

HOUSE FINANCE COMMITTEE  
March 6, 2018  
1:06 p.m.

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CALL TO ORDER

Co-Chair Seaton called the House Finance Committee meeting to order at 1:06 p.m.

MEMBERS PRESENT

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

MEMBERS ABSENT

None

ALSO PRESENT

Morgan Foss, Legislative Liaison, Department of Fish and Game; Shawn Henderson, Administrative Services, Office of the Governor; Guy Bell, Former Director, Administrative Services, Office of the Governor; Shawnda O'Brien, Assistant Commissioner, Department of Health and Social Services; Lacey Sanders, Analyst, Legislative Finance Division; Jon Sherwood, Deputy Commissioner, Department of Health and Social Services; Kelly Cunningham, Analyst, Legislative Finance Division; Representative Mark Neuman.

PRESENT VIA TELECONFERENCE

Carol Petraborg, Director, Division of Administrative Services, Fish and Game.

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.

AMENDMENTS

Co-Chair Seaton reviewed the agenda for the meeting.

#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."

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^AMENDMENTS

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Representative Tilton MOVED to ADOPT Amendment H DFG 21 (copy on file):

Statewide Support Services  
Commissioner's Office

H DFG 21 - Intent language to establish research priorities.  
Offered by Representative Tilton

Wordage: It is the intent of the Legislature that the Commissioner of the Department of Fish and Game work with Boards of Fish and Game to establish research priorities for future projects, and that those priorities be transmitted to the legislature annually to be considered during the budget process.

Explanation: Establishing a list of projects with a priority will assist the legislature in allocating the appropriate level of funding.

Representative Ortiz OBJECTED for discussion.

Representative Tilton read the amendment (see above). She elaborated that the Board of Fisheries and the Board of Game were created to allocate the state's resources between their user groups. In both instances they met regularly to determine priorities. Establishing a list of projects in priority would help the legislature when looking at funding.

Representative Ortiz asked if Representative Tilton believed it was important for the Board of Fisheries to be an independent entity from the Department of Fish and Game. Representative Tilton believed that the Board of Fisheries and Board of Game were created to help the legislature understand where to allocate state resources. She argued that having a priority list would help the legislature to better understand where to allocate funds during the budgeting process. The boards were representations of their specific industries.

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Representative Ortiz stated that the Board of Fisheries was charged with making allocative and regulatory decisions. Biologists provided objective assessment data to inform the decisions. He believed, the request for the commissioner's office to work with and, in essence, influence the Board of Fisheries was inappropriate. He suggested that if the Board of Fisheries wanted to influence the assessments of the Department of Fish and Game (DFG) they were budgetary decisions that belonged with the department. He thought the

amendment blurred the line he thought was necessary between the Board and DFG.

Representative Wilson admitted that she had never been to a Board of Fisheries meeting. However, she had been to numerous Board of Game meetings. She appreciated the remarks by Representative Ortiz and thought the people influencing the board were people from the department. She suggested that if the legislature wanted the department to be independent from the board, then perhaps they should not be attending the meetings and providing all of the information. She agreed that there was a large influence occurring currently. She thought the intent language of the amendment was saying that all three groups needed to sit down together. The Board of Fisheries and the Board of Game were who the legislature had inserted. She continued that some of the biggest priorities of the state fell within the purview of the Board of Fisheries and the Board of Game. She thought that if the three entities were all going their own way, things would not get prioritized. She did not believe the amendment was about influence. However, she wanted to see the current influence halted and for the boards to become more independent. She thought the intent of the amendment was to encourage all three entities to sit down together at the table to figure out a path moving forward and to prioritize funding. She did not think influence had anything to do with the amendment.

Representative Tilton believed the amendment, brought forward from another member from Big Lake, was a result of the Board of Fisheries and the Board of Game meeting regularly and having priorities. It was important for the legislature to take notice of their priorities with some sort of listing that they could use when making budget decisions. Currently, the boards were not providing their information to the legislature. The legislature was not able to take the board's priorities into consideration.

Co-Chair Seaton had been to numerous Board of Fisheries and Board of Game meetings. The board meetings mostly dealt with proposed regulations. He reported that research priorities were established primarily by the commissioner's office. He opined that the amendment, as written, did not indicate that the boards would be tasked with a new job. He reported that the schedule of the Board of Fisheries was very packed. He suggested that working with the commissioner was something the board would do. He stated

that the amendment did not specify that the recommendations would come from the Board of Fisheries but that the commissioner would work with the board to determine future projects. He thought the legislature would be enhanced by receiving information about future projects in priority. He suggested hearing from the department.

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Representative Ortiz could not speak to the relationship of DFG and the Board of Game, as he had never attended a Board of Game meeting. However, he had attended Board of Fisheries meetings. The Department of Fish and Game was present and provided comments on certain proposed projects from the Board of Fisheries. He reported there being cooperation between DFG and the Board of Fisheries. He thought there were two things being discussed. He thought the issue brought up by the member from Big Lake had more to do with the Board of Game. In Representative Ortiz's experience there had been communication and active involvement between the Board of Fisheries and DFG. He did not see where the amendment was needed.

MORGAN FOSS, LEGISLATIVE LIAISON, DEPARTMENT OF FISH AND GAME, stated that the department might benefit from further information about the intent of the amendment.

Representative Tilton clarified that the intent of the amendment was not for DFG to tell the board what they should be looking at. The amendment would require the boards to work with the department on a priority list of projects. The list could be provided to legislators so that the legislature could better prioritize when budgeting.

Co-Chair Seaton objected to the amendment. He did not think the Board of Fisheries needed to be tasked with coming forward with a prioritization of projects. The Board of Fisheries had specific tasks including taking public comments, compiling a book of proposals for regulations, and dealing with the regulations. He did not want to throw another large task at the Board of Fisheries. The board was already meeting for up to two weeks at a time.

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Representative Wilson countered that they were the legislature's boards. She reported that the boards used to

have joint meetings. She thought the amendment might not be necessary if they were to meet jointly more frequently. She thought they already had priorities. She did not believe it would cost anything or add to the agenda.

Representative Ortiz MAINTAINED his OBJECTION.

A roll call vote was taken on the motion.

IN FAVOR: Pruitt, Thompson, Tilton, Wilson, Grenn  
OPPOSED: Gara, Guttenberg, Kawasaki, Ortiz, Seaton, Foster

The MOTION to adopt Amendment H DFG 21 FAILED (5/6).

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Representative Wilson requested to consider H DFG 22, H DFG 23, H DFG 24 simultaneously.

Representative Wilson MOVED to ADOPT Amendments H DFG 22, H DFG 23, H DFG 24 (copy on file):

H DFG 22:

Statewide Support Services  
Administrative Services  
H DFG 22 - 3003: Information Technology  
Offered by Representative Wilson

FY17 Actuals were \$683.5 and the FY19 Governor's budget request is \$986.1. A decrement of \$100.0 will result in a FY 19 budget request of \$886.1 for Information Technology, \$202.6 over FY 17 actual expenditures.

H DFG 23:

Statewide Support Services  
Administrative Services  
H DFG 23 - 3001: Financial Services  
Offered by Representative Wilson

FY17 Actuals were \$234.6 and the FY19 Governor's budget request is \$346.8. A decrement of \$50.0 will result in a FY 19 budget request of \$296.8 for Financial Services, \$62.2 over FY 17 actual expenditures.

H DFG 24:

Statewide Support Services  
Administrative Services  
H DFG 24 - 3011: Other Services  
Offered by Representative Wilson

FY17 Actuals were \$580.3 and the FY19 Governor's request is \$682.1. A decrement of \$50.0 will result in a FY 19 budget request of \$632.1 for Other Services, which is \$51.8 over FY 17 actual expenditures

Representative Ortiz OBJECTED for discussion.

Representative Wilson read the amendments (see above).

Representative Ortiz asked if Representative Wilson had spoken with the department about the impact of the amendments. Representative Wilson replied that she had not contacted the department, nor did she hear from the department about a negative or positive opinion about the amendments.

Representative Ortiz asked if she had looked at the particular funding sources for the proposed expenditures. Representative Wilson replied affirmatively. She started with personal services, making sure that she backed out all general funds and federal dollars. Personal services were not affected. She indicated it could be moved up and down on the scale and was available in the specified area.

Representative Ortiz answered that funding sources mattered. The net impact of all three amendments removed at total of \$200,000 from the Division of Administrative Services; it was below actual expenditures at \$126,700. It was 6 percent below the FY 17 actual expenditures. In FY 17 all but \$46,700 UGF was expended. The unexpended fund was \$1.4 million of federal receipts and \$536,000 of other funds. He expressed concerns about impacting services by removing UGF because of there being \$1.2 million in uncollectable receipts. He thought other funding sources were being mixed in with UGF funding sources. He believed the net impact of the amendments would result in a significant reduction of services.

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Representative Pruitt asked why the department would continue to ask for the federal funding annually when it knew it would not receive the full amount. The state was having to backfill with UGF.

Representative Wilson provided wrap up on the amendments. She found it interesting, looking at FY 17 actuals, that the state only received \$556,300 of federal dollars. In FY 18 the department anticipated \$1.7 million and in FY 19 it expected to have \$1.7 million. She wondered where the department got its figures when it only received \$556,000 in FY 17. The department had \$2.1 million in general funds (the amendments were under administrative services). However, the department budgeted the same amount of \$1.9916 million for FY 18 and in FY 19. She continued that general fund programming of the DGF that was discussed earlier was \$143,000 in FY 17. She highlighted that the amount was close to the budget amount of \$146,000 in FY 18 and FY 19. The department also received other funding including CIP receipts and STAT. They spent less in personal services dropping from \$7.6 million to \$5.5 million. Services grew from actuals of \$3.1 million to a \$5.6 million margin, even though under the FY 18 management plan the department only had \$3.9 million. They went up another \$1.5 million in services from FY 18 to FY 19. She indicated that it reflected an increase in services of \$1.7 million.

Vice-Chair Gara stated that the numbers were not accurate. Representative Wilson was including the federal numbers.

Representative Wilson stated that she included the federal numbers. The department had the federal receipts as well. She was very specific about the funding and its composition.

Representative Ortiz MAINTAINED his OBJECTION.

A roll call vote was taken on the motion.

IN FAVOR: Thompson, Tilton, Wilson, Pruitt

OPPOSED: Gara, Grenn, Guttenberg, Kawasaki, Ortiz, Foster, Seaton

The MOTION to adopt Amendments H DFG 22, H DFG 23, and H DFG 24 FAILED (4/7).

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Representative Wilson MOVED to ADOPT Amendment H DFG 25 (copy on file):

Statewide Support Services  
Boards of Fisheries and Game  
H DFG 25 - 3011: Other Services  
Offered by Representative Wilson

FY17 Actuals were \$12.3 and the FY19 Governor's budget request is \$153.2. A decrement of \$50.0 will result in a FY 19 budget request of \$103.2 in Other Services which is \$90.9 over FY 17 actual expenditures.

Vice-Chair Gara OBJECTED for discussion.

Representative Wilson read the amendment (see above).

Vice-Chair Gara spoke about what the state could afford to provide. He discussed significant cuts over recent years. He wanted to be clear about whether the committee was talking about state funds or federal funds being leveraged.

Representative Ortiz read from a prepared statement in opposition to the amendment. Amendment 25 removed \$50,000 from the Board of Fisheries and the Board of Game. He reported that UGF was \$7.1 million or 6 percent above the FY 17 actual expenditures. In FY 17, all but \$2.6 million UGF was expended. The unexpended funding was primarily other funding including CIP, SDPR, and IA receipts. Increases in UGF were due to the increase in health insurance premiums. Removing UGF would be uncollectable. Other funds would impact services. In other words, the reason for the request in funding for the line item was because of an increase in health insurance premiums. He suggested that if the legislature were to cut the funds, the department would still have to pay the increase in health insurance premiums but would be forced to reduce services in other areas to compensate for the increased health care costs.

