

SENATE FINANCE COMMITTEE  
March 15, 2010  
9:02 a.m.

[9:02:07 AM](#)

CALL TO ORDER

Co-Chair Stedman called the Senate Finance Committee meeting to order at 9:02 a.m.

MEMBERS PRESENT

Senator Lyman Hoffman, Co-Chair  
Senator Bert Stedman, Co-Chair  
Senator Charlie Huggins, Vice-Chair  
Senator Johnny Ellis  
Senator Dennis Egan  
Senator Donny Olson  
Senator Joe Thomas

MEMBERS ABSENT

None

ALSO PRESENT

Tim Benintendi, Staff, Senator Olson; Senator Bill Wielechowski; Shelly Morgan, Staff to Senator Wielechowski; Dave Cote, Division of Alaska Pioneer Homes; Thomas Obermeyer, Staff to Senator Davis; Denise Daniello, Executive Director, Alaska Commission on Aging; Jon Sherwood, Director, Office of Program Review, Department of Health and Social Services (DHSS); Senator Bettye Davis; Esther Cha, Staff to Lesil McGuire; Jill Hodges, Executive Director, Alaska Brain Injury Network; Angela Salerno, Executive Director, National Association of Social Workers Alaska Chapter; Deven Mitchell, Executive Director, Alaska Municipal Bond Bank Authority, Department of Revenue; Jerry Burnett, Deputy Commissioner, Division of Treasury, Department of Revenue; Joseph Masters, Commissioner, Department of Public Safety; Don Etheridge, Alaska State AFL CIO; Frank Richards, Deputy Commissioner, Highways & Public Facilities, Department of Transportation and Public Facilities; Matt Tanaka, Project Manager, Department of Transportation and Public Facilities.

PRESENT VIA TELECONFERENCE

Rick Davidge, President, Vietnam Veterans of America; Eric Fine, ABATE of Alaska, Kasilof; Carl Liebes, Alaska Bikers Advocating Training and Education (ABATE) of Alaska, Nikiski; Boyd McFail, Anchorage, ABATE of Alaska; Nancy Burke, AK Mental Health Trust Authority; Pat Chapman, self, Ketchikan; Christie Artuso, Director Neurosciences, Providence Medical Center; Kristin English, Cook Inlet Tribal Council; Sean Murphy, self; Major William Allen, Marine Corps; Myron Dosch, University of Alaska; Jay Quakenbush, President, Fairbanks Building and Construction Trades; Lake Williams, President, Fairbanks Central Labor Council.

SUMMARY

SJR 21        CONST. AM: INCREASE NUMBER OF LEGISLATORS

SJR 21 was REPORTED out of Committee with a "do pass" recommendation and with previously published fiscal impact notes: FN1 (LAA); FN2 (OOG).

SB 144        MUSK OXEN PERMITS

SB 144 was HEARD and HELD in Committee for further consideration.

SB 215        PIONEERS HOME RX DRUG BENEFIT

SB 215 was HEARD and HELD in Committee for further consideration.

SB 219        TRAUMATIC BRAIN INJURY:PROGRAM/MEDICAID

SB 219 was HEARD and HELD in Committee for further consideration.

SB 226        CRIME LAB; LIFE SCIENCES BUILDING

SB 226 was HEARD and HELD in Committee for further consideration.

SB 238        MEDICAID FOR MEDICAL & INTERMEDIATE CARE

SB was HEARD and HELD in Committee for further consideration.

SB 266 VIOLENT CRIMES EMERGENCY COMPENSATION

SB 266 was REPORTED out of Committee with a "do pass" recommendation and with previously published zero fiscal note: FN1 (DOA).

[9:02:21 AM](#)

#sb266

SENATE BILL NO. 266

"An Act relating to emergency compensation from the Violent Crimes Compensation Board."

[9:04:49 AM](#)

Senator Thomas clarified that the limit of the overall compensation has not increased, yet emergency compensation has increased from \$1500 to \$3500. The cap remains the same at \$40 thousand for an individual. He noted that 70 percent of the funding is a result of withheld Permanent Fund Dividends from felons while 30 percent is from a federal grant.

Co-Chair Stedman pointed out one zero fiscal note. He reminded that public testimony was taken on the legislation this session.

Co-Chair Hoffman MOVED to report SB 266 out of Committee with individual recommendations and the accompanying fiscal note. There being NO OBJECTION, it was so ordered.

SB 266 was REPORTED out of Committee with a "do pass" recommendation and with previously published zero fiscal note: FN1 (DOA).

