

SENATE FINANCE COMMITTEE
April 8, 2008
9:44 a.m.

CALL TO ORDER

Co-Chair Stedman called the Senate Finance Committee meeting to order at [9:44:02 AM](#).

MEMBERS PRESENT

Senator Lyman Hoffman, Co-Chair
Senator Bert Stedman, Co-Chair
Senator Charlie Huggins, Vice-Chair
Senator Kim Elton
Senator Donny Olson
Senator Joe Thomas
Senator Fred Dyson

MEMBERS ABSENT

None

ALSO PRESENT

Senator Bettye Davis; Tom Obermeyer, Staff, Senator Davis; Angela Listan; Gus Marx, Grants Manager, Juneau Youth Services; Jeff Jessee, Chief Executive Officer, Alaska Mental Health Trust Authority; Pete Fellmen, Staff, Representative John Harris; Jerry Burnett, Director, Division of Administrative Services, Department of Revenue; Jeff Park, Vice President, Rasmussen Foundation Kaci Schroeder, Staff, Representative Thomas; Debbie Richter, Director, Dividend Division; Jerry Burnett, Director, Division of Administrative Services, Department of Revenue

PRESENT VIA TELECONFERENCE

Steve Horn, Executive Director, Alaska Behavioral Health Association; Jerry Fuller, Medicare Director, Department of Health and Social Services; Brenda Moore, Member, Medical Health Board and Counselor, Suicide Prevention; Naomi Tigner, Alaska Association for Homes for Children and Presbyterian Hospitality House; Rod Betit, President, Alaska State Hospital Nursing Home Association; Lawrence Weiss, Executive Director, Alaska Center for Public Policy; Geran Tarr, Alliance for Reproductive Justice; Brett Carlson, Volunteer Chair, Alaska Travel Industry Association; Mike Walsh, Vice President, 4 Acre Group

SUMMARY

SB 8 "An Act relating to a mental health patient's right to choose the gender of hospital staff providing intimate care to the mental health patient and to the duties of hospital staff in caring for patients receiving mental health treatment."

CSSB 8 (FIN) was REPORTED out of Committee with no recommendations and accompanying new zero fiscal notes from the Department of Corrections and the Department of Health and Social services.

SB 212 "An Act relating to eligibility requirements for medical assistance for certain children and pregnant women; and providing for an effective date."

SB 212 was REPORTED out of Committee with no recommendations and three accompanying previously published fiscal notes from the Department of Health and Social Services.

HB 2 "An Act relating to the vocational education account and appropriations from that account; and providing for an effective date."

HB 2 was SCHEDULED but NOT HEARD.

CSHB 147(RLS)

"An Act relating to matching funds and state money for state tourism marketing contracts with trade associations; and providing for an effective date."

CSHB 147 (RLS) was HEARD and HELD in Committee for further consideration.

CS HB 166(FIN)

"An Act relating to contributions from permanent fund dividends to community foundations, to certain educational organizations, and to certain other charitable organizations; and providing for an effective date."

SCS CSHB 166 (FIN) was REPORTED out of Committee with no recommendations and an accompanying new fiscal note from the Department of Revenue.

CSHB 289(FSH)

"An Act exempting employers from paying unemployment tax for temporary services provided by fishing vessel crewmembers and related to emergency oil spill training and response activities; and providing for an effective date."

CSHB 289 (FSH) was SCHEDULED by NOT HEARD.

CSHB 307(FIN)

"An Act relating to penalizing certain misdemeanor domestic violence assaults as felonies."

CSHB 307 (FIN) was SCHEDULED but NOT HEARD.

CSHB 406(STA)

"An Act relating to contracts for the preparation of election ballots."

CSHB 406 (STA) was SCHEDULED but NOT HEARD.

[9:44:09 AM](#)

HOUSE BILL NO. 2

"An Act relating to the vocational education account and appropriations from that account; and providing for an effective date."

HB 2 was SCHEDULED but the not HEARD.

