

HOUSE FINANCE COMMITTEE
April 26, 2005
1:43 p.m.

CALL TO ORDER

Co-Chair Meyer called the House Finance Committee meeting to order at [1:43:55 PM](#).

MEMBERS PRESENT

Representative Mike Chenault, Co-Chair
Representative Kevin Meyer, Co-Chair
Representative Eric Croft
Representative Richard Foster
Representative Mike Hawker
Representative Jim Holm
Representative Reggie Joule
Representative Mike Kelly
Representative Carl Moses
Representative Bruce Weyhrauch

MEMBERS ABSENT

Representative Bill Stoltze, Vice-Chair

ALSO PRESENT

Representative Carl Gatto; Representative John Coghill;
Representative Mary Kapsner; Representative Peggy Wilson;
Representative Bill Thomas; Senator Ralph Seekins; Cody
Rice, Staff, Representative Carl Gatto; Rynniva Moss,
Staff, Representative John Coghill; Brian Hove, Staff,
Senator Ralph Seekins; Eddy Jeans, Director, Education
Support Services, Department of Education and Early
Development; Stacy Kraly, Assistant Attorney General,
Department of Law; Jan Rutherford, Assistant Attorney
General, Department of Law; John MacKinnon, Deputy Director,
Department of Transportation and Public Facilities; Dick
Cattanach, Executive Director, Associated General
Contractors of Alaska, Anchorage; Jim Jordan, Executive
Director, Alaska State Medical Association (ASMA); Mike
Haugen, Executive Director, Alaska Physicians and Surgeons,
Anchorage; Julie Lucky, Staff, Representative Hawker; Pete
Ecklund, Staff, Representative Kevin Meyer

PRESENT VIA TELECONFERENCE

Tom Boutin, Deputy Commissioner, Department of Revenue,
Anchorage; Tammy Sandoval, Acting Director, Offices of
Children's Services, Department of Health & Social Services,
Anchorage

SUMMARY

HB 13 An Act relating to reimbursement of municipal bonds for school construction; and providing for an effective date.

HB 13 was HEARD and HELD in Committee for further consideration.

HB 53 An Act relating to child-in-need-of-aid proceedings; amending the construction of statutes pertaining to children in need of aid; relating to a duty and standard of care for services to children and families; amending court hearing procedures to allow public attendance at child-in-need-of-aid proceedings; establishing a right to a trial by jury in termination of parental rights proceedings; reestablishing and relating to state and local citizens' review panels for certain child custody matters; amending the duty to disclose information pertaining to a child in need of aid; establishing a distribution age for permanent fund dividends held in trust for a child committed to the custody of the Department of Health and Social Services; mandating reporting of the medication of children in state custody; prescribing the rights of grandparents related to child-in-need-of-aid cases and establishing a grandparent priority for adoption in certain child-in-need-of-aid cases; modifying adoption and placement procedures in certain child-in-need-of-aid cases; amending treatment service requirements for parents involved in child-in-need-of-aid proceedings; amending Rules 3 and 18, Alaska Child in Need of Aid Rules of Procedure; and providing for an effective date.

HB 53 was HEARD and HELD in Committee for further consideration.

HB 275 An Act authorizing financing for certain public transportation projects; giving notice of and approving the entry into, and the issuance of revenue obligations that provide participation in, lease-financing agreements for those transportation projects; and providing for an effective date.

CS HB 275 (FIN) was reported out of Committee with a "no recommendation" and with a new fiscal note by the Department of Revenue.

CS SB 67(JUD)(efd fld)

An Act relating to claims for personal injury or wrongful death against health care providers.

CS SB 67 (JUD)(efd fld) was HEARD and HELD in Committee for further consideration.

[1:45:36 PM](#)

#HB13

HOUSE BILL NO. 13

An Act relating to reimbursement of municipal bonds for school construction; and providing for an effective date.

Co-Chair Chenault MOVED to ADOPT work draft #24-LS0062\X, Mischel, 4/26/05, as the version of the bill before the Committee. There being NO OBJECTION, it was adopted.

REPRESENTATIVE CARL GATTO, SPONSOR, noted that HB 13 was introduced to "take care of a fast growing community". Every community in the State has school maintenance and replacement needs; Mat-Su has needs for school construction because of the growing student numbers.

HB 13 requests a 70/30 split for those construction costs. The district would float bonds in hopes of getting approval. Following a survey, the approval rating for the bonding was approximately 80%. Since that time, the bill has gotten "heavier". He stressed that the committee substitute just adopted incorporates a substantial revision to the original proposed HB 13. The intent of the original bill was to build space for children. The bill now includes a major revision of the funding formula and threatens the substance of the bill.

Representative Gatto pointed out that a study was added under the committee substitute. He stressed that SB 36 changed the method of funding from an instructional unit to use of a formula. Mostly rural school districts suffered under SB 36. That bill carried a "funding floor" providing rural schools grant money and an adjustment was made for those districts.

Representative Gatto challenged the model used for the air-study. The problem is that study deals with facts, numbers and observations and cannot be proven right. The study was flawed. Because of those flaws, the Institute of Social and Economic Research (ISER) commissioned a second one. The current version of HB 13 resulted from that study and propose money be redistributed.

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Representative Gatto acknowledged that some districts are underfunded. HB 13 addresses redistribution of district funds. He highlighted the districts that would not do well under HB 13:

- Anchorage school district would lose \$24 million dollars;
- Mat-Su schools district would lose \$3 million dollars, and
- Fairbanks school district would lose \$6 million dollars.

