

MINUTES
SENATE FINANCE COMMITTEE
March 19, 2001
9:09 AM

TAPES

SFC-01 # 46, Side A
SFC 01 # 46, Side B
SFC 01 # 47, Side A

CALL TO ORDER

Co-Chair Pete Kelly convened the meeting at approximately 9:09 AM.

PRESENT

Senator Dave Donley, Co-Chair
Senator Pete Kelly, Co-Chair
Senator Jerry Ward, Vice Chair
Senator Loren Leman
Senator Lyda Green
Senator Gary Wilken
Senator Lyman Hoffman
Senator Donald Olson
Senator Alan Austerman

Also Attending: SENATOR GENE THERRIAULT; SENATOR JOHNNY ELLIS; SENATOR JOHN TORGERSON; JANE DEMMERT, Executive Director, Alaska Commission on Aging; ROSEMARY HAGAVIG, Executive Director, Catholic Community Services; SUZANNE PRICE Executive Director, Fairbanks Community Mental Health Center and representative of Mental Health Providers Association of Alaska; RICHARD RAINERY, Acting Executive Director, Alaska Mental Health Board; JAY LIVEY, Deputy Commissioner, Department of Health and Social Services; MARY JACKSON, staff to Senator Torgerson; REMOND HENDERSON, Director, Division of Administrative Services, Department of Labor and Workforce Development

Attending via Teleconference: From Homer: JIM BRADY, Kenai Peninsula Independent Living Center; From Fairbanks: DAVID JACOBSON, State Independent Living Council; RUTH L'HOMMIDIEU, Chair, State Independent Living Council; NADINE HARGESHIEMER, Fairbanks North Star Borough; From Mat-Su: TIM ANDERSON, Senior Service Provider and Director, Wasilla Area Seniors; RICHARD TUBBS, Executive Director, Palmer Senior Center; From Anchorage: STEVE VAN

SANT, State Assessor, Division of Community and Business Development, Department of Community and Economic Development

SUMMARY INFORMATION

SCR 7-HEALTH CARE COST REVIEW TASK FORCE

The Committee heard from the sponsor, the Department of Health and Social Services, and took public testimony. The bill was held in Committee.

SB 4-MUNICIPAL PROPERTY TAX EXEMPTION

The Committee heard from the sponsor, the Department of Community and Economic Development and the Fairbanks North Star Borough. A committee substitute was considered but not adopted. The bill was held in Committee.

SB 137-ALASKA HUMAN RESOURCE INVESTMENT COUNCIL

The Committee heard from the sponsor, and the Department of Labor and Workforce Development. An amendment was considered and adopted. The bill was held in Committee.

SB 6-MOBILE HOME PARK EVICTION NOTICE

The Committee heard from the sponsor and the bill was held in Committee.

#SCR7

SENATE CONCURRENT RESOLUTION NO. 7
Establishing a Health Care Cost Review Task Force.

This was the first hearing for this resolution in the Senate Finance Committee.

Senator Green announced that while the Department of Health and Social Services Budget Subcommittee was addressing that department's budget, the members were "surprised" at the growth of the Medicaid program. She emphasized the increasing costs and subsequent impacts to both the federal and state governments. She spoke of continued proposals for new matching fund programs, but stated that the question is how to continue to pay for existing Medicaid programs.

Senator Green informed that the Medicaid program in Alaska expends

approximately \$10 million a week of combined state and federal funds. She calculated this equals about one-half billion dollars annually. She pointed out that Medicaid is the second largest state program behind education. She ascertained several state agency budgets could be combined and still cost less than the cost of a month of Medicaid expenses.

Senator Green expressed the difficulties in examining the Medicaid expenses because there are "various layers" of service providers, vendors, agencies, departments, individuals and nonprofit groups that rely on Medicaid funds as a part of their on-going operations.

Senator Green stated the intent of this resolution is to establish a group to investigate the reasons for the high costs and possibly identify cost containing alternatives. This, she said would include determining whether the state is participating in programs not mandated by the federal government, finding out if any programs could be restructured or privatized to have less impact on the state general fund and perhaps build a better program.

Senator Green stressed there is no intent to "negatively impact the Medicaid budget."

Co-Chair Kelly commented that any attempt to reduce the budget is beneficial.

JIM BRADY, Kenai Peninsula Independent Living Center, testified via teleconference from Homer to request the Committee keep in mind the costs required to care for disabled people. He stressed that for many, Medicaid is the only method of health insurance. He noted that providing care at the early stages of a condition could save considerable money in the long run. He referenced the "buy-in" option that allows disabled individuals to pay for continued Medicaid coverage once they are employed.

Co-Chair Kelly noted that the discussion at this time is to determine whether or not to form the task force. He stated there would be another opportunity to debate the issues before the task force.

