjutant General and Commissioner, Department of Military and Veterans Affairs; Colonel Robert Doehl, Deputy Commissioner, Department of Military and Veterans Affairs; Brian P. Duffy, Director, Administrative Services, Department of Military and Veterans Affairs; Valerie Davidson, Commissioner, Department of Health and Social Services; Shawnda O'Brien, Assistant Commissioner, Finance and Management Services, Department of Health and Social Services; David Teal, Director, Legislative Finance Division.

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:

DEPARTMENT OF MILITARY AND VETERANS AFFAIRS
DEPARTMENT OF HEALTH AND SOCIAL SERVICES

Co-Chair Seaton reviewed the meeting agenda.

#hb285

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."

#hb286

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."

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^FY 19 BUDGET OVERVIEW: DEPARTMENT OF MILITARY AND VETERANS AFFAIRS

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BRIGADIER GENERAL LAUREL HUMMEL, ADJUTANT GENERAL AND COMMISSIONER, DEPARTMENT OF MILITARY AND VETERANS AFFAIRS, introduced herself. She shared that the Department of Military and Veterans Affairs (DMVA) was headquartered at the National Guard Readiness Center on Joint Base Elmendorf-Richardson (JBER).

COLONEL ROBERT DOEHL, DEPUTY COMMISSIONER, DEPARTMENT OF MILITARY AND VETERANS AFFAIRS, introduced himself.

BRIAN P. DUFFY, DIRECTOR, ADMINISTRATIVE SERVICES, DEPARTMENT OF MILITARY AND VETERANS AFFAIRS, introduced himself.

Commissioner Hummel provided a PowerPoint presentation titled "Department of Military and Veterans Affairs FY2019 Department Overview" dated January 26, 2018 (copy on file). She reviewed the department's mission on slide 2. The department provided uniformed members of the Alaska organized militia, which consisted of the Alaska Air National Guard, the Alaska Army National Guard, the Alaska State Defense Force, and the Alaska Naval Militia. The entities came together to support state mission requirements. Additionally, the Army and Air Guard had federal mission requirements for the state. The department provided homeland security and emergency management programs and services; a military style education program for at-risk youth (Alaska Military Youth Academy) - one of the national guard youth challenge programs around the country; and services to the state's veteran population.

Commissioner Hummel addressed DMVA's organizational structure on slide 3. The chart included two additional organizations that were beyond DMVA's divisions. First was the United States Property and Fiscal Office, which served as the chief of the National Guard Bureau's senior representative to the state, accountable for federal funds and property in the possession of the National Guard within Alaska. The office ensured all federal funds were obligated and expended in conformance with applicable guidelines. She clarified that the senior representative worked directly for the chief of the National Guard Bureau. The position was responsible for ensuring the department was spending its federal dollars wisely and legally. Second was the Alaska Aerospace Corporation, which was only administratively aligned with DMVA.

Commissioner Hummel turned to slide 4 and relayed that the department accounted for 0.36 percent of the overall state budget, yet over the past three years the department's team worked to bring more than 42 times the amount in federal funding to the state. She continued that the figure had grown significantly over the past three years despite a

downward turn in general funds. She pointed to the bottom of slide 5 and detailed that between FY 15 and FY 17 the department consumed 14 percent less undesignated general funds (UGF), but garnered 43 percent more federal funding with that money. The motto was to find and spend the other guy's money.

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Mr. Duffy addressed slide 6 with prepared remarks:

This slide shows the funding history for all fund sources for the Department, the Alaska Aerospace Corporation, and the Alaska National Guard Retirement Benefit appropriations. The DMVA's budget showed a nominal 4 percent growth over this period. The Alaska National Guard Retirement Benefit funding is no longer reflected in DMVA's budget, and we would request queries on the Alaska Aerospace Corporation be directed their way.

Mr. Duffy turned to the department's funding by line item on slide 7:

This slide shows DMVA's funding history by line item...as you can see, the majority of our funds support Personal Services costs and the Programs and Services we execute with nominal funding for travel, commodities, capital outlays, and those associated with grants/benefits. This slide also shows the reductions to Alaska Aerospace receipt authority reflected in the previous slide.

Mr. Duffy reviewed the department's General Fund funding history on slide 8:

This slide takes a slightly different look at our GF historical funding profile and I'll take a minute to orient you. The blue sections are our normal GF lines, the red represents funds which historically were a pass through from DEED to support our Alaska Military Youth Academy operations...these were incorporated into our GF line in FY15--so blue plus red turns to all blue in FY15. The green sections represent GF formerly associated with the Alaska Aerospace Corporation, again, all removed in FY15. And, the yellow represents an inflationary adjustment based on the 2017 Consumer

Price Index. So, when you take the sum of blue, red, and yellow back in FY07 and compare it against our budget proposal in FY19, what you see is about a 15 percent overall reduction over that 12 year period.

Mr. Duffy highlighted the department's General Fund funding profile history by appropriation (GF only) on slide 9:

Looking at our GF funding profile history a different way, what appears to be a significant jump in funding over time is more easily explainable. That upward spike in the DMVA appropriation in GF is that transfer of the former DEED funds we'd previously tracked as Inter-Agency Receipts. Additionally, you'll see a moderate increase based on our proposed FY19 increments associated with expansion of the Alaska State Defense Force, our new Special Assistant position helping to protect and grow DoD investment in the State, and support requirements associated with the gain of the C-17 mission at Joint Base Elmendorf-Richardson. Additionally, this slide outlines the Legislature's previous elimination of GF support to the Alaska Aerospace Corporation.

Mr. Duffy addressed DMVA operating budget requests on slide 10:

Our approach to this year's Operating Budget can best be binned in three broad categories. Looking first, at areas where we could further reduce, we recognized Federal Receipt Authority in our Army National Guard Facilities Maintenance component exceeded need over the past few fiscal years; as such, we reduced that amount by \$1 million this budget year to better match historical actuals. There is no program change in this area, simply adjusting the books to better align with historical spend.

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Mr. Duffy discussed the commitment to divest from Alaska Army National Guard Former Scout Armories (AKARNG) on slide 11:

Additionally, and in concert with key external stakeholders such as the National Guard Bureau and the Alaska District of the US Army Corps of Engineers,

we've undertaken an aggressive plan to divest more than 60 AK Army National Guard Former Scout Armories. The termination of the recruiting Federal Scout Waiver, elimination of the 207th Infantry Group (Scout), and other factors challenged the AK Army National Guard's ability to recruit in many rural locations once operational. Additionally, participation in the Army National Guard in these areas diminished to the point where many Former Scout Armories (sometimes referred to as village Readiness Centers) no longer fulfill a Federal requirement.

Initial estimates on annual savings is \$20K per property, per year (utilities, maintenance, land fees, etc.)...with 8 locations already complete, a dozen or so currently underway, and the remainder projected for execution over the next four years. It's important to note the benefactors noted in the "Completed" section of this slide aren't necessarily representative of what the final disposition will be for those remaining to be divested. Each facility has its own attributes and ownership details...some Federally-owned, some State, some Municipal, some Tribal, some privately-owned, etc. Similarly, the land they sit on has this same type of ownership categories. As such, each will follow its own path, depending on the relevant statutes and regulations.

Finally, we retain responsibility to ensure facilities and properties are free of environmental hazard, another key element to the sequence in which these properties can be actioned.

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Co-Chair Foster remarked that Nome was not included on the list (on slide 11).

Mr. Duffy responded that Nome should be included in the "retain" category on the slide. He relayed the department would fix the error.

