

HOUSE FINANCE COMMITTEE
May 9, 2005
8:48 a.m.

CALL TO ORDER

Co-Chair Meyer called the House Finance Committee meeting to order at [8:48:24 AM](#).

MEMBERS PRESENT

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

MEMBERS ABSENT

Representative Bruce Weyhrauch

ALSO PRESENT

Nona Wilson, Legislative Liaison, Department of Transportation and Public Facilities; Cheryl Frasca, Director, Division of Management & Budget, Office of the Governor; Richard Benavides, Staff, Senator Bettye Davis; Jerry Fuller, Medicaid Director, Department of Health and Social Services; Tim Berry, Staff, Senator Bert Stedman; Chuck Harlamert, Revenue Audit Supervisor, Tax Division, Department of Revenue; Stephanie Madson, Pacific Seafood Processors; Reed Stoops, Lobbyist, Ocean Beauty Seafoods; Dean Guaneli, Chief Assistant Attorney General, Department of Law; Janson Hooley, Staff, Senator Fred Dyson; Senator Bettye Davis

PRESENT VIA TELECONFERENCE

Kris Norosz, Icicle Seafoods, Petersburg; Stacy Kraly, Assistant Attorney General, Department of Law; Dr. Richard Mandsager, Director, Division of Public Health, Department of Health and Social Services; Devon Mitchell, Executive Director, Alaska Municipal Bond Bank Authority, Department of Revenue.

SUMMARY

SB 153 "An Act relating to international airports revenue bonds; and providing for an effective date."

SB 153 was REPORTED out of Committee with a "do pass" recommendation and with the accompanying fiscal impact note by the Department of Revenue.

CSSB 22(FIN)

"An Act adding birthing centers to the list of health facilities eligible for payment of medical assistance for needy persons."

CSSB 22 (FIN) was REPORTED out of Committee with a "no recommendation" recommendation and with a zero fiscal impact note by the Department of Health and Social Services.

CSSB 164 (FIN)

"An Act relating to the salmon product development tax credit; providing for an effective date by amending an effective date in sec. 7, ch. 57, SLA 2003; and providing for an effective date."

CSSB 164 (FIN) was REPORTED out of Committee with a "no recommendation" recommendation and with a zero fiscal impact note by the Department of Revenue.

CSSB 135(JUD)(efd am)

"An Act relating to the crimes of assault and custodial interference; and providing for an effective date."

CSSB 135 (JUD) was REPORTED out of Committee with a "no recommendation" recommendation and with three zero fiscal impact notes: #1 ADM, #2 ACS, #3 LAW.

HB 68 "An Act making capital appropriations and appropriations to capitalize funds; and providing for an effective date."

HB 68 was heard and HELD in Committee for further consideration.

SB 73 "An Act relating to a lease-purchase agreement for the construction, equipping, and financing of a state virology laboratory in Fairbanks, on land provided by the University of Alaska, Fairbanks, to be operated by the Department of Health and Social Services; relating to the issuance of certificates of participation for the laboratory; relating to the use of certain investment income for certain construction and equipment costs for

the laboratory; and providing for an effective date."

CS SB 73 (FIN) am was reported out of Committee with a "no" recommendation and with previously published fiscal notes: #1 - Rev, #2 - HSS, and #4 - HSS.

[8:49:36 AM](#)

[Due to audio problems, this portion of the meeting can be heard by going to KTOO's website and selecting the Gavel to Gavel recording.]

SENATE BILL NO. 153

"An Act relating to international airports revenue bonds; and providing for an effective date."

NONA WILSON, LEGISLATIVE LIAISON, DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES, noted that she is available for questions on SB 153.

Representative Foster MOVED to report SB 153 out of Committee with individual recommendations and the accompanying fiscal impact note. There being NO OBJECTION, it was so ordered.

SB 153 was REPORTED out of Committee with a "do pass" recommendation and with the accompanying fiscal impact note by the Department of Revenue.

