

ALASKA STATE LEGISLATURE
HOUSE COMMUNITY AND REGIONAL AFFAIRS STANDING COMMITTEE

February 16, 2012

8:05 a.m.

MEMBERS PRESENT

Representative Cathy Engstrom Munoz, Chair
Representative Neal Foster, Vice Chair
Representative Alan Austerman
Representative Alan Dick
Representative Sharon Cissna
Representative Berta Gardner

MEMBERS ABSENT

Representative Dan Saddler

COMMITTEE CALENDAR

HOUSE BILL NO. 264

"An Act allowing a deferral of municipal property taxes on the increase in the value of real property attributable to subdivision of that property; and providing for an effective date."

- MOVED CSHB 264(CRA) OUT OF COMMITTEE

PRESENTATION: YK VILLAGE CLUSTER CONSOLIDATED SERVICES MODEL PLAN

- HEARD

HOUSE BILL NO. 219

"An Act exempting certain emergency medical and fire department services from regulation as insurance."

- HEARD & HELD

PREVIOUS COMMITTEE ACTION

BILL: HB 264

SHORT TITLE: MUNI PROPERTY TAX DEFERRAL: SUBDIVISIONS

SPONSOR(S): REPRESENTATIVE(S) MUNOZ

01/17/12 (H) PREFILE RELEASED 1/13/12
01/17/12 (H) READ THE FIRST TIME - REFERRALS

01/17/12 (H) CRA, FIN
02/14/12 (H) CRA AT 8:00 AM BARNES 124
02/14/12 (H) Heard & Held
02/14/12 (H) MINUTE(CRA)
02/16/12 (H) CRA AT 8:00 AM BARNES 124

BILL: HB 219

SHORT TITLE: FIRE AND EMERGENCY MEDICAL SERVICES

SPONSOR(s): REPRESENTATIVE(s) FEIGE

03/31/11 (H) READ THE FIRST TIME - REFERRALS
03/31/11 (H) CRA, STA
02/16/12 (H) CRA AT 8:00 AM BARNES 124

WITNESS REGISTER

KATHIE WASSERMAN, Executive Director
Alaska Municipal League
Juneau, Alaska

POSITION STATEMENT: Testified that she has agreed to work with those in support of HB 264.

CHRISTOPHER CLARK, Staff
Representative Munoz
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Presented potential amendments to HB 264 on behalf of the sponsor, Representative Munoz.

DAVE HANNA
Juneau, Alaska

POSITION STATEMENT: During hearing of HB 264, answered questions.

CHRISTINE KLEIN, Chief Operating Officer
Calista Corporation
Anchorage, Alaska

POSITION STATEMENT: Provided a presentation regarding the YK Village Cluster Consolidated Services Model Plan.

REPRESENTATIVE ERIC FEIGE
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Spoke as the sponsor of HB 219.

MICHAEL PASCHALL, Staff
Representative Eric Feige

Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: During the hearing of HB 219, answered questions.

LINDA HALL, Director
Division of Insurance
Department of Commerce, Community & Economic Development
Anchorage, Alaska

POSITION STATEMENT: Expressed concern with HB 219.

SEBASTIAN SAARLOOS, Member
City Council
City of Delta Junction
Delta Junction, Alaska

POSITION STATEMENT: Testified in support of HB 219.

ACTION NARRATIVE

[8:05:41 AM](#)

CHAIR CATHY ENGSTROM MUNOZ called the House Community and Regional Affairs Standing Committee meeting to order at 8:05 a.m. Representatives Foster, Austerman, Dick, Gardner, and Munoz were present at the call to order. Representative Cissna arrived as the meeting was in progress.

HB 264-MUNI PROPERTY TAX DEFERRAL: SUBDIVISIONS

[8:05:59 AM](#)

CHAIR MUNOZ announced that the first order of business would be HOUSE BILL NO. 264, "An Act allowing a deferral of municipal property taxes on the increase in the value of real property attributable to subdivision of that property; and providing for an effective date."

[8:06:40 AM](#)

KATHIE WASSERMAN, Executive Director, Alaska Municipal League, acknowledged that after speaking with some municipalities, she had written a letter to the committee regarding HB 264. Since that time she has spoken with Dave Hanna, who is involved with the legislation, and agreed to work with those in support of the

legislation. For now, she said to ignore the letter she submitted to the committee.

