

HOUSE FINANCE COMMITTEE  
May 11, 2023  
2:08 p.m.

[2:08:33 PM](#)

CALL TO ORDER

Co-Chair Foster called the House Finance Committee meeting to order at 2:08 p.m.

MEMBERS PRESENT

Representative Bryce Edgmon, Co-Chair  
Representative Neal Foster, Co-Chair  
Representative DeLena Johnson, Co-Chair  
Representative Julie Coulombe  
Representative Mike Cronk  
Representative Alyse Galvin  
Representative Sara Hannan  
Representative Andy Josephson  
Representative Dan Ortiz  
Representative Will Stapp  
Representative Frank Tomaszewski

MEMBERS ABSENT

None

ALSO PRESENT

Mercedes Colbert, Staff, Senator Bill Wielechowski, Sponsor; Kris Curtis, Legislative Auditor, Alaska Division of Legislative Audit; Sylvan Robb, Director, Division of Corporations, Business and Professional Licensing, Department of Commerce, Community and Economic Development; Laib Allensworth, Staff, Representative Bryce Edgmon; Daniel Robbins, Staff, Representative Julie Coulombe; Heather Carpenter, Health Care Policy Advisor, Department of Health; Representative Zach Fields; Representative Jennie Armstrong; Representative Justin Ruffridge; Representative Jesse Sumner.

PRESENT VIA TELECONFERENCE

Jen Griffis, Public Policy Manager, thread, Anchorage.

SUMMARY

CSSB 55 (FIN)

EXTND BDS: MEDICAL, DIRECT-ENTRY MIDWIVES

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

HB 193 INTERNET FOR SCHOOLS

HB 193 was HEARD and HELD in committee for further consideration.

HB 89 DAY CARE ASSIST./CHILD CARE GRANT PROGRAM

HB 89 was HEARD and HELD in committee for further consideration.

Co-Chair Foster reviewed the meeting agenda.

#sb55

CS FOR SENATE BILL NO. 55 (FIN)

"An Act extending the termination date of the Board of Certified Direct-Entry Midwives; extending the termination date of the State Medical Board; and providing for an effective date."

[2:09:51 PM](#)

MERCEDES COLBERT, STAFF, SENATOR BILL WIELECHOWSKI, SPONSOR, thanked the committee for hearing the bill. She explained that the bill would extend the termination date of the Board of Certified Direct-Entry Midwives and the termination date of the State Medical Board. She relayed that the state auditor recommended a four-year extension date through June 30, 2027 for the Board of Certified Direct-Entry Midwives and an eight-year extension through June 30, 2031 for the State Medical Board. She deferred to Kris Curtis, legislative auditor for details on the audits. Additionally, the Department of Commerce, Community and Economic Development (DCCED) was available to address the fiscal note.

Co-Chair Foster asked for a review of the audit.

KRIS CURTIS, LEGISLATIVE AUDITOR, ALASKA DIVISION OF LEGISLATIVE AUDIT, began with the audit findings for the State Medical Board (copy on file). The audit concluded that the board developed and adopted regulations to protect the public, improve the licensing process, and expand access to healthcare during the pandemic. Further, the board served the public's interest by effectively licensing physicians, osteopaths, and podiatrists; however, emergency courtesy licenses for physician assistants were not always issued in accordance with law. The audit also found that the board's workload had increased substantially during the audit period. The board met frequently, sometimes weekly, to consider pandemic-related regulations and the number of license applications considered by the board increased 28 percent compared to the pre-pandemic period. She explained the increase was a result of physicians traveling to the state to help meet the need for healthcare services during the pandemic and out of state practitioners providing services via telehealth.

Ms. Curtis relayed that board turnover and vacancies were common during the audit period, but even with the challenges, the audit found the board operated effectively. The audit recommended an eight-year extension, which was the maximum allowed in statute. She directed members to page 8 of the audit report showing licensing information. As of March 2022, there were 5,878 active licenses and permits for the board. Page 10 showed the schedule of revenues and expenses, showing that as of March 2022, the board had a surplus of approximately \$506,000.

Ms. Curtis directed members to page 14 of the audit report and highlighted two recommendations. First, the audit recommended that the board's executive director ensure all board meetings were adequately public noticed. The audit found that six of 32 meetings were not publicly noticed or not publicly noticed accurately. Second, the audit recommended that the board ensure emergency regulations comply with statute. The audit found that when the board established the physician assistant emergency courtesy license regulation, they did not ensure that the applicant had a collaborative plan with a supervising physician, which was a statutory requirement. She relayed that management's response to the audit began on page 25. She reported that the governor, commissioner, and board chair

concurred with the findings and recommendations. She stated that overall, it was a fairly clean audit.