[8:51:24 AM](#)

HOUSE BILL NO. 68

"An Act making capital appropriations and appropriations to capitalize funds; and providing for an effective date."

CHERYL FRASCA, DIRECTOR, DIVISION OF MANAGEMENT & BUDGET, OFFICE OF THE GOVERNOR, explained the changes to SB 68. She noted the priorities included in the budget.

[8:53:45 AM](#)

Co-Chair Meyer asked if the Senate Capital budget included the museum archives library building in the Department of Education budget. Ms. Frasca responded that it did not.

[8:54:33 AM](#)

Co-Chair Meyer asked about repairs on the Governor's mansion and the Juneau Pioneer's Home expenses. Ms. Frasca commented about possible options.

Co-Chair Meyer asked about a recent amendment. Ms. Frasca replied that it would be a match from the private sector.

Co-Chair Meyer inquired about the Fairbanks Virology Lab. Ms. Frasca noted that it is being completed by a certificate of participation whose first payment isn't due until FY 07.

Co-Chair Meyer asked about the Bethel Readiness Center. Ms. Frasca noted that general funds were appropriated to complete the state's match for the federal funds.

[8:56:58 AM](#)

Co-Chair Meyer inquired about the integrated science complex differences. Ms. Frasca replied that they worked from the University Board of Regents' list.

Co-Chair Meyer asked if the university projects on page 39 are in Senate's capital budget. Ms. Frasca said some of them are.

[8:59:10 AM](#)

Co-Chair Chenault asked if the Palmer Court House expansion is in District 12. Vice-Chair Stoltze responded that it is.

Co-Chair Meyer asked how much is in the general fund. Ms. Frasca replied \$53.5 million.

HB 68 was HELD in Committee for further consideration.

[9:01:19 AM](#)

CS FOR SENATE BILL NO. 22(FIN)

"An Act adding birthing centers to the list of health facilities eligible for payment of medical assistance for needy persons."

RICHARD BENAVIDES, STAFF, SENATOR BETTYE DAVIS, explained SB 22 would add birthing center fees to Medicaid reimbursements.

[9:03:07 AM](#)

Co-Chair Chenault asked about fiscal note #2 by the Department of Health and Social Services. He noted that there is a great deal of uncertainty in calculating the cost differential between birth center and hospital births. Mr. Benavides explained problems that result from complicated births.

Representative Hawker asked if birthing centers are eligible for Medicaid. Mr. Benavides replied that if they were approved they would be. Representative Hawker suggested that this should be figured out first.

[9:05:29 AM](#)

JERRY FULLER, MEDICAID DIRECTOR, DEPARTMENT OF HEALTH AND SOCIAL SERVICES, explained Medicaid services and how approval is obtained. He explained the intent of the bill.

Representative Hawker referred to spies and the risks of adding this authority in statute if Medicaid says no. Mr. Fuller clarified the intent of the second part of the amendment. The language needs clarification. Representative Hawker suggested legal clarification regarding an alternative to existing Medicaid coverage. Mr. Benavides pointed out that that was the intent, so it is not open to a need to use general funds. Representative Hawker emphasized that it is unclear and needs work.

[9:09:29 AM](#)

Representative Croft noted that in the statute "if" is the key to understanding the intent. He implied that it is clear that birthing centers are a health facility only if the plan is approved. Representative Hawker asked for legal clarification on the state and federal regulations. Mr. Benavides suggested that there is no such person who could speak to both regulations, and the CS takes care of the problem.

[9:11:11 AM](#)

Representative Holm inquired if the state, by reference, is giving birthing center stays equal status to a hospital stay, especially regarding C-sections. He wondered about liability in that situation. Mr. Benavides replied that birthing centers work out that situation with the closest medical facility and assume that risk. Representative Holm restated his question. Mr. Benavides said birthing center births are comparable to births at a hospital.

Mr. Fuller added that he does not believe there is any difference between liability of home births and birthing center births. Representative Holm said it indicates that there is a possible financial burden on the state.

