

SENATE FINANCE COMMITTEE

April 2, 2013

2:07 p.m.

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CALL TO ORDER

Co-Chair Meyer called the Senate Finance Committee meeting to order at 2:07 p.m.

MEMBERS PRESENT

Senator Pete Kelly, Co-Chair
Senator Kevin Meyer, Co-Chair
Senator Anna Fairclough, Vice-Chair
Senator Click Bishop
Senator Mike Dunleavy
Senator Lyman Hoffman
Senator Donny Olson

MEMBERS ABSENT

None

ALSO PRESENT

David Livingstone, Managing Director, CITI Corp; Pat Kemp, Commissioner, Department of Transportation and Public Facilities; Verne Rupright, Mayor, City of Wasilla; Heather Shattuck, Staff, Senator Pete Kelly; William Streur, Commissioner, Department of Health and Social Services; Angela Rodell, Deputy Commissioner, Treasury Division, Department of Revenue; Deven Mitchell, Executive Director, Alaska Municipal Bond Bank Authority, Department of Revenue; Representative Mike Chenault; Valerie Davidson, Alaska Native Tribal Health Consortium; Flora Roddy, Self, Fairbanks.

PRESENT VIA TELECONFERENCE

Larry Devilbiss, Mayor, Matanuska-Susitna Borough; Dan Sullivan, Mayor, Anchorage; Berkley Tilton, President, Knik-Fairview Community Council, Wasilla; Darcie Salmon, Assemblyman, Mat-Su; Lincoln Bean, Chair, Alaska Native Health Board, Anchorage.

SUMMARY

SB 13 KNIK ARM BRIDGE AND TOLL AUTHORITY

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

SB 48 PERS CONTRIBUTIONS BY MUNICIPALITIES

SB 48 was SCHEDULED but not HEARD.

SB 88 ALASKA NATIVE MEDICAL CENTER HOUSING

SB 88 was HEARD and HELD in committee for further consideration.

CSHB 30(FIN)

STATE AGENCY PERFORMANCE AUDITS

CS HB 30 (FIN) was SCHEDULED but not HEARD.

#sb13

SENATE BILL NO. 13

"An Act relating to bonds of the Knik Arm Bridge and Toll Authority; relating to reserve funds of the authority; relating to taxes and assessments on a person that is a party to an agreement with the authority; and establishing the Knik Arm Crossing fund."

Vice-Chair Fairclough looked at slide 16 of the PowerPoint, "Knik Arm Crossing, Financial Briefing" (copy on file). She remarked that the Resource Committee had conversations with the Department of Revenue (DOR) regarding moral obligation of the state. She shared that she was led to believe that if the bonding agencies looked at Alaska and the moral obligation, it would be moved to a debt owed by the State of Alaska. She requested a comment regarding her understanding of "moral obligation."

DAVID LIVINGSTONE, MANAGING DIRECTOR, CITI CORP, responded that her assumptions were correct. He furthered that a straight moral obligation, with no offsetting revenues, would be analogous as a debt to the state. He shared that Knik Arm Bridge and Toll Authority (KABATA) would use availability payments that were backed by the state's moral

obligation. He furthered that the payments would be reduced by toll revenues, which would reduce how the rating agencies would view the moral obligation. The rating agencies would assume that the toll revenues would reduce the state's obligation to pay. He remarked that he had looked at the toll revenues in a variety of sensitivities, and felt that the rating agencies would impact the state's rating.

Senator Olson looked at slide 9, and requested an explanation of the factor of 1.5 percent. Mr. Livingstone replied that CITI financed projects based on traffic and revenue studies. He remarked that he examined the studies to determine the accuracy of the projections. He stressed that predicting the future is never precise, but pointed out that he had analyzed approximately 10 studies for traffic and revenues. He explained that there was an equal number of traffic above and traffic below, and generally they were all within 10 or 15 percent of projections. He felt that the projections were fairly accurate.

Senator Olson remarked that the Transportation Resource Board found that the estimates were too optimistic. Mr. Livingstone replied that he was unfamiliar with that analysis, and furthered that he financed projects based on studies prepared by CDM Smith.