[2:14:29 PM](#)

Ms. Curtis addressed the audit findings for the Board of Certified Direct-Entry Midwives (copy on file). The audit concluded that the board served the public's interest by conducting its meetings in an effective manner, by supporting statutory changes when deemed necessary, and by actively working towards amending its regulations. The audit also concluded that the board and the Division of Corporations, Business and Professional Licensing (CBPL) staff did not consistently certify midwives and apprentice midwives in accordance with the law. Further, an investigation that concerned a potential threat to public safety was not addressed by CBPL investigators in an efficient manner. The audit recommended the legislature extend the board four years, which was half of the eight-year maximum allowed in statute. The reduced extension recommendation was based on a need for more timely oversight of the board and on the fact that the board had some draft regulations that would significantly change how it licensed midwives in the future.

Ms. Curtis turned to page 5 of the audit report and relayed that there were 47 certified midwives and apprentice midwives as of June 2022. Page 7 showed a schedule of revenues and expenses showing a surplus of approximately \$68,000 as of March 2022. The audit made four recommendations for improvement beginning on page 9. In regard to the investigations that were not done timely, the audit recommended that the commissioner consult with the governor's office and other policy makers to improve the recruitment and retention of investigators. She stated that because recruitment and retention was a statewide problem, it should be addressed at a statewide policy level. The second recommendation was similar in regard to improving the recruitment and retention of licensing staff, which contributed to the licensing errors discovered in the audit.

Ms. Curtis turned to page 11 of the audit report and addressed the audit recommendation for the director to work with the board to ensure the online renewal licensing application form was sufficient to monitor compliance with continuing education. Additionally, the license referenced

incorrect regulations, which should be cleaned up. The fourth recommendation, located on page 12, recommended that the Office of the Governor's Boards and Commissions director work with the board to identify interested applicants to fill board vacancies in a timely manner. She detailed that the board was composed of five members and for 20 months it was down two positions and for two months it was down three positions. She shared that the commissioner, board chair, and governor's office concurred with the findings and recommendations. She highlighted that on page 26, the chair asked for an eight-year extension as opposed to a four-year extension. The request was made because the recommendations were mainly addressed to the department and governor's office.

[2:17:46 PM](#)

Representative Hannan noted that the audit recommendations did not really pertain to actions by the board. She considered various extension options including four, six, and eight years. She reasoned it was incumbent on the agency to ensure the board was adequately staffed and [investigations] were done in a timely manner. She considered herself to be a fairly new legislator, but she recalled renewing the board once before. She thought it seemed there would always be a sort of panic to get on step when they were down on staff and the concerns were timeliness but not actions of the board. She asked if she was missing something.

Ms. Curtis replied it was a common question whenever there were recommendations addressed to the division and not the board. She stated it was a legislative oversight mechanism. She recommended taking a look at the board again earlier rather than later because the board planned to significantly change how it licensed midwives. Additionally, she believed it was important to keep an eye on the investigations for a board that impacted public safety. She noted it was the second time there had been issues with the investigations.

Representative Hannan asked Ms. Curtis to elaborate on any communications the auditors had with the department about their focus and ability to address the concerns raised in the audit. She asked if the department had more investigators. She wondered if the deficits [in the division] would remain in four years. She did not recall an

increase in the division's budget for an investigator. She believed the positions were unfilled. She wondered about filling or addressing the positions and turning licenses and investigations around in a timelier fashion.

2:20:22 PM

Ms. Curtis answered that the licensing issue was not necessarily about timing but about not having the appropriate documentation in the files or not following up on certain things. She stated it was attributed to turnover and vacancies. She stated the same was true with the investigations. She relayed that the particular case was a threat to public safety and had been identified in the audit three years earlier. She reported that no progress had been made on the issue. She detailed that the chief investigator stated the division had an untenable workload due to a high number of cases and a high number of vacant positions and that efforts to hire had been unsuccessful. She relayed it was a statewide issue. She explained that it may not be a budgetary situation if the division could not find someone to apply for a position or remain in a position. She considered it may indicate a need for more statewide policy pertaining to recruitment and retention.

Representative Josephson asked if the board and midwives had to pay the audit fees if they had to come back in four years.

Ms. Curtis answered that there was no cost to the department for a sunset; it was just the department's time and energy dealing with the auditors. She explained that sunset audits were part of the Division of Legislative Audit's budget. She explained that if there were seven sunsets in a given year, more of the division's resources would go towards the audits as opposed to doing special audits at the request of the committee.

Representative Josephson asked from the perspective of the midwives and board chair why it was so important for the board to receive a seven-year extension versus four. He asked if it felt insulting to the board and licensees.

Ms. Curtis answered that the individuals were passionate about their work and the volunteers worked very hard. She stated that time and time again she saw that the individuals felt like it was like a grade on their report.

She stated they wanted an "A" and did not feel that a four-year extension indicated an A. She acknowledged that the individuals were doing a wonderful job, they worked very hard, and the recommendation was not a reflection of their time.

Co-Chair Foster noted that both of the boards would expire June 30, 2023 if the bill was not passed. He asked Ms. Colbert if she had anything to add prior to the review of the fiscal note.

Ms. Colbert thanked the committee for hearing the bill and thanked the senator's intern for carrying the bill in the other body.