Co-Chair Stedman reviewed SB 8 for mental health patient's rights, first heard in Committee February 6, 2008. At that meeting, the Committee adopted Committee Substitute Version E changing the age of a patient's right to request a care provider by gender, from sixteen to eighteen years.

[9:46:48 AM](#)

SENATE BILL NO. 8

"An Act relating to a mental health patient's right to choose the gender of hospital staff providing intimate care to the mental health patient and to the duties of hospital staff in caring for patients receiving mental health treatment."

SENATOR BETTYE DAVIS, bill sponsor, thanked the Committee for hearing the bill and declared the bill had no opposition.

Co-Chair Hoffman Moved to Report CSSB 8 out of Committee with individual recommendations and accompanying fiscal notes. There being NO OBJECTION, it was so ordered.

CSSB 8 (FIN) was REPORTED out of Committee with no recommendations and accompanying new zero fiscal notes from the Department of Corrections and the Department of Health and Social services.

[9:49:01 AM](#)

SENATE BILL NO. 212

"An Act relating to eligibility requirements for medical assistance for certain children and pregnant women; and providing for an effective date."

[9:49:16 AM](#)

TOM OBERMEYER, STAFF, SENATOR DAVIS, presented an overview of the bill by reading the Sponsor Statement:

SB 212 reinstates the qualifying income standards for children and pregnant women receiving Medicaid benefits under the Denali KidCare (DKC) program to poverty guidelines used when the program was established in 1997 at 200% Federal Poverty Guideline (FPG) for Alaska. Reduced and frozen at 175% FPG by the Legislature in 2003, the equivalent income limits were reduced in the following four years to 154% by the time SB27 was implemented to reinstate current levels of the FPG at 175% in 2007. Children and pregnant women with household incomes between 176% and 200% FPG still have not regained eligibility. SB212 also increases allowable premiums or cost-sharing by families whose incomes are between 150%-200% FPG.

The fiscal notes anticipate 2% enrollment growth after 2009 and an annual cost increase of 8.6%, allowing for 5% medical inflation in Alaska. The \$249,600 appropriation required for 2009 does not reflect the indirect savings by fewer emergency room visits and many avoided long-term illnesses for SCHIP children. The addition of one employee and office expense at \$73,800 provides for the anticipated increase in enrollment of 218 pregnant women and 1277 children. DHSS has requested additional support for Denali KidCare in the Governor's FY09 budget.

Forty one-states allow participation by families at or above 200% FPG with many over 300%. The reason for higher SCHIP eligibility coverage in other states is that the federal government reimburses SCHIP at an

enhanced rate, and higher SCHIP eligibility has proven to be an efficient use of health care dollars. While most patients enrolled in Medicaid are children, children utilize only a fraction of the resources. Early intervention and preventative care greatly reduce visits to emergency rooms and costly long-term illnesses. Hospitals regularly write-off the cost of emergency room visits by non-emergency low-income, indigent, or uninsured patients whom they must serve when patients cannot pay. The costs of these non-emergency visits to hospitals for SCHIP children and other low-income and uninsured, who have no other way of obtaining health care, are passed along in increased costs to patients who do pay and/or are insured under private or state health benefit plans. There is no effect on eligibility for Denali KidCare if the SCHIP allotment is fully expended. If costs exceed available SCHIP funds, claims are simply reimbursed at the lower, regular Medicaid rate, resulting in reduced federal revenues.

[9:52:16 AM](#)

Senator Dyson asked what would be the financial difference for a family of four.

Mr. Obermeyer explained that the amount is predicated on income but he did not have the dollar amount. He referred to a Medicaid expert online.

[9:53:07 AM](#)

STEVE HORN, EXECUTIVE DIRECTOR, ALASKA BEHAVIORAL HEALTH ASSOCIATION testified via teleconference and spoke in support of the bill. He reported that Alaska has the fourth most stringent eligibility level for children's health insurance in the country resulting in many children not receiving needed basic health care. He believed Denali KidCare will save Alaska money in the long run. Children without health care receive less preventative care resulting in higher health risks and greater use of expensive emergency rooms.

