

SENATE FINANCE COMMITTEE
April 15, 2011
9:27 a.m.

[9:27:10 AM](#)

CALL TO ORDER

Co-Chair Stedman called the Senate Finance Committee meeting to order at 9:27 a.m.

MEMBERS PRESENT

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

MEMBERS ABSENT

None

ALSO PRESENT

Representative Mike Hawker; Ted Leonard, Executive Director, AIDEA; Mark Davis, AIDEA; Conrad Jackson, Staff, Representative Olson; Linda Hall, Insurance Director, Department of Insurance, Department of Commerce, Community, and Economic Development; Jeanne Ostnes, Staff, Representative Johnson; Representative Steve Thompson; Representative Bob Herron; Susan K. Bell, Commissioner, Department of Commerce, Community and Economic Development; Patti Mackey, President, Ketchikan Visitors Bureau;

PRESENT VIA TELECONFERENCE

SUMMARY

HB 13 Workers' Compensation: Medical Fees
HB 97 Extend Invasive Plants Law
HB 119 AIDEA: Procurement; Projects

HB 126 Board Extensions: Nurses/Dentists/Barbers

HB 160 Tourism Marketing Contracts/Campaigns

HB 173 Sport Fishing Guiding Services

#hb126

HOUSE BILL NO. 126

"An Act extending the termination dates of the Board of Nursing, the Board of Dental Examiners, the Board of Barbers and Hairdressers, the Regulatory Commission of Alaska, and the Alcoholic Beverage Control Board; and providing for an effective date."

9:28:51 AM

Co-Chair Stedman requested explanation of HB 126.

REPRESENTATIVE MIKE HAWKER explained that HB 126 was an omnibus bill to renew and extend the dates of the Board of Nursing, the Board of Dental Examiners, the Board of Barbers and Hairdressers, the Regulatory Commission of Alaska, and the Alcoholic Beverage Control Board. The extension dates in the bill were suggested by the Division of Legislative audit, with the exception of the Alcohol Beverage Control Board, which had issues still being currently debated and had therefore been granted only a one-year extension.

Co-Chair Stedman highlighted the two fiscal notes. One from the Department of Commerce Community and Economic Development showing the cost to extend the Board of Nursing, the Board of Dental Examiners, and the Board of Barbers and Hairdressers at \$1,431,900 in receipt supported services. The second fiscal note was a Senate Finance Committee note from the Department of Public safety for \$1,505,700 in program receipts to extent the Alcohol Beverage Control Board for one year.

9:30:39 AM

Co-Chair Hoffman MOVED to report SCS for CS for HB 126 (FIN) with SCR title change resolution out of committee with individual recommendations and the accompanying fiscal notes. There being NO OBJECTION it was so ordered.

SCS for CS for HB 126 (FIN) with SCR title change resolution was REPORTED out of committee with a "do pass" recommendation and with accompanying previously published fiscal impact note and new fiscal impact note.

#hb119

HOUSE BILL NO. 119

"An Act relating to the procurement of supplies, services, professional services, and construction for the Alaska Industrial Development and Export Authority; relating to the definition of 'own' for the economic development account; relating to the definitions of 'development project', 'plant', 'facility', and 'project' for the Alaska Industrial Development and Export Authority; and providing for an effective date."

9:32:11 AM

TED LEONARD, EXECUTIVE DIRECTOR, Alaska Industrial Development and Export Authority (AIDEA), introduced HB 119. He stated that the legislation would allow AIDEA to create its own procurement rules under state purchasing statutes, as well as allow AIDEA to partner with the private corporate sector by allowing investment in Limited Liability Corporations and subsidiary corporations. The bill would also expand the definition of projects to allow for investment in various sectors of the economy. Additionally, HB 119 would allow AIDEA to bond for Skagway improvements up to \$65 million.

MARK DAVIS, AIDEA, explained that there had been amendments to the bill; one by the Alaska Housing Finance Corporation (AHFC) which permitted AHFC to work with the private sector and make use of federal funds for low income housing, the other a provision that would allow two ports that were owned by housing authorities to apply for Department of Transportation grants.

9:33:28 AM

Co-Chair Stedman discussed the two zero fiscal notes.

Co-Chair Hoffman MOVED to report SCS HB 119 out of committee with individual recommendations and the

accompanying fiscal notes. There being NO OBJECTION it was so ordered.

SCSHB 119 was REPORTED out of committee with a "do pass" recommendation and with a previously published zero fiscal note from the Department of Commerce, Community, and Economic Development; and new zero fiscal note from the Senate Finance Committee for the Department of Commerce, Community, and Economic Development.

#hb13

HOUSE BILL NO. 13

"An Act relating to fees and charges for medical treatment or services as they relate to workers' compensation; and providing for an effective date."

