

HOUSE FINANCE COMMITTEE
April 30, 2003
3:15 P.M.

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CALL TO ORDER

Co-Chair Williams called the House Finance Committee meeting to order at 3:15 P.M.

MEMBERS PRESENT

Representative John Harris, Co-Chair
Representative Bill Williams, Co-Chair
Representative Kevin Meyer, Vice-Chair
Representative Mike Chenault
Representative Eric Croft
Representative Richard Foster
Representative Mike Hawker
Representative Reggie Joule
Representative Carl Moses
Representative Bill Stoltze
Representative Jim Whitaker

MEMBERS ABSENT

None

ALSO PRESENT

Joel Gilbertson, Commissioner, Department of Health & Social Services; Bob Labbe, Deputy Director, Department of Health and Social Services; Karen Pearson, Director, Division of Alcohol and Drug Abuse, Department of Health and Social Services; Tim Barry, Staff, Representative Bill Williams; Virginia Breeze, Division of Elections; Cheryl Jebe, President, League of Women Voters; Stuart Thomson, Self, Juneau; Alvin Anders, Secretary, Alaska Libertarian Party; Patricia Zimmerman, Douglas Advisory Board, Juneau; Marie Darlin, Alaska Association of Retired Persons (AARP), Juneau; Portia Parker, Deputy Commissioner, Department of Corrections; Senator Tim Kelly, Substance Abuse Association

PRESENT VIA TELECONFERENCE

Dick Bishop, Alaska Outdoor Council, Fairbanks; Jim Sykes, Co-Chair, Green Party of Alaska, Mat-Su; Karen Bretz, Attorney, Alaskans for Efficient Government, Anchorage; Linda Ronan, Alaska Hemp, Anchorage; Ken Jacobus, Attorney, Anchorage; Jed Whittaker, Anchorage; Steve Con, Alaska

Public Interest Research Group and Consumer Advocacy Organization (AKPIRG), Anchorage; Marie Lavigne, Executive Director, Alaska Public Health Association; Marie Lavigne, Executive Director, Alaska Public Health Association, Anchorage; Ann Hopper, Program Director, Family Focus Program, Fairbanks

SUMMARY

HJR 5 Proposing an amendment to the Constitution of the State of Alaska relating to initiative and referendum petitions.

HJR 5 was reported out of Committee with "individual" recommendations and with fiscal note #1 by the Office of the Governor.

#HB209

HB 209 An Act relating to municipal property tax adjustments for property affected by a disaster.

HB 209 was WAIVED from Committee.

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HB 229 An Act relating to special medical parole and to prisoners who are severely medically and cognitively disabled.

CS HB 229 (FIN) was reported out of Committee with a "do pass" recommendation and with two new fiscal notes by the Department of Health and Social Services and one new note by the Department of Corrections.

CS SB 105(HES) am(efd fld)

An Act relating to eligibility requirements for medical assistance for certain children, pregnant women, and persons in a medical or intermediate care facility.

HCS CS SB 105 (HES)am(efd fld) was reported out of Committee with a "do pass" recommendation and with a new fiscal note by the Department of Health and Social Services.

#SB109

SB 109 An Act repealing the statute that sets priorities for the Department of Health and Social Services to apply to administration of the medical assistance program when there are insufficient funds allocated in the state budget for that program; authorizing the department to make cost containment decisions that may include decisions about eligibility of persons and availability of

services under the medical assistance program; and providing for an effective date.

SB 109 was SCHEDULED but not heard.

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SB 124(efd fld)

An Act relating to grants for alcoholism and drug abuse programs.

HCS CS SB 124 (FIN) was reported out of Committee with "individual" recommendations and with four fiscal notes, #1, #2, #3, & #4 by the Department of Health and Social Services.

#HJR5

HOUSE JOINT RESOLUTION NO. 5

Proposing an amendment to the Constitution of the State of Alaska relating to initiative and referendum petitions.

TIM BARRY, STAFF, REPRESENTATIVE BILL WILLIAMS, stated that HJR 5 was a resolution to put a constitutional amendment on the ballot in the fall 2004. The amendment would change the requirements for getting an initiative on the ballot. Currently, the constitution requires getting signatures from at least 10% of the number of people who voted in the most recent general election statewide. Those signatures must be from at least 27 of the 40 House districts or 2/3 of the House districts.

Mr. Barry added that the fiscal note is for \$1,500 dollars, which would be the costs to the Division of Elections for printing the additional page in the election pamphlet. He noted that Virginia Breeze from the Division of Elections was present to answer questions of the Committee.

Mr. Barry advised that because the amendment proposes a constitutional amendment, it only becomes law if it is supported by 2/3 + 1 of both Legislative members and is approved by the majority of voters at the ballot box in 2004. He referenced the letters of support in the packets and statistical data on the signature petitions from recent years. The spreadsheets indicate that no hardship for initiative supporters in the last few years meeting the requirement for HJR 5.

Representative Croft asked if there were any initiatives in that past few years that would not have qualified under this amendment. Mr. Barry replied that information would be difficult to access. The way that the process is done is that the Division of Elections counts signatures until they hit the needed number, 10% statewide and assuring that there

is at least one signature from each of the districts. The signature gatherers always gather more than are needed. In most cases, when counted, the requirements of HJR 5 and HB 31 would have been met.

Co-Chair Harris asked if the resolution would require that 10% of those that voted in the preceding general election, must reside in at least $\frac{3}{4}$ of the election districts. In those $\frac{3}{4}$ election districts, there must be a minimum of 7% in each. Mr. Barry agreed that was essentially correct and that it would be a number equal to 7% of the number of people who voted at the most recent election in that district. In order to sign the petition, the person would not have had to vote but would have to be registered.

