

HOUSE FINANCE COMMITTEE  
April 18, 2007  
3:31 p.m.

CALL TO ORDER

Co-Chair Meyer called the House Finance Committee meeting to order at 3:31:40 PM.

MEMBERS PRESENT

Representative Mike Chenault, Co-Chair  
Representative Kevin Meyer, Co-Chair  
Representative Bill Stoltze, Vice-Chair  
Representative Harry Crawford  
Representative Les Gara  
Representative Mike Hawker  
Representative Reggie Joule  
Representative Mike Kelly  
Representative Mary Nelson  
Representative Bill Thomas, Jr.

MEMBERS ABSENT

Representative Richard Foster

ALSO PRESENT

Sharon Kelly, Staff, Co-Chair Chenault; Michael Barnhill, Assistant Attorney General, Department of Law; John MacKinnon, Deputy Director, Department of Transportation and Public Facilities; Janet Clarke, Assistant Commissioner, Division of Finance and Management Services, Department of Health and Social Services; Brett Carlson, Vice Chair, Alaska Travel Industry Association (ATIA); Eleanor Wolfe, Staff, Representative Kurt Olson; Gail Horestki, Assistant Attorney General, Department of Law

PRESENT VIA TELECONFERENCE

Dave Feeken, Alaska Association of Realtors, Kenai

SUMMARY

CSSB 61(FIN)am "An Act transferring funds to the public education fund; making supplemental and other appropriations; amending appropriations; and providing for an effective date."

CSSB 61 (FIN)am was REPORTED out of Committee with a "no recommendation".

HB 147 "An Act relating to matching funds in state tourism marketing contracts with trade associations."

HB 147 was heard and HELD in Committee for further consideration.

HB 205 "An Act relating to real estate broker and real estate salesperson licensing; and providing for an effective date."

CSHB 205 (FIN) was REPORTED out of Committee with a "no recommendation" and with zero fiscal note #1 by the Department of Commerce, Community and Economic Development.

HB 215 "An Act relating to the establishment of a task force to review the Council on Domestic Violence and Sexual Assault."

CSHB 215 (HES) was scheduled but not heard.

HB 45 "An Act authorizing the Department of Military and Veterans' Affairs to establish and maintain Alaska veterans' cemeteries; and establishing the Alaska veterans' cemetery fund in the general fund."

CSHB 45 (MLV) was scheduled but not heard.

HB 88 "An Act relating to televisions, monitors, portable computers, and similar devices in motor vehicles; and providing for an effective date."

CSHB 88 (JUD) was scheduled but not heard.

[3:31:59 PM](#)

CS FOR SENATE BILL NO. 61(FIN) am

"An Act transferring funds to the public education fund; making supplemental and other appropriations; amending appropriations; and providing for an effective date."

SHARON KELLY, STAFF, CO-CHAIR CHENAULT, explained the fast track supplemental. This bill consists of the remaining supplemental items that were originally requested by the Governor in HB 107 and in Section 1 of HB 139, the regular supplemental. Those items have all been heard by this committee previously. Ocean Ranger (HB 139 Section 1e \$811.3) funding is not included in this bill.

This CS contains \$1,011,133.9 in General Funds, \$21,482.5 in Federal Funds and \$4,765.4 in Other Funds for a grand total of \$1,037,382.8.

Ms. Kelly reviewed the new and amended items in the bill:

Sec. 1 (New Item) added in Senate Finance. The sum of \$1,000,000,000 is appropriated from the general fund to the public education fund for distribution according to the Foundation formula. (Funding comes from FY07 carry-forward monies to fund FY 09 education costs).

Sec. 2(a) (Previously heard—HB 107 Section 1)  
Tax pass thru to regional seafood development corporations - last year the appropriation was simply left out - \$153.0 in tax assessments/Other Funds.

(Previously heard—HB 139 (Section 1b)  
The Alaska Regulatory Commission requested \$750.0 in Regulatory Receipts in the fast track to continue litigation at FERC to defend RCA's jurisdiction over intrastate TAPS rates. They also requested an increment of \$600.0 in Regulatory Receipts in the FY08 budget. The amounts have been combined in this bill for a total of \$1,350.0 and placed in this supplemental with an extended lapse date language to allow them to spend the funds as the litigation continues during FY's 07, 08 and 09. This helps spread the cost over the years and avoids the RCA from having to bump their collections to pay for this amount all in one fiscal year.