[8:08:01 AM](#)

CHAIR MUNOZ announced that public testimony was closed.

[8:08:34 AM](#)

CHRISTOPHER CLARK, Staff, Alaska State Legislature, presented [Amendment 1] labeled 27-LS1090\B.1, Bullard, 2/13/12, with the attached explanation, which read as follows:

Page 1, line 8, following "to":
Insert "(1)"

Page 1, line 9, following "parcels":
Insert "; and
(2) any improvements made to the property necessitated by its subdivision"

Explanation of Amendment B.1

Prepared by Christopher Clark, Aide, Rep. Cathy Munoz

The current language in HB 264 may limit a property tax deferral to only those costs that are directly attributable to subdividing a parcel such as surveying and platting.

Some municipalities such as Juneau require subdivision developers to make improvements for things like access roads, drainage ditches, and utility corridors.

Adding the words "any improvements made to the property necessitated by its subdivision" will allow improvement costs to be part of a property tax deferral.

[8:09:57 AM](#)

REPRESENTATIVE CISSNA asked if [Amendment 1] allows holding off on the full extent of development and giving protections so that the property owner isn't taxed. She expressed concern with creating a situation in which the land is cleared and sits vacant for 10 years, conceivably ready for development.

MR. CLARK reminded the committee that HB 264, as written, would limit the tax deferral to up to five years or end when the permit is issued. The idea is to wait for a building to be constructed on the property and then the tax deferral would end.

CHAIR MUNOZ also reminded the committee that the proposed tax deferral is optional.

[8:11:46 AM](#)

REPRESENTATIVE CISSNA recalled that in Anchorage in 1967 there was property with partial development that was ready to sell and build upon, but which sat empty and cleared for 30 years. She asked if HB 264 allows the aforementioned.

MR. CLARK clarified that's not the intent, rather the intent is to speed up development and avoid vacant fields. The idea is to receive the tax deferral for five years, such that developers have time to construct a building to sell.

[8:13:06 AM](#)

DAVE HANNA emphasized that HB 264 is a valuable tool to ensure that Representative Cissna's concerns don't happen. The language in HB 264 is broad enough to allow municipalities to apply the deferral in any manner they see fit. These incentives could be used in various ways to encourage the type of development the municipalities want, such as wider green belts or larger play grounds.

REPRESENTATIVE CISSNA surmised then that HB 264 provides municipalities choices and it's optional.

MR. HANNA replied yes.

[8:14:24 AM](#)

REPRESENTATIVE AUSTERMAN asked if the language "any improvements" that would be inserted per [Amendment 1] is defined or needs to be defined.

MR. HANNA said that it would be left to the municipalities to define. However, he informed the committee that most municipalities allow phased development of a subdivision. He surmised that municipalities would use [the language] as a tool to specify that a certain amount of development occurs by a certain point. He related that currently in Juneau, one can

apply for a plat and make improvements without recording the plat or completing the improvements.

[8:16:21 AM](#)

REPRESENTATIVE GARDNER asked if it's the sponsor's intent that the proposed property tax referral is not renewable.

MR. CLARK answered that since the legislation doesn't make a provision for it to be renewable he presumed that it's not. Therefore, the proposed property tax referral would be a one-time allowance. Again, the legislation provides flexibility to municipalities to implement the proposed property tax deferral as they see fit.

[8:17:47 AM](#)

REPRESENTATIVE GARDNER moved to adopt Amendment 1, 27-LS1090\B.1, Bullard, 2/13/12, [text provided previously]. There being no objection, Amendment 1 was adopted.

[8:18:07 AM](#)

MR. CLARK moved on to [Amendment 2] labeled 27-LS1090\B.2, Bullard, 2/13/12, with the attached explanation, which read as follows:

Page 2, line 1:

Delete "the municipality grants a building permit for all or a portion of"

Insert "a residential or commercial building is constructed on"

Page 2, line 7:

Delete "the municipality grants a building permit for a portion of"

Insert "a residential or commercial building is constructed on"

Explanation of Amendment B.2

Prepared by Christopher Clark, Aide, Rep. Cathy Munoz

This amendment is aimed at fulfilling the intent of the bill to end a property tax deferral when a property is improved and a building is constructed on it - so long as that happens within five years.

