

**ALASKA STATE LEGISLATURE  
HOUSE STATE AFFAIRS STANDING COMMITTEE**

January 20, 2004  
8:00 a.m.

**MEMBERS PRESENT**

Representative Bruce Weyhrauch, Chair  
Representative Jim Holm, Vice Chair  
Representative John Coghill  
Representative Bob Lynn  
Representative Paul Seaton  
Representative Max Gruenberg

**MEMBERS ABSENT**

Representative Ethan Berkowitz

**COMMITTEE CALENDAR**

HOUSE BILL NO. 241

"An Act relating to optional exemptions from municipal property taxes on residential property."

- HEARD AND HELD

HOUSE BILL NO. 337

"An Act relating to anatomical donor registries, to an anatomical gift awareness fund, to an anatomical gift awareness program, and to motor vehicle licenses and registrations."

- HEARD AND HELD

HOUSE BILL NO. 373

"An Act requiring warrants drawn by the Department of Administration against the state treasury to be negotiable instruments."

- MOVED HB 373 OUT OF COMMITTEE

**PREVIOUS ACTION**

BILL: HB 241

SHORT TITLE: MUNICIPAL PROPERTY TAX EXEMPTION

SPONSOR(S): REPRESENTATIVE(S) CHENAULT

04/04/03           (H)           READ THE FIRST TIME - REFERRALS

04/04/03 (H) CRA, STA  
05/06/03 (H) CRA AT 8:00 AM CAPITOL 124  
05/06/03 (H) -- Meeting Canceled --  
05/08/03 (H) CRA AT 9:00 AM CAPITOL 124  
05/08/03 (H) Moved Out of Committee  
05/08/03 (H) MINUTE(CRA)  
05/12/03 (H) CRA RPT 3DP 1NR  
05/12/03 (H) DP: KOTT, WOLF, MORGAN; NR: CISSNA  
01/13/04 (H) STA AT 8:00 AM CAPITOL 102  
01/13/04 (H) <Bill Hearing Postponed>  
01/20/04 (H) STA AT 8:00 AM CAPITOL 102

BILL: HB 337

SHORT TITLE: ANATOMICAL GIFTS REGISTRY  
SPONSOR(S): REPRESENTATIVE(S) MCGUIRE

01/12/04 (H) PREFILE RELEASED 1/2/04  
01/12/04 (H) READ THE FIRST TIME - REFERRALS  
01/12/04 (H) STA, HES, FIN  
01/20/04 (H) STA AT 8:00 AM CAPITOL 102

BILL: HB 373

SHORT TITLE: STATE TREASURY WARRANTS  
SPONSOR(S): STATE AFFAIRS

01/12/04 (H) READ THE FIRST TIME - REFERRALS  
01/12/04 (H) STA  
01/20/04 (H) STA AT 8:00 AM CAPITOL 102

**WITNESS REGISTER**

SHARALYN WRIGHT, Staff  
to Representative Mike Chenault  
Alaska State Legislature  
Juneau, Alaska

POSITION STATEMENT: Presented HB 241 on behalf of  
Representative Chenault, sponsor.

STEVE VAN SANT, State Assessor  
Division Of Community Advocacy  
Department of Community & Economic Development  
Anchorage, Alaska

POSITION STATEMENT: Testified on HB 241 and answered questions.

GARY SUPERMAN, Vice President  
Kenai Peninsula Borough Assembly  
Nikiski, Alaska

POSITION STATEMENT: Testified in support of HB 241 and answered questions.

REPRESENTATIVE LESIL McGUIRE  
Alaska State Legislature  
Juneau, Alaska

POSITION STATEMENT: Testified as sponsor of HB 337.

JILL STEINHAUS, Director of Development  
LifeCenter Northwest  
Bellevue, Washington

POSITION STATEMENT: Testified on behalf of LifeCenter Northwest and answered questions during the hearing on HB 337.

BRUCE ZALNERAITIS, Executive Director  
Life Alaska  
Anchorage, Alaska

POSITION STATEMENT: Answered questions on behalf of Life Alaska during the hearing on HB 337.

HEATH HILYARD, Staff  
to Representative Lesil McGuire  
Alaska State Legislature  
Juneau, Alaska

POSITION STATEMENT: Answered questions on behalf of Representative McGuire, sponsor of HB 337.

DUANE BANNOCK, Director  
Division of Motor Vehicles (DMV)  
Department of Administration  
Anchorage, Alaska

POSITION STATEMENT: Described the DMV's role regarding organ donations, during the hearing on HB 337.

KIM GARNERO, Director  
Division of Finance  
Department of Administration  
Juneau, Alaska

POSITION STATEMENT: Testified that the Department of Administration has no trouble with HB 337.

#### **ACTION NARRATIVE**

**TAPE 04-04, SIDE A**  
Number 0001

**CHAIR BRUCE WEYHRAUCH** called the House State Affairs Standing Committee meeting to order at 8:00 a.m. Representatives Holm, Seaton, and Weyhrauch were present at the call to order. Representatives Lynn, Coghill, and Gruenberg arrived as the meeting was in progress.

HB 241-MUNICIPAL PROPERTY TAX EXEMPTION

[Contains discussion of SB 36.]

[Tape didn't record for the first 30 seconds, but no testimony was lost.]

Number 0067

CHAIR WEYHRAUCH announced that the first order of business was HOUSE BILL NO. 241, "An Act relating to optional exemptions from municipal property taxes on residential property."

Number 0110

SHARALYN WRIGHT, Staff to Representative Mike Chenault, Alaska State Legislature, presented HB 241 on behalf of Representative Chenault, sponsor. She informed the committee that HB 241 has two provisions, one of which is to give municipalities an option to provide an exemption on residential property taxes. It does not affect taxes levied in a service area. Under current law, municipalities may exempt up to \$10,000 of the assessed value on any single residential property. She listed the five municipalities that offer this exemption: Bristol Bay Borough, Kenai Peninsula Borough, Fairbanks Northstar Borough, North Slope Borough, and the City of Valdez. The second provision is to increase the tax exemption on real property from \$10,000 to \$20,000 for volunteer firefighters or emergency medical services personnel. She deferred further statements to Gary Superman, Vice President, Kenai Peninsula Borough Assembly, who was participating via teleconference.

CHAIR WEYHRAUCH asked Ms. Wright who really wanted this bill, that is, what are some of the more factual developments regarding why this bill came about. He asked why this bill is coming before the legislature now as opposed to earlier.

MS. WRIGHT, in response, said the Kenai Peninsula Borough Assembly passed a resolution in 2003 that requested

[Representative Chenault] submit this bill. She said she thought Mr. Superman is more qualified to answer that question.