Co-Chair Harris suggested that the reason for the proposed legislation was to guarantee that more of the election districts in the State have at least some representation in a statewide petition. Mr. Barry noted that it is the sponsor's intention that democracy, through the initiative process, be exported to more parts of the State than is currently happening.

Representative Joule questioned how many districts could be accessed on the current road system. Mr. Barry did not know. Representative Joule pointed out that it would be difficult to get this to rural Alaska, while still being possible to get to the needed $\frac{3}{4}$ along the road system. Mr. Barry explained that the way in which the system works, the sponsor of the petition makes signature packets. They could be sent through the mail, with signatures gathered and sent back. Mr. Barry stated that the Division of Elections has numbered booklets and that emailing was not possible at present time.

DICK BISHOP, (TESTIFIED VIA TELECONFERENCE), ALASKA OUTDOOR COUNCIL, FAIRBANKS, stated that initiatives are not a bad tool when used to protect people's rights; however, most initiatives are used to restrict rights. He noted that the founding fathers of this country were wary of the impact of the initiative system on minority rights.

Mr. Bishop commented that hunters, fishers and trappers are a minority in Alaska. Wildlife initiatives have promoted restriction of sound, lawful hunting, trapping and wildlife management.

Mr. Bishop stated that HB 31 would help to defend against "the tyranny of the majority" by requiring broader representation of Alaskan minorities in order to put an initiative on the ballot

Mr. Bishop stressed that HB 31 would not ban the initiative process. He noted that 26 states now do use this system. Initiatives on wildlife issues are widely condemned by professional fish and wildlife biologists in Alaska and

across the nation because they've proven a poor substitute for the legal framework developed over the last 100 years for managing fish and game

Mr. Bishop continued that with wildlife, it is easy to sell bad idea advertising. People mostly like wildlife and don't want to check out the facts, so they react to the emotional appeal of a ballot campaign. Alaska has an outstanding legal framework for fish and game management. HB 31 & HJR 5 would improve the working climate of the system.

STEVE CON, (TESTIFIED VIA TELECONFERENCE), ALASKA PUBLIC INTEREST RESEARCH GROUP AND CONSUMER ADVOCACY ORGANIZATION (AKPIRG), ANCHORAGE, testified in opposition to the legislation. He noted that in the past 30 years, his organization has used the initiative tool. The use has not involved fish, wildlife or environmental matters but rather the alliance to set in place campaign finance reform law. He pointed out that the Legislature had passed the campaign finance reform law. The Constitutional Convention saw the initiative process as a critical tool to express the will of the people and to curb the power of special interests on the legislative process.

Mr. Con stressed that the initiative tool has worked. He stated that the legislation should be opposed. If passed it will make it difficult for individuals except for high-paid special interest groups to place initiatives on the ballot.

KAREN BRETZ, (TESTIFIED VIA TELECONFERENCE), ATTORNEY, ALASKANS FOR EFFICIENT GOVERNMENT, ANCHORAGE, testified in opposition to the legislation. She noted that she has been involved in the initiative process as a proponent of ballot initiatives, a collector of initiative signatures, and counsel to litigants involved in the initiative process.

Ms. Bretz urged that members not pass HJR 5. She pointed out that the right to petition the government is guaranteed in the State constitution and tangentially in the federal constitution. The net result of HJR 5 will be the curbing of rights.

HJR 5 will effect outside interests and local people. The outside interests will always have the funds to get their issues on the ballot regardless of the roadblocks placed before them. In contrast, Alaskans would be dissuaded from participating in direct democracy if it is unreasonably difficult. Ms. Bretz stressed that the bill will disproportionately affect Alaskans.

The requirement that initiative sponsors collect signatures equal in number to 10% of the voters who voted in the prior general election presents a challenge for Alaskans and ensures that the proposed initiative would have minimal

support. HJR 5 does not disturb the 10% signature requirement and will additionally require:

- Sponsors to collect signatures from three quarters of the house districts; and
- That seven percent of the voters in each of those districts sign the petition.

Ms. Bretz claimed that HJR 5 would disenfranchise people living in rural Alaska from participating in the initiative process.

She added that it is important to reflect upon the individual freedoms and prosperity that our form of government allows us. The Legislature should encourage more Alaskans to participate in the initiative process. Although the initiative process has never been instituted on the federal level, the United States Supreme Court commented on it in the case of United Mine Workers of America vs. Illinois State Bar Association, 389 U.S. 427 (1967). Restraining the rights of the people from petitioning the government through the initiative process is not Alaskan, nor is patriotic. Ms. Bretz urged members of the Committee to vote "do not pass" on HJR 5.

LINDA RONAN, (TESTIFIED VIA TELECONFERENCE), CHAIR OF THE BOARD, ALASKA HEMP, ANCHORAGE, spoke in opposition to the legislation. She recommended current technology retaining inclusion by utilizing the Internet. She pointed out that in her circle, there is not one person interested in this bill. She stated that the legislation would remove the people's choice of what is placed on the ballot. That would not be right. She urged members to vote against HJR 5.

KEN JACOBUS, (TESTIFIED VIA TELECONFERENCE), ATTORNEY, LEGAL COUNCIL FOR REPUBLICAN PARTY, ANCHORAGE, testified his opposition to HJR 5, echoing previous comments. He stated that HJR 5 would have to consist of 31 petitions. There will need to be a petition for each district plus the same petition statewide. It would be essential to get the cushion of signatures in each district. The net result will be that only well financed petitions will be able to do this. The ordinary person that wants to petition will not be able to do so. He claimed that none of the petitions on the list since 1998 would have gotten on the ballot if this particular bill were in place.

Mr. Jacobus commented that this legislation will not solve Dick Bishop's problem. The resolution will result in only petitions for wildlife and natural resource. Those people use petitions as fundraisers. The legislation will get rid of petitions brought forth by the ordinary people.