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Representative Gatto noted that he spends a lot of time in the classroom in his district and that he has a strong association with his school district. He found it astounding that there are classrooms with 35 students. He believed that the ISER study would make situations worse. The Mat-Su district is already very efficient, using 90% of income for salaries, while other districts give only 65%.

Representative Gatto emphasized his concern that the ISER study and the proposed legislation not be married as it is unreasonable and unfair to penalized districts that are crowded, while sending money to districts that are not. He believed that crowding is the single most important issue in the classroom.

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Co-Chair Meyer understood that the original bill did have a 70/30 change and that the proposed committee substitute did include the ISER study. He requested that Co-Chair Chenault address the changes.

Co-Chair Chenault apologized for "hi jacking" Representative Gatto's bill. He noted for the record that he understands the need for the Mat-Su school district and their expanding population. He referenced the inequities in his own district and agreed with the inequities resulting from SB 36. He pointed out that his own district suffers huge concerns with the cut backs that have dramatically affected the district. He added that his district has a nursing option only one time per week; there are no kindergarten aids, and that most of the schools have between 400-500 students. Co-Chair Chenault questioned how the inequity problems could be fixed statewide.

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Co-Chair Chenault agreed that the proposed scenario is not the right answer and stressed that every study has looked at

cost differentials; they are all are flawed. Everything has been postponed and the school districts can no longer wait.

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Co-Chair Chenault agreed that taking money away from a school district, forces that district to become more efficient. Because his district has become so efficient, they have been penalized. SB 36 is flawed.

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Co-Chair Chenault pointed out that the Kenai School District is composed of both urban and rural schools. The time has come to fix these problems and HB 13 is the beginning of that fix. Legislators must come together to determine an agreement regarding the issues.

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Co-Chair Chenault hoped that HB 13 could make it through the House and Senate and become a vehicle for opening up discussion on these issues.

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Co-Chair Meyer understood that the change made by Co-Chair Chenault was to Section 3. Co-Chair Chenault said yes.

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Co-Chair Chenault acknowledged that the ISER report was added to the original bill and he thought it would be the fairest way to make a difference. It would provide a four-year phase in beginning this year. It would:

- Help the State's budget process,
- Allows districts to determine their costs; and
- Allow time for legislative committees to determine if the numbers were correct.

Co-Chair Chenault noted support for the original bill, realizing there are other districts with similar concerns. He emphasized that these statewide problems must be addressed.

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EDDY JEANS, DIRECTOR, EDUCATION SUPPORT SERVICES, DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT, noted that the total cost of ISER proposed differential would be \$82 million dollars.

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Co-Chair Meyer understood that Anchorage would remain the same for all four years. Mr. Jeans stated that Section 3 would phase in the cost differential recommended by ISER, over a four-year period. Doing the phase-in, there would be an annual cost of approximately \$20 million dollars. Anchorage is at zero because it acts as the baseline.

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Representative Hawker requested backup for the fiscal impact to the individual schools districts. Mr. Jeans said it was not available.

Representative Hawker asked the funding level base for the \$82 million dollars. Mr. Jeans replied it was based on student allocation, A.S. 4576. Representative Hawker asked the consequences of increasing that amount. Mr. Jeans replied it would be approximately \$90 million dollars.

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Representative Hawker inquired if there would be a hold harmless for those communities close to the baseline factor or would there be redistribution. Mr. Jeans stated that if the cost differentials were implemented, without the fiscal note being adopted, there would be redistribution based on the A.S. 4576, prorating the student allocation down to equal the differentials.

Representative Hawker questioned the cost to the Fairbanks School district. Mr. Jeans said it would depend if there were a full implementation or graduated scale. Representative Hawker asked about the full implementation. Mr. Jeans did not have that number available. The redistribution, if held to A.S. 4576 appropriation level, would have an adverse effect to the Anchorage, Fairbanks, Mat-Su, Ketchikan and Juneau School Districts.

Representative Hawker stated for the record that he associated himself with the frustrations recorded by Co-Chair Chenault, however, proposing an approach as done by the Chair, troubled him. Solving problems by taking money from one school district and giving it to another is not a good model.

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Co-Chair Chenault asked if the State continues to bump-up the student base allocation, what would happen. Mr. Jeans explained that the proposal would adjust the existing cost differential by one quarter of the difference. That would have an annual cost of approximately \$20 million dollars.

The \$20 million would be in addition to the \$70 million dollars currently being considered under HB 1 at the discussed level. The total increase to schools in the current year if both bills passed, would be approximately \$90 million dollars. All school districts would have increased funding under that scenario.

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Co-Chair Chenault asked if school funding was increased next year by \$70 million dollars would all school districts benefit. Mr. Jeans explained that the manner in which the bill is currently structured, the adjustment would be built into the base next year. If the Legislature elected to increase the base student allocation, that would provide additional resources to all school districts across the State.

Co-Chair Meyer pointed out that SB 155 includes the 70/30 program. Mr. Jeans advised that SB 155 is a grant program. Under the Department's school construction grant program, there is a participating share. For the larger communities, their local match is 30%. Similar rules apply, however, the difference is, under SB 155, the State is providing for the grant to 70%; under the debt reimbursement program, the voters would need to approve the project for the bonds issued.

