

HOUSE FINANCE COMMITTEE
March 23, 2020
1:38 p.m.

1:38:50 PM

CALL TO ORDER

Co-Chair Johnston called the House Finance Committee meeting to order at 1:35 p.m.

MEMBERS PRESENT

Representative Neal Foster, Co-Chair
Representative Jennifer Johnston, Co-Chair
Representative Dan Ortiz, Vice-Chair
Representative Ben Carpenter
Representative Andy Josephson
Representative Gary Knopp
Representative Bart LeBon
Representative Kelly Merrick
Representative Colleen Sullivan-Leonard
Representative Cathy Tilton
Representative Adam Wool

MEMBERS ABSENT

None

ALSO PRESENT

Kris Curtis, Legislative Auditor, Alaska Division of Legislative Audit; Erin Shine, Staff, Representative Jennifer Johnston; Dan Stickel, Chief Economist, Economic Research Group, Tax Division, Department of Revenue.

PRESENT VIA TELECONFERENCE

Sara Chambers, Director, Division of Corporations, Business and Professional Licensing, Department of Commerce, Community and Economic Development; Richard Wein, Chair, Alaska Medical Board, Sitka.

SUMMARY

CSSB 55 (2nd JUD)

APPOINTMENTS TO COURT OF APPEALS

CSSB 55(2d JUD) was REPORTED out of committee with a "do pass" recommendation and with one previously published fiscal impact note: FN2 (AJS).

CSSB 115(FIN) (efd fld)
MOTOR FUEL TAX; EV REG. FEE

CSSB 115(FIN) was REPORTED out of committee with seven "do pass" recommendations, two "do not pass" recommendations, and two "no recommendation" recommendations and with one new indeterminate note from the Department of Revenue, one new zero note from the Department of Transportation and Public Facilities and one previously published fiscal impact note: FN2 (ADM).

CSSB 172(L&C)
EXTENDING THE STATE MEDICAL BOARD; AUDIT

CSSB 172(L&C) was REPORTED out of committee with a "do pass" recommendation and with one previously published fiscal impact note: FN2 (CED).

Co-Chair Johnston reviewed the agenda for the meeting.

#sb55
CS FOR SENATE BILL NO. 55(2d JUD)

"An Act relating to judges of the court of appeals; and providing for an effective date."

[1:39:35 PM](#)

Co-Chair Johnston asked if there was any committee discussion.

Co-Chair Foster MOVED to REPORT CSSB 55(2d JUD) out of committee with individual recommendations and the accompanying fiscal note.

CSSB 55(2d JUD) was REPORTED out of committee with a "do pass" recommendation and with one previously published fiscal impact note: FN2 (AJS).

#sb172

CS FOR SENATE BILL NO. 172 (L&C)

"An Act extending the termination date of the State Medical Board; requiring a report on the State Medical Board's audit compliance; and providing for an effective date."

[1:40:22 PM](#)

Co-Chair Johnston asked the Department of Commerce, Community and Economic Development (DCCED) to review the fiscal note.

SARA CHAMBERS, DIRECTOR, DIVISION OF CORPORATIONS, BUSINESS AND PROFESSIONAL LICENSING, DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT (via teleconference), reviewed the fiscal note for the bill. The fiscal note recognized that the State Medical Board was set to sunset. The amount included covered board operations only. She explained that if the board sunset, the amount would not be continued in the budget. She explained that the amount would need to be reauthorized, which the bill would do. She elaborated that the licensing for medical professions was not included because if the board sunset, the department would take over the responsibility for licensing, which would be a different fiscal note.

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Representative Sullivan-Leonard requested to hear from the legislative auditor. First, she addressed a question to the department. She had concern about the board extension in light of its noncompliance with a statute from 2017 regarding the prescription database. She asked why the challenge with noncompliance was taking place.