CHAIR WEYHRAUCH asked Ms. Wright if the [five boroughs previously mentioned] had any comments to make about the bill.

MS. WRIGHT remarked, "None that we've been apprised of." She said the bill only gives the municipalities the authority, and it is her understanding that everyone has to have a vote of the people before that can increase. She said it only gives the municipalities the authority to do so.

Number 0380

REPRESENTATIVE HOLM said he served on the Fairbanks Northstar Borough Assembly, and Ms. Wright is correct. He said he'd recently had a discussion about this [same subject], and in that discussion he was told the second part of this bill is important because it will provide the ability to give a reduction for volunteer firefighters for taxation. He said this is no different than what is done for senior [citizens]. Representative Holm said it is his understanding that Title 29 does not allow "us" to give any exemptions as boroughs, without the state's authority. He remarked, "We really care about this, but we care about it because of the fact that we can't do it under Title 29, as I understand it."

CHAIR WEYHRAUCH said he has two issues with the bill, one of which is the State of Alaska's "fiddling" with municipal exemptions. The other issue is in regard to the [possible] long-term impact to other communities by doing this. He asked if the Alaska Municipal League (AML) has looked at this from a more global perspective, and whether it has any analysis or comment.

MS. WRIGHT answered not that she is aware of. She said one of the prime parts of this bill is that it gives incorporated municipalities the authority to do this, not any of the villages; therefore, it would impact the state's urban areas. Ms. Wright said passing HB 241 does not mandate that this happen, rather it gives the local assembly the authority to be able to do this. She said Representative Holm correctly pointed out that Title 29 does not "give us that authority" at this point. Municipalities would have the option to do it if there is a tax surplus, if people have a disaster, or for whatever reason, she explained.

CHAIR WEYHRAUCH asked about increases in the exemption amounts. He asked if there was any reason that those increased exemption amounts were picked, and if there is a study that exists that justifies those numbers.

MS. WRIGHT deferred the question to Mr. Superman. She said it was not something the sponsor was involved in.

Number 0660

CHAIR WEYHRAUCH said that when the legislature addresses the permanent fund dividend (PFD), it never seems to be able to say no to anyone who requests a PFD check to be sent out of state. He asked why this kind of exemption is limited to firefighting services and medical services. He asked why this exemption does not include people [in other capacities].

MS. WRIGHT stated her belief that the Kenai Peninsula Borough already gives tax exemptions to volunteer firefighters. She suggested this may be part of an emotional response to other things that "we" have no control over. She deferred the question to Mr. Superman, and she said she is not absolutely certain of the facts behind this particular exemption.

CHAIR WEYHRAUCH asked if it was appropriate for local legislators, local bodies, and local people to identify what exemptions they may want as opposed to a legislature figuring out what sort of exemptions may exist. He asked why this is not opened up to everyone so the municipalities could decide.

MS. WRIGHT offered her belief that this was a choice that should be made on a local level, and she said it was something that the [Kenai Peninsula Borough Assembly] had requested.

CHAIR WEYHRAUCH asked if she was referring to the global exemption choice or just these specific exemptions.

MS. WRIGHT, in response, said these specific exemptions. She said the supporting documents and resolution were passed by the Kenai Peninsula Borough Assembly on 04/01/03. Ms. Wright deferred the question about the reasoning behind the bill to Mr. Superman.

Number 0900

REPRESENTATIVE GRUENBERG said it seemed to him that the main thrust of the bill was to increase the amount of the exemption,

although the fiscal note completely omits any discussion of that.

REPRESENTATIVE HOLM said this bill only has to do with the taxation of the borough and of people within the borough. He said it has nothing to do with the state.

REPRESENTATIVE GRUENBERG said the analysis in the fiscal note omits any mention of that. He said that, as a matter of policy, when the administration prepares a fiscal note, it should analyze the piece of legislation in front of it. Representative Gruenberg said he is choosing this bill because it seems that this particular fiscal note doesn't talk about the main part of the bill.

Number 1020

STEVE VAN SANT, State Assessor, Division Of Community Advocacy, Department of Community & Economic Development (DCED), in response to a question from Chair Weyhrauch, said the fiscal note from DCED is a zero fiscal note, and that it is his belief that the Department of Revenue has a fiscal note that shows a possible impact of close to \$2 million. He said that impact comes from the possibility of all [five] municipalities increasing the exemption from \$10,000 to \$50,000. He remarked, "It could take about \$2 million from oil and gas revenues that currently go to the state and put them back" ... Mr. Van Sant said this bill basically shifts the tax burden from residential properties to other properties.

REPRESENTATIVE HOLM said it is his understanding that the shifting of the burden of that taxation is not specifically enumerated because "we have no idea where they would be able to do that or when they would do it at any given point in time."

MR. VAN SANT, in response, said that's correct. He said [it isn't clear] whether [municipalities] are going to increase the exemption, and the only thing that the Department of Revenue could do was give an estimate. He said if it was increased to the total amount, it could [total] \$1.8 million.

CHAIR WEYHRAUCH told Mr. Van Sant that the committee did not have [the Department of Revenue's] fiscal note.

Number 1154

MS. WRIGHT said this issue is being worked on, and the \$1.8 million fiscal note is not correct and was not supposed to be discussed today.

Number 1188

REPRESENTATIVE LYNN asked if there was anything at all in HB 241 that could set some kind of precedent that could lead to the elimination of the current senior property tax exemption and/or the disabled veteran's property tax exemption.

MS. WRIGHT said it is not the intent of this piece of legislation to do anything like that. She said to the best of her knowledge it's not attached, and it does not and will not affect any senior exemption at all.

Number 1264

REPRESENTATIVE GRUENBERG asked, on behalf of Representative Berkowitz who could not attend the committee meeting, if Ms. Wright could please explain why there is a restriction on this exemption with respect to funding special services in [lines 6-8 of the bill]. He asked for the reason behind the exemption for special service areas.

MS. WRIGHT said it was her understanding that this exemption would not affect the taxes for special services areas.

REPRESENTATIVE GRUENBERG said he understands what the bill does, the question is why.

MS. WRIGHT said it is her belief that "we" can't do that by law. She deferred the question to Mr. Superman. Ms. Wright remarked, "We can't, without an additional special vote, affect the [millage] rate that affects those special services areas."

REPRESENTATIVE GRUENBERG said if that's the case, the question is if [the legislature] is giving the municipality the power to exempt one type of tax, why not a tax for these other purposes if they so choose. He said it would seem to be in line with the policy behind the bill. Representative Gruenberg said he didn't see anything in Kenai Peninsula Borough Resolution 2003-035 that would request this kind of an exemption for special services. He asked, "How did that get in here from this resolution."

