

HOUSE / SENATE FINANCE COMMITTEE MINUTES - 1967-1982 2727

Hohman replied that the schools have been funded to build the core areas such as the heating facility and kitchen, but not for classroom construction.

Chairman Sackett advised committee members that he would hold the bill over pending drafting of a Senate Finance Committee Substitute based upon the foregoing bill discussion.

Chairman Sackett moved that House Bill 357 (Making a special appropriation to power and water projects) be brought up for discussion. Jim Edneso from the Department of Revenue and Commissioner Hubbard from the Department of Commerce were on hand to testify concerning the bill. Mr. Edenso advised that the Department supports the amount appropriated in the bill (\$1600.0) for loans to the Municipality of Sitka for a hydroelectric project. The Administration feels that there is an existing need in Sitka for the project. It does not believe there is sufficient need to warrant other projects in the bill, but has no objection to the other items. The Department of Revenue has not been involved in the increased amounts contained within the bill and Mr. Edenso stated that he was not prepared to speak to those items; however, in regard to the portion for Sitka, that amount is in line with Administration wishes.

MOTION
HB 357

Mr. Edenso

Senator Croft stated that he believed everyone was agreed that the Green Lake project is ready to go, but nobody knows how the 1.8 million is going to be used. Commissioner Hubbard replied that the 1.8 million included in the bill was to fund for another year the revolving loan fund appropriated last year. There were six projects named in the legislative intent appended to the bill establishing the fund. Sitka is the only project which has proven to be viable. There is a need for the remaining projects but the Department does not yet have sufficient data to proceed.

Commissioner
Hubbard

Commissioner Hubbard again stated that the money was appropriated with legislative intent. The Department has distributed funds to Sitka and the remaining funds are being held for the other projects specified by intent.

Chairman Sackett raised a question concerning the advisability of allowing the funded money to sit unused pending receipt of applications from the other anticipated projects. Senator Tillion suggested that perhaps the committee could state that the funds

for Sitka would be funded out of the money held pending application of the anticipated projects, but in that case the other projects could not go forward. Chairman Sackett advised that he was more interested in finding out what had previously transpired, especially in relation to the letter of intent setting forth the six specified projects. Research by staff members turned up several letters of intent pointing to establishment of the fund for the six projects. Chairman Sackett advised staff members and Commissioner Hubbard that he wished a determination made as to what was actually adopted as legislative intent.

He further requested that Commissioner Hubbard ask the Administration where it wishes the 1.6 million appropriated under the subject bill to be taken out of the budget. Commissioner Hubbard assured committee members that he and Mr. Edenso would not be testifying on behalf of the bill if it had not been approved by the Governor. Chairman Sackett again instructed Commissioner Hubbard to ask the Administration where it wishes the 1.6 million taken out, advising that the Administration continues to come to the legislature supporting projects that were not part of the Administration's original request. Commissioner Hubbard replied that there are a number of projects which the Administration supports contained in bills prepared by legislators. It is up to the legislature to decide which projects are passed. Chairman Sackett stated that he wanted to know where the money will come out of the budget when bills supported by the Administration are passed. He added that there is only so much money to spend and he didn't want the Governor to veto bills passed by the legislature because there is not enough money to fund them all.

Senator Croft referred to three letters of intent dealing with the original appropriation and stated that it did not appear that any of them had been adopted by the House. Chairman Sackett instructed Commissioner Hubbard to go back and find out if any of the letters of intent were adopted. If he cannot find that any of the letters were adopted, he should use the existing

moneys to fund the Sitka project. If Commissioner Hubbard should find that the letter of intent pointing to the six projects was adopted, the committee will pass the appropriation for Sitka. He added that he did not like the present situation where money remains in the fund when it could be used for Sitka.

Commissioner Hubbard advised that of the six projects specified, two projects would be coming to the Department to get what they consider to be their fair share of study funds. These study fund requests will be somewhere between \$200.0 and \$400.0 each. Chairman Sackett asked Commissioner Hubbard if he expected to expend all of the fund moneys on study requests during 1978. Commissioner Hubbard replied that he did not. Chairman Sackett then stated that it would appear that the Department could set aside funds to cover the anticipated studies and still fund a portion of the Sitka project. Commissioner Hubbard replied that the above could be done but it would deplete the fund as far as the remainder of the six projects would be concerned. Chairman Sackett instructed Commissioner Hubbard to look into the legislative Journals and determine whether or not there is a letter of intent; determine how much of the existing fund can be committed to Sitka, and how much more will be needed by Sitka; and where the Administration expects the additional funding for Sitka to be taken out of the budget.

Chairman Sackett then referred to the remaining portion of the House bill and asked Commissioner Hubbard if he was aware of any strong need within any community. Commissioner Hubbard referred to Item 2, the fund created within the Alaska Power Authority last year but never funded. This fund would be used for preliminary feasibility and design phases of power projects. Chairman Sackett inquired concerning the forgiveness clause contained in House Bill 356 (Relating to the water resources revolving loan fund). Commissioner Hubbard advised that under this clause, if at any time the project is felt to be infeasible, study funds would not have to be paid back. (House Bill 356 interrelates with House Bill 357. One bill establishes the funds, the other appropriates the actual fund moneys.)

