

MINUTES
SENATE FINANCE COMMITTEE
April 12, 2005
5:07 p.m.

CALL TO ORDER

Co-Chair Wilken convened the meeting at approximately [5:07:53 PM](#).

PRESENT

Senator Lyda Green, Co-Chair
Senator Gary Wilken, Co-Chair
Senator Con Bunde, Vice-Chair
Senator Bert Stedman
Senator Lyman Hoffman
Senator Donny Olson
Senator Fred Dyson

Also Attending: BRETT CARLSON, Coldfoot Camp

Attending via Teleconference: Public testimony was presented in the order reflected in the minutes.

SUMMARY INFORMATION

HB 66-APPROP: MENTAL HEALTH BUDGET
HB 67-APPROP: OPERATING BUDGET/LOANS/FUNDS

The Committee heard public testimony from Glennallen, Kenai, Gakona, Homer, Kodiak, Anchorage, Mat-Su, and Fairbanks regarding the FY 06 Operating Budget. The bills were held in Committee.

#hb66
#hb67

CS FOR HOUSE BILL NO. 66(FIN)
"An Act making appropriations for the operating and capital expenses of the state's integrated comprehensive mental health program; and providing for an effective date."

CS FOR HOUSE BILL NO. 67(FIN)(brf sup maj fld)
"An Act making appropriations for the operating and loan program expenses of state government, for certain programs, and to capitalize funds; and providing for an effective date."

This was the fourth hearing for these bills in the Senate Finance Committee.

The Committee scheduled testimony from the Legislative Information Offices in Glennallen, Seward, Homer, Kenai, Kodiak, Dillingham, Anchorage, Fairbanks, and Mat-Su.

Co-Chair Wilken announced that this hearing would be a continuum of public testimony on the operating budgets.

In response to a question from Senator Stedman, Co-Chair Wilken clarified that the Version "L" committee substitute for HB 67 is before the Committee.

DR. DOUG STARK, Homer City Council Member, testified via teleconference from Homer and commented that, while Public Employees Retirement System (PERS) funding is not included in the operating budget, he is confident the Legislature would address the PERS funding issue. Were the approximate \$260,000 in PERS funding needed by the City forthcoming, the City could have sufficient funds to address its \$400,000 deep-water dock corrosion issue. Another issue of concern would be funding to refurbish the community's fire truck.

Senator Stedman informed that SB 141-PUBLIC EMPLOYEE/TEACHER RETIREMENT/BOARDS has passed the Senate and is advancing to the House of Representatives. The implementation of this legislation would allow time to further develop the components of the bill and determine how "to restructure the debt". The intent is to assist communities over the next few years in addressing their PERS/TRS increased costs.

Senator Stedman asked whether the dock repairs involved sheet metal galvanized material as other areas of the State are experiencing deferred maintenance issues with that.

Dr. Stark replied that the dock is constructed of steel piling.

Co-Chair Wilken asked that the Homer City Council consider participating in efforts to encourage the Legislature to pass "some sort of retirement reform" this Session.

Dr. Stark voiced that the Council is supportive of the Tier 4 recommendation and the proposed change to a Defined Contribution Program (DCP). These would assist in correcting the problem. He also noted that the Alaska Municipal League is in support of DCP as

a solution to the PERS/TRS issue. He commented that he would further Co-Chair Wilken's support request to the City Council.

ALAN LEMASTER, Gakona resident, testified via teleconference from Glennallen and voiced support for Governor Frank Murkowski's operating budget proposal to provide a five million dollar match to the Alaska Travel Industry Association (ATIA) for a State marketing program. He assured that the travel industry could meet its five million dollar match increment. The combined ten million dollar budget would have a positive impact. Individual small businesses are unable to adequately fund tourism marketing, but ATIA would, with State assistance, be able to make a successful marketing program possible.

Co-Chair Wilken remarked that the ATIA contingency has been quite effective in its recent lobbying efforts to increase funding. Good information has been provided; including clarification that some of the rental car tax revenue was desired to fund tourism marketing. Tourism funding would be further reviewed.

JOHN DOWNS, Director, Copper River Economic Development Council testified via teleconference from Glennallen in support of funding tourism marketing at the five million dollar level. Tourism is one of the State's few re-occurring resource. Direct results of effective tourism marketing campaigns are experienced in the area.

BRETT CARLSON, Owner, Coldfoot Camp, testified in Juneau and urged the Committee to increase tourism funding to five million dollars. He voiced that increasing this budget is important, as it would assist in growing the private sector economy, which supports families. 46,000 jobs are provided by the visitor industry. The product is in place, but "the message must get out to the rest of the world". State government should assist in the endeavor and thereby grow the industry. He reviewed previous State/industry funding scenarios and assured that the travel industry has endeavored to raise money. While the rental car tax collects money from independent visitors to the State, there is currently "no mechanism" through which "to reinvest" it to the tourism industry. The industry is aware of the challenges it faces, but views the five million dollar match proposal to be a bridge to future conversations.

