

SENATE FINANCE COMMITTEE

April 7, 2010

9:12 a.m.

[9:12:41 AM](#)

CALL TO ORDER

Co-Chair Stedman called the Senate Finance Committee meeting to order at 9:12 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

Michelle Sydeman, Staff, Senator Wielechowski; Esther Cha, Staff, Senator McGuire; Dave Shaftel, Attorney, Consultant; Denise Liccioli, Staff, Senator Olson; Ward Hurlburt, Chair Health Care Commission, Department of Health and Social Services; Laurie Herman, Director Government Affairs, Providence; Senator Hollis French.

PRESENT VIA TELECONFERENCE

Dave Shaftel, Attorney, Consultant; Douglas Blattmachr, President of Alaska Trust Company; Sonia Handforth Kome, President, Alaska Primary Care Association; Pat Luby, Advocacy Director, American Association of Retired Persons; Matt Wallace, Executive Director, Alaska Public Interest Research Group.

SUMMARY

SB 63      TRANSFER RESTRICTIONS ON TRUSTS

SB 63 was HEARD and HELD in Committee for further consideration.

SB 172 ALASKA HEALTH CARE COMMISSION

SB 172 was HEARD and HELD in Committee for further consideration.

SB 184 INTERNET ACCESS TO LEG COMMITTEE MTGS

SB 184 was HEARD and HELD in Committee for further consideration.

SB 208 DNR STUDY ON NATURAL GAS

CS SB 208 was REPORTED out of Committee with a "do pass" recommendation and with a new zero note by the Senate Finance Committee and a new zero note by the Department of Revenue.

SB 235 CHARTER/ALTERNATIVE SCHOOL FUNDING

SB 235 was REPORTED out of Committee with a "do pass" recommendation and with a new fiscal impact note from the Department of Education and Early Development.

SB 301 POWER PROJECT FUND

SB 301 was REPORTED out of Committee with a "do pass" recommendation and with three previously published zero notes: FN1 (DOT), FN2 (REV), FN3 (CED) and one indeterminate fiscal note: FN4 (CED).

HB 162 SOUTHEAST STATE FOREST

SCS HB 162 was REPORTED out of Committee with a "do pass" recommendation and with one previously published zero note from the Department of Natural Resources.

#sb208

SENATE BILL NO. 208

"An Act requiring the Department of Natural Resources to evaluate current incentives and recommend additional incentives that would increase gas exploration, development, and production in the Cook Inlet sedimentary basin; and requiring the Department of Natural Resources to evaluate the means by which the department may explore for, purchase, and sell natural gas from newly proved gas reserves in the Cook Inlet sedimentary basin."

[9:13:02 AM](#)

Senator Thomas commented that the reference to gas from Cook Inlet should incorporate a large portion of the state as the Railbelt region through to Fairbanks also enjoys the benefits of less expensive gas.

Co-Chair Hoffman MOVED to report CS SB 208 out of Committee with individual recommendations and the accompanying fiscal note. There being NO OBJECTION, it was so ordered.

CS SB 208 was REPORTED out of Committee with a "do pass" recommendation and with a new zero note by the Senate Finance Committee and a new zero note by the Department of Revenue.

#sb235

SENATE BILL NO. 235

"An Act relating to charter school approval and funding."

[9:15:45 AM](#)

Co-Chair Stedman discussed the fiscal note from Department of Education and Early Development (DEED) for \$150 thousand in general funds to cover the cost of adopting the regulations. He explained that the fiscal note was modified.

Senator Huggins commented that the legislation was the initial step in allowing charter schools the opportunity to have facilities. He expressed pride in his support of the bill.

Co-Chair Hoffman MOVED to report SB 235 out of Committee with individual recommendations and the accompanying fiscal note. There being NO OBJECTION, it was so ordered.

SB 235 was REPORTED out of Committee with a "do pass" recommendation and with a new fiscal impact note from the Department of Education and Early Development.

#sb301

SENATE BILL NO. 301

"An Act relating to the power project fund; authorizing the Alaska Energy Authority to charge and collect fees relating to the power project fund; authorizing the Alaska Energy Authority to sell and authorizing the Alaska Industrial Development and Export Authority to purchase loans of the power project fund; providing legislative approval for the sale and purchase of loans of the power project fund under the memorandum of understanding dated February 17, 2010; and providing for an effective date."

[9:17:25 AM](#)

Co-Chair Stedman stated that the bill contains four zero fiscal notes, two from the Department of Commerce, Community and Economic Development (DCCED) one from the Department of Revenue (DOR) and one from the Department of Transportation and Public Facilities (DOT).

Co-Chair Hoffman MOVED to report SB 301 out of Committee with individual recommendations and the accompanying fiscal note. There being NO OBJECTION, it was so ordered.

SB 301 was REPORTED out of Committee with a "do pass" recommendation and with three previously published zero notes: FN1 (DOT), FN2 (REV), FN3 (CED) and one indeterminate fiscal note: FN4 (CED).

#hb162

HOUSE BILL NO. 162

"An Act establishing the Southeast State Forest and relating to the Southeast State Forest; and providing for an effective date."

