

ALASKA STATE LEGISLATURE
SENATE HEALTH, EDUCATION AND SOCIAL SERVICES STANDING COMMITTEE

March 19, 2008

2:08 p.m.

MEMBERS PRESENT

Senator Bettye Davis, Chair
Senator Joe Thomas, Vice Chair
Senator John Cowdery
Senator Kim Elton
Senator Fred Dyson

MEMBERS ABSENT

All members present

COMMITTEE CALENDAR

SENATE JOINT RESOLUTION NO. 18

Requesting the President of the United States to direct the United States Consumer Product Safety Commission to test the materials used in children's toys and other children's products for toxicity and to make the results publicly available.

MOVED SJR 18 OUT OF COMMITTEE

SENATE BILL NO. 107

"An Act relating to naturopaths and to naturopathic practice; establishing a Naturopathic Advisory Committee and an Alaska Naturopathic Formulary Council; amending the duties of the State Medical Board and the Board of Pharmacy relating to naturopathic practice; and providing for an effective date."

MOVED CSSB 107 (HES) OUT OF COMMITTEE

SENATE BILL NO. 206

"An Act repealing the Alaska children's trust; and providing for an effective date."

HEARD AND HELD

SENATE BILL NO. 210

"An Act making a special appropriation to The Alaska Community Foundation; and providing for an effective date."

SCHEDULED BUT NOT HEARD

PREVIOUS COMMITTEE ACTION

BILL: SJR 18

SHORT TITLE: CHILD PRODUCT SAFETY
SPONSOR(s): SENATOR(s) WIELECHOWSKI

02/19/08 (S) READ THE FIRST TIME - REFERRALS
02/19/08 (S) HES, L&C
03/14/08 (S) HES AT 1:30 PM BUTROVICH 205
03/14/08 (S) Heard & Held
03/14/08 (S) MINUTE(HES)
03/19/08 (S) HES AT 1:45 PM BUTROVICH 205

BILL: SB 107

SHORT TITLE: NATUROPATHS
SPONSOR(s): SENATOR(s) DAVIS BY REQUEST

03/07/07 (S) READ THE FIRST TIME - REFERRALS
03/07/07 (S) L&C, HES, FIN
04/19/07 (S) L&C AT 1:30 PM BELTZ 211
04/19/07 (S) Heard & Held
04/19/07 (S) MINUTE(L&C)
01/15/08 (S) L&C AT 1:30 PM BELTZ 211
01/15/08 (S) -- MEETING CANCELED --
01/17/08 (S) L&C AT 1:30 PM BELTZ 211
01/17/08 (S) -- MEETING CANCELED --
01/22/08 (S) L&C AT 1:30 PM BELTZ 211
01/22/08 (S) Heard & Held
01/22/08 (S) MINUTE(L&C)
01/25/08 (S) L&C AT 3:00 PM BELTZ 211
01/25/08 (S) -- Rescheduled from 01/24/08 --
01/28/08 (S) L&C RPT CS 3DP 1NR NEW TITLE
01/28/08 (S) DP: ELLIS, DAVIS, HOFFMAN
01/28/08 (S) NR: BUNDE
02/13/08 (S) HES AT 1:30 PM BUTROVICH 205
02/13/08 (S) Heard & Held
02/13/08 (S) MINUTE(HES)
03/10/08 (S) HES AT 5:00 PM BUTROVICH 205
03/10/08 (S) Heard & Held
03/10/08 (S) MINUTE(HES)
03/17/08 (S) HES AT 1:30 PM BUTROVICH 205
03/17/08 (S) -- MEETING CANCELED --
03/19/08 (S) HES AT 1:45 PM BUTROVICH 205

BILL: SB 206

SHORT TITLE: CHILDREN'S TRUST GRANT FOR ENDOWMENT
SPONSOR(s): SENATOR(s) DAVIS

01/16/08 (S) PREFILE RELEASED 1/4/08

01/16/08 (S) READ THE FIRST TIME - REFERRALS
01/16/08 (S) HES, FIN
03/17/08 (S) HES AT 1:30 PM BUTROVICH 205
03/17/08 (S) -- MEETING CANCELED --
03/19/08 (S) HES AT 1:45 PM BUTROVICH 205

WITNESS REGISTER

TOM OBERMEYER

Staff to Chair Davis
Alaska State Capitol
Juneau, AK

POSITION STATEMENT: Presented an overview of CSSB 107 Version\L.