#sjr21

SENATE JOINT RESOLUTION NO. 21

Proposing amendments to the Constitution of the State of Alaska relating to and increasing the number of members of the House of Representatives to forty-eight and the number of members of the senate to twenty-four.

[9:06:25 AM](#)

Co-Chair Stedman explained that SJR 21 is proposed as a constitutional amendment to increase the number of legislators. He pointed out that today's is the second hearing on the resolution. He noted that the first hearing was March 8, 2010. He intends to receive comment from the committee on the resolution.

Senator Olson introduced his staff.

TIM BENINTENDI, STAFF, SENATOR OLSON introduced the resolution to increase the size of the legislature. The bill states that the senate would expand by four members and the house by eight members. He believed that the population discussion was the basis of the conversation during the bill's former hearing.

Co-Chair Stedman mentioned two fiscal notes reflecting the cost; one from the division of elections for \$1.5 million to cover the cost of printing a balance and one reflecting the cost of adding 12 additional legislators beginning in FY13, estimated at \$6 million and decreasing to \$4 million in FY14.

Senator Olson MOVED to report SJR 21 out of Committee with individual recommendations and the accompanying fiscal notes. There being NO OBJECTION, it was so ordered.

SJR 21 was REPORTED out of Committee with a "do pass" recommendation and with previously published fiscal impact notes: FN1 (LAA); FN2 (OOG).

#sb144

SENATE BILL NO. 144

"An Act relating to hunting permits and tag fees for musk oxen."

[9:09:00 AM](#)

Senator Olson explained that SB 144 allows for clean up action. The specifics are presented by Senator Olson's staff.

Mr. Benintendi explained SB 144.

Thank you for hearing this bill. At its core, SB 144 would authorize a second permit hunt for resident and subsistence hunters, for the taking of musk oxen. It would double the chances of taking an animal, but would not change the current bag limit of one animal per year, bull or cow. Non-resident hunters would not qualify. If a hunter did not harvest a musk ox under their first permit, a second permit could be issued upon application, for another chance in a different hunt area or different Game Management Unit. Musk oxen are the only game animals in Alaska to which the one-permit restriction still applies. There are four Game Management Units where these animals are found in Alaska; Unit 18 on both Nunivak and Nelson Islands, Units 22 and 23 on Seward Peninsula and in the Northwest, and Unit 26 in the Northeast. The wild musk oxen population in Alaska is currently estimated to be about 4,400 animals, and annually, between 325 and 350 are available for harvest. Wildlife biologists and regulators within the Department of Fish and Game have determined that the health and size of the state's herd is well past the threshold for expanding opportunities for Alaskan hunters. They estimate that a minimal number of additional permits would be issued under this bill, and perhaps 25 more animals might be harvested annually. Under SB 144, the Board of Game would have the authority to reduce or eliminate subsistence tag and fee requirements. And, because SB 144 changes a year from "calendar year" to "regulatory year," the department would be able to issue permits for seasons which straddle a calendar year end, without the hunter having to apply twice for a single season. If passed this legislative session, these new provisions would be in place for seasons beginning in August of this year. SB 144 carries a ZERO fiscal note, and has the support of the department. Support from the hunting community in Northwest Alaska includes the Northern and Southern Norton Sound Advisory Committees, and the Seward Peninsula Musk Ox Cooperators' Group. We have discovered no opposition to this bill

[9:12:12 AM](#)

Co-Chair Stedman mentioned one zero fiscal note from the Department of Fish and Game.

Senator Olson explained that musk ox have been imported and transplanted in the state. They are treated differently than other big game animals. The bill allows the clearing of confusion that happens with hunters regarding the harvesting of musk ox. He mentioned a requirement to apply twice if the new year does not result in a successful hunt.

SB 144 was HEARD and HELD in Committee for further consideration.

#sb215

SENATE BILL NO. 215

"An Act requiring the Department of Health and Social Services to accept federal prescription drug benefits or to provide comparable benefits for residents of the Alaska Pioneers' Home."

[9:13:24 AM](#)

Co-Chair Stedman explained that SB 215 involves drug benefit for the pioneers' home.

Senator Olson noted that there are various methods of handling.

SENATOR BILL WIELECHOWSKI delivered the sponsor statement.

The intent of SB 215 is to ensure residents of Alaska's Pioneer Homes continue to receive their Federal prescription drug benefits.

This past spring, Veteran residents of Alaska's Pioneer Homes were caught in the middle of a bureaucratic dispute. Officials at the Pioneer Homes would no longer accept prescription medications from the Veterans Administration because of safety concerns with how those medications are packaged and labeled. The VA will not change the packaging or labeling of medications sent to the Pioneer Homes and the Pioneer Homes cannot repackage the medications. Therefore, Veterans who were unable to self-administer medications had no choice but to pay the Pioneer Homes' pharmacy out-of-pocket for necessary medications that they were supposed to receive for free from the VA.

