

HOUSE FINANCE COMMITTEE
MARCH 23, 2001
1:47 P.M.

TAPE HFC 01 - 60, Side A
TAPE HFC 01 - 60, Side B
TAPE HFC 01 - 61, Side A

CALL TO ORDER

Co-Chair Williams called the House Finance Committee meeting to order at 1:47 P.M.

MEMBERS PRESENT

Representative Bill Williams, Co-Chair
Representative Eldon Mulder, Co-Chair
Representative Con Bunde, Vice-Chair
Representative Eric Croft
Representative John Davies
Representative Richard Foster
Representative John Harris
Representative Bill Hudson
Representative Ken Lancaster

MEMBERS ABSENT

Representative Carl Moses
Representative Jim Whitaker

ALSO PRESENT

Representative Hugh Fate; Representative Mike Chenault; Catherine Reardon, Director, Division of Occupational Licensing, Department of Community and Economic Development; Margot Knuth, Assistant Attorney General, Department of Corrections; Devon Mitchell, Executive Director, Alaska Municipal Bond Bank Authority, Department of Revenue; David Logan, President, Dental Board, Juneau; Cheryl Sutton, Southeast Alaska Regional Dive Fisheries Association (SARDFA), Juneau; Dave Stancliff, Staff, Representative Scott Ogan.

PRESENT VIA TELECONFERENCE

Janice Adair, Director, Division of Environmental Health, Department of Environmental Conservation, Anchorage; Dr. George Schaffer, Dental Board, Ketchikan; Debra Stauffer, President, Alaska State Dental Association, Anchorage; Dr. Richard Gregorin, Dental Board, Anchorage; Hart Hodges, Anchorage; Tom Livingston, Architect, Anchorage.

SUMMARY

HB 51 An Act giving notice of and approving the entry into, and the issuance of certificates of participation for, a lease-purchase agreement for a seafood and food safety laboratory facility; and providing for an effective date.

HB 51 was HEARD and HELD in Committee for further consideration.

HB 81 An Act extending the termination date of the Board of Dental Examiners.

CS HB 81 (FIN) was reported out of Committee with a "do pass" recommendation and with a fiscal note by Department of Community & Economic Development.

HB 149 An Act relating to correctional facility space and to authorizing the Department of Corrections to enter into an agreement to lease facilities for the confinement and care of prisoners within the Kenai Peninsula Borough.

HB 149 was HEARD and HELD in Committee for further consideration. A Subcommittee consisting of Chair Representative Mulder, and members Representative Bunde and Representative Moses were appointed to discuss the legislation.

Co-Chair Williams opened the House Finance Committee meeting and noted that Speaker Porter had referred the State Assessment Review Board document to the Committee for approval. He noted that it would not be considered at this scheduled meeting and asked that if any member disagreed with the document, they should contact his office.

#HB51
HOUSE BILL NO. 51

An Act giving notice of and approving the entry into, and the issuance of certificates of participation for, a lease-purchase agreement for a seafood and food safety laboratory facility; and providing for an effective date.

JANICE ADAIR, DIRECTOR, DIVISION OF ENVIRONMENTAL HEALTH, DEPARTMENT OF ENVIRONMENTAL CONSERVATION, explained that the legislation would address the following concerns:

- Noted that the lease expired in December of last year, and could only be extended on a short-term basis. AS 36.30.083 allows the Division of General Services to extend a lease under two conditions: 1) A 1% lease reduction can be

achieved or 2) A 10% reduction could be achieved and the American with Disabilities Act (ADA) requirements met. In the case of the current facility, the lease rate is \$1.03/square foot and complies with ADA. She stated that the owners are not interested in a 15% reduction in their lease rate. Additionally, the building is up for sale.

- Indicated that one way or the other, the lab will have to move. With money previously appropriated by the Legislature to look at the most cost-effective way to replace the lab, a private consultant was hired to do an economic evaluation. He determined that "hands down", the most cost-effective means would be a state-owned facility. In fact, leasing a laboratory rather than owning would cost the State 56% more over the 20-year term of the bond repayment.
- Added that the functions of such a site are required regulatory functions for the sale of shellfish and dairy products in national and international commerce markets. No other laboratories in the State perform the functions, nor could they under federal rules.
- The laboratory also certifies private, commercial laboratories to conduct tests required under the Safe Drinking Water Act (SDWA) for public water systems. Unless a private laboratory is certified, Environmental Protection Agency (EPA) will not accept their test results. Since Alaska is a primary State for the drinking water program, we could not accept them either.