Co-Chair Foster asked for a review of the fiscal note.

[2:23:43 PM](#)

SYLVAN ROBB, DIRECTOR, DIVISION OF CORPORATIONS, BUSINESS AND PROFESSIONAL LICENSING, DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT, highlighted that the total annual cost to extend both boards was \$25,200 from FY 25 through FY 29. She noted there were no costs shown for FY 24 because per statute, if boards were not extended, there was a one-year wind down period; therefore, the division would pay for the board in FY 24 regardless of the status of the bill.

Representative Hannan asked how the department was doing in hiring the investigative position and filling the vacancies that had created some demerits on the audit.

Ms. Robb responded that the division had been successful in staffing its investigations unit. She detailed that the unit had been fully staffed until the end of March with 23 filled positions. An individual had retired at the of March and the position had been filled with an internal promotion meaning there would still be a vacancy. She stated the division was doing much better in terms of having the investigation positions filled.

Representative Hannan asked if the department believed it would be able to support the board to fully comply with statute for the next four years if the sunset was extended.

Ms. Robb replied affirmatively.

Co-Chair Edgmon MOVED to REPORT CSSB 55(FIN) out of committee with individual recommendations and the accompanying fiscal note.

There being NO OBJECTION, it was so ordered.

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

#hb193

HOUSE BILL NO. 193

"An Act relating to funding for Internet services for school districts; and providing for an effective date."

2:26:55 PM

REPRESENTATIVE BRYCE EDGMON, CO-CHAIR, HOUSE FINANCE COMMITTEE, SPONSOR, reviewed that the bill that would allow for improved internet services for schools qualifying for the federal E-rate across the state. The E-rate program flowed down through the federal Communication Commission Universal Services Fund to the state broadband programs. The federal matching rate for Alaska was \$8 to \$9 for every state dollar put forward. He explained the program got its start in Alaska with the state Broadband Assistance [Grant] (BAG) program put into law in 2014 to implement a speed of 10 megabytes [megabits] per second. For context, he referenced individuals in the Capitol Building who could not access their internet recently. He had been told their current speed was about 5 megabytes per second. He asked members to imagine how slow 10 megabits would be. He relayed that in 2020 the legislature upped the 10 megabits per second threshold to 25 megabits per second. The bill proposed to increase the number to 10 megabytes.

Co-Chair Edgmon asked committee members to keep in mind that the committee heard a bill setting up the Alaska Broadband Office, the advisory committee, and establishing the framework in statute to open opportunities for a massive amount of incoming federal money to provide high speed, affordable, and equitable broadband services to all user groups across the state. The current bill before the committee addressed the numerous schools hampered by slow

internet without the ability to do videoconferencing, standardized testing, basic emails and coursework. The bill proposed to increase the threshold from 25 megabits per second to 100 megabits per second. He was told there would be a bill from the other body possibly coming to the committee soon. The intent of the current hearing was to explain the big picture to the committee.

[2:30:47 PM](#)

Representative Coulombe stated that she had chaired the Department of Education and Early Development subcommittee and it was obvious the upgrade needed to take place. She noted schools were really struggling. She observed that a backup document primarily showed GCI and ACS [as service providers]. She asked if Starlink could be used with the grants or if the BAG program was limited to certain providers.

LAIB ALLENSWORTH, STAFF, REPRESENTATIVE BRYCE EDGMON, replied that the contracts were individually bid upon by school districts and districts were able to choose their provider. He was not certain about Starlink's involvement and whether it had the capacity to provide the level of service provided for a school district.

Co-Chair Edgmon added that the program would provide the flexibility to work with GCI or ACS and to ensure the 100 megabits per second threshold included download speeds (the signal coming to the school) and upload speeds (the signal leaving the school). He stated that perhaps in some cases Starlink could provide the service, but there were other instances where GCI and ACS would provide the service.

Representative Hannan was startled to learn the specific download rate was set in statute. She reasoned that the statute would need to be updated every couple of years because no one decreased in speed needs. She recalled as a teacher when there had been mandatory state testing conducted online, but schools had been unable to plug their students in on the same day or time. She supported and believed faster internet and a grant program were needed. She asked if there was a mechanism to avoid having to make a statutory change every two to four years. She wondered if the adjustment could be made via regulation and grants in the budgetary process.

Co-Chair Edgmon replied that ideally there would be fiberoptic cable available in the next several years in the middle and final mile capacity to schools far and wide. He remarked there was a fiscal note attached to the bill that was eyepopping in number, but it was a number that built in all of the schools qualifying for the program if they could get infrastructure in place. He considered the current E-rate program as a bridge program so that going into the future there should not have to be numerous iterations of the bill going forward. He thought it could be the case for some small schools that could not take advantage of the federal funding coming in through the federal Infrastructure Investment and Jobs Act (IIJA).

[2:34:45 PM](#)

Co-Chair Foster noted that Representative Stapp had joined the meeting.