[9:54:38 AM](#)

JERRY FULLER, MEDICARE DIRECTOR, DEPARTMENT OF HEALTH AND SOCIAL SERVICES testified via teleconference and noted he did not have the income chart with him to answer Senator Dyson's question to describe the income level for a family of four at the 200% level. He acknowledged that the Governor has not taken a position on this bill.

[9:55:37 AM](#)

BRENDA MOORE, MEMBER, MEDICAL HEALTH BOARD AND COUNSELOR, SUICIDE PREVENTION testified via teleconference in support this bill and encouraged the bill being moved from Committee.

[9:56:55 AM](#)

NAOMI TIGNER, ALASKA ASSOCIATION FOR HOMES FOR CHILDREN AND PRESBYTERIAN HOSPITALITY HOUSE testified via teleconference in support of this bill. She believed in the necessity of raising the eligibility level to 200% to enable children to receive basic needed health care.

AT EASE: [9:58:09 AM](#)

RECONVENED: [9:58:50 AM](#)

[9:59:05 AM](#)

ROD BETIT, PRESIDENT, ALASKA STATE HOSPITAL NURSING HOME ASSOCIATION testified via teleconference and supported the bill. As a member of the Governor's Health Care Strategy Council, the Association listed this as one of their key recommendations to bring coverage to the 200 percent level.

[10:00:24 AM](#)

LAWRENCE WEISS, EXECUTIVE DIRECTOR, ALASKA CENTER FOR PUBLIC POLICY testified via teleconference in support of this bill. He presented the economic issues for the 1,200 Alaska children with no access to health care. For every thirty cents the state spends, the federal governor would contribute seventy cents. Children without health care are at highest risk to use expensive emergency rooms where they do not receive preventive health measures. This program will save the state money in the future.

[10:03:15 AM](#)

ANGELA LISTAN spoke in support of the bill. She noted that the cost of health care has risen faster than almost any other living expense. She noted that forty-six states use the 200 percent federal poverty level rate. She remarked that the federal poverty level for a family of four is \$53,000 which is not enough to cover all expenses with the additional expense for health insurance.

[10:05:24 AM](#)

GERAN TARR, ALLIANCE FOR REPRODUCTIVE JUSTICE testified via teleconference in support of the bill. She agreed with the previous comments from the others testifiers.

[10:06:45 AM](#)

GUS MARX, GRANTS MANAGER, JUNEAU YOUTH SERVICES supported the bill. His family has used Denali KidCare in the past and he applauded the state for helping families in need.

[10:08:11 AM](#)

JEFF JESSEE, CHIEF EXECUTIVE OFFICER, ALASKA MENTAL HEALTH TRUST AUTHORITY spoke in support of the bill. He declared that Medicaid is a crucial part of funding for children in need and this bill will assist in financing future projects.

[10:08:55 AM](#)

Co-Chair Stedman reviewed the three Department of Health and Social Services fiscal notes attached to this bill.

[10:09:50 AM](#)

Senator Thomas appreciated those who brought forth this bill. He mentioned that other people were covered by this bill, such as the aged, blind and mentally retarded.

[10:10:42 AM](#)

Co-Chair Hoffman MOVED to REPORT SB 212 out of Committee with individual recommendations and the attached fiscal notes.

Senator Dyson OBJECTED for discussion.

Senator Dyson warned of putting into Statute programs that the Legislature may not be able to sustain in the long run. He suggested the bill have a provision that in three or four years the percentage reverts back to the 175 percent unless the Legislature takes action. The state may run into a deficient problem in the future. He reminded the Committee of another state program that allows people with significant health issues to get state financing.

Senator Dyson WITHDREW his OBJECTION.

Senator Elton OBJECTED for discussion.

