

SENATE FINANCE COMMITTEE

April 4, 2013

2:43 p.m.

[2:43:50 PM](#)

CALL TO ORDER

Co-Chair Meyer called the Senate Finance Committee meeting to order at 2:43 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

Angela Rodell, Deputy Commissioner, Treasury Division, Department of Revenue; William Streur, Commissioner, Department of Health and Social Services; Valerie Davidson, Alaska Native Tribal Health Consortium (ANTHC); Heather Shattuck, Staff, Senator Pete Kelly; Patrick Gamble, President, University of Alaska; Kit Duke, Associate Vice President for Facilities, University of Alaska; Anna Latham, Staff, Representative Kurt Olsen; Kris Curtis, Division of Legislative Audit; Cecile Elliott, Staff, Representative Mike Hawker;

SUMMARY

SB 74 UNIVERSITY OF ALASKA BUILDING FUND

SB 74 was HEARD and HELD in committee for further consideration.

SB 88 ALASKA NATIVE MEDICAL CENTER HOUSING

SB 88 was REPORTED out of committee with a "do pass" recommendation and with a fiscal impact note from the Department of Administration, a fiscal impact note from Department of Health and Social Services, and a fiscal impact note from the Department of Revenue.

CSHB 22(L&C) BOARD OF MARINE PILOTS

CSHB 22 (L&C) was REPORTED out of committee with a "do pass" recommendation and with a previously published fiscal impact note from the Department of Commerce, Community and Economic Development.

HB 26 EXTEND BOARD OF PUBLIC ACCOUNTANCY

HB 26 was REPORTED out of committee with a "do pass" recommendation and with a fiscal impact note from the Department of Commerce, Community and Economic Development.

#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."

[2:44:46 PM](#)

Co-Chair Meyer noted that the bill had been previously discussed in committee. He believed that the question that remained before the committee was whether the project should be paid for up front with capital dollars, or should it be bonded for, with interest being paid on the bond. He admitted that the state was short funds for capital projects, but that the project proposed in the legislation was financially feasible because of solid revenue sources.

[2:46:37 PM](#)

Co-Chair Meyer queried whether the department assigned to fiscal note number 1, for \$35 million in estimated capital costs, should be the Department of Administration (DOA) or the Department of Revenue (DOR).

2:47:25 PM

ANGELA RODELL, DEPUTY COMMISSIONER, TREASURY DIVISION, DEPARTMENT OF REVENUE, replied that the state would sell certificates of participation by DOR through the State Bond Committee. She relayed that the certificate represented the sale of participation in a lease agreement. She furthered that DOA would then take the proceeds of the transaction and hold them; the department would receive invoices as the project was under construction and would be in contact with the Department of Health and Social Services to ensure that the expenses were what had been agreed upon in the lease agreement. She stated that once the facility was open DOR would lease the building from DOA for 15 years; the lease payments made would be used to repay the certificates of participation. She stressed that the amount of Medicaid savings generated through use of the facility would reflect positively on the state's general fund.

2:49:20 PM

WILLIAM STREUR, COMMISSIONER, DEPARTMENT OF HEALTH AND SOCIAL SERVICES, commented that approximately 40 percent of the services currently provided to Alaska Natives were done through a native run system, which left 60 percent on the table. He said that assuming that 20 percent of specialty services were not available within the tribal system, or in Alaska, a 40 percent doubling of services could be provided by the tribal system. He thought that by moving as many services as possible over to the tribal system, the state would receive a 100 percent match from the federal government, resulting in less spending of general fund dollars. He noted that that the bill was a step towards getting tribal members medical help within the tribal system. He shared that receiving services consistently within the tribal system would result in continuity of care for recipients. He pointed out that there was a \$1.1 million projected savings for general child health. He relayed that many surgeries currently being performed could be done through the tribal system, and would allow for better care prior to and immediately after surgery. He noted that ear, nose, and throat problems were prevalent in

rural communities. He thought that the expanded capacity could result in a savings of \$650,000. He spoke to telemedicine, which he believed was underutilized. He said that travel expenses were ever increasing in the state and that the memorandum of understanding had to include the continued development of telemedicine capabilities.

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Co-Chair Meyer queried what was included in the memorandum of understanding.

Commissioner Streur listed the items in the memorandum: cost based reimbursement for Medicaid recipient's room and board, preferential status for Medicaid recipients to assure priority access, required necessary transport, pre-maternal Medicaid services. He believed that the best Benefit to the state would be to ensure that the next generation received the best possible care.

[2:55:31 PM](#)

Co-Chair Meyer inquired if the committee had a copy of the memorandum of understanding.

