

log

HOUSE FINANCE COMMITTEE

April 18, 2006

10:16 A.M.

CALL TO ORDER

Co-Chair Meyer called the House Finance Committee meeting to order at [10:16:09 AM](#).

MEMBERS PRESENT

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

MEMBERS ABSENT

Representative Mike Hawker
Representative Beth Kerttula

ALSO PRESENT

Representative John Coghill; Rynnieva Moss, Staff,
Representative John Coghill; Kevin Henderson, Medical Assistance Administrator, Division of Public Assistance, Department of Health & Social Services; Elinor Fitzgerald, Division of Public Assistance, Department of Health & Social Services; Duane Peeples, Director, Division of Health Care Services, Department of Health and Social Services; Stacy Kraly, Assistant Attorney General, Department of Law; John Duffy, Borough Manager, Mat-Su Borough; Jim McMillan, Deputy Director of Credit & Business Development, Alaska Industrial Development and Export Authority, (AIDEA), Department of Revenue, Anchorage; David Germer, Project Manager, Hatcher Pass Project, JL Properties; Sharon Barton, Director, Permanent Fund Division, Department of Revenue; Janet Clarke, Assistant Commissioner, Division of Finance and Management Services,

Department of Health and Social Services; Louie Flora,
Staff, Representative Paul Seaton;
Diane Kaplan, Rasmuson Foundation

PRESENT VIA TELECONFERENCE

Jim Davis, Northern Justice Project, Anchorage

SUMMARY

HB 426 An Act relating to medical assistance eligibility and coverage for persons less than 21 years of age.

CS HB 426 (FIN) was reported out of Committee with "individual" recommendations and with zero note #1 by the Department of Health and Social Services and fiscal notes #2, #3, #4 & #5 by the Department of Health and Social Services.

HB 496 An Act relating to contributions from permanent fund dividends to certain educational organizations and to certain charitable organizations that provide a positive youth development program, workforce development, aid to the arts, or aid and services to the elderly, low-income individuals, individuals in emergency situations, disabled individuals, or individuals with mental illness; and providing for an effective date.

HB 496 was HEARD and HELD in Committee for further consideration.

HB 500 An Act amending the principal amount of bonds that may be issued by the Alaska Industrial Development and Export Authority for the purpose of financing the development of Hatcher Pass.

HB 500 was reported out of Committee with "no" recommendation and with a new zero note by the Department of Commerce, Community & Economic Development.

#HB426
[10:17:08 AM](#)

HOUSE BILL NO. 426

An Act relating to medical assistance eligibility and coverage for persons under 21 years of age.

REPRESENTATIVE JOHN COGHILL, SPONSOR, stated that in times when federal dollars are diminishing, the Legislature will have to review policies for providing for public health. To better provide medical assistance to the needy, eligibility requirements need to be changed.

HB 426 puts best practices to use by increasing 3rd party reimbursement, reducing Medicaid abuse and fraud. The bill requires that a person applying for medical assistance for a minor be the parent or legal guardian. If the child is in State custody, an employee of the Department can apply for the coverage. The House HESS Committee placed a waiver for unemancipated children, in the bill.

Representative Coghill observed that at this time, an unmarried father's income and resources are not considered when determining eligibility of a pregnant woman for Medicaid. The committee substitute eliminates income guidelines for the unmarried fathers; his office is exploring ways to make the father financially responsible for medical costs. The bill also repeals a statute that allowed the Department to waive subjugation rights to 3rd party reimbursements in cases of undue hardship. The Department will not require pursuit of all 3rd party reimbursement.

Representative Coghill advised that Section 8 of the bill addresses a lawsuit filed against the State that would require the determination of a medical condition of the client on the Medicaid waiver be "materially improved" before removing the client from the waiver. The section also adds that requirement to the Alaska Statute.