[9:14:56 AM](#)

Representative Kelly asked if the law is necessary for the program to continue. He asked why the law is needed in advance of program approval. Mr. Benavides replied that nothing can be added to Medicaid programs unless it has been

approved by the legislature. Birthing centers are growing in Alaska and this is an attempt to make them eligible for Medicaid services.

Representative Hawker referred to the optional services list and opined that the bill does not address it. Mr. Benavides agreed.

Representative Croft agreed with Representative Kelly's interpretation about which came first. He opined that the bill does allow for an option which is not currently offered.

[9:19:19 AM](#)

Representative Kelly asked if this bill covers mid-wife delivery. Mr. Benavides explained that the bill does not address home birth services, because that is already covered. It addresses the birthing facility, which is currently not covered.

Vice-Chair Stoltze noted that it contains a zero fiscal note with red flags.

Co-Chair Meyer wondered if a letter of intent would be helpful.

[9:21:46 AM](#)

Representative Hawker noted that Medicaid is already paying for more than half of all births in Alaska. He said he is not in favor of expanding this service.

SB 22 was set aside for later consideration.

[9:23:17 AM](#)

CS FOR SENATE BILL NO. 164(FIN)

"An Act relating to the salmon product development tax credit; providing for an effective date by amending an effective date in sec. 7, ch. 57, SLA 2003; and providing for an effective date."

TIM BERRY, STAFF, SENATOR BERT STEDMAN, explained that the bill would give salmon processors an additional three years to claim a tax credit. He read the sponsor statement (copy on file.)

[9:25:36 AM](#)

Vice-Chair Stoltze asked about the effective date of 2012.

CHUCK HARLAMERT, REVENUE AUDIT SUPERVISOR, TAX DIVISION, DEPARTMENT OF REVENUE, explained that the basic credit is extended to 2008, but the carryover period is extended to 2012. Vice-Chair Stoltze asked if it is capped at \$1 million a year. Mr. Harlamert replied that there is not a cap on the credit itself. The entire unused credit would be carried over.

[9:27:55 AM](#)

Vice-Chair Stoltze asked about the difference in pop-top cans and the old cans. Mr. Berry explained that a normal can requires a can opener. The change was requested by the processors.

Representative Kelly asked why this date is extended beyond the previous sunset date. Mr. Berry replied that the processors have taken a while to learn about the credit. Mr. Harlamert added that it was a request from the Salmon Task Force.

Representative Kelly asked about outcomes of the bill. Mr. Harlamert explained about the investments attributed to the tax credit. Mr. Berry added that processors have testified in support of the tax credit and the advantages it has allowed them. Representative Kelly asked if the tax credit would be gone in three years. Mr. Berry said it is not the intention of the sponsor to extend it beyond three years.

[9:32:38 AM](#)

Representative Hawker noted that he was a very strong supporter of the original legislation. It did not include the idea of new packaging products, which is a fundamental capital investment. He noted that this is a concern of his. He said he cannot support any new fiscal notes.

Vice-Chair Stoltze MOVED to ADOPT Conceptual Amendment 1, on page 2, delete lines 9 and 10. Representative Hawker OBJECTED.

[9:35:38 AM](#)

At ease.

[9:37:13 AM](#)

Mr. Harlamert noted that under current law new canning equipment does qualify for the credit. This bill precludes a credit for that.

Co-Chair Meyer asked if the extension could be reduced to two years. Mr. Berry responded that three years would allow processors to do long-range planning.

[9:39:00 AM](#)

Vice-Chair Stoltze WITHDREW Conceptual Amendment 1.

Representative Kelly inquired about extending it only one year.

[9:39:55 AM](#)

Representative Hawker questioned the benefit of the bill and said he is comfortable extending the credit for one year.

[9:40:34 AM](#)

At ease.

