

HOUSE FINANCE COMMITTEE
April 30, 2002
3:08 PM

TAPE HFC 02 - 98, Side A
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TAPE HFC 02 - 99, Side A
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CALL TO ORDER

Co-Chair Mulder called the House Finance Committee meeting to order at 3:08 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 Richard Foster
Representative John Harris
Representative Bill Hudson
Representative Ken Lancaster
Representative Carl Moses
Representative Jim Whitaker

MEMBERS ABSENT

None

ALSO PRESENT

Representative Mary Kaspner; Representative Jeanette James; Representative Mike Chenault, Sponsor; Representative Sharon Cissna; Wendy Redman, Vice President, Statewide Programs, University of Alaska; Richard Schmitz, Staff, Representative James; Eddy Jeans, Manger, School Finance and Facilities Section, Department of Education and Early Development; William Craig, AIRRES; John Bitney, Legislative Liaison, Alaska Housing Finance Corporation, Department of Revenue; Sue Wright, Staff, Representative Chenault; Janet Seitz, Staff, Representative Rokeberg; Janet Parker, Division of Retirement and Benefits, Department of Administration; Tom Turner, President, Alaska Association of Health Underwriters, Anchorage; Bob Lohr, Director, Alaska Division of Insurance.

PRESENT VIA TELECONFERENCE

Tom Turner, President, Alaska Association of Health Underwriters, Anchorage.

SUMMARY

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 315 "An Act requiring a single insurance provider for all state employees and allowing small employers to join as a group; and providing for an effective date."

CSSSHB 315 (FIN) was REPORTED out of Committee with a "do pass" recommendation and with a fiscal impact note by the Department of Administration.

HB 370 "An Act relating to the issuance of state-guaranteed revenue bonds by the Alaska Housing Finance Corporation to finance mortgages for qualifying veterans; and providing for an effective date."

HB 370 was REPORTED out of Committee with a "do pass" recommendation and with two previously published fiscal notes: REV #1 and GOV #2.

HB 464 "An Act relating to statewide school district correspondence study programs."

CSHB 464 (EDU) was REPORTED out of Committee with a "do pass" recommendation and with a previously published fiscal note: EED #2.

HB 489 "An Act relating to cruelty to animals."

CSHB 489 (JUD) was REPORTED out of Committee with a "do pass" recommendation and with two previously published fiscal notes: COR #1 and LAW #2.

HB 524 "An Act relating to the issuance of general obligation bonds for the purpose of paying the cost of design, construction, and maintenance of schools and state facilities; and providing for an effective date."

HB 524 was heard and HELD in Committee for further consideration.

HB 525 "An Act relating to the issuance of general obligation bonds for the purpose of paying the cost of deferred maintenance of public facilities; and providing for an effective date."

HB 525 was heard and HELD in Committee for further consideration.

HB 528 "An Act relating to programs of state reimbursement for debt payments for certain capital projects; and providing for an effective date."

HB 528 was heard and HELD in Committee for further consideration.

#hb175

#hb524

#hb525

#hb528

GENERAL OBLIGATION BONDS

Co-Chair Mulder noted that there were \$1.4 billion dollars in general obligation (GO) bond requests. The attorneys indicated that they could not be included in one omnibus bond bill. The intent was to use as few vehicles as possible and identify consistent themes. He observed that HB 524 contains GO bonds for new schools and university construction. House Bill 525 contains GO bonds for deferred maintenance of public facilities. Bond debt reimbursement was used for projects that did not fit into a GO bond package, because they were previously leveraged [HB 528]. Representative Lancaster's energy bill [HB 175] was utilized for the final component. House Bill 524 and HB 525 would appear on the November general election ballot.

Co-Chair Mulder observed that projects were prioritized. The priority lists were strictly used with one exception. In new school construction, out of the first six schools: three were in [Representative Kaspner's] district and three were in Representative Foster's district. The proposed committee substitute took the first two [in Representative Kaspner's district] and the first two from Representative Foster's.

#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."

