

HOUSE FINANCE COMMITTEE
February 13, 2023
1:32 p.m.

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CALL TO ORDER

Co-Chair Johnson called the House Finance Committee meeting to order at 1:32 p.m.

MEMBERS PRESENT

Representative Bryce Edgmon, Co-Chair
Representative Neal Foster, Co-Chair
Representative DeLena Johnson, Co-Chair
Representative Julie Coulombe
Representative Mike Cronk
Representative Alyse Galvin
Representative Sara Hannan
Representative Andy Josephson
Representative Dan Ortiz
Representative Will Stapp
Representative Frank Tomaszewski

MEMBERS ABSENT

None

ALSO PRESENT

Marian Sweet, Assistant Commissioner, Department of Family and Community Services, Office of Management and Budget, Office of the Governor.

SUMMARY

HB 39 APPROP: OPERATING BUDGET/LOANS/FUND; SUPP

HB 39 was HEARD and HELD in committee for further consideration.

HB 41 APPROP: MENTAL HEALTH BUDGET

HB 39 was HEARD and HELD in committee for further consideration.

FY 24 BUDGET OVERVIEW: DEPARTMENT OF FAMILY AND COMMUNITY SERVICES

#hb39

HOUSE BILL NO. 39

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

#hb41

HOUSE BILL NO. 41

"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."

Co-Chair Johnson reviewed the meeting agenda.

^FY 24 BUDGET OVERVIEW: DEPARTMENT OF FAMILY AND COMMUNITY SERVICES

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MARIAN SWEET, ASSISTANT COMMISSIONER, DEPARTMENT OF FAMILY AND COMMUNITY SERVICES, OFFICE OF MANAGEMENT AND BUDGET, OFFICE OF THE GOVERNOR, introduced the PowerPoint presentation titled, "Department Budget Overview," dated February 13, 2023 (copy on file).

Ms. Sweet began on slide 2. She relayed that the mission of the Department of Family and Community Service (DFCS) was to provide support, safety, and personal well-being to vulnerable Alaskans, which was accomplished through a "service first" vision. The department had four direct service divisions and a support service division as well. The budget for DFCS was just under \$460 million for FY 24. She advanced to slide 3 which depicted an organizational chart for the department and some of the key focuses of each division within the department.

Representative Hannan asked for a definition of the acronyms on slide 3.

Ms. Sweet responded that DES stood for Designated Evaluation and Stabilization and DET stood for Designated Evaluation and Treatment.

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Ms. Sweet continued on slide 4, which summarized the reorganization of the Department of Health and Social Services (DHSS) as mandated by Executive Order 121. The Alaska Psychiatric Institute (API), the Division of Juvenile Justice (DJJ), the Alaska Pioneer Homes (APH), and the Office of Children's Services (OCS) were the four direct service divisions offering 24/7 care under DFCS. The commissioner's office and finance and management services provided operational support.

Ms. Sweet continued on slide 5. She indicated that DFCS was the third largest department in the state with 1,854 full-time and permanent positions. The full-time facilities and grants were split between the two agencies. Departmental support services included the commissioner's office and finance and management services included human resources, procurements, information technology, finance, facilities, and grants. The two divisions were split between DFCS and the Department of Health (DOH) when DHSS was split. Due to the divisions being split between the two new departments, there was no clean way to show the departmental support services expenditures for FY 22; therefore, she would be presenting a departmental overview budget on slide 5 that strictly included the four direct service divisions.

Ms. Sweet continued on slide 5 and noted that the difference between the FY 23 management plan budget and FY 24 proposed budget was an increase of 1.7 percent or just over \$6.3 million. She spoke to the differences between the FY 22 actuals and the FY 24 proposed budget. The difference between the two might appear large at first glance, but the disparities could easily be explained. Personal services played a significant role in two ways: firstly, in FY 22, the department had a high number of vacancies which reduced the overall services expenditures in the fiscal year; secondly, in FY 23 and FY 24, personal services saw increases in salaries and benefit adjustments. Additionally, the payment assistance program within APH was

made up of unrestricted general funds (UGF) which were paid to APH through a reimbursable service agreement (RSA) and recorded as interagency recipes. Since the payment amount was dependent upon the number of elders in the homes, the amount of unspent authority was seen in both the UGF funding source as well as the interagency funding source and was essentially doubled. Furthermore, API received a higher allotment of disproportionate share funding, which increased expenditures and reduced the amount of expenditures that were posted to statutory designated program receipts (SDPR). She explained that SDPR was where the private pay and insurance collections were recorded. The department was able to carry forward the collections and SDPR statutory program receipts from FY 22 into FY 23; however, the result was a higher than normal lapse in SDPR funding in FY 22. Interagency receipts and SDPR were the main reason for the discrepancies between the fiscal years, which could be seen on the graph on the slide.