JEAN MISCHEL, Attorney at Law
Legislative Legal and Research Services Division
Legislative Affairs Agency
Juneau, AK

POSITION STATEMENT: Answered questions about SB 107 and SB 206.

JENNIFER STRICKLER, Division Chief
Division of Corporations Business and Professional Licensing
Department of Commerce, Community & Economic Development
Juneau, AK

POSITION STATEMENT: Offered suggestions on CSSB 107.

DIANE KAPLAN, Trustee
Alaska Children's Trust
Anchorage, AK

POSITION STATEMENT: Supported SB 206.

SAMMYE POKRYFKI, Vice Chair
Friends of the Alaska Children's Trust
Anchorage, AK

POSITION STATEMENT: Supported SB 206.

TLISA NORTHCUTT, Secretary/Treasurer
Friends of the Alaska Children's Trust
Anchorage, AK

POSITION STATEMENT: Supported SB 206.

CARLY LAWRENCE, Chair
Friends of Alaska Children's Trust
Anchorage, AK

POSITION STATEMENT: Supported SB 206.

CANDACE WINKLER, Chief Executive Officer

Child Care Connection
Anchorage, AK
POSITION STATEMENT: Supported SB 206.

PANU LUCIER, Executive Director
Alaska Children's Trust
Friends of the Alaska Children's Trust
Anchorage, AK
POSITION STATEMENT: Supported SB 206 and SB 210.

JERRY BURNETT, Director
Administrative Services
Department of Revenue
Juneau, AK
POSITION STATEMENT: Answered questions about SB 206.

ACTION NARRATIVE

CHAIR BETTYE DAVIS called the Senate Health, Education and Social Services Standing Committee meeting to order at [2:08:02 PM](#). Present at the call to order were Senators John Cowdery, Fred Dyson, Kim Elton and Chair Bettye Davis. Senator Joe Thomas arrived soon thereafter.

SJR 18-CHILD PRODUCT SAFETY

CHAIR DAVIS announced consideration of SJR 18.

[2:09:10 PM](#)

KAT PUSTAY, staff to Senator Wielechowski, read the sponsor statement for SJR 18.

SJR 18 calls on the United States Consumer Product Safety Commission (CPSC) to test the materials used in toys and children's products for hazardous chemicals like lead. Over \$15 billion worth of toys and children's products were brought into the United States in 2006. In 2007 almost \$10 billion came in from China alone. In 2007 over half the toy and child product recalls were due to lead or chemical poisoning hazards.

The CPSC is an independent federal regulatory agency that was created in 1972 by the Consumer Product Safety Act to protect the public against unreasonable risks of injury and death associated with consumer products. Currently the CPSC conducts tests only to

determine if a toy presents a choking, aspiration or ingestion hazard, but relies on toy and child product manufacturers to self-regulate the materials used (and thus toxicity levels) in their products.

In essence, the CPSC checks for choking hazards but not the effects of sucking on a pacifier for many hours a day. Children's bodies and brains are developing and are more susceptible to the hazardous impacts than adults' so we should do what we can to limit their exposure.

As many busy parents know, Alaskan parents rely on regulatory agencies to help insure the safety of their children and rely on the information they give; so we ask that the Alaska State Legislature urge the CPSC to increase safety testing on toys and children's products.

She added that, as Kristin Ryan from DEC [Director, Division of Environmental Health, Department of Environmental Conservation] said last week, the U.S. Senate passed the Consumer Product Modernization Act at the beginning of March, so this resolution would really support that legislation in Congress, saying that Alaskans want more protection for their kids.

[2:12:09 PM](#)

SENATOR COWDERY moved to report SJR 18 from committee with individual recommendations and attached fiscal note(s). There being no objection, the motion carried.

[2:12:20 PM](#)

SENATOR THOMAS joined the meeting.

SB 107-NATUROPATHS

CHAIR DAVIS announced the consideration of SB 107. She asked Mr. Obermeyer to explain the changes in the proposed CS.

