

ALASKA STATE SENATE

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SENATE FINANCE / HEALTH & SOCIAL SERVICES SUB-COMMITTEE

SUB-COMMITTEE MEMBERS: SENATOR DAVIS, SENATOR MEYER, SENATOR COGHILL

FY 13 Budget Close-out Report

March 20, 2012

The Sub-Committee for the Department of Health & Social Services submits an operating budget recommendation and report to the Senate Finance Committee for FY13 as follows:

Fund Source

	<u>12 Mgt Plan</u>	<u>Gov Amd</u>	<u>Sen Sub</u>	<u>Difference</u>
GF	\$1,222,328.6	\$1,290,507.3	\$1,290,728.7	\$221.4
Federal	1,148,399.9	1,229,126.5	1,229,126.5	0.0
Other	99,460.2	101,528.7	101,598.7	70.0
Total	<u>\$2,470,188.7</u>	<u>\$2,621,162.5</u>	<u>\$2,621,453.9</u>	

Position Summary

	<u>12 Mgt Plan</u>	<u>Gov Amd</u>	<u>Sen Sub</u>
PFT	3,510	3,459	3,458
PPT	76	65	65
Temp	104	104	103
Total	<u>3,690</u>	<u>3,628</u>	<u>3,626</u>

Personnel

The authorized position count for the department was reviewed; the sub-committee reduced the overall number by 2 from the Governor's amended request.

Budget Action

- Held 7 public meetings with the department to discuss and explain the budget;
- Adopted the FY13 Adjusted Base; and
- Reviewed each of the increments and decrements submitted by the Governor, including amendments.

The GF in this budget was increased from the FY13 adjusted base, predominately due to Medicaid. Medicaid growth and projections increased the budget \$130.9 million in total, \$45.3 million of which is GF. Another \$129.4 million was a fund source change from federal to GF due to the changes in the FMAP rate.

Another \$6.6 million of GF increases are due to growth in adult public assistance, general relief, PFD hold harmless, and increased screening of newborns.

Other increases were made in other areas, which we believe to be basic and integral to the services provided by this budget, and consider them to be essential to what government does for its citizens. And so this budget proposal funds basic support needed for children, the frail and other Alaskans who cannot provide for themselves. Notable increases that are approved include:

- Funding for the LIHEAP and AKHAP programs was increased \$2.6 million
- Alaska Complex Behavior Collaborative was funded for a full year \$650.0
- School Based Suicide Prevention \$450.0
- Education and Voucher Program \$200.0
- Chlamydia Screening and Early Treatment \$200.6
- Immunizations for Children and Seniors \$700.0
- Stabilize Nursing Grantees \$990.0
- Grave Shift Coverage for Juvenile Justice Facilities \$500.0
- Senior In-Home Services Grants \$500.0

A 10% reduction to GF was applied to most of the increments requested by the Governor if they were due to new programs or program expansion.

The Commissioner's Office was reduced by \$225.0 of GF due to moving total funds of \$403.5 into the contractual line for legal and judicial services and projects such as the Health Insurance Exchange. Policy changes need to have the Legislature involved, and the Governor specifically declined the \$1 million of federal funds which were available for this purpose.

Please see the attached reports for the details on these and other budget changes.

It is our intention to allow Legislative Finance to do technical adjustments if any are needed.

Items of Concern

Clearly, the biggest concern for this budget is the size of the budget itself, and whether it can be sustained. This budget funds some of the most essential services of state government and not only are the costs of all the programs escalating, but in addition, there continues to be growth in the programs as the elderly population increases, poverty levels increase, and substance abuse and other behavioral health problems abound.

Substance abuse, suicide and other behavioral health issues are of significant concern. Adult obesity prevalence has doubled in Alaska over the past two decades and an obesity prevention program is necessary to prevent drastically increased future medical costs. No additional funding has been provided in this budget for obesity prevention. Since these are GF funded, it is hard to make room for the needs of these programs when Medicaid continues to grow and use the GF resources.

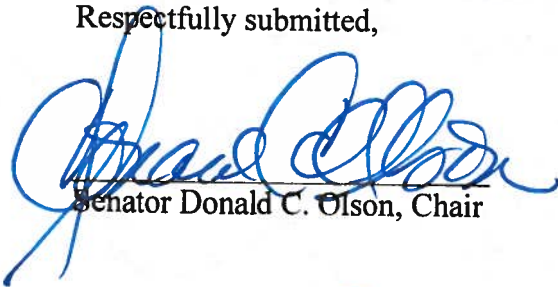
Finally, the Tobacco Cessation Fund is now drawing on the surplus that was created in the early years while the program was gearing up. The Fund has a healthy balance now, but at the current rate of spending and the current rate of revenues, something will have to be done in the next 5 to 8 years. Several options exist besides cutting back on the program – one of the most successful in the State – including increasing revenues, and supplementing the program with GF. It is premature to take any action at this time, but in a few years, some changes will be necessary.

Documents attached

Legislative Finance Reports:

- Legislative Finance SubCommittee Worksheet
- Agency Totals – Senate Structure - FY 13 Operating Budget
- Appropriation/Allocation Summary - Senate Structure
- Appropriation/Allocation Summary – GF only - Senate Structure
- Transaction Comparison – Senate Structure - Between Adjusted Base and Senate Sub
- Transaction Comparison – Senate Structure - Between Gov Amend and Senate Sub
- Transaction Comparison – Senate Structure - Between House and Senate Sub
- Wordage Report – Senate Structure - FY 13 Operating Budget

Respectfully submitted,


Senator Donald C. Olson, Chair


Senator Kevin Meyer


Senator Bettye Davis


Senator John Coghill