

SENATE FINANCE COMMITTEE
March 23, 2020
9:13 a.m.

[9:13:02 AM](#)

CALL TO ORDER

Co-Chair von Imhof called the Senate Finance Committee meeting to order at 9:13 a.m.

MEMBERS PRESENT

Senator Natasha von Imhof, Co-Chair
Senator Bert Stedman, Co-Chair
Senator Click Bishop
Senator Lyman Hoffman
Senator Donny Olson
Senator Bill Wielechowski
Senator David Wilson

MEMBERS ABSENT

None

ALSO PRESENT

Juli Lucky, Staff, Senator Natasha von Imhof; Angela Rodell, Executive Director, Alaska Permanent Fund Corporation; Clinton Lasley, Deputy Commissioner, Department of Health and Social Services; Representative Zach Fields, Sponsor; David Scott, Staff, Senator Bert Stedman; Representative Adam Wool, Sponsor; Miles Baker, Government Relations, University of Alaska.

PRESENT VIA TELECONFERENCE

Teri Cothren, Deputy Commissioner, Department of Health and Social Services

SUMMARY

CSHB 96 (FIN)

PIONEERS' HOME AND VETERANS' HOME RATES

SCS CSHB 96 (FIN) was REPORTED out of committee with a "do pass" recommendation and with two

forthcoming fiscal impact notes from the Department of Health and Social Services.

HB 106 SCHOOL BOND DEBT REIMBURSEMENT

HB 106 was REPORTED out of committee with two "do pass" recommendations, two "do not pass" recommendations, three "no recommendation" recommendations and with one new zero fiscal note from the Department of Education and Early Development/Debt Service.

HB 139 AK PERM. FUND CORP. PROCUREMENT EXEMPTION

HB 139 was HEARD and HELD in committee for further consideration.

CSHB 235(FIN)

AK WORKFORCE INVESTMENT BOARD:ALLOCATIONS

SCS CSHB 235(FIN) was REPORTED out of committee with a "do pass" recommendation and with six previously published fiscal impact notes: FN 7(EED), FN 8(LWF), FN 9(LWF), FN 10(LWF), FN 11(LWF), and FN 12(UA).

#hb139

HOUSE BILL NO. 139

"An Act providing an exemption from the state procurement code for the acquisition of investment-related services for assets managed by the Board of Trustees of the Alaska Permanent Fund Corporation."

9:13:23 AM

Co-Chair von Imhof discussed housekeeping. She assured the committee that the bill would not move from committee during this meeting.

9:14:06 AM

JULI LUCKY, STAFF, SENATOR NATASHA VON IMHOF, spoke to the Committee Substitute (CS). She noted that there was no Explanation of Changes document as the CS entirely replaced the previous bill. She related that the bill would still provide an exemption for certain contracts to provide

investment related supplies or services to support the operations of the Alaska Permanent Fund Corporation. The bill also required a written determination of the following three factors:

That the contract is in the best interest of the Alaska Permanent Fund Corporation

That the contract is consistent with the responsibilities of the board of trustees of the Alaska Permanent Fund and the corporation under AS 37.13.120

That the contractor is qualified to provide the supplies or services

Ms. Lucky related that the language had been worked out between the sponsor and the corporation to provide sideboards on the broad exemption found in the previous version of the bill.

[9:15:13 AM](#)

Senator Wielechowski thought that the CS made the bill worse. He stated he was told the reason for the bill was to be able to react to immediate circumstances. He thought the CS broadened the scope to investment related supplies and services and had no immediacy requirement; furthermore, there was no requirement that any documentation be provided to justify any determination. He thought it was a bad policy to give a corporation with so much capital the ability to issue sole source contracts without oversight. He relayed that he was working on amendments to the legislation.

Co-Chair von Imhof solicited comments from Ms. Lucky.

Ms. Lucky deferred to the bill sponsor, or representatives from the Alaska Permanent Fund Corporation (APFC). She said that the corporation and drafted the language for the CS and could speak to the intent.

Co-Chair von Imhof called upon invited testimony.