Representative Pruitt needed to know why healthcare was projected to increase 12.5 times what the total expenditure was in other services. He was aware that health care costs were skyrocketing, but he did not know why the expense was budgeted for 12.5 times what it cost in FY 17.

Representative Ortiz wondered if someone from the department was available.

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CAROL PETRABORG, DIRECTOR, DIVISION OF ADMINISTRATIVE SERVICES, FISH AND GAME (via teleconference), relayed that in FY 17 the department consolidated Administrative Services within all of the small divisions. It reflected in all of the small divisions - the reductions were taken out of personal services and the services lines were increased to pay for administrative support.

Co-Chair Seaton surmised it was not IA receipts but each division paying for their portion of administrative support. Ms. Petraborg responded affirmatively. She expounded that prior to FY 17, the amount would have come out of each division's personal services. Each division paid through their services line - IA receipts to administrative services.

Representative Wilson provided wrap up.

Vice-Chair Gara MAINTAINED his OBJECTION.

A roll call vote was taken on the motion.

IN FAVOR: Tilton, Wilson, Pruitt, Thompson  
OPPOSED: Gara, Grenn, Guttenberg, Kawasaki, Ortiz, Seaton, Foster

The MOTION to adopt Amendment H DFG 25 FAILED (4/7).

[1:35:29 PM](#)

Representative Wilson MOVED to ADOPT Amendment H DFG 26 (copy on file):

Statewide Support Services  
Habitat  
H DFG 26 - 4000 Business  
Offered by Representative Wilson

FY17 Actuals were \$39.9 and the FY19 Governor's budget request is \$106.2. A decrement of \$50.0 will result in

a FY 19 budget request of \$56.2 in Business Commodities, \$16.3 over FY 17 actual expenditures.

Representative Ortiz OBJECTED.

Representative Wilson read the amendment (see above).

Representative Ortiz indicated it was the same issue about increases for health insurance that caused the increase request.

Representative Wilson provided wrap up. She indicated that the amendment address commodities rather than services. She did not think the state was purchasing health in insurance in commodities. Federal receipts were \$109,200 and general receipts equaled \$3.577 million. The reduction was \$50,000 in commodities. Individuals would still be able to pay for their health insurance.

Representative Ortiz MAINTAINED his OBJECTION.

A roll call vote was taken on the motion.

IN FAVOR: Wilson, Grenn, Pruitt, Thompson, Tilton

OPPOSED: Gara, Guttenberg, Kawasaki, Ortiz, Foster, Seaton

The MOTION to adopt Amendment H DFG 26 FAILED (5/6).

[1:37:32 PM](#)

Representative Wilson MOVED to ADOPT Amendment H DFG 27 (copy on file):

Statewide Support Services  
State Subsistence Research  
H DFG 27 - 3011: Other Services  
Offered by Representative Wilson

FY17 Actuals were \$288.1 and the FY19 Governor's budget request is \$464.2. A decrement of \$100.0 will result in a FY 19 budget request of \$364.2 for Other Services, \$76.1 over FY 17 actual expenditures.

Representative Ortiz OBJECTED.

Representative Wilson presented the amendment (see above).

Representative Ortiz offered that the amendment removed \$100,000 from the services line for state subsistence research. He noted that UGF in state subsistence research was \$18,000 or .7 above the FY 17 actual expenditures. The increase included \$21,400 of UGF increases for health insurance in FY 18 and FY 19. In FY 17 all but \$1.4 UGF was expended removing \$50,000 UGF because there was an excess authorization in other funds, primarily federal and interagency receipts would impact services.

Representative Ortiz MAINTAINED his OBJECTION.

Representative Wilson provided wrap up on the amendment. She thought she heard that \$21,000 was needed for health insurance. She left \$76,100 in the account. She added that she left \$600,000 in personal services, even though there was a decrease in the number of people. She also left \$10,000 in travel, \$100,000 in services, and \$140,000 in commodities. She indicated she was referring to the period between FY 17 and FY 19. There was \$2.5 million in general funds and \$1.3 million in federal receipts.

A roll call vote was taken on the motion.

IN FAVOR: Pruitt, Thompson, Tilton, Wilson  
OPPOSED: Kawasaki, Ortiz, Gara, Grenn, Guttenberg, Seaton, Foster

The MOTION to adopt Amendment H DFG 27 FAILED (4/7).

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Representative Wilson MOVED to ADOPT Amendment H GOV 1 (copy on file):

Executive Operations  
Executive Office  
H GOV 1 - Personal Services Reduction  
Offered by Representative Wilson

The FY 18 Personal Services vacancy factor was 4.61% and totaled \$433.8 resulting in post-vacancy Personal Services line item authorized budget of \$8,980.6. The FY 19 Governor's budget request has a vacancy factor of 0.74% and totals \$68.1 with a FY 19 Personal Services line item request of \$9,130.6. This amendment increases the FY 19 vacancy factor request from 0.74%

to 2.37% which results in a decrement of \$150.0 in this allocation. A vacancy factor of 2.37% is less than half of the FY 18 vacancy factor and will reduce the Governor's FY 19 Personal Services line item request from \$9,130.6 to \$8,980.6. This amount matches the FY 18 authorized budget of \$8,980.6

Co-Chair Seaton OBJECTED.

Representative Wilson presented the amendment (see above).

Co-Chair Seaton spoke to his objection. He conveyed that while the executive office personal services vacancy factor appeared to be lowered than the guidelines set by the Office of Management and Budget (OMB), there were several non-permanent employees not included in the budget who would still be on the board in FY 19. They included a special agent, a constituent relations staff, a procurement agent, a special assistant for cultural affairs, and a special project support person. Once the costs of those positions were recognized, the executive office vacancy factor was \$432,082. The vacancy factor was 4.52 percent within OMB guidelines. He opposed the amendment.

Representative Thompson asked for clarification about the three or four positions. He was unclear whether they were in the budget. Co-Chair Seaton answered that the positions were for non-permanent employees.

SHAWN HENDERSON, ADMINISTRATIVE SERVICES, OFFICE OF THE GOVERNOR, answered that the vacant positions were non-permanent positions hired under an employment service agreement. There were several positions including a special agent, a procurement agent, a special assistant for cultural affairs, a projects, policy and program specialist. Adding the non-permanent positions into the budget increased the vacancy factor to 4.52 which was within the OMB guidelines.

Representative Pruitt asked if the positions Mr. Henderson had highlighted were currently filled within the Office of the Governor. Mr. Henderson replied in the affirmative.

Representative Pruitt asked if the additional \$150,000 requested was to cover increases in salary. He asked what the amount was for.

GUY BELL, FORMER DIRECTOR, ADMINISTRATIVE SERVICES, OFFICE OF THE GOVERNOR, answered that \$150,000 was included in the FY 19 budget as a line item transfer from contractual services. The Office of Management and Budget brought money into personal services from contractual services because the department brought 3 positions back that had been transferred to the Department of Administration for shared services and IT and used the additional authority to cover the cost of those positions.

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Representative Wilson asked about vacancy rates. She wondered about a higher vacancy rate and whether the department would have to leave more months open without hiring the positions. Mr. Bell replied in the affirmative. He elaborated that the vacancy factor was the difference between 100 percent of the cost of positions for the full year versus the amount of funding the department received. The difference needed to be covered by vacancies through the course of a year.

Representative Wilson asked if a decrease in the vacancy rate would allow the department to have more money for personal services for the contracts. Mr. Bell replied in the affirmative. The department would be able to maintain the same vacancy factor and still retain certain employees under employment contracts.

Representative Wilson asked why they did not ask for the increase of \$150,000 and leave the vacancy rate the same. She thought it would have been more transparent to show that there was an increase to personal services in the Office of the Governor's budget. Mr. Bell answered that the positions brought back and funded with the transfer from contractual services were permanent positions currently in the budget. However, they were not in the authorized FY 18 budget.

Representative Wilson asked if Mr. Bell was referring to the three positions that had been brought back from shared services to the Office of the Governor. She asked if the funding went with the three positions or whether the funding was left in shared services.

Mr. Bell answered that funding had never actually transferred over to shared services. The money was moved to

contractual services within the executive office to pay by a reimbursable services agreement for the positions. It was a line item transfer which could be found in an IA receipt authority in shared services.

Representative Wilson thought Mr. Bell was saying it had changed because there were more people being paid in the governor's office than in FY 18. Mr. Bell responded positively.

Vice-Chair Gara respected what the governor's office had tried to do, as the governor had tried to lead by example when he was elected. He knew there had to be budget cuts. He tried to spare the budget cuts that hurt people personally by cutting his own budget. He reported there had been a 25 percent cut in the governor's office, over \$8 million since 2015. He did not have a problem with the governor trying to hire back a couple of part-time people to make things work. The office had been cut by over \$8 million. He believed the governor's spending had been responsible.

Representative Wilson provided wrap up on the amendment. She indicated her amendment was not a shot at the governor. There were more people in the governor's office in the budget than in FY 18. There was \$150,000 in the budget to compensate additional employees. She was concerned with transparency. She argued that it was an increase to the budget no matter how people viewed it. Her amendment would keep funding at the FY 18 level.

Co-Chair Seaton MAINTAINED his OBJECTION.

A roll call vote was taken on the motion.

IN FAVOR: Pruitt, Thompson, Tilton, Wilson, Grenn  
OPPOSED: Guttenberg, Kawasaki, Ortiz, Gara, Foster, Seaton

The MOTION to adopt Amendment H GOV 1 FAILED (5/6).

[1:52:39 PM](#)

Representative Wilson MOVED to ADOPT Amendment H GOV 2 (copy on file):

Contingency Fund  
H GOV 2 - 3001: Financial Services

Offered by Representative Wilson

FY17 Actuals were \$0 and the FY19 Governor's request is \$550.0. A decrement of \$100.0 will result in a FY 19 budget request of \$400.0 for what is described as "agency support as needed to meet high priority needs in the contingency fund"

Co-Chair Seaton OBJECTED.

Representative Wilson read the amendment (see above). She remarked that the contingency fund was worth more than her house. She thought at some point a contingency fund would change into a capital request or another type of request. She conveyed that the fund was not used in the prior year. Her amendment was a slight decrease in the fund amount.

Mr. Henderson replied that the contingency fund in the Office of the Governor had existed for about 30 years. He detailed that it had a budget of \$800,000 in FY 14 and had been reduced to \$550,000 reflecting a reduction of \$250,000. The contingency funds allowed the governor to have flexibility to access funds when other sources were not available. Historically, the funds had been used for various sources including transition costs when the governor took office in 2015. The funds had also been used for redistricting costs and gasline efforts. In general, the fund was available for shortfalls.

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Representative Wilson stated the decrement was \$150,000. She surmised it was a slush fund. Mr. Henderson disagreed with Representative Wilson's terminology.

Representative Wilson thought Mr. Henderson was saying the fund could be used for almost anything. She asked how much the transitional costs were in 2015. Mr. Henderson answered that the cost was \$150,000. Representative Wilson asked how much the cost had been for redistricting. Mr. Henderson replied that it was approximately \$300,000. Representative Wilson asked about the gasline cost. Mr. Henderson replied that it was \$150,000.

Representative Pruitt stated that in FY 17 none of the funds had been used. He wondered if there was an expectation, outside of transition costs, of there being

any redistricting costs. He asked if the governor had any intent on using the funds for the gasline. He asked if there were other things on the horizon for which the funds could be used. Mr. Henderson replied that he did not know about how the funding would be used. He would be advised by the governor or his senior staff.

Representative Pruitt thought the point Representative Wilson was trying to make was that the money could be used by the governor in any way he chose. The hesitation on the legislature's part in maintaining a \$550,00 fund had to do with the uncertainty of how the money would be used. He thought the amount left in the account with the amendment was a reasonable figure. He would be supporting the amendment.

Vice-Chair Gara remarked that when Governor Parnell was in office the amount in the account was \$800,000. At the time, nobody tried to remove the amount. He thought there had to be a separation of powers and contended that the governor had been responsible in not using the fund in a major way. He thought that the current governor should be treated the same as prior governors. He did not believe there was any evidence that the funds had been wasted. He did not understand why the current governor was being treated differently.