[2:13:10 PM](#)

TOM OBERMEYER, Staff to Chair Davis, presented an overview of CSSB 107, labeled 25-LS0702, Version \L, an Act relating to naturopaths and to the practice of naturopathy, establishing an Alaska Naturopathic Board and providing for an effective date. { He pointed out that the first section of the bill identified an addition to the boards under Title 08. Title 08.45, page 2, line

10 included the Alaska Naturopathic Board. A new section, 08.45.003, Section 3, created the board consisting of:

seven members appointed by the Governor. Three members shall be naturopaths licensed under this chapter who have been engaged in the practice of naturopathic medicine in the state for at least five years immediately preceding appointment, at least one of whom lives outside the third judicial district. One member shall be a licensed pharmacist. One member shall be licensed physician. Two members shall be public members who, in addition to limitations imposed under AS 08.01.025, may not have a direct financial interest in the health care industry other than as a consumer of health care services.

MR. OBERMEYER noted that this board was designated in that section with a chair and a secretary who would serve staggered terms of 3 years unless removed for cause; 4 members of the board would constitute a quorum for transaction of all business before the board. The Governor "may" consider licensed naturopaths who had been nominated by the Association of Naturopathic Physicians.

On page 3, under 08.45.005 Duties of the board, it goes on to say:

The board shall

- (1) establish a list of prescription drugs and medical devices that are consistent with naturopathic education and practice that may be prescribed and administered by a naturopath holding a prescription endorsement, and review the list of prescription drugs and medical devices annually and on request by the department;

This board would review allegations of misconduct, approve naturopathic medical programs, adopt regulations necessary to implement this chapter and conduct hearings on charges of alleged violations.

Section 4 reads:

The board shall request the department issue a license to practice naturopathy to an applicant who provides proof satisfactory to the board that the applicant has received a degree from an accredited four-year college or university, has paid the applicable fees,

So, the board replaced the department in Section 5. In Section 6, a new section was added as to the scope for diagnostic purposes. It also described the drug endorsement and, subject to (c) of that section, the endorsement to practice minor surgery. Beginning on page 4, line 27 it stipulated that:

- (c) Minor surgery may be performed by a naturopath licensed under this chapter only if the naturopath has submitted proof satisfactory to the board that the naturopath has completed at least 1,200 hours of training in minor surgery under the supervision of a licensed physician, physician's assistant, or nurse practitioner.

The restrictions were on page 5, in the practice. They would be allowed to prescribe prescription drugs only as authorized under AS 08.45.056; could only engage in minor surgery as authorized under AS 08.45.045(b) and (c); and could not use general or spinal anesthetics.

MR. OBERMEYER concluded that the whole point of this particular draft was to transfer responsibility from the naturopathic council they had set up, to a formal naturopathic board that would be responsible for all activities including licensing, discipline, and their current practices.

[2:18:35 PM](#)

CHAIR DAVIS reiterated that this had gone from an advisory board to a complete board that could be appointed by the Governor.

SENATOR ELTON referred to page 4, Section 5 of the new committee substitute and said he did not recall a provision for a temporary license in previous versions of the bill.

MR. OBERMEYER agreed that he was correct. He thought this was something Leg Legal decided to do and was not sure as to the purpose. He conjectured that it might be issued if a person had applied for and was qualified to take the naturopathic exam and the board was satisfied that the applicant had paid the fees and met the requirements; but he was not sure. It appeared to give the board some type of leeway to issue temporary licenses.

CHAIR DAVIS said she would like Jean Mischel to speak to that.

[2:20:28 PM](#)

JEAN MISCHEL, Attorney at Law, Legislative Legal and Research Services Division, Legislative Affairs Agency, said she had not

had a chance to review this bill and asked Chair Davis to give her a few moments to do so. She said this version was drafted by Alphaeus Bullard.

SENATOR COWDERY asked if there was a definition for minor surgery.

MR. OBERMEYER answered that minor surgery was defined on page 6, [Section 11, paragraph (5)] and means the use of "(i) operative, electrical, or other methods for surgical repair and care incidental to superficial lacerations and abrasions or superficial lesions and the removal of foreign bodies located in superficial tissues; and (ii) antiseptics and local anesthetics in connection with methods authorized under (i) of this subparagraph; (B) does not include use of general or spinal anesthetics, surgery of the body cavities, or specialized surgery, such as plastic surgery, surgery involving the eyes, or surgery involving tendons, ligaments, nerves, or blood vessels"

[2:22:34 PM](#)

CHAIR DAVIS asked if anyone wished to provide testimony on the bill.