[9:18:32 AM](#)

Co-Chair Stedman highlighted one zero fiscal note from the Department of Natural Resources (DNR).

Senator Huggins applauded the administration for their proactive initiative. He hoped for the sustained sentiment through other areas of the state.

Co-Chair Hoffman MOVED to report SCSHB 162 out of Committee with individual recommendations and the accompanying fiscal note. There being NO OBJECTION, it was so ordered.

SCS HB 162 was REPORTED out of Committee with a "do pass" recommendation and with one previously published zero note from the Department of Natural Resources.

#sb63

SENATE BILL NO. 63

"An Act relating to transfer restrictions on trust interests."

[9:19:48 AM](#)

ESTHER CHA, STAFF, SENATOR MCGUIRE, commented on the state trust laws. She explained that the trust business is a multibillion dollar sector that often crosses state lines to take advantage of more attractive state trust laws. In 1997, Alaska became the first state to establish a law that allows a person to form an irrevocable trust via discretionary beneficiary of the trust. She quoted the document "What is a Trust" (copy on file). She continued that SB 63 is part of an ongoing effort to modernize trust laws. The modernization will create jobs and revenue to diversify our economy making Alaska attractive to trust business and investment.

[9:24:03 AM](#)

Senator Huggins asked if a loophole would open for creditors if the creditor must establish by clear and convincing evidence no intent to defraud.

Ms. Cha believed that the practice is standard among trustees.

DAVE SHAFTEL, ATTORNEY, CONSULTANT (via teleconference) stated that there is an exception for a fraudulent transfer. If an asset is transferred with the intent to defraud creditors, then the court can set aside that transfer. The trust provision addressed contains the specific exception. The issue with our statute is that it does not include the need for a creditor to establish or satisfy in order to prove that the transfer was made with the intent to defraud. The clear and convincing standard is universally used for fraudulent transfer. This provision inserts into the statute what was previously an omission clarifying the standard that the creditor must show by clear and convincing evidence that the transfer was performed fraudulently.

[9:27:27 AM](#)

Senator Thomas asked about the standards. He asked to know the next most rigid or difficult to attain burden of proof required of the person claiming they were intentionally defrauded.

Mr. Shaftel responded that the standard used in litigation is a preponderance of the evidence or 51 percent. The standard is easier than clear and convincing evidence. The law requires a more stringent standard with clear and convincing evidence regarding fraudulence.

Senator Olson asked if the bill interferes with the sale of assets within the trust.

Mr. Shaftel responded no. He stated that the trustee is the owner of the assets with powers of sale and management and manages the assets for the beneficiaries of the trust. The laws in place do not inhibit the powers unless the person who set up the trust wants to ensure that a particular asset remain in the trust permanently.

[9:30:28 AM](#)

Mr. Shaftel provided testimony. He commented that the bill allows the state to bring trust laws up to speed. He noted that the mentioned provisions have been enacted in other states with similar types of trusts. He opined that the proposed legislation improves the law in the area of trusts. He stated that most of his clients are Alaska

residents who use this type of trust frequently. He urged the approval of the bill.

Senator Thomas asked about the trust and the diversification of Alaska's economy. He wondered about a potential study illustrating the impact on the state's economy.

Mr. Shaftel responded that recent testimony from trust and bank officers stated a substantial increase in business with large amounts of funds travelling through financial institutions. He expressed awareness of million dollar transactions in Alaska. He stated that the legislation has helped the economy with other states choosing Alaska because of our reputation for trust laws

[9:33:56 AM](#)

DOUGLAS BLATTMACHR, PRESIDENT OF ALASKA TRUST COMPANY (via teleconference), testified in support of the legislation. He explained that the recently passed trust legislation has proven beneficial to the state while creating a number of jobs. The state received an additional \$3 million in life insurance premium tax because of outside trusts.

Co-Chair Hoffman commented that the legislation has one zero fiscal note from the Department of Law.

SB 63 was HEARD and HELD in Committee for further consideration.

#sb172

SENATE BILL NO. 172

"An Act establishing the Alaska Health Care Commission in the Department of Health and Social Services; and providing for an effective date."

[9:35:46 AM](#)

DENISE LICCIOLI, STAFF, SENATOR OLSON, delivered the sponsor statement.

Alaska is currently facing serious healthcare cost, access and quality issues. Between 1991 and 2005, health care expenditures in our state more than tripled from \$1.6 billion to \$5.3 billion. All levels

of government--state, local, and federal- are affected, and Alaska's economy cannot sustain this inflationary growth. The purpose of SB 172 is to establish in statute the Alaska Health Care Commission to address the need for health care reform in our state. The issue is complex and broad in scope, and cannot be dealt with adequately unless we have a permanent body to plan and follow through for long range comprehensive health care reform.

The two most recent groups to work on the issue of health care reform in Alaska, the Alaska Health Care Roundtable (2005) and the Alaska Health Care Strategies Planning Council (2007), both recommend that a permanent body be established to address the problem of health care reform. The Roundtable (which met for 2 years) and the Planning Council (which met for 6 months) recognized that the problem is too great to be effectively addressed though a short-term, ad-hoc body.