MS. WRIGHT deferred the question to Mr. Superman.

CHAIR WEYHRAUCH said the committee was not going to go into the fiscal note prepared by the Department of Revenue. He stated his understanding that the fiscal note from [DCED] is what is before the committee.

MS. WRIGHT said the last fiscal note is something that was brought up recently and is not something that [the sponsor] has had the opportunity to discuss with the Department of Revenue.

Number 1535

REPRESENTATIVE SEATON brought attention to page 2, line 4. He said it was his understanding that in addition to the \$50,000 exemption in the first provision, there could be two additional exemptions per household of \$20,000 each in the second provision, which would be a total of \$90,000 in property tax exemptions that the municipality could apply.

MS. WRIGHT said she thought his understanding was incorrect, but she would defer the question to Mr. Superman. She said she thought that was a cumulative effect, and if [Representative Seaton's understanding] is correct, it's not the intent of the bill.

REPRESENTATIVE SEATON said he would like it clarified that the bill isn't saying that volunteer firefighters get \$20,000 when everybody else gets \$50,000.

REPRESENTATIVE GRUENBERG said this goes back to "the fiscal note that cannot be named." He said this seems to be the last committee of referral and normally if there is a fiscal note of any consequence, the bill has to go to the House Finance Committee. Representative Gruenberg said it sounds like there is a fiscal note in progress somewhere. He said, as matter of procedure, if [the fiscal note] subsequently becomes attached and is passed from the last committee of referral onto the "floor," how can [the committee] be sure that the bill would then go to the House Finance Committee. He said he had never seen this [happen].

Number 1678

CHAIR WEYHRAUCH said Representative Lesil McGuire had a bill last year that gave an exemption to the Peace Corp; it passed out of committee without a fiscal note and, before it went to the floor, it picked up a fiscal note. He said [the bill] was given a House Finance Committee referral and then went to the

floor; therefore, it has happened. He added that it happened to one of his bills as well.

REPRESENTATIVE GRUENBERG asked if the leadership would pick that [bill] up and refer it.

CHAIR WEYHRAUCH said every time it does "we" unfortunately get another referral.

REPRESENTATIVE GRUENBERG remarked, "We won't escape."

CHAIR WEYHRAUCH said it didn't escape in those two instances, but he didn't know if anyone would guarantee it wouldn't escape in a instance.

MS. WRIGHT said she appreciated Representative Gruenberg's concern about [the fiscal note]. She said [the sponsor] wasn't happy when the Department of Revenue came in with a fiscal note three days ago, and she didn't think the department had a good understanding of what this bill does. Ms. Wright said she wasn't sure if it was clear [to the department] that it wasn't very fair to [surprise the sponsor] with a fiscal note three days before a hearing. She said although she deeply appreciated the committee's time, [the bill] needed to get a hearing in this committee, and that is exactly what was done.

CHAIR WEYHRAUCH indicated that the reason for calendaring this [bill] as soon as possible is because it gives the agency some time to do the work.

MS. WRIGHT remarked, "Exactly."

Number 1794

GARY SUPERMAN, Vice President, Kenai Peninsula Borough Assembly, noted that he had [testified last year] on SB 36, which is basically the Senate's [version] of this bill, although it is a little bit different. He said Representative Chenault fit the verbiage in the bill that excludes the service area taxation. Mr. Superman said he thought the reason that [HB 241] is much more complete than [SB 36] is that the intent is to allow that exemption to come off the borough's general government services mill rate levy. For instance, he said the Nikiski borough has a six and a half mill levy for general borough government services. In addition, there are numerous service areas that are tacked on to it. Those service areas throughout the boroughs are instituted by a vote of the people. He said the

intent is not to take those much needed service revenues and deplete them from their current budgets.

MR. SUPERMAN explained that the Kenai Peninsula Borough currently has a unique situation in comparison to some other boroughs; although he is not intimately involved in what the general fund balances are in other boroughs. He said the Kenai Peninsula Borough currently has anywhere from \$20-\$23 million in its fund balance. He noted that he expected those funds to be depleted in the "not too distant future." Mr. Superman said the reason that this [bill] was brought forward was to essentially provide another "tool" to work in the borough's own budgetary process. He said the borough had seen an increase in taxable assess valuation for the last 5-6 years.

MR. SUPERMAN said it averages a 5 percent increase per year with that valuation, which equates to approximately a couple hundred million dollars per year in total valuation. He said a consequence of that is that there has been a considerable increase in tax liability for those homeowner's within the borough. Some people have seen their tax rates, for all intents and purposes, double within that time period, he explained. Mr. Superman said as a reflection of that, the borough is seeing its board of equalization rolls fill up more as time goes by. He said last year was the fullest schedule he'd seen, and he'd been on the assembly for two terms, once in the late 1980s and again more recently.

Number 2030

MR. SUPERMAN said he thought there would be more requests for some kind of a tax relief at the local level, which doesn't mean if this bill is passed that it is a done deal. He said it essentially brings it back to the assembly to put it back out to the public for a vote. He remarked, "Whether you think that's a done deal or not if it went to a vote, I don't know; I don't make assumptions anymore." Mr. Superman said he thought it would become a political debate at the assembly level. He reiterated his belief that the main purpose of the bill is to provide the borough with another tool, and he said the borough is seeing more liability at the local level.

MR. SUPERMAN said a proposition passed this year for a hospital in the borough, which will increase the [millage] another half a mill. He explained that there will be a proposition going out in a special election in March that will ask the people to vote on a half a mill increase to fund co-curricular activities

within the school district. He said this is something that is outside the cap, and a lot of residents are beginning to see some very harmful effects with their tax bills. Mr. Superman said he had always been a proponent of trying to keep taxes at a steady rate for a couple of different purposes. Mainly, he said it helps economic growth and helps people to move to the area. It helps people to raise their children in the area and put those children in local schools. He noted that the borough is in desperate need of schools at this time.

MR. SUPERMAN said a big plus is a good, fair tax rate, and if the borough does not have this tool at its disposal, he thought residents would see some horrendous climbing in their tax bills. He said the AML has supported this in the past, but he couldn't say whether it was in the policy statement this year. Mr. Superman said Senator Gene Therriault had introduced a bill in 2000 that essentially had the same effect as this bill, and although that bill did not pass it is something that has been "tossed around" for some time now. He noted that there had been a few legislators who have tried to push it through.

Number 2200

REPRESENTATIVE HOLM asked Mr. Superman if it is his opinion that HB 241 allows these potential exemptions without affecting the individual landowner's options of voting themselves a tax liability for whatever services that they want to pay for.

