

HOUSE FINANCE COMMITTEE
February 26, 2020
9:13 a.m.

[9:13:41 AM](#)

CALL TO ORDER

Co-Chair Foster called the House Finance Committee meeting to order at 9:13 a.m.

MEMBERS PRESENT

Representative Neal Foster, Co-Chair
Representative Jennifer Johnston, Co-Chair
Representative Dan Ortiz, Vice-Chair
Representative Ben Carpenter
Representative Andy Josephson
Representative Gary Knopp
Representative Bart LeBon
Representative Kelly Merrick
Representative Colleen Sullivan-Leonard
Representative Cathy Tilton
Representative Adam Wool

MEMBERS ABSENT

None

ALSO PRESENT

Alexei Painter, Analyst, Legislative Finance Division;
Kelly Cunningham, Analyst, Legislative Finance Division.

SUMMARY

HB 205 APPROP: OPERATING BUDGET/LOANS/FUNDS

HB 205 was HEARD and HELD in committee for further consideration.

HB 206 APPROP: MENTAL HEALTH BUDGET

HB 206 was HEARD and HELD in committee for further consideration.

Co-Chair Foster reviewed the meeting agenda. The committee would resume its amendment process from the previous day.

#hb205

#hb206

HOUSE BILL NO. 205

"An Act making appropriations for the operating and loan program expenses of state government and for certain programs; capitalizing funds; 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."

HOUSE BILL NO. 206

"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."

[9:14:34 AM](#)

^AMENDMENTS

[9:15:00 AM](#)

AT EASE

[9:15:13 AM](#)

RECONVENED

Representative Merrick MOVED to ADOPT Amendment H DEC 1 (copy on file):

Spill Prevention and Response
H DEC 1 - Reduce Staffing Levels and Eliminate Class II Facilities Unit to Avoid Revenue Shortfall
Offered by Representative Merrick
1002 Fed Rcpts (Fed) -375.6
1052 Oil/Haz Fd (DGF) -643.5

Co-Chair Johnston OBJECTED for discussion.

Representative Merrick explained that the amendment would reduce funding a portion of the Spill Prevention and Response (SPAR) program. The reduction would align

expenditures with anticipated revenues to avoid a funding shortfall. She offered that with a decline in oil revenue, the expenses had been maintained but revenues had gone down. The program was looking at a shortfall in FY 24. The amendment would help close the gap. However, there would still be a shortfall in funding of \$70,000 in FY 24. If the amendment did not pass, the anticipated shortfall would be about \$700,000. The governor had offered the amendment during subcommittee, but it was not given proper consideration because it was not a long-term fix. There were members in the other body that were working on a more permanent fix. The amendment would provide the department some time until the long-term fix could be applied. She spoke with the commissioner who indicated the amendment would lead to a reduction of 7 positions. She elaborated that 4 of the positions were unfilled while 2 positions were vacant because the employees had taken other jobs within the department. One person had been offered another position but had not accepted it yet.

Representative Josephson opposed the amendment. He detailed that the state would lose approximately \$400,000 in federal receipts if the amendment was adopted. The amendment imposed a burden on undesignated general funds (UGF). The amendment would eliminate the state oversight of storage facilities that housed between 1,000 and 420,000 gallons. He continued that relatively to the funding shortfall, his report showed that the fund would run out of money in FY 25. He had been told of one approach under consideration in the Senate which contained a possible fix. The total shortfall, which would eliminate the funding source, would not occur for 4 to 5 calendar years. He was concerned the amendment was a penny-wise, pound-foolish approach. He would be opposing the amendment. He thought necessary oversight of the class II facilities, the tank farms, was a good reason to reject the amendment.

[9:19:01 AM](#)

Representative Merrick provided wrap up on the amendment. She commented that although she appreciated comments made by Representative Josephson, she did not agree with his math. She had been assured by the commissioner that the job would be done and the department would absorb the 7 positions. The amendment was necessary in order to keep the department going.

Representative Knopp was concerned about the loss of revenue if it was a result of a loss of production per barrel receipts. He did not agree with the idea of losing \$400,000 in federal receipts. He asked if the state was anticipating a decline in federal receipts. He needed further detail.

Co-Chair Foster invited Representative Merrick to comment.