HB 426 directs the Department to report back no later than the first day of the 25th Legislature regarding ways to reduce medical assistance expenditures for services received in residential psychiatric treatment centers by enhancing parental financial responsibilities and maximizing 3rd party resources available.

[10:20:37 AM](#)

RYNNIEVA MOSS, STAFF, REPRESENTATIVE JOHN COGHILL, noted that Section 10 provides an applicability clause regarding subjugation, assignment or lien in existence on the date listed, added to statute. The effective date would be July 1st, 2006 or the date the federal plan is approved - language indicated in Section 12.

Ms. Moss advised that Section 11 is the "meat" of the original bill. In subcommittee discussions, it was determined to send some children outside the State to treatment centers and after 30 days, they would become qualified for Medicaid services. She indicated that addressing that concern is the priority for the interim. Their office has asked the Department to investigate concerns including the authorization process with comparison to private insurance companies; maximizing 3rd party coverage.

[10:24:50 AM](#)

DWAYNE PEEPLES, DIRECTOR, DIVISION OF HEALTH CARE SERVICES, DEPARTMENT OF HEALTH AND SOCIAL SERVICES, stated that over the past couple years, the Department has been pursuing cost containment activities in Medicaid services. One area being addressed is the coordination of benefits with other 3rd party payers and subjugation of claims that other payers paid for services received by Medicaid participants. Within the past 18 months, the Department of Health and Social Services has increased collaboration with the Department of Law to pursue that.

Mr. Peeples highlighted each section:

- Section 1 brings the Department of Health and Social Services in line with the recently passed federal Budget Reduction Act (BRA), which requires that 3rd party payers in the State of Alaska cooperate with the Department.

[10:26:52 AM](#)

- Section 2 puts the Department and the State of Alaska into a more aggressive stance on subjugation in any medical claim. The claims will be pursued by the Department of Law.

Representative Coghill asked about the subjugation process.

STACY KRALY, ASSISTANT ATTORNEY GENERAL, DEPARTMENT OF LAW, explained that subjugation claims are 3rd party claims, should the Department act as a collector of 3rd party claims. If an individual receives Medicaid and is injured in an accident, the Department pays Medicaid coverage for services related to that accident. The Department has the ability to go in and recover the cost of the Medicaid expenditures if there is a 3rd party claim. Sometimes attorneys are involved but generally there is insurance involved. The Department will notify the insurer regarding the lien for the cost of the Medicaid coverage and will seek reimbursement out of the 3rd party's recovery.

Representative Kelly asked if the federal government also tracks insurance companies. Ms. Kraly advised that the State seeks the recovery for both the State and federal portions.

Representative Joule asked who the 1st and 2nd parties would be. Ms. Kraly explained that the 3rd party indicates that there is an additional party to the accident who is responsible for the payment of the services. The 3rd party recovery refers to the insurance company or responsible individual. The 1st and 2nd are generally the insurers and the 3rd party references the payer.

[10:30:13 AM](#)

Mr. Peeples continued:

- Section 3 reinforces the Departments ability and information to obtain any subjugation or other 3rd party payments.

Representative Kelly asked if the 3rd party could be someone other than an insurance company. Ms. Kraly replied correct.

[10:31:16 AM](#)

Mr. Peeples noted:

- Section 4 delineates the priority of recoveries and liens for the subjugation, putting the State only after tax and attorney fees.

Vice Chair Stoltze asked if it would be placed behind child support due. Ms. Kraly did not know for sure. She knew that section clarifies that the State has a lien ahead of the hospital & doctors. She offered to research the priority for the Child Support Enforcement Agency (CSEA).

Representative Holm asked why the State could take the 1st position before providers of the services. Ms. Kraly responded that the State actually pays for those services and should be able to recover before the other entity.

Representative Joule questioned if the service providers could anticipate timely payments. Ms. Kraly explained that generally, in Medicaid payments, the provider is paid within 90-days, depending on how fast they submit the claims.