The current language ends a deferral when a municipality grants a building permit for all or a portion of a subdivided parcel. There are two concerns with this:

1. Some municipalities don't issue building permits; and,
2. No improvements may have been done at the time a permit is issued.

This amendment would end the deferral when a building is constructed on the property.

[8:19:41 AM](#)

REPRESENTATIVE GARDNER pointed out that there is a dangling modifier in the language being inserted by [Amendment 2].

[8:20:19 AM](#)

REPRESENTATIVE AUSTERMAN moved to adopt Amendment 2, 27-LS1090\B.2, Bullard, 2/13/12, [text provided previously].

[8:20:34 AM](#)

REPRESENTATIVE GARDNER then moved to adopt an amendment to Amendment 2 such that the language being inserted by Amendment 2: "a residential or commercial building is constructed on", would be replaced with the following language: "on which a residential or commercial building is constructed". There being no objection, the amendment to Amendment 2 was adopted.

[The committee then treated Amendment 2, as amended, as adopted.]

[8:20:58 AM](#)

REPRESENTATIVE AUSTERMAN moved to report HB 264, as amended, out of committee with individual recommendations and the accompanying fiscal notes. There being no objection, CSHB 264(CRA) was reported from the House Community and Regional Affairs Standing Committee.

#

[8:21:20 AM](#)

The committee took an at-ease from 8:21 a.m. to 8:25 a.m.

**Presentation: YK Village Cluster Consolidated Services Model
Plan**

[8:25:01 AM](#)

CHAIR MUNOZ announced that the next order of business would be a presentation of the Yukon Kuskokwim Village Cluster Consolidated Services Model Plan.

[8:25:13 AM](#)

CHRISTINE KLEIN, Chief Operating Officer, Calista Corporation, explained that she would discuss the concept of a village clustering model in Southwest Alaska that would help sustain some of the rural economy and some of the Southwest Alaska villages. She told the committee that over the years, Calista has noticed throughout Alaska that transportation and affordable energy are critical to the survival of communities. In reviewing U.S. history, over 2,700 communities have disappeared with most of them being located in the Western U.S. Since the 1800s, 22 communities in Alaska have disappeared. The question for many Western Alaska communities is how to survive as funding decreases. Growing up in Southeast Alaska, she recalled living through five cycles of boom and bust in Ketchikan. Some of the stabilizing factors in [Ketchikan] were transportation and energy. In 1903 one of the first hydroelectric power plants was constructed in Ketchikan. Ketchikan also had the Alaska steamships and was located on a main [transportation] corridor. The aforementioned factors lead to the creation of a sustainable economy in Ketchikan. In fact, today Ketchikan has one of the highest per capita resident incomes in the state. Upon review, it was apparent that Ketchikan was sustainable because of the available transportation, accessibility, stable and affordable energy, as well as some resource availability, and residents who were adaptable and flexible. Referring to the map on the slide entitled "Sustainability: Access", she pointed out that although rural areas have some of the greatest resource potential, most of those communities and resources are located off the Railbelt and off the grid. Therefore, one of the greatest challenges is transportation and energy. She then informed the committee that the Fraser Institute surveyed mining companies worldwide, the results of which ranked Alaska number 1 in mineral potential but 57th due to lacking infrastructure and development challenges. Again, the greatest challenges are transportation and energy. In reviewing old and new plans, she discovered the map presented on the slide entitled "Sustainability: Affordable Access &