HB 356

The meeting adjourned at approximately 10:10 a.m.

SF-77 #48 (1711 - end)
#49 (start - 0462)

SENATE FINANCE COMMITTEE

May 23, 1977

8:15 a.m.

Chairman Sackett convened the meeting at approximately 8:15 a.m. All committee members were present with the exception of Senators Orsini and Hohman who arrived shortly after the meeting commenced. Also in attendance were Kenneth Showalter of Sohio Pipeline Company; Sue Green from the Governor's Office; Barbara Thomas from Budget & Management; Jim Edenso from the Department of Revenue; Dr. Cole from the Department of Education; Rod Pegues from the Department of Law; Milt Barker, Fiscal Analyst; Judy Crondahl, Administrative Assistant to Senator Sackett; Elaine Mitchell and Joe LaRocca of the press.

PRESENT

Chairman Sackett moved that House Bill 356 am (Relating to the water resources revolving loan fund) and House Bill 357 (Making a special appropriation to power and water projects) be brought up for discussion. Mr. Edenso stated that the letter containing information relative to the above bills, requested by the committee at a prior meeting, was in Kent Dawson's office and unavailable until Mr. Dawson's arrival at work.

MOTION
HB 356
HB 357

(Senator Orsini entered the meeting at this time.)

Chairman Sackett moved that the committee take up House Bill 89 (State aid for school construction) while awaiting Mr. Dawson's arrival. Senator Croft moved that the Senate Finance Committee Substitute for Committee Substitute for House Bill 89 pass from committee with individual recommendations. There being no objection, the bill passed from committee.

MOTION
HB 89
MOTION
SCSCS HB 89

(Senator Hohman entered the meeting at this time.)

Chairman Sackett moved that House Bill 501 (An Act granting the Administrative Regulation Review Committee power during the interim between sessions to suspend until the legislature reconvenes the effectiveness of regulations adopted or amended) be brought up for discussion.

MOTION
HB 501

Mr. Pegues appeared before the committee for the purpose of testifying concerning the subject bill. He advised Rod Pegues that in effect the bill would grant the Regulation Review Committee power to put off the effect of administrative regulations until 30 days after the legislature reconvenes. He added that the legislature has the power to review administrative regulations when it believes the regulations do not carry out the law. The legislature can enact new regulations that supersede the old. The legislature may by resolution repeal a regulation which is in question, but there is a question as to whether or not the legislature can delegate this power to a committee, enabling the committee to negate the effect of regulations.

Senator Croft requested that Mr. Bernier, Staff Attorney for the Legislature be asked to appear before the committee to offer his opinion concerning the above bill.

Mr. Pegues stated that the feeling of the Attorney General's Office is that House Bill 501 is almost certainly unconstitutional, and that the power the legislature seeks to confer upon the Review Committee should be reserved to the judiciary and executive branches of government. He further advised that when a state agency is charged with the responsibility of writing regulations, the function of writing the regulations, not authority to write them has been delegated. Mr. Pegues advised that Department objection to the proposed bill is based upon the belief that: (1) it would allow the committee to exercise law-making power without passage of legislation; (2) it would set aside the law-making procedure of annulling regulations by resolution by allowing the committee to suspend regulations until the next legislative session.

Senator Tillion stated that he understood Mr. Pegues to mean that when the legislature passes a law it gives power to the executive branch to write regulations. To take back this power requires an act by both houses of the legislature. Mr. Pegues replied that the delegation of power is subject to conditions. Senator Tillion then asked how the legislature could reach regulations which it felt did not reflect the intent of the law. Mr. Pegues replied that the present process for reaching regulations is by resolution. He added that the public agency of government which should make the

determination regarding the validity of regulations is the judicial branch (the courts). Mr. Pegues stated that a third consideration upon which the Department has based its disapproval of the bill is the fact that it appears to allow the committee to exercise judicial power in determining that regulations do not meet legislative intent. The proper manner in which to negate the regulations would be to pass a new law which satisfies the contradiction. Under the proposed bill the committee would suspend the regulations subject to legislative review and would thus be taking over the court function of temporary restraint.

(Mr. Pegues concluded his presentation and left the room at this time.)

Mr. Berrier stated that the points raised by Mr. Pegues did not come as a surprise. Legal Services had considered that these questions might be raised. He added that the exercise of legislative power over regulations would not interfere with executive power. With regard to the question of whether the legislature may delegate its legislative power to a committee, Mr. Berrier stated that the legislature does not have to delegate full power; it can reserve a portion of the power.