Commissioner Streur replied that he could provide the document to the committee.

[2:55:43 PM](#)

Commissioner Streur continued to discuss the memorandum of understanding. He said that the designated use of the facility must be maintained for the term of the bond. He stated that access and utilization of the services must continue to be developed under the terms of the bond.

[2:57:39 PM](#)

Co-Chair Meyer reiterated his desire for a copy of the memorandum of understanding. He requested further clarification concerning the \$35 million in capital funds under DOA, rather than DOR, as reflected in the fiscal note.

[2:57:54 PM](#)

Ms. Rodell replied that once the bonds were sold, DOR would not administer the proceeds; the proceeds would be turned over to DOA because DOA would be entering into the lease agreements on the state's behalf.

[2:59:05 PM](#)

Co-Chair Meyer welcomed Senator Bishop and Vice-Chair Fairclough to the committee table.

[2:59:33 PM](#)

Co-Chair Kelly inquired whether Alaska Native Tribal Health Consortium (ANTHC) would be able to pay for additional costs if the project ran over budget.

Ms. Rodell referred the question to representation from ANTHC.

[3:00:03 PM](#)

Vice-Chair Fairclough queried how the state would ensure that contractors received their payments.

Ms. Rodell replied that the invoices of payment would come to DOA, which she expected would coordinate with the Department of Health and Social Services (DHSS).

[3:01:14 PM](#)

Vice-Chair Fairclough wondered how the cost estimation of the project had been determined before the project contractor had been selected.

Commissioner Streur referred the question to ANTHC.

[3:01:59 PM](#)

Vice-Chair Fairclough asked if the commissioner had reviewed the cost estimate documents associated with the project.

Commissioner Streur replied yes. He added that the department would continue to review blueprints and cost estimates along with DOR and DOA.

[3:02:37 PM](#)

VALERIE DAVIDSON, ALASKA NATIVE TRIBAL HEALTH CONSORTIUM (ANTHC), testified that the ANTHC would be responsible for operation and maintenance of the facility once construction was complete. She shared that the facility design included six floors; 5 of the floors would be financed by the state, but ANTHC would finance the 6th floor for patient education with a particular emphasis on well-baby and well-mother care. She relayed that tele-medical services would be made available in order to help homesick patients during longer hospital stays far from home. She stated that ANTHC recognized the need for a meaningful partnership with the state and was currently financing part of the facility. She highlighted that ANTHC had a positive track record of building facilities on-time and under budget. She shared that she had negotiated a number of agreements for services that had been clear and effective. She noted Commissioner Streur had been a diligent advocate for the state in negotiations. She stated that the issue of access to care came up at every board meeting; the key to better access to healthcare for people living outside of Anchorage was housing.

[3:08:28 PM](#)

Co-Chair Meyer restated the question raised by Vice-Chair Fairclough concerning the fiscal noted for \$35 million. He asked how the contracts would be awarded.

Ms. Davidson replied that in addition to co-managing the Alaska Native Medical Center, the consortium had a large construction sector of its organization. She said that the consortium had a short list of contractors that would be meeting in the future to examine opportunities and review proposals.

[3:09:49 PM](#)

Co-Chair Kelly queried if ANTHC would cover any cost overruns.

Ms. Davidson replied that cost overruns were not anticipated; however, if additional funds became necessary to finish the project, ANTHC would not request the funds from the state.

[3:10:24 PM](#)

Co-Chair Meyer inquired if language pertaining to cost overruns had been included in the memorandum of understanding.

Ms. Davidson replied in the affirmative.

[3:10:34 PM](#)

Senator Bishop directed the committee to Page 2, line 8 of the bill. He requested assurances on the record that Alaska hire would be at the forefront of the hiring process.

Ms. Davidson responded that hiring Alaskans was important on all ANTHC projects throughout the state. She added that the consortium had a tribal preference policy as well. She stated Alaskans took pride in working on projects that would directly benefit Alaskans.

[3:12:49 PM](#)

Senator Dunleavy inquired if there had been survey done to highlight why patients would use the new facility rather than receive services at already established medical centers.

Ms. Davidson responded that conversations with beneficiaries that had chosen to receive care elsewhere had revealed several things: By law, Medicaid required patients to be offered a choice as to where they received care; many patients had requested ANTHC centers in order to be close to family. She added that ANTHC centers allowed for patients to be connected to their communities in ways that other places could not provide. She pointed out that transportation issues were one of the greatest challenges for people traveling to Anchorage for health services. She stressed that ANTHC would provide transportation from the airport to the housing facility, and that all of the services the patient would need could be provided under one roof.