Energy". This map specifies some of the areas that the Department of Transportation & Public Facilities (DOT&PF) investigated in 2008 in terms of possible economic value hubs. The map highlights access and energy corridors that are necessary for both community and commerce survival. Some communities, particularly in Southwest Alaska, would be good models of demonstration for improving the economy and cost of living. Southwest Alaska has nearly 30,000 citizens and has the largest number of communities of any region in the state, with 56 communities and villages. As budgets tighten, [Western Alaska] seems to be a perfect area where resources can be shared and villages clustered. She noted that some of the villages are within five miles of one another. Referring to the slide entitled "Sustainability: Access", she informed the committee that currently, the region is 58,000 square miles with very little infrastructure and has the highest cost of living in the state. Furthermore, 75 percent of the region is isolated due to federal ownership of lands and 20 percent of the land is owned by Alaska Native Claims Settlement Act (ANCSA) corporations, with less than 5 percent privately owned. With a population of close to 30,000 people and growing by 6 percent, it's a great resource for future workforce development. Although there is one interconnecting road in Western Alaska, it isn't passable. Nearly every village in Western Alaska has a K-12 school, an independent diesel powered generator, an airport, sometimes a health clinic, and sometimes water and sewer. As illustrated by the chart on the slide entitled "Sustainability: Energy, Lowest Energy Costs: Hydropower & Gas", rural Alaska has the highest cost of energy in comparison to other areas of the state. The areas of the state doing best are Southeast and Southcentral Alaska, both of which have hydropower whereas other areas of the state use diesel for their heat and electricity. Last year, the cost for diesel ranged from \$6-\$10 per gallon and this year it's projected to be \$7-\$12 per gallon. Electricity is generated by small diesel generators, many of which are old and unreliable. She highlighted that citizens [in rural Alaska] tend to use less than half [the energy] a normal average family would consume, simply because of the cost. Therefore, they are already conserving. She then related that the average cost of electricity in rural communities is \$.83 per kilowatt hour and ranges from \$.58-\$1.05 per kilowatt hour. Referring to the charts on the slide entitled "Sustainability: Energy Rural Citizens' Disproportionately High Costs", she informed the committee that over the last 5 years the percentage of a household's income that goes to energy has risen from 20 percent to 65-70 percent, even with power cost equalization (PCE). She then directed attention to the map on the slide entitled

"Village Cluster Model: Group Closely Located Villages". As mentioned earlier, the areas doing best are Southeast and Southcentral Alaska, where 24 percent of the electricity is provided by hydropower. In fact, Southeast and Southcentral Alaska already have 37 power facilities based on hydro and, on average, are the lowest energy cost areas ranging from \$.10-\$.15 per kilowatt hour. The map also specifies areas the Alaska Energy Authority (AEA) identified where rural PCE is already in place and there is potential hydropower. There are at least 131 priority sites and in Southwest Alaska there is not one hydropower plant. Therefore, it appears that Southwest Alaska would be a good area to consider for improvement in terms of energy as well as transportation. She then highlighted that energy costs have more than doubled over the last couple of years and it continues to increase, which results in a disproportionate living cost in rural Alaska versus some of the state's larger communities. Ms. Klein then referred to the slide entitled "Village Cluster Model: Group Closely Located Villages" and said that the time is ripe for clustering villages and some villages have already "bought into" the concept. The map circles feasible clusters of communities that could be a demonstration model of linking communities to share some public infrastructure assets. There are three sets of villages that consist of 12 communities and over 6,000 people. Some communities have asked to join this effort and for the assistance of the regional corporation and the state. She told the committee that Calista Corporation has briefed the governor's office, which has expressed interest in implementing something like village clustering. The first group of communities is Nelson Island and consists of the following communities: Toksook, Tununak, Nightmute, and Umkumiate. Another group of communities consists of the following communities: Hooper Bay, Chevak, and Scammon Bay. The third group of communities consists of the following communities: Emmonak, Alakaknuk, and Sheldon Point along with some other smaller communities that may be linked into this group. Some of these areas have existing needs for basic services, whereas others already have infrastructure in place.

[8:39:54]

REPRESENTATIVE CISSNA highlighted that through the Alaska Native Tribal Health Consortium Chevak had cooperation [with surrounding] communities for safe water. However, because of the cost of fuel, the arrangement is falling apart. This proposal, on the other hand, meets the needs of the communities and needs to be understood statewide. Representative Cissna

related her understanding that the cost of energy is a difficulty not only in terms of heating the home but also for obtaining food.

MS. KLEIN noted her agreement, and added that by necessity families are sharing their resources, including their homes and hunting trips. With respect to the village safe water program, in the past there has been difficulty obtaining agreement with nearby villages. However, the increased cost of living along with regional leadership has helped work through some of the difficulties with consolidation. She opined that the aforementioned as well as the cooperation of state agencies is key for the success of clustering. The primary item that will make village clustering work is a road and energy link, which doesn't exist in this area of Alaska.

[8:43:39 AM](#)

REPRESENTATIVE CISSNA commented on the difficulty of maintaining roads in these areas, and asked if rail has been considered.