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In response to a query by Representative Kelly, Mr. Jeans understood that Kenai would experience a small drop.

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Representative Joule asked why the original bill language had been deleted allowing for the Rural Education Attendance Area (REAA) bonding. Co-Chair Chenault did not know.

Representative Joule voiced his concern with SB 155 and major maintenance with comparison to HB 13, which allows districts some construction costs. The contingency language allows the REAA's to address new school construction. He said he would address those concerns with an amendment.

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Representative Hawker raised concerns regarding the basis of the numbers. He noted that the Legislative Budget Committee (LBA) Committee had contracted for the air report. He pointed out that he was disappointed with the flaws in the ISER evaluation process. To determine the cost differentials, ISER made a judgmental determination. The

reason that a teacher would accept a job in certain locations is #5 on the teacher's lists.

Representative Gatto remembered the study, pointing out that salaries were not #1. Representative Hawker pointed out that was one of the driving factors in the ISER study. He indicated he was troubled with the proposed numbers. He believed that the closer the decision was to the Legislature, the better that decision could be, looking for equivalency to level the playing field.

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Representative Croft commented on the process that occurred with passage of SB 36 seven years ago. He noted that he was the only legislator from Anchorage or Fairbanks that voted against SB 36. That bill, the education-funding formula, was based on false information. The legislation concluded that it cost no more to put a teacher in rural Alaska than it does in Anchorage. That was and still is false. There were other falsehoods in the premise of SB 36. The ISER study asked the correct questions by asking how to get a teacher out to the village area. The ISER puts the State closer to the truth regarding those costs. To pretend that it does not cost more to have a teacher in rural Alaska is not true and does an injustice to many of the students of the State.

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Representative Hawker added that the ISER study based its conclusions on questions. It was acknowledged in the ISER report that they did not address whether additional funding would result in the districts having additional personnel.

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Representative Kelly was concerned with what was happening in Co-Chair Chenault's district but wanted to know that the legislation would "make sense" regarding cost differentials.

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Representative Joule stated that he would have an amendment regarding the contingent effect of the needed conforming sections for appropriations in the REAA's.

HB 13 was HELD in Committee for further consideration.

AT EASE: [2:39:22 PM](#)

RECONVENE: [2:43:45 PM](#)

#HB53

HOUSE BILL NO. 53

An Act relating to child-in-need-of-aid proceedings; amending the construction of statutes pertaining to children in need of aid; relating to a duty and standard of care for services to children and families; amending court hearing procedures to allow public attendance at child-in-need-of-aid proceedings; establishing a right to a trial by jury in termination of parental rights proceedings; reestablishing and relating to state and local citizens' review panels for certain child custody matters; amending the duty to disclose information pertaining to a child in need of aid; establishing a distribution age for permanent fund dividends held in trust for a child committed to the custody of the Department of Health and Social Services; mandating reporting of the medication of children in state custody; prescribing the rights of grandparents related to child-in-need-of-aid cases and establishing a grandparent priority for adoption in certain child-in-need-of-aid cases; modifying adoption and placement procedures in certain child-in-need-of-aid cases; amending treatment service requirements for parents involved in child-in-need-of-aid proceedings; amending Rules 3 and 18, Alaska Child in Need of Aid Rules of Procedure; and providing for an effective date.

Representative Kelly MOVED to ADOPT Amendment #1, which would insert "court records" on Page 1, Line 3. (Copy on File). Co-Chair Meyer OBJECTED.

RYNNIEVA MOSS, STAFF, REPRESENTATIVE JOHN COGHILL, noted that the amendment added language to the title. It was important that the title states concise. The court records were modified in Sections 18 & 19.

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Co-Chair Meyer WITHDREW his OBJECTION. There being NO further OBJECTION, Amendment #1 was adopted.

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Representative Croft MOVED to ADOPT Amendment #2. Co-Chair Meyer OBJECTED.

Representative Croft explained the amendment would insert language on Page 5, "to the fullest extent consistent with the child's best interests". (Copy on File). Ms. Moss concurred, pointed out that also had been a concern for the Department of Law.

Co-Chair Meyer WITHDREW his OBJECTION. There being NO further OBJECTION, Amendment #2 was adopted.

[2:47:05 PM](#)

Representative Kelly MOVED to ADOPT Amendment #3. Co-Chair Meyer OBJECTED.

Ms. Moss explained that the amendment would add language on Page 7, Line 7, "or whose safety or welfare may be endangered by public release of such information". (Copy on File).

Co-Chair Meyer WITHDREW his OBJECTION. There being NO further OBJECTION, Amendment #3 was adopted.

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Representative Hawker MOVED to ADOPT Amendment #4, which would delete all material on Page 7, Lines 14-20. (Copy on File). Co-Chair Meyer OBJECTED.

JULIE LUCKY, STAFF, REPRESENTATIVE HAWKER, explained the amendment, recommending a policy call by the Committee to determine whether child-in-need-of-aid hearings should be open to the public. She resisted sharing that information and recommended an opinion from Department of Law.

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Representative Croft questioned whether public disclosure could be better. He asked if confidentiality protects children. Ms. Lucky shared her opinion regarding how it affects children at risk.

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Representative Hawker noted that the crux of the amendment addresses the language of the bill, making the public hearing process open to the public and limiting confidentiality. The proposed language provides strong "affirmative" duty that the public may not disclose any information from a hearing by making it a misdemeanor crime to violate that. He thought that could be a bright line for an innocent child.