[2:23:41 PM](#)

JENNIFER STRICKLER, Division Chief, Division of Corporations, Business and Professional Licensing, Department of Commerce, Community and Economic Development, clarified that establishing a regulatory board for 44 licensees was going to be very expensive for those licensees. All licensing boards under centralized licensing 08.01.065 were required to pay their full costs through licensing fees; so this could increase their licensing fees tremendously.

CHAIR DAVIS said that they [the naturopaths] were aware of that and it was up to them to decide whether to have a board.

MS. STRICKLER said that she had received word from their investigative unit suggesting that lines 8-9 in section 3 on page 3 be removed. If the board were to review allegations, complaints etc., and the complaint resulted in disciplinary action, the board would not be able to act as the final decision maker in the case because it could be argued that the board was tainted. Current statute 08.01.087 provided the department with authority to conduct investigations.

MS. STRICKLER continued to page 3, lines 18-19, which the investigative unit also suggested be removed because the

provision was already covered in existing 08.45.060, "Grounds for suspension, revocation, or refusal to issue a license," and under 08.45.070, "Disciplinary sanctions".

MS. STRICKLER pointed out that the last sentence in Section 14, page 7, lines 21-22, "the board shall specify the term of office of each licensed naturopath and public member appointed subject to this section" might not be necessary because the terms of office were spelled out in the lines above that, under the transitional provisions.

SENATOR ELTON said that on page 4, Section 5, the provision for a temporary license read, "the board shall request the department to issue a temporary license;" but the way he interpreted it was that the board "shall" request but the department need not offer a temporary license. He asked Ms. Strickler if his interpretation was correct.

MS. STRICKLER answered yes, that was a possibility. She continued that in licensing, because the board collected and put together the application packets, the department would perform the initial screening. If the department felt the applicant could be licensed and there was no need for a temporary license, they would request approval of the board immediately rather than issue a temporary license.

SENATOR ELTON assumed a temporary license might be needed if the board met infrequently perhaps.

MS. STRICKLER responded that was correct, however they also asked boards to review credentials through the mail and tried not to hold up licensure if possible.

[2:29:51 PM](#)

SENATOR THOMAS moved to adopt CS for SB 107, Version \L, as the working document. There being no objection the motion carried.

SENATOR THOMAS noticed that the Alaska State Medical Association still objected to portions of the bill; in their letter of March 19, 2008 they said that naturopaths were not recognized by Medicare as providers eligible for payment. He questioned whether that was actually the case.

MR. OBERMEYER replied that was true; but if they were granted privileges through this bill, they would probably apply for coverage for the additional procedures.

CHAIR DAVIS said there was a procedure they would have to follow to be qualified to receive Medicare payments. She asked whether someone from the department would like to comment on that; but no one from Department of Health and Social Services (DHSS) was available. She agreed with the deletions suggested by Ms. Strickland and said she would like to pass the bill out of her committee.

SENATOR DYSON asked whether a motion had been made to perform the deletions suggested by Ms. Strickler.

CHAIR DAVIS said they had not done so, but Senator Dyson was welcome to make that motion.

MS. STRICKLER restated her suggested changes: page 3, removal of lines 8 and 9; also on page 3, removal of lines 18 and 19; and page 7, removal of lines 21 and 22.

[2:35:29 PM](#)

SENATOR DYSON moved the following conceptual amendment.

On page 3, remove all the material in lines 8 and 9 and renumber appropriately; page 3, remove all the material in lines 18 and 19; page 7, remove everything on line 21 after "terms." And all of line 22.

CHAIR DAVIS asked for any discussion or objection to the motion on the floor. There being no objection, the motion carried.

SENATOR DYSON asked what next committee of referral would be.

CHAIR DAVIS thought it would be Finance.

SENATOR DYSON asked if there was a companion bill in House.

CHAIR DAVIS said a bill mirroring this one was introduced on the House side a couple of weeks prior.

[2:37:15 PM](#)

SENATOR THOMAS moved to report CSSB 107, Version \L, as amended by the HES committee, from the committee with individual recommendations and accompanying fiscal note. There being no objection, CSSB 107(HES) moved from committee.