MR. SUPERMAN indicated he did not understand the question.

REPRESENTATIVE HOLM said Title 29 [provides] the [borough] with the opportunity to tax itself for whatever it wants done within that service area. He indicated that [HB 241] is "over" the broad taxation power of a borough under Title 29. Representative Holm said in this case "we're" not changing that, or "we're" specifically saying in HB 241, which was not in SB 36, that service areas are exempted from this limitation of taxation.

MR. SUPERMAN said that is the intent here, although it may require some additional verbiage to make that perfectly clear.

CHAIR WEYHRAUCH called attention to the proposed language in lines 6-8 of the bill, and he asked Mr. Superman what "special services" meant.

MR. SUPERMAN said it is his belief that that's just an illusion of the services that the service area provides, whether it's recreational services, senior services, or fire services. He said [the language] is just alluding back to the services.

Number 2309

REPRESENTATIVE SEATON said it was his understanding, for example, that if there was a half a mill in library service tax or fire service tax, with the \$50,000 exemption to the borough tax, that would not apply. He asked if, at some rate, a half a mill in service area taxes might equal or exceed the six-mill borough property tax.

MR. SUPERMAN, in response, said correct; that could happen. He said [Kenai] is very close to that in some areas of the borough now.

REPRESENTATIVE SEATON, in regard to Mr. Superman's comment that Kenai's reserve account will be depleted in the near future, asked if the assumption is that if [revenues] didn't come from the state, [the Kenai Peninsula Borough] would be more likely to pass an increase in the millage rate than an elimination of this \$50,000 individual residential property tax.

Number 2385

MR. SUPERMAN remarked, "This, by no means, is any cut at our assessor within the borough - I think he does a fabulous job." He said there has been an increase averaging five percent across the board in the taxable assessed value within the peninsula. Mr. Superman noted that he is not speaking for the entire assembly, and he said he didn't know which way [the assembly] would go with regard to an increase in the general government mill rate. He indicated he was unsure whether the assembly was going to add the extra mill this year. Mr. Superman said, essentially, with that growth in "our" assessed valuation, it somewhat mitigates the loss with this extended exemption. He said this was passed unanimously on the consent agenda, and he thought it was the assembly's intent to try to keep the residents of Kenai in the borough.

REPRESENTATIVE SEATON brought attention to the fiscal note, and he said it seemed to him, as a resident of the borough, that if the issue was put to a vote, he would be much more likely to increase the millage rate, which is going to basically apply to the oil assets within the borough instead of eliminating or

reducing the exemption on individual houses. He said because Mr. Superman is anticipating the depletion of the [borough's] reserve account in the near future, it seems that that is a necessity, which would therefore shift the tax to the higher valued properties - the oil properties - and then would basically take that percentage away from the state's revenue. He asked if that assumption was correct.

MR. SUPERMAN said he thought that is an assumption that he is really not making, although that is an assumption that some people are making. He said that within the borough there is an approximate \$4 billion in assessed valuation, and just a little over \$6 million of that is "4356" property. There are oil-related real properties that account for approximately 30 percent of that total. He said if the mill rate was increased, with that in mind, "they're" not going to be carrying the whole burden of this.

Number 2757

CHAIR WEYHRAUCH asked if there is an inconsistency in Mr. Superman's comment that there is more liability at the local level and residents are looking for tax relief, but at the same time residents are voting [for] projects that increase their tax bills. He asked if that issue is being addressed through this bill.

MR. SUPERMAN said there are always inconsistencies with public votes.

CHAIR WEYHRAUCH said the committee would take this bill up again in a week and would hear from the Department of revenue.

REPRESENTATIVE GRUENBERG said that, as a member of the House Special Committee on Ways and Means, he is extremely concerned. He said as he understands it, there is an impact on this because it will potentially shift the burden to property that would otherwise be taxed by the state and would thereby reduce the state's revenue at a time of a significant fiscal crisis in Alaska. Representative Gruenberg suggested that this bill should probably be heard by the House Special Committee on Ways and Means, and he may make that recommendation. He said he knows that Mr. Superman and [the Kenai Peninsula Borough's] taxpayers do not want to pay taxes, which nobody does, but [the legislature] has to look out for the state's interests too.

Number 2633

REPRESENTATIVE SEATON brought attention to the exemption provisions in the bill. He asked if it is correct that the bill could possibly provide a \$90,000 exemption.

MR. SUPERMAN said he thought the intent was to make the "lid" at \$50,000. He said he could appreciate Representative Gruenberg's comments that nobody likes to pay taxes, and he thought he was speaking for the people [in the Kenai Peninsula Borough] who do pay plenty of taxes. He said he personally pays plenty of taxes on his home and a couple of businesses. Mr. Superman said the intent is not to "divorce ourselves" from that liability and that obligation, but people are beginning to cry out for some type of local tax relief. He said he can understand the predicament that the state is in, and if the state continues off-loading to the lower levels, more of these types of request from the taxpaying constituency would be seen. Mr. Superman remarked, "All we are asking for is to have this tool ... at our disposal. Whether ... it will be used no one knows at this point; that is a political question."

[HB 241 was heard and held.]

#### HB 337-ANATOMICAL GIFTS REGISTRY

[Contains discussion of HB 25.]

Number 2743

CHAIR WEYHRAUCH announced that the next order of business was HOUSE BILL NO. 337, "An Act relating to anatomical donor registries, to an anatomical gift awareness fund, to an anatomical gift awareness program, and to motor vehicle licenses and registrations."

Number 2758

REPRESENTATIVE LESIL MCGUIRE, Alaska State Legislature, as sponsor of HB 337, opined that, along with Representative Bruce Weyhrauch's HB 25, HB 337 is one of the most important bills the legislature will consider this year. The proposed legislation will authorize the creation of an organ donation registry.

Number 2808

REPRESENTATIVE SEATON, upon request of the chair, moved to adopt the committee substitute (CS) for HB 337, Version 23-LS1257\Q,

Bannister, 1/19/04, as a work draft. [There being no objection, Version Q was before the committee.]

Number 2820

REPRESENTATIVE McGUIRE referred to the sponsor statement and noted that there are currently over 85 Alaskans awaiting organ donations. Organ donations save lives, she said, and HB 337 is an attempt at making the saving of lives easier. Currently, when an individual goes into the Division of Motor Vehicles (DMV), he or she may fill out a donor card and receive a sticker that is then affixed to that person's driver's license. She indicated that many people think that [the act of filling out that card and receiving that sticker is all they need to do]; however, that act does not officially put them in the anatomical donor registry system. She added that this widely misunderstood fact is sad because it results in lives being lost, because many valuable gifts are not realized. Representative McGuire said that unless people have their driver's license or state identification with the [sticker] on it with them at the time of their death, there is a good chance that their wishes will not be realized in time for an organ donation to be made.