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Ms. Moss noted that the Sponsor was in opposition to Amendment #4.

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JAN RUTHERDALE, ASSISTANT ATTORNEY GENERAL, DEPARTMENT OF LAW, related her experience in drafting the bill during the task force. A lot of time was spent on balancing the privacy rights of the child with the benefits of opening the hearings. It was determined that the provision of Subsection (F), Section 10 was important and the amendment proposes to modify that section. The protections of not disclosing the child's name, plus requiring the court to notify everyone. Subject to the court's sanctions, that would violate the order.

Ms. Rutherforddale addressed questions about the studies. She said the system is broken with so little funding going into that system and by opening the hearings, would be one way to obtain necessary changes. Several states have opened up hearings without problems. There are already restrictions in place.

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JOSH FINK, (TESTIFIED VIA TELECONFERENCE), PUBLIC ADVOCATE, OFFICE OF PUBLIC ADVOCACY (OPA), ANCHORAGE, concurred with comments made by Ms. Moss that they support the current language in the bill. He related history of public disclosure and the importance of that. He voiced concern with Amendment #4, indicating that public discussion is important with the need for "side boards".

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Representative Croft referred to the last line of that section. He asked if a judge had experience in a case with a reporter who disclosed information they should not have, then shouldn't they retain the power to exclude that reporter from subsequent hearings.

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Ms. Rutherforddale agreed with Representative Croft's interpretation that the court has the power to close a hearing.

Ms. Moss inquired if Representative Croft had recommended any language. Representative Croft recommended deleting "in the case".

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Representative Hawker WITHDREW Amendment #4.

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Representative Hawker MOVED to ADOPT Amendment #5, which would add a conceptual amendment on Page 11 to Section 16.

Co-Chair Meyer OBJECTED. Ms. Moss indicated that the sponsor would have no problem with that language.

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Ms. Lucky spoke to the duty of the Department to notify adult family members while termination is happening. There are many families where there is a cycle of abuse. The amendment would not preclude the Department from looking at a family member that might have had trouble in the past.

Co-Chair Meyer WITHDREW his OBJECTION. There being NO further OBJECTION, Amendment #5 was adopted.

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Representative Kelly MOVED to ADOPT Amendment #6. Co-Chair Meyer OBJECTED.

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Ms. Rutherford explained that she had proposed the language. The language clarifies that the parties including the parents have access to agency records. Currently, a person would have to obtain a court order. She spoke to that limitation.

Representative Kelly asked if that had fallen out of favor. Ms. Rutherford replied that the language has fallen out of favor, but the amendment has not.

Co-Chair Meyer WITHDREW his OBJECTION. There being NO further OBJECTION, Amendment #6 was adopted.

[3:07:53 PM](#)

Representative Hawker MOVED to ADOPT Amendment #7. Co-Chair Meyer OBJECTED.

Ms. Rutherford noted that she had recommended the amendment, which would delete language on Page 5, Line 24, "Guardian ad litem appointed by the Court" and insert "a guardian ad litem appointed by the court".

Representative Croft pointed out the need for renumbering.

Co-Chair Meyer WITHDREW his OBJECTION. There being NO further OBJECTION, Amendment #7 was adopted.

[3:09:41 PM](#)

Representative Kelly MOVED to ADOPT Amendment #8. Co-Chair Meyer OBJECTED.

Ms. Rutherford explained the amendment provides clarification that caregivers include a parent or guardian of the child. The language covers situations in which the caregiver should be warned regarding information. Often they have no connection with OCS. The proposed language covers licensing and day care agencies.

Co-Chair Chenault asked about warning day care providers and if the language would apply to only licensed day care centers. Ms. Rutherford replied it applies to licensing agencies and to any caregiver of a child. If the person has control, they need to be warned to protect that child.

Co-Chair Chenault mentioned a felon doing day care in his area and inquired if the law would apply to that person. Ms. Rutherford advised that OCS would need to know about it in order to provide the warning and would affect anything regarding the child's safety.

Co-Chair Chenault explained that the man was accused of kidnapping 15-years ago and currently, he is providing day care out of his home. He cares for only four children, under the number to require a license. Ms. Rutherford responded it would cover that situation.

Co-Chair Meyer WITHDREW his OBJECTION. There being NO further OBJECTION, Amendment #8 was adopted.

[3:14:26 PM](#)

Representative Kelly MOVED to ADOPT Amendment #9. Co-Chair Meyer OBJECTED.

Ms. Moss indicated that the amendment addresses a concern regarding multiple children with multiple fathers. She added that grammatically the sentence needs to delete the second comma.

Representative Hawker MOVED a friendly amendment to delete the second comma. There being NO OBJECTION, Amendment #9 was amended.

Co-Chair Meyer WITHDREW his OBJECTION. There being NO further OBJECTION, amended Amendment #9 was adopted.

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Representative Kelly MOVED to ADOPT Amendment #10. Co-Chair Meyer OBJECTED.

Ms. Moss explained that the amendment addresses an oversight. Additionally, the word "member" was left out in the insert of Section ©.

Representative Hawker MOVED to AMEND Amendment #10 with the addition of that language. There being NO OBJECTION, it was amended.

Co-Chair Meyer WITHDREW his OBJECTION. There being NO further OBJECTION, amended Amendment #10 was adopted.