SB 206-CHILDREN'S TRUST GRANT FOR ENDOWMENT

CHAIR DAVIS announced consideration of SB 206.

2:38:10 PM

TOM OBERMEYER, Staff to Chair Davis, read an overview of the bill. He said the bill before the committee should be the committee substitute, CSSB 206, labeled 25-LS1198, Version \E, an Act repealing the Alaska Children's Trust (ACT), establishing conditions for a grant of the balance of the Alaska Children's Trust, designating certain receipts as available for grants to the Alaska Community Foundation, and providing for an effective date.

The Alaska Children's Trust is one of 52 trusts in the United States created by state statute, territorial District of Columbia, to prevent child abuse and neglect. The Alaska Children's Trust is the second largest endowment with about \$12 million; over 40 of the trusts have no endowment at all, but are dependent upon annual state allocation and dedicated fund streams, federal monies and private funding. Like many states, ACT receives funds from special request Children's Trust license plates; receipts for birth certificates suitable for display; and heirloom certificates of marriage. Twenty-eight states also receive federal community-based child abuse prevention program funds. These funds are based on child population and child abuse and neglect reports. Alaska's annual allotment is about \$235,000 and is matched at 20 percent by the Office of Children's Services and distributed to the tribes. OCS grantees in 2007 receiving those funds, served 356 families.

SB 206 was introduced to privatize or have a donor-advised fund with Alaska Community Foundation in response to concerns by the Board of Trustees of ACT that the state had not provided consistent staffing; that investment policies did not produce the desired results to increase grant-making; that administration produced a lack of small grass-root grant applicants; that the trust would be subject to the vagaries and whims of changing political leadership; and realization that the tension between treatment and prevention is inescapable in a state setting where the trust was focused on prevention.

As a result, the board commissioned the Giving Practice, a consulting service of philanthropies

NorthWest of Seattle, to provide an independent report with various ways to solve persistent problems.

He added that the 69 page report of March 17, 2006 should be in the committee members' packets. It described a number of options: 1) eliminate the trust activities and turn the funds over to the state; 2) stay with the state with negotiated operational and state changes; 3) donor-advised fund with the Alaska Community Foundation; 4) use the Foraker Group as fiscal operational sponsor; 5) merge with Friends of the Alaska Children's Trust (FACT); or 6) become a new, independent 501C3 public charity.

The board voted to privatize the trust, that is, to have a donor-advised fund with the Alaska Community Foundation; the result was SB 206. Although the consultant's report pointed out that the Alaska Community Foundation and Friends of the Alaska Community Trust might offer little more than a shell structure with limited organizational capacity and more administrative and funds management expenses, the board felt a substantial change was needed.

MR. OBERMEYER noted that many of the things he had just described were in the report and were summarized in 1-8 on page 2 of the sponsor statement. It indicated that in addition to what he had already described, the portion of the interest income from the Trust released by the Department of Revenue was relatively small, about \$348,000, and limited by statute to a maximum amount. The board felt this impaired the Trust's ability to leverage its small annual budget to assist efforts in the state to prevent child abuse and neglect. The board also felt that, while current staffing by the Office of Children's Services (OCS) was useful in the flow of information, it unavoidably tended to change the goal and priority of the ACT from prevention to treatment of those children already suffering from abuse and neglect.

Although Alaska Statute allowed for appropriation of up to \$150,000 from the principal of the Trust annually for operating expenses, that had not been the practice of the Trust. The ACT income available for spending in 2004 was \$340,689 and in 2005 was \$364,000 (per page 14 of the March 17, 2006 consulting report). Page 15 of the report before the committee was more telling, it showed the surpluses of unspent grant money available during those years, \$42,000 and \$82,000 respectively. The seeming anomaly of having a surplus could be explained by the dramatic drop in administrative expenses from \$117,000 to

\$85,000, to \$31,000 in 2005, which tended to indicate that staffing became part-time during that period while inadequate disbursements resulted in surpluses. Contrary to the board's initial contention, the report found actual management expenses charged by the Department of Revenue remained consistently low at about \$35,000, or .03 of 1 percent of the \$12 million corpus. Management fees for Alaska Community Foundation were estimated at about .84 of 1 percent, a little more than twice as much. He felt that the anticipated benefits might outweigh the costs.