Co-Chair Wilken agreed that tourism funding has been an on-going project. The tourism industry/State match requirement was changed the previous year from 60/40 to 50/50. Work on tourism funding, including addressing the car rental tax tourism funding mechanism, would continue.

At the urging of Co-Chair Wilken, Mr. Carlson relayed a recent grizzly bear encounter he had experienced at the restaurant at the Coldfoot Camp restaurant.

Co-Chair Wilken announced that, in addition to verbal testimony, written testimony from the public is welcome.

[5:31:31 PM](#)

PAM FOREMAN, Executive Director, Kodiak Island Convention & Visitors Bureau, testified via teleconference from Kodiak in support of restoring tourism marketing funding to the five million dollar level supported by the Governor and the House of Representatives. "The tourism industry is committed to matching" that money. The vast majority of the 200 business members of the Kodiak Island CVB are small and depend directly or indirectly on tourism. A broad marketing program is critical to diversifying the economy and supporting tourism businesses.

[5:32:35 PM](#)

DALE FOX, Executive Director, CHARR Cabrera Hotel Restaurant and Retailers Association testified via teleconference from Kodiak and urged that tourism funding be approved at the five million dollar level. He referenced the Alaska Visitor Statistics Program component in the budget and stated that it "is a very important piece of research" that is pro business. It provides information such as where visitors come from, how much they spend, what they like or dislike, and what they do when in the State. This information is valuable as it helps style a marketing program to better target visitors in addition to providing businesses important information through which to develop a business plan and garner financing.

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TONY LEWIS, Kaleidoscope Charter School, testified via teleconference from Kenai and urged for the inclusion of a \$250,000 support grant for small charter schools. This grant is included in the House operating budget proposal. Charter schools offer parents choices in how their child is educated. He shared details regarding how the current State funding mechanism for charter schools "severely penalizes" small charter schools.

[5:36:28 PM](#)

MYA RENKEN, Executive Director, Kenai Convention & Visitors Bureau, testified via teleconference from Kenai and urged the Committee to

support the five million dollar tourism-marketing component. The industry would match this amount and the combined resource would provide the industry, particularly it's small members, to obtain a level of marketing that otherwise would be unobtainable. Tourism is important to the State.

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[5:49:00 PM](#)

JACQUIE STECKEL, Principal, Kaleidoscope Charter School of Arts and Sciences, testified via teleconference from Kenai, and encouraged the Committee to include a \$250,000 grant increment in the budget to support small charter schools. This would apply to schools with an enrollment of fewer than 150 students. Until her school, which is in its first year of operation and has 88 students, exceeds 150-students, its funding is included as part of the community's largest school. This grant funding would supplement the funding the charter school receives under the current funding scenario. Her small charter school currently receives 84-percent of the amount it would receive were its enrollment to exceed 150 students.

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[6:06:27 PM](#)

KACY TELFER, associated with the Mary Magdalene Home Alaska, testified via teleconference from Anchorage and urged the Committee to provide \$400,000 for the construction of a transitional housing residence for women in the treatment programs the nine-year old non-profit organization provides in Anchorage. She noted that this would be a capital budget request. The Home raises 100-percent of the funds required for its operation.

Co-Chair Wilken asked whether this request has been presented to Senator Green for consideration in the capital budget.

Ms. Telfer announced that the request has been submitted and has widespread support from Anchorage legislators.

[6:08:38 PM](#)

LANCE WILBUR, Director, Traffic Department, Municipality of Anchorage testified via teleconference from Anchorage and spoke to the Traffic Signal Management request on page 35 of HB 67. Noting that 70-percent of the travel signals maintained by the Department belong to the State, he asked that the Governor's \$1.4 million budget proposal for this item be adopted, as it would more

adequately fund this need.

Mr. Wilbur continued that another item of concern is the Southcentral Region's basic operation and maintenance budget. The majority of streets and highways in Anchorage are owned by the State; therefore the State is responsible for such things as fixing potholes, sweeping, and plowing. The funding level recommended by the Governor would more adequately meet this funding need.

[6:11:32 PM](#)

SUSAN SATIN testified via teleconference from Anchorage and thanked the Committee for supporting the Governor's budget proposal for public broadcasting. This funding is important as it allows for the continuance of public broadcasting television and radio services such as daily weather reports, historical documentaries, and economic development reports. Public broadcasting is an indispensable State resource.