Number 2874

REPRESENTATIVE McGUIRE told the committee that HB 337 mirrors recent moves by the states of Washington and Montana toward creating a central registry that is kept by the DMV. The way this works, she explained, is that a person would go into the DMV and make an informed consent signatory that will recognize his or her wishes and automatically register him or her into the organ donation system. She clarified that this is an individual's choice and is completely voluntary. Representative McGuire outlined the following choices an individual would have concerning this issue: not register at all; get a donor card and sticker without being registered; or register with Life Alaska or online through LifeCenter Northwest. She explained that Life Alaska is the organ donation bank for the state of Alaska.

REPRESENTATIVE McGUIRE turned to the language on page 4, [lines 6 and 7], which provides for a penalty for a person who knowingly violates the dissemination of this information.

REPRESENTATIVE McGUIRE revealed that she has met with many folks who have been the recipients of organ transplants who are living

healthy, happy lives. Those people are grateful for this legislation, she said.

**TAPE 04-04, SIDE B**

Number 2976

REPRESENTATIVE McGUIRE stated her belief that, as a result of legislation [in the State of Washington], approximately 80 percent of those who have gone to that state's DMV have decided to add their names to the organ donation registry. Currently, 90 percent of all the people who make some indication that they want to become an anatomical donor [do so at] the Division of Motor Vehicles. She clarified that many of us may think about becoming anatomical donors, but actually going out to Life Alaska or going online is "a whole 'nother step for many of us." She indicated that many people think about this issue for the first time when they come into the DMV, and [that's when they make their wishes known]. She stated that one of the most important things about making these kinds of decisions is that they be done with clarity, so that those who are left behind understand what it is that their deceased loved ones want done. HB 337 would make it possible for people to [sign] an informed consent in the DMV.

REPRESENTATIVE McGUIRE offered to answer questions from the committee. She noted that there are others available to answer questions, as well. In particular, she said that she wants to publicly thank Duane Bannock from the DMV for his cooperation.

REPRESENTATIVE McGUIRE added that HB 337 also makes a provision for the DMV to collect one dollar from those individuals who choose to donate it for the purpose of promoting the donation of [organs]. She said this [dollar donation] will go a long way toward: helping Life Alaska promote awareness about organ and tissue donation, helping in [the cost of] the preparation of the documents that will be disseminated at the DMV, and underwriting the cost of the registry itself. She stated her hope that HB 337 will end up funding itself.

Number 2828

REPRESENTATIVE HOLM questioned the functionality of the bill in a state that is so vast and so difficult to get around in. He stated his understanding that Life Alaska is a great program, and he revealed that he is a tissue and organ donor who has [a sticker] on his license. He asked what the practical aspects of this are in Alaska. He stated that, in Alaska, the odds of

someone getting a heart transplant with any speed probably would be "next to nil."

Number 2788

REPRESENTATIVE MCGUIRE stated that there is no better place than Alaska for all the reasons that Representative Holm just cited. Creating a central registry that can be accessed online is something that "we're hoping to do here," she said. Because of the vast geographical diversity of Alaska, it is difficult to access information. She stated that [the intent of the bill] is to allow healthcare providers to go to a central registry in a timely manner. As to the second part of Representative Holm's question regarding how likely it would be for an Alaskan to receive a heart transplant from another Alaskan, she said she cannot speak to the specifics on that. However, she noted that things like corneas and ligaments are widely used and given from one Alaskan to another. She stated that she thinks the prospect of having that available is exciting.

REPRESENTATIVE MCGUIRE reemphasized that unless a person has his or her driver's license on them at time of death, it is impossible for a healthcare facility to carry out that person's wishes, unless the deceased person's spouse, for example, knows with absolute certainty that he or she wanted to be an anatomical [organ] donor.

REPRESENTATIVE HOLM revealed that his brother died at 38, and a boy in Houston, Texas, received "a kidney." He clarified that his question had been more about whether there are any facilities in Alaska that do "these types of operations." He stated his understanding that heart transplants are not done in Alaska, for example.

Number 2646

CHAIR WEYHRAUCH shared that he knew of one instance where an infant in Juneau [died] after birth and the heart kept another infant in Texas alive.

Number 2602

REPRESENTATIVE LYNN noted that, whereas Representative Holm has a sticker on his license, he has a card. He asked if it was the same thing.

REPRESENTATIVE McGUIRE explained that the DMV in Anchorage, for example, gives the opportunity to get both [a card and a sticker]. Both serve as one indication of a person's wish. That information is only on the license and is not [in a central location, such as Life Alaska]. She stated, "The law today does not allow for that information to go anywhere." The proposed legislation is necessary to allow for the legal transfer of information from a state agency to a nonprofit organ and tissue bank. Representative McGuire repeated the previously mentioned three options [for people choosing whether or not to be organ donors]. She expressed her hope that people will choose to register [with Life Alaska or online with Life Center Northwest]. In response to a follow-up question from Representative Lynn, she reconfirmed that there is no linkage between [having a card or sticker on a license] and "any kind of system."

Number 2490

CHAIR WEYHRAUCH asked if it is true that, currently, a person is not considered an organ donor unless he or she opts in to the system.

REPRESENTATIVE McGUIRE answered that's correct.

CHAIR WEYHRAUCH asked if HB 337 would change that to a person being in the organ donor system, unless he or she opts out.

REPRESENTATIVE McGUIRE clarified that it is voluntary to opt in. Furthermore, HB 337 would add a provision to allow a person to remove him or herself from the registry. She noted that that provision is found on page 3, [lines 5-10], and it read as follows:

**Sec. 13.50.140. Notification of cancellation.** (a) A donor whose motor vehicle document information is on a registry shall notify a procurement organization of the destruction or mutilation of the motor vehicle document or revocation of the gift under AS 13.50.050 in order to remove the donor's name from a registry. If the procurement organization that is notified does not maintain a registry, the organization shall notify all procurement organizations that do maintain a registry.

REPRESENTATIVE McGUIRE noted that there are other systems in existence that make it so a person is [automatically] in that

system unless he or she opts out, but she emphasized that she would never advocate for that regarding this issue.

Number 2444

REPRESENTATIVE GRUENBERG suggested another more prevalent and widespread manner in which to get the message out would be to include a way to register [as an organ donor] in the application for the Alaska permanent fund dividend (PFD). He asked if Representative McGuire would consider that.

Number 2320

REPRESENTATIVE MCGUIRE stated that that possibility had been a consideration and she is not opposed to it; however, she chose to go forward with legislation that mirrored the models in Washington state and Montana, because they have been tested and are easily understood. She maintained that it might be easier, given that it is the second year of the Twenty-Third Legislative Session, to get this legislation on the books and allow it to go forward now, and consider "expansion" at a later date and time.

Number 2313

REPRESENTATIVE GRUENBERG pointed to a letter from [Theresa L.] Bannister, [Legislative Counsel, Legislative Legal and Research Services], dated December 23, [2003, included in the committee packet], which he said refers to Section 13.50.160, subsection (d) - an "anti-sweep" provision. He turned to page 4 [of Version Q] and noted that the language there says that the money can go into the fund without further appropriation, but there is no anti-sweep language contained therein. He suggested that that may be something that could be taken up in the House Finance Committee.

REPRESENTATIVE MCGUIRE responded that HB 337 does have a referral to the House Finance Committee and she is looking forward to that hearing to discuss the idea of the fund itself and how that will work.

Number 2220

REPRESENTATIVE GRUENBERG turned to the issue of privacy, and mentioned [AS] 13.50.110. He questioned how to ensure that Alaska's privacy concerns will be honored by those organizations that are not bound by Alaska State law, particularly when there is communication with procurement organizations in other states.

He asked if [the legislature] can make a condition of information and organ transplant transfer that if [other states not bound by Alaska State law] participate with Alaska, they will honor Alaska's privacy requirements.

REPRESENTATIVE McGUIRE brought attention to page 2, line 19, which read, "(b) A registry must include only residents of this state." She noted that one of the reasons for the penalty language in the proposed legislation is over concerns regarding the privacy issue. In response to a comment by Representative Gruenberg, she stated that one of the difficulties in a bill such as this is to avoid micromanaging or hindering the transfer of information [when] the result [could be] a loss of life. At the same time, she added, "You want to make it abundantly clear that the privacy of the folks in the registry needs to be maintained." She defined it as a delicate balance.

REPRESENTATIVE GRUENBERG stated, "Normally, when you create a crime, ... it picks up a fiscal note."

REPRESENTATIVE McGUIRE opined that it would not be a large fiscal note. She said she could not imagine [that] many people would be prosecuted for this.

Number 2017

CHAIR WEYHRAUCH turned to page 1, [lines 11 and 12], which read as follows:

**Sec. 13.50.090. Short title. AS13.50.010 -  
13.50.090 [THIS CHAPTER] may be cited as the Uniform  
Anatomical Gift Act.**

CHAIR WEYHRAUCH asked if Alaska has a Uniform Anatomical Gift Act, and he asked Representative McGuire if she can address that issue.

REPRESENTATIVE McGUIRE answered that Alaska does have that Act, which is contained in statute, beginning with [AS]13.50.010. The [proposed] CS for HB 337 picks up a portion of that and makes changes; therefore, [AS 13.50.080 and AS 13.50.090] are changes to that Act. She indicated "13.50.100" and said, "In fact that's new language." To clarify, she stated that this bill would become a part of the Uniform Anatomical Gift Act. For the record, Representative McGuire read the revisor's note under that Act.

Number 1859

JILL STEINHAUS, Director of Development, LifeCenter Northwest, first addressed the issue of privacy and the transfer of information. She assured the committee, "We've been through this process in both Washington [state] and Alaska in the 2003 legislative session." She noted two things: First, as previously mentioned by Representative McGuire, there are privacy concerns noted in the bill and a penalty for misuse of the information, which would be strongly followed by the procurement organizations in Alaska. Second, [LifeCenter Northwest] organizations are held to the same privacy and confidentiality standards as the hospitals; those standards are known as the HIPAA [Health Insurance Portability and Accountability Act] standards, under the federal government. There are stringent requirements regarding the transfer of information and [LifeCenter Northwest's] role in that. Privacy concerns are of the utmost consideration, she stated, and Alaska's private information would not be shared with other procurement organizations throughout the United States.

MS. STEINHAUS mentioned Representative McGuire's previous comment that 85 individuals in Alaska are waiting for lifesaving organ transplants. On that note, she told the committee that in the last two months of 2003, [LifeCenter Northwest] facilitated 135 organ donors in the state of Washington. One hundred and six of those donors were the direct result of the donor registry system. She added, "So, we've seen great success and a significant increase in the number of lives saved."

Number 1725

REPRESENTATIVE WEYHRAUCH revealed that he does not have an organ donor card, while Representative Lynn [has a card] and Representative Holm [has a sticker]. He asked how the bill would help current organ donors and how it would help people who are not yet donors.

MS. STEINHAUS responded that HB 337 will streamline the process for an individual who has already made that decision. Because there will not only be the DMV as an access point, but also Life Alaska, LifeCenter [Northwest] and a web-based system, people throughout the community who have not yet made the decision to donate organs and tissues may obtain information from any of those places and, in their own time and space, can document their wishes in a way that is easiest and most accessible for them.

Number 1615

CHAIR WEYHRAUCH offered a hypothetical situation, whereby a person has made a decision to be an organ donor, but his or her spouse disagrees with that intent. He asked what HB 337 would do to address that situation.

MS. STEINHAUS replied that that is not an uncommon situation. She said the answer is twofold: First, if two people can say, without doubt, that the individual who has died had actually changed his or her mind and no longer wanted to be a donor, then the procurement organizations would not move forward with the process. Second, if a spouse simply disagrees with the now-deceased person's decision, but acknowledges that it was in fact that person's decision to be a donor, then members from Life Alaska and LifeCenter Northwest procurement organization will counsel members of the family and answer any questions that they may have, and help that person feel secure in the decision that the individual who has passed has made. This supports that individual's wish and supports the family through the grief process. She stated that that has been found to be a very successful [process], and often times a family's reluctance to move forward with the donation process is less about a disagreement with the decision to donate and more about "a disagreement with the process of death."

CHAIR WEYHRAUCH asked Representative McGuire if she disagrees at all with Ms. Steinhaus's assessment.

Number 1460

REPRESENTATIVE MCGUIRE answered, "I do not disagree, as a matter of fact." She stated that these are delicate matters that occur regularly. She noted, "That is currently the state of the law, regardless," and she indicated that HB 337 would help clarify the issue.

CHAIR WEYHRAUCH mentioned "the five wishes" and HB 25. He described a real-life situation that occurred in Florida, where a woman indicated the desire to donate her organs and she went into a coma. The parents disagreed with the spouse's decision and the legislature indicated that her feeding had to continue. He noted "a lot of times, bad facts make bad law." He asked how a situation would be dealt with when, for example, the husband and sibling of a victim support that victim's decision to be an organ donor, while the parents do not.