MR. OBERMEYER summarized that the board of the Alaska Children's Trust concluded that something had to be done to improve the performance of ACT to help accomplish its mission to prevent abuse and neglect of children. In moving from department to department, employees of ACT had not had the benefit of institutional memory in managing this large endowment. The Department of Revenue, while it charged very little for its services, might consider the investment of the corpus of the ACT a very small part of its operation not requiring a great deal of its attention. Privatizing ACT through SB 206 was a viable and perhaps preferred option unless, as suggested by the consulting group in its final recommendations, the state could satisfactorily address the concerns without changing structure.

CHAIR DAVIS indicated that a number of people had signed up to testify on this bill and that a representative from Legal and Research was on line to answer any questions that might arise. She said she would prefer to take public testimony before entertaining questions.

2:45:58 PM

DIANE KAPLAN, Trustee, Alaska Children's Trust, Anchorage, AK, began her service as an appointee of Governor Knowles to The Friends of the Children's Trust, which was formed at approximately the same time as The Children's Trust. The purpose of The Friends of the Children's Trust was to raise money and do marketing for the Trust, such as license plates, [heirloom] marriage certificates and the "Mush for Kids" in Fairbanks, as well as other fundraising activities to build the Trust. After about 5 years of service, she was appointed to the Trust and was currently in her second term.

The commission was unanimous in its belief that the Trust would function better outside of state government. The consultant report indicated that it would be optimum to stay with the state if accommodations could be made. They spent 2 years working with the state to do that, but even with the support of the

commissioners of Education and Health and Social Services, who were statutory members of the Trust, they were not successful; the 7 trustees concluded that the relationship was not working and that the Trust was unable to fulfill its mission.

In terms of raising money, she said it was very difficult to get donors to write a check to the State of Alaska or to any public body; therefore many institutions used the Alaska Community Foundation as a way to build public support for public activities. She cited the Eagle River clock tower project, the West High auditorium project, the Jessie Lee home, the Anchorage Parks Foundation and the Anchorage Library Foundation as examples of organizations that worked through the Alaska Community Foundation to combine public and private funds for the good of Alaska.

[2:48:26 PM](#)

SAMMYE POKRYFKI, Vice Chair, board member, Friends of the Alaska Children's Trust, Anchorage, AK, said that they were in unanimous support of this legislation and appreciated Chair Davis' leadership on it.

[2:50:32 PM](#)

TLISA NORTHCUTT, Secretary-Treasurer, Friends of the Alaska Children's Trust, Anchorage, AK, agreed with Ms. Kaplan that one of challenges for fundraising for this very worthy cause was asking donors to give money to a state entity. Although the funds were set up as a 501C3, to raise money on behalf of the Trust they had to let people know the money raised would go into the state. As a member of the Association of Fundraising Professionals, her code of ethics required that she could not ethically take donor's dollars if she could not follow donor intent; by putting the money into the state of Alaska, she lost her ability to guarantee that funds would be used as donors intended. That made fundraising efforts very difficult and she firmly believed that placing the money into the Alaska Community Foundation was the best route.

IRIS MATTHEWS, Program Officer, Alaska Community Foundation, Anchorage, AK, made herself available to answer any questions the committee might have for the Alaska Community Foundation.

[2:53:51 PM](#)

CARLY LAWRENCE, Chair, Friends of Alaska Children's Trust, agreed with Tlisa Northcutt's statements.

[2:54:30 PM](#)

CANDACE WINKLER, Chief Executive Officer, Child Care Connection, supported privatizing the Alaska Children's Trust. She said her organization had been the recipient of a small grant from the Alaska Children's Trust for 3 years and, as a grantee, they were extremely appreciative of the resources from the Trust but had to admit that the process had been very laborious. Child Care Connection had quite a few other grants from the state, one of them for over \$1 million, and she said this grant for \$15,000 to \$50,000 had been the most laborious state grant they'd had to deal with. The first year they received it, it was supposed to be effective for July and they didn't hear anything back until August or September. First they heard they had gotten the grant; about a month later they heard that the amount had been reduced; about a month later they heard the amount had been increased to the original proposal. So they were into October, over a quarter of the way through the fiscal year for that grant, by the time they actually got the money. She wasn't sure why the process was so ponderous, but each year they had to weigh whether the amount was worth the difficulty of the process. She hoped that privatizing it would make the process more efficient and allow them to leverage more resources to accomplish their mission.