Mr. Berrier

Senator Orsini asked how the legislature could reach administrative policy in areas where there are no regulations but only policy governing the actions of a state agency. Mr. Berrier replied that he did not know how to circumvent established policy. Senator Orsini asked if Mr. Berrier felt the administration might develop and rely more on policy should the legislature get too tough on regulations. Mr. Berrier replied that the above was a possibility.

Senator Croft asked if the legislature could say that regulations will not become effective until 30 days after the legislature begins, but if regulations go to the Review Committee they become effective 30 days after review. Mr. Berrier replied that he felt this would put the legislature in the same position as presented by the bill. Senator Tillion stated that he believed the legislature would be in a better position should court determination be necessary, and the Administration would be less likely to take the regulations to court if the legislature followed Senator Croft's suggestion.

Chairman Sackett moved that House Bill 501 pass from committee with a do pass recommendation. Senator Tillion objected, advising that he did not intend to vote do pass. Senator Hohman moved that the bill pass from committee with individual recommendations. There being no objection, House Bill 501 passed from committee with individual recommendations.

MOTION
HB 501

Chairman Sackett advised that the committee would revert to House Bills 356 and 357, advising that the letter from the Governor's Office indicates the administration would like to see the Sitka project pass. He added that HB 356 contains a zero fiscal note, and that he had no problems with the bill other than the fact that if a project proves infeasible, the study funds do not have to be repaid.

MOTION
HB 356
357

Mr. Edenso advised that there are applications on file for the remaining balance of the prior-established fund, but the immediate need is Sitka. Chairman Sackett asked when the other needs might materialize. Mr. Pete Jeans introduced himself as the Director of the Division of Business Loans. He advised that there are currently two applications on file. Pete Jeans

He further advised that the Division objects to Sec. 4 which states that funds do not have to be repaid. In discussing the bill in Resources, he stated it was his understanding that an amended bill would come out of that committee. Chairman Sackett replied that Resources did have an attached amendment.

Senator Tillion advised that the Governor's letter does not resolve the question regarding funds being held in the fund for future projects. Mr. Jeans stated that the Division had made loans to Sitka and has pending loans, one of which would be to A.E.L. & P. in Juneau in the amount of \$500,000. He stated that the Division had not received applications from the Kenai area or Anchorage. The Division feels it needs the remaining funds held for future projects. He added that the appropriation resulting from the bills was supported by Revenue and the Administration. Chairman Sackett advised that it was supported by Revenue but not the Administration. He added that the reason he had requested the letter was due to the fact that he continues to get statements from the Departments that the Administration supports their specific project. Chairman Sackett moved that House Bill 356 pass from committee with the Resource Committee amendment and letter of intent. There being no objection, the bill passed from committee.

MOTION
HB 356

Chairman Sackett questioned committee members as to their desire regarding H. B. 357. Senator Croft moved that the bill be passed from committee at 1.6. Chairman Sackett asked if he wished the bill to go as a Senate Finance Committee Substitute. Senator Croft replied, yes. There being no objection to the above motion, the bill passed from committee.

MOTION
HB 357

MOTION
CS HB 357

(The committee recessed for approximately five minutes 9:00 a.m. to 9:05 a.m.)

Chairman Sackett reconvened the meeting and moved that Committee Substitute for House Bill 1 (Act relating to termination, continuation, or reestablishment of certain boards and commissions, and establishing a procedure for zero-based periodic review and evaluation of agency programs and activities) be brought up for discussion. Senator Hohman moved that the bill pass from committee with individual recommendations. Senator Orsini objected, advising that he would like to amend the motion to move the bill but to delete Sec. 5. He stated that this section, which begins on page 8 pertains to zero-based budgeting. The Senate previously passed SCR 1 which stated that during the interim period between sessions, the Division of Budget and Audit and Legislative Audit Committee would look at the concept of zero-based budgeting and make recommendations to the legislature. House Bill 1 goes beyond discussion of the concept and mandates adoption of the concept. Senator Orsini felt that the legislature should wait until it has reviewed the recommendations from the Legislative Budget & Audit Committee. Chairman Sackett advised that he felt there might be some problem if Sec. 5 is set aside and the legislature later establishes the zero-based concept. Senator Orsini stated that he felt that the legislature could pass the rest of the bill without that section, and then advised that he believed Sec. 4 should be deleted also. Senator Croft advised that if the committee was going to delete both sections, he believed Garrey Peska should appear before the committee to discuss the bill. He further stated that he didn't see any problem with zero-based budgeting. Chairman Sackett advised that the bill would be held over until tomorrow.

The meeting adjourned at approximately 9:15 a.m.

ADJOURN

CORRECTION

**THIS DOCUMENT
HAS BEEN REPHOTOGRAPHED
TO ASSURE LEGIBILITY**

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MOTION
HB 357

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MOTION
HB 1

The meeting adjourned at approximately 9:15 a.m.

ADJOURN

SENATE FINANCE COMMITTEE

May 25, 1977

8:00 a.m.

Secretaries were not notified of this meeting, and none were present when it commenced. