

MINUTES
SENATE FINANCE COMMITTEE
April 09, 2003
9:05 AM

TAPES

SFC-03 # 43, Side A
SFC 03 # 43, Side B

CALL TO ORDER

Co-Chair Gary Wilken convened the meeting at approximately 9:05 AM.

PRESENT

Senator Lyda Green, Co-Chair
Senator Gary Wilken, Co-Chair
Senator Con Bunde, Vice Chair
Senator Ben Stevens
Senator Lyman Hoffman
Senator Donny Olson

Also Attending: LANDA BAILY, Special Assistant to the Commissioner, Department of Revenue; JOHN MACKINNON, Deputy Commissioner of Highways & Public Facilities, Department of Transportation and Public Facilities; JOEL GILBERTSON, Commissioner, Department of Health and Social Services; EDGAR BLATCHFORD, Commissioner, Department of Community and Economic Development; TOM LAWSON, Director, Division of Administrative Services, Department of Community and Economic Development; RICHARD SCHMITZ, Staff to Senator John Cowdery

Attending via Teleconference: From Anchorage: MARC MARLOW, Alaska Enfranchise Facilities, Inc.; SUSANNE DIPEITRO, Co-President, Government Hill Community Council

SUMMARY INFORMATION

SB 106-FEE FOR STUDEDDED TIRES

The Committee adopted a committee substitute and heard testimony from the Department of Revenue and the Department of Transportation and Public Facilities. The bill reported from Committee.

SB 105-MEDICAID: CHILDREN/PREGNANT WOMEN/FACILITY

The Committee heard from the Department of Health and Social Services and reported the bill from Committee.

SB 173-SCIENCE & TECH FOUNDATION/BIDCO/INT.TRADE

The Committee heard from the Department of Community and Economic Development and held the bill in Committee.

SB 153-LONG-TERM LEASES OF ALASKA RR LAND

The Committee heard from the sponsor, took public testimony, and held the bill in Committee.

#sb106

CS FOR SENATE BILL NO. 106(TRA)

"An Act relating to studded tires; and providing for an effective date."

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

Co-Chair Green moved to adopt CS HB 106, Version 23-GS1127\V, as the working draft.

There being no objection, the committee substitute was adopted as the working draft.

Co-Chair Wilken explained that the Version "V" committee substitute incorporates the word "new" into the language on page 1, line 8, of Section 2, as follows.

Sec. 43.98/025. Tire fees. (a) A fee of \$2.50 a tire is imposed on the retail sale of new tires for motor vehicles designated for use on a highway.

Co-chair Wilken noted that additional language is incorporated on page 2, lines 14 through 19, as follows.

(g) The fees imposed in this section do not apply to the following tires and [or] services if the purchaser provides the seller with a certificate of use on a form prescribed by the Department:

- (1) tires or services sold to federal, state, or local government agencies for official use; or
- (2) tires for resale.

Senator Bunde asked for further clarification regarding the tire for resale process, as he understands this language to apply to the sale of used tires rather than to a store purchasing tires from a distributor for resale.

Co-Chair Wilken detailed a situation wherein an individual would purchase tires for their vehicle from a service station that the service station had purchased from, for example, a Sears store. He stated that the intent of this language is to clarify that the tire tax would be charged exclusively to the customer at the service station rather than to the service station purchasing the tires from the Sears store.

LANDA BAILY, Special Assistant to the Commissioner, Department of Revenue, concurred.

Co-Chair Wilken and Ms. Baily established for Senator Bunde's benefit that the tax would be implemented at the point of retail sale rather than at the wholesale level to avoid an inflation of the original purchase price.

Senator Hoffman commented that the original intent of this bill, as introduced by Governor Frank Murkowski, was to levy a tax on studded tires to offset "the extensive damage" they inflict to "paved highways." He asked for verification that studded tires do create damage.

JOHN MACKINNON, Deputy Commissioner of Highways & Public Facilities, Department of Transportation and Public Facilities responded that the Department "conservatively" estimates that studded tires are responsible for approximately \$5 million of damage to roadways annually due to "excessive wear that the studs cause."

Senator Hoffman voiced that were this the logic for implementing a tax on studded tires then it should be noted that of the seventy communities in District S that he represents, less than ten have paved highways. He voiced the understanding that the intent of the tax would be to recoup "the tremendous" expense incurred annually to repair studded tire damage to the State's paved roadways. Therefore, he contended, while the bill is well intended, it should not be a broad tax unless the intent is for "general maintenance."

Mr. Mackinnon agreed that the original intent of the bill was to specifically offset road damage caused by studded tires; however, he continued, "it has evolved" to include general maintenance for the State's paved roads.