Mr. Duffy continued to slide 12, which showed photo examples of AKARNG former scout armories:

This slide shows the typical interior of these facilities, most of which have been vacant for several

years with varying degrees of utility connections remaining in place.

Mr. Duffy turned to slide 13 and addressed FY 19 operating budget requests with prepared remarks:

Coming back to our next reduction area, effective October 1, 2017 the amount of the State Administrative Agency Grant with the US Federal Government was increased to cover 100% of our Veterans' Services Program Manager II's salary and benefits (approx. \$130.5K), as well as other non-personal services costs...given the opportunity, our intent would be to re-roll those General Funds to bring on additional contracted staff to provide services to our continuously growing Veteran population, now exceeding 70,000.

Finally, with great focus on recruitment and hiring actions, and proactive management steps, we're reducing overtime expenditures in our Alaska Military Youth Academy...a program which continues to exceed expectations, having graduated the highest number of cadets in the program's history this past August.

Maintain: With respect to the four major mission areas I described earlier, baseline funding is generally maintained at current levels; however, we are taking action to do some cleanup work this cycle by standing down our National Guard Military Headquarters component and moving it under the Office of the Commissioner. This component only held two positions, that of our two Assistant Adjutants General for Air and Army, with nothing else...combining them under the Office of the Commissioner simplifies our budget lines and makes good mission sense.

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Vice-Chair Gara referenced the department's goal to minimize unnecessary overtime expenditures pertaining to the Alaska Military Youth Academy (AMYA). He asked if there was capacity in the AMYA program to take in additional students.

Commissioner Hummel answered that the program was at capacity for the staffing funding levels. She elaborated

the program had a successful recruitment plan and there were often more applicants than the program could take. She explained the program would need to hire more staff or there would be expensive overtime for team leaders.

Vice-Chair Gara asked if it would be beneficial to troubled youth if the academy had additional staff needed to increase the program's capacity.

Commissioner Hummel replied that the department absolutely believed it would be beneficial to Alaska. She elaborated that the benefit of National Guard youth challenge programs throughout the U.S. had been well recorded by Rand Corporation studies that every dollar invested in a National Guard youth challenge program saved \$2.66 of societal costs. Alaska's youth challenge program was consistently regarded as one of the top five in the country - arguably number one or two every year. The academy had a proactive pre-apprenticeship program that Mr. Doehl would provide detail on later in the meeting. The department believed in the program and she believed the statistics on the program's success spoke for themselves.

Mr. Doehl shared that the director of AMYA, Bob Roses would be in Juneau later in the week and would be available to address detailed questions about the academy. The department had leveraged U.S. Department of Labor funds to collaborate on more logical career track for academy graduates. He discussed FY 19 operating budget requests on slide 13 that included three categories: reduce, maintain, and grow. He explained the department prided itself on being a compliance based organization. He shared that the department had been asked by some committee members why it had not approached the Legislative Budget and Audit Committee previously - DMVA had looked at AS 37.07.080, AS 37.05.146 and the Alaska Legislative Budget Handbook dated October 2016 and it had missed the requirement to do so. The department would revise its processes in order to be better equipped to meet the committee's expectations. When DMVA had looked at the materials it believed were relevant it had not spotted the requirement.

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Mr. Doehl addressed slide 13 and read from prepared remarks:

First, following direction in the 2016 National Defense Authorization Act passed by Congress and in response to the retirement of legacy C-130 tactical airlift aircraft assigned to the Alaska Air National Guard, earlier this year, the US Air Force transferred 8 C-17 strategic airlift aircraft from the active duty component to the Alaska Air National Guard. This action not only preserves strategic airlift capability supporting Pacific Command, but restores and improves similar capabilities for the State to support relief operations during disasters, search and rescue missions, and other civil support needs. While the aircraft and their maintenance requirements remain fully Federally-funded, we gained operations and maintenance responsibility for three facilities on Joint Base Elmendorf-Richardson, totaling more than 480,000 square feet (a large aircraft hangar and two additional support facilities). This new requirement brought on 5 new facilities maintenance positions which are 75 percent supported by Federal funds. Additionally, this action preserves the existing 250-person airlift squadron, which is part of the 176th Wing, continues support to jump training for & readiness of the 4th Infantry Brigade Combat Team, 25th Infantry Division at JBER, and keeps the Rapid Reaction Force capability at Fort Wainwright ready and relevant by having airlift in close proximity to react quickly when crises emerge.

On the timing of this request, when considering mission changes, such as this, or new mission beddowns such as the F-35 deployment into Eielson AFB, the Air Force uses a process called a Site Activation Task Force, or SATAF, to assess all the elements necessary to make the mission successful...these include manpower, facilities, and other support requirements. For this action, the SATAF's results, outlining the transfer of the 3 facilities to the AK Air National Guard and the need for an additional 5 Labor, Trade, & Craft positions to operate and maintain them, wasn't finalized until this past summer.

Additionally, to promote further engagement in and provide opportunity to rural Alaska, we again propose further expansion of the Alaska State Defense Force to include a new 80-person headquarters element in Bethel and three 70-person scout elements elsewhere in the

State. This \$210,000 increment provides funding for initial equipment and supplies for this new organization.

During the hurricanes in the Southeastern United States this past fall, the value of state guards was invaluable. The State of Texas is calling for doubling their Texas state guard from 2,500 to 5,000 based on the success there. In fact, our own Alaska state defense force ended up deploying to assist with communications capabilities in Puerto Rico after the disaster.

Mr. Doehl noted that the Alaska state defense force would be paid in full by the Federal Emergency Management Agency (FEMA) for its work in Puerto Rico.

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Mr. Doehl continued with prepared remarks:

Furthermore, following early last summer, as the previous session drew to a close, and after attending an Association of Defense Communities symposium in Washington DC while the proposed Base Realignment and Closure language for the 2018 National Defense Authorization Act was being written, it became evident to us Alaska's posture to protect and potentially growing DoD investment in the State was passive and reactive at best. With all due respect, we'd posit the US military presence in AK has been taken for granted. For many decades, AK coasted on a formula based on three things: WWII and Cold War infrastructure, Senator Stevens, and geostrategic location. WWII was 70 years ago, Cold War ended nearly 20 years ago, Senator Stevens tragically passed away 8 years ago, and yet our geostrategic location remains. Recent attempted force reductions of the 4-25 at JBER and F-16s at Eielson are signs we need to step up our game. Additionally, to increase the responsiveness and lethality of the Force, the recently released 2018 National Defense Strategy states, "The Department will also work to reduce excess property and infrastructure, providing Congress with options for a Base Realignment and Closure."

Other states are ramping up the competition, too. 35 other states currently have military affairs offices concerned with force structure and military base issues, with more than half of these having been created since 2011. Half of all states report they retain a private lobbyist in Washington, DC to lobby on these issues. According to Association of Defense Communities survey, the average amount spent was \$300,000 annually.

According to same survey, 75 percent of states report they take advantage of DoD Office of Economic Adjustment grants...the State of AK has never applied for these funds. While a priority of Commissioner Hummel's and our department, DMVA has lacked the bandwidth and new position is in the process of coordinating a 2018 grant application for supply chain study.

Mr. Doehl elaborated that the average state had two to six full-time employees of the two-thirds of states with individuals dedicated to military force structure. The department was asking for one position.