Representative Merrick would wait until another question was presented.

Vice-Chair Ortiz shared Representative Josephson's concerns. He stated that if the amendment saved UGF he would take a strong look at supporting it. However, he expressed concerns about losing federal receipts. There had already been a 12 percent decrease in staffing in recent years within SPAR. He also noted that SPAR had been challenged with a 30 percent turnover rate in the prior year. He thought the amendment would handcuff SPAR with further reductions in federal receipts.

[9:22:02 AM](#)

Co-Chair Foster asked to hear from the Legislative Finance Division (LFD).

ALEXEI PAINTER, ANALYST, LEGISLATIVE FINANCE DIVISION, addressed Representative Knopp's question about the revenue shortfall. He relayed that the revenue for the fund came from a tax on oil production and a tax on refined fuels. Oil production was declining and so was refined fuel consumption. Both revenue sources were declining simultaneously creating a hole in the fund. The balance of the fund would fall below zero by the end of FY 24 which included the reductions in the amendment. Without the reduction, the fund would run out earlier in FY 24.

Representative Knopp thought it made sense to lay off employees if the funding ran out. He thought it seemed odd for the state to give up \$400,000 when the issue could be managed in the future in other ways.

Mr. Painter replied that the reduction was chosen because the positions performed non-regulatory functions. The Environmental Protection Agency (EPA) retained regulation of the fuel tanks. Whereas, there were other activities in

which the EPA was the regulator. In the particular area they were not the regulator.

Representative Merrick thought it was important to do what the department was asking. It would help while a long-term fix was being crafted.

Co-Chair Johnston MAINTAINED her OBJECTION.

A roll call vote was taken on the motion.

IN FAVOR: Carpenter, Merrick, Sullivan-Leonard, Tilton
OPPOSED: Wool, Josephson, Knopp, LeBon, Ortiz, Foster, Johnston

The MOTION to adopt Amendment H DEC 1 FAILED (4/7).

[9:25:19 AM](#)

Representative Merrick MOVED to ADOPT Amendment H DEC 2 (copy on file):

Water
H DEC 2 - Delete Ocean Ranger Program
Offered by Representative Merrick
1205 Ocn Ranger (Other) -3,426.0

Representative Josephson objected for discussion.

Representative Merrick explained the amendment would eliminate the Ocean Ranger Program. The program was created by a ballot initiative in 2006 and was funded by a statutory \$4 per berth fee on all commercial passenger vessels with 250 berths or more. She suggested that eliminating the program would not have significant impacts on the regulation of cruise ships on Alaskan waters because DEC would continue to permit and monitor for compliance with state waste water and air quality permits and regulations through records reviews, import inspections, opacity monitoring, and vessel tracking. The Ocean Ranger Program was provided through a contract. Out of the 22 Ocean Rangers, only 3 or 4 of them were residents of Alaska. The department was currently working on a piece of legislation which was in committee. There had been some good committee hearings to revamp the program making it more effective and making better use of the dollars paid for by cruise ships.

Vice-Chair Ortiz spoke against the amendment. He relayed that the subcommittee had considered the cut and had chosen to reject it. He agreed that the department was putting forward some plans that might show there would no longer be a need to continue the program in the future. He had heard loud and clear from coastal constituents that they wanted the program to continue until a more robust replacement came about. Until that time, the continuance of the program was in the best interest of the state and coastal residents.

Representative Sullivan-Leonard asked for an overview of the Ocean Ranger Program. It was her understanding there were employees on cruise ships monitoring the waste and disposal systems. If Ocean Rangers were no longer on vessels, she asked what DEC had planned for oversight.

Representative Merrick responded that there were people onboard ships from the department that conducted monitoring. It was her understanding that the Ocean Ranger followed that person around. The program had the reputation of being ineffective. She attested, having grown up in Southeast Alaska, that the health and safety of Alaska's waters were very important to her. She believed the state needed to be a good steward of others' money as well and put the funding to better use through a more effective program.

Representative Sullivan-Leonard highlighted that there was already oversight in place, meaning the program was unnecessary. She asked if she was correct.

[9:30:42 AM](#)

Representative Merrick answered in the affirmative based on her understanding.

