

HOUSE FINANCE COMMITTEE
April 20, 2001
1:46 PM

TAPE HFC 01 - 89, Side A
TAPE HFC 01 - 89, Side B

CALL TO ORDER

Co-Chair Williams called the House Finance Committee meeting to order at 1:59 PM.

MEMBERS PRESENT

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

MEMBERS ABSENT

None

ALSO PRESENT

Wendy Hall, Staff, Senator Kelly; Dean Guaneli, Chief Assistant Attorney General, Criminal Division, Department of Law; Elmer Lindstrom, Special Assistant, Department of Health and Social Services; Russ Webb, Deputy Commissioner, Department of Health and Social Services; Randall Burns, Executive Director, Alaska Psychiatric Institute; Candace Brower, Legislative Liaison, Department of Corrections; Michael Stark, Assistant Attorney General, Department of Law; Caren Robinson, Chairman, Alaska Mental Health Trust Authority.

PRESENT VIA TELECONFERENCE

Albert Taylor, Anchorage; Craig Campbell, Executive Director of Planning, Development and Public Works for the Municipality of Anchorage; Steve Planchon, Alaska Mental Health Trust Authority; Donald Mahon, Regional Vice President, Alaska Power and Telephone; Eric Yould, Executive Director, Alaska Rural Electric Cooperative Association, Anchorage; Robert Wilkinson, Copper Valley Electric Association, Glennallen; Steve Haagenson, Acting President & CEO for Golden Valley Electric Association, Fairbanks; Norm

Story, Homer Electric Association; Joe Cook, Vice President, Cordova Electric Cooperative Inc., Cordova; Sylvia Lange, Cordova; Katelyn Markley, Alaska Industrial Development and Export Authority (AIDEA).

SUMMARY

HB 40 "An Act providing for the revocation of driving privileges by a court for a driver convicted of a violation of traffic laws in connection with a fatal motor vehicle or commercial motor vehicle accident; amending Rules 43 and 43.1, Alaska Rules of Administration; and providing for an effective date."

CSHB 40 (FIN) was REPORTED out of Committee with a "do pass" recommendation and with two previously published zero fiscal notes (#2 and #3), and with one previously published fiscal impact note (#1).

HB 52 "An Act relating to the Interstate Compact for Adult Offender Supervision and the State Council for Interstate Adult Offender Supervision; amending Rules 4 and 24, Alaska Rules of Civil Procedure; and providing for an effective date."

HB 52 was REPORTED out of Committee with a "do pass" recommendation and with two previously published fiscal impact notes by the Department of Corrections (#1 and #2).

HB 76 "An Act authorizing the commissioner of health and social services to provide for the design and construction of psychiatric treatment facilities to replace the facilities of the Alaska Psychiatric Institute."

CSHB 76 (FIN) was REPORTED out of Committee with a "do pass" recommendation and with a previously published (#1) zero fiscal note by the Committee on Health, Education and Social Services.

HB 77 "An Act relating to appropriations for the design and construction of a replacement facility or facilities for the Alaska Psychiatric Institute and for a grant to study the feasibility of locating certain health programs at the site of the Alaska Psychiatric Institute; and providing for an effective date."

HB 77 was HELD in Committee for further consideration.

HB 175 "An Act making an appropriation to the Alaska Industrial Development and Export Authority for power projects; and providing for an effective date."

HB 175 was heard and HELD in Committee for further consideration.

HB 236 "An Act relating to the contracting and financing authority of the Alaska Industrial Development and Export Authority; authorizing the authority to issue bonds in a principal amount not to exceed \$76,000,000 to finance the acquisition, design, construction, inventory, and operation of natural gas, propane air, or manufactured gas public utility facilities; and providing for an effective date."

HB 236 was REPORTED out of Committee with a "do pass" recommendation and with a new zero fiscal note by the Department of Community and Economic Development.

SB 154 "An Act relating to mental health treatment facilities; repealing the termination date of the mental health treatment assistance program; and providing for an effective date."

SB 154 was REPORTED out of Committee with a "do pass" recommendation and with a previously published fiscal impact note (#1) by the Department of Health and Social Services.

