

HOUSE FINANCE COMMITTEE
March 8, 2018
12:59 p.m.

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CALL TO ORDER

Co-Chair Seaton called the House Finance Committee meeting to order at 12:59 p.m.

MEMBERS PRESENT

Representative Neal Foster, Co-Chair
Representative Paul Seaton, Co-Chair
Representative Les Gara, Vice-Chair
Representative Jason Grenn
Representative David Guttenberg
Representative Scott Kawasaki
Representative Dan Ortiz
Representative Lance Pruitt
Representative Steve Thompson
Representative Cathy Tilton
Representative Tammie Wilson

MEMBERS ABSENT

None

ALSO PRESENT

Lacey Sanders, Analyst, Legislative Finance Division; Shawn Henderson, Director of Administrator Services, Office of the Governor.

PRESENT VIA TELECONFERENCE

Jeff Jessee, Dean, College of Health, UAA, Anchorage.

SUMMARY

HB 285 APPROP: MENTAL HEALTH BUDGET

HB 285 was HEARD and HELD in committee for further consideration.

HB 286 APPROP: OPERATING BUDGET/LOANS/FUNDS

HB 286 was HEARD and HELD in committee for further consideration.

AMENDMENTS

Co-Chair Seaton reviewed the agenda for the meeting.

#hb285

#hb286

HOUSE BILL NO. 285

"An Act making appropriations for the operating and capital expenses of the state's integrated comprehensive mental health program; and providing for an effective date."

HOUSE BILL NO. 286

"An Act making appropriations for the operating and loan program expenses of state government and for certain programs; capitalizing funds; amending appropriations; making supplemental appropriations; making appropriations under art. IX, sec. 17(c), Constitution of the State of Alaska, from the constitutional budget reserve fund; and providing for an effective date."

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^AMENDMENTS

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Co-Chair Seaton noted that the committee would be taking up special appropriations amendments, and amendments for Judiciary (JUD), the University of Alaska (UOA), the Department of Revenue (DOR), and the Department of Military and Veterans Affairs (DMVA). The rest of the amendments would be addressed in the order of the packet. He wanted to get through all of the language amendments in the current day because it would help Legislative Legal Services in drafting the final budget bills.

Co-Chair Seaton MOVED to ADOPT Amendment L H SAP 25 (copy on file):

Language Amendments

L H SAP 25 - Increase the capitalization of the Disaster Relief Fund

Offered by Representative Seaton

See 30-GH25640.28

The amendment adds a new sec. 19(d) that capitalizes the Disaster Relief Fund with an estimated \$6,154,862, from the balances of several funds. These sources were identified as available funds in the Governor's budget amendments submitted February 13th.

Alternative energy conservation revolving loan fund, \$2,744,400 (DGF) Mining loan fund, \$200,900 (DGF) Unincorporated community capital project matching grant fund, \$646,200 (DGF) Municipal capital project matching grant fund, \$253,500 (DGF) Investment loss trust fund, \$2,298,862 (UGF) From FY 14 through FY18 to date, \$51.5 million has been appropriated into the Disaster Relief Fund. Over the four-and-a-half-year period, the average annual expenditure has been \$11.4 million.

This amendment increases the FY19 capitalization to \$8.2 million, closer to the average annual expenditure.

The current fund balance is only \$1.5 million. HB 321, the supplemental bill, includes an additional \$4 million of capitalization in FY18.

Representative Wilson OBJECTED for discussion.

Co-Chair Seaton read the amendment (see above).

Representative Wilson replied to her objection. She asked about the loan transfers and whether they had been stagnated. She did not see a backup page in the packet. She asked for more information.

Co-Chair Seaton invited Lacey Sanders from the Division of Legislative Finance to the table.

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LACEY SANDERS, ANALYST, LEGISLATIVE FINANCE DIVISION, responded that there should have been an attachment. The

Legislative Finance Division had been provided with a report from the Office of Economic Development on each of the revolving loan funds. She could provide a summary on the two funds that had been identified. Regarding the mining revolving loan fund, there were currently no active loans in the fund. There was one remaining foreclosed property being collected on and it had been identified as available. She reported that the alternative energy revolving loan fund had no outstanding loans either. The governor's office had identified the fund as available for use.

Representative Wilson asked if the accounts would be drained to zero or if money would remain in the accounts.