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Mr. Doehl returned to reading from prepared remarks:

Many states bond for infrastructure projects to assist bases. Some award \$ directly. For one brief example, the State of TX created \$30 million grant program in 2017 to match community dollars on base related infrastructure projects - projects that typically lower utility costs. Not that we're recommending this, but a TX legislator passed subsequent legislation to make their process immune from Freedom of Information Act (FOIA) requests so the "competition" couldn't request materials on their work.

Mr. Doehl added that military facility zones were a good step forward, but DMVA believed more was needed. He continued with prepared remarks:

Additionally, it's also time of new opportunity: after a decade or more of bi-partisan focus through two administrations, the Pentagon and Congress are beginning to wake up to threats from a changing

Arctic. One outcome is a down payment on one polar class ice breaker. However needed, that's not likely to be home-ported in AK.

North Korea's bellicose stance and work of Senator Sullivan - led to investments in GMD (ground based missile defense) at Ft. Greely.

So, this is a time of opportunity, wherein, we need to seize the day in a smart and cost effective yet still aggressive way. As state legislators understand, two things are critical to functioning of government and legislative bodies in particular: personal relationships and being in the right place when things start to move. Having staff in DC, in particular, helps on both accounts.

In past two weeks alone, special assistant has met with: Association of Defense Communities, National Guard Association, DoD National Guard Bureau, USCG Senior Arctic Policy Advisor, NOAA Senior Arctic Policy Advisor, National Governor's Association staff, and colleague with similar responsibilities for State of California. This is, of course, in addition to meeting Congressional Delegation Staff and others.

In summary on this topic, whereas most States have 2-6 full time personnel on board to perform this important mission, Alaska had none...as such, on 1 Dec 17, we brought on an additional Special Assistant position, stationed in the Governor's office in Washington DC, to save on per diem and travel, to take on this task.

Mr. Doehl addressed the last two bullet points on slide 13 showing two position requests. He elaborated with prepared remarks:

Finally, continuing efforts to leverage other fund sources, we found opportunity to bring on two additional, 100 percent Federally-reimbursed positions to carry on critical tasks in the Department. First, an Emergency Management Specialist in our Army National Guard component will assist with support planning & preparedness actions and further synergize efforts between our State Emergency Operations Center and our National Guard Joint Operations Center. Additionally, an Airport Leasing Specialist (really a

Real Property specialist) will take on the task of tracking and maintaining our inventory of facilities and infrastructure supporting our Army National Guard, an effort previously done by a military member; however, that position was recently deleted by the National Guard Bureau.

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Commissioner Hummel excused herself to attend a training.

Co-Chair Seaton noted that the presentation would need to end at 2:10 p.m.

Representative Guttenberg asked if DMVA had started a tsunami preparedness review given the state alert earlier in the week.

Mr. Doehl answered in the affirmative. He detailed the department had conducted a thorough after action review. He explained that the department had federal partners. He elaborated the coming week the department's director of Homeland Security and Emergency Management would meet with his federal counterparts to do a synergized look at the federal sensors that fed the warning and the state response. The group would look at what worked, what the state wanted to improve, and what actions the state needed to take to better serve Alaskans in the future.

Representative Guttenberg asked about the status of the veteran cemetery in Fairbanks.

Mr. Doehl answered that he was not certain. He elaborated that in the past hour Governor Bill Walker had met with the mayors of Fairbanks (the borough and city) to discuss two proposed parcels and obtain community feedback, with the goal of finalizing a plan and developing a contract to proceed.

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Co-Chair Foster spoke to the expansion of the Alaska state defense force for rural engagement. He referenced the department's testimony that all but one of 80 positions in Bethel would be part-time. He wondered whether the average person would be putting in four hours a week, four hours a month, or other.

Mr. Doehl answered the typical Alaska state defense member (including detachments recently opened in Kwethluk and Quinhagak and a site about to open in Kotzebue) worked one weekend - typically two 8-hour days done at their own expense on their own time.

Co-Chair Foster referenced DMVA testimony that the cost would be \$210,000. He asked if the figure was made up of state funding only or included federal funds.

Mr. Doehl replied it was both - there was currently no federal funding commitment. The department had made proposals to address how it met federal Department of Homeland Security needs. There were some 501(c)(3) funds donated to the effort from organizations and individuals.

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Mr. Duffy returned to the presentation beginning with slide 14. He referenced their earlier testimony on FY 18 supplementals for the C-17 mission gain and a new special assistant position. Additionally, the department was finalizing a proposal for an increase to the state's Disaster Relief Fund, which he would discuss later.

Mr. Duffy turned to slide 15 and read from prepared remarks.

Our Capital requests consists of Federal Authority only, allowing opportunity to continue use of grants received to support our Homeland Security mission across the State. Specifically, our State Homeland Security Program (SHSP) and Pre-Disaster Mitigation (PDM) Grant Program increase mitigation, preparedness, response, and recovery capability for local and State government. Our requested authority factors in older appropriations. As the grants come in, they are drawing down on the older appropriations. Because of this, the amount the Department request year-to-year will fluctuate based on the amount already available in existing appropriations.

Additionally, our Capital Budget request includes receipt authority associated with the National Guard Counterdrug Support Program (CDSP) which supports law enforcement agencies in drug enforcement operations,

assists in training Law Enforcement Officers, and provides community-based drug awareness programs. Our team currently provides intelligence support to this effort and would share in the proceeds from assets seized and sold under the U.S. Department of Justice Asset Forfeiture Program, designed to deter crime by depriving criminals of profits and proceeds from their illegal activities.

Finally, while we have no specific deferred maintenance requirements in this budget, we'll look to compete with other State agencies in this area, pending passage of the Alaska Economic Recovery Plan.

Mr. Duffy addressed the department's manpower levels from 2008 to 2018 on slide 16. He explained that when history was combined with actions taken in the DMVA budget submission, there was a net reduction of almost 20 percent and a reduction of 63 positions over the past six years. The proposed FY 19 budget showed a net growth of seven positions - two were 100 percent federally funded, five were 75 percent federally funded/25 percent state funded, one was 100 percent GF funded. He noted that one non-permanent position had been taken off the books because DMVA could not get into agreement with the local bargaining unit.

Representative Wilson asked about the reason for the removal of 16 positions from the academy in FY 17. She wondered if there had been a drop in enrollment or other.

Mr. Doehl answered that there had been two reasons. First, the department found there were positions DMVA lacked funding for. Second, cutbacks had to be made in some area and DMVA had discovered that improved scheduling and efficiencies allowed the work to be done at the same level of service with fewer people. Additionally, there had been vacant positions that had not been filled for years - the empty PCNs [position control numbers] had been removed for more transparency.

Representative Wilson requested the information. She knew there were federal funds normally tied to AMYA depending on what had been done in the state. She considered whether something could be done to enable more Alaskans to take advantage of the academy. She reasoned that it was an

entirely different issue if DMVA could not fill the positions.

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Mr. Duffy moved to slide 17 and read from prepared remarks:

With our programs currently operating at the minimum levels to avoid mission failure, recruitment and retention is a key focus area. While we've generally been successful in filling vacant positions timely, we have our instances where we remain challenged. Our Internet Specialist position in the Department is on its fourth recruitment action within a year with interviews scheduled in the very near future. Additionally, our Alaska Aerospace teammates show a long-term vacancy which they can discuss further with you separately.

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Mr. Doehl shared that slides 18 through 20 showed detail on the department's allocations/programs including funding, the number of employees, the population DMVA reached, and whether they were required by the state constitution, the federal government, or by state statute. He noted that the National Guard headquarters allocation went to zero because DMVA proposed transferring the two positions to the Office of the Commissioner.