Representative Lancaster MOVED to ADOPT Amendment 1:

Page 1, line 6, through page 3, line 28:
Delete all material and insert:

Section 1. ALASKA ENERGY AUTHORITY. (a) me unobligated and unencumbered balance of the Railbelt energy fund (AS 37.05.520) on the effective date of this Act is appropriated to the Alaska Energy Authority for investment by the authority to secure repayment of

bonds issued by the authority under AS 44.83 for the following power and intertie projects:

(1) the sum of \$20,300,000 is allocated to upgrade and extend the Anchorage-Fairbanks power transmission intertie to the Teeland substation;

(2) to make grants to the recipients named, for the purposes described, and in the amounts set out below:

Homer Electric Association replacement power supply for Seldovia \$2,000,000

Anchorage Municipal Light and Power Ekiutna project transmission line upgrade 19,300,000

Golden Valley Electric Association line extension 872,000

Matanuska Electric Association line extension 500,000

(b) It is the intent of the legislature that, once the bonds described in (a) of this section have been repaid, the Alaska Industrial Development and Export Authority will bring to the legislature a prioritized list of energy projects that can be funded from the revenue stream from the funds appropriated in (a) of this section.

* Sec. 2. LAPSE OF APPROPRIATION. The appropriation made by sec. 1(a) of this Act is to capitalize a fund and does not lapse.

* Sec. 3. This Act takes effect immediately under AS 01.10.070(c)."

He explained that the amendment makes minor changes. He observed that the amendment would also allow the Alaska Industrial Development and Export Authority (AIDEA) to compile a priority list for future consideration by the legislature. The legislation would still be \$43 million dollars. The legislation utilizes the revenue stream from the securitization of the Rail Belt Energy Fund, which would no longer exist if the legislation were adopted.

Representative John Davies pointed out that the legislation contains a smorgasbord of projects in terms of size and duration of the debt repayment. He questioned if the intent was to wait until the last project is repaid before the revenue stream could be utilized again. Representative Lancaster responded that it would be a function and a request of AIDEA.

Representative John Davies MOVED to ADOPT an amendment on page 2, line 2: insert "the."

Co-Chair Mulder explained that \$73 million dollars would be securitized; \$43 million dollars would come off of the bonds sales to pay for the projects. The interest off of the \$73 million dollars pays for the bonds. The revenue stream is driven from the interest on the bonds not the projects.

Representative John Davies questioned if some of the projects would be paid off quicker than others. Co-Chair Mulder stated that they would not. Representative John Davies stressed that the intent is not to wait until the last project is paid before there are new projects.

Representative Lancaster explained that funds would flow immediately. The revenue stream, through AIDEA, from the intertie fund would pay the bonds back. He observed that \$43 million dollars would already be spent.

Representative Croft acknowledged that AIDEA will make the decision, but expressed concern with the deletion of "with the assistance of AREAC and the Denali Commission."

Co-Chair Mulder observed that the concern was that the focus of the Denali Commission has been on economic development in rural Alaska. He pointed out that the Rail Belt Energy Fund centers on the rail belt energy grid. He felt that it was not a compatible relationship. Representative Lancaster agreed. Most projects are discussed through the Alaska Industrial Development and Export Authority (AIDEA). It was felt that it would be better to collect the bonds through AIDEA.

Representative Hudson questioned what would happen to communities like Cordova. Representative Lancaster explained that Cordova is included in the debt reimbursement bond, which would not require a vote.

Representative Lancaster MOVED to ADOPT Amendment 1. There being NO OBJECTION, it was so ordered.

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

#hb524

HOUSE BILL NO. 524

"An Act relating to the issuance of general obligation bonds for the purpose of paying the cost of design, construction, and maintenance of schools and state facilities; and providing for an effective date."

Co-Chair Mulder provided members with proposed committee substitute, work draft LS1725\C, dated 4/29/02 (copy on

file.) He observed that HB 524 contains the new construction component of schools and learning facilities. He observed that in order to get the bonds to pass there needs to be a broad statewide perspective.