DAVID JACOBSON, Member, State Independent Living Council, testified via teleconference from Fairbanks in appreciation that the Committee was not yet setting the agenda for the task force. However, he emphasized that Medicaid is an essential program. He also spoke of the necessity of treating illnesses in their early stages rather than waiting for the condition to become more serious. He spoke of the savings to the state in allowing the elderly to remain in their community rather than an institution. He

supported a proposed language change prepared by the Department of Health and Social Services. He explained this language addresses specific needs of the disabled and elderly and also gives recommendations on the membership of the task force to include consumers. He commented on the Long-Term Care Task Force, commending the representation by all factions of the community.

TIM ANDERSON, Senior Service Provider and Director, Wasilla Area Seniors, testified via teleconference from Mat-Su about the various services provided to the elderly by Medicaid. He estimated that 30 percent of Medicaid costs in his community go to pay for senior services.

RICHARD TUBBS, Executive Director, Palmer Senior Center, testified via teleconference from Mat-Su that he understood the reasons the state wishes to reduce costs, but emphasized the necessity of home community based senior services. He referenced a state conducted study that found that community based services cost much less than nursing home care. He urged that the task force include representation from the senior care community.

JANE DEMMERT, Executive Director, Alaska Commission on Aging, testified in Juneau about the Long-Term Care Task Force. She stated that there were recommendations of this task force that remains unimplemented. She suggested the new task force consider the work and structure of the earlier task force. She stressed the lack of flexibility of insurance for elderly care.

ROSEMARY HAGAVIG, Executive Director, Catholic Community Services, testified in Juneau to echo the remarks of the previous testifiers. She also noted that Alaska is one of only a few states that does not provide Medicaid for Alzheimer disease, which she stressed is a growing portion of elderly needs. She spoke of the benefits of providing care in the early stages of this disease. She hoped the task force would consider this.

SUZANNE PRICE Executive Director, Fairbanks Community Mental Health Center and representative of Mental Health Providers Association of Alaska, testified in Juneau sharing the message that cost-containment has been included in the organization's practice for a number of years. She offered the groups input in the task force's efforts. She warned of the "domino effect" when a task force makes cost-containment decisions. She stressed, "Cost containment is a tricky issue." She said that the providers association has knowledge in this area and she requested they be allowed to participate in the task force.

Senator Green noted that there would be a decrease in federal

participation in Medicaid funding in the year 2002. She said it needed to be decided how the state's general funds would be prioritized. She ascertained that additional programs would be introduced, making the need to prioritize greater.

RUTH L'HOMMIDIEU, Chair, State Independent Living Council, testified via teleconference from Fairbanks, to advise the Committee to proceed with caution in establishing the task force. She stated that Medicaid is the number one form of medical insurance for people with disabilities. She recommended expanding the Medicaid buy-in option. She listed the annual cost of nursing home treatment as \$96,809 per person. She stressed the need to ensure people can remain in their own community, and return to work. She supported the Department of Health and Social Services' proposed language.

RICHARD RAINERY, Acting Executive Director, Alaska Mental Health Board testified in Juneau to reiterate other points raised. He agreed that the proposed task force membership excludes several factions. He opined that health care users, payers and providers should be included in the primary membership instead of ad hoc members. He predicted that the task force would learn that Medicaid is a "very complex subject" and he was concerned that the timeframe allowed would be inadequate. He warned that the impacts on access to health care should be carefully considered, in the mental health field. He spoke of the reliance on Medicaid by many community mental health care providers and the limited ability to replace that funding from other sources. He pointed out that Alaska does not have a health insurance parody clause, so private insurance is not required to include mental health coverage.

JAY LIVEY, Deputy Commissioner, Department of Health and Social Services, testified in Juneau to voice concerns about the resolution. He expressed that the task force is "narrowly charged" in that it is only directed to review cost containment. He emphasized the "interrelationships and complexity of health care" He stated that the department supports cost containment and he agreed that the cost of health care is rising. However, he said, "cost containment itself does not exist entirely in a vacuum."

Mr. Lively shared there are three ways to reduce costs within a health care program. He listed them as reducing the number of participants, lowering the reimbursement rate and reducing the amount of services. He pointed out that each of these would have other ramifications on the health care system. He stressed that many elderly and disabled patients do not have other health insurance options, due to preexisting conditions, lack of income to purchase private insurance, and other factors.

Mr. Lively spoke of the connection between publicly funded health care programs and local health care economies. He explained that in many smaller communities, there is a connection between Medicaid funding for long-term care and the economic viability of small rural hospitals. He stated that the Medicaid portion of long-term care funding keeps the hospitals operational. He also noted that Medicaid funding for disabled patients provides funding to maintain many mental health care programs. While he acknowledged that these programs do not serve Medicaid eligible patients exclusively, without the Medicaid funding, there would not be adequate private funding income to provide the services to any patients.

Senator Green asked if the witness was addressing the impact of private insurance and subsidized Medicaid in providing lower rates to those individuals that pay for services without insurance.

Mr. Livey agreed there is an interrelationship between Medicaid payments and the health care economy. He explained that if an individual does not have health care coverage, and must seek medical care, "somebody has to pay for that." He said that the "somebody" is "the rest of the public that pays the health care bill."

Mr. Lively qualified that "the worst" would not necessarily happen, but stressed that because of the complexity of the issue, if the task force only addresses cost containment, "it is going to miss some of these connections. He was concerned that unless the scope of the task force is broadened to include access, the impact on other health care economies and other providers, unintended consequences could result.

Mr. Livey concluded suggesting that the task force membership should include additional representation from recipients, families of recipients or advocates for recipients as well as additional membership for the Administration.

Co-Chair Kelly ordered the bill HELD in Committee.

#SB4

CS FOR SENATE BILL NO. 4(CRA)

"An Act relating to a mandatory exemption from municipal property taxes for certain residences; and providing for an effective date."

This was the first hearing for this bill in the Senate Finance

Committee.

SENATOR GENE THERRIAULT, sponsor, stated the intent is to offer more flexibility for establishing and setting local property taxes and tax relief. He noted that current statutes contain a provision to allow local governments to offer a ten-percent property tax exemption for residents with property within the government's boundaries by "a package of an ordinance" that is voted on by the general populous.

Senator Therriault shared that the Senate Community and Regional Affairs committee substitute proposes to increase that amount to a total cap of \$50,000 worth of valuation. He referred to a proposed committee substitute, 22-LS0190\P, saying it reduces this amount to \$40,000. He also noted the proposed committee substitute addresses a concern that was raised by service areas in the Fairbanks North Star Borough (FNSB). He explained if the local government exercised an increased residential property tax exemption, the revenue to the service area would decrease. To rectify this, he said, the proposed committee substitute would adjunct the service area mil rate from the residential property tax exemption. Therefore, he said as the local government chose to shift the property tax exception, there would be no impact on the amount of money generated by the service areas. He noted that many service areas in the Fairbanks area operate on "very thin budgets" and that it was not his intent to impact them.

Senator Therriault addressed a concern raised by Senator Torgerson in the Senate Community and Regional Affairs Committee that there would be adverse impact to the state treasury. Senator Therriault explained the issue regarding communities that have a portion of the Trans Alaskan Pipeline passing through it, referring to a drawing showing the service area and borough. [Copy on file.] He stated that the local property tax is credited against the oil and gas property taxes owed to the state treasury. He stated that the total cap on oil and gas properties is 20-mils.

Senator Therriault noted that some boroughs, such as the FNSB, are considering alternate revenue sources such as a sales tax or user fees. However, he stressed that the service area does not have those options to shift lost revenues and could only collect property taxes. He proposed excluding the extra mils intended for the service areas from the residential property tax exemptions. He concluded that this would mitigate Senator Torgerson's concerns.

Senator Therriault then noted that Section 1 of the proposed committee substitute is added to provide senior citizens and veterans tax exemptions, which he said are in current statute. He

detailed that a residence owned by a senior or veteran that receives the property tax exemption and that is sold during the calendar year to a buyer that does not qualify for the exemption, is still exempted from the tax during that year. He said the local government has no method to collect property taxes from the new owner for the remainder of the year. He stated that the proposed committee substitute allows local governments to assess and collect property taxes from the new owner for the partial year. He pointed out that this language is permissive and does not require the local government to comply.

Senator Wilken moved to adopt CS SB 4, 22-LS0190\P as a working draft.

Co-Chair Donley objected. He stated that he prefers the Senate Community and Regional Affairs committee substitute.

Co-Chair Kelly asked if the reason Co-Chair Donley objected is because the language in version "P" is "not strong enough" to preclude the possibility that state revenues would drop because of the exemption.

Co-Chair Donley affirmed that was one of his concerns.

Co-Chair Kelly shared that concern.

Senator Therriault spoke to Section 1 of version "P" that allows the local government to assess part of the annual tax if the property transfers from a senior citizen to a person who does not qualify for a tax exemption. He elaborated the original version of the bill states, "shall" and the proposed language reads "may".

Senator Therriault next addressed Section 2 of the proposed committee substitute, saying it "offers a tool." He explained that this provision does not mandate the local government increase the personal property tax exemption. He stated that the local governments have the option of offering a tax break to residential property owners and recoup the lost revenue "anyway they see fit." He noted the amount was set in statute in 1974, and has not been increased since then.

Senator Therriault emphasized that there would be little impact to the state treasury. He elaborated that because of the failed property tax cap ballot proposal, he did not think that local governments would provide a tax exemption for some residents then raise the overall mil rate. He expressed that this would shift the tax burden from residents to businesses and rental property, which he did not think local governments would want to do. He suggested

that if local governments proposed this, there would be opposition from business owners and renters and such a measure would require voter approval.

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Senator Wilken addressed Co-Chair Donley's objection. Senator Wilken stressed that without Section 2 of the proposed committee substitute, "the bill is essentially dead." He shared that the FNSB was attempting to respond to the failed ten-mil property tax cap ballot measure from the previous election. He expressed his desire for the legislature to assist local governments in their revenue efforts. He listed two things that would not happen in the FNSB. He said the assembly would not increase mil rates to make up for this exemption nor would it drastically reduce services to respond to lost revenues. He predicted the legislation would encourage local governments to consider alternative revenue sources. He estimated there is a "significant amount of people" who "think we ought to spread the burden" of government funding to more than just property owners.

Co-Chair Donley requested the Department of Revenue comment before the Committee adopt the committee substitute. He opined that this legislation is a "substantive issue" and a "major policy consideration" as far as it affects the state's ability to collect revenue.

Co-Chair Kelly noted an attempt was underway to reach a representative of the department to join the meeting.

Co-Chair Donley pointed out there are other boroughs that may "find this an opportunity to significantly increase their ability to tax oil and gas property or other properties that may be at the expense of the state." Because of this, he stressed there are other considerations besides the FNSB.

Senator Therriault addressed the fiscal note, saying the original fiscal note projected a possible impact of \$1.6 million on the state treasury if all local governments that currently exercise the \$10,000 property tax exemption took full advantage of the provisions in the bill and increased the exemption to \$50,000. He stressed that he does not think this would happen and instead, local governments would consider other revenue sources. He also noted the proposed committee substitute reduces the exemption amount to \$40,000 in part to address these concerns. He understood Co-Chair Donley's desire to hear from the Department of Revenue,

but Senator Therriault did not think the department could accurately predict the impact to the state treasury since the language is permissive rather than mandatory.

Senator Therriault stated that local governments and the state could offset reduced revenues with a sales tax, user fees or cutting expenditures and increased efficiencies.

Senator Ward shared that currently the Kenai Peninsula Borough (KPB) taxes the refineries and the petroleum industry in Nikiski. Nikiski, he pointed out, does not have a local service area with the exception of fire service and there has been debate whether to form some type of local government. He asked what would be the impact if a local service area in Nikiski were not formed and the revenue needed to be increased in that area. He predicted the local government would increase taxes to the petroleum industry to offset the lost revenue. He stressed this would actually impact the employees of the industry.

Senator Therriault responded saying if local government decided to raise the mil rate on those oil and gas properties, it would have to raise those property taxes on all property including houses and stores. He explained that oil and gas properties could not be taxed at a different rate than other properties. He continued that if a service area formed and levied a one-mil property tax to provide for the service area functions, exercising of the exemption option of this committee substitute would not impact the revenues derived from the one-mil tax.

Senator Ward shared that it was unclear whether the community of Nikiski was ready to form a service area. He asked if the service area were not formed and the borough chose to implement the exemption, if the petroleum industry would have to pay.

Senator Therriault answered this would be correct if the borough decided to increase the general government mil rate.

Senator Ward remarked that the KPB seems to consider this first.

Senator Therriault repeated that a mil rate increase would raise taxes for all property owners and that the matter would have to go before the voters.

Senator Ward thought the KPB would decide to reduce services instead of raising the mil rate.

Senator Green wanted to know if there is any crossover implication to the education foundation funding formula and whether the

Department of Education and Early Development should be consulted.

Senator Therriault did not think there would be an impact on education funding, noting that the Department of Education and Early Development has not submitted a fiscal note to the bill.

NADINE HARGESHIEMER, Fairbanks North Star Borough, testified via teleconference from Fairbanks in support of the bill. She relayed the increased exemption option would be helpful as the borough seeks alternative sources of revenue. She informed that the FNSB operates under a revenue cap. She noted the formation of an alternative revenue commission to investigate sources of revenue. She expressed the intent is to match any additional revenue against reductions to residential property taxes.

Ms. Hargeshiemer stated that service areas have separate tax rates borough-wide and if the residential tax exemption was applied to service areas, those areas would lose revenue. As a result she said the burden could be placed on commercial entities and undeveloped parcels that would not qualify for the exemption. She remarked that the borough does not want to do this nor would it be "politically palatable." Therefore, she said omitting the service areas from the property tax exemption the mil rates would not need to be raised for the commercial and other nonresidential property.

Ms. Hargeshiemer next pointed out that current state law allows the borough to tax the Alyeska Pipeline up to 20 mils. She said that if the borough's mil rate is less than 20, the difference goes to the state.

Ms. Hargeshiemer then addressed the impact of this legislation on education funding, saying the FNSB is required by law to provide at least four mils but actually provides 8.83 mils. She stated that she did not see how this residential property tax exemption would impact education funding since the borough currently provides more than double the requirement.

Ms. Hargeshiemer recognized there might be other issues with different boroughs, but pointed out the tax exemption is optional and requires voter approval. She expressed the FNSB funds the existing level of services "in a way that makes sense for everybody."

Senator Therriault referenced a letter addressed to him from the Alaska Municipal League dated February 7, 2001 in support of the bill. [Copy on file.]

Co-Chair Donley noted the Department of Revenue fiscal note does

not apply to the proposed committee substitute and Senator Green's request for input from the Department of Education and Early Development. He stated that he would like an analysis of the committee substitute from both departments.

Co-Chair Kelly asked if the four-mil requirement for education funding is based on the assessed value of the borough property regardless of any exemptions.

Senator Wilken answered that the four-mils is based on the state assessed full and true value before exemption.

STEVE VAN SANT, State Assessor, Division of Community and Business Development, Department of Community and Economic Development, testified via teleconference from Anchorage as the drafter of the original Department of Revenue fiscal note. He affirmed that the fiscal note assumed the exemption would increase to \$50,000 and also assumed that all municipalities currently operating with a residential exemption would adopt the maximum \$50,000 exemption. He continued that the fiscal note also assumed that the municipalities with oil and gas properties would increase their mil rate to make up for the lost revenues and thus cause a reduction of state revenue of \$1.6 million. He stressed this assumes that no other revenue would be used by local municipalities. He qualified that if Fairbanks instituted a sales tax there would be a reduction on the state impact.

Mr. Van Sant addressed the possible effect on education funding summarizing that this legislation would not have a major impact.

Mr. Van Sant then spoke to the provision in Section 1 regarding exempt residents selling their residence in the middle of the year to a nonqualified buyer. He interpreted the language to read that the senior citizen would not get an exemption in that year.

Co-Chair Donley maintained his objection. He supported the change from "shall" to "may" in Section 1 but suggested it could be addressed as an amendment. He also suggested that Section 2 be considered as an amendment rather than in a committee substitute.

AT EASE 10:14 AM / 10:16 AM

Senator Wilken WITHDREW his motion to adopt the committee substitute, Version "P" as a working draft. There was no objection.

Co-Chair Kelly requested the sponsor work to address the concerns raised.

Senator Therriault agreed to meet with members in order to understand the concerns, but expressed that most of the concerns are addressed in the proposed committee substitute or by the local voter control.

Co-Chair Kelly ordered the bill HELD in Committee.

#SB137

SENATE BILL NO. 137

"An Act relating to the allocation of money appropriated to the Alaska Human Resource Investment Council; and providing for an effective date."

This was the first hearing for this bill in the Senate Finance Committee.

MARY JACKSON, staff to Senator Torgerson, testified that this bill extends the first year funding provision, or allocation provision, of the previous legislative session's SB 289. She detailed that the provision allocated funding for the newly created program through the University of Alaska, the Kotzebue Technical Center and the Alaska Vocational and Technical Center (AVTC) because the program itself was not yet established in a manner to receive funding.

Ms. Jackson shared that these institutions provide technical and vocational programs in both urban and rural areas of Alaska. She stated that a review of the uses of the funds, "showed how necessary those funds were." She referred to supporting documentation from AVTC.

Ms. Jackson explained that these funds allow the institutions to "properly prepare" for the influx of new students into their systems.

Co-Chair Donley asked if the funds for this program come from the Unemployment Insurance (UI) fund.

Co-Chair Kelly affirmed.

Amendment #1: This amendment to Section 1 (a), page 1, lines 12-14, changes the distribution of the allocations between the three vocational technical facilities as follows.

Delete:

University of Alaska	52 percent
Kotzebue Technical Center	16 percent

Alaska Vocational Technical Center	32 percent
Insert:	
University of Alaska	67 percent
Kotzebue Technical Center	11 percent
Alaska Vocational Technical Center	22 percent

Senator Wilken moved for adoption.

Senator Austerman objected for the purpose of discussion.

Senator Wilken stated this amendment corrects a drafting error. He said that the existing percentage breakdown was a part of SB 289 and was determined by the intent to allocate \$1 million to AVTC and \$500,000 to Kotzebue Technical Center, with the remainder allocated to the University of Alaska system. He said the percentage change is necessary to continue funding the same fixed amounts to AVTC and Kotzebue Training Center.

Ms. Jackson stated that the sponsor supports the amendment.

Senator Lemman asked if the intent is to fund the technical centers a fixed amount then why percentages were listed in the language instead of the allocations. He predicted changes would continue to be necessary in future years.

Ms. Jackson replied, "The dollar values are always going to be approximate" She explained the actual allocation to AVTC the previous year was \$1,032,000 and the projected amount for the current year is \$1,001,000 out of a total allocation to the program of \$4.5 million.

Senator Lemman again asked why the language contains the percentages, which require changing.

Ms. Jackson answered that the previous allocation was not for the "full funding year" due to the inception of the program after the fiscal year began.

Senator Lemman asked if the expectation were therefore that the amended percentage amounts would be accurate in future years.

Ms. Jackson affirmed.

Senator Green expressed that she did not support the project the previous session and would not support it again this year either. She opined, "I think it's a misdirection of funds that were very clearly laid out how they were supposed to be used." She stressed that this legislation "goes totally against" the UI program.

Senator Austerman removed his objection to adoption of the amendment.

Senator Olson stated the UI fund is an employer contribution intended to have "a positive action" on employees. He did not understand why the University of Alaska was receiving the "lion's share" of the funds for this program. He predicted the university would continue to receive larger percentages of this fund and would eventually expect to receive all of the funds. He stressed that the emphasis of the program is for vocational and technical training and that the percentage shifts would take away from the original intention. He spoke of the preparations for a gas pipeline and the need to train Alaskans throughout the state for the jobs this project would bring. He saw this amendment as reducing funding for "the only technical institution in my area." As a result, he stated that he objected to its adoption.