[9:16:46 AM](#)

ANGELA RODELL, EXECUTIVE DIRECTOR, ALASKA PERMANENT FUND CORPORATION, spoke to the CS. She explained that the bill raised the standard under which the corporation could procure and incorporated the concept of fiduciary duty. She noted that fiduciary duty meant that the board could be held personally liable for acts that were in breach of fiduciary duty; the state could seek damages from personal financial accounts in order to recover damages. She expressed appreciation for the committee and any support for the CS.

[9:18:15 AM](#)

Senator Olson asked whether Ms. Rodell was aware of the sunset provision in the bill.

Ms. Rodell stated that there was no sunset provision in the CS.

Senator Olson referenced Senator Wielechowski's concern about sole-source contracts.

Ms. Rodell thought it was important to remember that APFC was subject to the public records act. All the contracts would be subject to the act requirements and payments under legislative budget appropriation. She reminded the committee that there would be opportunities to discuss contracts before they were awarded.

[9:19:37 AM](#)

Senator Olson asked whether Ms. Rodell would be opposed to striking the work "supplies" from the legislation.

Ms. Rodell responded that the corporation would not be opposed to an amendment striking the word "supplies" from the CS.

[9:20:05 AM](#)

Senator Hoffman stated that he had received the CS minutes ago, he requested more time to review the legislation before adopting it as a working document. He requested that committee members be able to compare the CS to the previous bill version.

[9:20:39 AM](#)

Senator Bishop asked Ms. Rodell whether there was a dollar limit of what could be executed under the CS.

Ms. Rodell stated that there was no dollar limit in the CS, but there would be in the sense that the budget was approved and appropriated by the legislature.

Co-Chair von Imhof asked Ms. Rodell how the bill would help the corporation.

Ms. Rodell explained to the committee that the Permanent Fund was no longer invested in the way it was at its inception. The asset allocation had expanded and become more diverse in securities form private equity, to real estate, to public equity, to bonds. Over years, the corporation had taken more of the responsibility in-house rather than allowing third parties to invest on its behalf. She asserted that in-house management allowed for the alignment of the goals of the state with the corporation's strategy, while reducing costs. The purpose of the exemption was to try to seek all the tools necessary to pursue services in the most timely, cost-effective manner possible. She specified that the procurement code could be cumbersome to getting work done in a timely manner. She asserted that the legislation would give the corporation the ability to seek services and be exempt from the code.

[9:23:06 AM](#)

Senator Bishop asked whether the CS was more restrictive than other quasi-state agency policy.

Ms. Rodell stated that it was the corporations view that the bill created a higher standard than what other boards (AIDEA, AHFC, ARM) were currently held to because she would be required to make a written determination whether a contract was in the best interest of the fund. If it was found that she had violated the standard, the state could pursue her personal assets to recoup damages.

[9:24:35 AM](#)

Senator Wielechowski pointed out that every corporation had a fiduciary duty, and such lawsuits to recoup damages were very rare. He asked whether Ms. Rodell would support an amendment limiting exemptions to emergency investment services.

Ms. Rodell responded in the negative.

Senator Wielechowski asked whether Ms. Rodell would support the committee codifying in state law the AHFC and AIDEA regulations that applied in emergency procurement situations.

Ms. Rodell answered in the negative.

[9:25:26 AM](#)

Senator Hoffman referenced Line 9 of the bill, which specified that contracts must be in the best interest of the fund. He summarized Ms. Rodell's testimony that what was in the interest of the fund might not be in the best interest of the state. He thought the legislators had to protect what was in the best interest of the State of Alaska. He wondered whether this could put the legislature and the corporation at cross purposes.

Ms. Rodell reiterated that the corporation's duty was to the fund, and not to the state, and at times the situation could be conflicted. She used an example that it might not be in the best interest of the fund to make certain distributions to the state to help with the economy because it would prohibit the long-term investment returns and could violate the standard of care and the corporations duty to diversify. She emphasized that the corporation was mandated through statute to consider the fund first.

[9:27:49 AM](#)

Co-Chair von Imhof set the bill aside. She noted that the CS would not be adopted. She stated that the CS had been sent to members two days prior and expressed her displeasure that committee members had not reviewed the CS prior to the meeting. She categorized the hearing as a "show".

[9:28:12 AM](#)

Senator Wielechowski took exception to Co-Chair von Imhof's statement that the hearing was a show.