[10:34:51 AM](#)

KEVIN HENDERSON, MEDICAL ASSISTANCE ADMINISTRATOR, DIVISION OF PUBLIC HEALTH, DEPARTMENT OF HEALTH & SOCIAL SERVICES, spoke to Section 5:

- Section 5 addresses recipients. He pointed out that Federal law mostly applies to providers; there is not much that identifies recipients. That section allows the Department to garnish the Permanent Fund Dividend of a recipient and address the abuse of fair hearings so that they can continue some months of benefits.

Vice Chair Stoltze asked if there were safe guards for the garnishments made by CSEA. Mr. Henderson explained that with the continued benefit recovery, there is a series of fair hearing rights; the PFD cannot be garnished without opportunity to make their case. He thought there were adequate safeguards.

[10:39:40 AM](#)

Mr. Henderson continued:

- Section 6 - Currently, federal law has a number of rules for the "transfer of assets" at fair market value. Research is done to see if the recipient gave money away in order to qualify for Medicaid services. There are a number of ways that people can establish Medicaid trusts that would allow them to transfer

resources. The provision in Section 6 results from the Deficit Reduction Act (DRA). Any new annuity after the effective date of the legislation would need to contain a provision that the Department could be paid back for any costs to Medicaid. It is a preemptive provision.

[10:42:12 AM](#)

Mr. Henderson noted:

- Section 7 addresses a combination of concerns:
- Subsection J & K restricts who can apply. It obligates the Department to make contact with the parent of the minor seeking services, if appropriate. If the parent has insurance, making sure the insurance company pays before Medicaid. The language provides a "gate-keeping provision" regarding who can apply on behalf of a child.
- Subsection L indicates a requirement that provides federal approval for those eligible for Medicare; they would be required to apply for the Medicare first. He clarified that there are services, paid for by Medicare and not by Medicaid.
- Subsection M gets to the "heart" of new federal law. The federal act made changes that tend to "tighten up" the area for individuals seeking long-term care services. The Department supports the provision as it makes a "clean-tie" to the Deficit Reduction Act (DRA) in State law. The provisions in the DRA change the "back window" date from 36 months to 60 months. It also changes the penalty period for transferring assets & restricting life estates.
- Subsection N resulted from the DRA. The home would be exempt for long-term care recipients. Federal law provided a requirement that if the equity value of the home exceeds \$500 thousand dollars, they would not be eligible for Medicaid, unless they had a spouse, a minor, or a disabled child still living at home. It also extends the requirement to almost all eligibility categories.

[10:49:04 AM](#)

Ms. Kraly continued:

- Section 8 resulted from a proposed amendment by Representative Cissna. The Department has been sued in a couple different cases regarding the determination of how waivers are made for individuals. The context of the amendment identifies how to characterize material improvement for purposes of eligibility determination.

[10:51:15 AM](#)

Mr. Peeples continued:

- Section 9 waives a previous standing section under AS 47.05.070, indicating that the Department may waive the rights of subjugation. That section removes that option for the Department.

[10:52:10 AM](#)

Mr. Peeples reminded members that Representative Coghill reviewed Sections 10 & 11.

[10:53:13 AM](#)

JANET CLARKE, ASSISTANT COMMISSIONER, DIVISION OF FINANCE AND MANAGEMENT SERVICES, DEPARTMENT OF HEALTH AND SOCIAL SERVICES, spoke to the five fiscal notes and distributed a spreadsheet outlining the overall view for the notes. (Copy on File).

The summary highlights the fiscal impact through 2012, resulting from the legislation, indicated by section.

The assumption is that in FY07, regulations will not be in place until the fourth quarter, showing savings for only 25% of the fiscal year. Overall, in FY07, the Department calculates a savings of \$2.6 million federal and General Fund dollars. For FY08, that number jumps dramatically to a reduction of \$10.9 million dollar savings. The primary savings is calculated under Section 7(L). She pointed out that it addresses mandatory requirements for individuals eligible for Medicare, apply for Medicare first. She assumed the numbers could reach 1,800.