[9:34:52 AM](#)

CONRAD JACKSON, STAFF, REPRESENTATIVE OLSON, explained HB 13 was an act relating to the medical treatment and service fees as related to worker's compensation. He stated that in 2005 the legislature amended AS 23.30.095(J) to expand the scope of the Medical Services Review Committee to assist and advise the Department of Labor and the Worker's Compensation Board in matters involving the appropriateness, necessity and cost of medical and related services. He referred to pages 11 and 12 of the excerpt from the Medical Services Review Committee report dated November 2009 (copy on file). He stated that one intention of the report was to set the medical fee schedule in place. The legislation puts the fee schedule in place prior to the current expiration of June 30, 2011. He referred to the sponsor statement (copy on file) which discussed the basis of the new schedule.

[9:37:39 AM](#)

Co-Chair Stedman pointed out the fiscal note.

[9:37:49 AM](#)

Senator Olson asked how business owners had reacted to the legislation.

Mr. Jackson replied that contact with business owners had not been made. Representatives of industry had been in agreement that the new fee schedule was necessary. The expiration of the current fee schedule was problematic and without the new fee schedule in place increased premiums were expected.

Senator Olson wondered if medical providers had offered an opinion on the legislation.

Mr. Jackson remarked that provider attention had been placed on a different bill. He stressed that the bill did not change what is already in place.

[9:39:25 AM](#)

Senator Olson expressed concern that employees handling the codes should be properly educated on how to process them.

Mr. Jackson clarified that the codes existed, but not in the fee schedule. So the people processing the codes were educated about them, the codes were simply not covered in the current fee schedule.

LINDA HALL, INSURANCE DIRECTOR, DEPARTMENT OF INSURANCE, DEPARTMENT OF COMMERCE, COMMUNITY, AND ECONOMIC DEVELOPMENT, discussed the charts; "Medical Benefits Constitute the Majority of Total Benefit Cost in Alaska", "Alaska Medical Average Cost per Case vs. Countrywide"(copy on file). She stated that 75 percent of the system costs in Alaska were medical benefits, countrywide the average was 58 percent.

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Ms. Hall offered that the state had substantially higher benefits costs than the lower 48. The "Alaska Medical Average Cost per Case vs. Countrywide" chart illustrated that the average cost per case in 2009 was \$37,000 and the average cost countrywide was \$27,000, resulting in a 37 percent higher average per case cost for Alaska. She

referred to the two page Oregon study (copy on file), which showed that Alaska had moved from first place, having the highest worker's compensation premium, to number 2. She concluded that the purpose of the charts was to illustrate the high cost of worker's compensation costs. She stated that the cost cap would not be onerous. The fee schedule would be based at the 90th percentile and most health insurance policies used 70 to 80th percentile. She believed that the fee schedule was generous and would enable physicians to treat workers injured on the job and not prohibit any type of medical care.

[9:45:34 AM](#)

Senator Olson wondered what effect the bill would have on the injured employee.

Ms. Hall felt that the users experience would either get easier or stay relatively the same.

Senator Olson hoped that workers under Medicare would not be denied coverage by physicians.

Ms. Hall assured the committee she was not aware of any medical office that had suggested not caring for patients under Medicare.

HB 13 was HEARD and HELD in committee for further consideration.

[9:47:09 AM](#)

#hb97

HOUSE BILL NO. 97

"An Act extending a provision relating to noxious weeds, invasive plants, and agricultural pest management and education; providing for an effective date by repealing the effective date of sec. 2, ch. 102, SLA 2008; and providing for an effective date."

JEANNE OSTNES, STAFF, REPRESENTATIVE JOHNSON, explained HB 97 would eliminate the sunset date for a vital position in Alaska's natural resources. The position coordinated a network of dedicated individuals both volunteering and paid. The position had been created with an \$80 thousand dollar fiscal note which had not reflected travel, supplies

or commodities. Details like a desk and phone for the position had been largely funded by grants acquired by the position holder. She said that the state had a growing invasive weed problem that directly affected fish streams.

Co-Chair Stedman referred to the fiscal notes.

[9:50:55 AM](#)

Senator Olson wondered if the position holder would be able to eventually distribute violation citations.

Ms. Ostnes was doubtful. She said that controlling the evasive weeds would happen through cooperation and coordination and not police action.

[9:52:35 AM](#)

Ms. Ostnes pointed out a chart in the packet "Perception of an Invasive Species" (copy on file).

HB 97 was HEARD and HELD in committee for further consideration.

#hb173

HOUSE BILL NO. 173

"An Act amending the termination date of the licensing of sport fishing operators and sport fishing guides; and providing for an effective date."

REPRESENTATIVE STEVE THOMPSON, explained HB 173. He stated that the program was an amendment of the termination date of the licensing of sport fishing operators and sport fishing guides and provided for an effective date. He stated that the program provided benefits for the state as well as the industry. The program had been in operation since 2005 and had received regular extensions, most recently in 2010. The Department of Fish and Game supported the legislation.

[9:54:53 AM](#)

Co-Chair Stedman noted the fiscal note from the Department of Fish and Game.

[9:55:15 AM](#)

Senator McGuire thanked Representative Thompson for the simplified version of the bill.

[9:55:45 AM](#)

Senator Olson spoke to tensions between commercial and sport fishermen. He probed the commercial fisheries stance on the legislation.