Thanks to a joint effort between the Department of Health and Social Services, the Department of Military and Veterans Affairs, local public veterans' advocates and state legislators, a policy level solution was reached with the Department of Health and Social Services. State administrators found a way to safely administer prescription medications received from the VA and Veterans began to receive their free medications again.

SB 215 will prevent this type of problem from recurring by ensuring that federal prescription benefits will continue to be honored into the future. If state administrators identify a safety concern associated with providing federal prescription benefits, SB 215 will require the Pioneer Homes to cover the value of the denied benefit, so that residents can continue to receive the benefits that they have earned.

This bill would protect not only Veterans, but all Pioneer Home residents receiving Federal prescription benefits, including those from Indian Health Services. The Pioneer Homes have always worked with residents eligible for IHS benefits to ensure they receive their medications. However, if something changes in the future with the distribution of IHS drugs, SB 215 would ensure that Pioneer Homes would continue accepting these Federal benefits or cover the cost for affected residents.

With the passage of SB 215, Veterans and other groups who have earned Federal prescription benefits will no longer have to worry about not receiving their prescription medications because bureaucrats are unable reach, what should be, a simple agreement.

Please join me in supporting this legislation to ensure eligible Alaskans continue to receive the benefits they have earned.

Senator Olson asked if a record existed showing that veterans had suffered ill effects or medical complications as a result of the change in dispensation of the medication.

SHELLY MORGAN, STAFF TO SENATOR WIELECHOWSKI responded that medical complications were not reported. The complication was a financial one, where the veterans were required to pay for medications in addition to the Pioneer Home costs. Senator Olson agreed that these complications are important to avoid.

Co-Chair Stedman mentioned the fiscal note states that Pioneer Homes allow residents who access the federal prescription benefits.

Ms. Morgan explained that the design of the bill is to prevent the complication from occurring again in the future. The concern is that with administrative changes, the problem may occur again.

[9:19:12 AM](#)

Co-Chair Stedman mentioned the zero fiscal note from the Department of Health and Social Services (DHSS).

RICK DAVIDGE, PRESIDENT, VIETNAM VETERANS OF AMERICA (via teleconference), testified in support of SB 215. He pointed out that although concerns continue in respect to a variety of medical issues, the legislation is a positive step forward.

DAVE COTE, DIVISION OF ALASKA PIONEER HOMES stated that the department retains a neutral position on the bill because they already accept medications from the veteran's administration.

Senator Huggins asked how the bill changes the situation for Mr. Cote. Mr. Cote explained that the bill's purpose was to prevent the problem from happening again.

Senator Wielechowski offered a final comment regarding the legislation. He explained that the goal of the legislation is prevention of any further complications concerning federal prescription drug benefits for members of the Pioneer Home.

SB 215 was HEARD and HELD in Committee for further consideration.

[9:22:49 AM](#)

#sb238

SENATE BILL NO. 238

"An Act amending the eligibility threshold for medical assistance for persons in a medical or intermediate care facility."

9:23:15 AM

THOMAS OBERMEYER, STAFF TO SENATOR DAVIS delivered the sponsor statement.

In 2003 the Legislature changed Alaska Statute Section 47.07.020(b)(6), the Medicaid long-term services income eligibility limit for persons in medical or intermediate care facilities from 300% Supplemental Security Income (SSI) to an equivalent fixed dollar amount at \$1,656 per month. This change created an income ceiling for waiver eligibility, effectively freezing the eligibility limit for the last seven years, rather than allowing the limit to adjust annually in tandem with the SSI. The result was that small Social Security cost of living adjustments have disqualified many needy disabled people from the program.

Near the end of 2008 many individuals who were aged, blind, or disabled and requiring institutional care received notices that they would no longer be eligible for the Home and Community-Based Services (HCBS) waivers after the 2009 Cost of Living Adjustment went into effect. Because the waiver eligibility limits no longer increased with the cost of living, it placed a number of people over the \$1,656 per month limit, or 300% of the 2003 SSI benefit rate. The 2009 income equivalent at 300% SSI was \$2,022 per month. Alternatives for preserving eligibility, particularly for those requiring lifetime or long-term care, include creation of a Medicaid qualifying income trust, also known as a Miller Trust. Trusts have procedural drawbacks, including numerous responsibilities and restrictions, limited access to income, assistance of an attorney, and a trustee to manage trust assets.