Finance Committee Substitute for House Bill 524 authorizes a vote of the people on general obligation bonds issued by the state of Alaska for the construction of educational facilities. The proposal, totaling \$149,795,595 dollars, provides for new schools, University of Alaska projects and a portion of a museum expansion in Anchorage. The new school projects include facilities in Tuluksak, Akiak, Scammon Bay, Teller and Anchorage. The University of Alaska funding includes projects on campuses in Fairbanks, Juneau, Homer, Valdez, Anchorage, Kenai, Sitka, Homer, and Ketchikan. The bond question would be on the November ballot. If approved by the voters, projects could commence early in 2003.

Representative Croft observed that the third school on the priority list, Akiachak, was skipped. Co-Chair Mulder explained that the intent was to balance the two districts. Representative Croft observed that Anchorage schools, which were ranked 48, 49, 53, and 54, were added. Co-Chair Mulder pointed out that they were schools passed by the Anchorage voters. He stressed the need to assure the greatest support for passage of the bond package. The Anchorage schools are partially funded. He observed that there was a error on the Bartlett High School appropriation, which should be \$1.9 million dollars. The Chugiak High School appropriation was also in error and should be \$3.655,728 dollars. Representative Croft noted that Chugiak would be completely funded, but Barlett High School would only be funded for phase 2 and 3. He noted that parts of several schools were being funded. Co-Chair Mulder explained that the legislation contains the state share for projects proposed by the Anchorage School Board and accepted by the voters.

WENDY REDMAN, VICE PRESIDENT, STATEWIDE PROGRAMS, UNIVERSITY OF ALASKA, provided information on HB 524. She noted that the Board approved the projects and rankings. The Fairbanks and Anchorage classroom projects represent board-approved phases for the facilities. The Lena Point facility was originally \$18 million dollars, which was reduced in half in order to fit into the appropriation amount. The project was not designed to be phased. Other projects are as they were on the Board's priority list. She explained that pieces of their deferred maintenance needs are contained in other legislation. The University's top \$50 million dollars in capital requests were funded, excluding deferred maintenance, which might show up in the capital budget bill. She did not know where the University Center would be funded. Delay in funding would be a problem for the Center, which was not in any of the funding bills.

Vice-Chair Bunde questioned if the University of Alaska had discussed local contribution for the expansions. Ms. Redman noted that the Fairbanks campus would be contributing \$30 million dollars. Overhead on the science and laboratory facilities would also be contributed in Anchorage.

Representative Hudson questioned if the University has dropped the joint University of Alaska Southeast and Military and Veterans Affairs readiness facility. Ms. Redman noted that the project is a high priority but was submitted in the Military and Veterans Affairs budget. She stressed that the joint use/recreational facility is a high priority for the Alaska National Guard and University. Co-Chair Mulder stated that he was willing to work with Representative Hudson and the University to fund the project.

Ms. Redman referred to the University Center, Anchorage campus. Co-Chair Mulder observed that the University indicated that the funding was needed earlier than later and bonding might be problematic. The intent is to provide funding through another vehicle.

Representative Croft clarified that Tuluksak is in Representative Morgan's district.

Representative Hudson referred to section 5. There is a \$5 million dollar appropriation in the Department of Community and Economic Development for an educational museum facility design. He observed that the state has the opportunity to acquire several acres of land from the Alaska Electric Light and Power Company (AELP). The cost would be \$1.9 million dollars, which covers the land acquisition and \$500 thousand dollars to design a multi-facility that would be an expansion of the state museum and archives; both of which are in tough shape. He emphasized that the purchase must occur in the current year.

HB 524 was heard and HELD in Committee for further consideration.

#hb525

HOUSE BILL NO. 525

"An Act relating to the issuance of general obligation bonds for the purpose of paying the cost of deferred maintenance of public facilities; and providing for an effective date."

Co-Chair Mulder provided members with proposed committee substitute, work draft LS1735\C, dated 4/29/02 (copy on file.) The proposal, totaling \$203,744,270, provides for repair of: schools, University of Alaska facilities, state owned docks and harbor facilities, and state owned buildings.

The proposal provides \$121,269,770 dollars for 90 school projects around the state. The list includes those schools approved by the department of Education and Early Development for major maintenance.

The \$5,560,000 dollars designated for the University of Alaska includes repair to facilities on campuses in Valdez, Palmer, Ketchikan, Kodiak, Fairbanks, Kotzebue, Nome, and Bethel.