Ms. Chambers replied that DCCED also had some concerns, which was part of the reason why the governor had appointed new board members and why there was a new executive administrator for the program. She understood that the board had expressed some misunderstandings and misconceptions over certain aspects in the audit findings. The department was committed to moving the board forward quickly to get into compliance with the PDMP [Prescription Drug Monitoring Program]. There were related issues the

department had been working on with Representative Josephson's office that could come up at another time that could strengthen the PDMP. She elaborated that concerns included a lack of funding for the PDMP; however, the issues were outside of the medical board's purview to ensure providers required to register were registered. The department had addressed the issues and the new iteration of the board and DCCED staff were committed to staying on top of the issue. She believed the new board chair Dr. Wein was available online and could also address the topic.

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Representative Sullivan-Leonard directed a question to the legislative auditor. She noted that Ms. Curtis had [previously] provided a good overview of the audit. She asked if it would be prudent to extend the board one year instead of five. She was interested in seeing the board show its compliance with statute. She wondered if there had been any discussion on the idea.

KRIS CURTIS, LEGISLATIVE AUDITOR, ALASKA DIVISION OF LEGISLATIVE AUDIT, answered that the concerns had been raised in the Senate Labor and Commerce Committee. She reported that the bill had been amended to include uncodified law to have the Division of Legislative Audit provide an updated status of the prior audit findings the following year in order to check on compliance. The bill allowed for a full sunset review in three years. Additionally, the division would review the Board of Pharmacy that had a sunset audit within the next two years. The division would be reviewing compliance for the [PDMP] database over all occupations.

Representative Sullivan-Leonard thought if there was not enough pressure for the board to be compliant that it may just continue what it is doing. She asked if Ms. Curtis felt confident there was enough fortitude within the new board to get into full compliance.

Ms. Curtis responded that she could not comment on the new board as it had not been part of the audit. She could not comment on whether there was fortitude amongst the board members to take action. She believed the board was paying attention to the audit findings based on testimony in other

committee hearings. The board had stated on the record that it planned to take action.

Co-Chair Johnston added that Dr. Wein, a new member on the board, was available online.

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Representative Sullivan-Leonard had concern about the board moving forward to a five-year extension, especially due to the restructuring of the board and past noncompliance with the PDMP database passed in statute in 2017. She understood there were some changes going forward. She asked for assurance that the board and physicians in Alaska would be in full compliance.

RICHARD WEIN, CHAIR, ALASKA MEDICAL BOARD, SITKA (via teleconference), assured the committee that the members on the Alaska Medical Board were critically aware of the many issues it was facing. The board looked forward to addressing and solving the issues and moving forward. He believed the board had the fortitude to continue the work. He assured the committee that, as the current chair, he was not interested in any misunderstandings and misconceptions held by the previous board. The board would move forward with the current team that had been very helpful getting the completely new board up to speed. He assured the committee the board would be on top of things, would be fully compliant, and would be happy to update the legislature or provide whatever it may need to allay any concerns.

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Representative Carpenter understood there was a changeover in the board. He asked if the department was providing the board with everything it needed in order for the board to "right the ship" and get it headed in the right direction.

Mr. Wein answered in the affirmative. He detailed that he had received incredible support from the executive administrator, the division director, and legal in his work to understand all of the issues. He had been in contact with the executive administrator on a daily basis and a working group had been formed with other board chairs including the Board of Pharmacy and Board of Nursing in order to collaborate, find common ground, and work

together. He believed it was a new day, coupled with all of the aspects surrounding the burden of COVID-19, including the fast tracking of licensure, eliminating any backlog, and ensuring the state had the capacity to meet any medical crisis. He reported that the board had just concluded a meeting 30 minutes earlier. He was gratified at the support the board was receiving from the department, especially due to the board's steep learning curve. He highlighted his vast experience in credentialing and reviewing medical issues and he felt confident the board could meet the challenge.

Representative Carpenter asked if the board had been able to establish some objectives that it felt were necessary to meet in a given timeline. He recognized that the current [COVID-19] crisis likely had the board's attention.