The Supplemental Security Income (SSI) program is a federal needs-based disability program for low income

adults over age 65, blind, or disabled. For an adult, the SSI disability requirement is based on the ability to work. An adult is considered disabled if the person cannot do the work that he/she performed before the disability occurred or cannot do alternate work because of a severe physical or mental condition. For a child to be eligible, he/she must suffer from serious physical and/or mental problems. For both adults and children, the disability must last, or be expected to last for at least a year.

Medicaid services are critical to the well-being of Alaska's most vulnerable citizens. Supporting SB 238 will ensure that eligible Alaskans can continue to receive nursing home care and in-home services. It also will save the Legislature from amending statutes every year or two as the Federal Poverty Level guidelines and Supplemental Security Income levels increase with the cost of living.

[9:25:58 AM](#)

Co-Chair Stedman mentioned the one zero fiscal note from the Department of Health and Social Services (DHSS).

[9:27:29 AM](#)

DENISE DANIELLO, EXECUTIVE DIRECTOR, ALASKA COMMISSION ON AGING, testified in support of SB 238. She stated that the legislation was important for elderly Alaskans who receive small cost of living increases to their social security and other benefit amounts. The impact from the freeze is that a small cost of living adjustment to a person's social security can move the senior over the \$1,656 limit and disqualify them from receiving Medicaid long term support services. These vulnerable individuals are at risk both financially and with regards to their health.

[9:31:53 AM](#)

JON SHERWOOD, DIRECTOR, OFFICE OF PROGRAM REVIEW, DEPARTMENT OF HEALTH AND SOCIAL SERVICES (DHSS), testified that the bill would raise the income standard for eligibility for those people who qualify for nursing home or waiver care under Medicaid. The department's experience shows that individuals who exceed the current income standard use a qualifying income trust to qualify. He stated that the department does not anticipate that raising

the limit would increase the number of people receiving Medicaid in these categories. He pointed out that those who qualify for Medicaid under this category are subject to make a cost of care contribution toward their nursing home. The calculation is separate and performed after determining eligibility. Nothing in the bill would effect that calculation. The department does not anticipate changing the calculation if the bill passes. Individual cost of care contributions will remain the same.

[9:33:58 AM](#)

SENATOR BETTYE DAVIS encouraged passing the bill out of the Senate Finance Committee.

SB 238 was HEARD and HELD in Committee for further consideration.

#sb219

SENATE BILL NO. 219

"An Act establishing a traumatic brain injury program and registry within the Department of Health and Social Services; and relating to medical assistance coverage for traumatic brain injury services."

[9:35:18 AM](#)

ESTHER CHA, STAFF TO LESIL MCGUIRE outlined the sponsor statement.

The CS for Senate Bill 219E establishes a traumatic or acquired brain injury program specifically to deal with brain injury and yet Alaska has one of the highest rates in the nation. Annually, there are about 800 Alaskans hospitalized with a traumatic brain injury resulting from falls, car crashes, domestic violence, All Terrain Vehicle crashes, and show-machine crashes, among others. Furthermore, an approximately equal number of Alaskans are suffering from acquired brain injuries resulting from stroke, aneurism, or tumors.

Alaskan urban and rural residents, including military are being discharged to their homes with little understanding of brain injury or access to in-state rehabilitation, severely impacting their families.

Limited education about the injury, learning to cope with a person who has changed, overwhelming stress from insurance, bureaucracy, and financial burdens and change in family roles may render families dysfunctional.

With appropriate and available care, rehabilitation, community and family support, even the individual who is most severely injured can live at home, return to school or work, or engage in meaningful and productive lives.

Funding a Traumatic or Acquired Brain Injury Program (T/ABI) gives authority to the Department of Health and Social Services to collect data on the injured positioning the state to access Medicaid funds for T/ABI. Medicaid services for T/ABI will be matched 50% by federal funds. The bill allows for streamlining department services and activities that are unique to T/ABI. This would better assist families and individuals with T/ABI in knowing how to access services and supports.

Early treatment may reduce future medical and social costs. Without appropriate services, some individuals with T/ABI may pose a threat to themselves or others. Without assistance, individuals with TBI often end up homeless, in jail or in nursing homes. Service coordination, rehabilitation and appropriate supports can help to minimize these risks.

[9:38:36 AM](#)

Senator Olson asked if a demented patient who suffered a motor vehicle accident and subsequent injury to their vasculature would be eligible for the waiver. Ms. Cha responded that under current Medicaid waivers a person suffering from dementia can already apply for a different waiver and address the issue attached to the traumatic brain injury.