Ms. Adair noted that the laboratory is currently located in Palmer, and the plan includes relocating it to Anchorage. She enumerated the reasons for the move:

- Anchorage is a central location that could receive shellfish samples as quickly as possible from many areas of the State.
- The site needs to be on a public sewer system, as many chemicals are used.
- A site is needed where there is no excessive vibrations, dust or electron-magnetic interference for the performance of the analytical equipment.
- The lot size should be between 4-6 acres to accommodate the building, parking and snow machine storage.
- The land should be State owned to keep the price as low as possible.

Ms. Adair concluded that the location in Anchorage would significantly benefit the shellfish industry. That location

would reduce the costs slightly, but most importantly it would speed up the delivery of the time-sensitive sample to the laboratory for testing.

Co-Chair Mulder inquired what the anticipated size of the facility would be. Ms. Adair replied it would be 20,530 square feet. The current space is 10,000 square feet, which is extremely inadequate and has unsafe conditions. She noted that eleven employees would be moved to Anchorage and that two offices, one in Homer and one in Wasilla would be combined. She commented that fourteen employees would remain in Palmer. In response to Co-Chair Mulder, she noted that there is food testing only in these laboratories, not agricultural testing. Ms. Adair discussed the functions, which would remain outside of Anchorage.

Co-Chair Mulder asked the number of employees in the future expected to be using the new facility. Ms. Adair replied that the Department is not planning any growth in the laboratory staff in the near future.

Co-Chair Mulder noted that in an analysis provided by the Department, it was indicated that without the bill, they would be forced to go out and get a request for proposal (RFP) this summer. Ms. Adair emphasized that the lease cannot be extended at the current location. By December 31, 2002, the last of the extensions will be over. A long-term extension cannot be done in that spot, consequently no RFP for a long-term lease.

Co-Chair Mulder questioned that reasoning. He stated that there were provisions in current statute that allowed for the extension, however, the current landlord would have to agree to a certain amount of reductions. Ms. Adair replied that the current landlord is not interested in a 15% reduction. Co-Chair Mulder asked if there was documentation supporting that statement. Ms. Adair stated that there was nothing in writing as all the conversations had taken place on the phone. She offered to check into it.

Co-Chair Mulder questioned the opposition to privatizing the services. Ms. Adair explained that there is information available from the Food and Drug Administration (FDA) regarding that concern. They technically have a program doing that, but there is no staff or funding. There is no state in the United States that does not provide this service through a state laboratory. Co-Chair Mulder requested that further information be forwarded to him.

Representative Croft referenced the "owning" versus the "leasing" language. He asked why it would be better to own the lab by the State. Ms. Adair explained that the functions of the laboratory would be needed on a long-term basis. She pointed out that the shellfish industry is

growing and at this time, there is no private lab in the State that provides these services. She enumerated the reasons indicating why the State should own their own facility. It is important that the lab can be configured so that it would provide more advantages over time. Ms. Adair indicated that General Services Division had assisted in developing the plan.

Representative Hudson inquired how much had been invested in the proposal to date. Ms. Adair stated that in FY99, \$145.7 thousand general fund dollars had been allocated, and that last year, an additional \$240 thousand general fund dollars had been invested into the project, which to date, has almost been used up.

Representative Hudson asked if the lease purchase would be used over a 20-year period of time. Ms. Adair acknowledged that was correct and that it would cost approximately \$1.2 million dollars per year. Present lease costs are run annually at \$115 thousand dollars.

Representative Hudson questioned when the Department would be able to occupy the facility. Ms. Adair replied that it would take 2.5 to 3 years to build. The current lease expires in December 2002. She stated that there would need to be some lease extension if the facility was to be built.

Representative Hudson asked about the RFP and if a private company could build the facility for less money. Ms. Adair replied that the Department had not prepared an RFP because the laboratory specifics would be very complex and that the Department does not have the expertise to outline that type of detail.

Representative Lancaster voiced concern that the General Services Division had not contracted an RFP. Ms. Adair agreed that they could do that but that would require funding which is not available for hiring those people.

Representative Lancaster thought that the square footage price being requested seemed excessive. Ms. Adair replied that laboratory areas need more space for equipment and ventilation systems. Representative Lancaster reiterated that \$5 dollars a square foot was excessive; he noted that it is double what "Class A" office space would cost.

Vice-Chair Bunde commented that there currently is a lot of space available in Anchorage. Ms. Adair replied that there is no laboratory space available at this time and that any space would need tremendous remodeling costs. To renovate any existing space would cost more than to build a new space for the specifics required. She stressed that it would not be good to have to move twice. The Lab is hoping to extend the current lease until the new building is finished.