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Representative Hannan understood that APH showed as a designated general fund (DGF). She asked if the funds were coming from another agency.

MS. Sweet responded that there were a few components within APH. There was a component that was for payment assistance and a component that was for operation of the homes themselves. The RSA from the payment assistance component supplied the difference between the amount the elders were able to pay to reside in the homes and the actual cost of living in the homes.

Representative Hannan thought that the payment assistance program was showing as a DGF expense, but it was also part of the UGF allocation.

Ms. Sweet responded that Representative Hannan was correct and that the program was funded with UGF and paid through an RSA, which was recorded as an expense of UGF.

Representative Hannan asked whether payment assistance expenses had increased in the last few fiscal years or stayed relatively steady as the new pay structure was implemented. She understood that the goal in changing the monthly payments at APH was to ensure that residents in the homes were not removed because they could not pay. There

had been speculation that there would be a steep increase in the number of residents that would need payment assistance. She thought it was difficult to tell by looking at the data.

Ms. Sweet replied that she would follow up with the information on the amount of payment assistance over the last few years. She added that it was dependent upon the number of elders that were in the homes at the time and it did fluctuate.

Representative Stapp asked about the other category for funding, which he understood was private payer program receipts and potentially interagency receipts.

Ms. Sweet responded that Representative Stapp was correct.

Representative Stapp asked for a breakdown of the contributing factors to the funding increase. He asked what the main driver was behind the additional source of revenue.

Ms. Sweet would provide the information.

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Representative Josephson asked if interagency receipts would be coming from DOH.

Ms. Sweet responded that APH fell under DFCS. There was a component within APH that was dedicated to payment assistance and provided an RSA to the homes' operations for the elders who could not pay for residency in the homes themselves.

Representative Josephson assumed that many of the dollars were Medicaid dollars.

Ms. Sweet responded in the affirmative. She relayed that API and APH both received Medicaid which was treated as interagency receipts and came from DOH through the Medicaid program.

Ms. Sweet continued on slide 5. In FY 23 through the People First appropriation, DFCS received a \$10 million increment into the base budget for OCS. Although there was a large difference between FY 22 actuals and the proposed FY 24

budget, the differences were explained in the "unspent other" category and the "unspent personal services" category due to vacancies. She noted that on the upcoming division slides, the increases would be related to salary and benefit adjustments. However, she would not be focusing on those increases because she would like to focus on the new budget changes between FY 23 and the proposed FY 24 budget.

Ms. Sweet continued on slide 6. The department had 58 full-time, permanent positions and a budget of \$17.9 million. She reminded members that since departmental support services were split between the two new departments, she did not have the data for FY 22 to compare to FY 24. One thing to note was a transfer of a health program manager from inpatient mental health into the commissioner's office to provide departmental oversight of the designated evaluation and treatment program. Another significant item was the increase to the complex care coordination unit. Also, within the commissioner's office, there was a request for three new positions: a deputy director, an additional care coordinator position, and a social services associate position. The Alaska Mental Health Trust Authority (AMHTA) was supportive of the new positions and had put forth a request for \$150,000 for the unit and the remaining balance of \$324,000 was spread between federal, UGF, and interagency receipts.

Ms. Sweet advanced to slide 7. She reported that APH had 422 full-time permanent positions and served six homes across the state with a budget of \$107.2 million. The homes provided nursing services, assistance with dietary needs and activities of daily living, recreational and social programs, housekeeping, and meal preparation. The homes provided for five levels of care with level one being the most independent going up to level five for those living with dementia or other complex care needs.

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Representative Galvin asked if Ms. Sweet could offer some information on the vacancies. She had met with a few people who were concerned about employees at APH providing additional levels of care for which they were not trained.

Ms. Sweet responded that APH were currently reporting a 14.5 percent vacancy rate for residents with 63 of the 422

positions vacant as of the end of December of 2022. She noted that APH would be giving a presentation to the committee in a few weeks and she would ensure that the presentation would include information on the impacts of the vacancies on the level of provided care.

Representative Ortiz asked if there were statistics that suggested that there were empty beds at the homes not due to lack of demand, but due to lack of employees.

Ms. Sweet responded that she did not have the information but would ensure that it was included in APH's upcoming presentation.

Co-Chair Johnson would also like more information on the vacant rooms.

Representative Cronk asked how much revenue was brought back into the homes.