Ms. Clarke discussed cost avoidance areas, particularly Sections 6 & 8. There will be smaller savings in other categories (Sections 1-4 & 9-10). Those numbers are consistent throughout the fiscal notes.

[10:57:00 AM](#)

Co-Chair Chenault referenced the spreadsheet, fourth quarter savings and asked if there could be any assurances that the regulations would be assembled by then. Ms. Clarke stated that was their best assumption and is top priority if the legislation is passed.

Co-Chair Chenault questioned if the Department was close to having regulations in place. Ms. Clarke responded they could be in effect April 1st.

Vice Chair Stoltze questioned if the Denali Kid Care program recipients were eligible for Medicaid. Representative Coghill replied that was the original concern with discussion regarding determination of household income. They did look at the Denali Kid Care program & there should be more to come.

Co-Chair Chenault referenced spreadsheet percentages. Ms. Clarke explained that the numbers are estimates based on the National Formula related to the State's Federal Medicaid Authorized Percentage (FMAP). The Deficit Reduction Act held the State of Alaska harmless for two years. Through FY07, the federal Medicaid percentage will be 57.5% and then the State will move to the national formula. Estimates indicated that in FY08, the formula rate would drop to 53.2%.

[11:00:59 AM](#)

ELINOR FITZGERALD, DIVISION OF PUBLIC ASSISTANCE, DEPARTMENT OF HEALTH & SOCIAL SERVICES, offered to answer questions of the Committee.

[11:01:39 AM](#)

JIM DAVIS, (TESTIFIED VIA TELECONFERENCE), ATTORNEY, NORTHERN JUSTICE PROJECT, ANCHORAGE, stated that Section 8 was "bad policy" for the State. The Choice Waiver Program for older Alaskans is a program where seniors with serious disabilities are provided a waiver of benefits in lieu of

being institutionalized or placed into nursing homes. He thought it would save the State more money opting for the waiver program.

Mr. Davis noted that assessments are subjective, depending on the various nature of each assessor. He pointed out that lawsuits have been filed, and that two Alaskan Superior Courts found that if the State finds someone disabled, they cannot withdraw benefits.

Mr. Davis advised that Section 8 attempts to legalize something that has been found to be illegal. That process will lead to further litigation and many Alaskan pioneers would be placed in life threatening situations or at the very least having their quality of life diminished. He encouraged the Committee carefully consider whether elders ought to have their benefits subject to a 45 minute evaluation.

PUBLIC TESTIMONY CLOSED

[11:07:58 AM](#)

Co-Chair Meyer MOVED to ADOPT Amendment #1. Vice Chair Stoltze OBJECTED.

Ms. Kraly noted that the amendment is a "word-smith" of the existing Section 8. There are nuances in that section that need to be clarified. She referenced concerns voiced by Mr. Davis, indicating that the filed lawsuits spoke to the concept of "material improvement". The amendment attempts to fashion a remedy to the allegation, which would establish a standard for assessment of each individual placed in the waiver program. She stressed the importance of understanding that a waiver is a benefit provided for the determination of eligibility. The old assessment tool used by the Department was not medically based. Presently, there are two preliminary injunctions issued and there has been no determination of that merit.

Amendment #1 attempts to qualify and define material improvement so that it can be assessed. A waiver is a yearly benefit following an assessment. There is no assumption that you receive a waiver for the rest of your life.

Ms. Kraly addressed Mr. Davis' inference that the review was a "rubber stamp", pointing out that it establishes a premise to analyze improvement. Under the premise, prior years would be examined. She disagreed with the characterizations, proposing that a high burden had been established to show waiver benefits.

[11:13:51 AM](#)

Representative Joule inquired if an assessment could be made without the actual observation. Ms. Kraly stated that assessments are done in person. Currently, a contractor, receiving information from the individual, family members and care providers, as well as actually observing the individual in their home environment, provides the assessment. If there is a conflict regarding the assessment, a further one can be made.