Co-Chair von Imhof felt that the issues raised at the table could have been discussed prior to the meeting. She

contended that time was limited, and the committee had 3 bills left to consider.

#hb96

CS FOR HOUSE BILL NO. 96 (FIN)

"An Act relating to Alaska Pioneers' Home and Alaska Veterans' Home payments, rates, and services."

[9:28:37 AM](#)

Co-Chair von Imhof shared that the bill had been heard on March 9, 2020. She relayed that a CS had been distributed for consideration.

Ms. Lucky discussed the changes in the CS. She spoke to an Explanation of Changes document (copy on file):

The criteria for the levels of care are removed from statute and will be defined by regulation. These changes can be seen in sections 7, 10, and 11 of the bill.

NEW: Section 1: Changes the word "lease" to "use" to allow Pioneer Homes more flexibility in increasing revenue with excess space. NEW:

Section 2: Decreases the age of eligibility to 60 (from 65) for Alaskan residents due to dementia, physical disabilities, and other physical needs. This will allow more flexibility, especially in allowing spouses to move into the home together.

AMENDED: Section 7: Two rate caps were increased:
1. the level IV rate was increased to \$9,333 (from \$8,500) in (4); and
2. the daily rate for "respite" care was increased to \$200 (from \$160) in (6).

NEW: Effective date of July 1, 2020.

The changes to the monthly income threshold in the bill are removed; income thresholds will remain as they are in current statute. The language previously appeared in sections 3 and 4 of the bill.

Ms. Lucky explained that the monthly threshold change had been made due to concern that the rates would be changed for Pioneer Homes only and similar facilities in the state would have a different rate.

[9:32:35 AM](#)

Co-Chair Stedman asked for clarity regarding the spendable monthly allowance for residents who received financial assistance. He understood that an earlier version had allowed for \$500, the current version allowed for \$200.

Ms. Lucky replied in the affirmative. She said that the previous bill would have increased the amount a resident could keep to \$500 per month.

Co-Chair Stedman reminded the committee that the base rates were being changed. He asked about the rate of growth in the current version.

Ms. Lucky deferred to the Department of Health and Social Services.

[9:33:39 AM](#)

Co-Chair von Imhof clarified Co-Chair Stedman's question.

CLINTON LASLEY, DEPUTY COMMISSIONER, DEPARTMENT OF HEALTH AND SOCIAL SERVICES, stated that in the CS the rate was not tied to cost of living increase (COLA). He believed that the bill sponsor could speak to the question.

[9:34:41 AM](#)

Ms. Lucky stated that the rate of growth had not changed in the CS. The rate of growth remained the same as the original bill.

Co-Chair Stedman asked what the calculation was based on.

Ms. Lucky specified that the amount was the Social Security benefits cost of living.

Co-Chair von Imhof spoke to the Social Security Act:

“under the Social Security Act the department shall adjust the monthly and daily rates of this section by

percentage equal to the percentage increase in the cost of living adjustment provided of the Social Security benefits."

[9:35:45 AM](#)

Senator Wielechowski asked whether there were provisions in the bill requiring notice for rate increases.

Ms. Lucky responded in the negative and deferred to the bill sponsor.

Co-Chair von Imhof understood that notification requirements would be discussed by Mr. Lasley.

[9:36:23 AM](#)

Mr. Lasley stated that residential licensing for the state required at least 30-days' notice be given to a resident prior to a rate increase. He said that the department followed this requirement in their practices.

Co-Chair von Imhof understood that residents and their families would receive 30-days' notice on rate changes.

Mr. Lasley replied in the affirmative.

[9:36:55 AM](#)

Senator Olson asked whether the sponsor supported the changes in the current CS.

Ms. Lucky stated that the sponsor had been involved in the crafting of the CS. She deferred to the sponsor for further clarification.

Co-Chair von Imhof suggested inviting the sponsor to the table.

[9:37:29 AM](#)

REPRESENTATIVE ZACH FIELDS, SPONSOR, expressed support for the CS.

[9:37:56 AM](#)

Co-Chair Stedman MOVED to ADOPT proposed committee substitute for CSHB 96(FIN), Work Draft 31-LS0646\E (Marx, 3/21/20). There being NO OBJECTION, it was so ordered.