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Vice-Chair Fairclough wondered how the proposal would control cost. Mr. Livingstone responded that there were a number of reasons why the proposal provided a lower cost. He stated that the normal procurement would hire an engineering firm; bid to contractors; and there may be change orders. He stressed that the engineering firm would hire a contractor to both design and construct the project. This alleviates the potential for design and construction disagreements. He stressed that he the construction costs for similar projects that separated contracting and design firms were significantly greater than the owners' initial estimates. He felt that using one firm for both contracting and design would decrease cost.

Vice-Chair Fairclough wondered what the bank's risk would be related to the Endangered Species Act. She stressed that Alaska was holding the risk under the payments. She wondered how the risk was weighted, when the federal

listing was beyond control. She pointed out that there were daily risks related to earthquakes and other natural disasters, but remarked that the federal government used specific science to list specific species as "endangered." Mr. Livingstone responded that there were wildlife surveys that were completed in the Knik Arm, and along the right-of-way. He remarked that the beluga whale was an endangered species. He stressed that there were many conversations between KABATA and the federal government regarding how the bridge should be built to minimize the impact on the beluga whales.

Senator Hoffman looked at slide 12, "Revenue Sensitivity Results from Monte Carlo Simulations." He wondered if the slide represented the total revenue for 45 years with a downside of \$5 billion with an aggressive upside of \$9 billion. Mr. Livingstone replied in the affirmative, and furthered that the results were formulated by an outside firm, CDM Smith.

Senator Hoffman queried the numbers derivation of the represented scenarios. He wondered if the toll charges were constant or fixed under each scenario, and wondered if the set toll would be in place for 45 years. Mr. Livingstone replied that that the scenarios took into account both the traffic and the toll rate. He remarked that the same toll rate was assumed for each scenario.

Senator Hoffman queried the toll rate. Mr. Livingstone replied that the toll rate started at \$5 per passenger car, with a lower rate for motorcycles and a greater rate for trucks. This rate would start upon bridge opening in 2016. He pointed out that the rate would increase with inflation by approximately 2 percent.

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Senator Hoffman wondered who would make the final determination of rate increase. Mr. Livingstone replied that the KABATA Board would make that final decision. He stressed that the projections were based on assumed inflation. He pointed out that it would be assumed that the rate would not be increased, if that particular year experienced no inflation.

Senator Hoffman asked if the board had the authority to raise the rate higher than inflation, if there was a

downside. Mr. Livingstone responded that the KABATA Board had the discretion to increase the toll rates at any time.

Senator Hoffman looked at slide 14, "Sensitivity Results." He asked for further detail of the severe downside and aggressive upside under the five different scenarios. Mr. Livingstone replied that the state had the initial funding of \$150 million in the reserve. He remarked that the state would be asked to appropriate \$627 million over time in the aggressive upside. He stated that the \$627 million would allow for no requests until 2025. The first request would be \$8.9 million in 2025, and the largest request in any year would be \$37.5 million in 2044. He furthered that, in the aggregate, the total appropriation requests, over time, would be \$627 million. He explained that the total state liability would be \$777 million. He stated that late in their analysis, the project would generate revenues in excess of the expenses at a total of \$910 million that would be returned to the state to fund other transportation needs across the state. He stressed that the project would generate \$133 million for the state.

Senator Hoffman looked at slide 12, and surmised that it represented total revenues over 45 years of slightly under \$5 billion. Mr. Livingstone agreed, and furthered that the projections assumed that KABATA and the state would expand the bridge as traffic warrants. He declared that the money for expansions was included in the scenarios. He remarked that the state had the option to defer the cost assumptions for expansion, but stressed that the downside would cause much more congested on the bridge.

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Senator Olson looked at slide 4, and queried an example of the state's liability. Mr. Livingstone responded with slide 6, and pointed out the specific events. He stated that there was a contract between KABATA and the private partner that held 21 events. He explained that there were two types of "unforeseen surface conditions", but he only listed one on the list. He stressed that KABATA was not taking a "blind risk" with this project. He pointed out that there were various extensive studies that were used as information with the private partner.

Senator Olson wondered if the state would be liable for the risk, if the project fails. Mr. Livingstone deferred to the Department of Law (DOL).

PAT KEMP, COMMISSIONER, DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES, introduced himself.