The Alaska Health Care Commission would be established in the Department of Health and Social Services, and would consist of a ten member body including public officials and private citizens. Representatives from both the executive and legislative branches of state government are included, as well as citizens representing the private business sector, the health care community, and consumers. Three members are to be ex officio appointees from the legislature and the governor's office. The composition and small size would enable efficient and effective teamwork and decision-making, while bringing a balance of viewpoints and perspectives.

The commission would provide its recommendations and support the development of a statewide plan to address the quality, accessibility, and availability of health care for all citizens of the State. A plan for reform will be based on education, sustainability, management efficiency, health care effectiveness, private-public partnerships, research, personal responsibility and individual choice.

Alaska's need for healthcare reform is pressing and must be dealt with thoroughly and efficiently, with a long range view toward meaningful and lasting change.

The Alaska Health Care Commission would play an important role in this process, and it is essential that we make it permanent as well as future issues with Alaska's healthcare systems can be better anticipated, understood, and addressed.

[9:40:45 AM](#)

Co-Chair Hoffman asked why a permanent board is proposed when the administration performs similar work by administrative order.

Ms. Liccioli responded that the administrative order establishing the healthcare commission was temporary.

Senator Thomas asked if the university was considered for board representation as they employ many on the involved work force.

Ms. Liccioli responded that the university was considered along with many other groups who would bring valuable expertise to the commission. She understood that the desire was to keep the commission small while including a wide range of views and perspective.

[9:42:31 AM](#)

WARD HURLBURT, CHAIR HEALTH CARE COMMISSION, DEPARTMENT OF HEALTH AND SOCIAL SERVICES, stated that the administration supports the legislation. He commented that the state lacks affordable health care services. Nationally, analysts state that we spend 18 percent of gross domestic product on health care services. Alaska spends approximately \$6 billion a year on health care services. Every state is overwhelmed by the increasing cost of Medicare. The individuals on the current health care commission have united as a small working group with every member invested and engaged. He commented on challenges presented by the national health care reform commission. He cited the need for specific Alaskan analysis as health care reform is addressed.

[9:48:13 AM](#)

Senator Egan asked if the commission will perform the contracting for the projected funding. Mr. Hurlburt responded that the funding is available through the fiscal note.

[9:49:08 AM](#)

LAURIE HERMAN, DIRECTOR GOVERNMENT AFFAIRS, PROVIDENCE HEALTH AND SERVICES testified in support of SB 172. She echoed the comments of Senator Olson's staff.

[9:50:18 AM](#)

SONIA HANDFORTH KOME, PRESIDENT, ALASKA PRIMARY CARE ASSOCIATION (via teleconference) stated that the Alaska Primary Care Association strongly supports the SB 172 for the establishment of the health commission. She appreciated the inclusion of a primary care physician seat; however, the association feels that a primary care safety net seat and more specifically a community health center seat on the commission is important. She advocated for community health centers, which belong to a statewide and nationwide system and provide primary and preventative medical care and case management along with dental and behavioral health care prevention and case management. Community health centers have been shown to reduce Medicaid costs. She opined that a designated community health center seat, in statute is therefore necessary.

[9:52:52 AM](#)

PAT LUBY, ADVOCACY DIRECTOR, AMERICAN ASSOCIATION OF RETIRED PERSONS (via teleconference) testified in support of the legislation. He stated that SB 172 would extend the life of the Alaska Health Care Commission. With the recent national action on health care, every state must have a group of experts who can determine how to make the federal legislation work. He advocated for extending the sunset date.

Co-Chair Stedman mentioned one fiscal note from the Department of Health and Social Services for \$500 thousand in general funds to cover the cost of operations in the commission.

SB 172 was HEARD and HELD in Committee for further consideration.

#sb184

SENATE BILL NO. 184

"An Act relating to public access to legislative committee meetings during regular legislative sessions by Internet broadcast."

[9:54:13 AM](#)

SENATOR HOLLIS FRENCH stated that the legislation allows for webcams in every committee room in the capitol allowing access to committee processes by any citizen with a computer. He commented that that the lack of today's gavel to gavel broadcast with seven key pieces of legislation heard by the committee provides the perfect example of the need for the mentioned webcams. He understood that the Legislative Affairs Agency (LAA) supports the idea of committee webcams and have pursued an independent procedure for installation. He suggested placing the procedure in statute allowing for continuity despite potential personnel changes within the LAA.

Co-Chair Stedman acknowledged the fiscal note from LAA for \$88 thousand in general funds. He stated that LAA has sufficient funds to absorb the cost.

[9:57:26 AM](#)

MATT WALLACE, EXECUTIVE DIRECTOR, ALASKA PUBLIC INTEREST RESEARCH GROUP (via teleconference) testified in support of the legislation. He stated that the research group cares deeply about the idea of open and transparent government.

Senator French noted support from Arliss Sturgulewski, Bill Legere, the general manager of KTOO Broadcasting, the City of Juneau, and the Alaska Committee.

SB 184 was HEARD and HELD in Committee for further consideration.

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ADJOURNMENT

The meeting was adjourned at 9:59 AM.