Representative Galvin stated the topic was relatively new to her, although she was familiar with E-rate and its importance to rural Alaska. She believed the legislation referred to more than 20 school districts. She presumed they were school districts that had historically used and needed extra support for internet. She asked if her statement was accurate.

Co-Chair Edgmon replied affirmatively. He explained that much of the internet had been satellite driven or through microwave transmission and perhaps fiberoptic in some smaller instances for online school. He elaborated that fiberoptic cable was finding its way down the Yukon-Kuskokwim (YK) region in the next couple of years. He added that Quintillion line was being laid around the state up north and in Co-Chair Foster's region. He remarked that it would be fiber optic driven and a lot of schools would be able to enjoy the same amount of broadband that schools in urban Alaska provide. He had been told recently that the broadband used in the Capitol Building was several hundred megabytes per second. The bill talked about getting a school (e.g., Nome-Beltz High School with 500 plus students) to maybe 100 megabytes. He stated there was still a lot of catching up to do. He was optimistic because hopefully in the future it would not be as funding source challenged as it was in the past.

[2:36:52 PM](#)

Representative Galvin surmised the bill aimed to ensure the minimum speed was met in the school districts and that funding was available.

Co-Chair Edgmon answered, "To qualify through the E-rate program." He added there may be other means that schools used. He explained they were talking about a lot of schools across the state. He relayed that his staff could provide an exact number.

Representative Galvin underscored the importance of the issue. She knew that many districts would like to participate in opportunities for online learning, but after signing up they did not have the bandwidth to make it happen. She appreciated providing a bit more equity for all of Alaska's students.

Co-Chair Foster noted Co-Chair Johnson had joined the meeting.

Representative Cronk looked at the fiscal note and asked if the installation of fiber optic would eliminate or decrease the need for the funds in the note.

Co-Chair Edgmon answered that the number [in the fiscal note] projected outward as if every school qualified for the federal E-rate program and had the infrastructure to participate in the delivery of service. He relayed that a provider had cautioned earlier in the day that it would take time. The number was at the ceiling of what could be out there. In the meantime, fiber optic cable was going through the Dillingham region and extended up through the YK region and Bethel area. He remarked it would take some of the schools off the list that would otherwise be competing for the federal E-rate money.

[2:39:01 PM](#)

Co-Chair Edgmon thanked the committee for hearing the bill. He stressed the importance of the issue and hoped and looked forward to an additional hearing perhaps of the Senate bill.

HB 193 was HEARD and HELD in committee for further consideration.

2:39:49 PM

AT EASE

2:42:45 PM

RECONVENED

#hb89

HOUSE BILL NO. 89

"An Act relating to the day care assistance program and the child care grant program; and providing for an effective date."

2:42:53 PM

REPRESENTATIVE JULIE COULOMBE, SPONSOR, thanked the committee for hearing the bill. She introduced the bill with prepared remarks:

HB 89 strengthens the childcare system in a number of ways. It expands the number of families who can utilize daycare vouchers and aligns the subsidy level to reflect the actual cost of daycare. It makes childcare expenditures and cash or equivalent accepted by daycare facilities and payments to employees for the purpose of offsetting childcare costs eligible for tax credits. It increases the maximum individual tax credit limit, develops a sliding fee scale to make grants less generous for higher income families and lower income families and provides grants for the highest performing and highest quality childcare facilities.

Representative Coulombe explained that at the outset the bill did two things including the commission of a study to find out the actual cost of daycare. She explained that currently there was a market survey, which was basically rates providers were currently charging; however, it was not working because daycares were going under. She explained it was not enough to keep daycares in business. The department was conducting a survey to identify the actual cost of care. The bill would adjust the amount up in consideration of vouchers. Second, the bill would expand the opportunity for families of different income levels to access care. She shared that when she had first started as a legislator, she had heard from many people in the private sector who were struggling with workforce and one of the

largest problems was daycare. She elaborated that she managed numerous people in her line of work and the lack of childcare caused employees to miss work, arrive late, and leave early. She considered the bill as a support for families and workforce. She requested her staff to provide a brief presentation.

DANIEL ROBBINS, STAFF, REPRESENTATIVE JULIE COULOMBE, provided a PowerPoint presentation titled "HB 89 Child Care" (copy on file). He began on slide 2 and discussed that the bill aimed to fix the lack of affordable, quality childcare. The lack of childcare worsened labor shortages, endangered children, undermined families' economic security, and decreased workforce participation. He relayed that the solution was to strengthen the childcare sector to improve access for families and help parents return to the workforce (slide 3).