[3:16:09 PM](#)

Senator Dunleavy queried if there had ever been a formal survey conducted that compared the services provided in ANTHC facilities with services provided by other hospitals.

Ms. Davidson stated that she did not know of a formal survey. She said that the consortium conducted regular customer experience surveys, which were then compared to surveys conducted by other facilities.

[3:16:46 PM](#)

Senator Dunleavy appreciated that the federal government required that a choice be given to patients concerning where they would receive their medical care. He wondered if the people would still chose to go to Providence Hospital if they were given the choice of the new facility.

Ms. Davidson replied that there were services that ANTHC was not yet at capacity to provide. She stated that, even with all of the expansion described in their business plan, the ANTHC facility's ability to accommodate patients was finite. She noted that there was \$30 million in general funds that went to non-tribal facilities in Anchorage in order to provide care for Alaska Native Medicaid beneficiaries. She estimated that building the facility would result in an annual savings of \$8.8 million. She pointed out that ANTHC operated the only level 2 trauma center in Alaska and was a "magnet hospital" with a high level of quality care provided by nursing staff.

[3:20:05 PM](#)

Senator Dunleavy wondered if the facility would be able to accommodate patients at the same rate as Providence Hospital.

Ms. Davidson replied yes.

[3:20:37 PM](#)

Senator Hoffman queried how long it had been since Ms. Davidson had been staff to a previous Senate Finance Co-Chair.

Ms. Davidson replied that it had been 27 years.

[3:21:23 PM](#)

Vice-Chair Fairclough opined that more general fund dollars would expedite the process.

[3:21:46 PM](#)

Co-Chair Kelly MOVED to REPORT SB 88 28-LS0629\N out of committee with individual recommendations and the accompanying fiscal notes. There being NO OBJECTION, it was so ordered.

[3:22:06 PM](#)

SB 88 was REPORTED out of committee with a "do pass" recommendation and with a fiscal impact note from the Department of Administration, a fiscal impact note from Department of Health and Social Services, and a fiscal impact note from the Department of Revenue.

[3:22:14 PM](#)

AT EASE

[3:26:21 PM](#)

RECONVENED

#sb74

SENATE BILL NO. 74

"An Act creating the University of Alaska building fund for the payment by the University of Alaska of the costs of use, management, operation, maintenance, and depreciation of space in buildings; and authorizing the Board of Regents of the University of Alaska to designate buildings for which the fund is to be used."

[3:26:40 PM](#)

HEATHER SHATTUCK, STAFF, SENATOR PETE KELLY, related that the bill would create a University Building Fund (UBF) as a special account in the General Fund. She shared that there was currently \$1 billion in backlog maintenance for the university's 7 million square feet of facilities. She stated that the university was shifting to long-term strategic planning to adequately address the ongoing maintenance issue. She stressed that the fund would be a tool that the university could use to do their share in assuring that facilities were taken care of properly, while bringing deferred maintenance costs down to a responsible and sustainable level. She relayed that the university could begin charging departments for rent, which would

encourage improved space utilization and operational efficiency. She explained that before the Public Building Fund, which the UBF was based on, state departments had more space than was needed. The fund, along with charging rent, had forced department's reconsider how much space they actually needed. She said that the intent of the legislation was to help the university take advantage of the same process to ensure that it was implemented in the most effective way possible. She explained that initially the university would put buildings that were new, or under 15 years-old, into the fund; as buildings were rehabilitated they would be added to the fund in order to prevent them from falling into disrepair.

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Co-Chair Kelly thought the bill would alleviate the university's deferred maintenance problem. He believed that the legislation would highlight that space costs money, which would prompt managers to give up space that was not completely necessary. He felt that significant savings would result from an aggressive space reconfiguration program.

[3:30:24 PM](#)

PATRICK GAMBLE, PRESIDENT, UNIVERSITY OF ALASKA, testified in support of SB 74. He understood that the university had some catching up to do after the previous decade of funding predominately for the purpose of growth. He shared that growth began to level off in 2011, and he understood that the university needed to take responsibility for the maintenance of its infrastructure. He offered that more funding alone would not benefit the university at this time. He described the legislation as a tool that would give the university the ability to take steps toward further autonomy. He believed that the UBF would address a large account in the university budget, which was where efficiencies and savings would be found. He noted that the university was the largest real estate manager in the state. He said that the facilities managed by the university were being examined on a building-by-building basis to determine whether they would remain or be demolished, which would reveal information concerning the entire building array that had previously been unknown. He reiterated that the legislation would provide a tool for the university that had already proved to be successful

when used by universities in the Lower 48. He believed that the legislation would inspire discipline in the area of space management.