#hb40

HOUSE BILL NO. 40

"An Act providing for the revocation of driving privileges by a court for a driver convicted of a violation of traffic laws in connection with a fatal motor vehicle or commercial motor vehicle accident; amending Rules 43 and 43.1, Alaska Rules of Administration; and providing for an effective date."

ALBERT TAYLOR, ANCHORAGE testified via teleconference in support of HB 40. He noted that a negligent driver killed his only child. He stressed the need for accountability.

Representative John Davies MOVED to ADOPT Amendment 1:

Page 2, line 3

Delete:

"a preponderance of the evidence"

Substitute:

"clear and convincing evidence"

Page 2, lines 7-8

Delete:

"(3) the violation of traffic laws by the person contributed to the accident."

Insert:

"(3) the violation of traffic laws by the person was a significant contributing cause of the accident."

Representative John Davies noted that the Department of Law drafted the amendment to address his concerns regarding the standard of proof. The amendment clarifies that the violation must be a significant contributing cause of the accident.

DEAN GUANELI, CHIEF ASSISTANT ATTORNEY GENERAL, CRIMINAL DIVISION, DEPARTMENT OF LAW spoke in support of the amendment. He did not feel that the increase in the burden of proof to clear and convincing evidence would make a practical difference. The additional language of a "significant contribution" allows the judge to take into account the relative faults.

There being NO OBJECTION, Amendment 1 was adopted.

Representative Hudson MOVED to report CSHB 40 (FIN) out of Committee with the accompanying fiscal note. There being NO OBJECTION, it was so ordered.

CSHB 40 (FIN) was REPORTED out of Committee with a "do pass" recommendation and with two previously published zero fiscal notes (#2 and #3), and with one previously published fiscal impact note (#1).

#hb236

HOUSE BILL NO. 236

"An Act relating to the contracting and financing authority of the Alaska Industrial Development and Export Authority; authorizing the authority to issue bonds in a principal amount not to exceed \$76,000,000 to finance the acquisition, design, construction, inventory, and operation of natural gas, propane air, or manufactured gas public utility facilities; and providing for an effective date."

Representative Harris MOVED to report HB 236 out of Committee with the accompanying fiscal note.

Representative John Davies spoke in support of the bill but pointed out that the legislation provides approval of the bond issuance contingent on the due diligence findings of Alaska Industrial Development and Export Authority (AIDEA). He asked AIDEA to communicate with the Legislature regarding their due diligence findings. Co-Chair Williams agreed and noted that he would send a communication to AIDEA.

Representative Lancaster agreed with Representative Davies' concerns and maintained that it is imperative that AIDEA tell the Legislature how they are going to proceed with the bonds.

There being NO OBJECTION, HB 236 was moved from Committee.

HB 236 was REPORTED out of Committee with a "do pass" recommendation and with a new zero fiscal note by the Department of Community and Economic Development.

#sb154

SENATE BILL NO. 154

"An Act relating to mental health treatment facilities; repealing the termination date of the mental health treatment assistance program; and providing for an effective date."

WENDY HALL, STAFF, SENATOR KELLY spoke in support of SB 154. She observed that the bill repeals the sunset date on previously passed legislation, which created the Designated Evaluation Program. She maintained that the Designated Evaluation Program is a critical component of mental health services in Alaska, particularly for indigent persons with mental illnesses who are being civilly committed or who meet the criteria for civil commitment. Through this program many poor people with mental illnesses who have not qualified for Medicaid are able to receive services in community hospitals around the state. Without the program it would be necessary to transport many clients in crisis to the Alaska Psychiatric Institute. She observed that the previous sunset date was placed on the program as a result of concerns that the funding would cease to exist, but funding has continued.

ELMER LINDSTROM, SPECIAL ASSISTANT, DEPARTMENT OF HEALTH AND SOCIAL SERVICES testified in support of the legislation. He explained that the department had just received a one-time federal grant at the time the original legislation was adopted. Another source of non-general funds have since been identified. Federal DSH funds through the Medicaid program have been utilized as an on going stream of revenue. They are expected to continue to support the program. He explained the fiscal note and pointed out that the fiscal cost is included in the Senate and House FY02 budgets.

Mr. Lindstrom gave examples of the success of the program. The number of expected transports to API has fallen dramatically from 75 to less than 10.