Co-Chair Meyer wondered if Commissioner Kemp had any testimony that he would like to share. Commissioner Kemp explained that the Department of Transportation and Public Facilities (DOT/PF) was not privy to much of the shared information regarding KABATA. He explained that he was on the KABATA Board; DOT/PF had sub-recipient rights from the federal government; and worked with KABATA regarding right-of-way. He stressed that he was not an expert regarding the details with their reports.

Co-Chair Meyer wondered if Alaska had ever had a Public/Private Partnership (PPP) Commissioner Kemp replied that DOT/PF had never done a PPP, but furthered that there may be PPP for the road to Ambler. He stressed that DOT/PF did not do the PPP financing, but mostly focused on the engineering and environmental issues related to preparing a project.

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Co-Chair Meyer wondered if there were any suggestions regarding the liability concerns. He wondered if the bridge belonged to the state or KABATA. Commissioner Kemp responded that sight conditions were the responsibility of KABATA, but deferred most of the liability concerns to DOL. He remarked that the contractor does the geotechnical work, so some liability may fall to the contractor.

Senator Bishop asked for a restatement of DOT/PF's participation in the project. Commissioner Kemp replied that KABATA was the sub-recipient of federal highway funds, so DOT/PF had no oversight until the environment document was complete. He furthered that the federal highway program turned the project over to DOT/PF to monitor the expenditures.

Senator Bishop wondered who would provide the snow removal for the bridge. Commissioner Kemp replied that KABATA would provide the snow removal.

Co-Chair Meyer wondered if DOT/PF was responsible for the roads that were attached to the bridge. Commissioner Kemp responded that DOT/PF would be responsible for those roads.

Senator Dunleavy understood that this project proposal was unique in Alaska, but pointed out that there were many toll roads and bridges in other parts of the United States. He felt that there could be insurance that might deal with liability concerns.

Senator Olson stressed that the project may not yield enough revenue, because of the small population in Alaska.

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Senator Olson noted that Commissioner Kemp's background was in surface transportation. He wondered if bedrock drilling was a concern. Commissioner Kemp responded that he hoped the geotechnical work would be done properly. He furthered that the requirements include an exploratory hole for every pier.

Senator Olson wondered if earthquakes were a concern. Commissioner Kemp responded that there were methods that were used to design around the potential for an earthquake, but stressed that he was not familiar with the geology around the bridge.

Senator Bishop shared that he felt that there was technology to ensure that bridges could withstand earthquakes.

Vice-Chair Fairclough queried the estimated cost of the road from both sides of the bridge. Commissioner Kemp responded that the Mat-Su side was approximately \$150 to \$200 million, and the Anchorage side was approximately \$250 million.

Co-Chair Meyer wondered who would pay for the cost of those roads. Mr. Livingstone replied that the excess toll and federal aid would pay for those roads.

Vice-Chair Fairclough understood that payments would not be due until 2025, and wondered if the completion date for traffic would be 2025. Commissioner Kemp did not know the answer.

Vice-Chair Fairclough stressed that it was important to understand the payment plan for the project.

Senator Olson remarked that he heard Mr. Livingstone state that the bridge would be open in 2016. The committee nodded in affirmation.

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LARRY DEVILBISS, MAYOR, MATANUSKA-SUSITNA BOROUGH (via teleconference), testified in support of SB 13. He shared that every mayor in the Mat-Su borough supported the project. He remarked that the bridge would open a window to 40 percent of the Kenai borough. He shared that the impact of KABATA to the Mat-Su borough would be extremely positive. He stated that the fastest demographic in the Mat-Su borough was very near where the bridge would be built, and he stressed that the population growth was placing stress on that area. He remarked that the Mat-Su borough was anticipating the project by laying out two separate town sites near the landing of the bridge. He shared that there were already discussions regarding a new middle school and high school near the bridge. He felt that the consequences of not building a bridge would be "horrific."

Senator Olson wondered if the Mat-Su was contributing any money for the project. Mayor Devilbiss replied that there were some corporations within the Mat-Su that were contributing. He furthered that there was some local money that would be used for road infrastructure on the Mat-Su side. He shared that the Mat-Su borough passed a \$60 million road-bond package in the year prior, which the state matched.

Senator Olson stressed that the legislature was trying to avoid the problems that were created from the Mat-Su Ferry, which was a previously proposed project. Mayor Devilbiss felt that the current project was much different than the ferry.