KIT DUKE, ASSOCIATE VICE PRESIDENT FOR FACILITIES, UNIVERSITY OF ALASKA, believed that the legislation would instill discipline in the university that would ensure the future care of all of its facilities. She expressed the desire to provide tools that could be used in times of lesser revenue to maintain buildings. She noted that new construction was sometimes necessary, but maintenance of older buildings was equally important. She thought that the bill would generate a cultural change in the way that academic administrations valued physical space and the costs associated with maintaining the space beyond first costs.

[3:40:00 PM](#)

Co-Chair Kelly wondered how the legislation was useful when no funds would be distributed for 2013. He asked whether the SBF was capitalized at when it was created.

Ms. Duke replied that she did not remember the capitalization amount.

Co-Chair Kelly asked if the money that the university was currently spending on building maintenance and operation would shift into the UBF.

Ms. Duke replied that that was the intent.

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Co-Chair Kelly understood that in the future the money could be capitalized upon through donations or general fund dollars.

Ms. Duke related that the funding could come from many sources and that the legislation allowed for almost any type of deposit to be made into the fund. She related that the money would still need to be appropriated by the legislature from the UBF, which was why she believed the fund would prove to be a tool for the legislature as well as the university in the long term. She stressed that it would take some time to implement the plan, which made immediate funding less of a concern.

[3:44:47 PM](#)

Co-Chair Kelly wondered why the university could not currently set up a rent charging system for the different departments.

Ms. Duke replied that the issue was not that rent charging could not be set up, rather, whether a system could be set up that would survive long enough to do any real good in the long term.

[3:45:16 PM](#)

Senator Bishop hoped that the funds authorized by the legislature would remain in-state.

President Gamble felt that there was nothing in the intent language of the bill that would prevent the funds from remaining in-state.

[3:48:10 PM](#)

Co-Chair Kelly asked if the university had been in discussion with the Office of Management and Budget (OMB) concerning the shift of funds planned for 2014.

President Gamble replied no.

Co-Chair Kelly thought that the discussion should happen soon and that the changes should be made at the administrative level as the budget was submitted, rather than have the legislature make the changes after the fact.

[3:48:36 PM](#)

President Gamble commented that extensive internal discussions had occurred at the university with the understanding that whatever the legislature budgeted for 2013 would inform the expected numbers for 2014.

[3:49:09 PM](#)

Ms. Duke reiterated that the plan laid out in the bill would provide information concerning space utilization and program cost, which would cause the university to take a more business approach to investment decisions.

[3:50:07 PM](#)

Co-Chair Meyer wondered if federal grant monies could be used in the UBF.

Ms. Duke thought that Co-Chair Meyer could be referring to grants allotted for deferred maintenance projects. She imagined that there was a possibility that the grants could be put into the UBF.

[3:51:01 PM](#)

President Gamble offered that there were many kinds of grants, some of which had very specific restrictions. He added that the university generally liked to use grant dollars for their intended purpose.

[3:51:40 PM](#)

Vice-Chair Fairclough asked why language indicating that a dedicated fund was not being created was not in the bill.

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President Gamble referred the question the DOL.

[3:52:35 PM](#)

Vice-Chair Fairclough turned to Page 3, line 13, which contained language specifying that any money in the fund would stay in the fund unless it was allocated out by the legislature.

[3:53:27 PM](#)

Vice-Chair Fairclough queried how much bonding authority the university currently had.

President Gamble replied about 2 percent. He said that the goal was to stay below 5 percent encumbered with debt service. He asserted that the university was comfortable with its ability to bond further.

[3:54:16 PM](#)

Vice-Chair Fairclough wondered whether the university could qualify for the Alaska Housing Finance Corporation

Revolving Loan Fund to offset the deferred maintenance costs of the university's engineering buildings. She understood that \$250 million had been capitalized through the fund for improvements in weatherization, and at low interest rates. She stressed the need to address the deferred maintenance issue as soon as possible.

Ms. Duke replied that the university was taking advantage of some of the energy monies available through AHFC. She said that the university was looking into accessing more of those funds for deferred maintenance work.

[3:56:24 PM](#)

Vice-Chair Fairclough reiterated her question concerning the university's bonding authority limit.

President Gamble replied that he was not aware of the bonding authority limit.

[3:57:23 PM](#)

Kit Duke interjected that additional information could be provided to the committee at a later date.