[3:16:56 PM](#)

Representative Kelly MOVED to ADOPT Amendment #11. Co-Chair Meyer OBJECTED.

Ms. Rutherford explained that the amendment would insert language on Page 20, Line 29, following "child", "under AS 47.10.088(i) or under (e) of this section". The language clarifies that the paragraph refers to both sections, identifying adoptive placement homes.

Co-Chair Meyer WITHDREW his OBJECTION. There being NO further OBJECTION, Amendment #11 was adopted.

[3:18:06 PM](#)

Representative Kelly MOVED to ADOPT Amendment #12. Co-Chair Meyer OBJECTED.

Ms. Moss advised that Amendment #12 would delete language on Page 21, Line 23: "and shall be closed to the public", because the purpose of the bill is to open proceedings to the public.

Representative Croft asked if they were closed to the public before. Ms. Moss said no and that the language had been taken from other federal statutes.

Co-Chair Meyer WITHDREW his OBJECTION. There being NO further OBJECTION, Amendment #12 was adopted.

[3:19:06 PM](#)

Representative Kelly MOVED to ADOPT Amendment #13. Co-Chair Meyer OBJECTED.

Ms. Moss explained that the original language mandated audio and videotaping. That could create a burden for OCS and a fiscal note if for some reason the federal dollars disappear. The requested language would be more permissive.

TAMMY SANDOVAL, (TESTIFIED VIA TELECONFERENCE), ACTING DIRECTOR, OFFICES OF CHILDREN'S SERVICES (OCS), DEPARTMENT OF HEALTH & SOCIAL SERVICES, ANCHORAGE, stated that it was best practice to have children audio and video taped whenever possible, but she realized that they do not hold the purse strings to mandate that.

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Representative Croft said that under current law, it is permissive. Amendment #13 establishes a tiered system for physical abuse. Ms. Moss stated that they did not add the "shall" on Line 8.

Representative Croft asked why that was the best practice in certain cases not severe or sexual. He asked why, in the sexual abuse cases would they want to create a "shall" standard. Ms. Moss concurred and agreed that would create a check and balance.

Representative Croft asked if an implication was created when using "may" for severe physical abuse and "shall" for sexual abuse.

STACY KRALY, ASSISTANT ATTORNEY GENERAL, DEPARTMENT OF LAW, agreed with the premise, however, understood that "shall" on Line 8, creates a large fiscal impact on OCS, because the mandatory nature creates an obligation.

Ms. Sandoval added that adding "shall" on Line 8 relieved their office. She agreed, however, it was determined that having the burden of that language to transport a child or interviewer would create difficult costs. She mentioned the best practice issue could be dealt with internally.

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Representative Croft pointed out that the mentioned situation could not be feasible and thought that it could result in trauma to the child. He maintained that it was "best practices" to audio and videotape victims, particularly sexually violated victims and that it should be required. He suggested that on Lines 5 & 6 of the amendment, deleting language "alleging severe physical abuse by a parent or caregiver". He preferred that all reports of harm be taped but was comfortable with it being those involved with sexual abuse.

Ms. Kraly agreed with the "unless" phrase. She reiterated that best practice requires a fiscal note. She requested time to determine if the change would work with a 1985 Supreme Court case decision, regarding requirements that a police officer tape interviews with suspects.

Representative Croft MOVED to AMEND Amendment #13, Lines 5 & 6, deleting language "alleging severe physical abuse by a parent or caregiver". Additionally, Lines 8 & 9, deleting the phrase, "except that an interview of a child may not be videotaped if" and insert "unless". There being NO

OBJECTION to the amended language, it was incorporated. Ms. Moss indicated that the sponsor would support that change.

Co-Chair Meyer WITHDREW his OBJECTION, to the amendment. There being NO further OBJECTIONS, amended Amendment #13 was adopted.

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Representative Foster mentioned that 15 years ago, the 9th Circuit Court made a judgment, which was recently overturned because the right of the accused was unable to cross-examine the tape. He did not know the value of the amendment.

Ms. Rutherford explained that the purpose of the taping is to guarantee that there is accurate information coming from the child. Generally, it is not used in court.

[3:32:00 PM](#)

Representative Kelly MOVED to ADOPT Amendment #14. Co-Chair Chenault OBJECTED.

Ms. Moss stated that Amendment #14 defines child advocacy centers and that the State directs OCS to utilize them when available.

Co-Chair Chenault WITHDREW his OBJECTION. There being NO further OBJECTION, Amendment #14 was adopted.

Representative Kelly pointed out an extra common on Line 8. He MOVED to AMEND Amendment #8 by deleting the comma after "neglect". There being NO OBJECTION, it was amended.

There being NO further OBJECTION, amended Amendment #8 was adopted.

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Co-Chair Meyer inquired the change to the fiscal note.

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Ms. Moss responded that she could not provide an accurate number at this time, noting possible lost federal funds. OPA and the Public Defenders Office have reduced their notes by approximately 66%. Ms. Moss pointed out the substantial increase for budgeting of front line workers.

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Representative Hawker voiced concern passing a bill out of the House Finance Committee that does not indicate true fiscal costs.

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Representative Croft referenced Section 38, Page 21, the panel open to the public. He voiced concern with the confidentiality in Section 41 that the members and staff may not disclose. He thought that they ought to have similar obligations as those listed in Section 10. Ms. Moss understood that was already covered.