Representative Harris pointed out that there is strong opposition to the move in the Palmer area. He questioned how such concerns should be addressed. Ms. Adair agreed that the solution presents a dilemma in such a large state. The Department always tries to balance the needs of the industry and the size of the State. She added that the Department is trying to be responsive to those who use the facility and stated that only those employees directly associated with these concerns would be moved and that most of the employees would remain in Palmer.

In response to Representative Harris concern, Ms. Adair reiterated that there is no suitable space available in Anchorage at this time.

Co-Chair Mulder referenced the Certificates-of-Participation (COP), and noted that they were generally issued when there was a private contractor building the facility. He asked if that was still the anticipated arrangement. Ms. Adair stated that it was and asked the Devon Mitchell be called on to testify regarding that concern. Co-Chair Mulder reiterated his concerns with the cost being \$666 dollars per square foot. He pointed out that the lease cost was equivalent to \$60 dollars per square foot.

Representative Croft emphasized that this lab must not be compared to office space rental. He requested material on cost comparisons of laboratory space throughout the country. Representative Croft recommended that the RFP concept not be the focus. He indicated his surprise with the letter included in member's packets from Representative Ogen voicing his opposition to the legislation.

Representative Hudson asked if the current building was for sale and if so, how much would it cost. He inquired if that consideration had been made. Ms. Adair replied that the current building is a reconverted Piggley Wiggley grocery store. There are many operations that are insufficient for laboratory analysis which cannot be handled in that facility. She stressed that it would take significant renovation costs to make that building functionable.

Representative Lancaster inquired if the Food and Drug Administration (FDA) could help with the design and layout of a facility. Ms. Adair responded that the FDA does not provide that service to the State.

Representative Lancaster asked if there currently was a design available. Ms. Adair replied that the current crafting would be a design award and then a build award.

Co-Chair Mulder questioned if the size were decreased, what would be left out of the new project. Ms. Adair replied that the Department would ponder that concern.

CHERYL SUTTON, SOUTHEAST ALASKA REGIONAL DIVE FISHERIES ASSOCIATION (SARDFA), JUNEAU, noted the current lab is used for processing gooey duck clams. SARDFA is developing the gooey duck clam fishery. Fisheries are often times located in remote areas throughout the State. When weather is bad, it is difficult to access the lab services. She noted that there is a 30-hour limit on water sampling time. The current lab location is difficult to access. Anchorage would be a better location for the industry for accessibility. Ms. Sutton noted that SARDFA has worked with the Department on these issues. She supported the idea of satellite labs for better accessibility.

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Ms. Sutton stated that any cost streamlining would be beneficial to the industry. She concluded, advising that SARDFA supported HB 51.

Representative Hudson asked if the laboratory at the Anchorage Seafood facility would be sufficient. Ms. Sutton exclaimed that she had not been in that lab. One of the difficulties is that the FDA dictates standards and for paralytic shellfish poisoning (PSP), and those standards are rigid.

Representative Hudson recommended that a determination be made to see if that lab would be sufficient.

Representative Lancaster inquired if products were "dumped" if they did not make the 30-hour test. Ms. Sutton explained that the 30-hour rule exists for water sampling. For products, there also is a very time sensitive limit matter. The Department of Environmental Conservation is currently working with the industry.

DAVE STANCLIFF, STAFF, REPRESENTATIVE SCOTT OGEN, testified that both the lease and the options should be reconsidered. He encouraged the Committee to check out the options of that lease. He suggested that the space could be modified and that the owner of the building was willing to make changes. Mr. Stancliff agreed that the facility is crowded and that the space is tight, however, the requested square foot expansion appears to be fairly "liberal". He questioned how much of the new space was intended to be used for laboratory versus clerical. Mr. Stancliff noted that Representative Ogan's office would attempt to work with the Department.

Ms. Adair responded to Representative Hudson's concern, noting that the ASI lab was very small, and acts as a

quality standards lab. If comparing it to the needs of the Department, it would be an "apples" to "oranges" compromise. She added that she had met with Representative Ogan's office and that they had discussed that the new lab would be laboratory space and not new employee space.

HART HODGES, (TESTIFIED VIA TELECONFERENCE), ANCHORAGE, offered to answer questions of the Committee.

Representative Davies asked the appropriate industry standard for the space size needed.

TOM LIVINGSTON, (TESTIFIED VIA TELECONFERENCE), ARCHITECT, ANCHORAGE, noted that the space consideration had been technically analyzed and reconsidered. He noted that there are two specifications, which drive the needs of the lab:

- The first is safety of the staff; and
- The second is the quality of the science. He added that the laboratory intensive building would make it very expensive.