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AT EASE

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RECONVENED

Co-Chair Seaton noted that the fund was a contingency fund that lapsed annually. Historically the governor's and the legislature's budgets had been left alone. The amendment would take away the flexibility of funds available for whatever emergency might arise. He opposed the amendment.

Representative Guttenberg spoke about the separation of powers. He did not believe the legislature should micromanage things at this level. He posed the question about whether legislators' office accounts were slush funds. He indicated that those funds paid for day-to-day things. He thought it was inappropriate to call office accounts slush funds just as it was inappropriate to call the contingency fund a slush fund.

Representative Grenn appreciated the conversation. He thought it was a great example of helping to form opinions and gain context. He referenced Representative Guttenberg's point regarding office accounts. In the prior year the House reduced its office accounts by a substantial percentage. I appreciated the current amendment in the same vein.

Representative Tilton pointed to the difference between the office account and the governor's contingency fund. The receipts for the office accounts had to go through finance and fell under IRS guidelines. She also highlighted that office accounts and the governor's contingency account were similar in that the accounts were not always used to their full extent.

Representative Wilson clarified that the account was being reduced by \$150,00 from \$500,000 leaving \$400,000 in the account. She opined that the legislature should have cut Governor Parnell's \$800,000 fund. She responded to other concerns such as a separation of powers. She stressed that the funds contributed to the state's budget gap. She emphasized that the amendment was not against the governor. She spoke to other costs. She was concerned about using \$150,000 from the fund for the gasline. The amendment would leave \$100,000 over the highest amount in the past three years.

Co-Chair Seaton MAINTAINED his OBJECTION.

A roll call vote was taken on the motion.

IN FAVOR: Ortiz, Pruitt, Thompson, Tilton, Wilson, Grenn, Kawasaki

OPPOSED: Gara, Guttenberg, Foster, Seaton

The MOTION PASSED (7/4). There being NO further OBJECTION, Amendment H GOV 2 was ADOPTED.

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Co-Chair Seaton MOVED to ADOPT Amendment H HSS 11 (copy on file):

Behavioral Health  
Behavioral Health Treatment and Recovery Grants

H HSS 11

Replace Unsustainable Alcohol and Other Drug Treatment and Prevention Funds with Recidivism Reduction Funds Offered by Representative Seaton

Currently, and in the past few fiscal years, appropriations from the Alcohol and Other Drug Treatment and Prevention Fund have exceeded revenue to the fund. The excess appropriations have been covered by a carry forward balance. At current appropriation levels, the carry forward balance will be exhausted in FY20.

Total appropriations of \$24.6 million included in the FY19 Governor's request for Alcohol Funding are \$3.9 million more than the \$20.7 million of anticipated FY19 revenues. Because appropriations from the Alcohol Fund have exceeded current year revenue since FY14, the carry-forward balance in the Alcohol Fund has declined as follows:

FY15: \$18.4 million carried forward into FY15  
FY19: \$6.9 million anticipated carry-forward into FY19  
FY20: \$2.9 million carried forward but there will be an estimated shortfall of \$1 million in available funding. Another fund source will be needed, or services will be reduced.

The Department of Revenue projects that in FY19 there will be \$9 million of Recidivism Reduction Funds available for appropriation. This amendment would increase the use of Recidivism Reductions funds from \$6 million to \$7.5 million. The budget for this allocation already includes \$1,625.0 of the Recidivism Fund. With this amendment the total will be \$3,125.0.

Representative Wilson OBJECTED for discussion.

Co-Chair Seaton read the amendment (see above).

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Representative Wilson asked Co-Chair Seaton to help her understand where the money for alcohol and other drug treatments was coming from. She wondered whether not having enough money was a result of less alcohol being consumed in

Alaska. Co-Chair Seaton responded that that there was less carry forward because more money was being spent.

Vice-Chair Gara asked to be a co-sponsor of the amendment. The issue came from his subcommittee which was brought to the subcommittee's attention by the Legislative Finance Division. He noted that the state was taking less in alcohol tax and providing treatment through the fund presently. The state would be spending more than it was taking in FY 20. The amendment specified that the other treatment related fund, the fund from which the marijuana tax proceeds could be used, was the recidivism reduction fund. He conveyed that both were treatment funds. The current amendment would extend the ability for the alcohol tax fund to cover the state's treatment services for 1 year. The amount that could be used was equal to half of the excess proceeds from the marijuana tax. The funds could be used for the Recidivism Reduction Fund. The estimated excess was projected to be about \$3 million. It would provide the legislature and the administration an additional year to come up with a plan. He suggested that there was no fiscal impact with the amendment.

Representative Wilson wondered why the state was overspending. She asked who received the grants. She asked if certain criteria were used to determine if those going through treatment were completing it. She expressed concern about using money that was put away for jails and to help people get back on their feet and keep them from reoffending. She wanted to better understand who was receiving the grants.

Vice-Chair Gara responded that the alcohol tax fund was used for both alcoholism and treatment. He opined that the state did not provide enough alcoholism and drug treatment in Alaska. The alcohol tax did not cover all of the costs. Over the years, the legislature had been appropriating a little bit more out of the alcohol tax and other drug treatment funds than was being received for alcohol taxes.

[2:14:24 PM](#)

Representative Wilson asked if the programs that received funding were working. She recalled that previously the legislature had not seen any statistics on people completing treatment. She thought that perhaps the state

was spending money on programs that were not successful rather than on other things.

SHAWNDA O'BRIEN, ASSISTANT COMMISSIONER, DEPARTMENT OF HEALTH AND SOCIAL SERVICES, thought Representative Wilson might be confusing the fund source with the Alcohol Safety Action Program, which was a different program. The funds went towards supporting substance use prevention and treatment efforts. They were different grant program funds than the funds related to the Alcohol Safety Action Program.

Representative Wilson asked if any of the grants went to the treatment of alcohol and substance abuse or were the grants used to prevent people from drinking and taking drugs. Ms. O'Brien replied that the grants went toward the Substance Misuse Treatment and Prevention Program.

Representative Wilson asked for statistics relating to the grant program successes of people no longer taking drugs or drinking. She wondered what the percentage rate was for every 100 participants in the program that no longer drank or took drugs. Ms. O'Brien could follow up with the information.

Representative Wilson asked if there was a connection between the people being helped in the program with people just getting out of jail. Ms. O'Brien answered that the recidivism reduction funds were not comingled with the funds being discussed. They were set aside for a separate program and served a different purpose. The amendment was requesting was to be able to co-mingle the fund sources in order to extend the existing services the state was providing beyond the what the funding currently allowed.

Representative Wilson wondered, with recidivism being as high as it was, whether individuals that could be using the recidivism funds were participating in any of the grant programs currently available.

Ms. O'Brien responded that the state's population was being served by the different types of funding in different areas of the budget. She reported that it was possible that the populations being served by the Substance Misuse, Treatment and Prevention Program and the Recidivism Reduction Program were similar or would potentially cross over. Folks coming out of prison would likely be participating in more than

one of the state's program areas. The Recidivism Reduction Funds were currently being administered by the department under SB 91 [Legislation passed in 2016 - Short Title: Omnibus Crim Law and Procedure; Corrections] efforts. They were different initiatives than what this particular fund source had been used for. She guessed the populations being served in both areas were very similar or that there would be some crossover.

[2:19:15 PM](#)

Representative Wilson stressed the state's major recidivism problem. She found it hard to believe there would be any funds left over when 2 or 3 offenders got out of jail and reoffended. She was concerned about not knowing who the funds were going to and whether the programs were successful. Her larger concern had to do with utilizing the funds for anything other than what they were intended for in SB 91; treatment. She was aware that the Department of Corrections (DOC) was putting together more programs for recidivism.

Vice-Chair Gara commented that it was up to legislators and the department to figure out how to reduce recidivism. The bulk of the recidivism reduction funds were going through DOC and to people who had been released. The requested budget of the \$9 million expected from the fund was \$6 million. He concluded that no money the amendment touched would impact what was proposed by the legislature or the governor's office for recidivism reduction. He would not support the amendment if money was being taken away from recidivism reduction efforts. Currently, there was a projected \$3 million excess for the coming year.

Representative Pruitt wanted to make sure the legislature did not do the same thing to the recidivism fund that had been done to the alcohol fund. He believed the amendment was temporary and resulted in a fund change. He asked how to ensure that as the need for recidivism funds increased, less money would go into the alcohol fund. He was concerned about the long-term sustainability of both funds and the potential difficulties that might arise in the budget process going forward.

[2:22:44 PM](#)

Co-Chair Seaton asked to hear from the Legislative Finance Division.

LACEY SANDERS, ANALYST, LEGISLATIVE FINANCE DIVISION, addressed Representative Pruitt's comments about ensuring the legislature did not overspend the recidivism reduction fund. She reported that in FY 19 there was projected to be \$9 million in the recidivism reduction fund. The amendment increased the spending which in FY 18 was \$6 million to \$1.75 million. The proposed number was utilized so that if revenue did not come in as projected, there would not be a shortfall in the ability to issue grants.

Representative Pruitt asked Ms. Sanders to repeat her answer. Ms. Lacey responded that in FY 19 there was projected to be \$9 million of revenue from recidivism reduction funds. The current budget had \$6 million of spending. The amendment would add another \$1.5 million bringing the total to \$7.5 million. In other words, all of the projected revenue would not be fully expended.

Representative Pruitt referred to the alcohol fund which had additional funds in the account and had been reduced over time. He did not necessarily see additional money in the recidivism fund. It sounded like there would be an extra \$1.5 million that could be carried over into the future year. He believed there would be a greater need to utilize the recidivism fund going forward. He spoke about the demand on the fund in future years.

Ms. Sanders did not have the ability to project what the demand on the fund would be. She thought the Department of Health and Social Services (DHSS) might be able to define the demand. The Legislative Finance Division (LFD) used the Department of Revenue (DOR) for its source of projections. There was a substantial increase in revenue as the marijuana tax built up. She reported that in FY 18 \$4.6 million of revenue was projected in the recidivism reduction fund. Revenues were anticipated to increase to to \$9 million in FY 19, a substantial increase. She was uncertain where things would level out. Revenue would have to be watched yearly until a stable source of revenue was determined.

[2:26:23 PM](#)

Representative Pruitt did not want to be faced with a similar challenge for the recidivism reduction fund that the legislature had faced with the alcohol fund.

Representative Guttenberg relayed a story about a parent talking to him about all of the money going into the recidivism fund to keep people out of a cycle. The parent told of their child approaching them about needing treatment for either drug or alcohol addiction. He indicated that when a person admitted they needed help, they had a higher chance of success. The parent was not able to get their child into a treatment program for a significant amount of time. The child was sent outside in search of treatment. He understood recidivism was important but noted that preventing a person from their first crime was equally important.

Co-Chair Seaton provided wrap up on the amendment. He relayed that the amendment would only take half of the excess funds. The fund was growing with the increase of marijuana taxes. He did not believe marijuana taxes would be reduced in the near future. He asked members for their support of the amendment.

Representative Wilson MAINTAINED her OBJECTION.

A roll call vote was taken on the motion.

IN FAVOR: Pruitt, Thompson, Gara, Grenn, Guttenberg,  
Kawasaki, Ortiz, Seaton, Foster  
OPPOSED: Tilton, Wilson

The MOTION PASSED (9/2). There being NO further OBJECTION,  
Amendment H HSS 11 was ADOPTED.

[2:29:15 PM](#)

AT EASE

[2:51:17 PM](#)

RECONVENED

Representative Tilton MOVED to ADOPT Amendment H HSS 12  
(copy on file):

Behavioral Health  
Behavioral Health Administration  
H HSS 12

Travel and Commodities Reduction Based on FY17 Actual Levels Plus Adjustment for CPI  
Offered by Representative Tilton

Decrement to Travel and Commodities from 2017 Actual Levels plus adjustment for CPI

Vice-Chair Gara OBJECTED for discussion.