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Mr. Wein answered in the affirmative. He highlighted the board's ability to multitask. The full board had a meeting scheduled for the coming Thursday and it would meet, as necessary. The formal meeting had been scheduled for May, but due to everything going on, it was necessary to get down to business and get it done. The board had a number of objectives it would have to triage into order of importance. He assured the committee that compliance was at the top of the list.

Co-Chair Foster MOVED to REPORT CSSB 172(L&C) out of committee with individual recommendations and the accompanying fiscal note.

Representative Sullivan-Leonard OBJECTED.

Representative Sullivan-Leonard MOVED to AMEND the bill to extend the board to 2021 instead of 2023 in order to see proof of the board's compliance, especially at a time where things were happening rapidly with COVID-19. She stressed the importance of knowing the board could be relied on to do what was best for the state. She did not currently have full faith that was the case.

Co-Chair Johnston OBJECTED for discussion.

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AT EASE

1:53:58 PM

RECONVENED

Representative Sullivan-Leonard WITHDREW her first motion and restated the motion. She moved Conceptual Amendment 1, which would change the date from 2023 to 2021 on page 1, line 5.

Co-Chair Johnston OBJECTED for discussion. She asked Ms. Curtis to comment on the proposed amendment.

Ms. Curtis replied that the concern had been raised in the Senate. She explained that in order to have a 2021 sunset date, the division would have to start an audit immediately. She reported that the division did not have the staff to do that; therefore, the division would not have the ability to provide the legislature an audit required by statute to be considered during the sunset process. The date was not doable from the audit perspective. She explained that in order to address the concern, there would be a legislative audit review within one year to focus on the specific areas the board had not been compliant. She elaborated that the division had recommended a five-year extension and the Senate had reduced it to three years. After one year, the division would report its review findings to the legislature and the legislature could take action at that time if desired.

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Representative Knopp opposed the amendment. He highlighted that the board was brand new. He elaborated that all of the deficiencies had existed with the prior board. He believed the replacement of the entire board by the administration was the desired action. He noted that Dr. Wein was aware of the issues and concerns and sounded sincere in his plan to address them. He elaborated that Dr. Wein had acknowledged what the issues were and had relayed it was the number one priority. He believed the review the Division of Legislative Audit would conduct in one year was appropriate.

Representative Josephson asked if the division could do an audit by 2022.

Ms. Curtis replied it was doable if it was the will of the legislature. She had pointed out the cost of audits when discussing the issue with the Senate. She noted there were limited resources. She elaborated that when the Legislative Budget and Audit Committee had asked the division to conduct performance audits, the division did so when resources were available. She detailed that sunset audits had a statutory due date; therefore, the division conducted those first. The financial audit and federal compliance had timelines and requirements. She explained that with other available resources and on its down time, the division would do other audits requested by the legislature to look at specific things. She clarified that the division would prioritize the sunset review of the medical board over other audits if there was a statutory due date.

Representative Carpenter asked when the division's planned review [of the State Medical Board] would be published.

Ms. Curtis answered that assuming financial and federal compliance audits were complete on time, staff was typically freed up in January. She elaborated that the division could do a sample and inquiry to figure out to what degree the board was complying. She explained that the review could be done more quickly than an audit required to be conducted in accordance with auditing standards. She relayed that the medical board sunset audit had taken approximately 500 hours at an hourly rate of about \$80. She reiterated there was a cost associated with increasing audit activity.

Representative Carpenter asked if the review would start in January 2021.

Ms. Curtis could not say exactly. She explained that it depended on COVID-19. She elaborated that the division could suddenly take much longer to do an audit working remotely. Typically, audit staff became available in January. She estimated that she could provide a memo-type report to the Legislative Budget and Audit Committee by March for consideration and release to the public.

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Representative Carpenter referenced the two previous audits mentioned in the most recent audit that noticed problems

[with the board]. He asked how long the board had been extended in each of the two previous audits.