Ms. Sweet replied that she would be talking about the budget on the next slide. She did have occupancy statistics for each of the homes individually, but the average occupancy rate was 93.6 across all of the homes. The home with the lowest occupancy rate was in Anchorage with a rate of 81.9 percent. The Anchorage home had a lower occupancy rate because some rooms had to be strategically vacated in order to conduct a number of remodeling projects.

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Ms. Sweet continued on slide 8. Within the homes, the department had processed a minor fund switch from UGF to statutory designated program receipts due to an increase in pharmacy collections. There were two impacts within the DGF section for APH: firstly, in the FY 24 budget request, there was an increase of \$1.25 million in general program receipts which would allow for the expending of collected receipts for things like kitchenware and furniture within the homes; secondly, on January 1 of 2023, the Social Security Administration (SSA) benefit rate increase went into effect, therefore APH rates increased as well because they were directly tied to the SSA benefit rates. The slide showed the FY 23 supplemental request of \$700 million which would allow the increase of program receipt authority in order to fund the anticipated increases in collections. In response to Representative Cronk's earlier question, the

total revenue brought back into the home was \$38.6 million in 2022.

Representative Coulombe understood that the proposed FY 24 budget included a request of \$1.25 million in DGF for APH due to the consistent high capacity at the homes. She asked if the request related to the cost of renovations or if it was simply because the homes were going through supplies quickly due to the high capacity.

Ms. Sweet responded that there had been an increase in insurance and private pay that exceeded the amount of authority allowed by the funding source. The authority was limited and more collections were incoming than the authority allowed. The request would allow the department to reinvest the funds back into the homes.

Ms. Sweet continued on slide 9. The inpatient mental health operating budget was \$75.2 million and the RDU was comprised of designated evaluation and treatment (DET) and API. For the purpose of explaining the changes in the budget, she advanced to slide 10. She indicated that DET was transferred to the department from the Division of Behavioral Health through Executive Order 121. The increase seen on the slide was a result of expanded funding from HB 172 and totaled \$904,000. The remaining funding was \$525,000 in UGF and \$150,000 in interagency receipts which were specific for the following programs: designated evaluation and stabilization (DES), DET, the disproportionate share hospital ("DISH" funding), and secure transport agreements.

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Representative Hannan asked why the chart on slide 10 showed a large chunk of federal money for FY 22 and no federal money for FY 23 and FY 24.

Ms. Sweet responded that when DFCS was part of DHSS, it managed the program and was able to submit claims directly to Medicaid because it was within the same department. In 2023 when the unit was transferred, it had to be moved from the federal source in order to bill Medicaid.

Representative Hannan understood that it was still federal money, but for accounting purposes it was no longer called

federal money and was now referred to as interagency receipts.

Ms. Sweet responded in the affirmative.

Representative Stapp requested for Ms. Sweet to break out interagency federal receipts from other funding because it was confusing to track.

Ms. Sweet would be happy to accommodate the request.

Representative Josephson noted that the DET program was essentially an equivalent classification as was given at smaller API hospitals.

Ms. Sweet replied that the DET program included the portion of funding that went to the DISH hospitals, which included API. There were DET and DES programs that funded hospitals that provided treatment and stabilization services. The programs intended to support mental health needs without needing to transfer a patient to API.

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Ms. Sweet advanced to slide 11. She relayed that API had 326 full-time and permanent positions and a budget of \$60 million. It was the only full service psychiatric hospital in the state and had a maximum capacity of 80 licensed beds. She indicated that 60 of the beds were in the adult civil unit, 10 were in the adolescent unit, and 10 were in the forensic competency restoration unit.

Ms. Sweet moved to slide 12. There were two new programs being proposed in FY 24 to help the number of Alaskans charged with a crime to restore the individual to forensic competence: the out-patient program and the jail-based competency restoration program. The budget request included four new full-time positions and one new part-time position to standup the new programs. The department was working on securing a location in Anchorage for the out-patient competency restoration program and continuing its collaboration with the Department of Corrections (DOC) on the jail-based program. The request was an increase of \$800,000 in UGF.

Co-Chair Johnson asked if there were any monies that came from DOC.

Ms. Sweet responded that the restoration services would be provided by API staff, but staff would be traveling on-site to provide services to those who were in jail. The individuals receiving care were in the jail systems themselves, but she did not have any information about DOC's budget.

Co-Chair Johnson wondered about the inmates who were in API facilities because of decisions made by the court. She asked how the funding worked for inmates in API facilities.

Ms. Sweet responded that the inmates were in the care of DFCS. She explained that API helped the individuals to achieve competency so that they could go to trial. The jail based restoration would be for individuals who were in jail and awaiting trial, and the out-patient program was intended to help those who had committed lesser crimes or were out on bail.