Senator Hoffman declared that while it may have evolved, the original intent of the bill was valid. He supported "the concept of the people who benefit from a service" should pay the costs of providing that service and, in addition, "the people who cause the damage should pay", and he noted that the Legislature has been addressing these situations through cost-saving measure discussions and legislation. He contended that State road maintenance in rural areas of the State is oftentimes "non-existent," and he furthered that some rural areas do not even require their residents to acquire a driver's license. He stated that "this tax is very, very broad and that residents in rural Alaska end up paying for" services they might not receive from the Department, or "where the State has little presence and if they do have presence, it is for aviation."

Mr. Mackinnon acknowledged Senator Hoffman's comments; however, he pointed out that although road maintenance might not be provided in some rural areas, Department personnel or Department contracted personnel maintain rural airfields.

Senator Hoffman concurred but stressed that studded tires do not incur any damage to State roads or to the airports in those areas.

Mr. MacKinnon agreed.

Co-Chair Wilken asked the amount of money the State spends for rural airport maintenance.

Mr. MacKinnon replied that he did not have that information, but could provide it.

Senator Bunde asserted that this version of the bill applies a tax on all tires, and "is an opportunity for all Alaskans to contribute money to the general fund to assist in paying for all the benefits they receive."

Co-Chair Green moved to report CS SB 106 (FIN) from Committee with individual recommendations and accompanying fiscal note.

There being no objection, CS SB 106 (FIN) REPORTED from Committee with a new \$72,200 fiscal note, dated April 8, 2003, from the Department of Revenue.

#sb105

CS FOR SENATE BILL NO. 105(HES)

"An Act relating to eligibility requirements for medical

assistance for certain children, pregnant women, and persons in a medical or intermediate care facility; and providing for an effective date."

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

Co-chair Wilken informed that this bill would amend "the eligibility income levels for Denali KidCare and Medicaid under the special income limits for nursing homes and home and community based waiver services."

JOEL GILBERTSON, Commissioner, Department of Health and Social Services, explained that this bill was introduced by Governor Frank Murkowski and was subsequently amended by the Senate Health, Education & Social Services (HES) Committee. He stated that the Governor's bill specified that the eligibility income levels for the Denali KidCare program and pregnant women "would be frozen" at the federal maximum allowable poverty level of 200 percent, and at 300 percent of the special income standards for individuals in long-term care under the Medicaid program and for individuals receiving home and community based waiver services.

Commissioner Gilbertson continued that the HES version of the bill amends these levels to 175 percent of poverty levels for the Denali KidCare program and pregnant women program, and he noted that a new negative \$7,151,300 fiscal note, dated April 8, 2003 from the Department of Health and Social Services accompanies the HES version of the bill. He stated that the poverty level specified in the HES version of the bill would eliminate an additional 1,200 individuals from the Title 21 Denali KidCare and pregnant women programs above the number specified in the Governor's bill. He stated that some of the impact "is buffered" by provisions specifying that pregnant women and children in the Denali KidCare program who establish eligibility by June 30, 2003 would continue to be provided coverage for nine months and six months, respectively, under existing eligibility rules.

Commissioner Gilbertson stated that the Governor continues to support the bill at the 200 percent of poverty level for children in the Denali KidCare program and pregnant women and 300 percent for individuals needing long-term care.

Co-Chair Green asked whether Alaska's poverty calculation receives additional adjustments at the federal level.

Commissioner Gilbertson explained that the State currently

specifies the eligibility level for the Denali KidCare and pregnant women program at 200 percent of the federal poverty level, which he noted, is adjusted and inflation-proofed annually. Furthermore, he declared, the federal government awards the State of Alaska an additional inflation factor of 25 percent. Therefore, he clarified; the State's established poverty level for these programs is 200 percent above the national poverty level calculated for Alaska. Additionally, he pointed out that individuals in the programs are held harmless for their permanent fund dividends (PFDs). He qualified that "the income standards are uniquely adjusted for the Alaska situation" in terms of the federal calculated poverty level and "the hold harmless clause" for the PFDs.

Commissioner Gilbertson reiterated that the Governor continues to support the levels specified in the original bill as opposed to the HES version's amended levels.

Co-Chair Green calculated that the State's poverty level for these programs "is 250 percent above" the normed federal poverty level.

Commissioner Gilbertson stated that when comparing Alaska's poverty level standards to the national standard poverty level for the "Lower 48," that is correct.

Co-Chair Green asked whether additional adjustments result from a State-conducted asset test regarding the Denali KidCare program.

Commissioner Gilbertson clarified that the State does not conduct an asset test for the Denali KidCare program.