Ms. Curtis answered that in the previous audit the board had been given an eight-year extension. She did not know about the one prior to that.

Representative Carpenter stressed the importance of nipping the situation in the bud if there had been noncompliance for eight years or more. He thought sounded like a report would come to the legislature in the first quarter of the next calendar year to show whether compliance was taking place. He asked for the accuracy of his statements.

Ms. Curtis confirmed that the division would do a compliance review in 2021. She detailed that the current bill would sunset the board in 2023, which meant a full sunset audit would be conducted in 2022. Currently, the division was scheduled for a detailed review over the next two years.

[2:00:06 PM](#)

Representative Sullivan-Leonard WITHDREW her conceptual amendment. She was trying to highlight the urgency and demand for the state medical board to be in compliance and working on the incredible medical situations facing the state. She looked forward to the report in the following year.

Co-Chair Johnston asked Ms. Curtis to outline the options that the Legislative Budget and Audit Committee had if it found the review lacking.

Ms. Curtis believed the committee had the ability to submit a bill at the committee level.

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There being NO further OBJECTION, it was so ordered.

CSSB 172(L&C) was REPORTED out of committee with a "do pass" recommendation and with one previously published fiscal impact note: FN2 (CED).

[2:01:38 PM](#)

AT EASE

[2:22:01 PM](#)

RECONVENED

#sb115

CS FOR SENATE BILL NO. 115(FIN) (efd fld)

"An Act relating to vehicle registration fees; and relating to the motor fuel tax."

[2:22:07 PM](#)

Co-Chair Foster MOVED to ADOPT the proposed committee substitute (CS) for CSSB 115(FIN), Work Draft 31-LS0895\G (Nauman, 3/23/20).

Co-Chair Johnston OBJECTED for discussion.

ERIN SHINE, STAFF, REPRESENTATIVE JENNIFER JOHNSTON, reviewed the changes in the CS (version G). The CS incorporated four amendments adopted by the committee the previous day. Amendment 2 added new language on page 1, lines 4 through 14 and page 2, lines 1 through 11. Amendment 4 added new language on page 2, lines 15 through 17 as follows:

...the owner of a vehicle powered by alternative fuel shall pay a special biennial registration fee of \$100...

Ms. Shine pointed to page 2, line 20 where the definition of alternative fuel had been added by Amendment 4. Page 3, Section 5, lines 19 through 21 incorporated Amendment 1. The last change was on page 5, lines 9 and 10 included the effective date and conforming changes. The bill specified "Except as provided in sec. 10 of this Act, this Act takes effect January 1, 2021." Section 10 on line 9 gave the transition regulations an immediate effective date.

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Co-Chair Johnston asked the Department of Revenue (DOR) to review the fiscal note.

DAN STICKEL, CHIEF ECONOMIST, ECONOMIC RESEARCH GROUP, TAX DIVISION, DEPARTMENT OF REVENUE, relayed that DOR's fiscal note reflected the changes made in the CS, primarily the

January 1, 2021 effective date and the increase to the refined fuel surcharge from \$0.95 per gallon to \$1.50 per gallon, which had not been included in previous versions of the bill. The note showed an indeterminate revenue impact for two reasons. First, the department did not have data available to estimate the impact of the allowed refunds for marine fuel used by vessels for commercial fishing. He explained that under the bill, any commercial fishing marine fuel would be allowed a refund of \$0.05 per gallon, meaning the tax would not be increased on that portion of marine fuel. Second, it was unknown how COVID-19 may impact fuel demand. Based on the fall revenue forecast and not including the commercial fishing impacts, the bill would increase revenue by \$16.9 million in FY 21, \$33.3 million in FY 22, decreasing to \$31 million in FY 26. He clarified the amounts pertained only to the motor fuel tax increase portion. There would be an additional increase for the refined fuel surcharge component of \$1.8 million in FY 21, \$3.5 million in FY 22, decreasing to \$3.3 million in FY 26.