Vice-Chair Ortiz did not know what kind of oversight there would be in absence of the program. He did not know of anyone else conducting oversight. There was potential in the long-term for electronic monitoring of discharge and similar items, but it was not in place yet. The idea that an Ocean Ranger followed someone around was something he had never heard. He pointed to the Coronavirus and the worldwide issue taking place related to cruise ships. He spoke about other items monitored by the Ocean Rangers

including food. He remarked that the rangers would not be able to test for the virus, but they could alert others to the potential hazard. He thought the elimination of the program was premature.

Representative Sullivan-Leonard did not believe an Ocean Ranger had oversight related to any illness on board - there were medical personnel onboard the ships for that purpose. She agreed that there was validity in not having an Ocean Ranger onboard a vessel, particularly on cruise ships. She agreed with Representative Merrick and supported the amendment.

Representative Knopp remarked that the issue had been discussed in committee the previous year. He had supported its elimination the previous year, but the funding had not been eliminated. He would not support the amendment at present. He hoped legislation would be passed to cover the issue. He agreed with Representative Sullivan-Leonard about the expansion of duties of an Ocean Ranger and how they were outside of the intention of the program. He reiterated his lack of support for the amendment.

[9:35:47 AM](#)

Representative Josephson discussed that a number of legislators had experiences that made them wonder what was really taking place in the departments. He added that some had the mantra "comply with the law." He pointed out that the program followed a citizen-made law that he would comply with. His understanding was the fees had been collected and the department was using them for some other DEC regulatory purpose rather than their intended purpose. He asked why the legislature would delete fees the department was using in some manner. He asked for further clarification.

Vice-Chair Ortiz believed the amendment would not stop the fee collection in any way. The program was funded by the fees from passengers - the money was not UGF.

[9:38:16 AM](#)

AT EASE

[9:42:31 AM](#)

RECONVENED

Representative LeBon asked for clarification that the action taken by the legislature the previous year had eliminated the program, but the funding had continued to go to the department.

Vice-Chair Ortiz answered that Ocean Rangers had been on ships in the past summer. The legislature had not eliminated the program, but the governor vetoed money to eliminate the program. Due to the governor's action there would not be a program in the coming summer. If the legislature continued with the actions of the subcommittee the program would be reinstated the following summer.

Representative LeBon asked if the amendment would eliminate the program but not the funding.

Vice-Chair Ortiz replied in the affirmative. The funding mechanism stayed the same.

Representative Wool asked if the money was collected specifically for the Ocean Ranger Program or whether it could be used for other items. He asked if they would be in violation if the funds continued.

Co-Chair Foster asked to hear from LFD.

Mr. Painter answered that the statute specified that the Ocean Ranger fee of \$4 could be spent only on the Ocean Ranger Program. Federal law was looser, but the funds had to be spent on something similar related to vessels.

Representative Wool suggested that if someone wanted to eliminate the Ocean Ranger Program, the \$4 fee should be eliminated also.

[9:46:27 AM](#)

Representative Josephson asked for verification that the amendment would not delete the program because it was a statutory program.

Mr. Painter agreed that statutes could not be deleted through the budget; they could only be defunded.

Representative Merrick provided wrap up on the amendment. She believed the program was ineffective. She was confident

the department would come up with a better way to use the dollars.

Co-Chair Johnston MAINTAINED her OBJECTION.

A roll call vote was taken on the motion.

IN FAVOR: Carpenter, Merrick, Sullivan-Leonard, Tilton
OPPOSED: Josephson, Knopp, LeBon, Ortiz, Wool, Foster, Johnston

The MOTION to adopt Amendment H DEC 2 FAILED (4/7).

9:48:20 AM

Representative Josephson MOVED to ADOPT Amendment H DFG 1 (copy on file).

Habitat
H DFG 1 - Restore Division Director
Offered by Representative Josephson
1004 Gen Fund (UGF) 202.7

Co-Chair Johnston OBJECTED for discussion.

Representative Josephson explained that the amendment and the amendment that followed would restore division directors in the Habitat Division. The subsequent amendment would restore the position in the Subsistence Division. He believed that the responsibilities of the Habitat and Subsistence Programs were critical enough to Alaskans that they required the focus of a director that could provide rather than compete for the attention of the busy department's deputy commissioner to whom the section now reported to as shown in the division's current organizational chart. He submitted the amendments only to highlight the issue. He had intended to bring them to disposition. However, he erroneously believed the dollars still existed in the department even though they had been cut. He withdrew the amendments.