[6:13:35 PM](#)

TOM WILLIAMS testified via teleconference from Anchorage and urged the Committee to support the Governor's proposed flat funding budget for public broadcasting. He recounted his involvement in public broadcasting and avowed that the advances that have been made in public broadcasting technology would enhance its ability to meet its public education mission.

[6:15:07 PM](#)

CAROL DOWNEY, Progressive Personal Care Agency, testified via teleconference from Anchorage and spoke in concern regarding the intent language on page 20 of HB 67 regarding the Department of Health and Social Services' Senior and Disabilities Medicaid Services programs. She voiced strong support for the Personal Care Attendant (PCA) Program as "it allows people to remain in their homes and out of long care institutions" such as hospitals and nursing homes. She cautioned against some of the 14 items specified in the intent language, specifically the basis being used to determine the eligibility of people "by functional assessment" rather than being based on nursing homes or hospital level of care. She spoke in support of retaining "standby assistance" service in the program.

Co-Chair Green informed that the intent is to control costs in the program as in 1997, the State spent \$1.5 million to two million dollars on this program. In FY 02 and FY 03, the amount for PCA increased exponentially. In FY 05 approximately \$31 million in

general funds alone would be spent with a total budget of \$80 million. "We are clearly in a crisis in this program". Cost controls via such things as eligibility, depth and length of service must be implemented.

[6:21:23 PM](#)

RON PECK, President and Chief Operating Officer, ATIA, testified via teleconference from Anchorage to urge support for the Governor's tourism marketing budget proposal. Those five million dollars would be matched by the industry. This would result in attracting more visitors and diversifying the State's economy. ATIA's participation in marketing the State has increased from two million dollars in the year 2000 to double that in FY 05. The State's participation has decreased from ten million dollars in the early 1990s to less than four million dollars. Adequate marketing is essential in allowing the visitor industry to be a vibrant, strong and growing sector of the State's economy. ATIA has worked with the Department of Commerce, Community and Economic Development "to craft a marketing program that is effective" and cost efficient. While appreciative of the hard efforts being exerted to plan the FY 06 budget, he urged that the five million dollar tourism-marketing program be considered "as an investment in Alaska's most vibrant economic sector". No overhead or staff expenses would be supported by the funds.

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[6:37:18 PM](#)

BONNIE QUILL, Mat-Su Convention & Visitors Bureau, testified via teleconference from Mat-Su and urged support for the Governor's proposed budget for tourism. The money provided by the State would be matched by the industry. The success of bringing visitors to the state is the direct result of marketing efforts furthered by ATIA. These efforts have allowed small businesses and visitor bureaus to reach broad markets, including international travelers from places such as Japan and Germany. Road shows and image advertising organized by ATIA are also beneficial. She recounted the decreased State support for tourism marketing and the increasing financial contribution of the industry. She urged the Committee to view funding to this program as "an investment in the growth of our economy".

[6:41:30 PM](#)

CARRIE DERSHIN, representing the Health and Social Services Commission, testified via teleconference from Fairbanks and spoke

in appreciation for the Committee's retention of the Human Services Community Matching Grant program funding at the level requested by the Governor. She provided examples of the "essential human service" programs funded by this program. The grant programs are run in an effective, efficient, and cost-effective manner. In 2002, the grants were leveraged to provide services worth 17 times the amount provided in actual grant dollars. Unfortunately since 2001, State funding of these grants has decreased 43-percent. This resulted in an annual direct loss of \$400,000 in State funds to the community of Fairbanks. She reviewed the negative effects the current Senate budget proposal would have to programs in the community. The Commission urges that this funding be increased to \$2.2 million.

Co-Chair Wilken informed that the FY 06 budget would provide \$76,000 more than the FY 05 budget. This would allow the communities of Mat-Su, Fairbanks, and Anchorage to participate in the program. He acknowledged the great job conducted by the Commission.

[6:45:14 PM](#)

ALLISON WING testified via teleconference from Fairbanks and spoke regarding the Senior and Disabilities Services budget; specifically item 1 of the intent language relating to the PCA program. It is important to the welfare of the Medicaid PCA program, the recipient, and taxpayers "to provide adequate fiscal management and gain control of costs of this valuable and necessary service". However, "cost reducing efforts should be made without jeopardizing the health and welfare" of the program recipients; specifically that individuals be allowed to remain in their home with their chosen caregiver rather than being institutionalized.

Co-Chair Wilken shared that in 1997, the State of Alaska spent \$1.76 million in support of the PCA program. In FY 06, the proposed budget would amount to \$30.9 million, a 184-percent increase per year. There is concern regarding the costs of the program. The intent language "is the beginning of the partnership within the Legislature and the Administration to try to reign in PCA costs without damaging the services" that are provided.