Co-Chair Johnston WITHDREW her OBJECTION to the adoption of the CS. There being NO further OBJECTION, it was so ordered.

Co-Chair Foster MOVED to REPORT CSSB 115(FIN) out of committee with individual recommendations and the accompanying fiscal notes.

Representative Sullivan-Leonard OBJECTED. She opposed the tax. She stated there was an incredible disparity with the tax, especially in her region of the state. She referenced a comment that people chose where they lived. She agreed and noted that people chose to live in rural and urban areas; however, at a time when unemployment insurance had risen by 500 percent, residents who drive would be taxed more due to the bill. She did not believe it made any sense. She realized the date had changed in the bill; however, the concept of an increased gasoline tax did not go unnoticed in her district.

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Representative Wool spoke to his support for the bill. He shared that he had voted on the increase to the motor fuel tax several years earlier that had added just under one penny. He thought it was likely the only revenue bill the legislature had passed during his tenure. He stated that

legislators received numerous emails asking why they were not looking into [new] revenues. He stressed that state coffers were decreasing by the minute and expenses were increasing. He believed the legislature needed to look into revenue. He highlighted it had been previously stated that the motor fuel tax had not been raised since the 1970s. He pointed out that the pennies increase in the 1970s equated to about \$0.50 currently. He emphasized that the state had not kept up with inflation and had the lowest motor fuel tax in the country. He believed the state would rank number four or five if the tax was doubled. He reasoned that the price of motor fuel should decrease due to the drop in oil price, which would likely result in a net reduction at the pump.

Representative Wool noted that the Municipality of Anchorage had recently instituted a municipal motor fuel tax; therefore, half the people in the state were already paying an additional motor fuel tax. He knew that Mat-Su residents drove to Anchorage frequently and he knew that many of his constituents lived in remote areas like Chena Hot Springs and other areas that required driving many miles to town and burning substantial gas. He thought the tax increase was the least the legislature could do, especially when many citizens were asking it to act. He thought the legislature should try to help citizens and provide solutions. He supported adding the small amount of revenue of \$15 million in FY 21 and \$30 million in FY 22. He noted that people would likely not be driving and purchasing gas the way they had in the past. He stated that the change was a small gesture towards increasing revenue, though he did not believe it was enough. He supported looking into new revenue and believed the state's savings would be rapidly diminishing. He thought the bill was a step in the right direction.

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Representative Carpenter acknowledged the sound logic of comments by Representative Wool; however, he noted the argument did not account for the cost of government. He detailed that compared to other states with a similar population size and GDP [gross domestic product], Alaska's government expense was significantly higher. He stated that Alaska's cost of government was higher than it should be based on its population and GDP. He highlighted that the increased tax would take \$16.9 million out of the private

sector to help sustain a government that was already too large. He did not believe it made sense, especially when considering the fiscal crisis. He guessed that the private sector would be hurting for 12 to 24 months. He underscored that taking \$17 million out of the private sector economy was not without consequences. He thought the state could wait to patch potholes another year as opposed to increasing funding. He believed it was wrong to increase taxes on the private sector at present.

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Co-Chair Johnston believed it was very important for the legislature to increase the tax. She shared that it was not only her constituents who had asked for the increase. She highlighted that the Alaska Trucking Association was asking for and supported the increase. She explained that a maintenance station had closed down between the districts represented by Representative Carpenter, Representative Knopp, and herself. She stressed it was the main thoroughfare for getting food, safety, and supplies to the Kenai Peninsula. She did not know how many committee members had driven the pass on a winter night, but the situation had been catastrophic to the safety and the needs of the Kenai Peninsula.