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DAN SULLIVAN, MAYOR, ANCHORAGE (via teleconference), testified in support of SB 13. He announced that he had supported KABATA for many years. The bridge was first proposed in 1959. He remarked that there was currently only one route between the two most populated areas of the

state. He felt that it was imperative to expand the access between Anchorage and the Mat-Su borough. He furthered that 18,000 to 20,000 daily commuters used the Glenn Highway. He stressed that there were multiple times in the winter months when that highway is closed, either due to a car accident or weather. He felt that limiting those commuters with only one access did not make logistical sense. He shared that the Port of Anchorage was a very important hub to the rest of Alaska. The bridge would allow for the container trucks to avoid downtown Anchorage, which would alleviate much of the congestion that already plagued Anchorage. He stressed that 1000 to 1500 jobs would be created with this project.

Co-Chair Meyer wondered if there was a concern about property taxes being reduced if the bridge was built. Mayor Sullivan replied that the growth in the Mat-Su was already occurring.

Vice-Chair Fairclough wondered if there were 18,000 to 20,000 daily commuters between the Mat-Su and Anchorage. Mayor Sullivan replied in the affirmative.

Vice-Chair Fairclough wondered what percentage of those commuters were "hauling loads." Mayor Sullivan replied that most of the trucks were driving north and then returning to Anchorage empty. He agreed to provide further information.

Vice-Chair Fairclough felt that the trucks would be more likely to use the bridge, depending on the toll rate. Mayor Sullivan agreed.

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BERKLEY TILTON, PRESIDENT, KNIK-FAIRVIEW COMMUNITY COUNCIL, WASILLA (via teleconference), testified in support of SB 13. He shared that he had built roads in Alaska since 1965. He remarked that Alaska made a commitment to maintain its roads for its citizens. He felt that the project was a road project that would benefit the entire state. He likened the project to the Golden Gate Bridge, because the impact was extremely important. He understood that the project was expensive, but it would produce an extremely positive effect. He echoed Mayor Devilbiss and Mayor Sullivan's remarks. He reiterated that the project was the responsibility of the state.

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DARCIE SALMON, ASSEMBLYMAN, MAT-SU (via teleconference), spoke in support of SB 13. He shared that he had been the mayor of the Mat-Su from 1997 to 2000, and was an original commissioner for KABATA from 2003 to 2009. He felt that the project included other economic interests including the port at Point Mackenzie, the rail spur from Point Mackenzie into the Interior, and the bridge from Anchorage to the Mat-Su. He felt that those three projects would result in a 360-degree intermodal transportation corridor. He felt that the bridge was essential to the economic growth of the other two projects.

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VERNE RUPRIGHT, MAYOR, CITY OF WASILLA, spoke in support of SB 13. He stressed that the bridge was not only strategic to the use and access to Alaska, but also a good investment for the federal government. He remarked that the federal government should express a greater participation in the project. He stressed that Wasilla was experiencing a population surge, and was the fastest population growing area in the state. He felt that the bridge would simply give people options, as the bridge would not shorten the distance that was already in place through the Glenn Highway.

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

#sb88

SENATE BILL NO. 88

"An Act authorizing the state bond committee to issue certificates of participation to finance the construction and equipping of residential housing to serve the Anchorage campus of the Alaska Native Medical Center; and authorizing the Department of Administration to enter into a lease-purchase agreement for the benefit of the Alaska Native Tribal Health Consortium."

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HEATHER SHATTUCK, STAFF, SENATOR PETE KELLY, stated that SB 88 authorized the Department of Administration to enter

into a lease purchase agreement with the Alaska Native Tribal Health Consortium (ANTHC) for construction and equipping of a residential housing facility to be located on the Anchorage campus of the Alaska Native Medical Center (ANMC). The Department of Health and Social Services and the Alaska Tribal Health System are partners in providing community health care services throughout Alaska.

Ms. Shattuck stated that ANMC provided comprehensive medical services to 143,000 Alaska Native and American Indian people across the Alaska Native Tribal Health Care system. Patients who need medical services beyond their local health clinic's capacity are referred to ANMC for specialty care services. Two years ago ANTHC and the Department of Health and Social Services began identifying ways in which working together could result in Medicaid cost savings for the State while providing a more robust array of services offered within the tribal health system. The State of Alaska manages the Medicaid Program.