Senator Olson opined this amendment "polarizes", "separates the haves from the have-nots" and causes "a bigger burden to be placed upon those of us that are already overburdened by the lack of availability of training."

Senator Olson expressed that the intent of the legislature is to provide a consensus and "a more even playing field." He saw this amendment as divisive.

Co-Chair Kelly noted that the funds would be directed to vocational pursuits and therefore be used to help Alaskans develop the necessary skills for jobs, such as with the proposed gas pipeline. He stressed that this amendment does not change the amount originally intended for the university, but rather corrects language to allow it.

Senator Wilken explained that the amount funded the program the previous year was only enough to fund three-fourths of the year because the program started after the fiscal year had begun.

Senator Olson understood this, but stressed the need to provide training in rural areas of the state.

Co-Chair Kelly recalled the original intent was to provide funding to the vocational training centers and that this amendment continues to do this.

Senator Hoffman suggested that the intent of the program is to provide training for jobs in technical areas and that the university is an institution of higher learning. He said the

question is actually whether the allocation to the university is appropriate.

Senator Green reminded that there was "great heated debate" on SB 289 during the previous session about the method of changing the use of the UI funds. She remarked, "That's not what this money was intended for, it's not why the money was collected. It was not go to institutions. It was to go to individuals who had specific needs." While she understood the fund has a surplus, she argued that this money should go to individuals. She stated that SB 289 was "supposed to be a one-year budget fix."

Co-Chair Kelly did not remember SB 189 as a "one-year budget fix."

Senator Green asked if it was not, why the issue was before the Committee this session.

Co-Chair Kelly recalled the original discussions included statements that the program would be on-going.

Senator Wilken also did not remember the program as a "one-year budget fix." He stressed that funding for this program is not collected from the employee but rather from the employer's matching funds. He found it appropriate to train unemployed workers so they could qualify for other jobs, which would be an appropriate use of UI funds. He added that the University of Alaska is included in the program because it has a "statewide reach." He noted that while AVTC and Kotzebue Training Center are located in two rural areas, there are campuses of the University of Alaska in several more rural communities. He pointed out that University of Alaska President Hamilton understands the need to provide vocational and technical training.

Co-Chair Kelly stated, "There is no reallocation of dollars from one institution to another." He stressed that this is a technical amendment. He reiterated that the university is the statewide entity able to funnel these funds into rural Alaska for vocational training.

Senator Austerman asked for a breakdown of how the university spent the funds allocated to it for this program.

Co-Chair Kelly stated this information is available on the Internet.

Senator Green expressed, "the university [has] done a fine job" with the funds allocated for this program. She cited the "major emphasis" at the Mat-Su campus on vocational technical studies.

However she repeated that the intended use of the UI fund was not for institutions, but rather to individuals with specific needs. She stated that the funds could be given to unemployed workers to pay for tuition at one of the institutions.

Co-Chair Donley remembered the argument that was held during the Senate debate on SB 289 the previous session regarding employer-matching funds comprising the allocation to this program. He asked for an explanation of how the source of these funds affects the "bottom line." He understood that the "bottom line" is money available to pay benefits to unemployed Alaskans who contributed to the fund. He surmised that using UI funds for the vocational and technical training programs would reduce the amount available to unemployed Alaskans regardless of whether the funds were collected from the employer contribution or the employees.

Senator Wilken recalled a chart referenced during the previous discussions, which he no longer possessed. He remembered that the unemployment benefits were based on the demand of the available money. He explained that the funds allocated to the vocational technical training program are "over and above" the demand and would not affect the benefits. He qualified that in the previous session, the Department of Labor and Workforce Development warned that using the excess amount in the fund for other purposes would affect benefits. He remarked that this was found to be untrue and that the excess balance has grown despite the withdrawal of funds for the vocational technical training program.

Co-Chair Donley stated that it does not matter whether the funds allocated to the vocational and technical training program come from the employee or the employer share of the payments to the UI fund. He expressed that any usage of the fund for other purposes affects the amount available to pay unemployment benefits. He said this is because of the presupposition that the status quo is the proper policy call. He stated that the amount paid unemployed workers in benefits is "some of the most miserable lacking benefits in the nation." He suggested that the policy should actually be whether to increase the amount of benefit payments or direct the funds to other projects such as the vocational and technical training program.

Senator Wilken disagreed and emphasized that the amount allocated from the UI fund to the vocational and technical training program is excess money in that fund, which constitutes a reserve. He stated that Co-Chair Donley's suggestion to increase benefit payments would need to be addressed as separate legislation. Senator Wilken admitted that while it could be stated that Alaska has "miserable" unemployment insurance, the state has other

"extraordinary" benefits that compensate for this.

Co-Chair Donley argued that the benefit payment issue is directly relevant to the legislation before the Committee. This, he stressed is because other usage of the UI funds "cuts off the availability," or impedes the flexibility to improve the benefits paid to uninsured Alaskans.