[9:41:06 AM](#)

STEPANIE MADSON, PACIFIC SEAFOOD PROCESSORS, spoke about the pop-top can issue as it relates to the tax credit. She encouraged the Committee to leave pop-tops in the bill.

Vice-Chair Stoltze asked for comment about the sunset date. Ms. Madson said one year would be better than none, but three years would be best.

[9:44:34 AM](#)

KRIS NOROSZ, ICICLE SEAFOODS, PETERSBURG, (via teleconference) referred to a letter of support for SB 164 (copy on file.) She discussed one of the projects and a reason to extend the program for longer than one year.

[9:47:20 AM](#)

REED STOOPS, LOBBYIST, OCEAN BEAUTY SEAFOOD, related how the company uses the credit. He noted that 40 new seasonal jobs were added. He spoke in favor of SB 164.

Co-Chair Meyer said he is comfortable with the 3-year extension. Vice-Chair Stoltze agreed.

[9:49:43 AM](#)

Representative Hawker MOVED to ADOPT Conceptual Amendment 2, which would delete all language except that relating to the salmon tax credit extension date of three years. Co-Chair Meyer OBJECTED.

Representative Hawker explained his reasons for the amendment.

Representative Joule asked for clarification of the intent of the bill.

[9:52:33 AM](#)

Mr. Berry responded that the intent is indeed to expand markets and create new ones.

[9:53:43 AM](#)

Mr. Harlamert clarified the intent of the amendment. Some of the language is to clarify existing law and keep taxpayers out of trouble. Thirty percent of credit claims fail because existing statute is insufficiently written.

Representative Moses noted that fish taxes are shared with local governments. Mr. Harlamert replied that the credit comes entirely out of the states share and does not affect local governments.

Representative Kelly stated a concern that Conceptual Amendment 2 would delete the tightening up of the statute, which is necessary.

[9:57:27 AM](#)

Representative Hawker WITHDREW Conceptual Amendment 2.

Representative Foster MOVED to report CSSB 164 (FIN) out of Committee with individual recommendations and with the accompanying fiscal impact note. There being NO OBJECTION, it was so ordered.

CSSB 164 (FIN) was REPORTED out of Committee with a "no recommendation" recommendation and with a zero fiscal impact note by the Department of Revenue.

CS FOR SENATE BILL NO. 22(FIN)

"An Act adding birthing centers to the list of health facilities eligible for payment of medical assistance for needy persons."

[9:59:54 AM](#)

Representative Hawker requested a legal opinion about the fiscal notes and an assurance that this bill would do no more than offer an alternative to the existing Medicaid obligations.

SENATOR BETTYE DAVIS, sponsor, stated that the manner in which the bill is written, will give the department an opportunity to ask for an amendment to the state plan. It does not obligate the state to do anything.

[10:01:24 AM](#)

STACY KRALY, ASSISTANT ATTORNEY GENERAL, DEPARTMENT OF LAW, (via teleconference) explained that testimony by Senator Davis was correct. There would not be a federal Medicaid match unless the services were authorized under the state plan.

[10:02:17 AM](#)

Representative Hawker reiterated his query. He wondered if this legislation would create a new, expanded Medicaid service. Ms. Kraly replied that the way that the proposal was being offered, it would be in lieu of a hospital stay. It would not be an expansion of a service, there would not be an additional service, but rather an offset.

[10:03:42 AM](#)

Senator Davis added that the bill is an opportunity to provide a choice of using birthing centers for delivery. The facility fee would cost less than it would cost in a hospital. The services would be paid for regardless, and would not obligate the state for any other monies. She stressed that nothing will happen on the bill at this time, and that she expected members to pass the bill.

[10:05:56 AM](#)

Representative Foster MOVED to report CSSB 22 (FIN) out of Committee with individual recommendations and with the accompanying fiscal note.

CSSB 22 (FIN) was REPORTED out of Committee with a "no recommendation" recommendation and with a zero fiscal impact note by the Department of Health and Social Services.