Ms. Shattuck explained that the Federal government and the State split the cost of services for most Medicaid patients 50/50. However, if the Medicaid patient is an Alaska Native/American Indian and receives services in a tribal facility, the State is reimbursed 100 percent of the cost. The additional 50 percent reimbursement rate resulted in significant savings to the State's Medicaid budget. A key element in providing these health care services is housing. Families who travel to Anchorage for services must have housing to have meaningful access to care. When the new hospital was built at the Tudor Road campus in 1997, it included a 54 semi-private room facility adjacent to the hospital, the Quyana House. As demand increasingly exceeded the current 110 bed capacity, the ANTHC began contracting with local hotels to provide for additional rooms. Even at increased cost, this still did not meet the demand. Senate Bill 88 addresses the critical need for patient housing by authorizing \$35 million in State Revenue bonds for construction of a 170-bed residential housing facility with sky bridge access to ANMC.

Ms. Shattuck stated that it is not surprising that housing is an integral part of ANMC's plans to increase services in the following areas: Maternal Child Health/NICU expansion, Operating Room Expansion, Endoscopy, Telemedicine Delivery, Advanced Radiology Services, Ophthalmology, ENT, General Surgery, Urology, Emergency Services, and Physical Therapy.

Patients who have housing on campus will receive services at ANMC rather than another healthcare facility in the area. Those who are Medicaid eligible will save the State General Fund dollars.

Ms. Shattuck announced that SB 88 anticipates state General Fund Medicaid savings of approximately \$8.8 million per year. This number is likely to increase over the next 10 years due to increased utilization for all health care services provided to Alaska Natives/American Indians. The identified cost savings exceed the amount needed to pay debt service on the bond. It is a solid investment for the State and a good partnership outcome for the Alaska Native Tribal Health System.

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Co-Chair Meyer commented that he appreciated the possibility of cost savings related to the bill. He understood that the premise of the bill was to provide long-term housing on the campus for the hospitals in Anchorage. Ms. Shattuck agreed, and furthered that there would be a sky bridge that would connect the housing facility with the hospital, in order to avoid the use of taxis on inclement weather days.

Vice-Chair Fairclough wondered how it was determined that \$8 million was a fair number related to the number of people. Ms. Shattuck responded that in FY 12, Alaska paid Providence and Alaska Regional \$29 million for Alaska natives to receive care that could have been provided at ANMC. She furthered that the Consortium hoped that, with improved access, throughput, and efficiencies, they could save the \$8.8 million which would translate into a 30 percent increase for those that would receive care at ANMC.

Vice-Chair Fairclough shared that she was the former executive director of Standing Together Against Rape (STAR), and had worked with people who chose to go to other medical providers for personal reasons. She wondered what degree of certainty was available to determine if those people would choose to be treated at ANMC.

Co-Chair Meyer remarked that the project was a Certificate of Participation (COP), and asked for further explanation on the funding of the project.

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WILLIAM STREUR, COMMISSIONER, DEPARTMENT OF HEALTH AND SOCIAL SERVICES (DHSS), explained that it was not known whether or not an individual would choose ANMC. He stated that when a tribal member is brought into Anchorage, and boarded at a hotel, that individual would tend to seek treatment where they feel inclined. He felt that housing an individual near ANMC, they would obtain easier and accessible treatment.

Vice-Chair Fairclough felt that one-third was a conservative estimate, and appreciated that conservative estimate.

Co-Chair Meyer wondered if the facility contained 150 beds. Commissioner Streur replied that the facility would contain 170 beds.

Senator Bishop wondered if part of the savings would be because of the lack of contracting line. Commissioner Streur responded that the \$8.8 million was only related to health care cost savings.

Senator Bishop commented that the project seemed like a smart option.

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Co-Chair Kelly requested more information regarding savings related difficult pregnancies. Commissioner Streur asked for more clarification.

Co-Chair Kelly remarked that he had conversations regarding savings related to difficult pregnancies. Commissioner Streur responded that the project would allow for early term pregnant women for prenatal services, would increase the chances for a normal delivery and a healthy baby.

Co-Chair Kelly surmised that much of the prenatal care occurred at Providence. Commissioner Streur responded in the affirmative.