Representative Joule asked who determined the qualifications of the assessor. Ms. Kraly noted that the amendment defines a qualified health care professional. She noted that the assessors are specialized individuals defined by statute, including nurses, nurse practitioners, etc. She also noted that the waivers dealt with a nursing level care and are not medically based decisions.

[11:17:02 AM](#)

Representative Weyhrauch inquired if Mr. Davis was currently in litigation with the State. Ms. Kraly replied he is. Representative Weyhrauch questioned if the amendment would remedy such legal issues and the costs incurred. Ms. Kraly hoped that the amendment could resolve the pending litigation. The premise of the amendment is to clearly identify the rules of the program, as well as responding to injunctive orders, which are currently restraining any decisions being made by the Department, creating an administrative burden.

[11:19:06 AM](#)

Representative Weyhrauch expressed a concern for those individuals who were currently engaged in a grievance as identified by Mr. Davis. Ms. Kraly said if the legislation passes, the issue is mute; those individuals would still have the authority to seek attorney fees and recoveries.

Vice Chair Stoltze WITHDREW his OBJECTION. There being NO further OBJECTION, Amendment #1 was adopted.

[11:20:19 AM](#)

Representative Kelly thanked the Sponsor for the cost saving measures of the legislation. He asked about communication through our US Congressional delegation for assistance on the matter. Representative Coghill affirmed that requests were underway.

[11:21:37 AM](#)

Representative Holm pointed out that many Alaskans have experienced difficulty, obtaining waivers. He questioned if the legislation would result in transferring of assets to those that are in real need. Representative Coghill said that was his intent.

Representative Holm emphasized the obligation of government to care for those in need, even in the face of cost cutting.

[11:23:19 AM](#)

Representative Foster MOVED to REPORT CS HB 426 (FIN) out of Committee individual recommendations and with the accompanying fiscal notes. There being NO OBJECTION, it was so ordered.

CS HB 426 (FIN) was reported out of Committee with "individual" recommendations and with zero note #1 by the Department of Health and Social Services and fiscal notes #2, #3, #4 & #5 by the Department of Health and Social Services.

#HB500

[11:23:53 AM](#)

HOUSE BILL NO. 500

An Act amending the principal amount of bonds that may be issued by the Alaska Industrial Development and Export Authority for the purpose of financing the development of Hatcher Pass.

REPRESENTATIVE BILL STOLTZE, SPONSOR, pointed out that the Matanuska-Susitna (MatSu) Borough has been working with JL Properties, Inc. and the Alaska Industrial Development and Export Authority (AIDEA) in examining the potential for a Hatcher Pass Development Project. HB 500 allows for the next step to discuss financing of the project.

Provisions for HB 500 are to:

- Amend current language so that AIDEA may issue bonds or provide other financing for the development of Hatcher Pass, not just for the construction and improvement of Phase 1 of a ski resort.
- Increase the principal amount of the bonds and other financing AIDEA provides from \$15 million to \$25 million dollars.

Vice Chair Stoltze urged consideration of the bill.

[11:25:19 AM](#)

DAVID GERMER, PROJECT MANAGER, HATCHER PASS PROJECT, JL PROPERTIES, noted that HB 500 would increase Alaska Industrial Development Export Authority (AIDEA) existing authorization to finance the Hatcher Pass project from \$15 million dollars to \$25 million dollars. AIDEA's financing can only be made available after a due diligence analysis. All regulatory and statutory requirements must first be met and in addition, the AIDEA Board must approve the financing.

Mr. Germer provided historical background on the project. In October 2003, JL Properties responded to a public solicitation from the MatSu Borough to develop an alpine and Nordic ski venue. Over a two-year period, JL Properties worked with the Borough and AIDEA to develop a preliminary, conceptual & financial plan that met the goals of the Borough. The development plan consists of three pieces. He referenced the handout. (Copy on File).