Co-Chair Stedman pointed out one zero fiscal note from DHSS showing an increased cost of \$494,600 in general fund dollars and \$774,400 in federal receipts.

[9:40:10 AM](#)

ERIC FINE, ALASKA BIKERS ADVOCATING TRAINING and EDUCATION (ABATE) OF ALASKA, KASILOF (via teleconference), expressed concerns about SB 219. He stated that he was not opposed to SB 219, but he recognized provisions that might lead to unintended consequences. He informed that Article 5(a) Section 47.80.500, item 3 reads "evaluation of standards and laws pertaining to the prevention of traumatic brain injury into the treatment care and support of persons with traumatic brain injury." He believed that if it remains as written it might lead to a call for a mandatory motorcycle helmet law. He opined that Alaska does not see large numbers of motorcyclists becoming victims of traumatic brain injury because we are not required to wear helmets.

[9:42:54 AM](#)

CARL LIEBES, ALASKA BIKERS ADVOCATING TRAINING AND EDUCATION (ABATE) OF ALASKA, NIKISKI (via teleconference), testified in opposition to the legislation as worded.

BOYD MCFAIL, ANCHORAGE, ABATE OF ALASKA (via teleconference) echoed the testimony of the prior two testifiers.

[9:45:47 AM](#)

NANCY BURKE, AK MENTAL HEALTH TRUST AUTHORITY (via teleconference), testified in support of SB 219. She explained that the Mental Health Trust Authority has worked with partners such as the Alaska Brain Injury Network to establish a program to assist survivors of Traumatic Brain Injury in the state. The Mental Health Trust Authority views the legislation as a step forward in assisting them and documenting the incidence of brain injury and learning information about survivors of brain injury and their needs for service delivery.

PAT CHAPMAN, SELF, KETCHIKAN (via teleconference), testified in support of the legislation. She stated that she collects the trauma data for the hospital in Ketchikan. She opined that the state must identify the brain injured person and connect them with a case manager.

[9:50:15 AM](#)

Senator Olson noted that accidents that involve traumatic brain injuries equal approximately one percent of reported accidents. He asked for additional information regarding

the public funds dispensed for the citizens who are traumatically injured and then hospitalized for an extended period of time.

CHRISTIE ARTUSO, DIRECTOR NEUROSCIENCES, PROVIDENCE ALASKA MEDICAL CENTER (via teleconference), testified in support of SB 219. She pointed out that the bill allows statutory authority for DHSS to address many of the serious issues that have already been identified as affecting the wellbeing of Alaskans. The legislation facilitates the state's ability to provide essential services to the population of patients with traumatic brain injury who have been neglected.

KRISTIN ENGLISH, CHEIF OPOPERATING OFFICER, COOK INLET TRIBAL COUNCIL (via teleconference), testified in support of SB 219. She believed that increased attention for traumatic brain injury would be beneficial. She cited that 46 percent of the patients seen in the detoxification and in residential substance abuse service self report some form of traumatic brain injury.

[9:56:21 AM](#)

SEAN MURPHY, SELF (via teleconference), testified in support of SB 219. He explained that he was recovering from a brain injury. He explained that he was in a skiing accident two years ago where he hit a tree. Three days following the accident he woke from the coma and could not talk, walk, or feed himself. He stated that SB 219 allows DHSS many specifics to address the issues related to traumatic brain injury accidents. He believed that case management services would have aided in his recovery process.

[9:59:09 AM](#)

MAJOR WILLIAM ALLEN, MARINE CORPS (via teleconference), testified in support of the legislation. He suffered exposure to explosive devices while serving in Iraq. Effects on the brain when classified as mild can take months or years to heal themselves. Following the exposure, he was able to function at a high level. The effects were most apparent following his return home. He suffered eight separate blasts and was able to function at a high level at work, but the symptoms presented themselves at home when he could relax. He thought the additional support would be a

benefit to family members and veterans who make Alaska their residence.

JILL HODGES, EXECUTIVE DIRECTOR, ALASKA BRAIN INJURY NETWORK, testified in support of SB 219. The Alaska Brain Injury Network travels around the state talking to community members who have suffered brain injuries. Alaska Trauma Registry Data shows that over 10,000 have been hospitalized with a severe traumatic brain injury. Of those, 72 percent go home without assistance. Occasionally traumatic brain injury becomes a chronic, lifelong condition that is often manageable. She stressed the need for an educational packet explaining traumatic brain injury and what to expect. She explained that SB 219 establishes a foundation to give brain injury a home within state government while providing proper investment of current funding for behavioral health and corrections. She cited necessary steps as establishing a registry, identifying brain injury as a chronic longitudinal condition, establishing a home within state government to plan directly for the population.