[2:58:04 PM](#)

PANU LUCIER, Executive Director, Alaska Children's Trust and the Friends of the Alaska Children's Trust, said she was new to the position and was still learning about the Trust and the granting process. She thanked Chair Davis and the committee for the opportunity to testify and for sponsoring SB 206 and SB 210.

MS. LUCIER said the Friends of the Alaska Children's Trust was a 501c3 non-profit arm of the Alaska Children's Trust, whose mission was to raise funds for the Trust, to provide outreach and marketing for the ACT, and to raise awareness of child abuse and neglect. As a non-profit, FACT accepted contributions from individuals and from corporations or foundations that were restricted to non-profit contributions or were seeking a tax deduction; however, fundraising had become increasingly difficult under the current structure because the ACT was a state fund and subject to legislative appropriation. Donors were reluctant to contribute to a fund which could not guaranty that the donors' intent would be followed; donors did not want to give to a "pass-through" organization. Funds raised by the FACT and contributed to the Alaska Children's Trust went into the corpus of the Alaska Children's Trust Fund and could not be used for programming. The Alaska Children's Trust was restricted to granting from just the net earnings of the Fund. FACT was restricted from making direct grants by all of its

organizational documents. The FACT board members struggled with the ethical implications of raising money that might not be used as donors intended. Safeguarding the funds took energy that could be better utilized on the mission of related activities.

With the privatization of the Alaska Children's Trust, the FACT and ACT proposed to merge into one non-profit organization that would take on the functions of marketing, outreach, grant making and fund raising. This would allow for ethical fund raising and insured the long-term stability of the fund; allowed for a more efficient process for grantees; allowed for fund management and an endowment model; and insured a more efficient operation.

The Office of Children's Services statistics for March 2008 indicated that over 2,000 children were in out-of-home care and 61 percent of these children were Alaskan Native or American Indian. As an Alaska Native herself, the numbers hit close to home for her. She had been a volunteer court-appointed special advocate for 8 years, working specifically with Alaskan Native children in state custody. She stressed that no one organization could fix the problem of child abuse and neglect; it would take a cooperative effort of state and private entities and, most importantly, individuals living in communities to take ownership of the problem. The state had taken the responsibility of providing services to children already suffering from child abuse and neglect. ACT was charged through state statute to conduct activities that would result in the prevention of child abuse and neglect through the issuance of community-based grants.

There were several statutory limitations that prohibited the ACT from maximizing its ability to eliminate child abuse and neglect. The current board composition was too small to meet the need of providing expertise to lead a more diverse set of activities, and restrictions on length and percentage of grant funding did not allow the flexibility needed to make the most efficient use of the Trust and other donor dollars. While the Act was permitted to seek outside funds to add to the Trust, it did not appear to have the authority to negotiate with those donors as to how the funds could be used. The current administrative structure of the trust within the state was too burdensome given its small operating budget and the small size of grant awards being offered. Small community-based organizations that were well poised to offer community-based solutions were unlikely to apply under the current process because of the administrative burden relative to the small size of the grant awards, which were limited to \$50,000. A more

streamlined and simplified administrative structure would enhance the Alaska Children's Trust ability to efficiently and effectively pursue its mission.

MS. LUCIER continued that privatizing the trust would expand the role of the trust from just grant-making to include research, convening, collaborating, outreach and social marketing, and would enhance the Trust's ability to focus grants in program areas that had the highest need and showed the greatest promise for success. It would allow the Trust to share the information through outreach and social marketing with all Alaskans, not just those served by funded programs. Privatization would also allow use of trust funds, including the revenue sources from the sale of license plates, marriage and birth certificates, federal earmarks, foundation grants, and corporate donations, to conduct expanded activities as identified above.

She concluded that most of all, privatization through SB 206 and SB 210 would help create a more unified voice to focus on the mission of ending child abuse and neglect in Alaska. The trustees of the Alaska Children's Trust with the support of the Friends of Alaska Children's Trust recommended to the Governor and the Alaska Legislature that the Alaska Children's Trust be privatized.

CHAIR DAVIS advised that Jean Mischel from legal was on line to answer questions.