[11:27:02 AM](#)

Mr. Germer noted the location of the various components. The alpine area would house the regional ski resort, having a 2,300 capacity per day. He detailed various aspects of the resort.

[11:28:50 AM](#)

Mr. Germer pointed out the residential area involved, 26 residential development pods in the guidelines. He discussed the trail system proposed for the project and activities related to them.

[11:31:11 AM](#)

Mr. Germer noted the importance that each aspect of the project be integrated to succeed. He noted that financing by AIDEA was necessary for the financial success of the project. He advised that each entity would complete its own due diligence before the project could proceed and hoped construction could begin by spring 2008.

Vice Chair Stoltze asked about the compatibility of the project with the adjacent mining development. Mr. Germer replied that area under consideration is 3-4 miles away from the mining spots.

[11:33:03 AM](#)

Representative Kelly inquired about other owners. Mr. Germer replied that the principle owners of JL properties are Jonathan Rabini and Leonard Hyde.

Representative Kelly asked about land ownership. Mr. Germer replied the MatSu Borough would make it a public/private partnership, as they own the land. Responding to another question regarding the risk assessment, Mr. Germer affirmed that AIDEA would complete a due diligence analysis along with JL Properties and the MatSu Borough; financial feasibility will be determined by AIDEA.

[11:34:14 AM](#)

Representative Holm noted the road on the map through Hatcher Pass. Mr. Germer confirmed there is an existing lodge on the road, located at a spot lower than the proposed project.

JOHN DUFFY, BOROUGH MANAGER, MAT-SU BOROUGH, testified in favor of the legislation. He stated that the MatSu Borough is in full support of the project, stressing the critical nature of AIDEA's involvement in financing. He reiterated

that it would be a public/private partnership, with property obtained through the municipal entitlement program. He noted that they have utilized both Borough & State funding in the past for certain projects.

Mr. Duffy continued, an economic feasibility study has been completed, conducted by a private firm in San Francisco, who confirmed the project's viability. That firm also completed an economic impact statement.

Mr. Duffy addressed the number of jobs that would be created through the project. He summarized that by supporting ADIEA's involvement in the project, fulfills a long-term economic development goal of the Borough creates numerous jobs.

[11:38:07 AM](#)

Representative Kelly asked the level of involvement from JL Properties. Mr. Germer replied that all proceeds from development of the project would go into a general fund to pay off all project debt. At that point, profits would be distributed equally between JL Properties, ADIEA and the Mat-Su Borough.

JIM MCMILLAN, DEPUTY DIRECTOR OF CREDIT & BUSINESS DEVELOPMENT, ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY, (AIDEA), ANCHORAGE, responded to further question by Representative Kelly, outlining the levels of debt retained by each entity.

- JL Properties @ \$5 million dollars
- MatSu Borough @ \$10 million dollars
- AIDEA up to \$25 million dollars

The initial financing structure concept is an equity role for AIDEA, along with the other two entities. The final structure would be based upon due diligence & feasibility reports.

[11:40:43 AM](#)

Representative Kelly asked if AIDEA would hold the mortgage. Mr. McMillan stressed the importance of development rights in the project. He noted that although the land has intrinsic value, the real value will be the development.

[11:41:45 AM](#)

Representative Kelly voiced concern regarding other AIDEA financed projects that have not work. Mr. McMillan said that AIDEA has learned from past, noting the history of the proposed project. He stated AIDEA supports the legislation; the bill does not guarantee the financing of the project. He noted that only after all issues have been examined and a finance plan established, would financing be voted on.

[11:44:09 AM](#)

Vice Chair Stoltze expressed his concerns, noting his role in facilitating discussion about the potential project. He noted that in the past, AIDEA might have been forced into unsuccessful projects. He indicated his "comfort" in the proposed process.