Co-Chair Kelly queried the per-night cost for a stay at Providence versus at ANMC. Commissioner Streur agreed to provide that information, but stressed that the high costs

were related to the length of time in the neo-natal intensive care unit.

Senator Dunleavy wondered if there was a study for the hotels in the area related to the impact on their business. Commissioner Streur responded that he was unaware of any such study.

Co-Chair Meyer wondered if the fiscal note was prepared by DHSS. Commissioner Streur responded in the affirmative.

Co-Chair Meyer noted that the fiscal reflected a savings for DHSS, with a fund source of federal receipts. He asked for more information on the fiscal note. Commissioner Streur explained that the fiscal note was a zero fiscal note, because the federal receipts would be offset by increased federal receipts to offset the general fund (GF).

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ANGELA RODELL, DEPUTY COMMISSIONER, TREASURY DIVISION, DEPARTMENT OF REVENUE, introduced herself.

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

Co-Chair Meyer requested information related to the COP. Mr. Mitchell responded that the COP was more complicated than past COPs, because of the complex partnerships. He explained that there would be a ground lease established on the property, with a sky bridge to ANMC, and a parking garage built adjacent to the parcel property. He stated that there would be a facility lease for the structure. He explained that the two leases would be granted to a trustee bank, that the state appoints. That trustee bank would then lease the facility back to the state, and the lease payments would be fractionalized into \$5,000 blocks of participation in the lease, and sold to third party investors at varying interest rates, depending on how long the money is given. He stated that payments made under the lease would be matched by the trustee and the repayment of those investors over 15 years.

Co-Chair Meyer wondered who would own the building after the 15 years. Mr. Mitchell responded that the state would own the facility during the term of the lease, and after 15 years ANTHC would own the facility.

Vice-Chair Fairclough surmised that the state would issue the COP bonds, the state would make the payments on the bonds, and the state would turn over ownership to ANTHC. Mr. Mitchell responded in the affirmative.

Co-Chair Kelly stated that the payment for the bonds came from the 100 percent Medicaid match. He furthered that the delta from the 100 percent match came for these particular patients, rather than the 50 percent for a "normal" Medicaid patient.

Mr. Mitchell noted that the DOR fiscal note had an estimation of \$415,000 needed to issue the COPs for rating agencies, bond council, financial advisory services, and other required services in order to structure and issue the publicly offered debt. He explained that the bill contemplated \$35 million from the proceeds of the COPs for the project. He stated that the DOR fiscal note indicated that \$415,000 would come from the COPs to pay for the cost of issuance. He felt that it was common at the local level for general obligation bond issues, and the additional funding was realized by selling the bond at the premium.

Vice-Chair Fairclough wondered why the funding method was chosen for the facility construction. Mr. Mitchell responded that COPs were often used in building construction.

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Vice-Chair Fairclough queried the estimate of the cost of the sky bridge. Ms. Rodell replied that the cost was included in the \$35 million, she did not know what portion.

Vice-Chair Fairclough queried the actual cost of the project without the debt service. Mr. Mitchell replied that \$35 million was the amount of the COP, which was the project fund deposit. He furthered that there could be an additional interest earnings on the project fund of \$150,000, which was the state's anticipated contribution.

Vice-Chair Fairclough surmised that there was 2.75 interest rate calculated for 15 years included in the package. She felt that there ought to be a lower estimate than \$35 million, because the state was paying an outside entity for the project. Mr. Mitchell responded that the total payments

would be estimated \$42 million, after the interest differential. Ms. Rodell furthered that the other alternative was cash, so there would be a 1 percent earnings estimate on GF.

Mr. Mitchell stressed that the project was not proposed by the administration.

Senator Hoffman shared that there were two other assisted living projects in Bethel and Kotzebue that focused on Medicaid cost savings to the state that were funded completely with cash. He stressed that the long-term savings for those centers and the proposed project would occur exponentially.