Ms. Kraly pointed out that Section 41 contains a confidentiality provision that has a restriction regarding what can be divulged. Representative Croft read Section 41, "The members and staff of the State panel do not discuss". Ms. Kraly agreed with Representative Croft's interpretation that if the meetings were going to be open, there should be a similar limitation to the individuals that attend.

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Ms. Moss said she was under the understood that confidentiality would be created for any child-in-need-of-aid proceedings. Representative Croft requested reconsideration on Page 7, regarding a person attending a hearing. Ms. Rutherford advised that Page 7 does not apply to the Citizen's Review Panel.

Representative Croft MOVED to ADOPT Amendment #15a on Page 22, Line 15, "a person attending a hearing of the State panel and" before "members". Ms. Moss indicated that would be okay.

There being NO OBJECTION, Amendment #15a was adopted.

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Ms. Sandoval reported on the reworking of the fiscal notes and removing the jury trial. The Division has reduced the notes to just over \$200 thousand dollars.

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Co-Chair Meyer stated that HB 53 would be HELD in Committee for further consideration of the fiscal notes.

AT EASE: [3:44:10 PM](#)
RECONVENE: [3:52:31 PM](#)

#HB275
HOUSE BILL NO. 275

An Act authorizing financing for certain public transportation projects; giving notice of and approving

the entry into, and the issuance of revenue obligations that provide participation in, lease-financing agreements for those transportation projects; and providing for an effective date.

[3:53:19 PM](#)

*Co-Chair Chenault MOVED to ADOPT work draft #24-LS0902\G, Utermohle, 4/26/05, as the version of the bill before the Committee. There being NO OBJECTION, it was adopted.

PETE ECKLUND, STAFF, REPRESENTATIVE KEVIN MEYER, explained the changes. The original version of the bill allocated \$115 million dollars for statewide projects. Version G allocates \$183 million dollars for projects. He referenced the handout: "Grant Anticipation Revenue Vehicles (GARVEE) Project List". (Copy on File). He pointed out that many of the projects relate to the gas pipeline. The bond package could be paid back over 16 years, totaling \$16.1 million dollars per year, for a total of \$257 million dollars.

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Co-Chair Meyer related the bill's history and concern with using the bonds. He observed that the Department of Transportation & Public Facilities and the Alaska General Contractors would rather use a different funding source.

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JOHN MACKINNON, DEPUTY DIRECTOR, DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES, testified that GARVEE bonds "do not grow the program". He pointed out that federal funding for the past 18 months has been a roller coaster ride and the Department is anxiously awaiting reauthorization. GARVEE's are a great mechanism when there is a growing program. Paying out interest earnings shrinks the program, ending up with a bulge in construction activity. He maintained that using the GARVEE bonds concerns the Department.

Co-Chair Meyer pointed out that some of the proposed roads were ones supported by the Governor, noting that passage of the bill would allow acceleration for those projects. Mr. MacKinnon agreed.

[3:59:58 PM](#)

Representative Hawker recognized the reticence of using the proposed vehicle. He asked if the bill were passed, would that be a single placement or would it be placed into components. He asked the schedule of the bond placements. Mr. MacKinnon did not know, indicating it would be the call of the Governor.

[4:01:24 PM](#)

Mr. Ecklund countered in support of the GARVEE's pointing out that in the last two years, heavy construction inflation has been growing at the rate of 50% per year. By moving some projects up and doing them now, there could be an inflationary cost savings. The interest earnings on the bonds could be used to offset the State match.

[4:02:19 PM](#)

Co-Chair Chenault asked what would happen with left over money from the allocations. Mr. MacKinnon replied that rarely is there money left over on a project and the bill provides the ability to allocate for other projects.

Co-Chair Chenault commented on "old" money still waiting for the General Obligation (GO) allocation. Mr. MacKinnon understood that the policy was for those monies to stay on the project list. That money could be reallocated. If a GARVEE package results, the Department will have to use "discipline". If projects grow and exceed the available number, it is important that the Department remains within budget, otherwise it could drain other projects.

[4:04:49 PM](#)

Representative Holm was concerned that projects would be built with no maintenance funding placed in. He requested an analysis for the projects and asked to what extent the State studies programs. Mr. MacKinnon acknowledged that the Department is aware of the increased maintenance costs, however, those are not considerations when the project is being built. Representative Holm reiterated his concern that when projects are placed on the STIP, they come without a maintenance factor built in. He maintained that it is important to look at planning and if there would be a significant impact.

[4:07:41 PM](#)

Mr. MacKinnon pointed out that it would be good to have information regarding the increase in annual maintenance costs. Representative Holm agreed.

Representative Hawker asked if there could be a penalty for early financing or payoff if another preferred mechanism was chosen instead of the GARVEE. Mr. McKinnon did not know but indicated that the State could substitute the federal screen for other sources.

[4:09:40 PM](#)

DICK CATTANACH, EXECUTIVE DIRECTOR, ASSOCIATED GENERAL CONTRACTORS OF ALASKA, ANCHORAGE, clarified that his board concurred with the Department's position against using the GARVEE bonds. The use of the bonds would not add to the highway program but rather would move projects from the future to the present. The bonds will not add project money, with the exception that building now might be cheaper than building in four years because of inflation. Issuing GARVEE bonds means paying interest and that interest must come from the \$6 billion dollar allocation. The interest costs might offset the inflation and the State will end up with a program no bigger. He emphasized that using the GARVEE bonds creates an artificial period of time.