The 31,887,500 dollars allocated for docks and harbors will refurbish facilities in Whittier, Seldovia, Juneau, Ketchikan, Sitka, Cordova, Wrangell, Yakutat and Kiawock.

In addition there is \$48,500,000 dollars for dire maintenance needs throughout the state. He observed that the governor introduced a bill for Certificate of Participations deferred maintenance for state facilities at approximately \$200 million dollars. He explained that he was concerned that a straight state facilities deferred maintenance general obligation bond would fail to be pass by the public. The intent was to create a category that could satisfy the most urgent concerns. He observed that the list could change. The Administration indicated that there might be items that are higher in the prioritization. The list provided by the state director was used to compile the legislation and might change as a response to submissions by the Governor's Office.

Co-Chair Mulder added that funding for the Juneau Douglas High school remodel was added. Representative Hudson observed that the low bid was \$3 million dollars higher [than the previously appropriated amount].

Representative Croft noted that the list was followed to item 81 and Anchorage, Kenai, Juneau and Nome were picked up. He referred to item 51, Kenai school fire alarm upgrade. He questioned the funding level. There were some life health and safety code violation concerns. The funds for the Juneau-Douglas High school would complete the project.

Co-Chair Mulder reviewed section 4 and noted that it contains deferred maintenance projects as brought forward by the University.

Co-Chair Mulder referred to section 5. He observed that a bond debt reimbursement for ports and harbors, which many communities did not want to participate in had been passed in a previous year. They are included as general obligation bonds under deferred maintenance. Ports and harbor projects fail into two categories. He explained that projects for existing ports and harbors are listed under deferred

maintenance. Other ports and harbors in the debt reimbursement package are for new design and planning.

Representative Croft observed that the state had offered to turn certain ports and harbors to local communities, which did not want to assume responsibility because they had not been maintained. This raised the issue of how they could be raised to a level where the municipalities could take them over. Co-Chair Mulder clarified that there are a variety of mechanisms that could be used. He stressed that there is nothing more important to economic development in costal communities than ports and harbors. The intent is to be sympathetic to fishing communities that are having tough times.

Vice-Chair Bunde referred to subsection (4) in section 6: Mt. Edgecumbe High School and Alaska Vocational Technical Center major deferred maintenance. Co-Chair Mulder explained that the Department of Transportation and Public Facilities manages the deferred maintenance program. State rankings were taken, but projects were listed alphabetically. Representative Hudson clarified that the Alaska Vocational Technical Center is in Seward; both are state facilities.

Co-Chair Mulder noted that section 6, statewide ADA compliance might need to be modified.

Representative John Davies asked if the maintenance stations had been addressed. Co-Chair Mulder did not know. He stated that they would be considered. The intent is to stay below \$400 million dollars.

Representative John Davies observed that there was a public facility in Ketchikan with major maintenance concerns. Co-Chair Mulder thought that it had been included.

HB 525 was heard and HELD in Committee for further consideration.

#hb528

HOUSE BILL NO. 528

"An Act relating to programs of state reimbursement for debt payments for certain capital projects; and providing for an effective date."

Co-Chair Mulder reviewed House Bill 528, which provides state reimbursement to local entities for debt incurred for schools and projects that contribute to economic development. The legislation would replace the debt reimbursement package (adopted two years earlier) with Unalaska, Akutan, Chignik and False Pass and expansion of the Port of Anchorage. The total cost would be \$70,405,000 dollars. The legislation also contains funding for power projects, which have been previously leveraged and are

therefore not eligible for GO bonding. The legislation would provide debt reimbursement for the following energy projects: Nyman Combined Cycle Cogeneration Plant in Kodiak; the Power Creek Hydropower Project in Cordova; the Cogeneration Project in Valdez; and the Southeast Intertie (Swan Lake to Lake Tyee). Debt reimbursement would allow Cordova Electric Cooperative to end its draw on the power cost equalization program.

Representative John Davies referred to section 1, line 7. He noted that the authorization would be increased to \$10 million dollars, but the school only anticipates a need for \$7 - \$8 million dollars.

Co-Chair Mulder noted that the combined state/local share is \$10 million dollars. The state share for the Ambler School is \$7 million dollars.