Mr. Duffy turned to slides 21 and 22 and read from prepared remarks:

Health Care costs for our Department, mainly the State contribution to employee plans and Workers Compensation payments, averaging between 8-9 percent over the last several years, generally trend along with most other Departments...

...focusing specifically on the DMVA, you can see our Health Care costs over time with details on the Employer Contribution and Workers Compensation. I'd attribute the downward trend primarily to the reduction in positions we've seen over the last six years (63 in total).

Mr. Duffy moved to slide 23 and spoke about the department's promotion of a healthy lifestyle:

Cost aside, we are focused as a Department on promoting a healthy lifestyle. Our uniformed members of the National Guard must comply with height, weight, and fitness standards. We offer a variety of wellness programs to our members and their families. Our major operating locations have, or are in close proximity to, buildings or areas for fitness activities. Our AMYA cadets and cadre participate in regular physical activity. And, on the topic of spiritual wellness, our National Guard Chaplain Team is available to all our members whether in uniform or not.

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Mr. Duffy reviewed slides 24 through 26 related to the Disaster Relief Fund. The fund included numerous proposals for increasing the FY 18 supplemental and FY 19 budget. The fund was executed under authority vested in AS 26.29.300 and was a legislatively approved, readily available fund source to speed relief and recovery actions during various emergency situations. He read from prepared remarks:

...in general, when an event occurs, local jurisdictions will perform the initial response. If the events exceeds their capacity, they may request assistance from the State, following which the DMVA Commissioner will convene a multi-agency Disaster Policy Council to review the facts and circumstances surrounding the event and prepare recommendations for the Governor to consider. As you can see in the lower part of the slide, cost estimate thresholds dictate actions requires by the Executive Branch and, in response to more severe situations, include required approvals by the Legislature.

This slide depicts the final authorized history over the last six years for our Disaster Relief Fund...the UGF figures shown include all actions taken by the Legislature to appropriate funding for this purpose, be it through the Governor's Budget request, supplementals, or other authorized actions. Additionally, it shows the amount of Federal funding authorized during the same period for request approved at that level. Many of you may recall the devastation

seen following the spring breakup of the Yukon and Koyukuk Rivers in May of 2013, wherein the communities of Circle and Galena experienced catastrophic impacts from both riverine flooding and the ballistic impact of river ice. In Galena, ~90 percent of all residences and public/commercial infrastructure that was located outside of the ring levy protecting the runway and the Galena Interior Learning Academy were impacted by floodwaters and ice. This necessitated the emergency evacuation of a majority of the residents to both Fairbanks and Anchorage. Due to the severity of the disaster, and the impact to individuals and families, the Governor authorized implementation of both the Individual and Family Grant (IFG) program and the Temporary Housing program. The President also declared the disaster and implemented the federal version of IFG. The damage was so widespread and severe that the State of Alaska and FEMA provided temporary housing and emergency congregate sheltering for upwards of 18 months, in order to mobilize resources and volunteer agencies to rebuild and repair homes that were destroyed or damaged from the floods in each community. In addition to that disaster, two more disasters were declared in Fiscal Year in the October Kenai Peninsula Borough Floods and the 2013 November Storms (federal DR-4162).

Mr. Duffy advanced to slide 27 and continued with prepared remarks on the Disaster Relief Fund:

In terms of the current fiscal picture, at the beginning of this week, our DRF balance was approximately \$4.8M. We have two recently declared disasters in the North Slope and Kenai Peninsula Boroughs which are projected to decrement this amount by approximately \$3.5M, leaving only \$1.3M as our projected available balance as we approach the window for Breakup in 2018. Our \$2M request in the FY19 budget combined with an amount being finalized for submission as a potential FY18 supplement appropriation will restore our DRF to a level which will help us rapidly respond to communities in crisis and aid in their recovery.

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Mr. Doehl provided wrap up on slide 28:

In summary, while we're a small Department, we have a BIG impact. Our programs are operating at the minimum funding and/or staffing levels to avoid mission failure. Finally, we're looking to invest where the mission dictates, but are keeping sharp eyes focused on leveraging other fund sources when available.

Co-Chair Seaton thanked the department for its presentation.

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AT EASE

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RECONVENED

[^FY 19 BUDGET OVERVIEW: DEPARTMENT OF HEALTH AND SOCIAL SERVICES](#)

[2:14:53 PM](#)

VALERIE DAVIDSON, COMMISSIONER, DEPARTMENT OF HEALTH AND SOCIAL SERVICES, introduced herself and department staff. She provided a PowerPoint presentation titled "Department of Health and Social Services House Finance: FY2019 Department Overview" dated January 26, 2018 (copy on file). She began on slide 2 and detailed that the Department of Health and Social Services (DHSS) was originally established in 1919 as the Alaska Territorial Health Department. With the formal proclamation of statehood on January 3, 1959, the department's responsibilities were expanded to include the protection and promotion of public health and welfare. The slide included links for the DHSS homepage and other resources that may be helpful for individuals looking for more information about the department. The department's constitutional authority was located in Article 7. The duties of the department were located in statute in Title 47. The last link on the slide was for the DHSS FY 19 proposed budget. She noted the next four slides had been prepared by the Legislative Finance Division (LFD).

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SHAWNDA O'BRIEN, ASSISTANT COMMISSIONER, FINANCE AND MANAGEMENT SERVICES, DEPARTMENT OF HEALTH AND SOCIAL

SERVICES, turned to slides 3 showing the department's designated general fund budget (DGF) from FY 09 to the current year. The trend had been a decreasing budget until the most recent year. The FY 19 budget request included the department's increase to the Medicaid program. She shared that more detail would be provided throughout the presentation.

Ms. O'Brien turned to slide 4, which showed the entire funding for DHSS by line item. She detailed the majority of the department's funding was located in the grants and benefits line, the majority of the funds were benefits going to recipients throughout Alaska, some of which were paid out to various grantees across the state. The grants program had been growing steadily. Most of the other line items had remained fairly static over time.

Ms. O'Brien moved to a breakout of the DHSS budget General Fund (GF) only by division (slide 5). The bottom of the chart showed all of the different divisions in the department and depicted how their funding had trended over the years. There was not a significant amount of change to the divisions with the exception of the Medicaid program shown at the top. The Medicaid funds represented the governor's FY 19 budget, but excluded the GF request in the supplemental budget. She noted the chart appeared lower than what the department had actually requested due to the supplemental.

Representative Wilson referenced the \$127 million increase attributable to Medicaid. She understood \$100 million should have been included in the budget the previous year. She remarked there had been a decrease in the past and asked if Medicaid expansion was responsible for the substantial uptick [from the previous year].

Ms. O'Brien replied that the department had been on the record the previous year that its number for FY 18 was not going to be 100 percent accurate. The UGF growth in the department for Medicaid was not attributed to expansion. The growth was largely due to non-expansion categories. She detailed that enrollment numbers had increased substantially.

Representative Wilson requested written information showing the growth in Medicaid and Medicaid expansion separately over the past five years. She wondered if it was the

economy or that more people learned about the program and had access.

Ms. O'Brien replied that there was a slide that would address the issue later on.

Representative Ortiz asked where the day habilitation (day-hab) services program was housed in the budget. He asked if it was included in Senior and Disability Services.

Ms. O'Brien replied that it was in the Medicaid program - it was included in the green bar representing Medicaid on slide 5. She explained that the services were built into the Medicaid budget - it was difficult to see them separated that way.