Co-Chair Seaton relayed that on February 13, 2018 the governor's amendments were submitted and he had identified the funds as available. Co-Chair Seaton asked Ms. Sanders if she had the ending balances for the accounts or whether they had been zeroed out.

Ms. Sanders responded that she had the balances and added that the language was to utilize the unexpended and unobligated balance on the loan funds and drain the two funds - the alternate energy revolving loan fund and the mining revolving loan fund. No future loans would be made from these two programs.

Representative Wilson wondered if the balances could just be zeroed out or if it would take a statutory change to get rid of the funds altogether. Ms. Sanders responded that the language would drain the loan funds. She thought it would take a statutory change to remove the accounts altogether.

Representative Kawasaki conveyed that it was his understanding that with the \$2 million increment in the FY 19 budget and the supplemental request, the disaster relief fund would get to where it needed to be. He wondered if the legislature was over-capitalizing the fund. Ms. Sanders replied that the administration's position was to increase the fund balance to \$5 million. The amendment would bring the fund balance higher than that amount. Looking at historical trends, it was a very low balance. She continued that because disasters were so unpredictable, the amendment put forward capitalized it further in anticipation of spring disasters and future disasters.

Co-Chair Seaton reiterated that in FY 14 the fund was capitalized with \$32.5 million, which had been used over time. He added that he was trying to prevent supplementals. If the legislature underfunded the fund, supplementals would be necessary.

Representative Wilson was concerned with having \$11.5 million by using other funds, rather than addressing how the state would pay for it in the future.

Representative Wilson WITHDREW her OBJECTION.

There being NO further OBJECTION, Amendment L H SAP 25 was ADOPTED.

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Representative Pruitt MOVED to ADOPT Amendment L H SAP 26 (copy on file):

Language Amendments

L H SAP 26 - Reappropriating \$416,060 from the Office of the Governor to CACFA.

Offered by Representative Pruitt

Reappropriates the remaining unexpended, unobligated balance of \$416,060 from the Office of the Governor, Arctic Policy Leadership and Economic Development Projects originally appropriated in FY14, to CACFA.

Representative Guttenberg OBJECTED for discussion.

Representative Pruitt MOVED Conceptual Amendment 1 to Amendment L H SAP 26.

Representative Pruitt explained the conceptual amendment. It would allow the balance to be used over the course of FY 19 and FY 20, spreading the \$415,000 over 2 years rather than 1 year.

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AT EASE

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RECONVENED

Co-Chair Seaton OBJECTED for discussion.

Co-Chair Seaton drew attention to the original amendment. He clarified that on Page 1, Line 21 "June 30, 2020" would be inserted after June 30, 2019.

Co-Chair Seaton WITHDREW his OBJECTION.

There being NO further OBJECTION, Conceptual Amendment 1 to Amendment L H SAP 26 was ADOPTED.

Representative Pruitt read the amendment (see above). He explained that the intent of the initial money that had not been utilized was for arctic policy leadership and economic development projects including oil and gas development. Essentially, it had been used for the climate change commission that the governor had been involved in. He argued that the money had been used against oil and gas development. He suggested that instead of spending money on an issue that was more of a federal, rather than a state issue, the money could be used for the Citizens Advisory Commission on Federal Areas (CACFA). He thought the commission should be out advocating on behalf of Alaska. He asked for member support.

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SHAWN HENDERSON, DIRECTOR OF ADMINISTRATOR SERVICES, OFFICE OF THE GOVERNOR, spoke on behalf of the Governor in opposition of the amendment. He explained that the reason for the governor's opposition was that the arctic policy funding was the primary funding source for the Alaska Climate Change Strategy and Climate Action for Alaska Leadership Team. On October 31, 2017, the governor signed Administrative Order 289 establishing the Alaska leadership team to advise the governor on critical and timely action to address climate change challenges that safeguarded Alaska. The order called for state departments to review previous work on climate change and to identify immediate action responses the state could take. The administrative order also zeroed in on climate initiative and addressed 4 key action areas: mitigation, research, response, and adaptation. The initial action plan was due to the governor on September 1, 2018 and following the report submission additional work would transpire. He respectfully asked that the funding remain part of the arctic funding policy.

Representative Wilson mentioned that CACFA had to do with federal overreach. She asked if federal overreach was part of the problem with climate change. Mr. Henderson responded that he did not know if it entailed overreach.

Representative Wilson asked how the \$416,000 was currently allocated. Mr. Henderson indicated that \$416,000 was the remaining balance of the fund. It had not been designated for any particular purpose other than for use of the Alaska leadership team. He could provide historical detail of where the money had been used.