REPRESENTATIVE MCGUIRE noted that Ms. Steinhaus's previous statement regarding two individuals standing against a victim's being an organ donor was only in the situation where those two people had proof that the victim had actually changed his or her mind, not in the situation where those two people disagreed with the victim's choice. She surmised that in the former situation, the two people would have to supply written documentation or oral testimony that's "consistent with one another."

CHAIR WEYHRAUCH suggested that the factors that would be weighed on a case-by-case basis would include: who is closest to the person who [registered to be a donor], how recently was the change in direction made, how credible is the kind of testimony, what sort of characteristics do "these people" have, and how did they get the information.

REPRESENTATIVE MCGUIRE said that's absolutely right.

Number 1260

REPRESENTATIVE SEATON asked what effect a person's having a durable power of attorney might have.

REPRESENTATIVE MCGUIRE prefaced that she is not an expert in this area of law; however, she offered that her gut instinct was, "You better make sure your durable power of attorney is clear as to what matters they have power over." She applied this to anatomical donation and do not resuscitate orders, for example. She added, "You certainly don't want them trumping your opinion."

Number 1186

REPRESENTATIVE COGHILL asked if people would just [be told about registering] the next time they reapply [for a license], or if they will be notified [sooner].

Number 1170

REPRESENTATIVE MCGUIRE stated that Duane Bannock is a good resource regarding this subject. She noted that one exciting factor is that [DMV] will be converting to a digital licensing system. She explained that there will be a forced expiration on that, so that "everybody will have been through the system within 10 years." She admitted that 10 years is a long time. She indicated that Life Alaska would be making a public advocacy

campaign. She shared her hope that any discussions the legislature has regarding HB 337 and any coverage thereof will "raise this to the issue," to let people know that the sticker on their license and the card in their wallet would be better served if they were part of the registry.

Number 1041

REPRESENTATIVE GRUENBERG stated that it would seem if there was a durable power of attorney or a living will and it was "later in time than the organ donor card," then "that would prevail." He explained that, usually, in probate "it's the last expression of the deceased."

REPRESENTATIVE MCGUIRE agreed. She stated that that's why she thinks it's so important that a person be clear when executing these types of indications of his or her will. She said there are only a few hours to get a donated organ to the person that needs it, which is why this issue is so important.

REPRESENTATIVE GRUENBERG opined that, at some point, [the legislature] needs to consider whether there needs to be a central registry for people's last wishes.

Number 0950

BRUCE ZALNERAITIS, Executive Director, Life Alaska, told the committee that that organization began a voluntary donor registry in August of 2001, at which time it collected information - mainly from the DMV - through cards completed by patrons and sent back to Life Alaska. He said that [the information on those cards] was then entered by hand on a computer database. That database has grown since then and is now exceeding 53,000 Alaskans in the voluntary donor registry. He explained that although a registry exists, the mechanism by which it's completed and maintained is cumbersome. He stated his belief that HB 337 would address "a streamlining of that effort."

MR. ZALNERAITIS told the committee that he has been [involved] in organ and tissue donation [matters] for 28 years and has come to know both the tragic circumstances of loss and the benefits and successes of transplantation. He stated that it is known - through surveys, polls, and campaigns - that most people in the United States would like to be donors. However, it is also known that when family members are not aware of their loved one's wish at the time of death, there is not the same rate of

consent "as would be the case in the first person," because they are many times reluctant to make a decision on behalf of that loved one if they do not know his or her wish. Having a first-person consent registry [allows] individuals to affirm their desire to be a donor, provides for readily retrievable information through electronic means, and lets those family members know the wishes of their loved one who has died suddenly. He added, "And it is this mechanism that we find is one of the most beneficial aspects of a registry."

Number 0650

REPRESENTATIVE GRUENBERG told the committee that he wears a lapel pin in the shape of a ribbon, that stands for organ donation. He offered his understanding that that pin had been put out by the federal Department of Health and Human Services. He asked if it would be possible to obtain a supply of the pins to distribute to other legislators.

MS. STEINHAUS said yes.

MR. ZALNERAITIS responded that he would be glad to assist in that request.

REPRESENTATIVE GRUENBERG stated that [having those pins available for legislators to wear] would remind them "how good this bill is."

Number 0534

CHAIR WEYHRAUCH asked how HB 337 would help streamline the data collection effort.

MR. ZALNERAITIS responded that the documentation, as it currently stands, involves an individual attending a health fair, visiting the website and downloading a copy the registration documents, or going to the DMV and filling out a form that is then mailed back to Life Alaska. He reiterated that a [Life Alaska] staff person is assigned to transfer the written data into a computer database where the registry is currently maintained. He stated, "Having this done at the same time as registration for licensure would allow this to be done electronically and would facilitate a [streamlined] approach to that mechanism." He added that people who visit the DMV would be made aware of the possibility [to be an organ donor]. He noted that, over 70 percent of the time, people believe that

they are on a registry because they hold a card or sticker from the DMV.

CHAIR WEYHRAUCH asked which department would have jurisdiction over the program.

MR. ZALNERAITIS responded that the collection would continue to occur at the DMV, but Life Alaska and LifeCenter Northwest, in partnership, would actually maintain the registry. In response to a follow-up question by Chair Weyhrauch, he clarified that the donor registration would be "within the organ and tissue procurement organization."

CHAIR WEYHRAUCH said he would ask this question of a public official of the State of Alaska.

Number 0203

REPRESENTATIVE GRUENBERG stated that the concept of a central health registry is an important issue that has tremendous implications. He opined that it is about time that the people of Alaska consider a voluntary health registry, where anybody who is in a life-threatening situation could have registered his or her last wishes, organ donation information, and emergency health information. He said that one number could be dialed from anywhere in the state to access this information. He asked Mr. Zalneraitis what he thinks of that idea.

MR. ZALNERAITIS responded that he supports that. He stated that any mechanism that could increase the availability and access to information in an emergency is most desirable. Because the registry is electronic and web-based, it is accessible night or day, every day of the year.

REPRESENTATIVE GRUENBERG asked if Mr. Zalneraitis is aware of any government in the world that has done that.

MR. ZALNERAITIS answered that he is not aware of such a comprehensive registry. In response to a follow-up question by Representative Gruenberg, he said that although he is not a computer expert, he believes that the computer technology exists to collect that information.

**TAPE 04-05, SIDE A**

Number 0001

CHAIR WEYHRAUCH related his concern about [threat of computer] hackers.

Number 0048

HEATH HILYARD, Staff to Representative Lesil McGuire, Alaska State Legislature, answering questions on behalf of Representative McGuire, sponsor, responded to Chair Weyhrauch's previously stated question regarding who would be the authorizing agency. He stated that the DMV's customer service locations would be the "point of interface" between those people applying for motor vehicle registration or license renewal. The DMV operates under the Department of Administration, a point that is identified "under the definitions."