Representative Davies requested a comparison of other health lab costs. Mr. Livingston noted that he would submit that information to the Committee.

HB 51 was HELD in Committee for further consideration.

#HB81

HOUSE BILL NO. 81

An Act extending the termination date of the Board of Dental Examiners.

REPRESENTATIVE HUGH FATE noted that under Title 8 of the Alaska Statutes, the Board of Dental Examiners would terminate on June 30, 2001. A report released by the Legislative Budget and Audit (LBA) Committee recommended that the Legislature extend the Board's date to June 30, 2005. He claimed that the regulation and licensing of qualified dentists and hygienists benefits the public's safety and welfare. HB 81 would accomplish that task. The legislation also addresses some of the concerns of the Dental Board of Examiners and the Alaska Dental Society.

Representative Fate provided a sectional analysis of the bill and the changes made in the previous committee of referral.

Section 1, Page 1, Line 6 - Extends the termination date from June 30th, 2005.

Section 2, Page 2, Line 1 - Removes prophylactic, which is duplicate language to preventative, which is covered under preventative agent. Prophylactic is also confusing language because it is similar to other dental terms like prophylaxis.

Section 3, Page 2, Line 11 - Same reason [Prophylactic was taken out of both locations because the Department of Law said if one went, they both had to.]

Section 4, Page 2, Line 14 - Adds wording that says, the Governor, when making appointments, will consider licensed dentists nominated by the Alaska Dental Society and licensed dental hygienists nominated by the Dental Hygienists' Association.

Section 5, Page 2, Line 22 - The president of the Board of Dental Examiners must be a licensed dentist under this chapter.

Section 6, Page 3, Lines 5-13 - Allows a board authorized inspector to determine whether the owner or lessee of dental radiological equipment is in compliance with the inspection standards of the board, collect the appropriate fee and remit the fee to the board, and issues an inspection seal. The inspector would then remit the paperwork to the board and determine whether a seal is issued or not.

Section 7, Page 3, Lines 16-18 - Makes a passing score on a clinical exam given by the Central Regional Dental Testing Service, Inc. an acceptable alternative to the Western Regional Examining Board examination as long as the exam was passed after January 1, 2001.

Section 8, Page 4, Line 1 - Requires that the dentist be currently licensed in another state, with the same requirements as Alaska, in order avoid re-examination to practice in Alaska.

Section 8, Page 4, Line 2,3 - Language that states a dentist could have taken a dental exam in one state and be practicing in another, and as long as the state they are licensed in has equivalent requirements to Alaska, the dentist can practice in Alaska.

Section 9, Page 6, Line 2 - Licensed and

practicing in the same state in order for them to practice in Alaska, if that state has equivalent requirements.

Section 10

Page 6 Lines 27 to 31 - Expands the current
Page 7 Lines 1 to 3 definition of
Dentistry to included the American Dental Association's definition of dentistry which allows a dentist to evaluate, diagnose, treat, or perform preventive procedures relating to diseases, disorders, or conditions of the oral cavity, maxillofacial area, or adjacent and associated structures.

Representative Davies asked what it would take to satisfy the Dental Board if the Governor had considered their list. Representative Fate explained that there is no obligation to choose from that list.

Representative Fate requested that Section 5 be removed from the bill. Representative Harris asked why the House Labor and Commerce Committee had added that language. Representative Fate explained that at the time of that hearing, Catherine Reardon, Director, Division of Occupational Licensing, Department of Community and Economic Development, had voiced a concern about that language. Representative Fate noted that the Department's concerns had been addressed in other parts of the legislation.

Representative Croft asked if there had been a controversy in the past with non-dentists on the Board. Representative Fate acknowledged that there are lay people on the Board.

Representative Foster MOVED to delete Section 5, Page 2, Lines 19-22. There being NO OBJECTION, it was adopted.

DEBRA STAUFFER, (TESTIFIED VIA TELECONFERENCE), PRESIDENT, ALASKA STATE DENTAL ASSOCIATION, ANCHORAGE, voiced full support for HB 81 and the changes made.

DR. RICHARD GREGORIN, (TESTIFIED VIA TELECONFERENCE), ANCHORAGE, testified in support that the language placed in the bill in the House Labor and Commerce Committee remain in the bill. He reiterated that he did not agree with the change adopted by the House Finance Committee.

Representative Fate noted that the amendment would not prevent the Dental Board to elect a dentist under regulations in the State of Alaska. He added that it was approved by the Administration and emphasized that it does not preclude a dentist from being elected to that seat.