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Mr. Cattanaugh thought that the \$200 billion dollar number was exorbitant. The projects would total \$500 million dollars for two years and contractors would ramp up for that. Paying off the bonds, it would be decreased. With the bonds issued last year and the current ones, would result in a reduced program of \$25-\$30 million dollars. Instead of \$4 million future dollars, the end result will be \$375 million dollars for the next 14 years. He stressed that if using GARVEE bonds, the projects must be selected carefully. He reiterated his opposition to using the bonds.

[4:14:37 PM](#)

Co-Chair Meyer commented that finding roads for the gas pipeline is important. He pointed out that some of those roads are on that list and there is a need to find geographical balance.

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Mr. Cattanaugh argued against using the GARVEE bonds. Co-Chair Meyer acknowledged that his first choice was to use the surplus Amerada Hess general fund money.

[4:16:05 PM](#)

Representative Hawker asked how Mr. Cattanaugh would counsel the Committee for road maintenance funding for sustainable planning. Mr. Cattanaugh responded that the Statewide Transportation Improvement Projects (STIP) process works, acknowledged, it is flawed. The STIP is currently the best process that the State has. He did not know how to otherwise respond to Representative Hawker, reiterating concern that GARVEE bonds are not a good option; the projects would be on top of a highway program already costing \$400 million dollars.

[4:18:16 PM](#)

Representative Hawker commented that he really did not understand the STIP process and asked what would happen if the State did have an alternative funding source and if the STIP money was lost or available for rescheduling. Mr. Cattenough believed it would be available as it was authorized for Alaska.

[4:19:52 PM](#)

TOM BOUTIN, (TESTIFIED VIA TELECONFERENCE), DEPUTY COMMISSIONER, DEPARTMENT OF REVENUE, ANCHORAGE, responded to Representative Hawker's query, a question for the Department of Transportation & Public Facilities. He noted that in 2003, the State did issue GARVEE bonds. He understood that for each GARVEE qualified project, the State goes to the federal government to obtain an okay for that project. Therefore, a project that qualifies for GARVEE, reduces what otherwise would be federal receipts. If a project were funded through some alternative funding, the State would not be giving up federal money.

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Mr. MacKinnon agreed and that it could free up that much money. Representative Hawker was hopeful to find an alternative mechanism to the GARVEE process that would not compromise funding down stream.

[4:23:15 PM](#)

Mr. Boutin added that typically the bonds could be issued so that there could be an early call provision. With the call premium, there would be an issuance cost and the bond proceeds would not be invested with high rates on the bonds. There would be costs in issuing that debt and not spending the money. Using the GARVEE bonds, there will be a credit rating concern.

[4:24:24 PM](#)

Representative Holm asked if the money would be lost if the projects were not completed and wondered how many of the projects would be "time trapped" under the STIP process. Mr. MacKinnon did not know. He pointed out that the list provided by Co-Chair Meyer's staff included a number of those projects.

Representative Holm commented on the problems associated with the STIP process in those areas of the State that are adversely affected by projects not funded. He was concerned with supporting the GARVEE bonding.

[4:26:52 PM](#)

Representative Kelly requested clarification if the STIP list would use GARVEE bond funding. Mr. MacKinnon said there would be a \$100 million dollars total in that list.

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Representative Weyhrauch noted in his area, there is a backlog of projects and continues to be a stagnant decline. He thought the State should foster more private development. He applauded the Chairman for "looking for every dime he can", reiterating that his area is "hurting". There is high unemployment with access needs for resources and roads.

Representative Weyhrauch referenced the list, requesting it to be amended to include a road extension on Glacier Highway. He emphasized that SE Alaska supports the gas pipeline. He acknowledged that S.E. Alaska is a different world and urged that member's support addressing the needs in S.E. Alaska, too.

Mr. Cattenough stated that the general contractors are not opposed to any projects; however, warned about moving the proposed dollars forward. He warned that the State would not gain anything that way. The Alaska General Contractors (AGC) will support another source of funding. Alaska is the only State in the nation that does not have a State highway program. In most states that program equals or exceeds the amount received by the federal government. There are over \$10 billion dollars worth of needed projects. He encouraged the Legislature re-think outside federal highway dollars.

[4:32:52 PM](#)

Co-Chair Meyer indicated that he would like to find another source of money for these roads; however, it is not available. He agreed that there are other sources but to date, they have not been explored. In order to address the priority roads, GARVEE bonds are the only thing available.

Representative Weyhrauch maintained the real need is for fiscal planning.

Representative Hawker interjected that last year, if the House had been successful with the Senate in adopting the Percent of Market Value (POMV), a constitutional spending limit, and HB 298, then the State would be enjoying the beginning of fiscal planning.

[4:35:04 PM](#)

Representative Weyhrauch MOVED to AMEND on Page 3, Line 3, inserting, "Glacier Highway road extension - \$10 million dollars - Section (23)".

Co-Chair Meyer asked if that was on the Department of Transportation & Public Facilities' list. Mr. MacKinnon replied that project could fit into the list. There being NO OBJECTION, it was added.

Representative Foster MOVED to report CSHB 275 (FIN) out of Committee with individual recommendations and with the accompanying fiscal note. There being NO OBJECTION, it was so ordered.

CS HB 275 (FIN) was reported out of Committee with a "no recommendation" and with a new fiscal note by the Department of Revenue.