Senator Elton reported his enthusiastic support for this bill. He remarked that one of the biggest debates this year was whether to provide energy assistance, across the board,

regardless of need or income level. In his opinion, the beauty of SB 212 is the it provides medical assistance to Alaskans in need and this is one of the preeminent concerns and rights of all citizens. This program would receive \$2 from the federal government for every \$1 spent by the state.

Senator Elton WITHDREW his OBJECTION. There being NO OBJECTION, it was so ordered.

SB 212 was REPORTED out of Committee with no recommendations and three accompanying previously published fiscal notes from the Department of Health and Social Services.

[10:15:19 AM](#)

CS FOR HOUSE BILL NO. 147(RLS)

"An Act relating to matching funds and state money for state tourism marketing contracts with trade associations; and providing for an effective date."

[10:15:34 AM](#)

PETE FELLMEN, STAFF, REPRESENTATIVE JOHN HARRIS, presented an overview of the bill. He reported that HB 147 is basically the same bill as SB 144, sponsored by Senator Lesil McGuire. The difference between the two bills is that the finance committee believed it prudent to limit the amount of funds that the Office of Economic Development could spend on tourism to \$9 million. Mr. Fellman noted a sunset provision for 2011 to give the tourism industry an opportunity to grow and self finance the advertising. He reminded the Committee that state tourism generates \$1.5 billion into the state's economy. He noted that for every \$1 the state contributes, \$1.68 in returned to the state. The economic boom from tourism flows throughout every region of Alaska and touches many individuals and businesses. Mr. Fellman disclosed that only nineteen other states require a private sector contribution. Only Florida and California have private section contributions more than Alaska. Alaska ranks thirty-six in the nation in public sector funding.

[10:19:10 AM](#)

Senator Elton remained undecided on this approach because state marketing efforts, with seafood and tourism, usually require a market test. This market test asserts that the benefiting industry believes they are receiving enough value to contribute themselves at a certain level. His hesitation to this approach is that the industry is not contributing at the same level as before.

[10:20:19 AM](#)

Mr. Fellman responded that when the cruise ship tax became part of the state statute, with cruise lines paying money directly to the state's budget, they withdrew \$2 million that they had been investing in tourism. At one time Alaska was putting in \$20 million for tourism marketing but that has since decreased.

Senator Elton interjected that the cruise lines are not paying the tax directly but charging the head tax to the passengers.

[10:22:05 AM](#)

Senator Olson inquired about the distribution level between urban and rural Alaska.

[10:22:25 AM](#)

Mr. Fellman responded that there are a thousand tourism businesses in the ATIA (Alaska Travel Industry Association) and that money is distributed throughout the state depending on how much is contributed. A plan would be developed to disseminate the money throughout Alaska's various regions.

[10:22:53 AM](#)

Co-Chair Stedman reviewed the one fiscal note for \$9 million.

[10:23:07 AM](#)

Co-Chair Hoffman noted he had similar concerns as Senator Elton and wondered if more participation by industry could be considered. He asked if the bill sponsor would consider a lesser amount than listed in the bill

[10:24:07 AM](#)

Mr. Fellman responded that the present amount in the bill is about the limit that the tourism industry could support. The tourism industry will contribute \$2.7 million to the marketing campaign and can not contribute more at this time. He remarked that if Alaska tourism begins to fall, then the amount businesses will be able to contribute will also decline. He stressed that it was important for Alaska to help this industry until they are able to support themselves.

Co-Chair Hoffman questioned why is there the belief that the tourism industry is declining. He assumed Alaska tourism was

growing. He remarked that the cruise line industry has grown tremendously in past years with tourists commenting that Alaska sells itself.

[10:26:27 AM](#)

Senator Elton noted that it was hard for him to hear a response that that says the tourism industry can not afford more. He remarked that the tourism industry considers itself larger than the seafood industry but the marketing program for the seafood industry puts in twice as much as the tourism industry and receives only \$1 million from the state.