Sec. 3(a) Previously heard—HB 139 Section 1c)  
Corrections Inmate Health Care \$3,903.4 GF - The Administration has indicated they may need as much as a million more before yearend and that additional amount will be considered in another bill.

(b) Previously heard—HB139 Section 1d)  
Anchorage Corrections Complex - largely to pay overtime for housing additional offenders - \$1,082.7 GF.

Sec. 4 (New Item)--\$740.3 to pay for the Chenega School Roof Replacement. Added in Senate Finance.

Sec. 5 (a) (New Item)  
The sum of \$2,315,000 is appropriated to the Department of Health and Social Services, Office of the Commissioner, for operating costs for a comprehensive program associated with designing, planning, and implementing the legislative Medicaid Program Review Report dated February 2007.

This funding is for FY's 07, 08, and 09 and is the beginning of effort to obtain the millions of dollars of savings identified in the report.

Federal receipts	\$1,182,500
General fund	\$1,132,500

(b) (Previously heard—HB 139, Section g)  
Amend language to repair Pioneer Home Roofs. No new money.

(c) (Previously heard HB 139, Section 1f) \$3.5 million (GF) and \$3.0 million (COP) for the Fairbanks Virology Laboratory Completion. Original appropriation was \$24 million in FY 06.

Sec. 6 (a and b) (Previously heard—HB107, Section 2)  
This funding pays the Department of Law for the work it did investigating the Mercer actuarial matter - it does not pay for any litigation costs but makes the department whole.

Sec. 7 (Previously heard—HB 139 Sections a-f)  
DOTPF sections.

(g) (New Item) Chitina re-appropriation is new and added here under. There is no dollar change. This allows the bridge over O'Brien Creek to be rebuilt providing access to the Chitina dip netters before the salmon runs this year.

Sec. 8 (Previously heard—HB 107 Section 3)  
Funding for special election in April on employment benefits for same-sex partners. The request was amended down by \$381.3, current request is \$775.0.

Sec. 9 (New Item) This amendment was added on the Senate Floor. It is a re-appropriation not to exceed \$600,000 to Legislative Council for special session expenses for the fiscal year ending June 30, 2007.

[3:38:24 PM](#)

Representative Joule inquired about Section 6, regarding an \$11-\$12 million lawsuit action. Co-Chair Chenault reported that the lawsuit has not been denied and there has been discussion with the Department of Law on the matter.

MICHAEL BARNHILL, ASSISTANT ATTORNEY GENERAL, DEPARTMENT OF LAW, reported that the department would like to pursue the case and obtain funding for it. He related that the money appropriated is just for the investigation that was completed in January 2007.

Representative Joule asked if the lawsuit is going forward. Mr. Barnhill reported that nothing has changed in terms of the level of confidence and in terms of the recommendation to the legislature to fund the litigation.

[3:41:22 PM](#)

Representative Crawford asked what happens next regarding the lawsuit and funding. Mr. Barnhill reported that the Department of Law has reduced the request from \$12 million to \$6.75 million and the hope is that the request will be reconsidered by the legislature.

Representative Gara reported that the Department of Law previously answered his questions about the case being strong and convinced him that the law firm previously selected would be best. He asked if that has changed. Mr. Barnhill related that the choice of Paul, Weiss, Rifkind, Wharton, & Garrison, LLP, of New York remains the same. There has been discussion of adjusting the contingency fee arrangement.

Representative Gara stated support for the Department of Law's recommendation as to how to proceed on the actuarial malpractice case.

[3:44:52 PM](#)

JOHN MACKINNON, DEPUTY DIRECTOR, DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES, responded to a question from Representative Gara regarding the repair of existing facilities at Chitina. Mr. MacKinnon emphasized that the purpose is not to force an eminent domain issue. Improvements will be made to a bridge and boat launch at O'Brian Creek.

Co-Chair Chenault asked if the language was straightened out on that subject. Mr. MacKinnon said yes.

[3:47:55 PM](#)

Representative Gara referred to funding for the Legislative Medicaid Program Review Report in Section 5. He wanted assurance that the appropriation was necessary. He wondered how a contractor would be selected and who it would be.

JANET CLARKE, ASSISTANT COMMISSIONER, DIVISION OF FINANCE AND MANAGEMENT SERVICES, DEPARTMENT OF HEALTH AND SOCIAL SERVICES, pointed out that the work plan is attached to the request for the supplemental. She explained that if the funds come to the department rather than to the legislature, there will have to be a competitive bid process. She explained about the 50 percent federal reimbursement.