MS. KLEIN, speaking as an engineer, said rail is much more expensive to construct [than a road] and the area needs to be flat. Usually, rail is most effective when there are large volumes of heavy industrial material being transported. She acknowledged that this area has lots of permafrost and wetlands and it would be difficult to maintain roads. However, she reminded the committee that these don't have to be four-lane roads, rather trails can suffice. Ms. Klein clarified that she is trying to highlight areas where there have been studies regarding whether the [village cluster model would be successful] and where some roads could be constructed and developed. Nelson Island has been studied numerous times over the last 20 years, including some Department of Transportation & Public Facilities studies indicating that constructing infrastructure would be feasible and provide significant economic benefits and savings to the state.

[8:45:57 AM](#)

REPRESENTATIVE DICK commented that the cost of energy is passed through everything, including groceries and schools. He then indicated that [a village cluster model] could help with the out-migration from the villages and make regional schools in this area possible.

[8:46:56 AM](#)

REPRESENTATIVE FOSTER expressed interest in obtaining the studies, particularly the portions related to economics, in order to determine the extent of the savings.

MS. KLEIN agreed to provide the information. She then informed the committee that under the Murkowski Administration the Department of Community & Regional Affairs did a report that quantified some of the cost savings and benefits [of village clustering]. Nelson Island was used as a good example of where to use this model in the Southwest region. She explained that one of the reasons to bring forward this model is that the existing schools, energy plants, and fuel farms are aging and need to be replaced. As illustrated by a recent court case, the state has been very behind in its responsibilities in this region. Therefore, it seems that it would be an appropriate time to consolidate schools in these areas. She noted that she is an example of a successful individual who left her home community to attend a regional high school.

[8:49:32 AM](#)

MS. KLEIN told the committee that Nelson Island is an example of a population that's growing and yet it has three schools within 25 miles of one another. On the other hand, students from Girdwood are bused 35 miles through an avalanche zone to Anchorage. She explained that the goal is to find areas where there would be economies of scale as well as future infrastructure and capital savings. Furthermore, this consolidation could improve the dismal high school graduation rate and very few elective classes in the Southwest Alaska region. Referring to the slide entitled "Proposed Village Cluster Model: Shared Services Consolidation", she stressed that it's critical to start now on an infrastructure master plan for these village clusters in order for savings to even occur. There would have to be great work with regard to the equity state each village would have, which is what some of the village leadership has requested Calista Corporation perform.

[8:51:26 AM](#)

REPRESENTATIVE GARDNER asked if the expectation is that the facilities would have to be balanced throughout the village cluster.

MS. KLEIN replied yes, and added that is what takes time, intimate knowledge of the region/communities, ability to speak the language, and state agencies working together.

[8:52:11 AM](#)

MS. KLEIN, returning to the presentation, directed the committee's attention to the slide entitled "Proposed Village Cluster Model: Planning Project Request = \$1.5M". The request would entail putting together task forces of the state agencies as well as public meetings to determine the available assets, available infrastructure, and what would need to be done to link these communities. She noted that some communities have already started the process. For instance, transmission lines have been built from Emmonak to Alakanuk. Still, the goal is to move forward faster, particularly when reviewing the funding projections in the future. From the state's perspective, this consolidation would reduce some of the duplication. Currently, in each cluster there are at least three airports that were constructed with federal funds that will decrease. She further highlighted that the state would benefit from this model by sharing of resources, centralizing facilities such as schools, increasing reliability, and reducing costs of energy. The local benefits of this model include providing cheaper energy and transportation and improving emergency services. She pointed out that some of these communities don't have a village public safety officer (VPSO) and thus pooling resources would provide more leveraging of the available funds such that a VPSO could be placed in these communities. She reminded the committee that [Calista Corporation] is requesting capital funds to undertake this effort and informed it that they have a commitment from the regional corporations, Association of Village Council Presidents, Yukon Kuskokwim Health Consortium (YKHC), Calista Regional Corporation, and Nelson Island and Hooper Bay groups. Ms. Klein said that if Calista Corporation isn't successful in obtaining funding, it would consider bringing forward legislation for a pilot project to start this process in Southwest Alaska.

[8:55:08 AM](#)

REPRESENTATIVE CISSNA related her understanding that in a number of communities there is an energy plan that identifies what they believe can be done in their areas. She opined that to make it renewable so that it's in perpetuity and cheap would create sustainability.