Representative Josephson WITHDREW Amendments H DFG 1 and H DFG 2 (copy on file).

State Subsistence Research & Monitoring
H DFG 2 - Restore division director position
Offered by Representative Josephson

1004 Gen Fund (UGF) 195.6

[9:50:11 AM](#)

Co-Chair Johnston MOVED to ADOPT Amendment H GOV 1 (copy on file):

Office of Management and Budget
H GOV 1 - Restorative Justice Account Report Wordage
Offered by Representative Johnston

Co-Chair Foster OBJECTED for discussion.

Co-Chair Johnston explained the amendment. She indicated the account was established in 2018 for the purpose of assisting and paying victims' restitution and restoring them to wholeness. Unfortunately, one year into the creation of the account, the funds were already insufficient to cover costs. The shortfall in funds was due to low offender counts in 2019. In the future, the legislature wanted the Office of Management and Budget (OMB) to track the funds in the account. The intent of the amendment was to ask OMB to report back on the use of the remaining funds and to let the legislature know what is intended for the future of the account.

Representative Sullivan-Leonard asked if there were any funds in the account.

Co-Chair Johnston replied that there was a small amount in the fund. She indicated that the Legislative Affairs Agency brought the issue to her attention. Also, the author of the bill in 2018 was looking to put a light on the situation.

Co-Chair Foster WITHDREW his OBJECTION.

There being NO OBJECTION, Amendment H GOV 1 was ADOPTED.

[9:51:51 AM](#)

Representative Josephson MOVED to ADOPT Amendment H HSS 1 (copy on file):

Behavioral Health
H HSS 1 - Restore Funding Removed in FY20
Offered by Representative Josephson
1037 GF/MH (UGF) 6,000.0

Co-Chair Johnston OBJECTED for discussion.

Representative Josephson explained how the amendment evolved. He relayed that the behavioral health appropriation had been reduced over the previous couple of years. He found the funding to be important. He reminded the committee that the legislature had specified in HB 39 [the FY 20 operating budget bill passed in 2019] an appropriation of \$6 million, albeit with a different funding source. He continued that it was vetoed by the governor on June 28, 2019. In July 2019, the legislature reinserted the \$6 million through HB 2001 [An appropriation bill passed in 2019]. His staff reviewed the FY 20 budget to determine all of the items that had been vetoed. The public cared significantly about what had been vetoed which he believed was the reason the governor did not veto as much in August [2019].

Representative Josephson continued that it was positive that through SB 74 [Legislation passed in 2016 regarding Medicaid reform] the state was transitioning with federal government 1115 waivers to fund programs. He learned, from speaking with the Alaska State Hospital and Nursing Home Association (ASHNHA) and others, that there were gaps. He discovered that the waiver for substance abuse was in place. However, it was not the case for mental health treatment - it would take affect July 1. He suggested that even if there were systems built out to capture Medicaid money, there were several providers who could not do so. Part of the issue was that not all programs fit the criteria for the 1115 waiver. He referenced Nugent's Ranch in the Mat-Su. If a facility had more than 16 beds, such as Nugent's Ranch, they did not get an IMD [Institutions for Mental Diseases] exclusion. Therefore, they did not qualify for all of the waiver. In addition, the Medicaid Program had a limit of 30 days - in some cases expandable to 60 days. Nugent's Ranch had individuals recovering who needed a stay in duration of up to two years. He noted that Alaska Youth and Family Network did not fit into the Medicaid box either. He provided information about the program. Another program, Set Free Alaska, did not qualify. The program wanted to convert to billing Medicaid. However, it was complicated moving from State resources to federal resources.

Representative Josephson cited a letter from Tom Chard, CEO of the Alaska Behavioral Health Association. Mr. Chard made a strong argument confirming the issues the representative had mentioned. He conveyed that Medicaid did not reimburse grants for the services the program provided. In his letter, Mr. Chard listed 18 different services provided by the mental health community centers. The programs were inexpensive compared to showing up at the emergency room and Alaska Psychiatric Institute (API). He appreciated the work of the subcommittee. He offered the amendment because he wanted further discussion on behavioral health grants.