Mr. Robbins detailed that the bill strengthened the childcare system in a number of ways (slide 4):

- Expands the number of families who can utilize daycare vouchers
- Aligns the subsidy level to reflect the actual cost of care
- Incentivizes tax breaks for employers to donate to daycare facilities
- Increases the maximum tax credit
- Eliminates sudden drop-off of subsidies for higher income families
- Provides grants to the highest performing/quality daycare facilities

[2:47:03 PM](#)

Mr. Robbins reviewed that Alaska's childcare was in crisis as a result of low wages, labor shortages, and a declining number of childcare providers (slide 5). The graph on slide 6 showed that during the height of the COVID-19 pandemic, there was a large dip in the number of childcare workers. While the number had rebounded, it had not returned to its level prior to the pandemic. He moved to slide 7 and discussed that childcare subsidies were inadequate and did not reflect the actual cost of care. He stated it was a problem because it impacted lower income families and middle class families. He explained that subsidies were

inadequate. He detailed that providers lost money when offering care to lower income families and consequently they were raising rates on middle class families, which in turn forced additional families out of the workforce to stay home and care for children.

Mr. Robbins addressed who was eligible for subsidies on slide 8. Currently, the eligibility threshold was 85 percent of the state median income (\$60,144 in Alaska for one earner with one child). The threshold left most of the middle class without affordable care and resulted in labor shortages in every industry in Alaska. The bill raised the eligibility threshold to 105 percent of the state median income (\$73,920 in Alaska for one earner with one child). He stated the department would scale subsidy level based on need. He explained that the expanded number of families who could afford care would result in more Alaskans going back to work.

[2:49:32 PM](#)

Mr. Robbins discussed the subsidy rate calculation on slide 9. The subsidy rate was currently based on a market survey; however, it underestimated the cost of care, which put providers in greater financial risk and resulted in lower income families not being able to obtain adequate subsidies. The situation resulted in increased rates for middle income families, which priced families out of care. The bill aligned subsidy rates with actual cost of care, which improved provider financial stability and affordability for the middle class.

He turned to slide 10 and explained that a family with a household income of \$60,000 per year should not spend more than \$4,200 per year on childcare costs. Currently those families were spending \$6,600. He moved to slide 11 and discussed that parents had reported that childcare issues had caused them to go from full-time to part-time employment and had prevented them from accepting jobs. He shared that Missouri had proposed a tax credit to daycare facilities for making capital improvements (slide 12). North Dakota was spending over \$70 million per year on its childcare program aiming to make childcare affordable and improve availability and quality (slide 13).

[2:51:15 PM](#)

Mr. Robbins provided a recap on slide 14. The solution was to expand the number of families who were eligible for childcare subsidies under the Child Care Program Office, which would help more parents afford childcare and get back to work.

Representative Coulombe relayed there was an issue with the phone system and the committee may have to wait to ask the department questions.

Representative Josephson stated that the Senate had \$15 million for block grants. He asked if the funding was for the program in the bill or something different.

Representative Coulombe replied that the [Senate] funding was for childcare block grants to help subsidize childcare centers. She clarified that HB 89 addressed vouchers parents applied for that also went to childcare centers. She stated that daycare centers were a terrible business model for profit. The facilities would never be able to charge what it actually cost to provide the service; therefore, they would always be subsidized. She explained that the grants [referenced by Representative Josephson] and the vouchers helped make a difference. She added that some of the items in the bill had come as amendments throughout the committee process (e.g., the tax credits). She was open to other things. She reiterated that the vouchers and daycare grants ultimately ended up at the childcare center, but the [childcare grants] were more direct from the department to the centers.

[2:53:57 PM](#)

Representative Josephson looked at slide 13 and asked if Mr. Robbins had stated that North Dakota invested \$70 million per year or \$7 million per year.

Mr. Robbins replied, "\$70 million."

Representative Josephson remarked that North Dakota had just a few thousand more residents than Alaska.

Representative Galvin looked at the bullet point on slide 4 that read "incentivizes tax breaks or employers to donate to daycare facilities." She asked if it meant tax breaks would be given to those donating to daycare. She asked if

it was similar to the University system where donating businesses received a tax break.

Mr. Robbins answered that it was similar. The bill would give tax breaks for businesses donating to daycare centers.

Representative Galvin asked for verification that the bill would give tax breaks to incentivize donations.

Mr. Robbins agreed.

Representative Galvin looked at slide 8 and remarked that the bill would increase the number of families with access to childcare. She asked if there was available data indicating what the expansion would look like.

Mr. Robbins replied that the Child Care Program Office did not provide hard numbers indicating the number of families the bill would help.

Representative Galvin echoed comments made by Representative Josephson. She remarked that over \$70 million was invested in North Dakota. She elaborated that the issue had been present in Alaska for decades. She highlighted that investing in a child's early years with high quality early learning standards resulted in a much higher workforce. She thanked the sponsor for calling the committee's attention to North Dakota.

[2:58:02 PM](#)

Representative Ortiz thanked the sponsor for the legislation. He looked at the bottom bullet on slide 4 specifying that the bill would provide grants to the highest performing/quality daycare facilities. He asked who determined which facilities were the highest performing.

Mr. Robbins replied that there were quality standards. He detailed there were different levels [of quality] and the number was displayed at each daycare facility. He believed the maximum level was 5 and there were no facilities in Alaska exceeding level 3. He stated the goal would be to get to higher levels by providing grants.