Co-Chair Green noted therefore "it is a fairly short window of an income level at a certain level that qualifies a person for this program."

Commissioner Gilbertson responded yes.

Co-Chair Green specified that the program recipients "could either be uninsured or underinsured."

Commissioner Gilbertson concurred.

Senator Hoffman declared that this bill reduces health care to pregnant women, children, and the disabled to save less than \$300,000 in general funds. He noted that other cost saving options must be available "that have less impact" on those in need. He asked for confirmation that the Administration supports these cuts that would affect approximately 800 individuals to save this level of funding.

Commissioner Gilbertson responded that, were the Governor's bill adopted, approximately 800 people would be affected. However, he clarified that the HES version, which is before the Committee, would narrow the program further. He clarified that the savings resulting from the Senate HES version would be \$7.2 million.

Commissioner Gilbertson informed the Committee that this bill is an effort by the Administration to contain "the rapid escalation of growth of our program, 40 percent growth in the last five years" of these three Medicaid programs. He advised that to strengthen the program and ensure continuing Medicaid benefits "for low income beneficiaries, ... this is the size of a Medicaid program that the we can support in terms of the number of eligible individuals." He stated that the State currently has the highest income standards allowed under federal law, and that the Governor's bill "would lock in" those standards.

Commissioner Gilbertson continued that rather than being a statement that this reduction would have "no impact," the State "has undergone exponential growth in our Medicaid program," and in order to continue the program, "some of the optional categories" must be addressed. He continued that the State must acknowledge that it "has reached a capacity where further growth in those programs will threaten the viability of the program itself and threaten the ability of the State itself to fund the core services that are covered for individuals currently enrolled in the program." He stated that the poverty levels in the Governor's bill would not jeopardize those individuals currently in the program provided they not experience an increase in their income level, but would allow for a downsizing of the program over time. He stated that the Senate HES committee version "would roll back the standards," and consequently incur a larger reduction. He stated that the bill recognizes that there are benefits to the continuation of these types of programs such as reducing the amount of low birth rate babies and providing insurance coverage for pregnant women, children and the disabled; however the costs of these programs "coupled together" is leading to a situation wherein the ability of the State "to pay for good services and have good reimbursement rates for those individuals who are currently covered" is being threatened.

Senator Hoffman expressed that while this bill might produce short-term savings, the long-term costs might increase.

Commissioner Gilbertson acknowledged that there are savings resulting from providing State funded insurance coverage although other health care options, such as community health centers, "3-30

grants and clinics," uncompensated care awards, volunteer services by providers, and other insurance coverage might be available. He acknowledged that the State does "have a problem with individuals being uninsured or underinsured." However, he continued, as the programs continue to experience growth and "the State's income standards rise to the point where we see individuals that are moving into higher income brackets being eligible for State programs," the State might not have the resources "to provide its match so we can have a good reimbursement rate for low income individuals and provide needed services."

Senator Hoffman acknowledged this, but asked whether the fiscal note's projected program savings or other State programs would be negatively affected by not providing these services to the three identified groups.

Commissioner Gilbertson clarified that the HES committee substitute, rather than the Governor's version of the bill, would affect program eligibility standards. He stated that the HES committee substitute is projected to produce \$7.1 million in savings, and he continued, research does not indicate additional demand would be placed on other services the Department provides. He stated that pregnant women currently in the program would continue to receive care. He acknowledged that prenatal care has positive results in terms of health care dollars spent and that it is unknown what health care options future pregnant women could receive, but "it is expected that they would still receive care."

Senator Hoffman voiced that the long-term costs of the HES version of the bill would outweigh the short-term savings.

Commissioner Gilbertson stated that the Administration agrees that savings do occur from providing health care to children and pregnant women, and that is the reason the Governor's bill proposes to "lock in" the current standards.

Senator Hoffman asked whether the Department supports the HES amended standards.

Commissioner Gilbertson expressed that the Governor's administration does not support the HES committee substitute.

Senator Hoffman voiced support of the Governor's version of the bill.

Co-Chair Wilken asked for clarification that 150 percent of the federal poverty level is the minimum level the State could authorize, as referenced in the "2003 Federal Poverty Guidelines

for Alaska" [copy on file] chart provided by the Department.

Commissioner Gilbertson responded, that in order "to access the federal enhanced match rate," the State must establish a minimum 150 percent of federal poverty level standard. He shared that the enhanced match rate increases the federal match contribution for the Denali KidCare program from 60 percent to 71 percent.

Co-Chair Wilken asked for confirmation that the income figures in the chart do not include the permanent fund dividend.

Commissioner Gilbertson replied that is correct.