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VALERIE DAVIDSON, ALASKA NATIVE TRIBAL HEALTH CONSORTIUM, testified in support of SB 88. She stressed that the ANTHC had a positive impact on the native communities across the state. She stressed that Alaska benefited from various types of care that ANTHC provided, including immunizations. She shared that ANTHC was often the only medical provider in rural Alaska. She shared that ANTHC was not solely geared toward natives. She stated that the Veterans Administration entered into agreements with the tribal health organizations in Alaska, recognizing that the Veterans Administration would also benefit by having the tribal health systems provide services, so they would not be required to build infrastructure in rural Alaska. She stressed that the state did not build the additional infrastructure in Alaska, because the tribal health systems provided the health care. She shared that the average village size in Alaska was approximately 300 people, so sometimes services were limited beyond the local community's capacity to provide care. When that occurred, patients were referred to one of six regional hospitals located throughout the state: Barrow, Bethel, Dillingham, Kotzebue, Nome, and Sitka. She stressed that those hospitals provided incredible services, but there were some services that required people to be transferred to Anchorage to ANMC. She shared that more than half of the people that receive services at ANMC travel from outside Anchorage in order to access health care services. She shared some stories of patients who benefitted from health care at ANMC.

Vice-Chair Fairclough supported the concept of the bill. She queried the construction cost. Ms. Davidson replied that the cost of construction and facilitating would be \$35 million. She furthered that the cost of the sky bridge would be \$2 million.

Vice-Chair Fairclough wondered if a contractor had been selected. Ms. Davidson responded that a contractor had not yet been selected.

Vice-Chair Fairclough wondered if the project would fall under the state procurement code. Ms. Davidson stated that she was not comfortable responding to that question.

Vice-Chair Fairclough expressed was not sure why the project was using borrowed funds, rather than using capital funds.

Co-Chair Meyer responded that there was an anticipation of savings to the operating budget over the 15 year period, without needed to provide \$35 million immediately.

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LINCOLN BEAN, CHAIR, ALASKA NATIVE HEALTH BOARD, ANCHORAGE (via teleconference), spoke in support of SB 88. He stated that the Alaska Native Health Board was a statewide organization, which represented 25 health providers that deliver health care in nearly every community in Alaska. When needed care was beyond the local assistance, the patients were sent to Anchorage.

FLORA RODDY, SELF, FAIRBANKS, testified in support of SB 88. She shared a story about her grandson's health issue. She remarked that the project would provide necessary assistance to many individuals, like her grandson.

Co-Chair Meyer CLOSED public testimony.

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Co-Chair Kelly stressed that the native population currently received a 50 percent Medicaid reimbursement, when they receive care at non-tribal hospitals. He stated that it was important for those natives to receive care from the tribal hospitals, in order to receive 100 percent

Medicaid reimbursement. He stated that SB 88 could provide significant savings in the Medicaid budget.

Co-Chair Meyer agreed with Co-Chair Kelly, and asked for more information regarding the financing of the project. Ms. Rodell responded that there were discussions regarding maintaining savings, and capturing the identified population. She stated that the housing mechanism could benefit the system. She furthered Commissioner Streur was skeptical of the amount of savings, so there were significant estimate decreases, and how much money could be leveraged into a bond transaction.

Co-Chair Meyer wondered if it was a good time to invest. Ms. Rodell replied that there were currently historically low rates.

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AT EASE

4:10:10 PM

RECONVENED

SB 88 was HEARD and HELD in committee for further consideration.

#hb30

CS FOR HOUSE BILL NO. 30(FIN)

"An Act relating to performance reviews, audits, and termination of executive and legislative branch agencies, the University of Alaska, and the Alaska Court System; and providing for an effective date."

CSHB 30(FIN) was SCHEDULED but not HEARD.

#sb48

SENATE BILL NO. 48

"An Act requiring each municipality with a population that decreased by more than 25 percent between 2000 and 2010 that participates in the defined benefit plan of the Public Employees' Retirement System of Alaska to contribute to the system an amount calculated by applying a rate of 22 percent of the total of all base salaries paid by the municipality to employees of the municipality who are active members of the system

during a payroll period; reducing the rate of interest payable by a municipality with a population that decreased by more than 25 percent between 2000 and 2010 that is delinquent in transmitting employee and employer contributions to the defined benefit plan of the Public Employees' Retirement System of Alaska; giving retrospective effect to the substantive provisions of the Act; and providing for an effective date."

SB 48 was SCHEDULED but not HEARD.

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ADJOURNMENT

4:17:38 PM

The meeting was adjourned at 4:17 p.m.