Senator Wilken countered the bill does not address the possibility of using employer and employee contributions to the UI fund to increase the amount of benefits paid to individuals. He stressed that this bill allocates funds collected "over and above" the amount paid out in benefits and establishes the amount of reserve funds necessary.

Co-Chair Kelly agreed Co-Chair Donley's concern is a subject for another bill. He explained that the existing structure of the UI fund enables payments for vocational programs without impacting the benefits paid to individuals.

Senator Wilken noted that the matter is complicated, just as it was when it was first discussed the prior year. He asked that the Department of Labor and Workforce Development explain the issues.

Co-Chair Kelly ordered the bill HELD until later in the hearing. The motion to adopt Amendment #1 remained on the table.

#SB6

CS FOR SENATE BILL NO. 6(L&C)

"An Act relating to required notice of eviction to mobile home park dwellers and tenants before redevelopment of the park."

This was the first hearing for this bill in the Senate Finance Committee.

SENATOR JOHNNY ELLIS testified this legislation increases the notification requirement when residents are evicted from mobile home parks from 180 days under the landlord-tenant law, to 365 days. He noted that the legislation allows for a shorter notice period in which the landlord pays \$5,000 for relocation fees. He pointed out that this matter was brought to him by Archbishop Francis Hurley and Dennis McMillian of the United Way as a result of a task force convened to address the "scores of families becoming homeless" and subsequent pressures on the "social safety net" caused by redevelopments of mobile home parks.

Senator Ellis shared that Senator Leman supports this bill and has suggested statutes providing a vehicle for "pooling of resources" to help cover the various relocation costs to multiple residents in a mobile home park. Senator Ellis explained that under this provision, the developer could provide a set amount of funds to a non-profit entity for relocation costs. The non-profit organization, he continued would allocate funds based on need.

Co-Chair Kelly asked if Senator Leman's proposal would be addressed as a committee substitute.

Senator Ellis was unsure if Senator Leman wanted to offer an amendment or a committee substitute.

Co-Chair Kelly ordered the bill HELD in Committee.

#SB137

SB 137-ALASKA HUMAN RESOURCE INVESTMENT COUNCIL

[The Committee continued deliberations from earlier in the hearing. A motion to adopt Amendment #1 remained on the table.]

Co-Chair Donley restated his objection to the bill as the same reason he voted against similar legislation the previous year. He expressed that this legislation utilizes funds that would "more appropriately" be used in improving the unemployment benefits to those workers who have paid into the system. He asserted that this is the "purpose of the system" and that the current benefit schedule is "sub par" and does not adequately compensate unemployed workers. He noted that the intended purposes contained in the legislation are worthy.

Co-Chair Kelly reminded that the Committee debate has been whether this bill could adversely affect the potential to increase unemployment payments.

SENATOR JOHN TORGERSON affirmed Co-Chair Donley's assertion that this legislation "intercepts" unemployment insurance (UI) funds. Senator Torgerson listed this amount as one-tenth of one percent of the amount paid into the fund by the employee. He remarked that the UI trust fund is "the most lucrative it has been in the history of our state" with a balance of approximately \$220 million. He said the average balance is between \$160 million and \$180 million. He noted there is other legislation before this legislature that would increase the UI benefits. He stressed that if at any time the benefits need exceeds the balance of the UI trust, the employer

would pay the difference. Therefore, he assured that the trust is never compromised.

Senator Torgerson made the case that by providing funding for training facilities the number of workers reliant on UI benefits is reduced. In fact, he pointed out, these workers were instead employed and therefore contributing to the UI fund. He noted that this theory was also agreed upon when establishing the State Training Employment Program (STEP) several years earlier and as a result, the balance of the trust increased.

Senator Ward referenced the amendment and asked if its necessity was caused by a mistake in SB 289, which set the original allocation percentages.

Senator Torgerson replied, "this was actually driven by money" and that his intention was to allocate \$3 million to the University of Alaska. He stated this was because the House of Representatives did not fund the full request in the FY 01 operating budget. He noted that other legislation was pending that could have accomplished this, but that SB 289 was chosen to also provide funds to AVTEC and Kotzebue Technical Center.

Senator Ward asked the projected amount appropriated to the university under this amendment.

Senator Torgerson answered, \$3,051,046.

SFC 01 # 47, Side A 10:44 AM

Senator Lemman requested that the debate return to the amendment before the Committee.

Co-Chair Kelly pointed out that the amendment is a technical correction, but noted there was objection to the amendment based upon the program. He emphasized that the program continues, whether the amendment is adopted or not, but warned that if the amendment is not adopted, the program does not continue as intended in SB 289. He surmised that while this debate could be "healthy" it does not pertain to the amendment or the legislation before the members. He reiterated that the amendment adjusts the percentages to reflect a full fiscal year rather than the three-quarter year funded in the first year of the program.