[2:22:03 PM](#)

Vice-Chair Gara stated that looking at the Medicaid expenses per fiscal year meant the FY 18 number should be \$100 million higher and FY 18 should show \$27 million in expected growth. The testimony from [Office of Management and Budget] director Pat Pitney was that reimbursement rates had been cut in some areas but there were no additional programs. He asked if his statements were accurate.

Ms. O'Brien answered in the affirmative. From the perspective the funds had already been expended, there would be a \$27 million difference in GF spending only between what the department expected to spend in FY 18 on into FY 19.

Ms. O'Brien moved to slide 6 that illustrated a breakout of the DHSS budget by division including all fund sources. The Medicaid number showed a larger increase between FY 18 and FY 19. The increase combined the GF request in the supplemental as well as the RPL [revised program legislative] approved earlier in the year for \$525 million.

Co-Chair Seaton remarked that Ms. O'Brien had stated that the \$127 million Medicaid line on the previous slide did not include supplementals.

Ms. O'Brien clarified that the department's FY 19 request showed the total \$127 million increase in UGF, while the FY 18 number on slide 6 did not.

Vice-Chair Gara asked about the RPL request for \$529 million. Ms. O'Brien replied clarified the \$525 million request had been approved in November.

Vice-Chair Gara stated that it was almost half of the department's GF budget. He asked for detail.

Ms. O'Brien answered that the \$525 million was a federal authority increase representing the increase to the Medicaid program for several categories in the Medicaid services areas.

[2:24:53 PM](#)

Ms. O'Brien moved to a bar chart on slide 7 illustrating the funding sources across the department. She highlighted some of the changes in the FY 19 budget. The largest changes were through the Medicaid program. The other changes were more in line with technical changes, including a \$1.4 million increase in funding to the Office of Children's Services (OCS) to fully fund the positions added in the FY 18 budget. The department had also requested \$6.5 million in federal authority in the OCS budget in line with an RPL request the previous year due to increased federal claiming potential from efficiencies achieved in the DHSS cost allocation process. The Alaska Pioneer Homes increased its federal receipt authority to accommodate an increase it would receive in reimbursement from the Veterans Administration beginning in October 2018. The largest change occurred in 2017 (not identifiable on the slide) - the department had been able to utilize features in its accounting system to better identify sources of funding that were truly GF match versus GF funding sources. There was a large amount of funding across the department that represented a change from GF to GF match - about \$130 million.

[2:27:05 PM](#)

Ms. O'Brien continued to address slide 7. There was a request in the governor's budget to continue funding for the Senior Benefits Program. She detailed it was not a budget change and would not be shown as such from FY 18 to FY 19; however, the program was due to sunset in the current year.

Representative Wilson thought the state had been seeking a waiver.

Ms. O'Brien replied that nothing had been passed in 2017 to extend the program.

Representative Wilson thought the state had been eligible for waivers to offset some of the cost. She believed it had been in SB 74 in a past year.

Ms. O'Brien believed Representative Wilson may be thinking of the Senior and Disabilities program. She was addressing the Senior Benefits Program in the Public Assistance budget.

Ms. O'Brien advanced to the Medicaid budget from FY 15 to FY 19 on slide 8. The slide was meant to illustrate how the budget for Medicaid services had grown; however, the GF budget for FY 19 was still under the FY 15 UGF amount. The information reflected the department's work to reduce its GF spending through reform efforts and other activities.

[2:28:57 PM](#)

Ms. O'Brien spoke to slide 9 that included a breakout of the state's population and Medicaid. The bottom portion of the chart highlighted Medicaid enrollment beginning in 2000. The population had been between 600,000 and 700,000 at the time. The population had steadily increased until the past couple of years. She believed the most recent Department of Labor and Workforce Development figures showed a slight population decrease. There was a breakout for the expansion enrollment compared to the regular Medicaid enrollment beginning in 2016 (shown in yellow). The projections for FY 18 and FY 19 were on track with trends.

[2:30:13 PM](#)

Commissioner Davidson moved to slide 10. There were 98 rows of programs within DHSS, which had been numbered to make tracking easier. The gray portion of the charts represented roll ups for the department and particular divisions. She pointed out the "rating of the importance to mission" column and used the Pioneer Home allocation in row 3 as an example and noted the rating was listed as "critical." She shared that the department had used the House Finance

Committee's criteria from the previous year. Critical meant the allocation or program was directly accomplishing the department's constitutional or statutory authority mission statement. An "important" classification meant an allocation or program may not relate directly to core services but perhaps provided indirect supports and services that would need to be reassigned if the program did not exist. There was a "rating of effectiveness" column using as scale of 1 to 3. She explained a rating of 1 meant DHSS was getting the job done, a rating of 2 meant it was getting the job done but with substantial opportunity for improvement, and a rating of 3 meant it was not getting the job done and opportunity for improvement was limited. Row 1 showed the department total of \$3.25 billion, comprised of \$1.165 billion UGF, \$79.1 million DGF, \$1.885 billion in federal funds, and \$123.146 million in other funds (typically program receipts).

Commissioner Davidson reviewed the specific divisions beginning with the Alaska Pioneer Homes with a \$63.34 million budget (1.95 percent of the department's overall budget) on row 2. Row 3 reflected Pioneer Home management and row 4 was the majority of staffing and the component that provided services directly in the home.

Commissioner Davidson turned to slide 11 and addressed the Division of Behavioral Health in row 5. The division's total budget was \$133.4 million (4.1 percent of the department's overall budget). She did not intend to review each row, but would review division areas with the largest number of employees and largest UGF.

[2:34:19 PM](#)

Commissioner Davidson turned to slide 12. She reported that the Alaska Psychiatric Institute (API) had the highest number of employees at 252. She detailed that API was an 80-bed facility and had been notorious recently in news media. She shared that in 1963 the facility had been a 220-bed facility; it reached its highest bed number of 225 in 1965. She elaborated there had been a national effort beginning in 1973 to move away from institutional care - especially for individuals living with disabling conditions and serious and chronic mental illness. At that point the occupancy at the old API began to decline intentionally. When the new facility was contemplated a feasibility study had been done recommending a 124-bed facility, which also

identified 40 forensic beds. She believed at the time a compromise had been made to house 80 beds and 10 forensic beds. She explained that there had been adjustment going from 220 beds down to 80 - the impact was being felt at present. The department knew more now than it had at the time - people had made the best decisions based on the information they had at the time - if more had been known they may have done things differently.

Commissioner Davidson elaborated that the department was required to do a Joint Commission for the Accreditation of Hospital Organizations (JCAHO) annually. The department was requiring room remodels including bathrooms. Therefore, API would be down 10 beds in the first phase and 10 beds in a different wing of the facility during the second phase. She noted it was a challenge.

[2:37:27 PM](#)

Commissioner Davidson shared that the largest UGF in Behavioral Health was on row 6 (slide 11) pertaining to treatment and recovery grants. The department appreciated the committee's effort to address substance abuse disorders; the \$6 million provided previously had made an impact in the community. As a part of the governor's public safety action plan there was a multi-year request for an additional \$18 million to help address addiction related issues, especially in the opioid epidemic facing the state.

Representative Tilton mentioned a large number of grants within the Division of Behavioral Health and within DHSS that were growing. She was concerned about overlapping services and asked for comment.