Mr. Jacobus claimed that if the idea gets on the ballot, there would be "mud" slug at people that support the "power grab"; it will not pass. He suggested leaving it alone and let the people have the power that they have been given originally under the constitution. When an initiative gets on the ballot, the people have the right to vote it up or down.

JED WHITTAKER, (TESTIFIED VIA TELECONFERENCE), ANCHORAGE, understood that there is a fear in Alaska that Anchorage is becoming a City-State. He noted that HJR 5 was not a good solution, as it would do away with the 14th Amendment of the United States Constitution.

Mr. Whittaker disagreed that the fiscal note would amount to only \$1,500 dollars, because there will be many lawsuits that follow. He pointed out that Co-Chair Williams did not have a co-sponsor on the resolution.

JIM SYKES, (TESTIFIED VIA TELECONFERENCE), GREEN PARTY OF ALASKA, MAT-SU, echoed sentiments voiced by previous speakers. He stated that the Committee should not pass HJR 5 and that citizens should be encouraged to participate in government. HJR 5 places a roadblock to the intended process. He agreed that the "well funded outside special interest groups" will have the edge with passage of this legislation because they have the money to do whatever the requirements are.

Mr. Sykes questioned the intent of the legislation. He suggested that more signatures from rural Alaska would not hold true. There are better methods:

- Making outside contributions toward the initiative process illegal; and
- Limiting contributions to \$500 dollars; requiring monthly disclosure reports to Alaska Public Officers Commission (APOC) to find out who is funding the petition drives.

Mr. Sykes agreed with the \$1 dollar per signature charge, which he thought was reasonable. He spoke to the distribution reports, indicating that the citizens from every district have signed the initiatives. He urged that current law be left alone.

STUART THOMSON, SELF, JUNEAU, spoke in opposition to the proposed legislation. He commented on the negative impact it will have on tourism. He observed the problem for democracy, is after awhile, selfish special interests always find a way to abuse or manipulate methodology.

Mr. Thomson advised two things to minimize damage from the

issue:

- Each legislator has a moral, intellectual, philosophical, and common sense responsibility to study relevant Alaska constitutional convention minutes and major Alaska Supreme Court rulings on the initiative process; and
- If after study of constitutional philosophy, the modification proposed is still worthy of consideration, then minimize the impact of the changes from legislative deliberation and public input.

Mr. Thomson reminded members of the blessings that come from freedom.

CHERYL JEBE, PRESIDENT, LEAGUE OF WOMEN VOTERS, JUNEAU, commented that the League of Women Voters of Alaska supports the "existing" initiative process and makes the following recommendations:

- Initiatives should be voted on only at General Elections, not special or primary elections.
- Support change that requires simplicity and clarity of the wording of initiative questions with a "yes" vote to indicate in favor of a measure and a "no" vote to indicate opposition to a measure.
- Support disclosure on each initiative petition of the name(s) or group(s) that is paying the gatherer and how they are paid, such as by signature or by the hour.
- Support the requirement for not less than 500 qualified voters as sponsors to the prospective petition with the Lieutenant Governor's office.
- Support the requirement for a number of valid signatures not less than ten (10%) percent of the total number of the votes cast in the preceding general elections.
- Support a formula for at least 50 signatures in each of two-thirds of the legislative districts in order to reflect statewide interest in a measure.
- Support the requirement of an attorney general advisory opinion as to the constitutionality of each proposed initiative after it has qualified for the ballot, such opinion to be published in the State Election Pamphlet.
- Support the existing limit on time for collecting signatures to one year.
- Support the requirement for a cost analysis to be on each initiative petition.

- Support the requirement that signature gatherers be qualified voters of Alaska.

ALVIN ANDERS, SECRETARY, ALASKA LIBERTARIAN PARTY, testified in opposition to HJR 5. He pointed out that the proposed changes to the initiative process attempt to fix something that is not broken. Mr. Anders submitted that the legislation is not necessary and that HJR 5 is not the best way to achieve Representative William's goals. There is no evidence given that the idea contained within an initiative does not enjoy broad statewide support. Included in the initiative package are reports showing the distribution of signatures from the last ten initiatives. In each case, significant numbers of signatures were gathered from every district throughout the State. The fact that an initiative makes it on the ballot in and of its self indicates broad support. The fact that many citizens from every legislative district signed these petitions proves not only that the issues have broad support but also that the initiative process is working.

Mr. Anders continued, no evidence has been presented that any initiative has passed that did not have broad support. In fact most initiatives that pass statewide generally pass in every district. The one exception was the referendum dealing with wildlife management. That ballot issue won in 30 of 40 districts and of the ten districts where it lost, mostly was in Anchorage and Fairbanks.

Mr. Anders pointed out that some people are supporting making the initiative process more onerous to keep initiatives off the ballot dealing with wildlife management issues. He stressed that if one group has the money to mount expensive initiative drives, it would be the "lovers of little animals". Since 1976, only one group has been able to gather the necessary signatures to put a referendum on the ballot and that group was the people who oppose the trapping of wolves. If they can raise the money to gather signatures equivalent to 10% of the vote in 90 days, then they will still be able to afford to put signatures on the ballot even if the distribution requirement is raised.

He suggested that the Republicans who support the bill would find themselves being portrayed as folks who are attacking the initiative process and even if the proposed changes pass, wildlife management issues will still make the ballot. He suggested that there is a better way to accomplish the goals of making the initiative process more inclusive and preventing the tyranny of the densely populace areas over the sparsely populated areas.

- The first goal, making the initiative process more accessible to all Alaskans could be accomplished

easily by making initiatives one page and posting them as Adobe Acrobat files on the Division of Elections website. Currently the State pays for the cost of printing 500 petition booklets at no charge for every initiative that the Attorney General approves for circulation. That money could be put to much better use.