[9:59:37 AM](#)

AT EASE

[10:01:36 AM](#)

RECONVENED

Co-Chair Johnston appreciated Representative Josephson's comments and his thorough research on the topic. However, the subcommittee had come up with funding of a little over \$18 million for the grants. She agreed that the waivers were coming out in steps. She had significant respect for the department staff working long and hard hours to establish the 1115 waivers. She discussed that it was a year of transformation from a grant system to a billing system within the department. The subcommittee had tried to address the organizations that would not be able to adapt to the billing system. She had concerns about appropriating an additional \$6 million because she did not know how the department would deal with it. She would maintain the subcommittee's approach and would vote against the amendment.

Representative LeBon supported the amendment. He provided detail. He discussed a facility in his district, Family-Centered Services of Alaska (FCSA), providing behavioral health services to children, adults, and families. The non-profit was founded in Fairbanks in 1989. The entity started providing services in the Mat-Su Valley in 2009 to allow for a large number of children from the Valley going to Fairbanks to receive services in their home community. He reported that FCSA currently operated 14 distinct treatment programs for children and young adults. Programs covered the complete spectrum of treatment from outpatient to long-term residential including day treatment, therapeutic foster care, group homes, and other types of treatments.

Family-Centered Services of Alaska provided services to approximately 200 children and families daily with a total of 400 annually. The entity owned and provided services from 20 facilities. He reported that 14 of the facilities were in Fairbanks and 6 were in the Mat-Su Valley. The entity designated and constructed 19 of the 20 facilities to provide services to meet the specific needs of the clients it served. The mission of FCSA was to serve Alaska by providing family and child-centered services with unconditional care. He thought the amendment was worth supporting and appreciated the maker bringing it forward.

10:06:15 AM

Representative Wool shared that he had met with his local hospital group the previous evening. Behavioral Health had come up as a topic of discussion. He had heard there was a large gap in most communities. Much of the time people were taken to the emergency room, treated, and discharged. There was a gap in what was available to individuals following their hospital stay. Often individuals ended up back in the emergency room or in jail. There was a gap in treatment and, the state needed intermediary facilities including day clinics, group homes, and places where people have access to supervised treatment other than the ER, hospitals, or jail. He supported the amendment. He asserted that prisons should not be the first stop for folks.

Representative Sullivan-Leonard asked to hear from LFD. She pointed to page 16 of the budget bill. She looked at the amount already in the budget of \$12.8 million. The amendment showed an increase of \$6 million. She asked for a history regarding the behavioral health grant in recent years. She wondered if there had been major reductions.

KELLY CUNNINGHAM, ANALYST, LEGISLATIVE FINANCE DIVISION, answered that the behavioral health treatment and recovery grants allocation had approximately \$40 million in general funds (GF). The amount was previously \$18 million UGF. The subcommittee did a fund change reflecting \$12 million UGF. The total GF, including designated general funds (DGF), was about \$40 million. There was about \$11 million in federal dollars. In the prior year the reduction to the allocation was \$12.2 million UGF. The legislature adopted about \$6 million of the fund change and, the governor vetoed \$6.1 million. She confirmed that the program had experienced a reduction from the previous year to the current year.

Representative Sullivan-Leonard asked about the grants currently being disbursed. She wondered if some of the groups Representative Josephson highlighted were not receiving grants presently. She queried whether the amendment figure would be in addition to the behavioral health grant.

10:10:34 AM

Ms. Cunningham responded that her question was not easy to answer. She explained that the grantees of the 1115 waiver could begin the transition of billing through Medicaid. However, not all of the grantees had been able to do so. She explained that the mental health piece of the 1115 waiver had not come online yet - it would occur in July. Some uncertainty existed. The movement was to get most of the grantees transferred to the Medicaid side. However, there were some grantees that could not make the transition as smoothly.

Representative Sullivan-Leonard asked if some programs would fall through the cracks. She referenced Set Free Alaska and wondered if the program would not be able to provide services to their patients in the current and following year waiting for the transition to the 1115 waiver program.