Representative Davies referred to section 2 on page 4.

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Co-Chair Mulder clarified that Valdez and Nome are still authorized; these two communities are still going forward with debt reimbursement.

Representative Croft questioned if the Akutan Small Boat Harbor request is \$3 or \$4 million dollars. Co-Chair Mulder noted that it was originally submitted at \$3 but that the backup indicated that the amount needed is \$4 million dollars.

Co-Chair Mulder clarified that the Anchorage port needs \$14 - \$16 million dollars.

HB 528 was heard and HELD in Committee for further consideration.

#hb370

HOUSE BILL NO. 370

"An Act relating to the issuance of state-guaranteed revenue bonds by the Alaska Housing Finance Corporation to finance mortgages for qualifying veterans; and providing for an effective date."

JOHN BITNEY, LEGISLATIVE LIAISON, ALASKA HOUSING FINANCE CORPORATION, DEPARTMENT OF REVENUE, spoke in support of the legislation. He explained that the legislation would provide authorization on the general election ballot for \$500 million dollars in mortgage-backed, guaranteed revenue bonds through the Alaska Housing Finance Corporation (AHFC). Alaska is one of five states that are able to take advantage of these tax-exempt bonds. The requirement for the state to capture the tax exemption is that the bonds must have an

unconditional guarantee by the state in which the program is administered. The state Constitution requires that a guarantee of that nature have a vote of the people. The bonds are structured to only relate to the mortgages that the bond proceeds are used to purchase. The state's general obligation capacity would not be affected. Congress authorized the tax exemption in 1978 and 1979. Alaska was one of five states that issued bonds when the program was first made available. Congress subsequently closed the window in the early 1980's; those states that were in the program were grandfathered. The bond proceeds would be used to fund the Veterans Mortgage Program. To qualify, veterans would have to have been in active duty service prior to January 1, 1977 and not been discharged more than 30 years prior to the application date of their loan. There would be a diminishing pool of qualified veterans. This would be the fifth and last time that AHFC would anticipate coming before the legislature for this type of bond authorization. He pointed out that the bonds are well supported by the general public.

Co-Chair Mulder questioned what would happen if the ballot issue did not pass. Mr. Bitney explained that AHFC would finish with the authorization from 1986, which is close to \$50 million dollars; this would allow them to finish out the year.

Co-Chair Mulder questioned if they would need to be on a statewide general election or could they be on a primary election. Mr. Bitney did not know.

Co-Chair Mulder stressed that too many questions on the ballot may lead to the downfall of one of the questions and suggested that it may behoove the legislation to be on the primary ballot. Mr. Bitney clarified that the authorization is needed in the current year.

In response to a question by Representative Lancaster, Mr. Bitney observed that there is a generous cap. He did not think that all of the authorization beyond the 30-year timeframe would be needed. There are bills pending in Congress, which could require additional authorization if passed.

Co-Chair Mulder stressed that the ballot issue should be on the primary election where it would not be confused with any other ballot question.

Representative Foster MOVED to report HB 370 out of Committee with the accompanying fiscal note. There being NO OBJECTION, it was so ordered.

HB 370 was REPORTED out of Committee with a "do pass" recommendation and with two previously published fiscal notes: REV #1 and GOV #2.

RECESSED:

The Committee Recessed at 4:00 p.m.

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RECONVENED:

The Committee Reconvened at 4:45 p.m.

#hb464

HOUSE BILL NO. 464

"An Act relating to statewide school district correspondence study programs."

RICHARD SCHMITZ, STAFF, REPRESENTATIVE JAMES, testified in support of the legislation on behalf of the sponsor. He explained that the legislation would address school district correspondence study programs. The first school district correspondence study program was the Alyeska Central School, which delivers public education to students that are not in "brick and mortar" schools. Correspondence study programs have been successful and are popular with parents and students. This year, the Department of Education and Early Development instituted regulations that were distressing to a number of the parents. The intent of the legislation is to give the department direction in writing regulations.