9:38:32 AM

AT EASE

9:40:28 AM

RECONVENED

Co-Chair von Imhof relayed that while the committee was waiting for documents to be distributed Senator Wilson would speak to Amendment 1, regarding a sunset date.

Senator Wilson MOVED to ADOPT Amendment 1, 31-LS0646\E.1 (Marx, 3/22/20) [note: due to length, Amendment 1 is not included here. See copy on file].

Senator Wilson spoke to Amendment 1. He explained that the amendment was a sunset date for a five-year repeal. The sunset date was to ensure that rates were on track with the consumer price index (CPI).

Representative Fields stated he would defer to the will of the committee. He emphasized that stability and predictability for Pioneer Home residents was important for the Pioneer Homes' overall finances. He did not see the need for a sunset, as the legislature could repeal the bill in the future.

9:42:12 AM

Co-Chair Stedman was concerned with the aggressiveness that the agency adopted an escalation in fees. He did not think the process had been long enough nor had the public been sufficiently informed. He relayed that he was hesitant to sunset the legislation. He felt that the issue should come back to the table in the future. He contended that the fees were still too high and should be lowered.

Co-Chair von Imhof stated that the rate the committee considered was one of the lowest rates, year over year, compared to CPI or medical CPI. She affirmed that if an imbalance was found, the department could alert the legislature and suggest changes. She asked for verification the amendment would implement a sunset date of 2025.

Senator Wilson responded affirmatively.

Co-Chair von Imhof MAINTAINED her OBJECTION.

A roll call vote was taken on the motion.

IN FAVOR: Wilson

OPPOSED: Olson, Wielechowski, Bishop, Hoffman, Stedman, von Imhof

The MOTION to adopt Amendment 1 FAILED (1/6).

[9:45:02 AM](#)

Senator Wilson MOVED to ADOPT Amendment 2, 31-LS0646\E.2 (Marx, 3/21/20) (copy on file):

Page 4, line 9:

Delete "\$9,333 a month"

Insert "a monthly rate the department considers sufficient to compensate the state for the cost of care and support of the person at the home"

Co-Chair von Imhof OBJECTED for discussion.

Senator Wilson spoke to the amendment.

[9:46:57 AM](#)

Representative Fields did not support the amendment. He reminded that individuals in Level 4 care were already experiencing large rate increases. He said that the CS contained a sizeable rate increase for those residents who had been at Level 3 under previous rate structures. He did not support uncapping the rate increase and reiterated the need for stability and predictability in rate levels. He said that the state should be trying to get more revenue for skilled nursing level care, but he believed that a better way to do that would be for the department to pursue certification for the nursing home level of care.

[9:48:27 AM](#)

Senator Wilson lamented that he had not received answers from questions he had submitted to the department.

Co-Chair von Imhof queried whether Level 4 patients had left facilities due to the rate increase.

Mr. Lasley stated that the number of individuals that had moved out of the Pioneer Homes system since the announcement of the rate increase on August 1, 2019, was 24. He said that 18 were directly related to the rate increase. He stated that he would get back to the committee about Level 4 patients specifically.

Co-Chair von Imhof found it interesting that the state already provided subsidies for various populations such as students, special-needs students, college students, and many kinds of transportations. She acknowledged that the rates in the bill had increased rates for Level 4 care. She recalled conversations about the distribution of PFDs that suggested that \$2000 could stand between starvation or hypothermia. She countered that the bill would make elderly people pay an additional \$4000, per month, for care.

[9:51:29 AM](#)

Senator Olson referenced the 24 people that left the Pioneer Homes and asked whether there were currently vacancies.

Ms. Lasley confirmed that there were vacancies in all Pioneer Homes across the state. He noted that there was currently about a 91 percent occupancy rate.

Senator Olson thought if the idea was to increase revenue to the state, the state should be working to keep that occupancy rate a 99 percent.

Co-Chair von Imhof added that when running the numbers, if a person had a certain level of assets, and was charged \$13,000 per month rather than \$9,000, the state would subsidize them for less time. The assets would last longer paying slightly less than full rate and the state paid less overtime.

Senator Olson maintained his opinion.

[9:53:06 AM](#)

[9:53:08 AM](#)

Co-Chair von Imhof MAINTAINED her OBJECTION.

A roll call vote was taken on the motion.