[10:27:36 AM](#)

Mr. Fellman responded that the fishing industry has received considerable money in the past to help develop the industry. He believed about \$125 million has been invested in marketing to help the fishing industry develop. He noted that tourism was a renewable resource that will continue to generate income and grow. Tourism money benefits the entire state.

[10:29:26 AM](#)

Senator Elton reported that as the former Executive Director of the Alaska Seafood Marketing Institute the seafood industry received approximately \$4 million a year. He stressed there must be a market test and he did not believe it had been met.

[10:30:23 AM](#)

BRETT CARLSON, VOLUNTEER CHAIR, ALASKA TRAVEL INDUSTRY ASSOCIATION testified via teleconference and spoke in support of the bill. He reminded the Committee that ATIA represents over one thousand businesses throughout Alaska. ATIA believed that the state can help Alaska travel businesses and nurture the private sector economy to contribute revenues to local and state government. Mr. Carlson stressed that Alaska's tourism marketing funding is broken. ATIA believes that this bill represents a fix. The \$9 million fiscal note is less than the \$9.5 million in funding that passed out of the Senate Finance Committee last session. It identifies a sustainable travel industry generated funding source for Alaska's tourism marketing program.

[10:33:22 AM](#)

Co-Chair Hoffman revealed how proud he was that Alaska was leading the way in getting participation from industry and

business and hoped other states would take that initiative. He judged it would be better to get more industry and business participation.

[10:34:09 AM](#)

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

CS FOR HOUSE BILL NO. 166(FIN)

"An Act relating to contributions from permanent fund dividends to community foundations, to certain educational organizations, and to certain other charitable organizations; and providing for an effective date."

Co-Chair Hoffman MOVED to ADOPT Senate Committee Substitute for CSHB 166, work draft 25-LS0678\V as the working document. There being NO OBJECTION, the Senate Committee Substitute Version V was adopted.

KACI SCHROEDER, STAFF, REPRESENTATIVE THOMAS, provided an overview of the committee substitute. The first change in the new committee substitute Version V was in Section 1 which allows Alaskans to check off and contribute \$25 to the full dividend amount as a donation to charity. On page 2, it states that the contribution can not be changed after the application is filed and no money contributed by the individual shall be used for administrative costs. Ms. Schroeder continued that on page 2, Section (c) it further clarifies the types of organizations that are eligible for this program and on page 3 it lists the criteria that an organization must meet before they are allowed to be put on the permanent fund application. Page 4 clarifies that the department may not use any contributions for administrative costs but also states that the department can collect a \$50 application fee. Ms. Schroeder noted that on page 4, (g) it allows the department to circumvent the procurement code. She signified that by January of each year the Legislature would receive a report on how the program is working. She cited that Section 2, page 5 deals with language requested by the Department of Revenue. She noted the last change on page 6 states that this will not apply to the 2008 dividend. The program will begin in 2010 to give the department time to implement the program.

[10:39:09 AM](#)

Senator Olson asked for the reasoning behind circumventing the procurement quota.

Ms. Schroeder replied that it had been requested in the House by Representative Coghill. The United Way was the only known program ready to do this program now.

[10:39:46 AM](#)

DEBBIE RICHTER, DIRECTOR, DIVIDEND DIVISION noted she was available for questions.

JERRY BURNETT, DIRECTOR, DIVISION OF ADMINISTRATIVE SERVICES, DEPARTMENT OF REVENUE remarked that the department neither supports nor opposes this bill. There is other language in the bill that would eliminate paper and work load for the department to allow staff to respond to questions.

Co-Chair Stedman inquired if the department feels this is administratively controllable.

[10:42:14 AM](#)

Ms. Richter remarked that the division has been working with the United Way as the potential contractor for handling the qualification of the agencies and they have expressed a concern. They have offered an 800 number that would be posted on their website for people call and ask questions.

Co-Chair Stedman requested the fiscal impact in the future.