[11:45:05 AM](#)

Representative Kelly observed that J&L Properties had been successful in other projects; he questioned their amount of equity in the project @ \$5 million dollars. He worried that AIDEA might be left holding a large mortgage on the project and encouraged an appropriate level of control.

[11:46:30 AM](#)

Mr. McMillan reiterated the long history AIDEA has had with the project. He noted the worthwhile aspects of the concept as proposed by JL Properties and the success rate of their company. He agreed that some previous projects had not been successful without such an integrative nature. AIDEA believes it is worthwhile to take the next steps.

[11:48:40 AM](#)

Representative Weyhrauch asked the intended public process, noting concerns about development projects and their impact on the habitat. He questioned if the legislation provides authority to create bonds in advance of the public comment process.

[11:49:47 AM](#)

Mr. Duffy affirmed that an extensive public process had been planned.

Representative Joule asked about the projected completion date. Mr. McMillan stated that under AIDEA's statutes for development projects, any project funded in excess of \$10 million dollars, requires legislative authorization to move forward. He added, in addition to the MatSu Borough public process, AIDEA also has a public process period. The local governing body must pass a resolution consenting to the project.

[11:51:40 AM](#)

Representative Foster MOVED to REPORT HB 500 out of Committee with individual recommendations and with the accompanying zero note. There being NO OBJECTION, it was so ordered.

HB 500 was reported out of Committee with a "no" recommendation and with new zero note by the Department of Commerce, Community & Economic Development.

#HB496

[11:53:39 AM](#)

HOUSE BILL NO. 496

An Act relating to contributions from permanent fund dividends to certain educational organizations and to certain charitable organizations that provide a positive youth development program, workforce development, aid to the arts, or aid and services to the elderly, low-income individuals, individuals in emergency situations, disabled individuals, or individuals with mental illness; and providing for an effective date.

LOUIE FLORA, STAFF, REPRESENTATIVE PAUL SEATON, explained that the bill would create a funding mechanism for charitable organizations in Alaska with a check-off on the electronic Permanent Fund Dividend (PFD) application form that would allow them to donate a portion of their check to an eligible organization, a community foundation, a campus of the University of Alaska or vocational training program.

To qualify for the program, a charitable organization must provide a positive youth development programs, workforce development, aid to the arts, or aid and services to the elderly, low-income individuals and/or individuals with mental illness.

HB 496 includes further eligibility requirements for charitable organizations to ensure that the organizational fit within the sideboards of the program. To qualify, an organization must:

- Apply for inclusion on the contribution list for the current dividend year before September 1st of the qualifying year
- Have been exempt from taxation under 26 USC 501 ©(3) for the two calendar years preceding the year the application is filled
- Be directed by a voluntary board or local advisory board, whose members are all residents of the State of Alaska and provide a qualifying service
- Receive the lesser of \$100,000 or 5% of its total annual receipts from contributions
- Provide a financial audit for the preceding fiscal year if its annual budget exceeds \$250,000
- Not make grants or contributions to an organization that is exempt from taxation under 15 USC 501©(4) or (6)

Mr. Flora continued, HB 496 defines a community foundation and stipulates that they may make no more than 10% of their income from grants to ©(4)(6) organizations. That provides community foundations with flexibility in grant making to such organizations as a chamber of commerce; it promotes the continued growth of the local community foundations in Alaska. The program has a sunset date of 2009. The funding required to enact the pilot program will be provided through an agreement with the Rasmuson Foundation.

[11:58:53 AM](#)

Representative Weyhrauch asked why it was limited to those that file electronically. Mr. Flora replied it was a cost issue.

[11:59:33 AM](#)

SHARON BARTON, DIRECTOR, PERMANENT FUND DIVISION, DEPARTMENT OF REVENUE, pointed out that a Senate sponsor to simplify, on the behalf of the Permanent Fund Division had inserted language.