- Preventing the "supposed tyranny" of the densely populated areas over the sparsely populated areas, that could be addressed using a solution practiced in Switzerland. There cantons can vote to repeal laws either statewide or within a particular canton. That option has not yet been tried in Alaska.

Mr. Anders addressed additional points that make the changes proposed in HJR 5 ill advised. He referenced the report entitled "Initiative and Referendum in the 21st Century" by the National Conference of State Legislators. (Copy on File). In that report there are 34 recommendations to improve the initiative process. Almost every one of these proposals is already in force in Alaska. The two that are not are as follows:

- Recommendation 2.2: "The Legislature should provide for public hearings on the initiative proposals".
- Recommendation 4.3: "The States should require the drafting of a fiscal impact statement for each initiative proposal".

Those proposals are not addressed in HJR 5. Moreover, the report criticizes initiative abuses in most notably California and Oregon but the solutions that are proposed are almost all in place in Alaska. One criticism that was leveled in the report is abuse of the initiative process by too many initiatives appearing on the ballot, which has not been a problem in Alaska. Since statehood, only 34 initiatives have appeared on Alaska ballots, which is 34 in 42 years and 21 elections.

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Mr. Anders stated that the drafters of our constitution debated the question of how many signatures needed to be required and what distribution to require. An amendment was proposed to require "from each of two-thirds of the election districts of the State with signatures equaling not less than 3% of the number of voters casting ballots for Governor in each district in the preceding general election at which a governor was elected". That amendment failed 31 to 17. He asked if the founding fathers and mothers of Alaska thought 35 from 2/3 of the districts was too onerous a

requirement, why then is the Legislature considering a requirement more than twice the amount. Mr. Anders urged that the members of the Legislature honor the drafters of the Alaska Constitution and vote against HJR 5.

Mr. Anders submitted ideas for improving the initiative process:

- Remove the restriction of paying only \$1 per signature.
- Extend the time period to allow for the gathering of signatures.
- Return the thirty-day grace period for initiatives that fail to gather the necessary signatures within the allotted time.
- Allow initiative sponsors to submit signatures to election officials for certification as they are gathered.
- Make petitions one page and post on the Division of Elections website.
- Make proponents pay for the cost of their own printing.

Representative Croft MOVED to ADOPT Amendment #1, #23-LS0202\A.1, Kurtz, 4/29/03. (Copy on File).

Co-Chair Williams OBJECTED.

Representative Croft explained that the amendment addresses the issue regarding repealing an initiative. The amendment would insert new language "and the law enacted may not be repealed by the legislature within two years after the effective date of the law". He stated that it is a process, which the Constitutional Convention believed that the legislature would do and would continue to do.

Mr. Barry responded that Co-Chair Williams, the sponsor, had been working on this issue for several legislative sessions. The amendment proposes a different issue from which HJR 5 is intended to address. The current system has a set of "checks and balances". Under current law, if the Legislature wanted to repeal a law, they could do it. In the event that there were technical problems with the law, like the one proposed in Amendment #1, it would keep the Legislature from fixing the "bad law" for two years.

Representative Croft WITHDREW Amendment #1. There being NO OBJECTION, it was withdrawn.

Representative Croft MOVED to ADOPT Amendment #2 which would change language on Page 1, Line 11, deleting the "7%" and inserting "3%".

Co-Chair Williams OBJECTED.

Representative Croft stated that the 7% might be onerous. He acknowledged that it made sense for it be over 1%. He agreed that there needs to be something that still allows initiatives to be done and significant participation from a lot of districts without making it too burdensome.

Co-Chair Williams noted that the intent of the bill is to get "more democracy" out to the outline areas. The people of the State need to be more a part of the initiative process. He stated that three percent was just not enough.

A roll call vote was taken on the motion.

IN FAVOR: Stoltze, Croft
OPPOSED: Chenalut, Foster, Hawker, Joule, Meyer,
Williams

Representative Whitaker, Representative Moses and Co-Chair Harris were not present for the vote.

The MOTION FAILED (2-6).

Representative Joule referenced Line 11, "7% of $\frac{3}{4}$ of the districts of those people that voted in the last election". He asked if the signature of someone that was a registered voter but did not vote in the last election, would qualify. Mr. Barry clarified that the person does not have to have voted in the last election. The 7% number is the number of signatures needed equal to the number of people that actually voted in that district in the last election.

Representative Stoltze asked if the district numbers were determined by reapportionment. Mr. Barry replied that they were and the most recent numbers were taken from the 2000 election.

Representative Foster MOVED to report HJR 5 out of Committee with individual recommendations and with the accompanying fiscal note. Representative Croft OBJECTED.

Representative Croft reiterated that the process currently is not broken and at this time, there would be a significant impact to rural Alaska. He maintained that it is important to be careful when affecting the peoples right to initiative referendum and recall. These are the "checks" that the people have on the Legislature and people do not like the Legislature "messing around" with them. This legislation will lower the public's esteem even more. The requirements proposed in the bill of 10% and 7% will make it more difficult for Alaskans to pass or repeal laws. Doing that

is their right. He reiterated that there is not an overwhelming problem with current system.

Representative Stoltze indicated his concern with the bill.

Co-Chair Harris inquired how many other states had this type process on their books. Mr. Barry advised that 26 states currently use some sort of initiative process.

Co-Chair Harris asked what other states use it to reflect the will of the public. Mr. Barry replied that the framers of the U.S. Constitution considered the concept of the initiative process. Co-Chair Williams interjected that Washington State uses the initiative process.

Co-Chair Harris noted that he did support the idea in the past and that he would support it at this time. He understands the need to make sure that there is some representation from all precincts around the State to better reflect the State's will.

Representative Foster spoke to people attempting to determine what is good for Bush Alaska. He commented on how the legislation will affect that area. Initiatives have been "pushed down" by the majority of urban Alaskans for many years. He thought that the disagreement regarding the legislation is a "joke" and that the bill would be a "safety net" for his people.