Representative Coulombe elaborated that the item referenced by Representative Ortiz was an amendment that came later [in a prior committee of referral]. She explained the

amendment aimed to incentivize a higher quality of care. She relayed there was currently a rating scale of 1 to 5 and each daycare had a licensed childcare rating. She did not want to make the requirement yet; therefore, the bill included an option for the department that a daycare facility rated 3 or higher could get additional funding for performance. Part of the performance included interaction, educational opportunities, the number of adults per child, nutrition, and one other item. She stated it was a pretty standardized system and she was amenable to the amendment because it did not implement anything new and would use the existing structure to incentivize childcare centers doing a great job. Unfortunately, there was not currently a daycare center above level 3. The goal was to incentivize facilities to get a level 5 rating.

Representative Ortiz asked if there was someone from the department visiting the various daycare centers around Alaska determining that thus far, no one had exceeded a level 3. She remarked that the department would likely be able to provide more details.

[3:01:10 PM](#)

HEATHER CARPENTER, HEALTH CARE POLICY ADVISOR, DEPARTMENT OF HEALTH, responded to the question by Representative Ortiz. She highlighted that the department had plans to dive into metrics around the grant portion of childcare and the subsidizing of high quality care facilities. She noted that unfortunately the program expert was unavailable during the current meeting. She elaborated that one of the reasons the governor had created a taskforce to look at childcare was to task the department with determining how to stabilize the sector and to consider what needed to be looked at when considering how to reimburse things like quality. She reminded the committee that childcare licenses ranged from small providers in a home with a couple of children to large facilities serving numerous children. She noted the department wanted to account for the different types of facilities when applying quality metrics. She remarked that it was never a simple answer and childcare was an incredibly complicated sector when thinking about levers and options to consider.

Representative Ortiz discussed the concept of offering tax credits. He remarked it assumed that childcare providers were paying some tax. He asked if even the smaller

providers were paying a tax they may qualify for a credit for. Alternatively, he asked if only corporate centers that paid corporate taxes would get the credit.

Mr. Robbins answered that the tax credits were for businesses providing any kind of assistance to daycare facilities for things such as capital improvements.

Representative Coulombe responded that it was a corporate tax. For example, the amendment was intended to apply to a business like ConocoPhillips for having a childcare center in the building or helping their families pay for their childcare. She was not aware of any related taxes for small businesses.

Representative Ortiz surmised that smaller providers would not benefit from the tax credit portion of the bill.

Representative Coulombe agreed. She stated her understanding there would not be a significant number of opportunities for the particular benefit. She stated it was also on a case by case basis and depended on the daycare center. She believed the amendment was focused on larger corporations.

[3:04:41 PM](#)

Co-Chair Edgmon thanked Representative Coulombe for bringing the bill forward. He viewed the bill as one of the more innovative pieces of legislation that would come forward during the current session. He underscored that Alaska had significant outmigration challenges, especially with younger people and younger families. He believed the bill and taskforce could help with that outflow. He had heard from statewide associations that wages in childcare centers were in the \$12 to \$13 per hour range. He stressed the providers could not compete when it was possible to get a job at Walmart paying \$18 to \$20 an hour. He referenced a Hunt Institute summit on February 5 in Juneau that half the committee had attended. He relayed that the summit had talked about how Virginia, Mississippi, and North Dakota were making childcare assistance an integral part of their workforce development. He hoped the bill received swift consideration.

Representative Coulombe thanked Co-Chair Edgmon for his comments. She shared there had been someone representing

the Kenai private sector economic community at a recent House Ways and Means Committee meeting. The individual had stated there were three things government needed to solve: daycare, transportation, and housing. She stated that she heard from individuals across the private sector all reporting that daycare was an issue. She recognized that there were issues with the public sector too. She considered it to be a workforce and pro-family issue. She thought it fit with the governor's efforts to make Alaska a pro-family, pro-life state.

Co-Chair Foster recognized Representative Zach Fields in the audience.

Representative Hannan thanked Representative Coulombe for taking on the issue. She recalled in the early 1990s when high tech companies and hospitals were competing for a limited work pool by offering childcare on their work premises. She referenced the tax incentive in the bill for corporations and asked if Representative Coulombe had heard from corporations that the bill would incentivize them to open on-premises facilities for their workforce.

Representative Coulombe answered that she had not talked with corporations personally. She had spoken with many businesses and believed they would jump at the chance to help people get steadier daycare.

Representative Hannan noted there was a legal memo in the bill packet about changing the rates. She referred to Representative Coulombe's reference to the current market survey method versus the actual cost of care [being used to determine rates]. She recalled that when she was first elected there had been an inadequate response to the market survey but the rate had been set for two years. She asked if the bill would get the state into a problem with federal subsidies if the state changed from a market survey. She stated her understanding the market survey was mandated based on respondents and not the actual cost of care. She asked if the cost of care study was in place or if it was something the bill dictated the department to do.