[3:57:30 PM](#)

Vice-Chair Fairclough believed that the bond limit was set in stature.

Co-Chair Meyer CLOSED public testimony.

SB 74 was HEARD and HELD in committee for further consideration.

[3:58:59 PM](#)

AT EASE

[4:21:19 PM](#)

RECONVENED

#hb22

CS FOR HOUSE BILL NO. 22(L&C)

"An Act extending the termination date of the Board of Marine Pilots; and providing for an effective date."

[4:22:01 PM](#)

ANNA LATHAM, STAFF, REPRESENTATIVE KURT OLSEN, testified that the legislation would extend the termination date of the Board of Marine Pilots to June 30, 2014. She shared that the Division of Legislative Audit (LB&A) had concluded that the board had been running efficiently and should be extended. She explained that regulating and licensing qualified marine pilots benefited public safety and protected the marine environment. She highlighted that LB&A had recommended that the marine pilot coordinator should improve procedures over the administration of operational activities; public meeting notification, licensing documentation and oversight of the pilot association's drug and alcohol programs were noted. She said that when the audit was conducted the Marine Pilot Coordinator had been in the position for less than one-year, and was unaware of the operational deficiencies noted by the audit. She assured the committee that the coordinator was working on developing the appropriate documentation to ensure an adequate oversight process. She stated that the most recent version of the legislation was the result of recommendations from LB&A.

[4:24:33 PM](#)

Co-Chair Meyer observed the fiscal note attached to the bill.

[4:25:03 PM](#)

KRIS CURTIS, DIVISION OF LEGISLATIVE AUDIT, testified that the division had recommended a six-year extension and the one recommendation of improving the operational activities.

[4:25:18 PM](#)

Co-Chair Meyer understood that LB&A supported the extension.

[4:25:38 PM](#)

Vice-Chair Fairclough queried the power structure of the of the board.

Ms. Curtis replied that the board had a Marine Pilot Coordinator that served a similar purpose to that of an Executive Director.

[4:26:19 PM](#)

Vice-Chair Fairclough believed that the qualifications of the people managing various listened boards needed to be examined. She pointed out to the committee the personal services cost for the Marine Pilot Coordinator was \$110,000 annually. She wondered what the board was doing to ensure that the coordinator was compliant in all the necessary qualifications for the position.

[4:26:59 PM](#)

Ms. Curtis explained that the personal services line on the fiscal note reflected the salary of the position, as well as health insurance and retirement contributions.

[4:27:27 PM](#)

Senator Olson stated that the board was important in his district. He testified in support of the legislation.

[4:27:59 PM](#)

Co-Chair Meyer CLOSED public testimony.

[4:29:00 PM](#)

Co-Chair Kelly MOVED to REPORT HB 22 out of committee with individual recommendations and the accompanying fiscal note. There being NO OBJECTION, it was so ordered.

[4:29:31 PM](#)

CSHB 22 (L&C) was REPORTED out of committee with a "do pass" recommendation and with a previously published fiscal impact note: FN2(CED).

AT EASE

[4:31:04 PM](#)

RECONVENED

#hb26

HOUSE BILL NO. 26

"An Act extending the termination date of the Board of Public Accountancy; and providing for an effective date."

[4:31:21 PM](#)

CECILE ELLIOTT, STAFF, REPRESENTATIVE MIKE HAWKER, testified that HB 26 would extend the termination date of the Board of Public Accountancy to June 30, 2021, as recommended by LB&A. She relayed that the audit had concluded that the board was serving the public's interest by effectively licensing and regulating certified public accountants.

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KRIS CURTIS, DIVISION OF LEGISLATIVE AUDIT, reiterated that LB&A had concluded that the board was serving the public's interest in licensing and regulating certified public accountants and public accounting firms. She added that the board had successfully monitored and regulated individuals, and had successfully developed and adopted regulatory changes to improve the profession. She recommended the maximum 8-year extension. She concluded that the continuing recommendation was associated with efficiencies within the division of Corporations, Business and Professional Licensing case management system.

[4:34:05 PM](#)

Co-Chair Meyer noted the fiscal note attached to the bill.

[4:34:49 PM](#)

Co-Chair Kelly MOVED to REPORT HB 26 out of committee with individual recommendations and the accompanying fiscal note. There being NO OBJECTION, it was so ordered.

[4:35:29 PM](#)

HB 26 was REPORTED out of committee with a "do pass" recommendation and with a fiscal impact note from the Department of Commerce, Community and Economic Development.

[4:36:13 PM](#)

#

ADJOURNMENT

The meeting was adjourned at 4:36 p.m.