A roll call vote was taken on the motion to move the bill from Committee.

IN FAVOR: Whitaker, Foster, Hawker, Joule, Meyer,
Stoltze, Harris, Williams
OPPOSED: Chenault, Croft

Representative Moses was not present for the vote.

The MOTION PASSED (8-2).

HJR 5 was reported out of Committee with "individual" recommendations and with fiscal note #1 by the Office of the Governor.

#SB105

CS FOR SENATE BILL NO. 105(HES) am(efd fld)

An Act relating to eligibility requirements for medical assistance for certain children, pregnant women, and persons in a medical or intermediate care facility.

JOEL GILBERTSON, COMMISSIONER, DEPARTMENT OF HEALTH & SOCIAL SERVICES, spoke to the HES version (H) of the bill, which would lower and freeze income levels for eligibility for the

Denali Kid Care Program and would also freeze income levels for Medicaid under the special income limit for nursing homes and home and community based waiver services.

Under current law, income standards for these eligibility categories increase every year by the amount of cost-of-living adjustments to the Supplemental Security Income (SSI) program or the federal poverty guidelines for Alaska. The bill would eliminate the annual cost-of-living adjustments and put in statute fixed dollar income levels for those programs based on the SSI standard that became effective on January 1, 2003 or the federal poverty guideline for Alaska, which became effective on April 1, 2002.

Commissioner Gilbertson noted that the Senate had reduced the fixed income levels for the Denali Kid Care Program at 175% of the federal poverty guideline and the House HES Committee amended the bill back to the Governor's original proposal. The HES version before the House Finance Committee keeps the Denali Kid Care income eligibility at 200%. Setting the program income standard at 200% would allow the Department to maintain current Medicaid benefits to over 26,000 beneficiaries while fixing levels to realize significant cost savings in subsequent years.

Commissioner Gilbertson added that pregnant women who establish eligibility before June 30, 2003 would remain eligible for nine months notwithstanding the passage of the bill. Likewise, children who establish eligibility before June 30, 2003 would be protected for a period of six months under existing continuous eligibility rules.

Representative Croft referenced Pages 4 and 5, which lists the household income amounts and asked if those numbers represented the 200% freeze. Commissioner Gilbertson reiterated that the dollar levels for the Denali Kid Care Program and the Medicaid program would be locked in at the 200% poverty level and that the legislation would remove the inflation adjustments.

Representative Croft asked if the 200% federal poverty guideline had already been incorporated at the 25% level for Alaska. Commissioner Gilbertson responded that the federal poverty level had been uniquely calculated for the State of Alaska. It is adjusted to reflect a 25% increase and parallels the cost-of-living adjustment that is received by federal employees because of the higher cost-of-living in Alaska. The Alaska Permanent Fund is not included in the calculation.

Co-Chair Harris pointed out that the bill had originated in the Senate. He observed that at one time, eligibility had been lowered to 175% of poverty level. Commissioner Gilbertson reiterated that the Governor had introduced the

legislation at the 200% and that the Senate HES Committee reduced it from 200% to 175%. Additionally, that Committee did not reflect the special income standards for long-term care. They elected to lower it from 200% to 175%.

Co-Chair Harris asked where those figures were located. Commissioner Gilbertson responded on Page 4, Section 13. Co-Chair Harris asked how he could make the adjustment back to a 175% poverty level. Commissioner Gilbertson explained that the numbers listed are calculated at the 200% level. In order to indicate that reduction, each of the numbers would need to be adjusted. He added that the low-end monthly difference would be approximately \$300-\$400 dollars per month.

Co-Chair Harris inquired the amount of general fund savings using the 175% figure. Commissioner Gilbertson responded that the fiscal note passed from the Senate would be a general fund savings in 2004 in the amount of \$2.1 million dollars with total funds saved of \$7.1 million dollars. He added that the State does receive enhanced federal medical funds and that the State would lose approximately \$5 million in federal dollars by that reduction. The State receives funding for some optional categories, the Enhanced Federal Medical Assistance percentage. The program generates a 71% federal share.

Co-Chair Harris questioned the number of Alaskans that would be affected at the 175% level versus the 200% level. Commissioner Gilbertson responded that for FY04, in the Denali Kid Care Program that 123 pregnant women and 1,214 children would be affected. He pointed out the impact in FY04 would be minimized by some extent by the fact that women that are currently eligible, would lose their coverage under the adjustment but that they would be able to retain their coverage throughout their pregnancy under federal law. Children in the Denali Kid Care Program would continue their eligibility. He reiterated that the impact in the first year would be reduced by the fact that pregnant women in that first year would not lose their coverage during the pregnancy. However, in the out years, 200 individuals will be affected.

Co-Chair Harris noted that the savings in the out-years were significant given the proposed benefit cap. Commissioner Gilbertson responded it would save approximately \$12 million dollars. In the far-out years, the projected savings would amount to twice what the Governor's proposal recommends at the 175% level. He commented that at the 200% scenario, in FY09, there would be a total fund savings of roughly \$10 million dollars, \$3.5 of that would be general fund savings. Under the 175% scenario, there would be a total savings in FY09 of \$22 million dollars.

Representative Joule asked if the fund source indicated in the fiscal note represented federal savings. Commissioner Gilbertson noted that the amount shows a federal savings; the federal government pays roughly 71% of the cost of the Denali Kid Care Program and as a result, most of the savings are federal dollars. He added that these are formula programs and that any reductions in the Medicaid Program, federal funds would be lost.

In response to an observation made by Representative Joule, Commissioner Gilbertson stated that the reference was to language passed in the Senate, which was amended in the HES Committee. The bill before the Committee uses the original language proposed by the Governor at the 200% level and under that scenario, a \$10 million dollars savings is indicated.