[10:06:40 AM](#)

CS FOR SENATE BILL NO. 135(JUD)(efd am)

"An Act relating to the crimes of assault and custodial interference; and providing for an effective date."

JASON HOOLEY, STAFF, SENATOR FRED DYSON, read the sponsor statement (copy on file.)

[10:07:52 AM](#)

Representative Hawker noted a House amendment by Representative Berkowitz. He asked if that amendment had been considered.

Mr. Hooley asked which amendment that was. No one remembered. Representative Hawker explained that it was a hand-written amendment by Representative Berkowitz.

[10:08:54 AM](#)

Representative Joule offered to find the amendment.

[10:09:25 AM](#)

At ease.

[10:16:15 AM](#)

Representative Hawker MOVED to ADOPT Amendment #1:

Delete lines 13-14 on page 1
Delete lines 1-2 on page 2

Insert on page 1, line 13, following "injury"
"causes disfigurement, impairment of health, or loss or
impairment of the function of a body member or organ."

Co-Chair Meyer OBJECTED for discussion purposes.

Representative Hawker read the amendment.

DEAN GUANELI, CHIEF ASSISTANT ATTORNEY GENERAL, DEPARTMENT OF LAW, testified regarding the amendment. He explained the bill regarding assaults against children. The current law reads that if a person causes physical injury to a child under ten, and the injury requires medical care, it is a felony assault. The law attempts to take action so that the person will get supervision. The next step is often the killing of a child. He related a case that caused a need for the bill.

He did not think that a misdemeanor level of regard was appropriate. The Court of Appeals said that the current language is not triggered by diagnostic procedures. That was not the legislative intent with passage of the legislation.

[10:21:13 AM](#)

Vice-Chair Stoltze stated that the legislation addresses assaulting a defenseless child. Mr. Guaneli replied that the shaken baby syndrome causes severe injuries, which this bill would also address.

[10:22:08 AM](#)

Representative Hawker opined that the amendment is appropriate and does accomplish the intent of the bill. It allows for clear criteria.

[10:23:26 AM](#)

Mr. Guaneli replied that current law requires proof of physical injury. It would have to be proven that the child was impaired and that level injury caused needed medical attention. The issue is whether some form of medical treatment is required. Current law requires proof that the child was injured. He opined that the amendment would not further the purpose of the legislation.

[10:25:19 AM](#)

Representative Hawker WITHDREW Amendment #1.

[10:25:35 AM](#)

Representative Foster MOVED to report CSSB 135 (JUD) out of Committee with individual recommendations and with the accompanying fiscal notes. There being NO OBJECTION, it was so ordered.

CSSB 135 (JUD) was REPORTED out of Committee with a "no recommendation" recommendation and with three zero fiscal impact notes: #1 ADM, #2 ACS, #3 LAW.

RECESSED: 10:26 A.M.

RECONVENED: [11:07:55 PM](#).

(Audio restored)

#sb73

CS FOR SENATE BILL NO. 73(FIN) am

An Act relating to a lease-purchase agreement for the construction, equipping, and financing of a state virology laboratory in Fairbanks to be operated by the Department of Health and Social Services; relating to the issuance of certificates of participation for the laboratory; relating to the use of certain investment income for certain construction and equipment costs for the laboratory; and providing for an effective date.

DR. RICHARD MANDSAGER, DIRECTOR, DIVISION OF PUBLIC HEALTH, DEPARTMENT OF HEALTH AND SOCIAL SERVICES, spoke in support of the legislation. He explained that the Governor introduced the legislation in order to build a virology laboratory in Fairbanks. The laboratory is part of the public health system for the state. It is currently housed in part of an old building on the University of Alaska Fairbanks campus. He recounted occurrences, which required quick analysis of laboratory samples, such as during Iditarod Norovirus outbreak and a measles outbreak in

Juneau. He emphasized the importance of early diagnosis of infectious diseases. The Senate has proposed that the replacement come as a capital project.