CHAIR WEYHRAUCH asked what jurisdiction or interaction the Department of Health & Social Services would have regarding HB 337.

MR. HILYARD clarified that the definition of procurement organization has been changed in Version Q. The previous definition referred to an organization approved by the United States Department of Health & Human Services. He surmised that "therein lay the confusion." He offered his understanding that the Alaska Department of Health & Social Services "has any immediate interface."

Number 0237

REPRESENTATIVE GRUENBERG turned to page 4, [lines 16-18], which read as follows:

(5) "procurement organization" means a person licensed, accredited, or approved under the laws of a state for the procurement, distribution, or storage of body parts;

REPRESENTATIVE GRUENBERG asked Mr. Hilyard if the State of Alaska currently has laws governing the procurement, distribution, or storage of body parts.

MR. HILYARD offered that there is some governance under Chapter 13.50 [which is the Uniform Anatomical Gift Act]. He stated, "Essentially, this definition that's included is a definition that I have worked on with Representative Weyhrauch's staff member, with regard to ... HB 25." He said HB 25 has some "interface" with HB 337, and [the sponsor] is "trying to

maintain a certain degree of consistency." He added, "So, that's the reason we chose that particular phraseology." He suggested that Life Alaska or LifeCenter Northwest may have some recommendations with respect to restructuring that definition. He offered his understanding that that language was used in the federal uniform Act.

REPRESENTATIVE GRUENBERG asked if any part of HB 337 is dependent upon the passage of HB 25, or vice versa.

MR. HILYARD offered his understanding that the answer to that question is no. He suggested that there could be a situation where revisors may have to make conforming changes with respect to statutory references after both bills pass; however, he restated his understanding that "one is not required for the other."

REPRESENTATIVE GRUENBERG suggested that Chair Weyhrauch and Representative McGuire may want to enact and engraft some sections on each bill that would only take effect upon the passage of the other bill, so that they don't have to go through the revisor [process], which would delay [the bills] by at least another year].

CHAIR WEYHRAUCH said he would look into that. He noted for Mr. Hilyard's benefit that one of the fiscal notes accompanying the bill is from the Department of Health & Social Services. He said it does not look like it's the intent of [HB 337] or "its eventual effect" to cause a new fiscal note to be adopted by the Department of Health & Social Services. However, he added, "It probably requires a revisitation of this Department of Administration fiscal note, because it appears with a fund in here, which is probably why it has this [House Finance Committee] referral."

MR. HILYARD revealed that he had not had the opportunity to review the fiscal note until this morning. He admitted that he was confused with respect to the Department of Health & Social Services fiscal note. He offered his understanding that [that fiscal note] refers to the [original] bill version, with respect to the procurement organization definition.

Number 0562

DUANE BANNOCK, Director, Division of Motor Vehicles (DMV), Department of Administration, told the committee that the DMV is pleased to do its little part in the big picture, as it pertains

to [HB 337]. He noted that Life Alaska has been asked to interact with DMV's scheduled training with its frontline workers, so that DMV can be giving accurate information and increasing the number [registered]. Mr. Bannock stated that HB 337 will help the way DMV processes information and the way that data is transmitted back to Life Alaska. It also incorporates some physical changes, as a result of the new digital driver's licenses. He offered to answer questions from the committee.

Number 0721

CHAIR WEYHRAUCH announced that HB 337 was heard and held.

HB 373-STATE TREASURY WARRANTS

[Contains brief mention of HB 109.]

Number 0730

CHAIR WEYHRAUCH announced that the last order of business was HOUSE BILL NO. 373, "An Act requiring warrants drawn by the Department of Administration against the state treasury to be negotiable instruments."

Number 0765

REPRESENTATIVE GRUENBERG mentioned that HB 109 passed last year. It was a bill that dealt with stale-dated warrants and "swept these into the unclaimed property Act after six months." He expressed his past and ongoing interest in the question of why the State of Alaska uses the system of treasury warrants rather than checks. He noted that in the late 1980s, there was a long-standing dispute between banks and the State of Alaska, because the latter took the position that treasury warrants were not checks and could be immediately dishonored without any notice. "Somebody" would have a warrant and would cash it, and someone in government would assume that they should dishonor it, and the banks were "left holding hundreds of thousands of dollars." He remarked that "we" tried to get that inequitable situation dealt with. He said, "The bill passed out of this committee and, for various reasons - mainly my own limitations - didn't follow through on that." As a result, he said, "They had to litigate this up to the Alaska Supreme Court.

REPRESENTATIVE GRUENBERG cited the case, which was NATIONAL BANK OF ALASKA, National Banking Association, Appellants, v. UNIVENTURES 1231 and STATE OF ALASKA, DEPARTMENT OF

ADMINISTRATION, Appellees. The court held that [warrants] were negotiable instruments. He noted that this case followed cases from Louisiana and Nebraska, for example. In the majority of cases it was held that warrants are negotiable instruments and, therefore, are under the Uniform Commercial Code. Representative Gruenberg described the bank as a holder in due course. He said that, unless that [holder in due course] had actual knowledge that the warrant had been dishonored, the state had to pay. He added that that was only a just and fair result.

REPRESENTATIVE GRUENBERG stated that HB 373 simply codifies that case by stating that a treasury warrant must be a negotiable instrument, and that that negotiable instrument is defined under the Uniform Commercial Code. He stated that he thinks HB 373 should not be a controversial bill, and noted that the House State Affairs Standing Committee is the only committee of referral.

Number 1034

KIM GARNERO, Director, Division of Finance, Department of Administration, thanked the committee for passing HB 109 last year. She said it changed the way [the division] does business; the stale-dated warrants are now being routinely paid by the unclaimed property program. She added, "You won't see any stale-dated warrants in your supplemental language this year."

MS. GARNERO stated that HB 373 does nothing to change the way [the division] does business. It has treated its state warrants as if they were negotiable instruments since the supreme court decision in 1992. She explained that that's why there is a zero fiscal note. She said HB 373 simply clarifies in statute the supreme court decision. In response to a question by Chair Weyhrauch, she said the Department of Administration sees no trouble with [HB 373].

Number 1150

REPRESENTATIVE GRUENBERG moved to report HB 373 out of committee with individual recommendations and the accompanying fiscal note. [There being no objection HB 373 moved out of the House State Affairs Standing Committee.]

## **ADJOURNMENT**

There being no further business before the committee, the House State Affairs Standing Committee meeting was adjourned at 9:51 a.m.