Representative Tilton read the amendment (see above). The reduction would total \$100,000. She conveyed that the travel under the travel line was for out-of-state travel which had doubled.

Vice-Chair Gara stated that the section of the department had been very efficient. There were more people receiving behavioral health services than ever before and there was no end in sight. The department's budget had been reduced by \$19 million in recent years. The department had leveraged more federal funds than the legislature had cut to try to address the growing need for services. He continued that in terms of administration, the budget had been flat even though the administration was serving more and more people. The administration budget was \$107,000 less than it was in FY 17. Travel was used in behavioral health to visit grantees to make sure they were complying with the law, for training, and for grantees to do Medicaid billing. It was also used by regional and community providers to help with grants and billing. It was used to supervise staff around the state. The division had been trying to serve a growing number of people at a reduced cost.

[2:54:08 PM](#)

Representative Wilson asked how the travel and commodity part had been impacted. She would be supporting the amendment. Representative Tilton relayed that the amendment would impact the travel line, but it was the out-of-state travel that had more than doubled. She asked if there were situations where the department was traveling out-of-state to check on beneficiaries.

Vice-Chair Gara answered that the out-of-state travel costs were a fraction of the item. The grantees were obviously in the state. The amendment would reduce the travel budget by

13 percent and the commodities budget by 26 percent for a division serving a growing number of people.

Representative Tilton commented that the amendment would reduce travel. The outside travel had more than doubled over the previous year. The amendment reflected actuals. However, she used final costs rather than actuals. Actuals would have been 3 times more than the final costs in the reduction. She asked for support of the amendment.

Vice-Chair Gara MAINTAINED his OBJECTION.

A roll call vote was taken on the motion.

IN FAVOR: Thompson, Tilton, Wilson, Pruitt  
OPPOSED: Gara, Grenn, Guttenberg, Kawasaki, Ortiz, Foster, Seaton

The MOTION to adopt Amendment H HSS 12 FAILED (4/7).

[2:56:24 PM](#)

Vice-Chair Gara requested to consider Amendments H HSS 13 and H HSS 24 simultaneously. He explained that H HSS 13 and H HSS 24 were Alaska Psychiatric Institute (API) related. He explained that in the mid-2000s API was supposed to be a 140-bed facility with about 30 beds for criminal (forensic) patients. Instead it was an 80-bed facility with 10 forensic beds. He reported that of those 80 beds about 10 to 15 beds were under reconstruction to meet federal standards. He opined that Alaska was at a crisis level treating its psychiatric patients. Currently about 30 percent of the patients that left API after an unjustifiable waiting list were back at API within 180 days.

Co-Chair Seaton asked Vice-Chair Gara to move the amendments.

Vice-Chair Gara MOVED to ADOPT Amendments H HSS 13 and H HSS 24 (copy on file):

H HSS 13:

Behavioral Health  
Behavioral Health Administration  
H HSS 13

One-time Funding for Study on Improving Alaska's Capacity to Treat Defendants with Acute Mental Health Needs

Offered by Representative Gara

Funding will be used to examine Alaska's capacity to provide forensic mental health services, including an assessment of population needs, and options for improving and expanding those services.

Unlike most states, Alaska does not have a "forensic" hospital, although it does have a 10-bed "medium security" forensic unit located within the Alaska Psychiatric Institute (API).

The study being requested is part of an effort to see if patients served by API can be served better. Studies culminating in 2005 recommended a 140-bed facility at API, including 40 forensic beds; however, API was built with a capacity for 80 patients, and only 10 forensic beds.

Moving API's current 10 forensic beds to another location would free-up beds inside API that are desperately needed to address the waiting lists at API for court-ordered adult acute civil, involuntary admissions. Due to the lack of beds, almost all patients are being held in emergency departments around the state awaiting transfer.

Forensic services are mental health services specifically provided to justice-involved individuals (defendants). One of the more common forensic issues facing courts is whether a criminal defendant has the mental capacity to participate in his/her legal proceedings and whether the individual has the capacity to exercise his liberty to pursue his or her interests during the trial.

Populations who could be served by mental health services provided in a forensic hospital include:

- Pre-trial detainees held in correctional facilities who need competency (to stand trial) evaluations by API psychologists;
- Defendants found incompetent to stand trial and referred to API's forensic

unit for "restoration to competency" in order to stand trial;

-- Persons found incompetent to proceed to trial (known as "non-restorable" to competency) and civilly committed to API for treatment, as well as seriously mentally ill persons who are violent or convicted of sex offenses whose difficult behaviors create significant community discharge placement options.

-- Inmates sentenced to correctional facilities in need of inpatient psychiatric care, including those who are found Guilty but Mentally Ill

This proposed feasibility study will estimate the potential number of forensic beds needed to adequately address these various, complex populations.

The study would be multifaceted in that it would involve the following considerations: populations and potential numbers of persons to be served in a forensic hospital; possible locations in Anchorage; accreditation concerns arising from the relocation; staffing issues; transportation needs; the cost of any identified facilities; and the retrofitting and operating cost comparisons between identified potential locations and facilities. If this proposal is not funded the demands on API will continue and the "boarding" of psychiatric patients in hospital emergency departments across the State will continue.

H HSS 24:

Medicaid Services

Behavioral Health Medicaid Services

H HSS 24

Transfer MHTAAR to Behavioral

Health for Study to Improve Capacity to Treat Defendants with Acute MH Needs

Offered by Representative Gara

The Mental Health Trust has expressed verbal support for this study and movement of these funds from the Medicaid Services appropriation/Behavioral Health allocation to the Behavioral Health Administration appropriation/Behavioral Health Administration allocation. Board approval is anticipated at the Mental Health Trust's next meeting in May 2018.

Representative Wilson OBJECTED.

Vice-Chair Gara continued that the amendment was part of an effort to address the underserved population - people with acute mental illness who were potentially dangerous to themselves or the public. He reported having spoken to the Alaska Mental Health Trust who was going to match \$159,000 with \$159,000 of state money for a feasibility study to find another location for forensic patients. The idea was to free up space at API to avoid API becoming a revolving door for patients. He hoped more treatment would be available to patients, and patients would be more stable when they came out. He continued that the CEO of the Mental Health Trust was confident that the board would approve their share of \$159,000, however, the board did not meet until April. He elaborated that H HSS 24 moved the funding to the correct allocation from Behavioral Health Medicaid to Behavioral Health Administration.

[2:59:26 PM](#)

Representative Grenn talked with a woman the previous weekend who worked at API. She had a colleague who had her arm broken by a violent mentally ill person. The representative had a great conversation with the woman about what was going on at API and the passion she had for patients. He thought the work done by the representative from downtown Anchorage was commendable. He would be supportive of the amendment.

Representative Kawasaki referred to Amendment H HSS 13. He asked if patients remanded by the courts to serve and who were serving at API were eligible for Medicaid. He noted that he served on the DOC budget subcommittee with Representative Wilson. They had discussed sending prisoners with the costliest medical expenses to facilities in the Lower 48 where healthcare could be provided at a cheaper rate. He wondered if there was potential savings for incarcerated individuals staying at API to be housed in facilities outside of Alaska.

Vice-Chair Gara answered that Medicaid Disproportionate Shared Hospital (DSH) payments were a form of Medicaid used by the incarcerated patient population - Medicaid match funding. He furthered that the courts referred forensic patients to API. He reported that API had no choice but to accept them, which decreased the number of beds for people

who had committed no crimes but had psychiatric illnesses. He had not analyzed whether to send people out of state. He did not have information from the department. He relayed that the department had a study on the street about expanding API to avoid waiting lists and to provide needed continuity of care. He would want certain questions answered before implementing a policy of sending patients out of state without family support.

Representative Wilson did not believe the question had been answered. She wondered whether Medicaid expansion would cover prisoners. She wondered if they would be eligible because API was a state facility. Vice-Chair Gara deferred to the department.

JON SHERWOOD, DEPUTY COMMISSIONER, DEPARTMENT OF HEALTH AND SOCIAL SERVICES, responded there was a federal prohibition for regular Medicaid to pay for services in institutions for mental disease for individuals age 21 thru 64. Most of the corrections population would not be eligible for treatment in a psychiatric institute, state or otherwise, thru Medicaid. The expansion population, if in correctional custody were not eligible for Medicaid unless they overnighted in an inpatient facility. However, because Medicaid did not cover institutions for mental disease for ages 21 thru 64 there would be no Medicaid coverage.

[3:04:47 PM](#)

Representative Wilson appreciated the commissioner's explanation. She thought the amendment was about a study to see if there was another facility that could be utilized. She asked for additional detail about the study and its purpose. She mentioned retrofitting and operating cost comparisons between identified potential locations. She wondered if the state was looking to lease or buy another facility. She asked for more specifics regarding expansion.

Vice-Chair Gara answered that the study would be contracted out to find the most appropriate place for forensic patients. He thought the location would have to be within Alaska. The facility could be a privately-operated institution. The study was to determine the best way to serve the specific forensic patient population. Unlike Alaska, most states had a separate forensic unit for people coming through the criminal system. He indicated that Alaska put people who went through the criminal system in

the same place as other API patients. The practice was not ideal, especially because there was already a shortage of treatment rooms for API patients without criminal records.

Representative Wilson asked how the study would be different than the study currently being conducted regarding API.

Vice-Chair Gara answered that the study on the street did not pertain to the forensic population. Rather, it looked at expanding API. The study would consider what capacity was needed at API to avoid people having to be on a waitlist or having to go to hospital emergency rooms until being admitted to API. Many people were kept for a very short time at API because of the number of people on the waitlist. Patients were discharged, but typically returned to API within 180 days. The study would determine the proper size of API. He reported that in the mid-2000s the study showed the need for a 140-bed facility.

Representative Wilson asked if an expansion could also include more forensic space. She thought the expansion portion could overlap based on what the amendment stated. Vice-Chair Gara clarified that the amendment was not to fund patients but to find an appropriate location for forensic patients separate from API. The idea was to free up space at API for non-criminal patients in need. The current study did not address the issue.

[3:08:43 PM](#)

Representative Tilton asked whether patients who were unable to get into API and who were sitting in hospitals covered by DSH funds would be covered by DSH funds. Mr. Sherwood answered that a number of people who could not get into API were people who needed to be evaluated or restored to competency for trial. They would be sitting in jails if they did not get into API while they waited to be evaluated or treated for competency. They composed the primary population served by forensic beds.

Vice-Chair Gara indicated that he had tried to find matching funds to reduce the state's costs on all of the API amendments. He suggested that if the legislature did not do something, someone would get hurt or die. He appreciated the CEO of the Alaska Mental Health Trust stating that he would advocate for the matching funds.

Representative Wilson MAINTAINED her OBJECTION.

A roll call vote was taken on the motion.

IN FAVOR: Gara, Grenn, Guttenberg, Kawasaki, Ortiz,  
Thompson, Seaton, Foster  
OPPOSED: Tilton, Wilson, Pruitt

The MOTION PASSED (8/3). There being NO further OBJECTION,  
Amendments H HSS 13 and H HSS 24 were ADOPTED.

3:10:58 PM

Vice-Chair Gara MOVED to ADOPT Amendment H HSS 14 (copy on  
file):

Behavioral Health  
Behavioral Health Administration  
H HSS 14  
Annual Reports to Legislature on Use of Federal  
Disproportionate Share Hospital Funds  
Offered by Representatives: Gara, Tilton

Wordage:

It is the intent of the legislature that the Department of Health and Social Services submit a report to the co-chairs of the Finance Committees and Legislative Finance Division by November 15 of 2019, 2020 and 2021 on 1) disbursement and use of federal Disproportionate Share Hospital (DSH) dollars by community and regional hospitals, 2) the annual amount of federal DSH funds which the state is not claiming, and 3) future strategies for claiming those funds, including the possibility of hospitals matching those funds, to improve outcomes for patients, providers and the public.