Commissioner Davidson responded she could follow up with some of the information. The department's biggest opportunity for change in that regard would come from the 1115 waiver. The department would submit its waiver application to the Centers for Medicare and Medicaid Services (CMS) on January 31. The department had worked with tribes, stakeholders, providers, and beneficiaries over the past couple of years to change how it addressed behavioral health services. Items that were most often funded through Behavioral Health were the high acuity level of care. The waiver would allow DHSS to do earlier interventions much sooner so that individuals did not rise

to level of acuity seen currently. One of the waiver requirements would be performance metrics and measures.

2:39:51 PM

Representative Tilton asked about streamlining information in Behavioral Health. She recalled working on the budget as a legislative staffer in the past and noted streamlining was a big challenge. She remembered a group had been formed to look at the issue - she asked about the status.

Commissioner Davidson replied she could follow up with the information. One of the challenges throughout DHSS programs was an increase in the amount of federal reporting requirements. She observed that sometimes in healthcare it felt like there was one step forward and one or more steps backwards.

Representative Guttenberg asked about rows 8 and 9 related to Behavioral Health (slide 11). He remarked that many grant recipients had issues with how the grants were administered. He remarked that the department rated its effectiveness as a 2. He asked what actions DHSS was taking to improve effectiveness.

Commissioner Davidson responded that a major impetus to receive the 1115 waiver was to remove many of those barriers. She acknowledged that the department was sometimes the impediment to being able to make progress. The department had received substantial feedback from stakeholders that the administrative burden was significant. The 1115 waiver would waive the Social Security Act requirements that were currently passed through to grantees. The opportunity to waive some of the requirements would make a huge difference for DHSS.

Representative Guttenberg referenced row 8, column 2 on slide 11. He pointed to the \$700.2 and asked if it was a number or a cost code.

Ms. O'Brien replied that the \$700.2 was a fund source.

Commissioner Davidson turned to slides 13 and 14 pertaining to OCS. Row 15 included a division total of \$163.97 million represented slightly over 5 percent of the department's overall budget. Front line social workers in row 18 accounted for the majority of employees and rows 20 through

23 pertained to the foster care, adoption, and guardianship payments formula. She thanked the committee for the additional front line staff, which had made a significant difference. For the first time in the first quarter of FY 18, 23 more children had been discharged than were removed, which was a substantial change. She discussed that between FY 14 and FY 16, 30 percent more children had been removed rather than discharged.

Representative Wilson looked at row 18 on slide 13. She observed there were 66 vacant positions at the time the presentation had been compiled. She spoke to the vacancy rate in the department's budget book and noted the FY 18 to FY 19 change from \$2.5 million to \$1.6 million. She asked if the \$921,000 difference was UGF the department could spend because it was no longer part of the vacancy rate.

Ms. O'Brien asked if Representative Wilson was speaking about the budgeted vacancy rate changes from year to year.

Representative Wilson answered in the affirmative.

Ms. O'Brien explained that the department annually evaluated how it spent in the prior year, how it claimed federal funds, and how spending took place across the department and divisions to determine whether an alignment of funding was needed based on how it anticipated spending in the coming year. Often the department was caught in the middle of spending because it was closing out a budget year while developing a management plan for the current year and the budget for the following year. She stated the process typically required staff to estimate whether changes would occur.

Ms. O'Brien addressed vacancy rates and explained there was a fluctuation across all components depending on whether funding had changed somehow. She cited the increment received by the department the previous year as an example of something that could impact how much the department needed to budget for a vacancy rate. Sometimes changes were seen because the department had deleted positions or funding was no longer available in certain areas; therefore, funding sources were shifted to other line items. The change represented an alignment of how positions were being funded and how the department had spent in FY 17.

Representative Wilson remarked that the [\$921,000] difference was substantial. She was trying to determine, without adding any additional positions, whether the \$921,000 was UGF or federal UGF. She was trying to better understand what had been learned, about substantial changes, and how much money may leave the state coffers that had not previously been spent because the department had held months open for vacancies.

Ms. O'Brien replied that she would follow up with more specific detail on the component. The money that was appropriated to the front line social worker component by line item did not change. How the positions were funded showed the change, not the overall funding for the entire budget.

[2:48:32 PM](#)

Commissioner Davidson addressed the Division of Health Care Services on slides 15 and 16. Row 24 reflected the division total of \$21.866 million or 0.67 percent of the department's overall budget. Medical assistance administration (row 28) accounted for the majority of division employees. The individuals were responsible for getting Medicaid claims paid and much of the work designated by SB 74 [Medicaid reform legislation passed in 2016]. She noted that Medicaid expenditures were not shown within the division and were included in some of the last slides of the presentation.

Commissioner Davidson moved to the Division of Juvenile Justice on slides 17 and 18. Row 30 showed the division total of \$58.4 million, representing 1.8 percent of the department's overall budget. Rows 31 through 39 reflecting the majority of the division's employees were tied to client services in facilities or probation services. The Nome Youth Facility had been added back into the base budget in FY 18, which had been carried forward in FY 19. She detailed it was a 14-bed facility with an average daily population of 7 (there was currently a population of 10). The department was converting 4 of the beds for long-term treatment for youth in juvenile detention at the recommendation of a consultant report provided a couple of years back.

Commissioner Davidson turned to slides 19 and 20 pertaining to the Division of Public Assistance. Row 43 reflected the

division total of \$299.028 million or 9.19 percent of the overall department budget. Field services were the majority of the division's employees (row 53), responsible for providing services directly to Alaskans.

[2:50:58 PM](#)

Commissioner Davidson turned back to row 45 on slide 19 and detailed that adult public assistance was the largest UGF program, which also satisfied the maintenance of effort requirement for Medicaid. Row 49 pertained to senior benefits.

Vice-Chair Gara detailed that funds had been reduced to adult public assistance in the past year and moved to OCS. He asked for verification that adult public assistance had not been short funded.

Ms. O'Brien replied in the affirmative.

Commissioner Davidson turned to slides 21 through 24 pertained to the Division of Public Health. Row 58 (slide 21) showed the division total of \$117.372 million or 3.6 percent of the department's overall budget. Public health nursing (row 59) accounted for the division's largest number of employees. Row 69 on page 24 for community health grants had been zeroed out. She explained that community health aide training grants had been refinanced through the Medicaid program and had been eliminated from the community health grant component. She elaborated it had worked out well for the state because the fund source had been 100 percent GF when in the community health grant line item; the transfer to the Medicaid program meant grants were funded with significant federal match and were included in the community health aide and practitioner and behavioral health aide and practitioner rates. She expounded that the state received 100 percent federal match when Indian Health Service (IHS) beneficiaries who were also Medicaid beneficiaries, received care in IHS facilities.

Commissioner Davidson addressed the Division of Senior and Disabilities Services on slides 25 through 28. Row 70 included the division total of \$61.86 million or 1.9 percent of the overall budget. Senior and disabilities services administration on row 73 represented the bulk of the program. She detailed that the division had consolidated much of its staff into a single component to

reduce some of the administrative burden and create some management efficiencies. The 166 figure included protective services specialists, health program managers, medical assistance administrators, nurses, and other; only 10 of the staff, including the director, represented administrative functions.

[2:54:31 PM](#)

Commissioner Davidson returned to slide 25, row 71, where the grant components were consolidated into a single component (three separate components had been consolidated into one) to realize efficiencies. Slides 29 through 31 showed the department's support services. The division total was \$42.658 million or 1.3 percent of the department's overall budget (row 80). Information technology services accounted for the majority of the division's employees - the IT manager and 16 employees had transferred to the Office of Information Technology at the Department of Administration.