IN FAVOR: Wilson

OPPOSED: Olson, Wielechowski, Bishop, Hoffman, von Imhof, Stedman

The MOTION to adopt Amendment 2 FAILED (1/6).

[9:53:34 AM](#)

AT EASE

[9:53:51 AM](#)

RECONVENED

Co-Chair von Imhof noted that Amendment 2 had failed, and Co-Chair Stedman would offer a conceptual amendment.

Co-Chair Stedman MOVED to ADOPT Conceptual Amendment 1. He explained that the original bill had included \$500 for spend money for Pioneer Home residents. The amount in the current bill was \$200. The amendment would increase the amount by \$100 to a total of \$300 per month.

Co-Chair von Imhof OBJECTED for discussion.

Representative Fields asked the department what the maximum level residents could collect without any negative unintended consequences in terms of Medicaid eligibility or other.

Ms. Lasley stated that the department would not be opposed to raising the amount.

Representative Fields thought the conceptual amendment made sense.

[9:55:40 AM](#)

Senator Olson reiterated the question about any negative consequences due to the raise from \$200 to \$300.

Mr. Lasley addressed the previously proposed \$500 limit for monthly spending. He stated that the long-term unintended consequences for the \$500 limit pushed against the limit of assets an elder could have and qualify for Medicaid. The

worry was that if the elder could not spend the money each month, they could build up assets that could get them kicked out of the program and disqualify them for the Medicaid program. He did not feel that the \$300 amount would have unintended consequences for residents.

[9:56:58 AM](#)

Co-Chair Stedman recognized that there had been an erosion of purchasing power for seniors and it was good for elders and seniors to participate in gift-giving for birthdays and Christmas or visit a hair salon using their \$300 per month spending money. He said that residents in Pioneer Homes would not be able to hoard cash and giving seniors the ability to have spending money was important.

[9:58:18 AM](#)

Ms. Lucky wanted to confirm that the conceptual amendment would be on page 2, line 7 and on page 2, line 28. The amount of \$200 would change to \$300 on each of those pages.

Co-Chair Stedman thought the amount also appeared on page 4 of the bill, line 13.

Ms. Lucky understood that Co-Chair Stedman's reference was to a respite charge and not an asset limit. She deferred to the department for clarification.

Ms. Lucky asked if Mr. Lasley could confirm the reference on page 4, line 13.

Mr. Lasley confirmed that the \$200 respite charge found on page 4, line 13 did not relate to the monthly spending amount referenced in Co-Chair Stedman's amendment.

Co-Chair von Imhof WITHDREW her OBJECTION. There being NO further OBJECTION, Conceptual Amendment 1 was ADOPTED.

[10:00:37 AM](#)

Mr. Lasley announced that an updated fiscal note from the department would be provided to the committee.

Co-Chair von Imhof requested a motion to move the bill.

Co-Chair Stedman MOVED to report SCS CSHB 96(FIN) out of Committee with individual recommendations and the accompanying fiscal notes. There being NO OBJECTION, it was so ordered.

SCS CSHB 96(FIN) was REPORTED out of committee with a "do pass" recommendation and with two forthcoming fiscal impact notes from the Department of Health and Social Services.

#hb106

HOUSE BILL NO. 106

"An Act relating to school bond debt reimbursement."

10:02:23 AM

Co-Chair von Imhof discussed the bill's hearing history in committee. She said that the debt reimbursement program had been successful and had allowed municipal districts to prioritize, maintain and build needed schools with the approval and participation of local taxpayers and included a certain amount of reimbursement from the state. She said that due to economic pressure, a moratorium was put in place 5 years ago. Since then the legislature had fully funding payment on existing debt prior to 2015 and has not allowed new projects into the program since then. She said that this year, payments for existing debt were cut in half by a veto. The legislature's proposed operating budget fully funded the program but with the uncertainty of potential executive action, as well as the fiscal uncertainty of the state, a pause would be necessary on any new constructions for schools. The bill would extend the moratorium another 5 years. She stressed that the goal was to revise the program for consideration during the next legislative session. She asked that the committee pass HB 106 in its current form. She noted that there were invited testifiers online to answer questions.

Co-Chair Stedman MOVED to report HB 106 out of Committee with individual recommendations and the accompanying fiscal note. There being NO OBJECTION, it was so ordered.