Representative Thompson replied that the program helped to provide information to federal agencies and resource managers and ensured the long-term ecological sustainability of the economic statewide fisheries. He stated that the bill spoke to all fisheries user groups.

Senator Olson commented on the letter from the United Fisheries of Alaska, which offered support for the legislation.

HB 173 was HEARD and HELD in committee for further consideration.

#hb160

HOUSE BILL NO. 160

"An Act establishing and relating to the Alaska visitor industry investment fund; relating to matching funds for state tourism marketing contracts with qualified trade associations; and providing for an effective date."

[9:57:35 AM](#)

REPRESENTATIVE BOB HERRON explained HB 160. He stated that the General Fund amount would not exceed \$12 million regardless of the amount put forward by trade associations. The legislation would require a group within a qualified trade association to consist of three persons appointed by the governor, and six selected by the qualified trade association. The bill contained a limit for lobbying and repealed AS 44.33.125(d).

[9:59:24 AM](#)

Co-Chair Stedman referred to page 3, line 9 of the legislation. He clarified that public access would not be excluded.

Co-Chair Stedman referred to two fiscal notes attached to the bill.

[10:00:50 AM](#)

SUSAN K. BELL, COMMISSIONER, DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT explained that recently there had been a wane in visitors to the state. She said that over the last two years 5,000 jobs in the industry had been lost. She stated that the issue was statewide, and stressed that there were signs of recovery and that this was an important time not to back off the states marketing efforts. She felt that the bill was a piece of the strategy. She hoped the state would continue the investment at \$16 million, which would take a combination of legislation and budget work.

Co-Chair Stedman commented that the economy had recently emerged from a worldwide recession. He pointed out that there had been a retreat in the economy partially due to the issue of the cruise ship head tax. He felt that the two combined had had a significant impact in visitor decline.

Ms. Bell responded that the 2009 independent markets were affected by the recession. She thought that changes in the tax regime and interactions with various markets had played a role. She stated industry research showed a cruise recovery, and there were slight increases on the horizon. She stressed increased marketing and the change in the dynamics with the industry would aid in recovery.

[10:04:12 AM](#)

Co-Chair Hoffman wondered if there were any concerns regarding differences in the strategies related to marketing the seafood and the tourism industry.

Ms. Bell replied that the seafood industry marketing was a model for the tourist industry. She said and appropriate tax structure, healthy state funding and communication with the market were all factors that had been incorporated.

[10:05:26 AM](#)

PATTI MACKEY, PRESIDENT, KETCHIKAN VISITORS BUREAU, testified in support of HB 160. She stressed the importance

of funding for tourism marketing. She pointed out that revenues had dropped and small business closures had occurred across the state. She felt that there should be a comprehensive marketing strategy in place. She stated that due to the FY 11 appropriation, the state achieved a substantial increase in visibility. Television spots were airing on 7 different networks, and magazine and internet advertising was significantly expanded. Maintaining the level of state funding was necessary to open the door to future growth and development.

Co-Chair Stedman looked at the language of page 3, line 8, specifically referring to exclusions of funding lobbyists. He felt that the language was odd.

Ms. Mackay remarked the language referring to lobbyists was not an issue with the organization.

Co-Chair Stedman clarified that the organization was comfortable not having paid lobbyists in the Capitol Building working for additional funding.

Ms. Mackay replied that she was willing work with the legislation if it would result in a sustainable marketing program.

[10:10:18 AM](#)

Senator Thomas understood that as long as the trade association was putting in 50 percent, the state could contribute up to \$12 million.

Representative Herron explained that the formula and assured the committee that the total contribution from the state would be \$12 million regardless of the trigger or the formula combination.

Co-Chair Stedman reiterated the question concerning paid lobbyists. He felt it was strange that a marketing entity would be barred by statute from hiring a paid lobbyist.

Representative Herron responded that the provision had surfaced in the House Finance Committee CS, and had remained without debate.

[10:12:32 AM](#)

Senator McGuire referred to discussions concerning changing the match once it exceeded \$3 million.

Representative Herron replied that the funding level in the department was \$16 million of General Funds. Changing the transitional trigger might get closer to current year preferred funding levels.

Senator McGuire wondered if he would be supportive of the concept.

Representative Herron responded that he was supportive of the concept of the amendment and helping the industry.

[10:14:35 AM](#)

Senator Ellis understood that the governor would appoint three cruise ship industry representatives to the marketing board of 9, whereas the current 32 member marketing board offered only three seats to the industry. He queried the dramatic increase of industry influence on the new marketing board.

Representative Herron replied that there had been concern about such a dramatic change. He added that there was no requirement of significant financial input from the cruise interests. The hope was that there would be additional attention and possible additional financial contribution to a marketing campaign because of the new board structure.

[10:16:52 AM](#)

Co-Chair Stedman pointed out that the industry would have one-third control of the board, regardless of their contribution.

Representative Herron said that the scenario had been recognized.

[10:17:28 AM](#)

HB 160 was HEARD and HELD in committee for further consideration.

[10:17:40 AM](#)

AT EASE

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ADJOURNMENT
4:50:56 PM

The meeting was adjourned at 4:51 PM.