Explanation:

Disproportionate Share Hospital (DSH) funds are provided to state and community hospitals that serve a significantly disproportionate number of low-income patients and receive payments from the Centers for Medicaid and Medicare Services to cover the costs of providing care to uninsured patients. In recent years, Alaska has not claimed roughly \$10 million annually in DSH funds it is eligible for, yet many hospitals in

Alaska critically need funds to deal with overflow from the Alaska Psychiatric Institute and meet other needs. This on Use of Federal Disproportionate Share Hospital Funds (continued) language states legislative intent that the Department report annually on its use of those funds, on the amount of funds not claimed, and steps it is exploring to ensure Alaskan hospitals benefit to the maximum extent possible.

Representative Guttenberg OBJECTED for discussion.

Representative Tilton explained the amendment was in regard to the Disproportionate Share Hospital (DSH) funds that were discussed earlier in the meeting. The amendment advocated for intent language that would require a report. She read a portion of the amendment (see above). She indicated that having some data and information would help the legislature to know regionally where the funds were going and what the need was. There were DSH funds sitting available. She asked what the legislature's plan was to maximize the usage of those funds.

Representative Wilson began asking a question regarding a different amendment. Representative Tilton clarified that the amendment was a request for a report from the department regarding the usage of DSH funds.

Representative Wilson asked Representative Tilton to explain DSH funds. Representative Tilton replied that Disproportionate Share Hospital funds were federal matching dollars for uncompensated care.

Vice-Chair Gara stated there was roughly \$10 million in federal DSH funds available that the state could match on a 50/50 basis. However, the state did not have the matching funds presently. The current circumstance was that patients needing care at a facility like API were sitting in emergency rooms while waiting for space at a facility to become available. In some cases, the patients were violent. The amendment would help monitor and determine the best use of DSH funds and the best way to leverage what the state could not afford to leverage presently. He thought Representative Tilton had a good idea to ask for an annual report on the use of DSH funds.

Representative Guttenberg WITHDREW his OBJECTION.

There being NO further OBJECTION, Amendment H HSS 14 was ADOPTED.

3:15:10 PM

Vice-Chair Gara requested simultaneous consideration of Amendments L H HSS 15, H HSS 16, H HSS 25, H HSS 26.

Vice-Chair Gara MOVED to ADOPT Amendments L H HSS 15, H HSS 16, H HSS 25, H HSS 26 (copy on file):

L H HSS 15:

Behavioral Health  
Designated Evaluation and Treatment  
L H HSS 15  
3-Year State Matching Funds Totaling \$10.5 Million to Support Hospital-Based Mental Health Care (FY19-21)  
Offered by Representatives: Gara, Seaton  
30-GH2564/O.24

In recent years, Alaska has not claimed all of the federal Disproportionate Share Hospital (DSH) funding to which it is entitled due to a lack of matching funds and federal receipt authority. With a commitment of \$10.5 million in Alaska Comprehensive Health Insurance (ACHI) funds in FY2019, the State would be able to leverage an additional \$10.5 million of federal DSH funds between FY19 and FY21.

Currently, there is a major gap in the Alaska Psychiatric Institute's (API) ability to admit patients, due to its limited capacity of 80 beds. Although API is claiming all of the DSH funding to which it, as Alaska's only public psychiatric hospital, is currently entitled, the State could claim a portion of its unused DSH funds to support other hospitals and community behavioral health programs that are especially impacted by the lack of treatment beds at API.

Specifically, these additional funds would enhance the capacities of the State's three existing DSH-funded hospital-based mental health treatment programs and provide new financial support to approximately three other hospitals impacted by the lack of treatment beds at API.

These hospitals have been working hard to provide and maintain safe environments for patients who are court-ordered to psychiatric evaluation and treatment at API (or one of the other two Designated Evaluation and Treatment hospitals). Many of these patients are being held for days and sometimes longer in their hospitals' emergency departments awaiting transfer to API.

Services provided would depend on what the hospital and, in some cases, the local community behavioral health center determines makes the most sense for their hospital/community, ranging from physician (including psychiatric) and social work services, additional security guards and substance use or mental health services (assessments, evaluations), to discharge planning and converting emergency rooms to safe rooms, etc., all geared towards providing more appropriate services for the mentally ill and relieving the stress and pressures on emergency departments.

While two other existing hospitals have approved Certificates of Need to expand services to provide treatment for people who would qualify for API admission, these new services will not be online until early 2019 and 2020, and ultimately are not anticipated to meet the existing need. Further, the Department of Health and Social Services has submitted the Section 1115 Behavioral Health Medicaid Waiver application to the Centers for Medicare and Medicaid Services (CMS) which will help increase access to community-based behavioral health services. Service implementation will take multiple years and although it is anticipated to begin in 2020, it will be based on negotiations with and approval by CMS.

This enhanced DSH funding would enable the State to help address a demonstrated crisis in the provision of adequate and appropriate hospital-level care for Alaskans experiencing a mental health crisis. Without additional resources there will continue to be expensive uncompensated care at medical facilities for patients they hold, waiting for API admission.

H HSS 16:

Behavioral Health  
Designated Evaluation and Treatment  
H HSS 16 - Reverse IncT for ACHI Funding  
Request Is Included in Language Section  
Offered by Representative Gara

Funding is being requested as a multi-year (FY19-FY21)  
language item and should not be duplicated in the  
numbers section.

H HSS 25:

Medicaid Services  
Health Care Medicaid Services  
H HSS 25  
Reverse IncT for Federal to Match GF - Request is  
Included in Language Section  
Offered by Representative Gara

Funding is being requested as a multi-year (FY19-FY21)  
language item and should not be duplicated in the  
numbers section.

H HSS 26:

Medicaid Services  
Health Care Medicaid Services  
L H HSS 26 - 3-Year Federal Matching Funds Totaling  
\$10.5 Million to Support Hospital-Based Mental Health  
Services  
Offered by Representatives: Gara, Seaton  
30-GH25640.24

In recent years, Alaska has not claimed all of the  
federal Disproportionate Share Hospitals (DSH) funding  
to which it is entitled due to a lack of matching  
funds and federal receipt authority. With a commitment  
of \$10.5 million in Alaska Comprehensive Health  
Insurance (ACHI) funds in FY2019, the State would be  
able to leverage an additional \$10.5 million of  
federal DSH funds between FY19 and FY 21.

Currently, there is a major gap in the Alaska  
Psychiatric Institute's (API) ability to admit  
patients, due to its limited capacity of 80 beds.  
Although API is claiming all of the DSH funding to  
which it, as Alaska's only public psychiatric

hospital, is currently entitled, the State could claim a portion of its unused DSH funds to support other hospitals and community behavioral health programs that are especially impacted by the lack of treatment beds at API.

Specifically, these additional funds would enhance the capacities of the State's three existing DSH-funded hospital-based mental health treatment programs and provide new financial support to approximately three other hospitals impacted by the lack of treatment beds at API.

These hospitals have been working hard to provide and maintain safe environments for patients who are court-ordered to psychiatric evaluation and treatment at API (or one of the other two Designated Evaluation and Treatment hospitals). Many of these patients are being held for days and sometimes longer in their hospitals' emergency departments awaiting transfer to API. Services provided would depend on what the hospital and, in some cases, the local community behavioral health center determines makes the most sense for their hospital/community, ranging from physician (including psychiatric) and social work services, additional security guards and substance use or mental health services (assessments, evaluations), to discharge planning and converting emergency rooms to safe rooms, etc., all geared towards providing more appropriate services for the mentally ill and relieving the stress and pressures on emergency departments.

While two other existing hospitals have approved Certificates of Need to expand services to provide treatment for people who would qualify for API admission, these new services will not be online until early 2019 and 2020, and ultimately are not anticipated to meet the existing need. Further, the Department of Health and Social Services has submitted the Section 1115 Behavioral Health Medicaid Waiver application to the Centers for Medicare and Medicaid Services (CMS) which will help increase access to community-based behavioral health services.

Service implementation will take multiple years and although it is anticipated to begin in 2020, it will

be based on negotiations with and approval by CMS. This enhanced DSH funding approach would enable the State to help address demonstrated crisis in the provision of adequate and appropriate hospital-level care for Alaskans experiencing a mental health crisis.

Without additional resources there will continue to be expensive uncompensated care at medical facilities for patients they hold, waiting for API Eliminates funding for this increment added in the Governors FY19 budget.

Representative Wilson OBJECTED.

Vice-Chair Gara explained that the Amendment would delete Amendments H HSS 16 and H HSS 25 and replace them with Amendments H HSS 15 and H HSS 26. The finance subcommittee passed an amendment to leverage \$1.9 million of federal DSH funds with \$1.9 million in funds from different sources. He mentioned the state would be receiving \$85 million in ACHI funds, \$25 million of which the state had already received from Premera. The state had stabilized their costs and the excess profit was \$25 million. The federal government would be returning about \$60 million of the funds the state appropriated.

Vice-Chair Gara informed the committee that the hospitals came to him reporting that API patients were being housed in hospital emergency rooms. The hospitals could only bill for 1 day of their stay. The hospitals were not providing these patients with psychological treatment, social work, or the treatment they needed. However, they were kept in the emergency room because the hospitals had to. At some point, these patients made it to API, but after several days.

Vice-Chair Gara thought matching \$1.9 million of ACHI funds to leverage \$1.9 million of federal funds would be a great solution. The amount divided between hospitals equaled less than \$1 million per hospital. The hospitals wanted to use the funds to hire security and possibly build security walls or secured rooms. He relayed a story of a doctor getting punched by a patient and having a black eye. He realized that \$1.9 million would make some difference but not a big difference. The amendment outlined that for a temporary 3-year program, \$3.5 million per year in ACHI funds and \$3.6 million would be leveraged in DSH funds. The amounts should provide hospitals an adequate sum to build

secured rooms, hire security, and to provide social work and behavioral health treatment to patients as they waited in an emergency room. It was costing hospitals a significant amount of money and costing patients in terms of their care.

[3:19:39 PM](#)

Representative Grenn asked which hospitals would be affected by the amendment. Vice-Chair Gara replied that the DSH formula was based on the percentage of Medicaid-eligible patients it served. He suggested that a hospital in a place like Orange County, California would not be eligible, but most hospitals in Alaska would meet the Medicaid standards. Places such as Providence Hospital, Mat-Su Regional Hospital, Alaska Regional Hospital, and Bartlett Hospital would qualify. There was a question about whether hospitals receiving tribal funding would qualify. He thought there were 2 or 3 hospitals housing patients in their emergency rooms currently. He confirmed that Alaska Regional Hospital and Providence Hospitals were on the list. He thought roughly six were participating.

Representative Guttenberg asked for a guesstimate of the total amount of uncompensated services in the area of API across the medical community in Alaska. Vice-Chair Gara replied that the director at API believed it was more than the money being appropriated in the amendment. He decided the amount of \$3.5 million each year for 3 years was a responsible amount to use from the returned ACHI funds. He was aware there were folks in the building looking to use the funds for other things. He was proposing to use \$10.5 million of ACHI funds over three years to leverage \$10.5 of federal funds. The cost to the hospitals was greater.

Representative Guttenberg suggested that the assumption with the report and building out the space, hospitals would have the ability to house more people and be compensated. He thought the number would go down and the communities would be safer.

Vice-Chair Gara replied that it was not the ideal way to serve the patients - it was a temporary three-year solution. He detailed that by the end of 2020 the state hoped to qualify for a federal 1115 waiver. It would be a waiver that would hopefully divert people away from places like API with early intervention. Regarding Alaska Regional

Hospital and Mat-Su Regional Hospital, one was committed to and the other was considering opening up a psychiatric ward. Other hospitals around the state were making the same considerations. In combination with the 1115 waiver that began in 2020 and the additional rooms in hospitals would be part of the solution but did not exist currently.