Representative Joule asked if the program continued as is, would the federal government participate at a higher level. Commissioner Gilbertson responded that the legislation was intended to contribute to a limited general funds savings. However, no one currently in the program will lose coverage. In addition, individuals in the program do not have equal stratification of incomes. Those persons with the higher level of income will be affected by the legislation.

In response to a query by Representative Joule, Commissioner Gilbertson reiterated that the Governor did not support the Senate HES version of the legislation.

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MARIE LAVIGNE, (TESTIFIED VIA TELECONFERENCE), EXECUTIVE DIRECTOR, ALASKA PUBLIC HEALTH ASSOCIATION, ANCHORAGE, noted that the Alaska Public Health Association applauds the success of Denali Kid Care Program in improving the health of pregnant women and children in Alaska and urges the Committee to continue eligibility for this program at the fullest level possible.

Public health research on the health impact of uninsured children is noteworthy:

- Uninsured children who need medical and surgical care are 4 times more likely to go without the care they need than insured children with the same health needs. When they do receive the care, they are sicker and more likely to be seen in the emergency room.
- Uninsured children are 4% times more likely to do without needed prescriptions and eye glasses, and 5

times more likely to be unable to receive needed dental care.

- Uninsured children are 1.5 times more likely to arrive to kindergarten without their required immunizations. They are 8 times more likely to not have had a well child check up.
- Uninsured pregnant women are less likely to receive prenatal care, placing them at risk to deliver early, low-birth weight babies and at the greatest risk for fetal and/or maternal death.

Ms. Lavigne stated that the Governor's transmittal letter accompanying SB 105 states "While the cost savings associated with this bill are modest in the short-term, this measure will significantly reduce future year costs." From a public health perspective, any short-term savings does not compare to the greater long term costs to the health and well being of pregnant women and children.

She added that to succeed in lowering the enrollment in the Medical assistance programs, the Legislature should consider the issue from a different perspective. SB 105 seeks to lower the enrollment in medical assistance programs by reducing eligibility for pregnant women and children who qualify at the upper levels of the income eligibility, up to 200% of poverty level. The most effective approach the Legislature could take would be to assist employers and working families to get affordable health insurance, reducing the number of pregnant women and children needing coverage by Denali Kid Care.

Ms. Lavigne noted that while there are many factors contributing to 1 in 5 Alaskans lacking health insurance coverage, one of the greatest barriers is access to affordable health insurance. A study by the Anchorage Access to Health Care Coalition released this fall indicates of the 16,000 adults in Anchorage who are uninsured, 71% are working adults, the majority in business with less than 10 employees. The Legislature needs to join with businesses in addressing the issue of affordable health care insurance. In the meantime, she urged members to keep the eligibility for the medical assistance programs at the full 200% of federal poverty level to maximize the health of pregnant women and children.

PATRICIA ZIMMERMAN, DOUGLAS ADVISORY BOARD, JUNEAU, testified against the proposed legislation. She provided her employment history in the pharmaceutical industry. She pointed out that the difference between the countries where there is poor health care and good health care has state involvement. She spoke in support for universal health care throughout the United States. Ms. Zimmerman recommended taxing the oil and gas companies to help provide for these insurances. She questioned why the State of Alaska is

considering taxing the poorest Alaskans to decrease services. The companies that extract the State's resources should be the ones taxed. Ms. Zimmerman recommended a review of who takes the money out of Alaska.

MARIE DARLIN, ALASKA ASSOCIATION OF RETIRED PERSONS (AARP), JUNEAU, voiced support for the Denali Kid Care Program noting that AARP is the world's largest organization of grandparents. She emphasized that AARP supports the 200% poverty level for that program. Ms. Darlin questioned putting the levels in statute, as that would bind future legislators.

Representative Foster MOVED to report HCS CS SB 105 (HES) out of Committee with individual recommendations and with the accompanying fiscal note.

Representative Joule OBJECTED.

Following a brief at-ease, Representative Joule WITHDREW his OBJECTION. There being NO further OBJECTIONS, it was so ordered.

HCS CS SB 105 (HES)am(efd fld) was reported out of Committee with a "do pass" recommendation and with a new fiscal note by the Department of Health & Social Services.

#HB229

HOUSE BILL NO. 229

An Act relating to special medical parole and to prisoners who are severely medically and cognitively disabled.

Co-Chair Harris MOVED to RESCIND previous action taken on failing to pass HB 299 out of Committee. There being NO OBJECTION, action was rescinded.

Co-Chair Harris MOVED to ADOPT work draft #23-LS0885\Q, Luckhaupt, 4/17/03, as the version of the bill before the Committee. There being NO OBJECTION, it was adopted.

Co-Chair Williams advised that during past hearings on the bill, there had been questions regarding the fiscal notes.

PORTIA PARKER, DEPUTY COMMISSIONER, DEPARTMENT OF CORRECTIONS, referenced the Department of Corrections fiscal notes dated 4/28/03. She stated that Page 2 of the note describes key assumptions and indicates the projected savings. The original note was based on the previous Administration's fiscal analysis. That note was adjusted in collaboration with the current medical director and the actual billings were analyzed. She added that the note was based on many things out of the Department's control.

*Representative Hawker noted his appreciation on the fiscal documentation. Representative Croft echoed sentiments voiced by Representative Hawker and information indicating justification for the \$500,000 dollars.

Representative Stoltze MOVED to adopt Amendment #3, #23-LS0885\I.1, Luckhaupt, 4/26/03. (Copy on File).

Co-Chair Williams OBJECTED.

Representative Stoltze explained that the amendment would remove anyone eligible for early medical parole convicted of a felony and sexual assault.

Co-Chair Harris clarified that the intent was never to release any prisoner that had been convicted of a sexual assault. Representative Stoltze replied that those prisoners would not be released under the special medical parole provision.