Mr. Schmitz observed that the legislation provides for a five-year review. The original provision was for a one-year review, which was felt to be onerous. He pointed out that charter schools are reviewed and approved every 10 years. The legislation also places in statute parameters for monitoring students. Monitoring would not be so strict as to be restrictive. Quarterly review by certified teachers would be required. Under the proposed regulations, a certificated teacher would be involved in every aspect of monitoring the student's progress. The legislation would allow [parents and students] the freedom to operate as they feel works best.

Mr. Schmitz observed that parents taking part in correspondence study programs have received funding through stipends or reimbursements for textbooks or curriculum materials. Due to the separation of state and church, materials were not allowed to have a religious content. A question arose regarding the parents ability to use materials with a religious nature if the parent purchased the materials without state funds. The issue was resolved by adding: "Nothing in this section precludes a correspondence study student, or the parent or guardian of a correspondence

study student, from privately obtaining or using textbooks or curriculum material not provided by the school district."

Vice-Chair Bunde summarized that the legislation is an attempt to hold correspondence students to the same standard as other schools. Mr. Schmitz agreed.

Mr. Schmitz observed that the sponsor did not agree with the accompanying fiscal note by the Department of Education and Early Development.

EDDY JEANS, MANGER, SCHOOL FINANCE AND FACILITIES SECTION, DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT, clarified that the department requested funding for a position to assist school districts with monitoring and compliance for the statewide correspondence programs. He noted that there is a substantial amount of work with the program. The department went through a regulatory process with the expectations of providing clarity on family allotment accounts. Through the regulatory process persons associated with the program were heard. The department worked with the Galena and Nenana school districts to amend the regulations to their satisfaction. He referred to page 2, line 7: "An enrolled student shall be monitored by a certificated teacher or appropriately trained personnel employed by the governing body." The department feels that a certified teacher is the appropriate person to evaluate student's work.

REPRESENTATIVE JEANETTE JAMES, SPONSOR, spoke in support of the legislation, which includes most of the regulations. She emphasized that correspondence schools are satisfied with the process. She discussed the fiscal note, which was added when the regulations were included in the legislation. She pointed out that the legislation does not require any more work than what was required under the regulations. The department indicated that they are short-funded. She pointed out that the need is not the result of the legislation. She emphasized that the funding should be placed in the budget. She is sympathetic to the department's needs, but did not think it was appropriate for the funding to be attached to the legislation because the legislation is not the cause of shortage.

Mr. Jeans thought that there was a fiscal note attached to the original legislation, which was taken out in a previous committee. Co-Chair Mulder noted that the department is not being asked to do anything new. He questioned if the workload was being expanded. Mr. James observed that the programs are relatively new and have been expanded. The department is attempting to ensure that the program is working. The program has taken a large portion of the department's time. Staff is needed in order to provide the legislature with information.

Co-Chair Mulder observed that the fiscal note could be considered in the conference committee.

Representative John Davies MOVED to ADOPT Amendment 1: delete "or appropriately trained personnel". Co-Chair Mulder OBJECTED. Representative Davies spoke in support of the amendment. He supported the department's position that it is appropriate to have certification by a certified teacher. Co-Chair Mulder spoke against the amendment. He noted that there are instances where supervision is not by a certificated teacher. He did not see the necessity of having a certified teacher if the child is hitting the mark.

In response to a question by Representative Whitaker, Representative James explained that appropriately trained personnel would be employed by the governing body, which is the school.

Co-Chair Mulder pointed out that grading is done quarterly by certified teachers. Representative Bunde noted that the day to day corrections would not have to be made by a certified teacher and emphasized that the quarterly review by certified teachers would allow mid course corrections.

A roll call vote was taken on the motion.

IN FAVOR: Davies

OPPOSED: Bunde, Foster, Harris, Hudson, Lancaster,
Whitaker, Williams, Mulder

Representatives Moses and Croft were absent from the vote.

The MOTION FAILED (1-8).

Representative Foster MOVED to report CSHB 464 (EDU) out of Committee with the accompanying fiscal note. There being NO OBJECTION, it was so ordered.

CSHB 464 (EDU) was REPORTED out of Committee with a "do pass" recommendation and with a previously published fiscal note: EED #2.

#hb489

HOUSE BILL NO. 489

"An Act relating to cruelty to animals."