[10:43:01 AM](#)

Mr. Burnett reported that the bill is written prohibiting the division from using any Alaskan's dividend money to pay for this program. Any money spent would be money that was contractual from the Rasmussen Foundation or other private sources. The fiscal note just gives spending authorization for designated program receipts that are donated to the state for this purpose.

Co-Chair Stedman inquired if it was expected that financial support would still be there in three years or is this funding just to start the program.

[10:44:28 AM](#)

Senator Elton questioned if the division is anticipating that future costs will be funded by an application fee.

Mr. Burnett replied that the \$50 application fee would not be significant in terms of funding for this program. The number of organizations would not be large enough. He indicated that there would be, after successful two to three

years, some arrangement with the organizations receiving this based on the costs. If the sunset is removed, then a funding formula would need to be put into place at that time.

[10:45:50 AM](#)

Senator Elton asked why the application fee was necessary.

Mr. Burnett replied that the department did not write the bill or add the application fee as a funding source. The application fee money would just offset some of the costs of qualifying organizations rather than the ongoing costs. Under this bill the Rasmussen foundation would pay the administration costs for the first three years.

[10:46:51 AM](#)

Co-Chair Hoffman inquired why it was necessary to have four thousand man hours to implement this legislation.

Ms. Richter replied that the eligibility technician requested is to answer public response because the department expects a significant increase in public contact questioning the new information on the application. The division is not able to handle the public response at this time.

Co-Chair Hoffman signified that he does not see the division receiving two thousand hours of inquiry for this program. He noted that the Governor was looking for more efficiency in government and this request did not reflect that philosophy.

Mr. Burnett agreed that the division may need less time and effort but the fiscal note is an authorization to use money given by the Rasmussen Foundation for this purpose. There may not be a significant increase over time but only a short term bump of inquiries. Any employees hired for this program will be project specific employees not a permanent full time part of the department until after this bill becomes a permanent law.

[10:49:23 AM](#)

Senator Elton asked what kind of public contact the department anticipates.

Ms. Richter replied that the department anticipates the public will have many questions about the program in general, such as whether their contributions are tax deductible or if they can change their selection. The division anticipates that if only one percent of the

applicants that apply for a dividend actually call the division, this would be approximately six thousand phone calls.

[10:50:39 AM](#)

Senator Thomas remarked that the division does anticipate that the number of calls could be less than projected and the three years of Rasmussen contributions in the first three years will take care of that in the beginning stages. He inquired if there are one thousand who regularly file 990s regularly.

Ms. Richter believed it to be two thousand.

[10:52:00 AM](#)

JEFF PARK, VICE PRESIDENT, RASMUSSEN FOUNDATION, responded that the foundation would engage in working with the third party provider, the United Way, and an outreach program to inform the public about the purpose of the dividend check-off. The fiscal note assumes that the department will be taking on many of these new activities.

[10:54:33 AM](#)

Co-Chair Stedman requested an overview of the bill.

Mr. Parks remarked that this bill provides Alaskans with a mechanism for making charitable donations to their favorite non-profits. He addressed that the three year provision of the program would be underwritten by the Rasmussen Foundation. If the program were to continue beyond year three it would require action by the Legislature.

[10:55:49 AM](#)

MIKE WALSH, VICE PRESIDENT, 4 ACRE GROUP testified via teleconference and remarked he was available for questions.

[10:56:38 AM](#)

Co-Chair Hoffman MOVED to REPORT SCS CSHB 166 (FIN) out of Committee with individual recommendations and an accompanying fiscal. There being NO OBJECTION, it was so ordered.

SCS CSHB 166 (FIN) was REPORTED out of Committee with no recommendations and an accompanying new fiscal note from the Department of Revenue.

AT EASE: [10:57:24 AM](#)

RECONVENED: [10:59:14 AM](#)

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CS FOR HOUSE BILL NO. 406(STA)

"An Act relating to contracts for the preparation of election ballots."

CSHB 406 (STA) was SCHEDULED but NOT HEARD.

ADJOURNMENT

The meeting was adjourned at 10:59 AM