Representative Weyhrauch inquired the percentage that file electronically. Ms. Barton responded that 55% filed electronically for the FY06 dividend. She agreed that the note will increase if paper applications are included and the costs have not been calculated.

[12:01:14 PM](#)

Representative Weyhrauch asked the anticipated number of pages. Ms. Barton replied the Division hasn't "scoped that out yet". The Senate sponsor requested a sort function.

Representative Weyhrauch asked how the chosen options were picked. Ms. Barton responded those were proposals by the sponsor; the Division was not consulted.

Representative Weyhrauch worried about problems for the public in determining the amount to donate; he recommended adding percentages of the actual check. Ms. Barton thought that would be more complicated on the administrative side.

Representative Weyhrauch asked the intent of the section involving the Certified Public Accountant (CPA) if assets exceed \$250 thousand dollars. Mr. Flora explained that they had been working from the Senate State Affairs version including that criterion. He offered to research it.

Representative Weyhrauch pointed out in Section D, the deduction of administrative costs, asking if there was a need for a fiscal note. Ms. Barton replied that Section D had been envisioned for a time after the agent was involved, the program would need to stand-alone. She understood that was the intent and that there would be no administrative fees deducted from the charitable donations. The sponsor and the Rasmuson Foundation established the arrangement.

[12:07:29 PM](#)

Representative Weyhrauch asked if the fiscal note considered the hearing process. Ms. Barton did not know

the number of hearings that might be encountered. She thought costs were included for one or two hearings.

Representative Weyhrauch referenced the list-included recipients; he thought that the aid to the arts was an unusual placement. Mr. Flora understood that the human services matching grants had been decreasing; the legislation appears to be a way to boost funding for those organizations. He was not certain about that inclusion.

[12:10:24 PM](#)

Representative Holm asked if all funding would come through the Rasmuson Foundation. Mr. Flora understood that was correct.

[12:11:02 PM](#)

DIANE KAPLAN, PRESIDENT, RASMUSON FOUNDATION, stated that the foundation is prepared to cover the costs for the first three years. In the interest of promoting philanthropy in Alaska, the Foundation is willing to cover those costs for that time.

[12:11:53 PM](#)

Representative Holm appreciated the interest of the Foundation. He voiced concern that the legislation would really accomplish anything except bringing a "false-hope", resting on the dividend program.

Ms. Kaplan pointed out that they had looked at other states that offered a similar donation credit on taxes; there are about 25-30 states that allow individuals do it. In Alaska, individual giving is far below what is occurring in other states. Alaska ranks 49th or 50th in charitable giving. There is a lot of capacity to give in this State and sometimes the citizens need more encouragement. The anticipated estimate is \$3-\$5 million dollars.

Representative Holm pointed out the high cost of living in Alaska.

[12:15:30 PM](#)

Representative Weyhrauch stated there was no intent to limit it to the Rasmuson Foundation. Ms. Kaplan noted that the Foundation has no intent of being a recipient.

[12:16:17 PM](#)

Representative Joule commented on the foundation grant awards and asked if it would influence other community grant programs. Ms. Kaplan replied that most grant reviews, look at the amount of local support. She hoped the legislation would provide a tool to get other members in the community to help leverage money.

Representative Joule asked if there would be a way to track the contributions at the local level. Ms. Kaplan responded that any organization that holds a designation from the Internal Revenue Service (IRS) would be eligible.

[12:20:11 PM](#)

PUBLIC TESTIMONY CLOSED

Representative Weyhrauch MOVED to ADOPT Amendment #1. Co-Chair Chenault OBJECTED.

Representative Weyhrauch noted that the amendment consists of three parts. He offered to speak with the sponsor regarding the amendment.

[12:22:18 PM](#)

Representative Kelly voiced concern with the legislation, however, thanked the Rasmuson Foundation for their participation.

HB 496 was HELD in Committee for further consideration.

#

ADJOURNMENT

The meeting was adjourned at 12:23 P.M.