Dr. Gregorin disagreed, indicating that only a dentist should be holding that position. Representative Fate agreed and stated that the members of the board could choose to

elect a person that is a dentist. Dr. Gregorin asked if it was possible that a non-dentist be elected to that seat. Representative Fate agreed that it was possible but was not probable. Dr. Gregorin commented that the Alaska Dental Society wanted to be on record indicating that the position only be held by a dentist.

DR. GEORGE SCHAFFER, (TESTIFIED VIA TELECONFERENCE), ANCHORAGE, spoke to the amendment. He recommended that the Lines 19-21 remain. Representative Davies explained that language already exists in present statute.

Dr. Schaffer voiced concern that a responsibility of the President of that Board is about communicating with other agencies outside of the State. He mentioned that he had concerns with anyone other than a dentist doing that work. He insisted that the requirement for communication must be held high and recommended that only a licensed dentist hold that position.

Representative Croft noted that there would not be a non-dentist elected to the Board without the full support of all of the Board.

Vice-Chair Bunde asked if the same requirements exist for the Board of Physicians.

CATHERINE REARDON, DIRECTOR, DIVISION OF OCCUPATIONAL LICENSING, DEPARTMENT OF COMMUNITY AND ECONOMIC DEVELOPMENT, advised that there is no requirement that specifies that any particular member be the Chair for any of the occupational licensing boards.

DAVID LOGAN, DENTIST, PRESIDENT, ALASKA BOARD OF DENTAL EXAMINERS, JUNEAU, noted that the Board is in support of the version before the Committee and the recommended change.

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Dr. Logan noted his support in preserving the current statute and the bill as before the Committee.

Co-Chair Mulder referenced Section 7 and 8 and asked if there is "abuse" with dental assistants providing hygienists work. Dr. Logan responded that there isn't abuse, however, there is some misunderstanding of what is allowed under current statutes and confusion with use of the word "prophylactic". The Board is attempting to clear up any misinformation regarding the wording in the statutes.

Co-Chair Mulder inquired if there exists a problem with the licensure issue. Dr. Logan reiterated that the Board is attempting to clean up the language and that the changes are small.

Co-Chair Mulder noted the fiscal note.

Representative Foster MOVED to report CS HB 81 (FIN) out of Committee with individual recommendations and with the accompanying fiscal note. There being NO OBJECTION, it was so ordered.

CS HB 81 (FIN) was reported out of Committee with a "do pass" recommendation and with a fiscal note by Department of Community & Economic Development.

#HB149

HOUSE BILL NO. 149

An Act relating to correctional facility space and to authorizing the Department of Corrections to enter into an agreement to lease facilities for the confinement and care of prisoners within the Kenai Peninsula Borough.

REPRESENTATIVE MIKE CHENAULT explained that HB 149 was introduced to transfer the authority to construct a private prison from Ft. Greely/Glennallen area to the Kenai Peninsula Borough.

The construction project would provide the Kenai/Nikiski area with an additional stable economic base. In addition, the State of Alaska has been supplementing the economy of Florence, Arizona around \$20 million dollars per year. He emphasized that it makes sense to bring money back to the State of Alaska.

MARGOT KNUTH, ASSISTANT ATTORNEY GENERAL, DEPARTMENT OF CORRECTIONS, provided information on the legislation. She read from a letter written by Governor Tony Knowles. [Copy on File].

Ms. Knuth noted that the prison expansion is based on five principles:

- Protecting the public's safety;
- Addressing statewide and regional needs;
- Consistency with best correctional practices;
- Community participation through government-to-government transactions; and
- Cost-effectiveness.

The Kenai private prison idea could meet these important objectives. She noted that it is clear that the Legislature's intent in House Bill 53 was to develop a

private prison at the Fort Greely site. The State has been attempting to do that since. She added that there is no doubt any change of focus or development of a new private prison plan would involve legislative action.

Ms. Knuth discussed the Governor's plan indicating that the most important criteria was the addressing of statewide and regional needs. She observed that the statewide needs do not always meet the needs of the inmates to be near their hometowns. Ms. Knuth emphasized the obligation to look at pretrial needs existing in Bethel and Fairbanks as well as the relocation of the Arizona prisoners.

Ms. Knuth addressed the fiscal impact. She could not determine if the proposal would be cost effective. Ms. Knuth pointed out the lack of a capital cost proposal or indication of cost limitations and scope. She referred to experiences currently existing with the Anchorage jail.

Co-Chair Williams noted that the bill would be placed in a Subcommittee, Chaired by Representative Mulder and with members Representative Bunde and Representative Moses.

HB 149 was HELD in Committee for further consideration.

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ADJOURNMENT

The meeting was adjourned at 3:45 P.M.