Ms. Wing agreed that costs must be contained; however, stressed that other means of changing it be considered "before changing the scope of services".

[6:49:33 PM](#)

LEONE HATCH testified via teleconference from Fairbanks and thanked

the Committee for funding public broadcasting at the flat level proposed by the Governor. She shared her involvement with public broadcasting, specifically radio, since 1985. Public broadcasting reaches across the State and "ranges from the delightful to the profound". Some of the programs produced relate to the history of the Alaska Railroad, fishing, Native news, cultural events, and more. "It is an enhancement to life in the Interior". It educates, informs, and supports constructive community discussions. It exposes Alaskans to the world and visa versa. She likened the use of funding public broadcasting with public funds to putting libraries in schools. "Public funding helps keep public broadcasting public" and allows the public to participate in many ways such as participating in public forums or volunteering.

[6:54:05 PM](#)

CAROLYN GRAY testified via teleconference from Fairbanks and thanked the Committee for funding public broadcasting. Efforts have been made to keep public broadcasting as efficient as possible by streamlining programming and consolidating stations. National, State, and local programs are provided through this service.

[6:55:27 PM](#)

GINGER STOCK, President, Web Weavers Technology Group testified via teleconference from Fairbanks in support of public broadcasting, an indispensable State resource. The local services provided impact many lives in a positive way.

Co-Chair Wilken congratulated Ms. Stock on being recently awarded the Small Businessperson of the Year by the University of Alaska Fairbanks School of Management.

[6:57:44 PM](#)

DEB HICKOK, President and CEO, Fairbanks Convention & Visitors Bureau and Member, Board of Directors of ATIA, testified via teleconference from Fairbanks and requested that the Committee adopt the Governor's proposed budget for tourism marketing. She spoke to the participation of the industry in marketing the State and the ATIA match to the State funding.

[7:00:05 PM](#)

LOUIS GROSS, Director, North Star Council on Ageing, testified via teleconference from Fairbanks and spoke in support of increasing the funding of the Human Services Community Matching Grant program to the \$2.2 million level requested by communities. Flat funding of

the program would negatively impact several agencies. A loss of \$50,000 would reduce the Council's Meals on Wheels program by one-seventh. No savings would be realized were such things as assisted living programs' funding reduced, as other agencies would then be burdened. The cost of providing 30 days of meals would equate to one day of assisted living care; a year of meals could be provided for the cost of one week's stay in a hospital. These programs provide a form of "preventative maintenance". Increasing population in the State is contributing to the costs of the programs.

[7:03:20 PM](#)

TABER REHBAUM, Arctic Alliance for People, testified via teleconference from Fairbanks and urged that the Human Services Community Matching Grant program funding be increased to \$2.2 million. This amount would restore much of the reductions "that have eroded the program since 2001 while accommodating the participation of the Mat-Su Borough". Fairbanks has experienced a 43-percent reduction in funds available for local programs since 2001. This has resulted in great loss of vital services to individuals in need as well as the loss of being able to leverage the funds to garner additional dollars. She noted that a chart would be provided to Committee members that would reflect what programs would or would not be funded were the current level of funding continued.

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[7:20:46 PM](#)

CHERYL KILGORE, Interior Community Health Center, testified via teleconference from Fairbanks and urged that the Human Services Community Matching Grant program funding be increased to \$2.2 million. She read a letter from the Center's Board of Directors in support of the funding. Funding reductions have limited the number of local programs that could be funded or partially funded. Many individuals have needs but could not receive services due to a lack of funding. The agencies "provide services at a much lower client cost than the cost incurred when they don't receive services" as increased complications result in greater expenses.

Co-Chair Wilken asked that the letter be provided to the Committee.

Ms. Kilgore noted that the Health Center provided services to 7,000 people who logged 21,000 visits. Half of those individuals had no health insurance coverage. "The situation isn't getting better, it's getting grimmer". As difficult as it might be, funding human essential services early is a better alternative than being

required to address it later.

Co-Chair Wilken shared that between the time that the Legislature adjourned in May 2004 and convened in January 2005, there had been an \$80 million increase in Medicaid expenses. A \$65 million increase is projected for FY 06. Alaska is not the only State experiencing this situation as medical and Medicaid expenses are "just eating up budgets". Addressing such expenses is "a daunting task".

Co-Chair Wilken reiterated that the FY 06 budget would provide an additional \$76,000 to the community grant program in the communities of Mat-Su, Anchorage, and Fairbanks.

Ms. Kilgore voiced appreciation for any efforts to further increase the budget.

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There being no further testifiers, Co-Chair Wilken announced that public testimony from Juneau and off-nets sites would take place the evening of April 13, 2005.

#

ADJOURNMENT

Co-Chair Wilken adjourned the meeting at 07:33 PM.