Commissioner Davidson moved the Division of Medicaid Services on slide 32. She shared that a number of years back the legislature had requested to see the costs because it had been confusing when the costs were buried in the divisions. Row 94 reflected the division's total budget of \$2.289 billion or 70.38 percent of the department's overall budget. Row 95 showed behavioral health services, row 96 included adult preventative dental Medicaid, row 97 included health care Medicaid services, and row 98 included senior and disabilities Medicaid services.

[2:56:41 PM](#)

Representative Ortiz asked if row 98 included funding for day-hab services. Commissioner Davidson replied in the affirmative.

Representative Ortiz had heard concern from constituents there had been cuts to day-hab funding. He asked why there had been a cutback in day-hab services when overall Medicaid funding had increased.

Commissioner Davidson replied that the department had tried hard to limit Medicaid growth. The increases in Medicaid growth were largely due to the economic downturn - a higher number of Alaskans were eligible and enrolling in Medicaid.

She explained that even with limitations on day-hab programs, the overall cost of Medicaid was increasing. Even with the Medicaid growth, the overall FY 19 UGF budget request was less than the FY 15 request.

Representative Ortiz asked if the department had determined growth could not be limited in certain areas, so it had to choose to limit it in other areas in order to limit overall Medicaid cost growth.

Ms. O'Brien answered in the affirmative. To contain Medicaid costs the department looked at opportunities where it was possible and the department was not limited by statute or regulation. Specific to hay-hab services, regulations had been changed to accommodate a request to reduce Medicaid costs. The Division of Senior and Disabilities Services program staff had worked to modify the regulations, which she believed went into effect in July [2017]. The intent was to do as little harm as possible while continuing to provide a level of care or services that would benefit people.

Vice-Chair Gara stated there were four categories of Medicaid services. He surmised that people tended to think of going to the doctor or emergency room when they thought of Medicaid. He believed that area was health care Medicaid services, which accounted for approximately half the Medicaid budget.

Commissioner Davidson replied in the affirmative. She elaborated that a service fell under the health care Medicaid services category if a service was not related to behavioral health, adult preventative dental, or senior and disabilities.

Vice-Chair Gara stated there had been \$100 [million] misestimated for FY 18 and an extra \$27 [million] in FY 19 for Medicaid. He asked for a breakdown in the budget subcommittee of where the funds were anticipated in relation to the four Medicaid categories. He asked for verification that a senior visiting the emergency room would fall under health care services as opposed to senior and disabilities services. He believed senior and disabilities services included things like Alzheimer's and other specialized senior services.

Commissioner Davidson agreed and relayed the department would provide the information pertaining to the first half of Vice-Chair Gara's question. Secondly, in order for something to be considered a senior and disabilities service it was a category of service. It was not if a person experiencing a disabling condition went to the emergency room or a person of a certain age went to the emergency room.

[3:01:23 PM](#)

Representative Guttenberg stated the committee had numerous discussions about adult daycare the previous year. He referenced the department's testimony about downward pressure on the budget. He recalled discussions with the department about the delivery of services and the number of hours available per week. He referred to changes in regulations, one change had been everyone had to be paid a certain level even though the assigned duties were different. He asked if people were receiving the same levels of service as they had in the past. He wondered what was no longer being accomplished.

Commissioner Davidson answered that day-hab services had a lower cap than before. There were a number of changes at the federal level that states had to comply with. The department had been able to achieve savings through refinancing the efforts. She explained that in FY 17 the goal had been to save \$32 million GF through the tribal refinancing effort. She communicated that a savings of \$35 million had been achieved. The department was on track to save its goal of \$42 million GF in FY 18. There were other cases where the department had thought the opportunity to refinance was not possible. She cited 1915(i) and 1915(k) as an example. She elaborated that the 1915(i) opportunity was something the department hoped to implement to save GF by receiving an enhanced federal match; however, the way it would have converted the program would have driven up some of the state GF costs. The department was continuing to pursue the opportunity through a 1915(c) to ensure the services continued, but the level of anticipated savings would not be achieved. She relayed that people would not receive the same level of day-hab services as before.

[3:04:50 PM](#)

Representative Wilson spoke about behavioral and substance abuse grants including the governor's \$18 million request. She asked if the Alaskans who were not eligible for Medicaid and Medicaid expansion were eligible for the grants.

Commissioner Davidson referenced a prior \$6 million appropriated by the legislature to frame how the \$18 million request came together. In FY 17 the legislature appropriated \$6 million for substance abuse treatment and the department awarded three grants over a three-year timeframe. She explained that none of the grants were possible without significant leverage resources from the community. For example, the Central Peninsula Hospital received a \$2.5 million grant to do detox, which began in August 2017 with a capacity of six beds and potential to increase to ten. The average length of stay was five [days], many beneficiaries returned for monthly Naltrexone shots. The funds to purchase the facility had been provided by the Kenai Peninsula Borough on behalf of the hospital. A second grantee was Set Free Alaska in Mat-Su, which had received a \$1 million grant for residential substance use disorder for women and children. The facility had opened in August 2017 and reached capacity by November 2017. The facility housed twelve treatment beds for women with an additional four beds for their children. The Mat-Su Health Foundation had purchased the facility and contributed \$400,000 for the building renovations.

[3:07:07 PM](#)

Representative Wilson clarified that she was trying to determine whether the individuals who had participated in the programs had not been eligible for Medicaid or Medicaid expansion and needed another resource to receive help. She believed the reason many of the programs originated was to help Alaskans without insurance or the ability to receive the services. Under Medicaid expansion more people had access to care. She was trying to determine whether the new programs were targeting individuals without their own insurance, Medicaid, or Medicaid expansion.

Commissioner Davidson answered that a large part of the funds were used as startup funds for organizations interested in providing the service. She did not believe the organizations were making a determination on whether eligible recipients were Medicaid beneficiaries or not. In

order for an organization to bill Medicaid for a service it had to enroll as a provider. The third grantee in case she had been discussing was to the Tanana Chiefs Conference in Fairbanks in the amount of \$2.5 million. The organization opened a sobering center in December 2017 with assistance from the Alaska Mental Health Trust Authority for the facility.

Representative Wilson stated there had never been a discussion on the grants after Medicaid expansion to determine who the grant beneficiaries were. She remarked that currently one of the biggest [cost] drivers were grants going out. She requested to have the discussion at some point.

Co-Chair Seaton replied that facilities had to be in place and Medicaid was providing services but not facilities. He believed the grants were to activate facilities to take recipients - whatever program provided the actual service could be reimbursed. There was not reimbursement for construction of facilities.

[3:10:10 PM](#)

Representative Ortiz returned to line 98 pertaining to senior and disabilities services (slide 32). He referenced Commissioner Davidson's statement it had been the goal to save \$32 million and \$35 million had been saved, which was commendable. He asked if the cuts to day-hab services had been part of the aforementioned savings plan.

Commissioner Davidson replied that the \$32 million in savings was through the tribal claiming policy Governor Walker had negotiated with the former U.S. secretary of Health and Human Services. She detailed the state received 100 percent federal match when IHS beneficiaries who were also Medicaid beneficiaries, received care in IHS facilities. The department did see more opportunities in terms of the provision of long-term care services and supports, which included senior and disabilities services by developing care coordination agreements between tribal and non-tribal organizations, but it had not been part of the day-hab limitation of hours. The issues were separate.