Representative Gara asked if the contractor will be Pacific Health Group again. Ms. Clarke reported that it would go out to competitive bid. Representative Gara said he would accept the department's judgment.

[3:51:44 PM](#)

Vice Chair Stoltze MOVED to REPORT CSSB 61 (FIN)am out of committee with individual recommendations. There being NO OBJECTION, it was so ordered.

CSSB 61 (FIN)am was REPORTED out of Committee with a "no recommendation".

[3:52:40 PM](#)

HOUSE BILL NO. 147

"An Act relating to matching funds in state tourism marketing contracts with trade associations."

[3:53:04 PM](#)

At-ease.

[3:53:47 PM](#)

Representative Gara asked about the private industry match versus the state match. He wondered where the \$2.5 million that came from the non-cruise ship portion of private industry goes. He questioned how much money goes into the match fund for the advertising campaign.

BRETT CARLSON, VICE CHAIR, ALASKA TRAVEL INDUSTRY ASSOCIATION (ATIA), addressed Representative Gara's questions. The \$2 million private sector portion goes into the fund and is traded for "value", such as an ad or a chance to participate in a media road show. Representative Gara summarized that ATIA charges a business for access to advertising, as a value match. He asked where the \$.5 million came from. Mr. Carlson replied, "\$2 million in non-cruise pay to play, and then \$.5 million comes from what industry calls DMO's, Destination Marketing Organizations, which would be one of three things, generally." Larger cities would have a convention and visitors' bureau, some smaller cities would have chambers, and a few cities might have a department of the city.

[3:58:57 PM](#)

Vice Chair Stoltze drew attention to a letter by Chip Thoma (copy on file.)

Co-Chair Meyer asked about the 90/10 split. He said he is not so sure that the cruise ship contribution is going to go away. He voiced concern about ATIA's belief that without that contribution only \$2 million could be raised. He thought that ATIA was hoping that the state would contribute \$20 million because ATIA proposes to raise \$2 million. He thought a \$20 million request was high. He wondered what would happen if the current state contribution of \$8 million is kept. Mr. Carlson emphasized that this legislation has no bearing on the actual amount of legislative appropriation. ATIA does not believe that state government should appropriate money back that ATIA is not putting in. He explained how the fund would grow. The bill would allow ATIA to match appropriated funds. If the bill does not pass, ATIA has no access to the funds.

Co-Chair Meyer agreed that \$5 million of the car rental tax is tourism related and could go to ATIA. He pointed out that it is uncertain how much money will be obtained from the cruise ship initiative. He thought it was premature to ask for additional money at this time. He suggested other splits.

[4:04:28 PM](#)

Co-Chair Meyer asked if ATIA would support a statewide bed tax or sales tax. Mr. Carlson explained that the hope is that other forms of revenue would be available in the future. He stressed that the discussion on the funding level could take place another time. At stake now is the match. Co-Chair Meyer asked if the cruise ship industry contributed money this year. Mr. Carlson reported that that funding will be lost beginning July 1.

[4:07:19 PM](#)

Representative Kelly pointed out that action needs to be taken at this time. The bill in its current form would require a match of \$800,000. He spoke in support of the bill with an amendment.

Representative Thomas asked if the cruise ship industry has bailed. Mr. Carlson said that their funding cannot be counted on in FY 08. Representative Thomas asked about car rental tax money going only to tourism marketing. He preferred to allocate it for independent travel. He reported that he voted against the cruise ship head tax. He said he does not know what the cruise ship head tax money can be used for.

[4:11:24 PM](#)

Representative Gara summarized that this bill is a policy call based on a guess about the cruise industry. The

independent tourism industry benefits if the cruise industry does not contribute. He questioned why \$2 million for pay to play and \$.5 million of DMO contributions last year translates to only a total of \$2 million this year. He questioned why private industry's donation shouldn't be larger this year than last.

Mr. Carlson responded that the 10/90 legislation looks to the future to raise money for a state marketing program. He opined that a match from the private sector makes sense. He explained that currently \$500,000 comes from DMO's, which should be used locally. Long-term, a voluntary tax won't work.