MS. KLEIN replied yes, Calista Corporation is pursuing a hydropower project in Southwest Alaska as well as a regionwide energy program that would integrate many types of alternative energy in this region. However, the area, which is larger than the State of New York, has many things that work in different areas. A situation in which various energy types are being combined makes it more difficult to integrate the various plans. Therefore, it takes a concerted effort to make things work together, which takes time, energy, and resources to accomplish.

[8:57:01 AM](#)

REPRESENTATIVE CISSNA highlighted that renewable energy has to be local. She then highlighted the fact that these people have been in Southwest Alaska for a thousand years or more and kept themselves warm. Therefore, she opined that the knowledge is present [to utilize the appropriate alternative energy for the area] in conjunction with today's technology.

[8:58:02 AM](#)

The committee took a brief at-ease.

HB 219-FIRE AND EMERGENCY MEDICAL SERVICES

[8:59:41 AM](#)

CHAIR MUNOZ announced that the final order of business would be HOUSE BILL NO. 219, "An Act exempting certain emergency medical and fire department services from regulation as insurance."

[8:59:47 AM](#)

REPRESENTATIVE ERIC FEIGE, Alaska State Legislature, speaking as the sponsor of HB 219, paraphrased from the following written sponsor statement:

HB 219 allows local fire and emergency medical agencies to solicit funding as a form of prepayment for services. This type of program has been successful in allowing such organizations to raise needed operating funds while limiting financial risk to those that may need the agency's services.

In a typical scenario, an individual or family pays a set fee to the local emergency medical service on an annual basis. The agency then will respond and

transport the individual or family member without additional charge to the individual.

Under current statute, it is the opinion of the Division of Insurance that this type of activity is deemed insurance and is regulated by that division. HB 219 will clarify that this type of program is not insurance and is not regulated by the division.

9:02:05 AM

REPRESENTATIVE GARDNER requested the sponsor explain the reference in the sponsor statement to "limiting financial risk to those that may need the agency's services."

9:02:26 AM

MICHAEL PASCHALL, Staff, Representative Eric Feige, Alaska State Legislature, began by clarifying that medical and fire services are interchangeable in the scenarios presented. Basically, an individual who pays a fee upfront for fire and emergency medical services and who requests those services may see a bill for the services, but won't have to pay it. To be clear, he pointed out that the individual's insurance company may be billed, but the individual wouldn't be held responsible for any of the additional charges beyond the fee.

REPRESENTATIVE FEIGE highlighted that it takes funds in order to have a fire department, staff, and equipment ready and warm. Therefore, there has to be a mechanism to raise the funds ahead of time to pay its bills, training costs, and insurance. He related that even with an upfront fee, the service is still dependent upon volunteer staff. The benefit of the upfront fee for the community is that the insurance rates for the community can be lowered if the fire department can reach a certain level of proficiency, equipment, and staff. Therefore, there is a financial benefit to the community to have a fire department as well as an emotional benefit in terms of potential fires in the community.

9:06:09 AM

REPRESENTATIVE GARDNER acknowledged that the current sources of funding for fire and emergency medical services may be inadequate to meet the needs or maintain the level of response capability desired. She then inquired as to the proportions of the funding for fire and emergency medical agencies, which she

assumed included some state funds, federal funds, grants, donations, and insurance payments.

MR. PASCHALL answered that it varies per department. Therefore, there are departments that are funded through tax levies and departments that are funded totally from voluntary funds [and in between]. In the case of the fire department with which he works, over the last year about 20 percent of its funding was generated from donations, about 40 percent of its funding was from the community corporation, and the remaining 40 percent of its funding was from the department's contract with the Alaska Division of Forestry to provide additional assistance for wild land fire protection. The contract funds are the single largest source of revenue because they can earn enough money in one year that it can be spread out over years when it doesn't earn money.

[9:08:19 AM](#)

REPRESENTATIVE GARDNER surmised that although the fire department has made a contract with the Alaska Division of Forestry and has an obligation to respond, the department still has to rely on volunteers. She asked if that places the department in a difficult position.

MR. PASCHALL noted that his fire department has additional equipment available specifically for the contract services in order to avoid depleting the response capabilities to the community as a whole. Furthermore, volunteers are hired to standby for the Alaska Division of Forestry contract. Since any fire during high fire season is a risk to wild land fires, the division allows the fire department to respond to a structure fire because they respond as well. The only time the contract services would take away from the local resources is when equipment is moved to the location of a fire.

REPRESENTATIVE FEIGE clarified that the contract with the Alaska Division of Forestry isn't very specific as it's basically a contingency situation in which the division agrees to pay so many dollars per hour per day when it uses the department to fight a state fire. He emphasized that it's not guaranteed ahead of time, and thus that element of funding isn't steady.

[9:10:39 AM](#)

REPRESENTATIVE AUSTERMAN inquired as to how many local organizations currently have a fee for service arrangement [such that it's a fundraising method].

MR. PASCHALL related that he knew of two fire departments that operate under the subscription arrangement and one ambulance service that's part of a fire department that waives the fee if they provide services. The City of Delta Junction had an ordinance to do this, but discontinued it because the city's attorney and the Division of Insurance told them it would be regulated as insurance.

REPRESENTATIVE AUSTERMAN related the assumption that additional cost would be the only reason to not offer [the subscription arrangement].

MR. PASCHALL agreed.

REPRESENTATIVE FEIGE interjected that essentially it's a hindrance for communities that aren't a municipality and don't have the ability to raise funds through taxation on their own.

REPRESENTATIVE AUSTERMAN said he understands the principle behind the [subscription arrangement].

[9:13:45 AM](#)

CHAIR MUNOZ directed attention to the committee packet in which documents relate that there may be only 20 percent participation in the subscription fee arrangement. She inquired as to what happens to those who don't subscribe when they have a fire and there is a reluctance to respond. She also inquired as to whether the funds from 20 percent of the population would cover the true costs of the service being provided.

REPRESENTATIVE FEIGE reminded the committee that HB 219 doesn't mandate anything; rather it just allows such a subscription fee to be charged. Each community will be different in terms of the basic limitations on cost. He informed the committee that it costs about \$6,000 per year to run his local fire department, which he characterized "as very bare bones." He noted that in the past his fire department has received capital grants from the legislature in the amount of about \$250,000 and those funds have been used to purchase equipment. He further noted that his fire department is heated mainly with waste oil heaters, which doesn't cost anything. He stated that the cost will be dependent upon how much each community will be willing to pay and how many in the community pay. Generally, about 35 folks in his community sign up [and pay] for service, which when combined

with other funding sources covers his fire department's basic cost of providing the service.

9:16:28 AM

CHAIR MUNOZ then asked whether those who don't pay the subscription fee receive service.

REPRESENTATIVE FEIGE acknowledged that there is the desire to take care of as many people as possible. However, the reality is that money is necessary to pay the insurance and the money has to come from somewhere. In his community, the policy is that the fire department will respond to every wild land fire, but will only respond to structure fires of subscribers. From a legal perspective when the fire department responds to a structure fire of a nonsubscriber and doesn't respond to a subsequent nonsubscriber, the fire department is open to a lawsuit. Therefore, the fire department has to commit to those who subscribe to the service and no one else.

9:18:05 AM

REPRESENTATIVE CISSNA related her understanding that doing due diligence in terms of safety would hold water in court.

9:20:04 AM

LINDA HALL, Director, Division of Insurance, Department of Commerce, Community & Economic Development, noted that the committee packet should include a letter from the Division of Insurance that relates the division's belief, after legal research, that these subscription programs would fall under the definition of insurance, as statute is currently written. She clarified that she's really speaking to the fire department portion of the legislation, and opined that this is strictly a policy call of the legislature. She noted that other things are exempted from the broad definition of insurance. To offer insurance [a fire department] can either become an insurance company, which is an expensive and impractical route, or find an insurance company that's willing to provide a backstop. The latter has been utilized in the state with medical transports. She explained that the membership group still has to be licensed to sell the product, which is a fairly inexpensive process. Although the aforementioned isn't difficult, there may be some difficulty finding the backstop. As HB 219 proposes, the subscription program can be exempted from the title requiring insurance. She then expressed concern with subsection (f)

