

ALASKA STATE SENATE

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NARRATIVE CLOSE-OUT REPORT

March 18, 2013

RECOMMENDATIONS:

The Senate Finance Budget Subcommittee for the Department of Health & Social Services submits a recommended operating budget for FY2014 to the Senate Finance Committee as follows:

Unrestricted General Funds (UGF)	\$1,244,157.1
Designated General Funds (DGF)	74,089.0
Other Funds	94,687.2
Federal Funds	1,243,343.1

TOTAL	\$2,656,276.4
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BUDGET ACTION:

The Senate Finance Budget Subcommittee for the Department of Health & Social Services held 6 meetings with the Department and analyzed all of the Governor's budget transactions. Following are budget highlights.

Governor's Amended Budget Request:

- Accepted the Governor's Amended Budget Request except for 4 items:
 - \$7,385.3 of total funds (\$2,818.2 of GF/Match) for the anticipated "Woodwork Effect" in the Health Care Services Medicaid component;

- \$400.0 of GF for health care services in the McLaughlin Youth Center;
- \$75.0 of GF for lost revenue resulting from providing free death certificates to Veterans, and
- \$50.0 of GF for Sustaining Alaska 2-1-1.

Sub-Committee Additions, Reductions and Changes:

- Reduced federal funds of \$900.0 in the Foster Care Base Rate Component. This was done due to the increase for the same amount of GF/Prgm due to collecting Social Security Income for children in state custody.
- Reduced GF/Match by \$191.0 for non-Hyde Amendment abortions and abortion services performed last year.
- Added \$450.0 of GF as an OTI to continue the Complex Behavior Collaborative. They are just starting to get preliminary data, showing good results on how well this is working and saving money. The sub-committee wants them to continue for another year based on that preliminary data, to allow time to judge how well it is working and for collecting pertinent data on the services being provided. Next year, they will come back with solid data and report on what they are finding. At that time, they will request funding to be added into the base based on what the data shows, and they will also determine the amount needed on an ongoing basis, which may be different than the \$450.0 being added this year.
- \$1,061.7 of GF was added to keep the Alaska Medicare Clinic open. The clinic received one time funds in the capital budget in FY 11 for startup costs, and had hoped to be operationally self-sufficient. However, after 20 months of operation, the clinic has found they cannot remain solvent on Medicare reimbursements alone. Given the shortage of primary care services and the growing and underserved Alaska Medicare population, this funding was added to keep the clinic open.
- \$330.0 of GF/MH was added for Evidence Based Family Therapy Models. The Alaska Mental Health Trust requested \$600.0 for this, but the Governor only included \$270.0 in his request. This makes the project whole and ensures that matching MHTAAR receipts for this project will not be reduced by the Trust.
- \$565.2 of GF was added for Emergency Medical Services Grants. Funding for these grants has eroded over the years and Regional EMS providers have said they cannot maintain critical activities to ensure access to safe prehospital care for Alaskans without additional funding. This funding represents a 20% increase to their current funding, though their costs have escalated and funding has eroded by 30%.

- Added \$150.0 of MHTAAR receipts as an OTI for startup funds for the Disability Employment Initiative.
- Created a new component titled Performance Bonuses for tracking federal funds received by the department as a performance bonus, such as with CHIP/Denali Kid Care funds, and added \$6 million of federal unrestricted authority to it. Intent was also added giving the department authority to move the authorization within the department if they need to, depending on how it will be spent; and intent was added allowing them to carryover unused funds at the end of the year. This is important since the funds are not typically awarded until near the end of the fiscal year.
- Reduced GF by \$6 million in the Behavioral Health Medicaid Svcs component. This reduction was made because a like amount of GF will be reappropriated to this component from a \$9 million appropriation in last year's capital budget. See below for more information on the reappropriation.

Structure and Technical Changes:

- Implemented a structure change to rename Certification and Licensing to Residential Licensing in the Health Care Services BRU
- Implemented a structure change to move the component for Residential Child Care from the Children's Services BRU to the Behavioral Health BRU.
- Changed 5 increment requests funded by MHTAAR to be IncT transactions rather than OTI, to allow these projects to continue for three years.

Last year, \$9 million was appropriated in the capital budget as a one time, multi-year, appropriation, funded from the GF, but based on revenue collected from the alcoholic beverage tax, and to be used for behavioral health grants. It was intended that these funds be used for grants for pilot projects or programs to explore other ways of doing business, rather than for operating grants that are issued from the Behavioral Health Grants component. \$3 million of this appropriation will be kept and used for a "24/7 Program" geared toward released inmates and probationers who have children in OCS custody. The remaining \$6 million will be reappropriated to the operating budget, in the Behavioral Health Medicaid Services component, thus filling the hole made by one of the reductions mentioned above.

Another item contained in this budget submission is intent language allowing the department to move funding between appropriations and allocations up to \$50 million. While unusual, given the many unknowns about this budget - such as how much will actually be authorized and available when the final state budget is passed, as well as the sequester at the federal level; and given the sensitive and necessary services provided to Alaskans by this budget - we felt it was critical to give the department maximum flexibility with this budget, especially with a goal of minimizing the need for supplemental funding next year.

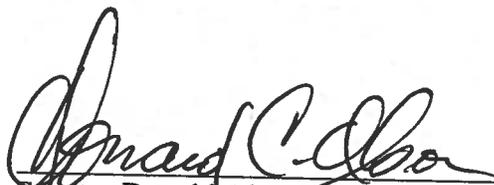
Of equally important note, the sub-committee fully funded the requests coming from the Tobacco Education & Cessation Fund. The Fund is now drawing on the surplus that was created in the early years while the program was gearing up. The Fund has a healthy balance, but the rate of spending compared to the rate of revenues needs to be monitored closely. Within the next 5 or so years, something will need to be done. Options include cutting back on the program (although this is one of the most successful in the state), increasing revenues, and/or supplementing the program with GF. The authorization from the Fund contained in this budget, combined with that in the Department of Law, represents the anticipated revenues plus a little more than 20% of the anticipated Fund balance. We think this is a responsible way to keep this successful program going, while still being careful not to overspend the Fund balance.

Finally, the language section of the Operating Budget submitted by the Governor includes two items of importance to the sub-committee. First, section 25(h) as submitted by the Governor, includes \$2 million to capitalize the Trauma Care Fund. Second, section 15 as submitted by the Governor, contains conditional language related to the energy assistance programs (LIHEAP and AKHAP). The sub-committee strongly supports both of those and would like to keep them in the final budget that passes.

ATTACHED REPORTS:

The Senate Finance Budget Subcommittee for the Department of Health & Social Services adopts the attached reports:

- Budget Action Worksheet
- Agency Totals – FY2014 Operating Budget
- Appropriation/Allocation Summary (All Funds)
- Appropriation/Allocation Summary (GF)
- Transaction Comparison between ADJ Base and S Subcomm
- Transaction Comparison between Gov Amd and S Subcomm
- Transaction Comparison between S Subcomm and H Subcomm
- Wordage



Senator Donald Olson, Chair

Senator Lesil McGuire



Senator John Coghill



Senator Berta Gardner