Co-Chair Johnson asked about individuals who were post-trial and were likely to not be released. She was aware there were some individuals at API in that situation.

Ms. Sweet responded that she would need someone from API to offer more information.

Co-Chair Johnson asked if DOC paid for post-trial individuals.

Ms. Sweet would follow up in writing with the requested information.

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Representative Tomaszewski asked about the \$60 million in the FY 24 budget for 326 positions at API. He surmised that broke it out to roughly \$185,000 per position. He asked for a list of the top ten positions and the associated compensation.

Ms. Sweet would provide the information.

Representative Coulombe asked if AMHTA was contributing to the program in any way.

Ms. Sweet responded that the department did not have AMHTA authority for the two specific programs.

Representative Josephson asked if the new department knew what was happening in a court room when an individual was found to be unrestorable and incompetent to stand trial. He was wondering whether the Department of Law (DOL) and DFCS talked to each other.

Ms. Sweet responded that the department spoke to DOL but she herself did not. There was a full-time employee at DFCS who was the DET and DES coordinator and was directly involved in all of the Title 47 cases.

Ms. Sweet advanced to slide 13. She relayed that OCS had 614 full-time positions and worked to ensure the safety, permanency, and well-being of children by strengthening families, engaging communities, and partnering with tribes. There were 21 offices across five regions and the overall budget was \$195 million.

Co-Chair Johnson asked if Ms. Sweet knew the vacancy rate for OCS.

Ms. Sweet responded that the vacancy rate for OCS was just under 22 percent at the end of December of 2022. She did not have it broken out but would be happy to provide information on the vacancy rate for direct front-line social workers. She noted that the vacancy rate was higher for social workers.

Representative Josephson commented that the subcommittee he used to chair in FY 22 believed the employment crisis was so severe at OCS that workers should get retention bonuses; however, the governor vetoed the bonuses and had a plan for his own bonuses in FY 23. He asked how the plan had worked.

Ms. Sweet responded that DFCS had been partnering with its sister agency, the Department of Administration (DOA), on getting letters of agreement finalized and approved by both unions. The agreements were almost finalized and once approved, the agreements could be implemented. For the first time, the department had seen a decrease in the turnover in its frontline staff.

Representative Josephson noted that the subcommittee two years ago was told that the workers at OCS were changed and

damaged by their work. The state had funded a clinician to assist the workers. He asked if a clinician or psychologist had ever been provided to OCS workers.

Ms. Sweet responded that the Mental Health Clinician III position had been created for the purpose of helping with the trauma that the staff at OCS had experienced.

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Representative Galvin asked about the 22 percent vacancy rate. She thought it was a lot of unspent money and represented a lot of care that was not able to be given. She had not looked at what specifically had been done but she was curious if there were plans to address the unspent monies in addition to retention bonuses and working with a psychologist. She wondered how the legislature could help.

Ms. Sweet replied that the department appreciated the sentiment and there would be another presentation that addressed the problem in more detail. The presentation would discuss what the division was doing to help with morale, training programs, and partnerships with universities.

Ms. Sweet moved to slide 14. The first item of note was a new program within OCS to assist with foster youth aging out of the system, which was a budgetary increase of \$385,000, of which \$235,000 was being supplied by AMHTA. The program would partner with the existing independent living program within OCS to provide expanded services to youths. The other item of note was a fund source change from general funds to a general fund match to accurately reflect the state's share of the federal spending. Both the general fund and general fund match fell under the UGF category and was a net zero, but as it was a significant dollar amount, she wanted to highlight it.

Ms. Sweet continued to slide 15. The Division of Juvenile Justice (DJJ) had 424 full-time permanent positions, six facilities, and 13 probation officers across the state and a budget of \$62.1 million. It used a restorative justice approach which meant a focus on rehabilitation of the youth offenders and restoration of victims and communities.

Ms. Sweet advanced to slide 16. There were no significant changes in the budget related to DJJ. The increases seen on

the slide were strictly related to the salary and benefit adjustments in UGF and within the federal programs.

Ms. Sweet summarized the presentation. She relayed that the DFCS proposed budget had a number of technical changes as required by HB 172, the majority of which were salary and benefit increases. There were four new budget items: the increase in program general receipts for APH, the funding and new positions within API, the complex care coordination unit within the commissioner's office, and the increase for foster youth who were aging out of the system. The total amount of UGF funding for the four new budget items was \$1.1 million. She concluded the presentation.

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Representative Stapp thought the federal receipts for Medicaid should be consistent, however private care for individuals who had long-term care insurance might not be consistent. He asked if a potential liability for the state would be created in the event that the requested revenues did not materialize.