[10:06:42 AM](#)

Senator Olson expressed concerns of Alaskans regarding absurd regulations resulting from the data. Ms. Hodges responded that the bill's focus is on those who have the injuries at no fault of their own. Without the aftercare, there are limited chances of full recovery. She mentioned that the number one cause of brain injury in the state is falling. She noted the legislation's focus on assault and substance abuse prevention.

[10:08:00 AM](#)

ANGELA SALERNO, EXECUTIVE DIRECTOR, NATIONAL ASSOCIATION OF SOCIAL WORKERS ALASKA CHAPTER, testified in opposition to the legislation as written. She cited Section 2 of the bill which gives DHSS the authority to seek a Medicaid state plan amendment to add case management services for people with traumatic brain injury. Section 3 shows a different definition of case management for people with traumatic brain injury, which she sees as problematic. The definition is not consistent with the federal definition of targeted case management and it could cause the federal centers for Medicare and Medicaid to deny any claims made for case management services. She suggested eliminating the language

and replacing it with a reference to the federal definition that will stop any confusion. She noted that Section 4 requires DHSS to serve people with traumatic brain injury under a Medicaid waiver. A fiscal note was not developed for a new waiver because current waivers serve people with traumatic brain injury, who must be treated in a nursing home or institution. People with mild or moderate traumatic brain injury do not meet that level of need.

Co-Chair Stedman noted that the bill sponsor is working on a Committee Substitute.

[10:11:48 AM](#)

Ms. Cha commented that this legislation was not intended to serve as a mandatory helmet law.

SB 219 was HEARD and HELD in Committee for further consideration.

#sb226

SENATE BILL NO. 226

"An Act providing for, relating to, and approving the issuance of certificates of participation for the construction, acquisition, and equipping of the Alaska Scientific Crime Detection Laboratory in Anchorage; providing notice of and authorizing the commissioner of the Department of Administration to enter into a lease-purchase agreement with the Department of Public Safety for the Alaska Scientific Crime Detection Laboratory; providing for, relating to, and approving the issuance of certificates of participation for the design, construction, acquisition, and equipping of the University of Alaska Fairbanks Life Sciences Building in Fairbanks; providing notice of and authorizing the commissioner of the Department of Administration to enter into a lease-purchase agreement with the University of Alaska for the University of Alaska Fairbanks Life Sciences Building; authorizing the University of Alaska to issue revenue bonds for the construction, acquisition, and equipping of the University of Alaska Fairbanks Life Sciences Building in Fairbanks; and providing for an effective date."

[10:12:46 AM](#)

Co-Chair Stedman introduced the final piece of the governor's legislation authorizing Certificates of Participation for the construction of a crime lab and Life Sciences Building.

DEVEN MITCHELL, EXECUTIVE DIRECTOR, ALASKA MUNICIPAL BOND BANK AUTHORITY, DEPARTMENT OF REVENUE introduced himself.

Co-Chair Stedman asked for a definition of participation of certification. He asked about financial packages that could be assembled to move projects forward in the state.

Mr. Mitchell delivered the sponsor statement.

This legislation would authorize the Department of Revenue to issue certificates of participation for the construction, acquisition and equipping of two facilities; the Alaska Scientific Crime Detection Laboratory in Anchorage and the University of Alaska Fairbanks Life Sciences Building in Fairbanks.

**Bonding:**

It is time to finance these projects. The Department of Revenue has based the payback estimate on 20 year financing with the State's AA credit rating for appropriation based credit. In the current market, the Department of Revenue estimates that the State will be able to achieve a total interest cost of approximately 4.2 % using tax exempt securities. However, through a combination of tax exempt securities for shorter maturities and Build America Bonds or BABs (Taxable securities with a 35% federal subsidy) for the longer term maturities, the State could achieve a rate as low as 3.5%. The final structure will be designed to result in the lowest cost at the time of issuance. Authorization to participate in BAB's will close at the end of 2010.

**Crime Laboratory:**

Alaska needs a crime laboratory to prevent crime and protect Alaskans. The proposed laboratory is the right size, the right cost and it will benefit Alaskans now and long into the future. The benefits from this project include: 1) convicting the guilty before they commit other crimes; 2) protect the innocent from false accusation; 3) reduce rape; 4) reduce violent

crime; 5) process evidence from home burglaries; 6) solve more cases with new techniques and faster output; and more.