Senator B. Stevens asked whether the information in the chart includes the 25 percent Cost of Living Allowance (COLA).

Commissioner Gilbertson responded that it does.

Co-Chair Wilken noted that 1,200 individuals "would lose services." He asked the Department to provide detailed information as to who would be affected.

Commissioner Gilbertson responded that this information is included on page two of the HES fiscal note. He noted that both the HES and Governor's version of the bill maintain the 300 percent of the special income standard for individuals requiring long-term care or home or community based waiver services. He stated that the Governor's 200 percent of federal poverty standard would reflect a net decrease of 61 cases in the Denali KidCare program in 2004, whereas the HES version would incur a net decrease of 1,213 cases.

Co-Chair Wilken asked the deadline for individuals to qualify under the existing standards.

Commissioner Gilbertson responded that it is June 30, 2003.

Co-Chair Wilken asked the total number of individuals in the affected programs.

Commissioner Gilbertson responded that the total number of individuals in the program would be supplied. He estimated that approximately 26,000 children are in the Denali KidCare program; therefore, he calculated that approximately four percent of the children in the program would be affected.

Co-Chair Wilken asked the Department to provide the total number of individuals in the programs as well as information regarding other health care options.

Senator Hoffman questioned the percentage calculation of those being affected by changes in the Denali KidCare program.

Co-Chair Wilken asked the Department to confirm the percentage of program participants who would be affected.

Co-Chair Green moved to report CS SB 105 (HES) from Committee with individual recommendations and accompanying fiscal note.

Senator Hoffman objected.

A roll call was taken on the motion.

IN FAVOR: Senator Bunde, Senator B. Stevens, Co-chair Green, and Co-chair Wilken

OPPOSED: Senator Hoffman, Senator Olson

ABSENT: Senator Taylor

The motion PASSED (4-2-1)

CS SB 105(HES) was REPORTED from Committee with a new negative \$7,151,300 fiscal note, dated April 8, 2003 from the Department of Health and Social Services.

#sb173

SENATE BILL NO. 173

"An Act repealing statutes pertaining to the Alaska Science and Technology Foundation and transferring money in the foundation's endowment; repealing statutes relating to the BIDCO assistance program; repealing statutes pertaining to the international trade and business endowment and transferring money in the international trade and business endowment; transferring oversight administration of outstanding Alaska Science and Technology Foundation loans and grants to the Alaska Industrial Development and Export Authority; establishing an Alaska BIDCO assistance program to be administered by the Department of Community and Economic Development; making conforming amendments; and providing for an effective date."

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

Co-chair Wilken explained that this bill, which is requested by the

Governor, would repeal the statutes relating to the Alaska Science and Technology Foundation (ASTF) and its programs. He specified that the BIDCO (Business and Industrial Development Corporation) assistance program would be replaced with a program within the Department of Community and Economic Development, and that oversight of the former ASTF program would be transferred to the Alaska Industrial Development & Export Authority (AIDEA).

EDGAR BLATCHFORD, Commissioner, Department of Community and Economic Development read the language included in the title of the bill. He then read a portion of the Department overview titled "The Alaska Science and Technology Foundation," [copy on file], dated March 25, 2003 as follows.

ASFT was created in 1988 with an endowment of more than \$100 million to support grants for technology projects, knowledge projects, small business innovative research bridging grants, and direct grants to teachers. Through its endowment, ASTF has generated about \$126 million in income for distribution. Between 1988 and 2002, one half of the endowment income - \$63 million - has been appropriated and spent for "non-ASTF purposes":

- \$35 million for University of Alaska operations, Alaska Aerospace Development (AADC) Corporation operations, and International Trade and Development office operations;
- \$11 million was used to match federal funding for construction of the AADC's \$39 million Kodiak Rocket Launch Center; and
- \$17 million was appropriated to the state general fund.

Distributions to support core programs totaled: \$25 million in technology grants, \$10 million for other knowledge grants; \$8 million for business partners, and \$2 million in grants to math and science teachers. Foundation operating expenses totaled \$13 million, equal to 35% of the \$45 million spent for core purpose grants.

In mid-March the Legislature passed and the Governor signed into law a supplemental appropriation reducing ASTF FY 2003 operations to amounts spent and obligated to date and included instruction to ASTF to wind down operations by May 15th. The Governor's FY 2004 budget supports the Legislative directive - no funding is provided for ASTF.

Commissioner Blatchford informed the Members that due to serving on a Native tribal council, which has applied for ASTF grants, he wished to declare a potential conflict of interest on this matter.

Senator Stevens asked the identity of the business partners who received the \$8 million.