Representative Davies MOVED to report SB 154 out of Committee with the accompanying fiscal note. Co-Chair Mulder OBJECTED for the purpose of a question. He asked how success has been defined and when the program was established.

Mr. Lindstrom noted that the program has been on the books for many years. Legislation was enacted two years ago, which defined eligibility and outlined how the payments would be made. The key measure of success has been the reduction in transports to API and the ability to treat clients locally.

Co-Chair Mulder acknowledged the clinical value of treating locally and questioned the cost. Mr. Lindstrom did not think that it was more expensive to operate locally. He stated that he would prepare a cost comparison. He clarified that these clients are not Medicaid eligible and explained that clients between 21 and 65 are not Medicaid eligible. The income eligibility is 185 percent of the federal poverty level.

There being NO OBJECTION, SB 154 was moved from Committee.

SB 154 was REPORTED out of Committee with a "do pass" recommendation and with a previously published fiscal impact note (#1) by the Department of Health and Social Services.

#hb76

HOUSE BILL NO. 76

"An Act authorizing the commissioner of health and social services to provide for the design and construction of psychiatric treatment facilities to replace the facilities of the Alaska Psychiatric Institute."

Co-Chair Mulder MOVED to ADOPT proposed committee substitute work draft 22-LS0349\P, Utermohle 4/20/01. There being NO OBJECTION, it was so ordered.

RUSS WEBB, DEPUTY COMMISSIONER, DEPARTMENT OF HEALTH AND SOCIAL SERVICES testified in support of the legislation. He stated that the legislation would be an effective means to replace API, which has been a long-standing problem. He noted that the Department of Health and Social Services, Alaska Mental Health Trust Authority, University of Alaska, and Providence Medical Center have worked together to develop better land use in the area. The Department of Health and Social Services will not use the old facility under their site plan. He pointed out that the committee substitute reduces cost.

Co-Chair Mulder explained that the objective was to provide a price tag that the state could afford. The original cost was \$56 million dollars. A ranch style approach was consolidated into a two story, which dropped the cost to \$45 million dollars. A competitively bid design build achieved an additional savings for a total cost of \$41.744 million dollars. A little over \$19 million dollars remains from a previous appropriation to the Department of Health and Social Services. The Alaska Mental Health Trust Authority

has made available an additional \$3 million dollars to help with construction costs. An additional \$3.5 million dollars in interest earnings from the remaining \$19 million dollar appropriation would be reappropriated. The remaining project cost would be \$16 million dollars, which would be paid with the issuance of a 15-year note of \$1.6 million dollars a year. He observed that it would not cost the state "any cash out of the pocket."

Representative Hudson asked if the debt retirement on the bond issuance would be offset with reduced energy costs.

RANDALL BURNS, EXECUTIVE DIRECTOR, ALASKA PSYCHIATRIC INSTITUTE noted that the current heating cost is \$300 thousand dollars a year. He felt confident that these costs would be reduced.

Representative Hudson suspected that the cost would be reduced. Mr. Burns observed that the boiler and mechanical systems are not very efficient. He thought that there would be significant savings within the utilities.

Co-Chair Mulder noted that the proposal has brought the competing interests of the Department of Health and Social Services, Alaska Mental Health Trust Authority, University of Alaska, Providence Medical Center and the Municipality of Anchorage together. All the parties signed the memorandum of agreement. He referred to item #8 of the memorandum of agreement.

Co-Chair Mulder referred to the legislation as it pertains to removal of the facility:

The Memorandum of Understanding contemplates a road extension through the property presently occupied by the Alaska Psychiatric Institute facility. The road construction will be addressed separately, possibly through federal funding.

Co-Chair Mulder clarified that the demolition costs were not included in the legislation and are estimated at \$13 million dollars. A fiscal note would include the demolition costs. He emphasized the importance of timing. He expressed confidence that federal funding would be forthcoming for the demolition.

CAREN ROBINSON, CHAIRMAN, ALASKA MENTAL HEALTH TRUST AUTHORITY provided information relating to the legislation. She discussed the memorandum of agreement, Track E. She noted that a due diligence finding would be provided. It is the intent to carry forward and utilize the land with the understanding that when the University of Alaska is ready, they would have the first right to purchase the land.