[3:24:01 PM](#)

Representative Wilson expressed confusion about the amendment. She thought the intent of Amendment H HSS 14 was to determine what could be done with the money. Currently, Amendment H HSS 15 was appropriating \$10.5 million from ACHI funds prior to receiving the report proposed in Amendment H HSS 14, which she was uncomfortable with. She felt the legislature was guessing how the funds could be used. She did not know the parameters of the ACHI funding. She indicated that the hospital in Fairbanks had a ward, although not very large. She thought the legislature was getting ahead of itself.

Vice-Chair Gara replied that the legislature was not jumping ahead. He stressed that if something was not done someone would get hurt. He thought patients would become more expensive sitting in the wrong place for too long. The purpose of Amendment H HSS 14 was to figure out a way to better leverage federal dollars and to monitor how they had been used and how effectively. The legislature, the department, and the hospitals convened to determine the things that would be done including building secure rooms, providing heightened security, providing social work, and providing needed treatment. He emphasized that the population he was talking about consisted of people in danger of hurting themselves or others. He summarized a letter from an emergency room doctor who was in fear of her staffs' safety all day because of the patients her hospital was holding in the Mat-Su area.

Representative Wilson clarified that she was not advocating for doing nothing. She noted that Vice-Chair Gara had listed items that she did not believe were covered. She thought the committee should wait to allocate the ACHI funds. She suggested using the \$1.9 million with the matching funds and then wait.

[3:28:03 PM](#)

Vice-Chair Gara referred to a letter from the Alaska State Hospital and Nursing Home Association (ASHNHA) that stated exactly how they would use the funds. It would be different for each hospital, but the funds would be used for physicians, social work services, security guards, substance use, mental health services, assessment, evaluation, discharge planning capacity, and renovated emergency rooms to provide for secured segregation of certain patients from kids or families. They were examples of the things the hospitals would try to juggle with the limited amount of funding.

Representative Grenn tended to agree with Representative Wilson about the study in Amendment H HHS 14. However, the legislature would not receive a report until November 2019. He thought waiting 18 months for a report to address a need was immediate was too long. He asked if the \$10.5 million was a minimum investment amount by the state. He wondered where the figure came from.

Vice-Chair Gara replied that they could go back to \$1.9 million, but it would provide a limited amount of funds. The \$3.5 million would provide a somewhat adequate amount distributed between hospitals. There was no minimum or maximum. There was roughly \$10 million that the state could match 50/50. The state did not have \$10 million available, but it had \$3.5 million in the returned ACHI funds. He stressed that they could not have a system where doctors, nurses, and other patients were being assaulted.

[3:30:50 PM](#)

Co-Chair Seaton relayed that the ACHI money was one-time funding done on a 3-year increment. The problem was that behavioral Health was the least adequately funded in the State of Alaska. The money would help. The ACHI funding was insurance money.

Representative Thompson recalled receiving a letter from ASHNHA asking legislators to support the \$3.9 million because it would be leveraged into \$3.7 million. He was confused by the figures.

Vice-Chair Gara replied that his office, the department, and the hospitals came up with the amendment. He told them what he thought the state could afford it in terms of the ACHI funds. They came back to the state to relay that not

all items could be provided. Representative Seaton had suggested handling the issue in a manner that would allow the hospitals to get the funds they needed to house and help these people for a 3-year period while waiting for the 1115 waiver to go into effect.

Co-Chair Seaton added that the \$10 million DSH funds would have reverted back to the federal government without the amendment. The question was whether the state needed the facilities and treatment in Alaska.

Representative Pruitt had a question about the ACHI funds. He pointed out that the returned \$25 million from the ACHI fund was already slated for use in another manner. Currently, there was a bill on the House floor that would use \$30 million from the ACHI fund to fund community revenue sharing. He asked if the fund could be used for various purposes. He asked someone to comment on the viability of the fund.

Co-Chair Seaton asked someone from Legislative Finance Division to come to the table.

Ms. Sanders responded that when the initial reinsurance program began, there were 3 years of premium insurance taxes that were deposited into the ACHI fund. She relayed that for FY 16, FY 17, and FY 18 \$60 million went into each year totaling about \$175 million. There was an initial appropriation of \$55 million for the FY 17 reinsurance program. The State of Alaska applied for the 1332 waiver and was approved, which changed the reinsurance program to be partially federally funded and partially state funded. There was a second appropriation for \$55 million that was going to cover FY 18 thru FY 23. Approximately \$11 million per year would have been used to match \$44 million federal funds. Those were the only 2 appropriations made from the fund. After FY 17 was completed Premera returned \$25 million to the State of Alaska because insurance premium costs were lower than anticipated. It left about \$93 million in the ACHI Fund. The other bill Representative Pruitt was speaking to used approximately \$25 million still leaving money available for other uses.

[3:37:10 PM](#)

Representative Pruitt asked if any additional funds were being added to the fund. Ms. Sanders replied that the

existing statute was scheduled to sunset at the end of FY 18. No future deposits would be made into the ACHI fund. The insurance premium taxes would revert back to the general fund.

Representative Pruitt asked if she anticipated any demand on the fund in the future. Ms. Sanders responded that LFD's recommendation was to leave a small balance of less than \$10 million in the fund to address any potential unforeseen cost that might arise between now and FY 22, 5 years from now. Recently, there was a press release by the governor's office that the federal portion that was going to be covered in FY 18 was higher than anticipated. The state was heading in a direction where more costs were being covered by the federal government more than LFD had anticipated with the \$11 million and \$44 million split. The Legislative Finance Division's recommendation was to leave a small balance. However, there was funding available presently to appropriate elsewhere.

Representative Wilson WITHDREW her OBJECTION.

There being NO further OBJECTION, Amendments H HSS 15, H HSS 16, H HSS 25, H HSS 26 were ADOPTED.

[3:39:47 PM](#)

Representative Tilton MOVED to ADOPT Amendment H HSS 17 (copy on file):

Health Care Services  
Medical Assistance Administration  
H HSS 17  
Commodities Reduction Based on FY17 Actual Levels Plus  
Adjustment for CPI  
Offered by Representative Tilton

Decrement Commodities from 2017 Actual Levels plus  
adjustment for CPI

Vice-Chair Gara OBJECTED for discussion.

Representative Tilton read the amendment (see above).

Vice-Chair Gara spoke in opposition of the amendment. He conveyed that although he understood the motivation for the amendment, he did not agree with the policy. He noted that

the proposed cut of \$43,600 were matching funds. Therefore, the reduction was actually \$87,000. It was a 54 percent reduction in the commodities line. Medicaid assistance administration served roughly 30,000 more Medicaid recipients than the state had 4 years prior. However, their budget had remained relatively flat. Commodities could be computers, standing desks for workers, or a number of other things. He could not think of a good justification for taking away \$87,000 in funding, half of which was federal funding.

Representative Tilton relayed that under the commodities line in the FY 17 actuals it stated that it was \$48,000 and the FY 19 request was \$160,000. She thought it was a significant increase for office and business supplies. She asked for support on her amendment.

Vice-Chair Gara MAINTAINED his OBJECTION.

A roll call vote was taken on the motion.

IN FAVOR: Pruitt, Thompson, Tilton, Wilson

OPPOSED: Grenn, Guttenberg, Kawasaki, Ortiz, Gara, Seaton, Foster

The MOTION to adopt Amendment H HSS 17 FAILED (4/7).

[3:43:31 PM](#)

Co-Chair Seaton WITHDREW original L H HSS 18 (copy on file).

Public Assistance  
Alaska Temporary Assistance Program  
HSS 18 - Funding to Satisfy Federal  
Maintenance of Effort Requirements (FY19-FY20)  
Offered by Representative Seaton  
See 30-GH25640.30

In FY18 the Department of Health and Social Services has requested a supplemental of \$2 million to satisfy federal maintenance of effort requirements and avoid federal penalties that would also impact the FY19 budget. Given the current FY18 problem, this amendment adds \$4 million of one-time funds that may only be used to satisfy MOE requirements in FY19 and FY20. The fund source is the Commercial Charter Fisheries

Revolving Loan Fund. The fund has nearly \$5 million, only one \$28.1 loan is outstanding, the loan to asset ratio is an extremely low 1%, and projected loan demand is just \$45.0 per year. The remaining net cash available for loans would be approximately \$787.0 with a very low loan to asset ratio of 17%.

Co-Chair Seaton MOVED to ADOPT Replacement Amendment H HSS 18 (copy on file):

Public Assistance  
ATAP  
Replacement H HSS 18  
Offered by: Representative Seaton  
Funding to Satisfy Federal Maintenance of Effort  
Requirements (FY19-FY20)  
Language, MultiYr

Explanation:  
See 30-GH25640.31

In FY18 the Department of Health and Social Services has requested a supplemental of \$2 million to satisfy federal maintenance of effort requirements and avoid federal penalties that would also impact the FY19 budget. Given the current FY18 problem, this amendment adds \$3 million of one-time funds that may only be used to satisfy MOE requirements in FY19 and FY20.

The fund source is the Commercial Charter Fisheries Revolving Loan Fund. The fund has nearly \$5 million in cash, only one \$28.1 loan is outstanding, the loan to asset ratio is an extremely low 1 percent, and projected loan demand is just \$45.0 per year. The remaining net cash available for loans (assuming H DFG 18 is also adopted) would be approximately \$787.0 with a very low loan to asset ratio of 17 percent.

Representative Wilson OBJECTED for discussion.

Co-Chair Seaton read the amendment (see above).

[3:44:56 PM](#)

Representative Wilson discussed her objection. She reported in the prior year the legislature moved money from one area and asked if it would affect the federal maintenance of

effort requirements. She recollected that the legislature was told no. Presently, it appeared that it was not necessarily true. She reported that about \$2 million was moved from the Public Assistance Program to the Office of Children's Services. She wanted to verify whether the transfer was the cause of the state's current issue.

Vice-Chair Gara replied that the legislature had transferred excess public assistance funds. The legislature met its adult public assistance needs in the prior year. The legislature did not underfund adult public assistance by moving those funds.

Representative Wilson wondered about the source of the problem of not meeting the requirement. She thought something had changed.

Co-Chair Seaton invited a representative from LFD to the table.

KELLY CUNNINGHAM, ANALYST, LEGISLATIVE FINANCE DIVISION, asked Representative Wilson to restate the question. Representative Wilson complied.

Ms. Cunningham answered that a \$7 million cut in FY 17 and an additional \$3 million cut in FY 18 were the causes. However, the legislature gave the department intent to hire a contractor to seek out third party claiming. The department was successful at identifying \$8.9 million in third party claiming for the last year. She noted the prior year was only \$2.9 million. They were not able to identify enough third party claiming to make up the shortfall of the \$3 million reduction from the prior year. The department received the reduction in hopes that they could identify additional third party claiming, however, it did not pan out as anticipated.

Representative Wilson asked where the money would be spent, as the money was a match rather than an ask to avoid losing federal funds. Ms. Cunningham deferred to the department.

Co-Chair Seaton pointed out that there was a restriction in the amendment that the money could only be used to satisfy the maintenance of effort requirements in FY 19 and FY 20.

[3:49:11 PM](#)

Ms. O'Brien answered that one of the reductions the department had taken was an offset for federal funding. The department was increasing the state's federal authority for the reduction it took in general funds. Currently, the department was paying for the benefits with federal authority. It would allow the state to pay for the benefits with funding sources that allowed the department to meet the maintenance of effort. In this case, it was a designated general fund source which could also be used to satisfy maintenance of effort.

Representative Wilson remained confused. She asked if the state had to spend general fund money. She wondered if general funds were being used to backfill to meet the maintenance of effort.

Ms. O'Brien responded that the department's maintenance of effort requirement for the Temporary Assistance for Needy Families (TANF) block grant was about \$36 million. The requirement was an annual prerequisite regardless of how much money the state actually spent on the program. Fortunately for Alaska, it spent enough for the program in various ways that the state had those expenditures to spend. In other words, the state spent at least \$36 million for eligible expenditures for the TANF program. Currently, the state was spending federal funds in addition to general funds on temporary assistance program benefits. The amendment would allow the department to meet the maintenance of effort without having to pay a penalty or fine. Presently, the state was spending the following year's money trying to meet the maintenance of effort in advance. If the state were to get penalized or fined, the state would continually be behind and would have to ask for supplementals to address the need with the federal government.