Representative Wilson asked how much had been used and for what purposes. Mr. Henderson responded that the initial appropriation was \$900,000. Representative Wilson asked in which year the initial amount was appropriated. Mr. Henderson replied in 2014. Since that time, to-date \$95,857 had been used for personal services, \$71,633 for travel, \$267,489 for services, and \$5803 for commodities. The total amount spent to-date was \$440,782.

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Representative Wilson asked where the FY 14 appropriation was originally supposed to be spent. Mr. Henderson would have to bring detail back to the committee. He could generally say that it was intended for arctic policies and project analyses.

Representative Wilson asked about using the governor's contingency fund to make up the difference if the legislature were to use the \$416,000 for CACFA. Mr. Henderson could not speak to how the contingency funds would be used. The purpose of that fund was for shortfalls in certain areas and to be used as needed for possible emergencies or other actions. The money was the governor's fund.

Representative Wilson asked if the contingency fund could be used to make up for the amount of \$416,000. She wondered if there was anything that would prevent the fund from being used in this way. Mr. Henderson replied, "Not to my knowledge, Representative Wilson." Representative Wilson responded that that was her understanding as well.

Representative Pruitt asked about the membership team and whether they were all Alaskans. Mr. Henderson responded

that all but one member of the team was from Alaska. He was unsure about the last person. He could follow-up with the information.

Vice-Chair Gara did not see the spending of \$416,000 on an agency that had no power as a wise use of money. It was a state entity, rather than an agency, created to look at and watch federal laws. Alaska had two senators, a congressman, and staff from the Office of the Governor in Washington D.C. He suggested that it was unreasonable to spend money to watch federal laws that the state legislature could not change, when Alaska already had four representatives in Washington D.C. who could affect change. He would be opposing the amendment.

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Representative Guttenberg recalled that in FY 17 the House did not fund the appropriation, the Senate funded it, and the governor vetoed it. In FY 18 the appropriation was not in the budget. He commented that the entity was a citizen commission, and there was nothing to prevent citizens from continuing their activity as their own endeavor.

Representative Wilson remarked that the amendment would provide an option of leaving \$416,000 as a fund to be used as needed or the legislature could put the funding towards a purpose that Alaskans were concerned about. She would not be supporting the amendment if a position was going to be cut. She spoke of a contingency fund that the governor could use. She was in support of the amendment.

Representative Tilton asked how long the CACFA had been in the budget prior to 2017. Representative Kawasaki responded that it was reinstated in 2009 by Senator Mike Kelly.

Representative Tilton asked if it was the governor that removed the amount in FY 17. Mr. Henderson responded that the funding had been dormant since 2016. The funding at the time was \$262,000 UGF.

Representative Kawasaki would be opposing the amendment. He indicated there were three young Alaskans in the audience that were representing the Alaska Youth for Environmental Action. They were very concerned with the things that went on in Washington D.C. He thought it was an appropriate use of state money when it came to the governor's office being

able to advocate for arctic policy and economic development projects. It was one of the reasons for their visit. He thanked them for being in Juneau.

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Representative Tilton thought the committee had heard earlier from Representative Wilson that the project was a good use of the fund, but there was an alternate funding source that could be used to fund the CACFA. She thought the legislature should be listening to its citizens. She reemphasized that there was an alternative funding source that could be used. She was in support of the amendment.

Co-Chair Seaton would be opposing the amendment for two reasons. First, he thought the Arctic Policy Leadership and Economic Development Projects were extremely important. He opined that the state should be focusing on that and adapting to climate change. He also argued that CACFA was basically a slush fund for use in a most ineffective way. Putting a large portion of money into a private effort that had no function to accomplish anything other than talking to the legislature was not something he supported. He would be opposing the amendment.

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Representative Pruitt thought one of the members of the arctic leadership team was from Seattle. He did not think Alaskans would appreciate someone from Seattle, Washington setting arctic policy for Alaska. He indicated that Alaska had a delegation from Alaska, however, they basically lived in Washington DC. He argued that Alaska did not need another group advising the state what to do in federal areas. He thought it was better to have citizens of Alaska advising the federal government on what to do in federal areas. He asked for the committee's support.

A roll call vote was taken on the motion.