Representative John Davies noted that the university's concern is that there could be some action taken in respect to the land that would make it not in the university's interest to subsequently acquire it. The university would like the Trust to work with them regarding actions that might be taken which could be negative in respect to future acquisition.

Ms. Robinson stressed the importance of working with all the involved individuals. She noted that they have worked with the University of Alaska and felt that they would continue a close relationship to assure that the lands are utilized in an appropriate way.

Co-Chair Mulder observed that the University is concerned that the land could be used to expand the McLaughlin Youth facility. He stressed the importance of working with the University on any future activities that utilize the property.

Representative Hudson noted that there are some private landholders and questioned if they have been contacted. Ms. Robinson acknowledged that South central Foundation owns some of the adjoining property. There is also a Respite Center on parcel D. The city might want to build a health facility on parcel E. There are concerns regarding the neighborhood.

Representative Croft referred to page 3, line 8 - 9: The replacement facility must include a forensic psychiatric unit. Mr. Webb responded that the state is committed to maintaining the forensic unit, but it will not be expanded.

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#hb77

HOUSE BILL NO. 77

"An Act relating to appropriations for the design and construction of a replacement facility or facilities for the Alaska Psychiatric Institute and for a grant to study the feasibility of locating certain health programs at the site of the Alaska Psychiatric Institute; and providing for an effective date."

Co-Chair Mulder explained that funding is contained in the capital budget and a new appropriation bill is not needed. Authorization is provided in HB 76.

#hb175

HOUSE BILL NO. 175

"An Act making an appropriation to the Alaska Industrial Development and Export Authority for power projects; and providing for an effective date."

STEVE HAAGENSON, ACTING PRESIDENT & CEO FOR GOLDEN VALLEY ELECTRIC ASSOCIATION, FAIRBANKS testified in support of the legislation.

The upgrade of the Anchorage to Fairbanks power transmission intertie, to 230 kilowatts is a very important project for Interior Alaska. This project, at a minimum, should, involve the construction of a second transmission line between Douglas Substation located near Willow and Teeland Substation located in Wasilla. The new transmission line would be constructed to operate at 230 thousand volts, and would provide the source, for converting the remainder of the Anchorage to Fairbanks intertie to 230 thousand volts operation.

The existing line from Douglas to Teeland is a bottleneck for delivery of power from Anchorage to Fairbanks. The electrical capacity to Healy would increase from 70 megawatts to approximately 130 megawatts, after project completion. The increase in transfer capacity would provide access to both now and existing gas-fired cogeneration in Anchorage.

Power can flow either direction on these transmission lines. After the natural-gas pipeline is constructed the transmission capacity increase could allow for delivery of 130 megawatts of North-Slope gas fired power to the Anchorage bowl.

The increased capacity will also provide a method to share spinning reserves, which are not always available to Fairbanks.

The existing line from Douglas to Teeland has had numerous faults due to insulator flashovers and other causes. Every time this line trips a significant portion, if not all, of the power in Fairbanks goes off. The addition of a second circuit will improve reliability between Teeland and Douglas by providing an alternative path during faults.

The addition of a second transmission line will reduce electrical transmission losses between Teeland and Douglas, as will the voltage conversion from 138 kilovolts to 230 kilovolts will, for the entire Anchorage to Fairbanks transmission line.

Representative Davies clarified that the estimated amount needed to build the 26 miles between Teeland and Douglas and convert other substations to 230 kilovolts is \$24 million dollars.

ROBERT WILKINSON, CEO, COPPER VALLEY ELECTRIC ASSOCIATION (CVEA), GLENNALLEN testified via teleconference in support

of the legislation:

In 1993, the 18th Alaska Legislature appropriated a \$35 million, 50-year, zero-interest loan for an intertie project. The purpose of the loan was to benefit the region by lowering electrical rates. After much effort and expense the intertie project ground to a halt in 1996. Instead CVEA constructed a state of the art combustion turbine cogeneration project. That project has numerous benefits. It is high tech, it is green, and it turns Alaska crude into kilowatt-hours. It also adds five megawatts of generating capacity to Copper Valley's system. Having said that, the project does nothing to lower the high cost of electricity for the region. Copper Valley's request accomplishes a number of things. It reduces the fixed costs of the Cogeneration project. It replaces 30-year old diesel fired units, thereby improving system reliability and air quality. It also reduces fuel and maintenance expenses. In addition, a project, which recovers heat from the Glennallen diesel plant to reduce heating expense for the Copper River School District Glennallen schools. Finally, it reimburses Copper Valley for the DCRA intertie feasibility study required by the Legislature.

NORM STORY, HOMER ELECTRIC ASSOCIATION testified via teleconference in support of the legislation. He noted that Homer Electric's appropriation request would replace an underwater cable that spans 3.8 miles across Kachemak Bay from Homer to the Southside of the bay [McKeon Flats]. It would also replace four backup diesel generators that are approximately 50 years old, which are used during power outages.

Mr. Story maintained that it is critical that the 700 consumers in villages south of Kachemak Bay continue to have access to reliable and affordable electric power. The underwater cable is the only access to the electrical grid. The people in these communities are doing their part now to keep electric costs down. The average consumer in this area uses only 440-kilowatt hours per month per consumer compared to almost 700-kilowatt hours per consumer north of the bay. He noted that the general membership of Homer Electric Association has always subsidized the cost of providing service to these communities. In the absence of this subsidy the villages would probably receive Power Cost Equalization bonds or some other assistance. The calculated rate [without subsidy] would be .20 cents a kilowatt-hour as opposed to the current cost of .11 cents. The costs associated with replacement of the cable and the diesel generators would have a catastrophic impact on the electrical rates in these villages. Recovering costs in these small communities endangers their already fragile economy. They cannot afford

the additional .5 cents a kilowatt-hour. A zero percent interest loan repaid over 25 years would greatly assist in lessening the impacts to villages south of the bay.

JOE COOK, VICE PRESIDENT, CORDOVA ELECTRIC COOPERATIVE INC., CORDOVA testified via teleconference in support of HB 175. The Power Creek Hydroelectric project has been a community priority for the past four years and will be the salvation of Cordova. Funding is critical, as it will have positive long-term effects on Cordova's economy, due to reductions in electrical power rates, which would lower the cost-of-living and the cost-of-doing business in Cordova. Lower power costs would improve operating conditions in the community's economic sectors and increase job opportunities.

SYLVIA LANGE, CORDOVA testified via teleconference in support of HB 175. She noted that as an owner of a fish processor facility, that the single greatest impediment to economic diversity and survival is the exorbitant cost of electricity. Electric rates including fuel surcharges and taxes were over .30 cents a kilowatt-hour as compared to .04 cents an hour in Seattle. She maintained that they are forced to send their product elsewhere for "value added" processing.

Representative Ken Lancaster, Sponsor testified in support of HB 175. He clarified that the Anchorage/Fairbanks Transmission Line Bottleneck project is a state project. The Power Creek Hydropower project in Cordova would provide a payback of approximately \$600 thousand dollars. He observed that he will have a technical amendment to add back language that was inadvertently deleted. The Railbelt Energy Fund was the initial fund source. The legislation was changed in the House Labor and Commerce Committee to fund the project from the Constitutional Budget Reserve.

In response to a question by Representative Hudson, Representative Lancaster clarified that there would be sufficient funding in the Railbelt Energy Fund to fund the projects. He noted that \$71 million dollars of interest has accrued since 1973. However, it was felt that the money should remain in the fund to be used as leverage or seed money when the gas pipeline comes to fruition.

Representative Croft clarified that there is approximately \$80 million dollars in the Fund. The appropriations [in the legislation] total \$62 million dollars.

In response to a question by Representative Davies, Representative Lancaster clarified that the appropriations would be no interest loans. He noted that the \$25 million dollars for the Anchorage/Fairbanks intertie would be a state project and the costs would be recovered.

DONALD MAHON, REGIONAL VICE PRESIDENT, ALASKA POWER AND TELEPHONE testified via teleconference in support of the legislation. He noted that two of the communities they serve are on stand-alone high cost diesel generation. The Tok/Chistochina Transmission Intertie would reduce the energy cost for these communities by .15 cents a kilowatt-hour and provide central station power for an additional 100 customers along the highway. He maintained that it makes good sense to tie these communities to the Tok power plant.