TOM LAWSON, Director, Division of Administrative Services, Department of Community and Economic Development, specified that the partners include the BIDCO entities of: the Alaska Growth Capital; Alaska Manufacturer's Association; Alaska InvestNet; and the Alaska Hi-Tech Business Council. He stated that the money was allotted to those entities to allow them to operate various functions.

Co-Chair Wilken asked for information regarding language in Section 5 (1) on page 2, line 15 of the bill that reads as follows.

(1) administering the Alaska BIDCO assistance program related to loans and other financial assistance made or provided under AS 37.17.500 - 37.17.690;

Mr. Lawson responded that the intent of this language is "to replicate the BIDCO program" in the Department of Community and Economic Development rather than in ASTF. He asserted that while the "shell of the program" is being transferred, there is no accompanying request for funding. He stated that further information regarding the language would be supplied.

Co-chair Wilken asked that information regarding Alaska statute AS 37.17.500 be supplied to the Committee, as it is frequently referenced in the bill.

Co-Chair Wilken ordered the bill HELD in Committee.

#sb153

SENATE BILL NO. 153

"An Act authorizing a long-term lease of certain Alaska Railroad Corporation land at Anchorage; and providing for an effective date."

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

Co-Chair Wilken explained that this legislation "would allow the Alaska Railroad to lease certain corporation land in Anchorage for a period in excess of 55 years without reserving the right to terminate the lease."

RICHARD SCHMITZ, Staff to Senator John Cowdery, explained that the purpose of this legislation is to allow Alaska Enfranchise Facilities, Inc to build a multi-family, senior housing project on leased Alaska Railroad land on Government Hill in Anchorage, utilizing a federal Housing and Urban Development (HUD), Section 2, grant. He continued that "the way the law now reads, the Alaska Railroad can approve leases in excess of 55 years; however, the railroad must reserve the right to terminate the leases in the event the land is needed for railroad purposes." However, he continued, recently enacted federal regulations require a minimum 75-year lease, and in order to accommodate this grant's timeline requirement, this bill seeks to remove the termination clause from the lease agreement. He noted that State statute allows the Alaska Railroad to request this language exemption as exemplified by previous legislation, CS HB 344(FIN) [copy on file].

Mr. Schmitz noted that Alaska Enfranchise Facilities, Inc. has received a 55-year lease, but requires this legislation to accommodate the federal grant provisions.

SFC 03 # 43, Side B 09:52 AM

MARC MARLOW, Alaska Enfranchise Facilities, Inc., testified via teleconference from Anchorage to explain that Alaska Enfranchise Facilities, Inc (AEF) is a 501-C3 non-profit entity, which proposes to construct senior housing on the property it is leasing from the Alaska Railroad. However, he continued, in order to qualify for two federal grants to fund the project, a 75-year lease must be in place.

SUSANNE DIPEITRO, Co-President, Government Hill Community Council (GHCC), testified via teleconference from Anchorage to voice concerns regarding this lease. She informed the Committee that two entities were interested in leasing the land and applying for the HUD grants; and, she opined, Mr. Marlow signed the lease paperwork with the knowledge that the 55-year lease did not qualify for the HUD grant. Now, she continued, after eliminating "the competitive process," he is "asking for you to essentially change the terms of the lease," so that he can qualify for money that the other applicant does not have the benefit of."

Ms. DiPietro continued that the GHSS would like to participate in the discussion regarding what is constructed on the site. She continued that she has furthered this request with Mr. Marlow, and she voiced that "an understanding" about this communication could be possible; however, she stated, the Community Council is on

record in opposition to this legislation.

Co-chair Wilken noted that the Committee has a letter [copy on file] from the GHSS, dated March 21, 2003, stating its position. He specified that the information supplied by Alaska Enfranchise Facilities, Inc. titled "Providing safe, Clean and affordable Housing for Alaskan Seniors" [copy on file] has also been received.

Co-Chair Green asked Mr. Marlow for information regarding other legislation that he has previously submitted to the Legislature.

Mr. Marlow responded that he was involved in legislation "to amend Alaska Statute 45 that would have allowed municipalities to extend property tax relief to projects that would provide for facilitating urban redevelopment."

Co-Chair Green asked the name of the building that legislation involved.

Mr. Marlow identified the building as the McKay Building in downtown Anchorage.

Co-Chair Green asked whether the previous request involved more than one piece of legislation.

Mr. Marlow stated that the bill was introduced in one Legislative session, but was not acted upon. Therefore, he continued, it was re-introduced the following session.

Co-Chair Wilken ordered the bill HELD in Committee.

#

ADJOURNMENT

Co-Chair Gary Wilken adjourned the meeting at 09:58 AM