Representative Wilson suggested that if the maintenance of effort was not required, the department would not need the money as the program was running without it. She asked about the amount of the penalty and whether it was an annual or monthly fine.

Ms. O'Brien replied that the requirement was an annual obligation. The department had until the end of the federal fiscal year to satisfy the requirement for the block grant funds. The department received about \$45 million in federal funds in addition to the \$36 million that it had to meet in

maintenance of effort. The program had the ability to spend the total amount. The state did not have enough expenditures to do so. She relayed that to the extent the department was able to leverage those funds in other areas such as the Child Advocacy Centers in OCS, and Childcare Assistance. The department was using the federal funds for leveraging purposes. The general fund spend was still required.

Representative Wilson asked about the penalty. Ms. O'Brien replied that the fine was dollar for dollar. She elaborated that for every dollar the state did not satisfy for maintenance of effort was the penalty. Co-Chair Seaton added that the state not only got penalized, it had to make the expenditures from the general fund. Representative Wilson understood.

Vice-Chair Gara stated that the issue had arisen a couple of years back. He asked for verification that the maintenance of effort was a Medicaid requirement. Ms. O'Brien replied in the negative. Vice-Chair Gara asked if the maintenance of effort had to do with the Alaska Temporary Assistance Program (ATAP). Ms. O'Brien responded in the positive.

Vice-Chair Gara reported that there were cuts in ATAP and the House Finance Committee was warned that the state would be very close if not violating the maintenance of effort requirements. The department sought and found private spending. There was certain private spending that qualified for maintenance of effort, so they were not using all state funds to meet the maintenance of effort requirement. The department had been as creative as possible, and the legislature was warned.

Representative Ortiz supported the intent of the amendment but had a question about the fund source. He asked if the Department of Commerce, Community and Economic Development (DCCED) had been notified about it coming from the Commercial Charter Fisheries Revolving Loan Fund and whether it approved it.

[3:54:43 PM](#)

AT EASE

[3:55:12 PM](#)

RECONVENED

Co-Chair Seaton replied that DCCED was notified and was fine with the use of the funds, as they were not needed for balancing loans. There were sufficient funds remaining to make additional loans.

Representative Guttenberg asked how many maintenance of effort components existed. Ms. O'Brien asked for clarification.

Representative Guttenberg replied he was only speaking to the specific program. He also asked how close the department got to not meeting the maintenance of effort requirements. Ms. O'Brien asked if he was talking about just the one maintenance of effort or all of the different maintenance of efforts. Representative Guttenberg asked her to address the one being discussed.

Ms. O'Brien indicated that, with the particular program, in past years the department mostly had not had an issue meeting the maintenance of effort requirement. The Alaska Temporary Assistance Program had a UGF budget of \$13.9 million for many years. That program combined with the Tribal Assistance Program was largely how the department satisfied the maintenance of effort requirement. Several years prior, the department was asked to find other sources of funding to meet maintenance of effort. It hired a contractor to help look at what other states were doing, to explore other avenues, and to work with non-profit entities to find out whether their data would be supportive. The department was successful in achieving about a \$3 million in-kind maintenance of effort match. In the previous year, the amount was increased by about another \$5 million. The department had experienced successes.

Ms. O'Brien continued that there was not always certainty to the numbers; the department did not always know exactly the value of the in-kind contributions. Typically, the department had a general idea of its spending and was aware of the amount needed to be made up. In some cases, the department might transfer authority that was excess in other places to help satisfy the gap. In the last several years, the numbers had been very close. The department had had a difficult time satisfying the requirements to the point where the department exhausted all of the general funds in the first quarter of the state fiscal year in order to satisfy the federal fiscal year requirement. It

limited what it could do for the following fiscal year which was where the department was at currently.

Representative Tilton asked about the funding source number. Previously the committee had been discussing the ACHI funds and relating those to health funds. She asked if the ACHI funds could be used in place of the funding source listed.

Ms. O'Brien was not familiar enough with the ACHI funding source to know if there were any limitations in its ability to match federal funds. She suggested that as long as it was not matching another federal source it could likely be used in that manner. The only requirement was that the funds were not used to match some other federal funding source.

Representative Tilton was asking the question because, if it was already established that the ACHI funds were health related and the funding source currently being used had more to do with economic development, she thought the state would be better served by using a different funding source.

[4:00:08 PM](#)

Co-Chair Seaton responded that the loan fund had had one \$28,000 loan with a 1 percent loan to asset ratio; over time it had not been used. He questioned why the legislature would allow that much funding to sit in an account being underutilized. It was thought there would be a higher demand for loans from the charter fishery revolving loan fund. The demand was not there, and he thought the proposed purpose would be an appropriate use of the fund. The fund would increase to a 17 percent loan to asset ratio - a very healthy ratio.

Representative Wilson asked if it was Co-Chair Seaton's intent to look at other funds that could be utilized for economic development in the capital budget. Co-Chair Seaton answered that the item had been put forward in the past as an economic development tool. It was not otherwise being used as had been anticipated. He had not looked into eliminating the program. He thought taking some money sent a strong signal that if it was not being utilized, it would be used somewhere else. They anticipated using \$780,000 in the coming year. It was using money that to-date had not been used.

Representative Wilson was supportive of the amendment. She highlighted that there were several smaller funds that should be looked out. She thought if nobody was using the funds, they could be used somewhere else. She was thankful for the amendment.

Co-Chair Seaton appreciated Representative Thompson bring forward the indirect expenditure report. He was trying to be as efficient as possible.

Representative Pruitt believed a larger conversation should take place about where to place the funds. In certain cases, it might be appropriate to look at phasing some of the funds out, if they were not being utilized as anticipated. He suggested getting the state out of the business of certain loans. He supported the amendment.

[4:06:29 PM](#)

AT EASE

[4:19:54 PM](#)

RECONVENED

Representative Wilson WITHDREW her OBJECTION.

Representative Kawasaki OBJECTED.

A roll call vote was taken on the motion.

IN FAVOR: Guttenberg, Kawasaki, Ortiz, Pruitt, Thompson, Tilton, Wilson, Gara, Grenn, Foster, Seaton  
OPPOSED: None

The MOTION to adopt Amendment Replacement H HSS 18 PASSED (11/0).

[4:21:08 PM](#)

Representative Tilton MOVED to ADOPT Amendment H HSS 19 (copy on file):

Public Assistance Administration  
H HSS 19 - Decrement  
Offered by Representative Tilton

Decrement to Travel from 2017 Actual Levels plus  
adjustment for CPI

Vice-Chair Gara OBJECTED for discussion.

Representative Tilton read the amendment (see above). She reported that the amendment reduced the travel line of \$154,000 by \$28,000 leaving the travel line at the FY 17 level and accounting for inflation.

Vice-Chair Gara explained his objection. He reported that costs were increasing in Public Assistance. The number of clients were increasing. The state was in the middle of a recession and the number of public benefit applications from 2016 to now had increased on a monthly basis by 40 percent from 10,000 to 14,000 per month. The division had a huge backlog of roughly 20,000 claims for public benefits. The travel money was used to go out to supervised workers who were turning over at an alarming rate of about 31 percent per year.

Vice-Chair Gara continued that a 3-year solution was being proposed in another portion of the budget. Presently, there was amazing burn-out, travel for supervision, and travel to work on the continuing problem with the ARIES computer system. He reported that the proposed cut of \$28,900 came with federal match dollars, which would result in an actual cut of about \$45,000 if the amendment passed. The division had acted responsibly even with more people on benefits. The division was approximately \$32.0 million below in state general fund spending than it was in FY 15. The division's actuals were \$1.2 million below what they were in FY 17. There were 30,000 to 40,000 more people on Medicaid. He thought it was amazing that the division had kept its budget \$32 million below where it was in FY 15. He emphasized that the funds were needed.

[4:23:38 PM](#)

Representative Wilson wanted to discuss the amendment which pertained to travel. She asked the sponsor of the amendment to elaborate about past travel expenses versus what it was presently. She wondered if the amendment had anything to do with the ARIES system. She asked for clarification.

Representative Tilton relayed that the actuals in FY 17 were \$28,800 in travel and the request was \$186,600 - 6

times the cost of the prior year's budget. The description, per the department, was administrative travel to regional and national conferences to review changes, provide analysis, and propose national legislation.

Vice-Chair Gara responded that the budget for the public assistance administration was \$1.2 million below FY 17 actuals. The travel costs that the funds could and would likely be used for was for travel to work on the problems with the ARIES system across the state. Travel was necessary to supervise and train new workers, which was a constant need within the division. The goal was to have employees working around the state rather than in one main office. He reported that if the dollars were removed, they would come back in a supplemental budget request.

Co-Chair Seaton noted that if funds were not at the allocation level, funds could be moved between line items. He thought it was difficult to only discuss on line item.

Representative Wilson wondered why the department put something in travel when they thought they would need it somewhere else. She reemphasized the increase of almost 6 times the previous allocation amount. She did not believe the caseload increases and the issues with ARIES were new to the department. She wanted to know more accurately where the money was being spent.

Co-Chair Seaton noted an opioid crisis and there being several conferences offered on the topic. He was not going to determine, through the budgeting process, which conferences department employees could attend. He was looking at the appropriation level when budgeting rather than the line items. As long as spending did not exceed the appropriation amount, he was not concerned.

Representative Ortiz asked if the department was available to provide further information on the impact of the amendment.

[4:28:24 PM](#)

Ms. O'Brien responded that the travel budget for the Public Assistance Administration staff was largely for administrative type travel including supervision, training, and system development meetings. The department anticipated things that would happen throughout the year. The

department anticipated that spending would be a certain amount based on a planning effort. In the past year and the year prior to that, the department had done a significant amount of cost containment in travel and hiring. The containment could be seen in the department's lapsed balances where the division and the department had taken extra steps to reduce travel needs. For the FY 19 budget the division budgeted their travel at the same level as they had been in prior years anticipating they would be doing a large amount of work on the ARIES program.

Representative Tilton pointed to the "Other Travel Costs" line. The request was \$73,000 and the actual was \$300. She noted that the travel request was 6 times more overall than the actual amount spent and 3 times without counting the match.

Vice-Chair Gara MAINTAINED his OBJECTION.

A roll call vote was taken on the motion.

IN FAVOR: Pruitt, Thompson, Tilton, Wilson, Grenn  
OPPOSED: Kawasaki, Ortiz, Gara, Guttenberg, Seaton, Foster

The MOTION to adopt Amendment H HSS 19 FAILED (5/6).

[4:30:56 PM](#)

Vice-Chair Gara MOVED to ADOPT Amendment H HSS 20 (copy on file):

Public Assistance Field Services  
H HSS 20  
Pursue Development of a Single  
On-line Application for Public Assistance Programs  
Offered by Representative Gara

Wordage:

It is the intent of the legislature that the Division of Public Assistance pursue opportunities to work with Code for America to develop a single on-line application for public assistance programs, including Medicaid, Adult Public Assistance, and the Supplemental Nutrition and Assistance Program, and report back to the legislature on its progress by Nov. 15, 2018 and again on November 15, 2019.

Explanation:

Code for America is a national nonprofit that helps governments and others to build technology to create healthy, prosperous, and safe communities. They have worked with more than 100 local governments across the U.S., including the Municipality of Anchorage. Code for America has tentatively expressed interest in donating its services to DHSS to simplify the application process for public assistance programs.

Representative Wilson OBJECTED for discussion.

Vice-Chair Gara explained that the amendment had come up in discussions by Representative Johnston and the department. He reported that Division of Public Assistance had been hampered by the ARIES system that had not performed as advertised. The department had fired the contractor. The goal of the ARIES system had been to have online applications. An individual could download their application online, but they could not submit them online. Therefore, it was not possible to have an online application system that spoke to the data system allowing for research to be done to determine a person's benefits.