HB 106 was REPORTED out of committee with two "do pass" recommendations, two "do not pass" recommendations, three "no recommendation" recommendations and with one new zero fiscal note from the Department of Education and Early Development/Debt Service.

#hb235

CS FOR HOUSE BILL NO. 235(FIN)

"An Act relating to allocations of funding for the Alaska Workforce Investment Board; and providing for an effective date."

10:05:00 AM

Co-Chair von Imhof announced that a new CS would be presented to the committee for consideration.

DAVID SCOTT, STAFF, SENATOR BERT STEDMAN, discussed the CS being considered. He relayed that the CS made one change on Page 1, line 6, changing the effective date from 2023 to 2021.

10:06:08 AM

AT EASE

10:06:22 AM

RECONVENED

Co-Chair von Imhof asked the committee to support the one-year extension and address the issue further in the next legislative session.

Co-Chair Stedman MOVED to ADOPT proposed committee substitute for CSHB 235(FIN), Work Draft 31-LS1480\O (Wayne, 3/20/20). There being NO OBJECTION, it was so ordered.

Co-Chair von Imhof asked to hear from the bill sponsor.

REPRESENTATIVE ADAM WOOL, SPONSOR, supported the changes in the CS.

Mr. Scott explained that the fiscal note attached to the bill showed zero fiscal impact in the out years. This would be updated when the legislature took up the matter in the next legislative session.

10:08:34 AM

Co-Chair von Imhof OPENED public testimony.

TERI COTHREN, DEPUTY COMMISSIONER, DEPARTMENT OF HEALTH AND SOCIAL SERVICES (via teleconference), stated she was available for questions. She stated that the University supported the bill.

[10:09:27 AM](#)

MILES BAKER, GOVERNMENT RELATIONS, UNIVERSITY OF ALASKA, stated that he was available for questions pertaining to the fiscal note.

[10:10:16 AM](#)

Co-Chair von Imhof CLOSED public testimony.

Co-Chair Stedman addressed FN 7, from Department of Education and Early Development, OMB Component 2796:

This bill extends the length of time to disperse Technical and Vocational Education Program funds appropriated for distribution to various institutions for adult and higher education from June 30, 2020 to June 30, 2023.

Co-Chair Stedman addressed FN 8, from the Department of Labor and Workforce Development, OMB Component 2659:

This legislation extends the sunset date for existing funding allocations for program and grant distributions under AS 23.15.835(d) for the Alaska Technical and Vocational Education Program (TVEP) through June 30, 2023. Funding authorization for the TVEP recipients was included in the FY2021 Governor Amended request.

Co-Chair Stedman addressed FN 9, from the Department of Labor and Workforce Development, OMB Component 3117:

This legislation does not change the budgeted authorization needed for the Workforce Development component.

Co-Chair Stedman addressed FN 11, from the Department of Labor and Workforce Development, OMB Component 2276.

Co-Chair Stedman addressed FN 10, for the Department of Labor and Workforce Development, OMB Component 2686.

Co-Chair Stedman addressed FN 12, for the University of Alaska, OMB Component 1296.

[10:13:11 AM](#)

Senator Hoffman pointed out that the fiscal notes would need to be updated to reflect the one-year extension.

Co-Chair von Imhof agreed.

[10:13:23 AM](#)

AT EASE

[10:13:38 AM](#)

RECONVENED

Co-Chair Stedman MOVED to report SCS CSHB 235(FIN) out of Committee with individual recommendations and the accompanying fiscal notes. There being NO OBJECTION, it was so ordered.

SCS CSHB 235(FIN) was REPORTED out of committee with a "do pass" recommendation and with six previously published fiscal impact notes: FN 7(EED), FN 8(LWF), FN 9(LWF), FN 10(LWF), FN 11(LWF), and FN 12(UA).

[10:14:10 AM](#)

AT EASE

[10:14:17 AM](#)

RECONVENED

Co-Chair von Imhof informed that the committee would stand in recess.

[10:14:28 AM](#)

RECESSED

[Co-Chair von Imhof ADJOURNED the meeting at 5:10pm]

#

ADJOURNMENT

[10:14:56 AM](#)

The meeting was adjourned at 5:10 p.m.