[11:11:57 PM](#)

Representative Stoltze noted that the originally legislation mentioned land from the University of Alaska. Dr. Mandsager explained that the initial bill provided that land would be available from the University of Fairbanks for lease at no cost. The legislation was broadened to allow the project to occur somewhere else in Fairbanks if it is funded. The intent is still to obtain land for lease at no cost.

Representative Stoltze questioned the location. Dr. Mandsager noted that the department had previously recommended Anchorage. The Public Health laboratory was built in Anchorage with additional space, but since 911 the extra space in Anchorage has been taken for prevention efforts.

In response to a question by Representative Stoltze, Mr. Mandsager explained that Fairbanks was recommended due to the close proximity to the University of Alaska, Fairbanks. The laboratory would add capacity as a basic safety laboratory level three facility that can be dual used by the department and the university. He added that the virological staff would be hard to replace [if it were moved from Fairbanks] and noted that earthquake threat and other disaster response would be spread between two cities. Discussions occurred with the university and the department, which resulted in the recommendation of Fairbanks.

[11:16:03 PM](#)

DEVON MITCHELL, EXECUTIVE DIRECTOR, ALASKA MUNICIPAL BOND BANK AUTHORITY, DEPARTMENT OF REVENUE, explained that the project would be financed through a certificate of participation, which would create a lease by giving a trustee bank the title interest of the facility. The department would enter into a lease agreement with the trustee bank. The lease revenue stream becomes the security and the certificate of participation is in the lease. They are looking at a 15-year-term rate, with a 4.9 percent interest schedule (which is 80 - 90 basis points over current market) and annual debt in the \$2.3 - \$2.4 million dollar range. Other facilities have been funded by the same funding mechanism such as: the Department of Environmental Conservation Seafood, Food Safety laboratory, the Department of Health and Social Services laboratory in Anchorage, and a number of courthouses and prisons. It would have an impact on the state of Alaska's general fund, but he did not think it would adversely impact the state's credit rating.

[11:18:58 PM](#)

Mr. Mitchell spoke to the interest rate. He acknowledged that the interest rate in the legislation is "perhaps" at a more optimistic level than that put forth with GARVEE bonds. There are mitigating factors, which resulted in a more awkward certification of participation with the GARVEE bonds.

[11:19:51 PM](#)

Representative Stoltze observed that the Governor's assumption was for a long-term lease at no cost.

Mr. Mitchell suggested that the Administration is still looking at land owned by the state of Alaska. He did not know what development costs would be associated with another site. He acknowledged that there could be unforeseen obstacles.

[11:21:06 PM](#)

Representative Weyhrauch asked if there had been a cost benefit analysis of building a laboratory, as opposed to gold streaking samples. Dr. Mandsager noted that they had not done a cost analysis. He noted that samples from the southeast area of the state would not pose a problem, but that samples from the central region and other areas would have considerable amount of time added. He cautioned that the length of time it takes to get samples tested could become important in relationship to bird flu (if it is ever transmitted to humans). He spoke in support of in-state services.

Mr. Mandsager observed that the types of tests that are done at the laboratory are not done at hospitals in the state. Influenza testing is done at public health laboratories. Time is at issue and delays could create problems. Tests for rabies occur once every couple of weeks.

[11:24:03 PM](#)

In response to a question by Representative Chenault, Dr. Mandsager emphasized "they are building what is necessary and no more". The proposed size is smaller than some of the program people have argued for. Professionals from other states, which looked at the state of Alaska's test volume and capacity, felt that the proposed laboratory would be the minimum size to meet the state's needs. He thought it was a "Chevy" [not a "Cadillac"].

Representative Chenault referred to page 2, of the handout. He noted that 36,267 specimens were tested in FY04.

[11:26:28 PM](#)

Representative Holms MOVED to report CSSB 73 (FIN) am out of
Committee with the accompanying fiscal note.

#

ADJOURNMENT

The meeting was adjourned at 11:28 PM