Representative Joule asked if that type of crime had been considered in the original bill. Ms. Parker explained that it is the same language as in statute and would add the prohibition back in. Sexual assault offenders had not been considered because it was not considered in statute.

Representative Stoltze commented that the amendment would "soften the blow" of the bill. He mentioned the amount of recidivism in child molestation. It would allow the Department's discretion in exempting that class of crime. He urged that the Committee consider the concern.

Vice-Chair Meyer noted that he was a co-sponsor of the amendment. He voiced his fear that someone could be released and could send harassing email messages to the victim and family. He questioned how the language would affect the fiscal note. Ms. Parker did not know the specific offenses of the 27 being considered. She pointed out that the current prison population is 16% sex offenders. She reiterated that she did not know the average overall population that was sex offenders and how that would affect the percentage available for medical parole.

Ms. Parker stated that it would not impact the fiscal note.

Ms. Parker made a correction, noting that the amendment would expand to all sexual assaults. In statute, it is listed in AS 11.41.434 - 438 and would broaden that language.

Co-Chair Harris voiced his support for the amendment.

Representative Hawker asked is the language expansion would be difficult for the Department. Ms. Parker responded that they did not have a problem with that language.

There being NO further OBJECTION, the amendment was adopted.

Representative Foster MOVED to report CS HB 229 (FIN) out of Committee with individual recommendations and with the accompanying fiscal notes. There being NO OBJECTION, it was so ordered.

CS HB 229 (FIN) was reported out of Committee with a "do pass" recommendation and with new fiscal notes by the Department of Corrections and two by the Department of Health & Social Services.

#SB124

SENATE BILL NO. 124(efd fld)

An Act relating to grants for alcoholism and drug abuse programs.

Co-Chair Harris MOVED to ADOPT SB 124(efd fld), #23-GS111\A.A as the working document before the Committee.

Representative Croft pointed out that the effective date had failed but noted that he did not see an effective date. Co-Chair Williams interjected that is how it is before the Committee. It does not have an effective date.

Representative Joule asked if the A.A version consisted of one page only. Co-Chair Williams clarified that it did. Co-Chair Harris asked if there had an effective date when it passed the Senate. Co-Chair Williams reiterated that this was the bill before the Committee.

JOEL GILBERTSON, COMMISSIONER, DEPARTMENT OF HEALTH & SOCIAL SERVICES, clarified that when the bill was introduced as SB 124, it did have an effective date of July 1, 2003. The cost savings associated with that version are included in the Governor's budget. It was passed out of the Senate without the effective date.

Co-Chair Harris interjected that when the effective date fails, then that language should be removed from the title and body of the bill.

Representative Joule asked about the difference between the House HES version and the Senate version. Co-Chair Williams explained that the House HES dropped it from 25% the first year to 17.5% until July 1, 2004. The Senate version is the Governor's version minus the effective date. That would amount to a 25% savings as of July 1, 2003.

Representative Joule clarified that the House HES version would transition the process to 2004. The Senate version removes it all on July 1, 2003. Representative Joule OBJECTED to adopting the Senate version of the bill.

Representative Croft noted that he also supported the House HES version. The House version keeps the effective date and changes the percentage, which would be a better procedure.

Co-Chair Williams commented that if the Committee could get the Senate version before them, then they could entertain an amendment to reinstate the July 1, 2002 effective date, from the Governor's original bill. Representative Joule asked if it could be amended to indicate that transition. Co-Chair Williams replied he would not support the amendment.

A roll call vote was taken on the motion to work from the Senate version.

IN FAVOR: Foster, Hawker, Meyer, Stoltze, Whitaker,
Chenault, Harris, Williams
OPPOSED: Joule, Moses, Croft

The MOTION PASSED (8-3).

Commissioner Gilbertson commented that the general fund savings resulting from the Governor's bill would be in the amount of \$1.6 million dollars. The bill increases local investments and involvement in the alcohol treatment grants provided to the communities. Local investment indicates the success of the programs. The current 10% match is low. He stressed that this would be a sensible effort to increase local effort and to keep grants on the street. He concluded that at a time when State government does not have the necessary resources to continue to fully fund all these programs, it is important that the local investment and commitment come forward.

Representative Croft noted that the fiscal notes indicate approximately \$1.6 million dollars savings. He inquired if it was assumed that the communities would step up the same level of effort on alcohol services.

KAREN PEARSON, DIRECTOR, DIVISION OF ALCOHOL AND DRUG ABUSE, DEPARTMENT OF HEALTH AND SOCIAL SERVICES, clarified that the hope is that the communities will generate that additional revenue and that the services can remain the same.

Representative Croft questioned the total State effort spent on alcohol services statewide.

Ms. Pearson responded that certain programs would be held harmless at the same rate. There is not an across the board difference. Representative Croft emphasized that it is

being assumed that the municipalities would make up the \$1.6 million dollars. Ms. Pearson replied that was correct.

Representative Joule pointed out that the Legislature this year is:

- Proposing to cut revenue sharing to municipalities by 25%;
- Proposing to cut debt reimbursement; and
- Proposing more reliability on faith based programs.

He stressed that all these reductions are coming from the same pot. He warned about the stress and burden these actions would place upon the local communities.

Commissioner Gilbertson advised that the way in which the bill is structured, most of the smaller communities are exempt. He emphasized that it was not indented to "shirt the shift costs to the local government" but rather to keep the grants on the streets.

Representative Joule noted that last year, the State increased the alcohol tax. He asked how much of that was spent on drug and alcohol related problems. Commissioner Gilbertson replied that the State spent roughly \$7 million dollars of the alcohol tax package toward new programs and/or the infrastructure. He added that 50% of the total alcohol money was invested in programs.