[3:09:49 PM](#)

Ms. Carpenter replied that the department had worked with the entire Juneau delegation on the issue. She noted it had been one of the first issues she had worked on when she

started with the Department of Health (DOH). She stated there were two methodologies the federal Administration for Children and Families (ACF) allowed the state to use including the market rate survey and the actual cost of care. She elaborated that the intention (facilitated by the work of the task force and commissioner) was to determine whether the department could set up a cost of care analysis and the methodology would have to be approved by the federal government. The intention was to continue with the market rate survey during the cost of care analysis to ensure the department was looking at the rates and bringing them more up to date. The plan was to determine whether using the cost of care methodology was the better way to pay for care. She referenced the legal memo by Legislative Legal Services about increasing the threshold paid. She detailed that ACF capped payment for care at 85 percent of the state median income. She explained it meant that under the bill anything between 86 percent to 105 percent of state median income would have to be covered by general funds.

Representative Hannan asked if that was reflected in the bill's fiscal note. Alternatively, she wondered if the fiscal note reflected the cost of the study to determine how many people would be in the new gap area.

Ms. Carpenter answered that the fiscal note did not currently include what it would cost. She explained that the fiscal note system did not allow the department to add an indeterminate on the front page of the grants line. The note showed the cost of positions the department would need. The page noted the indeterminate cost. The department did not know the number of families that would enroll, which made estimating the cost difficult. She shared that as of February there were 2,739 children currently receiving subsidies through the Childcare Program Office. She detailed that 96 of the 2,739 (or 3 percent) were served at the highest rate (75 percent to 85 percent of state median income). She explained that the higher a family's income, the higher their copay. She elaborated that a parent stayed home with the kids in some families. The department did not know if the change would be enough to incentivize. She added that currently, nothing in the bill directed DOH to decrease copays made by families. The copay was on a sliding scale and the legislature could direct the department to look at the lever. She thought it

warranted a conversation about whether a copay was affordable when a family was making more money.

[3:13:47 PM](#)

Representative Hannan thought one of the downsides of the fiscal note was that it did not show the lost economic cost to Alaska due to inadequate childcare. She appreciated the efforts on the bill. She remarked that it would not be a single fiscal note. She highlighted that the cost of providing more childcare would create an economic wheel that would result in more working Alaskans and more revenue. She stated it would benefit everyone.

Co-Chair Foster stated the information would be interesting to see in the fiscal note, but hard to quantify.

Representative Tomaszewski referred to the individuals currently covered (those up to 85 percent of the state median income). He believed Ms. Carpenter had stated there were about 2,700 individuals. He asked how much it currently cost in general funds and federal funds.

Ms. Carpenter did not have the number on hand. She clarified that the funding was all federal and paid for with a block grant.

Representative Tomaszewski asked for verification that anything from 85 percent to 105 percent [of the state median income] would be paid for with state general funds.

Ms. Carpenter agreed.

Representative Tomaszewski asked Ms. Carpenter to review a chart in members' packets.

Ms. Carpenter noted that Representative Tomaszewski was referring to a chart showing what a family's copay would be based on their income and number of individuals in the house ["Family Income and Contribution Schedule" revised on February 21, 2022 (copy on file)]. She explained that individuals at the lowest of state median income would have a 1 percent copay. At that lowest rate, the copay for a two-person household (one parent and one child) would be \$1. She elaborated that a two-person household earning \$5,012 per month would pay 9 percent of its income towards the copay (\$451 per month). She explained that when the

department worked with a daycare enrolled with the Childcare Program Office, the department took out the copay the parent should pay and paid the rate directly to the childcare facility. She noted that what the department helped pay for the family was separate from the grant program contemplated in the legislation.

[3:17:31 PM](#)

Representative Stapp thanked Representative Coulombe for a bill aimed at tackling a challenging issue. He had a couple of concerns with some of the sections in the bill. He considered the long-term fiscal impact, specifically the tripling of the existing tax credit. He noted the bill stated that after 2030 there would be a five-year rolling inflation adjustment indexed to the Consumer Price Index (CPI) for all urban consumers for urban Alaska. He noted the CPI was very different for Fairbanks and Juneau than it was for Anchorage, which made it difficult to calculate a long-term fiscal note. He did not know how it was possible to project the cost with the inclusion of the specific provision. He asked for comment.

Ms. Carpenter responded that the section was not overseen by the department.

Representative Coulombe replied that the topic came up in one of the prior committees during a hearing on the bill. She asked if Representative Stapp was referring to page 7.

Representative Stapp replied that he was referring to repeating language on pages 3, 6, 9, 12, 15, 18, and 21. He referenced lines 11 to 16.

Representative Coulombe asked if Representative Stapp's concern was the connection to inflation.

Representative Stapp agreed and stated that the provision effectively put increases on autopilot in perpetuity.

Representative Coulombe replied that the provision was connected to the amount in place in the past. She believed the concern was valid and she would follow up on the question.

Co-Chair Foster moved to invited testimony.