IN FAVOR: Pruitt, Thompson, Tilton, Wilson

OPPOSED: Gara, Grenn, Guttentberg, Kawasaki, Ortiz, Foster, Seaton

The MOTION to adopt Amendment L H SAP 26 as amended FAILED (4/7).

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Vice-Chair Gara MOVED to ADOPT Amendment H JUD 4 (copy on file):

Alaska Court System
Trial Courts
H JUD 4 - Delete 16 of 32 Unfunded Positions
Offered by Representative Gara Deletes

16 long term vacant positions for which there is no funding. Although 16 unfunded positions remain in the budget, the Alaska Court System would like to retain them.

Representative Wilson OBJECTED for discussion.

Vice-Chair Gara explained the amendment. He had worked with the court system. He opined that Judiciary had been doing a good job at cost containment for the constitutional function they performed. The agency had been losing money to inflation, experiencing budget reductions over the previous few years, and had empty positions that would probably not be filled in the current budget climate. He, along with the court system, identified 16 positions that were unfunded and would likely remain unfunded for the following few years.

Representative Wilson WITHDREW her OBJECTION.

There being NO OBJECTION, Amendment H JUD 4 was ADOPTED.

Co-Chair Seaton MOVED to ADOPT Amendment L H UOA 3 (copy on file):

University of Alaska
Anchorage Campus
L H UOA 3 - Alaska mother and baby vitamin D research
Offered by Representative Seaton

See 30-GH25640.2

This adds \$499.5 over FY19 and FY20 for research to be conducted by the Institute for Circumpolar Health Studies to establish a baseline for prenatal and newborn vitamin D levels for Alaska women and children, to determine the prevalence of vitamin D

deficiency among pregnant women and newborns, and to consider whether prenatal vitamin D screenings and supplementation guidelines should be modified for Alaska women and children.

Representative Wilson OBJECTED for discussion.

Co-Chair Seaton read the amendment (see above).

Representative Wilson asked if there was someone available to testify from the Institute for Circumpolar Health Studies.

JEFF JESSEE, DEAN, COLLEGE OF HEALTH, UAA, ANCHORAGE (via teleconference), introduced himself.

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Representative Wilson asked how the institute established a baseline for prenatal and newborns for anything, not just vitamin D. Mr. Jesse responded that it was a matter of taking blood samples, having them analyzed, gathering them together, and looking at the values of vitamin D in the blood systems of both the mothers and their newborns. One of the advantages of the study being discussed was that the newborn vitamin D levels could be obtained through an umbilical cord draw rather than sticking the baby.

Representative Wilson asked if any study had been done in the United States on women and children and vitamin D. Mr. Jesse replied not to his knowledge. There might have been some studies done in the United States, but none done in an arctic or near-arctic geographic area.

Co-Chair Seaton noted there was a 4-page supporting document in member packets from the Institute of Circumpolar Health Studies, University of Alaska, Anchorage (copy on file). [Document can be found in the supporting documents section of the amendment packet.] He indicated there had been a number of studies done in different places around the world that had looked at vitamin D levels in cord blood and in pregnant mothers. There was a significant amount of data that showed that if a person had low vitamin D during pregnancy, they had 4 times the level of moderate to severe language impairment at age 5 going into school. He referred to other studies that showed the benefits of adequate levels of vitamin D. He explained that he was

putting forth the amendment because Alaska had a severe amount of health costs that could be reduced with the intake of vitamin D. He continued to speak to the benefits of taking vitamin D.

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Representative Wilson indicated that it sounded like the data was already available. She wondered why the state would spend money on a study to confirm what was already known.

Co-Chair Seaton would agree with Representative Wilson except that in 2011 the legislature proposed a volunteer study across the state sampling all newborns, about 10,000 newborns. At the time, the Department of Health and Social Services indicated it did not do research in Alaska. He referred to the State of Alaska Epidemiology Bulletin No. 27, dated November 1, 2016 (copy on file). He highlighted the conclusion of a vitamin D deficiency study in prenatal Alaska Native women in the upper right column. He read a portion of the bulletin:

Data from these three studies suggest that vitamin D deficiency appears to be highly prevalent in YKD [Yukon Kuskokwim Delta] prenatal women. While current evidence does not support routine vitamin D screening and supplementation for prenatal women on a national level, such screening and supplementation appears to be warranted in YKD.