Co-Chair Johnston reported that the road service in her district had been cut dramatically back. She explained that the first two roads classified as a level one priority out of Anchorage were the Seward and Glenn Highways. The level two priority included main thoroughfares in Anchorage owned by the state. She explained that the roads up to her district on the hillside had been poorly maintained, sanded, and plowed due to a lack of resources and there had been multiple accidents including buses. She had heard from people on the Glenn Highway about issues due to lack of sanding and plowing.

Co-Chair Johnston explained that because resources had been stretched, the maintenance and operation [office] out of Girdwood was responsible for the highway from Girdwood to Anchorage and for the Seward Highway south. The Kenai office was responsible for the Seward Highway north. She reported that the highway was not being plowed or sanded as could be needed for safety. She stated that the bill was timely, and the implementation date had been postponed until 2021 with the recognition that it was currently an

interesting time for all businesses. She supported moving the bill forward.

[2:36:04 PM](#)

Representative Carpenter stated that the remarks made by Co-Chair Johnston were opinion and not fact.

Co-Chair Johnston replied that the remarks were her statement based on what she knew.

Representative Knopp had never seen the highway so poorly maintained or shut down as many times as it had been in the current year in his 40 years living on the peninsula. He stated it was a fact that the Department of Transportation and Public Facilities had lost millions of dollars in revenue over the years. He highlighted that the documents showing road maintenance was down did not lie. He stated it was the current reality. He reported that the critical maintenance station had been closed, positions had been lost in Homer and Soldotna, and there was no longer continuance from night shift to day shift. He referenced Representative Wool's statement that the tax had not been increased since the 1970s, which was a long time. He supported the use of the funds for highway maintenance and was hoping improvements would be made.

Representative Carpenter communicated that he had driven the roads during the day and night, and he did not believe they were different than in the past. He did not believe it was accurate to say the roads had not been maintained. He stressed that the roads had been maintained but may have seen a delay. He believed that putting sand on a road did not make it safer. He remarked that there were always conditions on roads that required driving at a prudent speed. He stated that sanding or plowing a road did not necessarily make it safer. He did not believe the level of maintenance was responsible for causing accidents or making the road less safe. He countered that the speed of driving made the road less safe in most cases. He thought Co-Chair Johnston had used the word catastrophic.

Co-Chair Johnston could not be certain she had used the word catastrophic.

[2:39:09 PM](#)

AT EASE

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RECONVENED

Representative LeBon shared that the past summer he and Representative Wool had visited the trucking company Sourdough Express based in his district in Fairbanks. He detailed that representatives from the Alaska Trucking Association had been present at the meeting and had communicated that it was a crisis situation. They had been told that the Dalton Highway from Fairbanks to the North Slope was in desperate need of the minimum amount of maintenance. He elaborated that they had visited a repair shop and seen equipment that had been beaten from the condition of the road. He stated it was real money and the roads had to be maintained. He emphasized that the lifeblood to the North Slope was the Dalton Highway. He listened when the Alaska Trucking Association and the primary operator - Sourdough Express - were telling legislators that the monies designated for highway maintenance were critical to their operation.

Representative Sullivan-Leonard MAINTAINED her OBJECTION.

A roll call vote was taken on the motion.

IN FAVOR: Wool, Josephson, Knopp, LeBon, Ortiz, Foster, Johnston

OPPOSED: Sullivan-Leonard, Tilton, Carpenter, Merrick

The MOTION PASSED (7/4).

There being NO further OBJECTION, it was so ordered.

CSSB 115(FIN) was REPORTED out of committee with seven "do pass" recommendations, two "do not pass" recommendations, and two "no recommendation" recommendations and with one new indeterminate note from the Department of Revenue, one new zero note from the Department of Transportation and Public Facilities and one previously published fiscal impact note: FN2 (ADM).

2:42:54 PM

AT EASE

2:44:04 PM

RECONVENED

Co-Chair Johnston recessed the meeting to a call of the chair [note: the meeting never reconvened].

#

ADJOURNMENT

2:44:15 PM

The meeting was adjourned at 2:44 p.m.