

HOUSE FINANCE COMMITTEE
May 9, 2007
8:48 A.M.

CALL TO ORDER

Co-Chair Meyer called the House Finance Committee meeting to order at [8:48:40 AM](#).

MEMBERS PRESENT

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

MEMBERS ABSENT

None

ALSO PRESENT

James Armstrong, Staff, Representative Bill Stoltze; John Weise, Staff, Senator Lyman Hoffman; Richard Benavides, Staff, Senator Bettye Davis; Rick Urion, Director, Division of Occupational Licensing; Pat Davidson, Legislative Auditor, Legislative Audit Division, Legislative Affairs Agency

PRESENT VIA TELECONFERENCE

John Tiemessen, President, Alaska Bar Association, Anchorage; Chris Hladdick, City Manager, Unalaska; Steve VanGoor, Bar Counsel, Alaska Bar Association, Anchorage; Matt Claman, Alaska Bar Association, Anchorage; Wayne Ross, Alaska Bar Association, Anchorage; Michael Scheider, Attorney, Anchorage

SUMMARY

HB 22 An Act extending the termination date for the Board of Governors of the Alaska Bar Association; and providing for an effective date.

HB 22 was HEARD & HELD in Committee for further consideration.

HB 177 "An Act relating to the Alaska Gasline Inducement Act; providing inducements for the construction of a natural gas pipeline and shippers that commit to use that pipeline; establishing the Alaska Gasline Inducement Act reimbursement fund; providing for an Alaska Gasline Inducement Act coordinator; making conforming amendments; and providing for an effective date."

HB 177 was HEARD & HELD in Committee for further consideration.

SB 85 An Act extending the termination date for the State Medical Board; and providing for an effective date.

SB 85 was reported out of Committee with a "do pass" recommendation and with fiscal note #2 by the Department of Community & Economic Development.

SB 105 An Act relating to reimbursement to municipalities by the Department of Transportation and Public Facilities for debt incurred by those municipalities for certain capital projects; and providing for an effective date.

CSSB 105 (TRA) was reported out of Committee with a "do pass" recommendation and with zero note #1 by the Department of Community & Economic Development and zero note #2 by the Department of Transportation & Public Facilities.

#HB177

HOUSE BILL NO. 177

"An Act relating to the Alaska Gasline Inducement Act; providing inducements for the construction of a natural gas pipeline and shippers that commit to use that pipeline; establishing the Alaska Gasline Inducement Act reimbursement fund; providing for an Alaska Gasline Inducement Act coordinator; making conforming amendments; and providing for an effective date."

Co-Chair Chenault explained that the Governor had provided a new committee substitute for HB 77, drafted to the Senate version of the bill. Legislative Legal Services is currently drafting a committee substitute incorporating that language and should arrive by the afternoon meeting. Amendments can be drafted to that version.

HB 177 was HEARD & HELD in Committee for further consideration.

[8:52:19 AM](#)

#SB105

SENATE BILL NO. 105

An Act relating to reimbursement to municipalities by the Department of Transportation and Public Facilities for debt incurred by those municipalities for certain capital projects; and providing for an effective date.

JOHN WEISE, STAFF, SENATOR LYMAN HOFFMAN, noted that the Legislature passed HB 528 in 2002 as debt reimbursement for certain capital projects. Included in the list of projects was a small boat harbor in Unalaska approved for \$5 million dollars debt reimbursement through the Department of Transportation & Public Facilities. It has been delayed due to the exhaustive permitting requirements, a process started in 1996 and completed in 2006.

The Corps of Engineers Civil Branch is responsible for the construction and maintenance of the outer breakwaters for the project and the City is responsible for construction of the inner harbor improvements, providing utilities for the project. The Corps undertook and completed an Environmental Impact Statement (EIS) in 2004 but the Record of Decision was not signed until six months ago due to staffing retirements in Washington D.C. The total permitting cost was over \$3 million dollars.

The City of Unalaska is prepared to move forward as soon as the Corps of Engineers receives funding, however, the deadline for the debt reimbursement is June 30, 2007. SB 105 allows the City to complete the design, prepare bid documents and obligate the funds in time to finish the project.