REPRESENTATIVE MIKE CHENAULT, SPONSOR, spoke in support of the legislation. He pointed out that it is well documented that animal abuse is a precursor to child abuse. Studies suggest that if animal cruelty is identified and treated as a juvenile problem that a great deal of adult domestic abuse could be avoided. The legislation would allow a prosecutor to charge a person with cruelty for each animal found to be

neglected or abused. The legislation encourages courts to mandate behavioral counseling and makes it a duty to report abuse to an authority, while holding harmless a person who in good faith makes the report.

Representative Chenault noted that the legislation was modified in previous committees. He expressed concern with the Department of Corrections' indeterminate fiscal note. He pointed out that cruelty to animals would remain a misdemeanor and did not think that it would cost the department to implement the policy.

SUE WRIGHT, STAFF, REPRESENTATIVE CHENAULT, provided information on the fiscal cost. She observed that there have been no added costs that they could determine to the states that have implemented similar policies. She noted that only extreme cases would trigger the provision, such as the one in Sterling, where a woman had 64 dogs, many of which were frozen to the ground. In that case, under the legislation, she could be charged with 64 cases of animal cruelty. Under the current law she could only be charged with a maximum of eight counts of animal cruelty.

Vice-Chair Bunde questioned if the legislation would negatively impact Alaskan kennels that operate under a reasonable standard. Representative Chenault noted it was not the intent of the legislation to interfere with dog-mushing activities or farm practices. He explained that the animal control staff would make the determination of cruelty.

Representative Lancaster MOVED to report CSHB 489 (JUD) out of Committee with the accompanying fiscal note. There being NO OBJECTION, it was so ordered.

CSHB 489 (JUD) was REPORTED out of Committee with a "do pass" recommendation and with two previously published fiscal notes: COR #1 and LAW #2.

#hb315

HOUSE BILL NO. 315

"An Act requiring a single insurance provider for all state employees and allowing small employers to join as a group; and providing for an effective date."

JANET SEITZ, STAFF, REPRESENTATIVE ROKEBERG, testified in support of HB 315, on behalf of the sponsor. She noted that the legislation permits the Department of Administration to obtain a policy or policies of group health insurances for four entities:

Small businesses - 2 to 5 employees,

Non-profit organizations - no floor or ceiling on employees,

Special service organizations - which can be sole proprietors, including childcare facilities, residential childcare facilities, child placement agencies, foster home or maternity home, assisted living home, community based center for adult day care, or home care services

Small associations for insurance - described as Businesses or nonprofits or both organized and operating in Alaska.

Ms. Seitz explained that the Division of Retirements and Benefits would survey interested parties to determine what benefits and deductibles are wanted and to arrange premiums. The Division would offer a RFP that could be a single policy from a single private insurance carrier or a multitude of policies covering a "cafeteria plan". The legislation does not permit the entities to joint the state employee health insurance pool. The state may not self-insure the pool. Providers would be private.

Ms. Seitz discussed the fiscal note. She observed that the Alaska Mental Health Trust Authority would fund part of the up-front cost. The Trust Authority feels that many of the non-profit organizations that would profit from the bill provide services to mental health beneficiaries. Other first year funding would come from the General Fund. Subsequent funding would come from payments of premiums. Applicants would be certified by the Department of Administration.

Ms. Seitz noted that a proposed committee substitute, work draft 22-LS1177\X, dated 4/25/02, allows for recapture of the up-front costs and indicates that the recapture of costs could be spread over a three-year period.

Vice-Chair Bunde MOVED to ADOPT proposed committee substitute, work draft 22-LS1177\X, dated 4/25/02. Representative John Davies OBJECTED for the purpose of discussion. He questioned why the costs would be recaptured and why a three-year period was chosen. Ms. Seitz explained that discussion occurred in the House Labor and Commerce Committee concerning the state fiscal situation and use of the General Fund. A recommendation was made to recapture the funds. The Alaska Mental Health Trust Authority indicated that they would also like to recapture funds. The sponsor did not have an objection to lengthening the three-year period. She clarified that the first year costs of \$132,800 dollars would be recaptured. Representative Davies WITHDREW his OBJECTION.