Representative Gara was not convinced it was \$2.5 million last year. He brought up that in Alaska tourism businesses don't pay a state sales, income, or corporate tax. He suggested a 3 to 1 ratio. Co-Chair Meyer agreed.

[4:17:04 PM](#)

Mr. Carlson related that 38 states have no private sector match. Of the 11 state that do, Alaska's small industry contributes \$5 million, which is just below California.

HB 147 was heard and HELD in Committee for further consideration.

[4:18:26 PM](#)

HOUSE BILL NO. 205

"An Act relating to real estate broker and real estate salesperson licensing; and providing for an effective date."

Representative Gara MOVED to ADOPT Amendment #1:

Page 3, lines 19 - 20:

Delete "[FORGERY, THEFT, EXTORTION, CONSPIRACY TO DEFRAUD CREDITORS, OR"

Insert "or who is convicted of forgery, theft, extortion, conspiracy to defraud creditors, or fraud ["

Page 4, lines 13 - 15:

Delete "[, FORGERY, THEFT, EXTORTION, CONSPIRACY TO DEFRAUD CREDITORS, OR"

Insert "or upon conviction of forgery, theft, extortion, conspiracy to defraud creditors, or fraud [,"

Page 5, lines 9 - 11:

Delete "[, FORGERY, THEFT, EXTORTION, CONSPIRACY TO DEFRAUD CREDITORS, OR"

Insert "or upon conviction of forgery, theft, extortion, conspiracy to defraud creditors, or fraud [,"

Page 6, lines 2 - 3:

Delete "[FORGERY, THEFT, EXTORTION, CONSPIRACY TO DEFRAUD CREDITORS, OR"

Insert "or under indictment for forgery, theft, extortion, conspiracy to defraud creditors, or fraud ["

Co-Chair Meyer OBJECTED.

Representative Gara explained that the amendment addresses what the realtors were trying to address previously. He related that under current law realtors would lose their license if they have engaged in the crime of dishonesty - forgery, theft, extortion, or conspiracy to defraud creditors. The language relating to "moral turpitude" was removed and "fraud" was added. The real estate commission also wanted the discretion to take away a license for other felonies.

ELEANOR WOLFE, STAFF, REPRESENTATIVE KURT OLSON, pointed out that the language was added at the request of the Department of Law.

[4:22:45 PM](#)

Vice Chair Stoltze asked what constitutes crimes of moral turpitude.

GAIL HORESTKI, ASSISTANT ATTORNEY GENERAL, DEPARTMENT OF LAW, explained that "moral turpitude" is somewhat obsolete. Those crimes are viewed as crimes that are wrong in and of themselves, as opposed to regulatory crimes such as a driver's license violation.

[4:25:12 PM](#)

Ms. Horestki related a list of statutes that contain the same language as in this bill regarding whether the felony or other crime committed affects the ability of that person to practice as a broker or associate broker competently and safely. The trend is to move away from moral turpitude.

Representative Thomas asked if Ms. Horestki approves of the amendment. Ms. Horestki said she has no problem with it. Representative Thomas observed that he liked the clarity in the amendment.

Ms. Horestki summarized the intent of the amendment - to preserve the present disqualifying offenses which appear to be directly related to real estate transactions, and to also give the commission the ability to use its discretion to determine whether a particular conviction affects the person's ability to practice their profession. She related an example of a drug felon who was denied a license.

Co-Chair Chenault asked if the language is acceptable to the Alaska Association of Realtors.

DAVE FEEKEN, ALASKA ASSOCIATION OF REALTORS, KENAI, explained that the language of the bill strengthens the commission's ability to control who is licensed.

[4:30:42 PM](#)

Representative Gara asked for Mr. Feeken's opinion of Amendment 1. Mr. Feeken had not seen it. Representative Gara reiterated what the amendment would do.

Mr. Feeken related that his agency is in favor of anything that strengthens the ability of the commission to protect the public.

Co-Chair Meyer WITHDREW his OBJECTION.

There being NO OBJECTION, Amendment #1 was adopted.

[4:34:12 PM](#)

Vice Chair Stoltze MOVED to REPORT CSHB 205 (FIN) out of committee with individual recommendations and the accompanying fiscal note. There being NO OBJECTION, it was so ordered.

CSHB 205 (FIN) was REPORTED out of Committee with a "no recommendation" and with zero fiscal note #1 by the Department of Commerce, Community and Economic Development.

ADJOURNMENT

The meeting was adjourned at 4:36 PM.