Representative Joule recommended that the money raised from that tax should be placed back into programs related to that concern. Commissioner Gilbertson stated that the total investment in alcohol treatment programs is higher than it was in FY03 & FY04. The Administration is investing additional resources from the alcohol tax. He reminded members that there is a general fund short fall at this time and that the Department of Health & Social Services took more than \$50 million dollars in general fund reductions.

Representative Hawker referred to the fiscal note, pointing out the exclusion of the grantees that receive less than \$30 thousand dollars. He asked the mechanism used to determine that amount.

Karen Pearson explained that those tend to be the smaller program grant to schools and communities. There were five of those grants. The community based suicide prevention grants were all excluded from that, as they have no way to generate revenue. The grants tend to fall within category types. Within the treatment programs, the ones that are geared for women and youth are being held harmless because of the vulnerability of those populations.

Representative Hawker understood that some of the categories would fall under the provision listed on Page 7. Ms. Pearson replied that was correct and that the Department retains the ability to waive anytime the needed 10%. Representative Hawker noted that the Department intends to make use of that provision in certain cases. Commissioner Gilbertson agreed that was correct.

Representative Croft observed that with the communities affected by the fiscal note, the State would be spending about \$1 million dollars. To reduce that 90% to 75% would be going from \$1 million dollars when a reduction from that percentage would be leaving a change from a \$1 million dollar community effort to \$2.5 million dollars. He stressed that would be a "huge increase" for those communities. Representative Croft inquired if there was information available that the communities would be able accommodate that.

Commissioner Gilbertson acknowledged that the legislation will impact communities. He added that there is a system of programs to award grants. There are more entities looking for grants than there are grants. He added that the programs would still be offered. He stressed that the general fund savings would help the Department address the fiscal concerns. A number of grants were completely eliminated. The Department decided that instead of taking \$1.6 million dollars of grants off the table, it changed it to having more local investment. There will be better programs, better applications and more community involvement. The overall savings may be larger in the long run. Programs will be more sustainable with less volatility. He concluded that the Department had to make a decision on how to achieve the necessary general fund savings while maximizing the number of services.

Representative Croft asked if the fiscal note could be more accurate if it assumed something less than the municipalities being left with the entire obligation.

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Commissioner Gilbertson clarified that it was assumed that some of the grants would be awarded and that the Department would continue to administer the grants. He added that many of the grants would continue to be "out on the street".

Representative Croft understood those funds would be the municipal match portion of it. Commissioner Gilbertson replied that it could be an in-kind contribution.

In response to a comment by Representative Croft, Commissioner Gilbertson reiterated that the State's overall alcohol effort had increased.

Representative Croft asked if the line had been decreased in a substantial way, what would that level be. Commissioner Gilbertson responded that in the Governor's budget proposal, there is a \$3.5 million dollar additional general fund investment into alcohol treatment programs that target primarily rural juveniles who currently do not have access to treatment. Additionally, other funds have been designated for the preservation of families. Money in the Governor's budget is designated for those two populations.

Representative Croft questioned if the efforts to add increases to offset decreases had survived the majority process. Commissioner Gilbertson responded that the budget was funded from the Senate side and the moved to the House side.

ANN HOPPER, (TESTIFIED VIA TELECONFERENCE), PROGRAM DIRECTOR, FAMILY FOCUS PROGRAM, FAIRBANKS, testified in opposition to the bill. She voiced serious concerns with the increase in match for these programs. These areas are already "maxed to the brim" in terms of what they are able to afford and the quality of service that they provide. The 80% of the youth served at the community shelter that are under the age of 18 have alcohol related incidences in their lives. Ms. Hopper stressed that reducing or threatening current services will catch up with the State down the road. She encouraged that the State build upon the programs that are currently available. Taking away treatment removes the hope. If the hope is removed, she asked where would people turn. She noted that some communities have no other resources and maintained that since alcoholism is a disease, it should be considered in a medical model that addiction problems impact other portions of the budget. Ms. Hopper urged reconsideration of this issue, keeping it at the current 10% rate.

ANNETTE FRYBERGER, (TESTIFIED VIA TELECONFERENCE), EXECUTIVE DIRECTOR, FAIRBANKS NATIVE ASSOCIATION, FAIRBANKS, noted that the Fairbanks Native Association provides a continuum of care through a residential treatment center for many alcohol related problems. She noted that some programs will not be immediately affected by the increased match. She noted her support for the House Version of the bill, which implemented the increase in a gradual, stepwise fashion. She noted that programs might otherwise not be able to achieve their match. She requested time to implement the change.

SENATOR TIM KELLY, SUBSTANCE ABUSE ASSOCIATION, JUNEAU, observed that traditionally the Senate has been against this

type of funding for alcohol programs. He requested that the Committee revisit the decision to adopt the Senate version of the bill; he encouraged that the House HESS version would implement the changes over time. He speculated that a decrement of \$1.6 million would be destructive to the State of Alaska.

Co-Chair Williams MOVED Amendment #1, which would add a new section: "Section 2. This Act takes effect July 1, 2003".

Representative Stoltze MOVED a conforming title amendment, which adds the language "provide for an effective date". There being NO OBJECTION, the amendment as changed was adopted.

Representative Foster MOVED HCS CS SB 124 (FIN) out of Committee with individual recommendations and with the accompanying fiscal notes.

Representative Joule OBJECTED.

Representative Joule stated that the House HESS version of the proposed legislation was more worthwhile in that it would allow organizations to have adequate time to make the needed adjustments.

A roll call vote was taken on the motion.

IN FAVOR: Hawker, Meyer, Moses, Stoltze, Chenault,
Foster, Williams, Harris
OPPOSED: Joule, Whitaker, Croft

The MOTION PASSED (8-3).

HCS CS SB 124 (FIN) was reported out of Committee with "individual" recommendations and with fiscal notes #1, #2, #3, & #4 by the Department of Health & Social Services.
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ADJOURNMENT

The meeting was adjourned at 6:06 P.M.