[8:56:47 AM](#)

Co-Chair Chenault asked about the fencing around the project was because it was close to the airport. Mr. Weise did not think the airport was nearby.

[8:57:37 AM](#)

CHRIS HLADDICK, (TESTIFIED VIA TELECONFERENCE), CITY MANAGER, UNALASKA, spoke in support of the bill, commenting that the process has been long and drawn out. The City of Unalaska is waiting for a federal appropriation.

Co-Chair Chenault asked about the fencing around the harbor. Mr. Hladdick explained that the harbor it is not near the airport but rather closer to the bridge.

Representative Kelly asked if the delay could affect the funding. Mr. Weise acknowledged the funding was capped; all other small boat harbors from the original bill are complete. The only one not yet complete is in Anchorage because they did not want to bond.

PUBLIC TESTIMONY CLOSED

[9:01:19 AM](#)

Representative Foster MOVED to REPORT CS SB 105 (TRA) out of Committee with individual recommendations and with the accompanying zero notes. There being NO OBJECTION, it was so ordered.

CSSB 105 (TRA) was reported out of Committee with a "do pass" recommendation and with zero note #1 by the Department of Community & Economic Development and zero note #2 by the Department of Transportation & Public Facilities.

[9:02:24 AM](#)

#SB85

SENATE BILL NO. 85

An Act extending the termination date for the State Medical Board; and providing for an effective date.

RICHARD BENAVIDES, STAFF, SENATOR BETTYE DAVIS, noted that SB 85 extends the sunset date of the State Medical Board until June 30, 2013, in accordance with recommendations from the Legislative Auditor, who concluded the Board meets the statutory requirements of public need and it should continue to regulate the occupations under its purview.

Mr. Benavides commented that the Board consists of five licensed physicians, one licensed physician assistant and two people with no direct financial interests in the healthcare industry. The board serves the public interest by establishing the minimum education and work experience requirements that an individual must meet to become a licensed physician, osteopath, podiatrist, paramedic, and physician assistant. The board further serves the public interest by investigating complaints against licensed professionals and taking disciplinary licensing action when appropriate. The board has consistently proven to be efficient. He urged passage of the bill.

[9:04:18 AM](#)

PAT DAVIDSON, LEGISLATIVE AUDITOR, LEGISLATIVE AUDIT DIVISION, LEGISLATIVE AFFAIRS AGENCY, offered to answer questions of the Committee.

RICK URION, DIRECTOR, DIVISION OF OCCUPATIONAL LICENSING, offered to answer questions of the Committee.

PUBLIC TESTIMONY CLOSED

[9:05:00 AM](#)

Co-Chair Meyer pointed out the fiscal note.

Representative Foster MOVED to REPORT SB 85 out of Committee with individual recommendations and with the accompanying fiscal note. There being NO OBJECTION, it was so ordered.

SB 85 was reported out of Committee with a "do pass" recommendation and with fiscal note #2 by the Department of Community & Economic Development.

[9:06:15 AM](#)

#HB22

HOUSE BILL NO. 22

An Act extending the termination date for the Board of Governors of the Alaska Bar Association; and providing for an effective date.

REPRESENTATIVE BILL STOLTZE, SPONSOR, MOVED to ADOPT work draft #25-LS0138\L, Bullard, 5/8/07, as the version of the bill before the Committee. Representative Hawker OBJECTED.

[9:07:06 AM](#)

Vice Chair Stoltze noted that last year, the Legislature extended the sunset for the Alaska Bar Association. The work draft was crafted in order to protect the stability of the Board. Last year's fiscal note did not have a departmental allocation and was exempt from appropriation powers of the Legislature. He emphasized the amount of money received by that professional board from dues charged. He believed there are serious fiscal issues.

[9:10:31 AM](#)

JAMES ARMSTRONG, STAFF, REPRESENTATIVE BILL STOLTZE, explained that the draft for HB 22 would extend the sunset date of the Board of Governor's Alaska Bar Association (ABA) until June 30, 2010; it requires an appropriation by the Legislature to dispense program funds.

The Board of Governor for the Alaska Bar Association is comprised of 12 members; nine are elected by active members of the Alaska Bar Association (ABA) with three non-attorney members, appointed by the Governor and confirmed by the Legislature. The ABA collects dues and other fees on an

annual basis and expends those funds to operate the association.