Building the crime lab will provide an economic boost to Anchorage by providing for 170,000 labor hours in 250 jobs for Alaskans. \$12 million in Alaska wages, \$20 million to materials supplied by local vendors and business for approximately 15 Alaska subcontractors. The facility will be 84,000 SF on Tudor Road in Anchorage. \$16.8 million spent to date on design and site work on 15 acres leased from the Municipality of Anchorage at \$1 per year for 50 years with an option to extend. The crime lab is planned to meet the state's needs for growth beyond 75 years.

**University Life Science Building:**

The UA Life Science Facility is Important to Alaska and Alaskans. This facility (approximately 97,700 square feet) will meet critical needs for modern classrooms and teaching laboratories and provide critical research space to allow for continued growth in many successful life sciences programs. The proposal includes approximately 40,000 SF of teaching space and 57,700 SF of research space in one centralized location.

The investment of \$108.4 million (\$87.9 m state/\$20.6 m UA revenue bonds) yields long-term dividends; 1) short-term--Construction will inject new dollars into the statewide economy and provide approximately 370 jobs during construction, infusing approximately \$170 million in direct and indirect economic output, including \$80 million in labor income; and 2) long-term--Life Sciences research attracts 'new' money, since research revenue comes mostly from federal science agencies. Every \$1 in state funds invested in UA research yields \$6 in research funding from other sources.

The Governor urges your prompt and favorable action on this bill.

[10:22:33 AM](#)

Co-Chair Stedman requested testimony from the Deputy Commissioner.

JERRY BURNETT, DEPUTY COMMISSIONER, DIVISION OF TREASURY, DEPARTMENT OF REVENUE, offered no additional testimony. He reiterated the comments of Mr. Mitchell and the need to address the Build America Bonds (BOB). He explained that the BOB and General Obligation (GO) bond programs may not exist much longer. The proposals in congress are to reduce the subsidy from 35 to 28 percent. Other states are utilizing bonds to reduce their ongoing operating costs and to substitute for their general fund revenues. He stressed the seriousness of timing.

Co-Chair Stedman asked about the option of cash payment versus shaving basis points off of the debt instrument. Mr. Burnett noted that the Office of Management and Budget (OMB) makes the budgeting decisions on the question of cash or debt. The state is currently observing interest rates which are likely to be near four percent. He opined that the state does not have an excessive amount of debt in addition to savings which allows the legislature a greater amount of flexibility in the future.

[10:25:46 AM](#)

Co-Chair Hoffman recalled the potential to lose one year of construction if the Certificates of Participation are not chosen. He asked how many years the project has been under consideration for construction.

Mr. Mitchell responded that he was not an expert on the project side of the proposal. He explained that the Department of Public Safety's proposal has been before the legislature in various committees in each of the last two sessions. He remarked that he was not certain about the Life Sciences Building.

Co-Chair Stedman believed that the Life Sciences Building has been proposed for longer than two years. Co-Chair Hoffman agreed that the project has been under consideration for several years.

[10:27:10 AM](#)

Senator Thomas asked how the quoted 35 percent pertains to the BOBs. Mr. Mitchell clarified that a bond is issued on a taxable basis so the investor receives a taxable rate of interest and the issuer receives the benefit of the tax

exempt status. The 35 percent would flow back to the state's general fund as debt service was paid on a semiannual basis.

Senator Thomas asked if the subaccount of the Constitutional Budget Reserve (CBR) is earning an interest rate in excess of what is estimated to be the Certificate of Participation bonding. Co-Chair Stedman clarified that the main account of the CBR is earning interest.

Mr. Burnett responded that the general investment account and the main account of the CBR historically earn an interest rate higher than a cost of issuance for the state. He pointed out that the US government gives a direct payment to the state for the 35 percent subsidy of the interest.

Co-Chair Stedman asked about the cash flow mechanism.

[10:29:10 AM](#)

Mr. Mitchell noted that the state can pay a trustee to undertake the work for a nominal fee. The second choice is to submit paperwork with the Internal Revenue Service (IRS) upon issuance of the bonds. Notice is filed three months in advance with the United States treasury and reimbursement is received upon payment. The payment is supposed to occur the next day.

Co-Chair Stedman mentioned the fiscal note from the Department of Revenue showing the initial interest payment of \$2,700,000 in general funds for FY11.