[4:38:12 PM](#)

#SB67

CS FOR SENATE BILL NO. 67(JUD)(efd fld)

An Act relating to claims for personal injury or wrongful death against health care providers.

BRIAN HOVE, STAFF, SENATOR RALPH SEEKINS, said that SB 67 would amend AS 09.55 by adding a new section (.549). The section would place a two-step limit on non-economic damage awards where health care providers render services. In cases involving wrongful death or severe permanent physical impairment, damages would be limited to \$400 thousand dollars, while all other cases would be limited to \$250 thousand dollars.

The bill intends to alleviate a growing, two-pronged, crisis in Alaska's health care industry, the dearth of liability insurance carriers and the declining number of practicing physicians. Liability insurance is necessary. Health care providers understand the necessity of liability coverage.

Mr. Hove stated that in today's world, commercial enterprise must have coverage. Medical malpractice insurance companies have found Alaska uneconomic and have left that market, which has created uncertainty and opened the door to higher rates across the board.

Mr. Hove noted every Alaskan needing medical care pays the added costs of doing business, however, there are more serious concerns with a critical shortage of physicians. Alaska ranks near the bottom in the number of physicians per capita nationwide and that over half of Alaska's physicians exceed the age of 50. Additionally, it is continually more difficult to recruit new entries when other states have capped non-economic damages at or near \$250 thousand dollars. It is important to note that SB 67 does not alter awards for quantifiable damages such as lost wages and

medical expenses. Furthermore, it is not intended to be a solution to the entire range of issues facing the health care industry today. However, it does provide a step in the right direction in terms of stabilizing the medical insurance market in Alaska and boosting efforts to attract the next generation of physicians.

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JIM JORDAN, EXECUTIVE DIRECTOR, ALASKA STATE MEDICAL ASSOCIATION (ASMA), ANCHORAGE, testified in support of the legislation. He mentioned the national shortage of physicians. The Association of American Medical Colleges has issued an alert that it is time to ramp up for the medical shortage. He emphasized that the shortage is particularly acute in the Western states.

Mr. Jordan maintained that the State of Alaska cannot afford the loss of another physician. There are a variety of reasons that physicians are being lost. He felt that SB 67 could aid in recruitment of new doctors. Mr. Jordan pointed out that two of the four insurance companies that have left the State are still doing business in Idaho. Alaska exceeds Idaho's [medical insurance] rates by 50 percent. He urged support for SB 67.

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Representative Foster referenced the materials in the file which indicates that the number of doctors across the country have tripled since 1989.

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Mr. Jordan questioned which report was being referenced. Representative Foster restated that the report indicates the tripling per capita. Mr. Jordan advised that the numbers being discussed are the total number of physicians licensed in the State. It is important to take into consideration how many doctors are actually practicing. The national organization of State Medical Boards indicates that 60% of physicians have licenses in multiple states. The directory is the best attempt to determine who the practicing physicians are.

[4:53:39 PM](#)

Representative Weyhrauch questioned if 37 doctors had dropped out of practice last year. Mr. Jordan said yes, primarily due to the number of deployed military positions.

Representative Weyhrauch asked if they had purchased malpractice insurance. Mr. Jordan believed that the retired military had been covered under the federal tort act.

[4:56:05 PM](#)

MIKE HAUGEN, EXECUTIVE DIRECTOR, ALASKA PHYSICIANS AND SURGEONS, ANCHORAGE, testified in support of the legislation. Approximately, 60% of the Alaskan voters favor placing a cap on non-economic damages in medical non-practice cases. He added that 72% of the voters believe that health care providers are doing a good job preventing medical errors and promoting public safety. Nearly half of the voters feel that some physicians have stopped providing some complex or high-risk medical services to protect themselves from the lawsuits. Voters fear that the medical non-practice component will impact them directly.

Mr. Haugen pointed out that Alaska ranks 46th out of 50 states in the number of per capita doctors. Those states that have enacted meaningful, non-economic damage caps have seen an average of about 12% more doctors per capita.

Mr. Haugen argued that the concern is one of access. With only two insurance carriers left in the State, Alaska cannot afford to lose one of them. There are enough senior doctors in the State deciding to retire from practice. It is very difficult to attract new doctors into Alaska and with just two carriers, it will not be getting any easier. He stated that SB 67 would help address these concerns.

[4:59:16 PM](#)

Representative Holm asked if it was in the best interest for Alaskans to have young or old doctors. Mr. Haugen responded that would depend on the qualifications and ability of that physician. The doctors coming out of medical school are exposed to the most current technology and theory while the older physicians have experience. The fact is that Alaska needs to attract more doctors of all ages.

Representative Holm pointed out that it is extremely difficult to attract specialists in Fairbanks. He was concerned that the legislation might attract only young doctors.

Representative Holm referenced an article regarding a liability insurance analysis undertaken by a group, which ranks Alaska between 33%-36% nationwide. Alaska ranks very low for doing business and recommended that tort reform be implemented.

[5:02:58 PM](#)

Mr. Haugen explained that the proposed legislation was not the ultimate solution to the problem. He thought that

eventually, the Legislature could create a better fix to the problem.

[5:04:59 PM](#)

Representative Holm advised that there is no guarantee from any insurance company that they will stay in Alaska either with or without passage of the legislation.

CS SB 67(JUD)(efd fld) was HELD in Committee for further consideration.

#

ADJOURNMENT

The meeting was adjourned at 5:05 P.M.