ERIC YOULD, EXECUTIVE DIRECTOR, ALASKA RURAL ELECTRIC COOPERATIVE ASSOCIATION, ANCHORAGE testified via teleconference in support of HB 175. He observed that the Board expressed strong support for HB 175. He added that Chugach Electrical Association and the Anchorage Municipal Light and Power Association also support the project. He asked why the appropriation fund source was changed.

Representative Hudson asked the affect of the legislation on Power Cost Equalization.

Mr. Yould responded that the Cordova project would be a grant in exchange for relinquishing their annual \$600 thousand dollar PCE grant. The original project structure would have reduce the Chistochina Mine's PCE amount. Under the long-term, low interest loan, power costs for Cordova would be lower but they would continue to receive PCE adjustments.

Representative John Davies asked what use the Railbelt Energy Fund would be put to in regards to the gas pipeline.

KATELYN MARKLEY, ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY (AIDEA) testified via teleconference in support of the legislation. She noted that HB 238 would address the concerns of AIDEA. The Alaska Industrial Development and Export Authority (AIDEA) felt that funding should go through the Alaska Energy Authority. She stated that all the projects have merit.

HB 175 was heard and HELD in Committee for further consideration.

#hb52

HOUSE BILL NO. 52

"An Act relating to the Interstate Compact for Adult Offender Supervision and the State Council for Interstate Adult Offender Supervision; amending Rules 4 and 24, Alaska Rules of Civil Procedure; and providing for an effective date."

CANDACE BROWER, LEGISLATIVE LIAISON, DEPARTMENT OF CORRECTIONS provided information on HB 52. She noted that the legislation would repeal the current Interstate Compact

for adult offender supervision and replace it with a new Compact. The old compact was enacted nationally in 1937 and in Alaska in 1957. The compact governs the state-to-state transfer and supervision of parolees and probationers. It is a reciprocal agreement to exchange these persons across state lines and continue needed supervision. The current compact is old and outdated. There are currently 2 million probationers and parolees nationwide. She noted that if Alaska were one of the first states to enact the compact that it would have a voice in decisions. The current compact is not much more than a gentleman's agreement between states. There is no mechanism for acquiring or maintaining routine data or structure to adopt rules to enforce compliance, or adequately consider victims. The restructuring provides more oversight at state and national levels and promotes communications between states. Offenders that cross state lines are overseen by thousands of different parole and probation officers operating within hundreds of different agencies. This fragmented system makes it difficult to account for offenders. The compact creates an effective management system that addresses public safety concerns and offender accountability. There have been a variety of entities working on the legislation. The compact would go into effect when it has been enacted by 35 states. The department feels that it is important to be one of the first 35 states to enact the legislation in order to have a voice in the rule making process.

Representative John Davies spoke in support of the legislation and stressed the importance of Alaska's participation.

Representative Whitaker asked if any states indicated that they would refuse involvement. Ms. Brower pointed out that many of the Western states have enacted the legislation. Fees are based on population and volume. Alaska exports more offenders than it imports.

Representative Hudson asked if there is anything comparable with Canada. Ms. Brower stated that there is no similar agreement with Canada.

In response to a question by Representative Croft, Ms. Brower observed that there are 343 Alaskan parolees or probationers being supervised outside of Alaska. There are 220 parolees or probationers from other states being supervised in Alaska.

MICHAEL STARK, ASSISTANT ATTORNEY GENERAL, DEPARTMENT OF LAW provided information on the legislation. He pointed out that there is no way for the state to enforce rule violations under the current compact. The new compact will provide enforcement mechanisms. He stressed the need to prevent a dumping of parolees or probationers. The compact is looking

at the establishment of a national registry system to track all parolees or probationers outside of their states. There would be an annual report. Alaska would have recourse to require other states to recall parolees or probationers that are not authorized in Alaska.

Representative John Davies MOVED to report HB 52 out of Committee with the accompanying fiscal note. There being NO OBJECTION, it was so ordered.

HB 52 was REPORTED out of Committee with a "do pass" recommendation and with two previously published fiscal impact notes by the Department of Corrections (#1 and #2).

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ADJOURNMENT

The meeting was adjourned at 3:16 p.m.