Co-Chair Seaton communicated any further discussion of the issue would need to happen outside of the committee meeting due to current time constraints. He asked about hepatitis C

driving costs and remarked on the high number of cases in Alaska. He wondered if the state planned to address the issue. He wanted to determine how efficient and effective the department was in utilizing the community health service portion that saw a large reduction in cost for providing hepatitis C vaccinations. Additionally, the AMHTA had a revision in its policy and was no longer avoiding prevention programs if it prevented AMHTA from acquiring new beneficiaries. He asked if DHSS was able to work on prevention of the development of mental health problems. Alternatively, he wondered if DHSS only focused on treatment of people who had developed mental health problems. He wanted to circumvent avoidable healthcare issues, which would limit future costs. He asked the department to follow up on the questions.

[3:14:05 PM](#)

Representative Kawasaki returned to the day-hab program discussion. He believed the program had gone from 800 hours divided over 52 weeks (15 hours per week) to 600 hours divided by 52 weeks (12 hours per week). He appreciated the ability to appeal the reduction, which some individuals had done. He requested information on the number of people utilizing day-hab services (whether it had increased or decreased) and whether there was additional money available to increase the hours.

Commissioner Davidson replied that the department would follow up with the information.

Co-Chair Seaton thanked the department for its presentation.

[3:15:31 PM](#)

AT EASE

[3:17:35 PM](#)

RECONVENED

Co-Chair Seaton referred to work drafts for the budget bills that he referenced as Committee Substitute (CS) zero, which included technical corrections.

DAVID TEAL, DIRECTOR, LEGISLATIVE FINANCE DIVISION, addressed HB 286 Work Draft 30-GH2564\D and referred to it as CS zero. The bill version used the same fund sources in

the same amounts, in the same places, for the same purposes as the governor's bill.

[3:19:15 PM](#)

Co-Chair Seaton explained that the budgets would be introduced. He explained that like the previous year he would introduce the CS with technical corrections for each budget bill to begin with clean versions.

Co-Chair Foster MOVED to ADOPT the proposed committee substitute for HB 286, Work Draft 30-GH2564\D (Bruce/Wallace, 1/23/18).

Co-Chair Seaton OBJECTED for discussion.

Mr. Teal explained there were a few exceptions to his prior statement about the bills. He elaborated that the exceptions were minor and pertained to contingency language. The difference between the Legislative Finance Division (LFD) and the governor's budget was LFD counted contingencies as the maximum the contingency could be, while the Office of Management and Budget (OMB) counted it as the minimum; therefore, LFD's budget report was slightly higher than the governor's. The bill was supposed to be the same - for all practical purposes it was the same. The point of creating version D instead of using the governor's bill was for the ease of Legislative Legal Services and LFD - it meant the legislature had a bill that was ready to amend without dealing with format changes, section references, section locations, and technical and conforming language.

Mr. Teal referenced a two-page document summarizing the changes between the governor's bill and version D ["Summary of Changes from the Governor's Operating Bill and CSHB 286(FIN) Work Draft 30-GH2564\D, Bruce/Wallace, 1/23/18" (copy on file)]. He noted that the document did not list every change and he did not intend to read the document. The committee had also received a [redlined] comparison document highlighting the changes between the two versions, which began on page 98 of the bill (copy on file). He explained the document verified the CS was the governor's bill put into a Legislative Legal Services form. The numbers were the same and the arrangement was slightly different.

[3:22:50 PM](#)

Representative Pruitt referenced the removal of contingency language for a three-quarter [vote] pertaining to the use of the Constitutional Budget Reserve (CBR). He asked why the language had been removed.

Mr. Teal replied that the language was duplicative. The CBR section of the bill already included supermajority vote requirement.

Representative Pruitt referenced a section related to school funding. He asked about the semantics. He referenced page 116 of the redlined bill document (corresponding with changes 15 and 16 on the two-page explanation of changes document). He asked why the language "for the fiscal year ending June 30, 2019" had been removed from the bill section pertaining to Base Student Allocation (BSA) funding.

Mr. Teal answered that for the deposits for the K-12 foundation formula and transportation costs, the deposit to the fund could be used in multiple years. He explained it was a fund cap that should not be limited to a specific year. He elaborated that the date had been removed for FY 19 because they did not want to limit the use of the school fund to 2019. He noted the language removal occurred a couple of times in the CS.

[3:25:06 PM](#)

Representative Pruitt asked whether the same language had been removed from subsection (f) on page 116 related to the Power Cost Equalization (PCE) Fund for the same reason.

Mr. Teal replied in the affirmative. He detailed that for a fund capitalization the language pertaining to a specific year had been removed because it was not for a specific year. He pointed to subsection (j) on page 116 and explained that the date language had been added when pertaining to taking the necessary funding out for pupil transportation for a specific year (FY 19). Legislative Legal Services would call the language technical and conforming. It accomplished the same thing but did not place a date limit. He did not know why the governor's office had included the dates.

3:26:34 PM

Representative Wilson assumed the sections related to education would be removed from the budget if a separate education funding bill passed [HB 287] before the budget was complete.

Mr. Teal replied, "I'm assuming it would, but I..."

Representative Wilson interjected that she wanted to make certain because she knew people had talked about the separate bill as forward funding. She clarified that the education legislation was not forward funding; it would fund education and transportation early for the current year in order to avoid teacher pink slips.

Co-Chair Seaton clarified that the legislation pertained to early funding for education for FY 19 only.

Representative Wilson surmised the language pertaining to education would be removed from the budget bill.

Co-Chair Seaton replied that it was his intent. He was not familiar with how the process would ultimately go. He explained that some language may be included in the budget if LFD informed the legislature it was needed. He clarified that under no circumstance would the money be appropriated twice.

Mr. Teal noted that LFD did not know what legislation would pass. The purpose of the CS was to mirror the governor's legislation. The governor's bill included GF funding for schools. If and when a separate bill passed funding education with the CBR, he assumed there would be an amendment to remove the GF deposits.

3:28:58 PM

Co-Chair Seaton WITHDREW his OBJECTION. There being NO further OBJECTION, Work Draft 30-GH2564\D was ADOPTED.

Co-Chair Foster MOVED to ADOPT the proposed committee substitute for HB 285, Work Draft 30-GH2566\J (Bruce/Wallace, 1/23/18).

Co-Chair Seaton OBJECTED for discussion.

Mr. Teal explained that the reason for the work draft were the same as those for HB 286 with one exception. There was language in the mental health budget that referred to the ability of the department to move money across appropriation lines. He detailed that LFD would prefer the removal of the language. He elaborated that IT staff was still working on removing the language in the mental health bill. He explained that the language did print in the operating budget bill. It would have to come out with an amendment. He expounded if each bill included the language allowing a department to move \$25 million, LFD was unclear on whether it would mean a department could move \$50 million instead of the intended \$25 million total. He stated that it may not be a problem, but it was not the same as the governor's bill.

Representative Pruitt asked when LFD may fix the issue.

Mr. Teal answered that the only way to currently fix the issue was with an amendment. He did not believe there would be a problem with the next version of the bill; there had not been time to fix it for the current bill version.

Representative Pruitt was trying to ascertain whether holding off on the adoption of the work draft would give LFD time to fix the issue and come back with an updated bill version. He surmised the committee should move forward with the adoption of the current version and would need to make an amendment later.

[3:32:37 PM](#)

Co-Chair Seaton WITHDREW his OBJECTION. There being NO further OBJECTION, Work Draft 30-GH2566\J was ADOPTED.

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

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

Co-Chair Seaton addressed the schedule for the following week.

ADJOURNMENT

3:33:28 PM

The meeting was adjourned at 3:33 p.m.