In response to a question by Representative Hudson, Ms. Seitz explained that there is no floor or ceiling for employees of non-profits. The Department of Administration would administer and issue a RFP for the policy. A private third party would administer the policy with Department of Administration oversight. It would not be a government run program. The relationship would be between the private insurance company or companies and the participates. The department would issue a new RFP every five years and review the situation. The state would serve as a collection point.

Representative Davies noted that he had received letters, concerned with the loss of groups with small claim histories. Ms. Seitz did not think that there would be an exodus problem, because non-profits are having such a hard time getting and retaining adequate insurance to retain employees. The provision would provide a stable source. The sponsor feels that the larger the group the less the risk. She reiterated that policies would be reviewed every five years. There would be no constraint on who is in or out of the pool.

JANET PARKER, DIVISION OF RETIREMENT AND BENEFITS, DEPARTMENT OF ADMINISTRATION, explained that legislation would allow the formation of group policies for private employees. The Division hopes to develop several plans that would meet the needs of groups that are having trouble finding insurance in the current market. The Division would begin by surveying persons eligible for the program to determine needs. She was not aware of any other pools consisting of small non-profits.

BOB LOHR, DIRECTOR, ALASKA DIVISION OF INSURANCE, testified in support. He stressed that the bill would be an important first step toward providing access to health insurance coverage for groups that find it difficult to obtain coverage in the current market. He acknowledged that adverse selection is always a concern in the design of an insurance plan. He noted that problems could arise if a plan attracts high-risk participants and the healthy do not enroll. The design will have to address the issue.

In response to a question by Representative Hudson, Mr. Lohr stated that Division of Insurance does not have authority over union organized groups that have decided to purchase their own coverage. Union Trusts are preempted under federal legislation.

TOM TURNER, PRESIDENT, ALASKA ASSOCIATION OF HEALTH UNDERWRITERS, ANCHORAGE, testified via teleconference in opposition to the legislation. He expressed concern but that the legislation would have a negative impact on the small group/employer health insurance market and the state of Alaska employee health plan. He appreciated the effort to

bring affordable health insurance access to small employers, but noted that other states with similar programs did not reduce costs over time, but that it did lead to adverse selection problems.

Mr. Turner noted that employer groups in Alaska might initially benefit from the lower rate, but claimed that the state pool would eventually be forced to react to the bad claims experience from increased premiums. Elimination of some administration costs for small businesses would be one timesavings. He observed that small group/small employer premiums would still be subject to the factors that drive health insurance premiums: provider costs, pharmaceutical costs, mandates, technology, increased utilization, and an aging population, which are not addressed by the legislation. Other states have tried to implement similar legislation with limited success. He referred to the state of Kentucky's Alliance plan.

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Mr. Turner expressed concern that the provision could result in a depletion of options and significant costs to the state of Alaska.

Representative Hudson questioned how the legislation would negatively impact the state's program, which would be segregated.

Mr. Turner acknowledged that he misunderstood. He maintained that the legislation would have an impact on the number of carriers and the competition of the carriers in the state of Alaska.

Representative Bunde pointed out that the initial set-up costs would be recaptured.

REPRESENTATIVE SHARON CISSNA testified in support of the legislation. She explained that a work group on affordable health insurance led to the legislation. Many people cannot afford insurance. In some cases the cost of insurance exceeded the cost of the insured's home mortgages. Many were working for non-profits or were self-employed, but due to preexisting conditions were unable to obtain affordable policies. She has received numerous letters in support of the concept of affordable insurance. An Anchorage survey in December 2000, demonstrated that people are going to hospital emergency rooms because they cannot afford to go to doctors. Many Alaskans cannot find insurance carriers.

Representative John Davies MOVED to ADOPT Amendment 1: change "3" to "5". There being NO OBJECTION, it was so ordered.

Representative John Davies MOVED to report CSHB 315 (FIN) out of Committee with the accompanying fiscal note. There being NO OBJECTION, it was so ordered.

CSSSHB 315 (FIN) was REPORTED out of Committee with a "do pass" recommendation and with a fiscal impact note by the Department of Administration.

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ADJOURNMENT

The meeting was adjourned at 5:44 PM