Vice-Chair Gara continued that Code for America was a non-profit that helped states looking to combine their applications, for example. Potentially, Adult Public Assistance and Medicaid could be combined into one application. The department would be meeting with Code for America in April about free services to the state to help with the applications process. They could likely help with the applications process. However, there was the issue of someone applying and whether the system conveyed the information or whether research would have to be done on a client. There was some outside hope that Code for America could help for no cost as well. The intent language encouraged the department to work with Code for America and to let the legislature know the outcome of the effort.

Representative Wilson asked if the department would take the same action without the intent in the amendment. It sounded like the department was already acting. She asked if it was the report he wanted to ensure was done and provided to the legislature.

Vice-Chair Gara relayed that the goal was that reports would be submitted to the legislature on November 15, 2018

and November 15, 2019. He thought if he asked the department to supply the reports without the amendment in place, it would. He also wanted to recognize the work done by Representative Johnston in subcommittee. She had had many insightful comments on the issue. She wanted to know what the efforts were in working with Code for America.

[4:34:05 PM](#)

Representative Wilson WITHDREW her OBJECTION.

Representative Kawasaki OBJECTED for discussion.

Representative Kawasaki indicated that assistance programs such as Medicaid, Adult Public Assistance (APA), ATAP, and Supplemental Nutrition Assistance Program (SNAP), had imbedded asset tests that were required. Other types of public assistance like senior benefits, childcare assistance, and the Low-Income Home Energy Assistance Program (LIHEAP) did not require an asset test. He suggested that if only one form could be used for each, it should be the simplest one. There might have to be 2 forms in case a person on senior benefits who did not have to perform an asset test did not have to enter certain data.

Vice-Chair Gara did not think it would be possible to do one application for every benefit. Some Medicaid had an asset test, and some did not.

Representative Kawasaki WITHDREW his OBJECTION.

Representative Pruitt OBJECTED for discussion.

Representative Pruitt highlighted that the committee had never discussed Code for America. He thought it was important to discuss their security measures, their track record, and other things. He wanted to have the information so that if something went wrong, at least the committee could say it had vetted the organization.

Vice-Chair Gara replied that Representative Johnston and the department were aware of Code for America and felt comfortable with working with the organization. The question was whether Code for America was going to work for the State of Alaska for free. He encouraged Representative Pruitt to write a letter. He restated that the department had a meeting with Code for America in April.

Representative Pruitt WITHDREW his OBJECTION.

There being NO further OBJECTION, Amendment H HSS 20 was ADOPTED.

Representative Ortiz asked to move H HSS 21 and H HSS 22 together.

Representative Wilson did not believe the amendments were that similar.

[4:38: 18 PM](#)

Representative Ortiz MOVED to ADOPT Amendment H HSS 21 (copy on file):

Senior and Disabilities Services  
Senior and Disabilities Services Administration  
H HSS 21  
Service Delivery Models  
Offered by Representative Ortiz

Wordage:

It is the intent of the legislature that the Department re-examine and recommend service models for Alaskan communities with a population of less than 50,000 to meet the needs of disabled and senior populations in Alaska's smaller communities.

Explanation:

Service delivery models that works in larger communities do not necessarily work in Alaska's smaller communities. It is important to reassess service needs and delivery models to serve individuals with disabilities in these communities.

Representative Wilson OBJECTED for discussion.

Representative Ortiz explained that the purpose for both amendments was that he heard that as DHSS had seen cut backs and reductions in support from the state, it had been forced to find areas where reductions could be made. Many of the programs were tied to federal funding. The amendment addressed an area where he had heard concerns from his constituents. He relayed there had been reductions in day habilitation services, which had caused some extreme issues

for the people who had seen the reductions in communities like his own. He read a portion of the amendment (see above). He offered that the amendment spoke to the differences between rural communities versus urban communities. The solutions found by DHSS might work well for urban communities but not for rural ones.

Representative Wilson asked for a definition of a community. Representative Ortiz replied that a community would be a community with a population of less than 50,000.

Representative Wilson indicated that the City of North Pole was under 2000 people. The community of North Pole also qualified based on a population under 50,000. The City of Fairbanks also fell under the population mark of 50,000. Fairbanks Borough did not fall under 50,000. It had a population of about 100,000. She thought the definition of a community would make it a major project.

Representative Ortiz relayed that the figure of 50,000 was just an estimate of what would make a community large enough to receive such things as daycare facilities for adults. He encouraged a friendly amendment to change the number.

Representative Wilson was worried about the language because she thought it presented a divide. She relayed that in Fairbanks, if a person wanted to have a baby and intended for their child to go into daycare, they better get on a list first. There were very few daycares taking infants because of regulations. She was unclear about a service delivery model. She was wondering which services Representative Ortiz was talking about. She thought the amendment would be significantly expensive depending on how expansive they would make the intent language.

Representative Ortiz replied that the amendment was legislative intent language. He was unsure if it would have major ramifications within the department. Raising the issue of the difference between rural communities with less access to services and urban communities. He wanted the department to look at and consider the issue as a part of its plan on how to adjust to reductions in funding.

Representative Wilson commented that it was not just intent. She spoke of intent language regarding round-a-bouts at Chena Hot Springs, which outlined that

state money could not be spent. As a result of that intent language, 100 percent federal funding was secured. She wanted sideboards to the amendment.

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Representative Pruitt thought the only community that would not be looked at was Anchorage. He conveyed that based on the definition Wasilla, Palmer, and Juneau would qualify. He expected the departments to take intent language seriously. His concern was asking the department to consider every place but Anchorage. He wanted a clearer definition. He was concerned with the potential costs related to the amendment.

Representative Kawasaki reported that the City of Fairbanks had about 35,000 people. The borough, which exercises health and social service powers had a population of just under 100,000. He thought the committee was asking the department to recommend a service model for Alaska communities. He thought the amendment could be written better.

Representative Ortiz asked if it would please the committee if he lowered the population to less than 20,000.

Representative Wilson provided feedback. She thought the same issue would apply. She opined the amendment would still apply to many communities which would likely be costly. She continued that even off the road system there would be several communities the amendment would apply to. She thought the task would over-burden the department. She suggested that the amendment be rolled to the bottom of the amendments.

Representative Ortiz WITHDREW Amendment H HSS 21.

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Representative Ortiz MOVED to ADOPT Amendment H HSS 22 (copy on file):

Senior and Disabilities Services  
Senior and Disabilities Services Administration

H HSS 22  
Companion Services

Offered by Representative Ortiz

Wordage:

It is the intent of the legislature that the State of Alaska proceed expeditiously to establish companion services under Section 1915(c) of the Social Security Act to compliment and support the services provided through the Medicare/Medicaid waiver programs.

Explanation:

The Department indicates the process of establishing a "companion service" category under Section 1915(c) is lengthy and can stretch from one to two years. With the reduction in services under the Day Habilitation program it is vital that the State pursue the application process aggressively. Families and communities have been heavily impacted by the 12 hour per week cap on Day Habilitation services and until companion services are available to compliment and support Day Habilitation services, these families struggle to meet the needs of this vulnerable population.

Representative Wilson OBJECTED for discussion.

Representative Ortiz read the amendment (see above). He further explained that the department was forced to reduce the amount of day habilitation services available down to 12 hours per week for those who qualified. Originally there had been a soft cap of 18 hours per week. He heard from his constituents on a regular basis about the impact of the reduction. He continued that when the change was made, a soft cap was put into place. A soft cap allowed for a recipient to be able to apply for a waiver from the soft caps when their plan of service came up for review. However, over 1,000 plans had been reviewed and only about 5 waivers had been granted. He thought what had been proposed as a soft cap turned into a hard cap. People were left without access to service. The net effect was that people with disabilities were forced to be at home for much longer periods with less access to several things.

Representative Ortiz continued that in response, the department planned to replace or supplement with the companion services program requiring less money per hour for certain services. However, he understood that it would take more than 2 years to implement the companion care

services plan. In the meantime, there were people caught in the transition of having to adjust to the great reduction in day habilitation services.

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Representative Tilton understood from the subcommittee, 1915(c) Home and Community-Based Services (HCBS) Waiver system would be going live in May. She thought he was asking that they proceed expeditiously to establish services. However, it was her understanding that it was happening presently.

Co-Chair Seaton invited the department to respond.

Mr. Sherwood responded that the department would likely go online in May 2018. The new 1915(c) waiver would serve people with developmental disabilities who would be eligible for day habilitation. However, the department did not intend to offer companion services as part of the waiver, at least initially. The department went with a subset of the services that were available to individuals who currently received another waiver for individuals with developmental disabilities.

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Representative Wilson asked why the waiver did not apply to the developmentally disabled.

Mr. Sherwood answered that the individual service waiver was developed as an outgrowth of SB 74 which had the department look at a different option under federal law to offer home and community-based services. The intention of the department was to refinance some grant programs including substantially refinancing the grant program for community developmental disability services. As the department worked with a consultant to evaluate the option, the 1915(i) option, which, unlike waivers, was more of an open-ended entitlement. The department determined there were substantial financial risks associated with it. Much of the refinancing of developmental disability services provided through the grants could be accomplished by adding a second waiver, the 1915(c) waiver for people with developmental disabilities but with a more limited service package. It did not include out-of-home residential services such as group home habilitation. The department

decided to move forward with the grant services. The department did not have a companion service with any of its current waivers. The department was looking at potentially adding it to all of the department waivers. It would possibly replace more professional level services. A certain level of support for individuals would be provided, but not in the case of habilitation which focused primarily on the acquisition and retention of life skills. Rather, it would provide a level of supervision and support as people moved throughout their lives. The department was looking to move forward, but it would involve regulations, amending department waivers, and making appropriate plans to have controls in place for managing utilization.

Representative Wilson remembered a prior conversation about each case being looked at separately because of not wanting to have someone who was staying in their own home, go to a full-time facility. She clarified that the department thought the 1915(c) waiver would work for day habilitation but found that it would be better to pursue developmental individual services. She asked if she was correct.

Mr. Sherwood responded in the negative. He clarified that the original bill had asked the department to look at a different option, the 1915(i) option for home and community-based services. It would have served people on developmental disabilities grants to provide general relief assistance and some senior grant programs like grants for adult daycare. As the department looked at the option, it had less ability to focus on and target individuals with higher level needs. The department opted to implement a second waiver for people with developmental disabilities that would allow it to refinance the developmental disability grants program.

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Representative Wilson asked if there was a savings because of the waiver that could bring day habilitation services to the level it was prior to reducing it.

Mr. Sherwood reported that there were savings. By being able to substantially reduce the grant program, the department saved about \$5 million in general funds which had already been reduced from the budget as part of SB 74 fiscal note process. The department would not have access to that money.

Representative Guttenberg mentioned the department limiting the hours. He had heard from his constituents that the reduction in day habilitation hours had been a mistake. He understood that the department was putting another program in place in the coming May. He wondered what would be added. He also wondered how the state would get back to where it needed to be.

Mr. Sherwood responded that the people who were impacted by the reduction in hours for day habilitation services were not going to be affected by the new waiver. The people that would be affected by the new waiver were people currently receiving services through a separate grant program. Nothing about the new waiver would impact the people who had seen a reduction in their day habilitation services. The department was looking at companion services as a way to offer a less expensive alternative to providing some level of support but not the same level of habilitative services. He suggested that in the waivers there were 3 types of services individuals could receive including residential habilitation where they receive services in their home; supportive employment, which allowed them to receive habilitative services where they worked; and day habilitation where they received services in their community. The reduction applied to one of these three options. It was a soft cap in that there was not an absolute hard limit. However, it was a firmer cap than what people were led to expect.

Co-Chair Seaton relayed that the committee had additional comments. Therefore, he would adjourn the meeting and continue the discussion on the amendment during tomorrow morning's meeting at 8:30 a.m.

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

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

#  
ADJOURNMENT

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The meeting was adjourned at 5:03 p.m.