Senator Lemman concluded that this amendment is "a fix that is necessary to get us to where we intend to be." He appreciated

Senator Olson's comments but disagreed that this takes from the "have-nots" and gives to the "haves". Senator Leman did not think the redistribution was in a manner that would be detrimental to the Kotzebue Training Center. He supported the amendment because it is consistent to the intent of SB 289. He stated that like Co-Chair Donley and Senator Green, he objected to the use of the UI funds for an education program in the previous session and that he voted against the original legislation. He qualified that he did not oppose funding vocational technical programs. However, he stated that this amendment is appropriate given that the program is in place.

Senator Olson moved to amend the amendment, changing the percentages to 61 percent to the University of Alaska, 13 percent to the Kotzebue Technical Center and 26 to the Alaska Vocational Technical Center. He said he offered this as a compromise saying it would provide a 40 percent increase to each institution.

Co-Chair Kelly understood the amendment as stated but did not think it gave a 40 percent increase over what was requested in the prior year.

Senator Torgerson pointed out that the Kotzebue Training Center is estimated to receive \$516,000 under the previous year's appropriation and would receive \$500,019 in the current year. He continued that AVTC was projected to receive \$1,032,000 and would receive \$1,001,000. He suggested that the percentages could be changed slightly to make up for these reductions. He stressed that the intent is to provide the same amount to each facility as in the prior year and for the university to receive the maximum amount possible.

Co-Chair Kelly stated that because the actual amount would fluctuate every year, he did not support adjusting the percentages based on the previous year's funding.

A roll call was taken on the motion to amend the amendment.

IN FAVOR: Senator Hoffman and Senator Olson

OPPOSED: Senator Wilken, Senator Austerman, Senator Leman, Senator Ward, Co-Chair Donley and Co-Chair Kelly

ABSENT: Senator Green

The motion FAILED (2-6-1)

The amendment FAILED to be adopted.

Senator Leman expressed that Senator Torgerson raised a "compelling" argument in that these numbers are not exact and suggested that a one-half percent adjustment would accomplish this. He surmised changing the Kotzebue Training Center percentage to 11.5, changing the AVTC percentage to 22.5 and the University of Alaska percentage to 66, would achieve the same funding amounts for each of the three facilities.

Co-Chair Kelly stressed that although this might make the amounts the same as the previous year, they would be different in future years. He did not recommend adjusting the percentages to align exactly with the previous year's amounts, but rather supported establishing a percentage breakdown.

Senator Torgerson affirmed that the actual amounts are fluctuating depending on the amount paid into the UI trust fund.

Senator Leman stated that he would not offer this as an amendment to the amendment.

A roll call was taken on the motion to adopt the amendment.

IN FAVOR: Senator Leman, Senator Ward, Senator Wilken, Senator Austerman, Co-Chair Donley and Co-Chair Kelly

OPPOSED: Senator Hoffman and Senator Olson

ABSENT: Senator Green

The motion PASSED (6-2-1)

The amendment was ADOPTED.

Co-Chair Donley stated that there was confusion as to whether this bill is necessary in order to extend the program. He referred to the sponsor statement; "...SB 137 extends the date of the direct allocations to named institutions for two more years." He asked if the bill accomplishes two functions, adjust the percentage levels and also extend the effect of SB 289 for two years.

Senator Torgerson responded that SB 289 established a grant program that would be given to accredited institutions in Alaska based upon grant criteria. He stated that he introduced the current legislation because the Department of Labor and Workforce Development has not issued any regulations, nor has the Alaska Human Resource Investment Council (AHRIC) taken steps to issue these grants. Henceforth, he remarked, this legislation provides a direct grant to the three institutions, rather than require the institutions apply for the grants.

Co-Chair Donley asked how this legislation with the set percentages, relates to the operating budget. He noted that because it does not set specific amounts, it is not an appropriations bill. He wanted to know if it is a guide or formula to be used when preparing the operating budget.

Senator Torgerson replied that this legislation has nothing to do with the operating budget and that a forthcoming fiscal note will reflect the percentage breakdowns to each institution.

Co-Chair Donley referred to an outdated zero fiscal note that stated the bill appropriates \$4.5 million to the program.

REMOND HENDERSON, Director, Division of Administrative Services, Department of Labor and Workforce Development, testified that a fiscal note would be necessary to appropriate the intended \$4.5 million into the department's budget. This, he stated is because the funds are not included in the budget under the House of Representative's version of the FY 02 operating budget. He admitted that this request should have been submitted with the governor's proposed operating budget but was omitted. He stressed that if this bill passes without the related fiscal note, the department would not have the necessary \$4.5 million to issue in grants to the three institutions.

Senator Torgerson stated his intent to reflect the funds in a fiscal note in the event that the governor vetoes the bill. He explained that if the veto occurred, the funds would not be available for the department to expend otherwise and would be held for future appropriation.

Co-Chair Kelly announced the Committee would wait for a proper fiscal note.

Senator Torgerson offered to write the fiscal note.

Co-Chair Kelly ordered the bill HELD in Committee.

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ADJOURNMENT

Co-Chair Pete Kelly adjourned the meeting at 10:58 AM.