Co-Chair Seaton concluded that DHSS was admitting that the state needed to worry about the problem of low vitamin D levels in Alaskans. The department was identifying that the only population that had been studied was native women in the YKD. Alaska was the only arctic state. He indicated that 90 percent of vitamin D was transmitted through sun exposure to the skin and a person's own production of vitamin D. For 7 months of the year, a person in Alaska did not produce any vitamin D. He continued to discuss the importance of further study of vitamin D. He indicated that the chief medical officer had testified that he did not want to take any actions until he saw research on Alaskans. He continued to explain the needs of a study on the general population of Alaskan women and newborns. Until the state conducted a study, the state would continue experiencing a huge cost in the medical system. He indicated that about

half of the babies born in Alaska were born under Medicaid, about 5000 per year. The greatest proportion of newborns were deficient in vitamin D. He concluded that, according to the testimony of the chief medical officer, the state had to have Alaskan research on Alaskans from different parts of the state before he would agree to address the high cost medical measure. The proposed funding would provide actual research on Alaskans so that DHSS would start saving the state money by avoiding the condition of vitamin D deficiency.

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Representative Wilson provided a hypothetical scenario in which she brought her child to a pediatrician. She wondered if the doctor would not be able to address, test, or provide a prescription for a vitamin D deficiency until research was conducted.

Co-Chair Seaton was not saying that a particular physician would not address the issue. However, in general, most of the state's doctors went to school 30 years prior and never took a course in immunology. Some physicians were up to speed on things. He reported that about half of Alaska's babies were born under Medicaid and most of them did not have a pediatrician. A large portion of Alaska's population was vitamin D deficient. The state needed data that applied to Alaska's general population showing a need for treatment. He noted that the preventative medicine group in Washington D.C. refused to look at Alaska as the only arctic state that might need more than what was needed in California. The research would help provide the necessary data that could save the state a significant amount of money.

Representative Wilson asked if a Medicaid representative was present. She was very concerned about Denali Kid Care patients not seeing pediatricians. She asked if there was anything preventing pediatricians from doing testing and providing necessary vitamin supplements. She wanted to hear from Medicaid. Co-Chair Seaton clarified that the discussion was about neonatal care.

Representative Wilson was pretty sure a person saw an obstetrician prior to seeing a pediatrician.

Vice-Chair Gara indicated that from working with a significant amount of youth and people who had very little in their lives, they did not necessarily have a regular doctor. People sought treatment in emergent situations such as giving birth. It was the reality for folks without a lot of money.

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Representative Ortiz opined that it was common in rural Alaska not to have access to an obstetrician.

Representative Grenn acknowledged the co-chair's passion for the subject. He had learned a significant amount about Vitamin D from the handouts that had been distributed. He noted the co-chair having shined a light on the importance of vitamin D and the negative impacts of vitamin D deficiency. The amendment would not change whether someone had a pediatrician. The amendment asked for \$500,000 to conduct research on something that the state already knew about but was necessary to move forward. He would rather spend \$500,000 on Vitamin D to distribute throughout the state. He thought a larger issue was at hand.

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Representative Pruitt thought the appropriation was more fitting as a capital expenditure. He expressed concerns about using Alaska Comprehensive Health Insurance Association (ACHIA) funding for the proposed amendment. He noted the co-chair had discussed the issue of vitamin D deficiency for the past several years, so much that the member from Anchorage currently had a bottle of Vitamin D at his desk, and departments were including vitamin D in their presentations. He wondered what the end results would be confirming that Alaskans were deficient in vitamin D. He thought it was already established that Alaskans needed more vitamin D. He could not think of a better way of getting vitamin D except to stand in the sun or to take a pill. He wondered about the benefit of the expenditure.

Co-Chair Seaton responded that although half of Alaska's babies were born under Medicaid, it was not a change of a federal program. It was a change in state guidelines and standards of what should be done. Currently, the state guidelines were the national standards suited for the Lower 48. He argued that Alaska was the only arctic state, and

DHSS was following national guidelines, the only exception was for mothers and babies in the Yukon Kuskokwim Delta. For mothers and babies in the Anchorage area, for example, they fell under national guidelines which indicated that it was not necessary to test or supplement pregnant women. He argued that there was a huge medical cost accruing to the State of Alaska.

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AT EASE

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RECONVENED

HB 285 was HEARD and HELD in committee for further consideration.

HB 286 was HEARD and HELD in committee for further consideration.

Co-Chair Seaton relayed that the meeting would be adjourned. He discussed the schedule for the following day.

#

ADJOURNMENT

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The meeting was adjourned at 2:11 p.m.