Ms. Sweet responded that the payment assistance program within APH was intended to support the elders within the homes. While there was an increase in receipts currently due to private pay and insurance collections, the increase might not continue in the future. If there was a reduced amount of collections in future years, the payment assistance program would compensate for it.

Co-Chair Edgmon commented that the committee had received a presentation from AMHTA recently and among the proposed FY 24 grants was \$772,000 in grants for DFCS. He offered Ms. Sweet an opportunity to expand upon the purposes of the grants.

Ms. Sweet replied that she touched on the new funding items for FY 24 and there were a number of items in AMHTA that were continuations from prior years that she did not specifically address. She would be happy to provide the information in writing.

Co-Chair Edgmon asked if she had a ballpark idea of how the \$772,000 in grants would be spent.

Ms. Sweet responded that what came to mind were some grants that were continuing from prior years and going into OCS. It was a combination of funding for OCS as well as departmental support services within the commissioner's office.

Co-Chair Edgmon thought that it would be helpful for the committee to get a breakdown of the spending.

Ms. Sweet would provide the information.

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Representative Hannan commented that the information on DJJ caught her off-guard because it received so little federal money. She presumed that many of the children encountered by OCS ended up in DJJ. She noted that Medicaid and Medicare stopped when an adult was incarcerated in a prison. She wondered how the process worked within DJJ and asked what she might be missing considering the low number of federal dollars.

Ms. Sweet responded that the federal grants within DJJ came from the Department of Justice (DOJ) and the grants were small. The youth that were in the care of DJJ received medical coverage from DJJ unless they were admitted to a hospital and were there for over 24 hours, in which case the individual would be covered by Medicaid.

Representative Hannan understood that even if a young person had Medicaid coverage before being incarcerated in a juvenile facility, the federal reimbursement for any care was suspended upon their incarceration.

Ms. Sweet responded in the affirmative.

Co-Chair Johnson summarized the requests the committee had made for more information.

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Representative Coulombe asked for detail on the goal of the complex placement and care unit.

Ms. Sweet replied that there were a number of youth and adults that were presenting to DFCS because they did not have a good place to go. As an example, there was a youth

that recently came into the department's care who could not get their needs met by API or any of the facilities in the state. The call from the youth lasted an entire weekend as DFCS, the commissioner, DOH, and community partners were working to find an appropriate facility for the youth. She relayed that similar problems were happening more frequently. The department was creating a complex care unit within the commissioner's office to ensure that there was a specialized resource for complex placement cases. The department was going to work with partners in-state to increase the capacity for both youth and adults who were presenting with complex and high acuity needs. Additionally, the department was working with partners out-of-state so there would be other options if the department was not able to find an individual a suitable placement in Alaska. The focus of the unit was to ensure that the placement for an individual was based on the individual's specific needs and that they could work towards rejoining their community.

Representative Coulombe asked how many individuals would need complex care and placement. She was struggling with the concept because she thought complex placement cases would be the responsibility of DOH.

Ms. Sweet replied that DCFS was working with DOH on creating a database of providers and services that were available. The departments were collaborating on licensing and expanding services in existing facilities. In order to stand up the unit in 2023, a complex care coordinator position had been created and DCFS had hired someone for the position.

Co-Chair Johnson ensured that Ms. Sweet had made note of the follow-up requests.

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Representative Hannan understood that there had been a presentation in the Senate on the litigation from DOJ suing the state over its inability to meet the needs of its complex care individuals. She had not read the conclusions from DOJ but presumed that it directed the state to construct facilities and offer services that had high sticker prices. She wondered if the committee would receive a similar briefing on the litigation.

Co-Chair Johnson explained that the current focus was the subcommittees and to address higher level funding overviews. She indicated that she would add Representative Hannan's request to a "to be considered" list.

Representative Hannan thanked Co-Chair Johnson and commented that the state needed to figure out how to meet the needs of Alaskan families because needs were currently not being met.

Representative Josephson asked if there was linkage between the complex care unit and the DJJ lawsuit.

Ms. Sweet replied that there was a link in that the unit was trying to ensure that complex placements were available.

Representative Coulombe understood that the unit was not creating any new space for care, but it was a navigational tool.

Ms. Sweet responded no, the unit was not creating new space but was ensuring that the state and DFCS had built a team to help meet the individual needs of those who came into the department's care.

HB 39 was HEARD and HELD in committee for further consideration.

HB 41 was HEARD and HELD in committee for further consideration.

Co-Chair Johnson reviewed the agenda for the following day's meeting.

ADJOURNMENT

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The meeting was adjourned at 2:35 p.m.