Ms. Cunningham replied there was grant money going out presently. If a recipient was receiving a grant in the current year, she was uncertain what would happen in the following year.

Representative Tilton understood the need for behavioral health services, but grants had been challenging for several years. She wanted to be sure that dollars were getting to individuals. She thought the state was looking at a transformation to move away from the grant process to a more streamlined process. Making such a change was difficult. Some people might accept change easier than others. She indicated that there were still dollars available for those individuals who were in need and waiting for the change to occur. She suggested the state would have better controls in place to ensure that the dollars reached clients. She would be supporting the chair of the DHSS subcommittee in opposition of the amendment.

[10:14:02 AM](#)

Representative LeBon wondered if the House Finance Committee had discussed the 1115 waiver in the previous year. He asked if the legislature could anticipate a ruling by the first of the coming fiscal year. He wondered about the financial consequences of passing the amendment and the waiver coming through.

Ms. Cunningham responded that the 1115 waiver substance abuse portion was online. The mental health portion of the 1115 waiver was scheduled to come online July 1. She was uncertain if the money would lapse or if providers would be able to transfer to Medicaid. The question was currently impossible to answer.

Representative LeBon appreciated the response. He did not see the amendment causing any damage if the worst outcome was that the money lapsed.

Co-Chair Johnston spoke of the difference between the current year and the prior year. In the previous year the 1115 waiver was approved. In the current year the waiver was being implemented through an approval process. In the prior year the state was waiting for approval from the federal government.

Representative LeBon wondered if, effective July 1, 2020, the funding in the amount of \$6 million would be handled by the 1115 waiver.

Co-Chair Johnston replied there was a transition from billing to grants. There were entities that would never be able to bill Medicaid because there were more community services. The state was in a transition between a billing system and a grant program.

[10:16:48 AM](#)

Representative Wool asked for the UGF funding amounts of the program for the previous 4 or 5 years.

Ms. Cunningham answered that she had actuals from FY 15 for the whole program. She did not have the funds split. She began with FY 15 in the amount of \$62.7 million; FY 16 in the amount of \$63.2 million; FY 17 in the amount of \$58.6

million; FY 18 in the amount of \$54.7 million; and FY 19 in the amount of \$61.2 million.

Representative Wool clarified that Ms. Cunningham had supplied combined totals of UGF and DGF.

Ms. Cunningham replied that the totals also included federal dollars.

Representative Wool asked for the total in FY 20.

Ms. Cunningham relayed that the total for FY 20 was \$51.7 million. She indicated that about \$40 million of the total were GF and about \$11 million were federal funds.

Representative Wool wondered if the ratios were fairly consistent in previous years.

Ms. Cunningham would have to follow up.

Representative Wool asked for the total in FY 21.

Ms. Cunningham replied \$51 million - \$40 million GF and \$11 million in federal funds. There was an \$11.4 million fund change in the governor's budget changing the funding from UGF to DGF. However, the general fund amount of \$40 million did not change. The amendment would increase the general fund amount to \$46 million.

Representative Wool asked if there was a history of the amount the 1115 waiver was bringing in. He suggested there would not be a historical amount, as it was new to Alaska.

Ms. Cunningham concurred.

Co-Chair Johnston MAINTAINED her OBJECTION.

[10:20:00 AM](#)

Representative Josephson forgot to mention that Medicaid covered the poorest population. He understood that the amendment would allow eligibility for folks that did not qualify for Medicaid. There were some programs that were Alaska tailored that would never fit in a square peg or a round hole, yet they had remarkable success. There were programs that could not be constrained by Medicaid to be effective.

A roll call vote was taken on the motion.

IN FAVOR: Josephson, LeBon, Ortiz, Wool, Foster
OPPOSED: Knopp, Merrick, Sullivan-Leonard, Tilton,
Carpenter, Johnston

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

[10:22:03 AM](#)

AT EASE

[10:22:26 AM](#)

RECONVENED

HB 205 was HEARD and HELD in committee for further consideration.

HB 206 was HEARD and HELD in committee for further consideration.

Co-Chair Foster reviewed the schedule for the afternoon meeting.

#

ADJOURNMENT

[10:22:46 AM](#)

The meeting was adjourned at 10:22 a.m.