3:05:17 PM

SENATOR ELTON asked if the Department of Revenue would provide its perspective on how this might work.

3:06:33 pm

JERRY BURNETT, Director, Administrative Services, Legislative Liaison for the Department of Revenue, Juneau, AK, offered to answer any questions about how they managed the funds and how this might change that.

SENATOR ELTON asked if we did this with any other state receipts.

MR. BURNETT explained that the Department of Revenue invested the money, approximately \$12 million, retained the principle and paid the income to an income account that could be spent, and charged about .03 of 1 percent of the amount, or \$40,000 per year. He said there were other accounts in state government that

were set up for specific purposes and were managed in a similar fashion, such as the hazardous spill response fund.

SENATOR ELTON said he was thinking of the way the Trust dollars went into a bucket and was trying to figure out what the process would be. They managed the trust dollars and reported the receipts; but he wondered who made the decision on the disposition of those receipts.

MR. BURNETT replied that the Children's Trust Board was doing that for the income account. What would happen with the passage of this bill was that the money would be appropriated in another bill to the non-profit that would be handling it; and that non-profit would receive receipts that were going into that Trust in the future. The department had no opinion as to whether it was a good or a bad idea. It represented approximately .005 of 1 percent of the money they managed in treasury.

SENATOR ELTON asked if the department would report to the legislature the amount of money available, or if the whole account would go to [the non-profit].

MR. BURNETT answered that would depend on how the appropriation bill was written, but they would identify the available balance on the date of dissolution of the fund and that would be available for appropriation for whatever purpose the legislature chose.

SENATOR ELTON ventured that future receipts from license plates or heirloom marriage certificates would be collected by the Department of Health and Social Services (DHSS), which would tell the legislature how much money had been collected and those receipts could be transferred in a grant to the privatized Trust.

MR. BURNETT corrected that typically, with a program like that, there would be a language section in the budget that would specify the amount available from those sources that was being appropriated to [the Trust].

CHAIR DAVIS asked if the money [from those sales] was currently coming in to the Department of Revenue and being transferred to Department of Health and Social Services.

MR. BURNETT agreed that the money did come in to Revenue, and \$150,000 could be spent each year from the principal to administer the program. The income, which was averaging 7

percent since inception of the fund, was available for grants. The unused portion stayed in the Trust. One of the issues, aside from problems of fundraising which had been identified, was that the fund was managed so that only realized income was available. That meant the variation in income year-to-year was quite large. If they chose to leave the Trust with the state, he strongly recommended that they change it to an endowment management so there would be an even amount available for grants each year.

CHAIR DAVIS said she still didn't quite understand how the grants were handled. She asked if the checks to the grantees were written by the Department of Revenue.

MR. BURNETT answered no, they were written by the Trust.

[3:13:24 PM](#)

JEAN MISCHEL, Attorney at Law, Legislative Legal and Research Services Division, Legislative Affairs Agency, said she had concerns about the way the bill was structured. She said she did the drafting based upon a specific request but there were legal issues which she thought created unnecessary confusion. One of those was that they continued to refer, in the license and heirloom certificate section, to the existence of an Alaska Children's Trust Fund that was actually repealed on the last page of Version \E. So there was no Alaska Children's Trust and that reference should be changed. She was not sure, as a legal matter, whether they could transfer monies that were donated under one set of understandings, in this case that the money was being handled by a state trust board and being collected for that purpose, to a private organization. She felt there was some potential to challenge the transfer. The other question was whether the state could continue to accept license and heirloom certificate fees and hand them over to a private entity. The bill authorized the state to do it, but she felt it did raise a specific question about whether those fees could be construed as a tax, in which case they were constrained as to what could be done with that money.

MS. MISCHEL was also concerned about labeling the Alaska Community Foundation in statute as the named recipient grantee, because the state lacked control over the existence of that foundation. She recommended that they refrain from actually identifying a specified community foundation in the substantive provisions of the law; she said there would be no problem with doing that in the appropriations bill.

CHAIR DAVIS supposed that they should have someone from the Attorney General's Office look at the bill, as there were more concerns than she was comfortable with. She held SB 206 in committee.

There being no further business to come before the committee, Chair Davis adjourned the meeting at [3:18:54 PM](#).