located on page 1, line 6 regarding "ambulance and emergency services". The division's title, AS 21.87.010, already provides almost the identical language and considers the transportation for medical services to be part of health insurance, and thus is covered in the definition of health insurance. She pointed out that AS 21.87.010(5) says: "(5) ambulance or emergency medical services provided by a municipality, nonprofit medical service corporation, or nonprofit association if the person providing the services is certified under AS 18.08.082." The reference to AS 18.08.082 is part of the health and social services' statutes that require the individual providing the emergency medical services to obtain a certificate that is granted upon [completion] of training. The language in subsection (f) of Section 1 of HB 219 is very open and doesn't require any certification, and therefore would allow any nonprofit or municipality to start an ambulance service. The regulations under health and social services already cover this type of circumstance. Ms. Hall informed the committee that she has been involved in the medical transport area in the fire department service charges. There is one membership program that has an insurance backdrop and another that would qualify as a nonprofit and have been exempted under the aforementioned statute. Therefore, she opined that the ability to provide these services as a membership program is available for the nonprofits and thus she expressed her preference to not enact subsection (f) of HB 219 because it seems to be covered in the division's title and has worked. The actual exclusion of air ambulance services, which HB 219 proposes, was proposed about five years ago. At the time she said she supported the legislation while the House Health and Social Services Standing Committee didn't want those services exempted from the Division of Insurance's title. In closing, Ms. Hall urged the committee to consider that HB 219 would allow services that don't meet any criteria.

[9:27:44 AM](#)

REPRESENTATIVE AUSTERMAN asked if HB 219 is broad enough to include the air ambulance service for which [one can subscribe].

MR. HALL answered that the legislation is broad enough that it would take away any of the Division of Insurance's oversight of that type of an entity.

REPRESENTATIVE AUSTERMAN said that is of concern.

[9:28:44 AM](#)

REPRESENTATIVE CISSNA asked whether the sponsor would be willing to specify a size of community in the legislation.

[9:30:47 AM](#)

REPRESENTATIVE GARDNER surmised then that the division doesn't have much concern with the subscription service, but does have concern about the ambulance carrier portion of the legislation.

MS. HALL replied yes.

[9:31:18 AM](#)

REPRESENTATIVE GARDNER asked whether the sponsor would oppose language that would allow a fire department to require subscription service for communities where property owners are already paying property taxes to help support the fire department. She indicated the need to make sure the aforementioned isn't possible.

[9:32:10 AM](#)

SEBASTIAN SAARLOOS, Member, City Council, City of Delta Junction, related support for HB 219. He also related that when the City of Delta Junction had a subscription service the City of Delta Junction fire department and the rural Deltana volunteer fire department would respond to all calls, no matter whether it was the property of a subscriber or nonsubscriber. Since the Division of Insurance deemed the subscription plan would be regulated as insurance, it was ended and the donations from the community have decreased significantly.

[9:33:37 AM](#)

CHAIR MUNOZ reviewed the points raised today for the sponsor to consider.

[9:34:20 AM](#)

MR. PASCHALL returned to the Division of Insurance's concern regarding certification of ambulance services. He related that after pointing out that statute does not require an ambulance service to be certified in the state, Legislative Legal Services agreed that there is only a provision for being certified in order to collect insurance. He also noted that in Alaska there is no requirement to have an emergency medical technician (EMT) in the ambulance.

[9:35:29 AM](#)

REPRESENTATIVE GARDNER surmised then that an ambulance service without certification can't obtain insurance for the transport from that service.

MR. PASCHALL replied yes.

[9:36:09 AM](#)

MR. PASCHALL then returned to the type of organization and informed the committee that the air service businesses are typically for profit. The sponsor doesn't intend for HB 219 to apply to for-profit businesses and doesn't believe that it's written to apply to a for-profit business. The goal was to primarily target smaller communities. In response to Representative Cissna's comment regarding the size of the community, such a provision could be inserted. With regard to Representative Gardner's concerns about fire departments that obtain funding from property taxes also charging a subscription fee, Mr. Paschall related that currently almost all EMS services charge, even if they receive tax funding. Fire departments are also going to that model, particularly when there are multiple calls [to the same location] for fire alarms. He recalled that the City of Fairbanks charges for [fire and EMS services] called to a motor vehicle accident.

[9:37:54 AM](#)

CHAIR MUNOZ announced that the committee will continue to work on HB 219, and thus HB 219 was held over.

[9:38:33 AM](#)

ADJOURNMENT

There being no further business before the committee, the House Community and Regional Affairs Standing Committee meeting was adjourned at 9:38 a.m.