Mr. Armstrong continued, the bar association was created in 1955; the funds that sustain the bar association are "State revenues" and the ABA continues to expend that revenue without an appropriation by the Legislature. The work draft will correct the situation, mandating the ABA to submit a FY09 budget request through the Alaska Court System for review and approval by the Legislature.

Additionally, the draft creates a "lawyer fund for client protection" as a new sub-account, which would be contained in the General Fund. ABA currently maintains such fund, with nearly \$1.2 million dollars, to reimburse attorneys' clients, who have suffered non-insured losses of money, property, or other valuable items, as a result of dishonest conduct by attorneys. The fund is preserved with the creation of the sub-account, contained within the General Fund & not lapsing, subject to appropriation each year by the Legislature.

Mr. Armstrong pointed out that the Sponsor intends that ABA should not be able to spend State funds without being authorized to do so through an appropriation. He reiterated, the legislation brings the ABA into compliance with Article IX, Section 13 of the Alaska Constitution, which states that "no money shall be withdrawn from the treasury, except in accordance with appropriations made by law".

- Section 1 is the extension of the Board until June 30, 2010
- Section 2 subjects the Board to disburse funds subject to appropriation by the Legislature
- Section 3 clarifies that ABA should offer their budget under the framework of the Alaska Court System budget
- Section 4 establishes the lawyers fund for client protection
- Section 5 places receipts of the ABA under the fiscal procedures act as a funding source, receipt support services
- Section 6 itemizes the applicability for the claims & the budget provision & would not happen until FY09
- Section 7 provides the transitional provisions
- Sections 8 & 9 indicate the effective date

[9:13:07 AM](#)

Representative Hawker spoke to his objection adopting the work draft. He pointed out that the House Finance Committee

has had a tradition of keeping reauthorization bills clean. Politics should not be thrown into the authorization of an organization. He emphasized that the State does not want the Alaska Bar Association to sunset. The bill is introducing a major material policy change at a late date. The bill entered the public domain ten minutes ago and affects the separation of legislative powers. He worried about the appropriateness of the policy call. He was concerned that his constituents had not had an opportunity to review the bill & knew he was not qualified to determine if it would be appropriate policy. He stated that the legislation violates the transparency of State government. Representative Hawker urged that the Committee not adopt the committee substitute.

[9:17:22 AM](#)

Vice Chair Stoltze argued that it is not politics creating the legislation but rather from concerns of public policy. He knew that the proposed bill was not a surprise to the legal community. The State should have greater oversight of the profession.

[9:19:26 AM](#)

Representative Gara indicated that he did not know enough about the proposal to determine if it was good or not. He agreed the problem should be identified; however, he did not see a link between the bill and the problem. He recommended the bill be considered by the public.

[9:23:39 AM](#)

Representative Kelly requested information on the objectives and how the draft accomplishes that.

[9:25:34 AM](#)

Vice Chair Stoltze countered that the largest issue is the money that the State requires the profession to pay, tied to their ability to make a living. ABA does not have the same oversight obligations of other boards. He mentioned the "slush" fund and how that affects their dues. The bill reduces fees by 40% during the level-off period. Like any other State board, membership costs would have to be justified. He wanted to see more accountability. The work draft addresses the leveling of the dues to reflect the costs of running the board.

[9:28:40 AM](#)

Co-Chair Meyer advised that the comment must determine, which version the bill is being discussed.

Representative Hawker addressed the process. He thought that adopting the work draft, would appear as a procedural acceptance and that by adopting it, places the Committee into "retrograde" action. He objected to that. He recommended that the work draft be considered only as an amendment.

[9:31:42 AM](#)

Representative Thomas encouraged the Department of Law to testify on the bill.

AT EASE: [9:32:50 AM](#)

RECONVENE: [9:33:30 AM](#)

A roll call vote was taken on the motion to adopt the draft.

IN FAVOR: Stoltze, Thomas, Meyer
OPPOSED: Crawford, Foster, Gara, Hawker, Joule,
Nelson, Kelly

Co-Chair Chenault was not present for the vote.

The MOTION FAILED (3-7).