3:21:05 PM

JEN GRIFFIS, PUBLIC POLICY MANAGER, THREAD, ANCHORAGE (via teleconference), thanked the committee for the opportunity to testify on the current challenges facing childcare and families and to discuss how the bill could help address some of the challenges. She explained that thread was a statewide nonprofit that had been serving the childcare sector in Alaska for over 35 years. The organization provided direct services to families, early educators, and childcare programs throughout the state. She read from prepared remarks (copy on file):

As you have heard through the session, childcare has been struggling. While this is not a new struggle - it has always been challenging to find and afford quality childcare - it is a struggle that is increasing as early educators continue to leave the workforce and childcare programs continue to close. This continued decline in childcare availability is having a significant impact on the workforce challenges in other sectors and broader economic impacts as well.

Historically, the gap between availability within all early education settings (pre-k, Head Start and childcare) and the need in Alaska has been about 20%. Since the pandemic, the challenges facing the childcare sector have increased, primarily related to attracting and retaining workforce. We are working to update our data regarding the current gap in early education, but the self-reporting we are hearing from various programs and communities across the state indicate some are experiencing declines in their enrolled capacity as high as 40% due to workforce shortages. This has resulted in classroom and program closures further restricting the supply of available childcare.

Federal stabilization funds during the pandemic provided support to childcare providers. These funds were delivered in three phases, with the most recent phase, Phase 3, being distributed in April. Data on the impact of the Phase 2 funds has been gathered and will be shared soon, but the preliminary analysis demonstrates that the \$50 million in stabilization funds that went directly to childcare providers and programs kept childcare businesses open that would

have otherwise closed. But we also know that investment alone was not enough to keep all programs open or all early educators in the field.

While thread is advocating for additional direct support for both early educators and childcare programs during this coming fiscal year, we also believe that creating a more stable childcare sector will require shifts in the current policies around Alaska's childcare assistance programs. House Bill 89 addresses two of these policy shifts - increasing eligibility for the childcare assistance program and including a cost of care model in the determination of provider reimbursements.

Currently, the income eligibility limit for participating in childcare assistance is 85% of state median income. Increasing this eligibility limit would allow more families to participate in the childcare assistance program reducing their childcare costs. This change has the potential to increase workforce participation across multiple sectors. Additionally,

Additionally, childcare providers are currently reimbursed at rates set by a market price survey that is based on the amount providers charge for care, not what it actually costs childcare programs to provide quality care. When systems base childcare policies, including childcare reimbursement rates, on a market price survey that does not consider the true cost of care it creates an unstable foundation for the childcare system, a foundation that - as we've witnessed - will struggle to weather economic and societal pressures. Including cost of care analysis in policy and fiscal planning for childcare provides a foundation for a more stable system.

thread believes stabilizing Alaska's childcare system and supporting Alaska's workforce requires policies that reduce costs for parents and increase support for childcare providers. These policies are the foundation of HB89. We appreciate the sponsor for bringing this bill forward and continuing the conversation around childcare policy. While we were not able to testify before the committee today due to other commitments, if members have questions or need additional information as they consider this bill please don't

hesitate to reach out. Thank you for your continued support for Alaska's children and families.

Co-Chair Foster recognized Representatives Jennie Armstrong, Justin Ruffridge, and Jesse Sumner in the room. He thanked Ms. Griffis for her testimony.

Representative Coulombe provided closing remarks on the bill. She thanked the committee for listening to the bill. She relayed that she had heard from some individuals who were concerned about government taking over childcare. She detailed that those concerned individuals believed parents should be staying home with their children. She agreed it was the optimal situation, but things had changed and were very different than when she had raised her kids. She shared that when she had raised her kids there had been enough stay-at-home moms to help each other out. She reported that her street was now empty during the day because everyone was at work. She clarified she was not intending to build a bunch of government run daycares. She was aiming to tackle the problems of daycare and she was open to creative ideas. She believed some communities had mom-and-pop daycares taking care of kids. She noted that the committee had passed an amendment by Representative Galvin to help fund some smaller daycares. She stated the bill was a working document and she was open to ideas for improvement. She wanted the bill to be the best possible and to meet the most needs. She noted that was where the tax credits had come from. The goal was to come up with a creative solution involving partnership with the private sector, helping small daycares, subsidizing larger daycares, and ensuring quality service. She relayed that the bill focused on a serious issue that needed to be addressed.

HB 89 was HEARD and HELD in committee for further consideration.

Co-Chair Foster reviewed amendment deadlines for various bills including HB 178, HB 112, SB 77, and SB 81.

Co-Chair Foster relayed that he would recess the meeting until the following day at 8:00 a.m.

Representative Hannan asked when Co-Chair Foster may know if the 8:00 a.m. meeting would happen.

Co-Chair Foster answered that hopefully they would know by 5:00 p.m. that afternoon.

Representative Ortiz asked about the amendment deadlines for the following day.

Co-Chair Foster reread the amendment deadlines for four bills.

Co-Chair Foster RECESSED the meeting until the following morning at 8:00 a.m. [note: the meeting never reconvened].

#

ADJOURNED

3:31:58 PM

The meeting was adjourned at 3:31 p.m.