[10:30:40 AM](#)

MYRON DOSCH, UNIVERSITY OF ALASKA (via teleconference), explained that he oversees debt functions for the University of Alaska. He expressed concerns with the proposed financing structure for the Life Sciences Building. He proposed technical amendments to the bill, which he believed were overlooked in the initial drafting. The University intends to issue general revenue bonds to pay for a portion of the construction cost. He suggested proposed amendments for Section 5, Line 18. Currently the bill states "maximum principal amount of the bonds that the University of Alaska may issue is \$20.6 million," but he proposed that it be increased to \$24 million. The change

provides a sufficient amount to cover the bond issuance cost, mandatory debt service reserves, and capitalized interest if necessary. The issuance costs are included in the bond and the costs are paid through debt service over the life of the debt. Leaving the principal amount capped at \$20.6 million takes from funds needed for construction costs. He noted that the interest rate environment is low, making the project palatable from a financing point of view. The second proposed amendment is in Section 4, Subsection C referring to the entity with title to the building following Certificates of Participation were issued. The last technical change is proposed for Section 4, Subsection A regarding the authority to enter into a lease purchase agreement.

[10:35:56 AM](#)

JAY QUAKENBUSH, PRESIDENT, FAIRBANKS BUILDING AND CONSTRUCTION TRADES (via teleconference), testified in favor of SB 226. He stated that the Life Sciences Building is necessary and would secure the University of Alaska a spot as one of the top universities in the nation regarding biological sciences.

[10:38:01 AM](#)

LAKE WILLIAMS, PRESIDENT, FAIRBANKS CENTRAL LABOR COUNCIL (via teleconference), testified in support of the legislation. He noted that the proposed project will benefit Alaska in the short and long term. He opined that delay of the project would lead to additional construction costs.

[10:40:09 AM](#)

JOSEPH MASTERS, COMMISSIONER, DEPARTMENT OF PUBLIC SAFETY testified on the crime lab portion of the legislation. He stressed the importance of the crime lab for the state. Currently Alaska is placed number one in national rank for sexual assault and nine in rank for violent crime. Scientific analysis and evidence is vital to providing prosecutors the information necessary to prosecute these cases. The proposed Crime Lab would be the only accredited crime lab in the state and would service agencies of the state and all police agencies for submission of evidence. The current lab is overcrowded and inadequate, which is the single largest limiter in the lab through put. The lab must therefore triage and focus on the increasing severity of

cases while setting minor crimes to the side. The new crime lab would restore services previously discontinued and allow the addition of other critical services such as toxicology.

Commissioner Masters continued that the crime lab has evolved over the years. He pointed out that \$18 million has been appropriated by the legislature in previous years for the investment, design, review, and sight preparation. He explained that a delay will occur with the use of GO bonds leading to a delay in critical services needed today.

[10:46:00 AM](#)

Co-Chair Hoffman asked about operating costs for the first year of the facility. He asked about the new positions required. Commissioner Masters responded that the initial cost involves a ten year plan. New sciences are added and with them new positions.

Co-Chair Hoffman asked what the existing facility would be used for. Commissioner Masters replied that the current lab facility would require significant renovation and reconstruction to be used as a laboratory. He mentioned that it could be used as office space without the renovation. He pointed out that the Department of Public Safety currently has need of additional facility space.

Co-Chair Hoffman asked the cost to mothball the facility. Mr. Masters replied that restoration of the facility would require upwards of \$10-12 million.

Co-Chair Stedman requested the department's expectations regarding staffing levels.

[10:48:54 AM](#)

Senator Huggins pointed out that 20 percent of the building will remain unfinished. Commissioner Masters pointed out an approach in which space is shelled out initially and build in with added sciences. Senator Huggins recalled that the initial cost of the project was \$100 million. Today the cost is the same, yet 20 percent of the building is unfinished.

Senator Thomas commented on coordination with lab project experts and designers. He appreciated a situation where a

contractor tempers the design architect's particular signatures.

10:50:46 AM

DON ETHERIDGE, ALAKSA STATE AFL CIO, testified in support of the legislation as it benefits the unemployed as well as crime lab employees by allowing them to do their jobs properly.

FRANK RICHARDS, DEPUTY COMMISSIONER, HIGHWAYS & PUBLIC FACILITIES, DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES, identified the benefits of the crime lab construction in calendar year 2010. With the current funding package, construction could likely occur this spring and summer. Initiation of the project would lead to approximately 125-150 new jobs. The cost of delaying the project by one year is an estimated 4 percent. The lab costs presented are valid.

MATT TANAKA, PROJECT MANAGER, DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES stressed that the project has been before the legislature for a considerable time and is "beyond shovel ready." If funded with Certificates of Participation this spring, construction will begin in May. If the project is delayed due to General Obligation bonds, the delay will give rise to \$3 million worth of escalation costs, which will partially offset savings that may arise from alternative funding schemes.

SB 226 was HEARD and HELD in Committee for further consideration.

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ADJOURNMENT

The meeting was adjourned at 10:54 AM.