[9:34:43 AM](#)

Co-Chair Meyer stated that the original version of the bill was before the Committee.

Representative Gara commented if there were going to be amendments, the testifiers need to know in order that they can address those concerns and changes. Vice Chair Stoltze stated he did not anticipate building on his previous position. Co-Chair Meyer recommended discussion be made toward the original bill version. Representative Hawker concurred with the Chair. Representative Joule clarified that the Committee is now addressing only the extension.

[9:37:11 AM](#)

JOHN TIEMESSEN, (TESTIFIED VIA TELECONFERENCE), RECENT PAST PRESIDENT, ALASKA BAR ASSOCIATION, ANCHORAGE, noted that past boards have only appeared before the Legislature on sunset issues. The Alaska Bar Association is pledged to have more contact with the Legislature.

Mr. Tiemessen mentioned current programs being addressed by the ABA:

- Diversity program requested by Representative Coghill,

- Mandatory education program initiated by Representative Gruenberg, and
- Tiered dues proposal initiated by Senator McGuire and Senator French.

Mr. Tiemessen pointed out that the Alaska Bar Association has existed in its current form since 1955. The lawyer's fund for client protection has been in existence since 1976. Currently, there are over 3,000 members. The core mission of the Board of Governor's and the Alaska Bar Association is the admission and discipline of members. That function is handled under the direct supervision of the Alaska Supreme Court. The Alaska Bar is similar to the other 33 nationwide unified state bar associations.

[9:43:29 AM](#)

Mr. Tiemessen addressed concerns raised in the Committee about the surplus, which presently, ABA does have. Budgeting is done on 10-year bases and currently, is in the earlier part of that cycle. He understood that was not the manner in which other boards and commissions work. Extra funds are kept for the inevitable day that the revenue from the dues will not meet the operating expenses.

[9:45:04 AM](#)

Mr. Tiemessen pointed out that the ABA does not have a companion voluntary organization. Many programs are run by volunteer organizations providing newsletters and referral services, group health insurance, informal ethics advice and that accounts for the difference in the staffing.

[9:46:29 AM](#)

Mr. Tiemessen addressed the quality of the office space in the Atwood Building, noting that the State of Alaska invited the Bar Association to take over that space. He recognized that the Legislature has an important role with the Alaska Bar Association and welcomed opportunities to appear before the State Legislature.

[9:47:48 AM](#)

MATT CLAMAN, (TESTIFIED VIA TELECONFERENCE), NEW PRESIDENT, ALASKA BAR ASSOCIATION, ANCHORAGE, stated that the Alaska Bar Association is responsive to the concerns voiced through the legislation. He mentioned the dues collected by the Association and the services provided for those dues, emphasizing the services received by the public members. He offered to answer questions of the Committee. Mr. Claman encouraged that the Bar be extended for another three years pointing out that they are supervised by the Supreme Court.

[9:51:44 AM](#)

Representative Gara stressed that the concerns noted by the Legislature are not going to disappear. He recommended that entry dues be addressed. Mr. Claman was aware of the concerns, advising that a committee had been assigned to investigate the concerns.

[9:53:12 AM](#)

MICHAEL SCHEIDER, (TESTIFIED VIA TELECONFERENCE), ATTORNEY, ANCHORAGE, noted that he did not agree with everything that the Bar supports, however, receives tremendous service for the cost of his dues. He recommended that the Bar not be sunset or amended.

[9:54:46 AM](#)

WAYNE ROSS, (TESTIFIED VIA TELECONFERENCE), ALASKA BAR ASSOCIATION, ANCHORAGE, stated that the Alaska Bar is a great organization, with great programs. He stated there should be no changes made. He added that the due charges are less than other bars in the country.

[9:56:02 AM](#)

STEVE VANGOOR, (TESTIFIED VIA TELECONFERENCE), BAR COUNSEL, ALASKA BAR ASSOCIATION, ANCHORAGE, offered to answer questions of the Committee.

[9:56:33 AM](#)

Vice Chair Stoltze stated that he had no further plans to attempt passage of the work draft.

HB 22 was HELD in Committee for further consideration.

#

[9:56:59 AM](#)

ADJOURNMENT

The meeting was adjourned at 9:56 A.M.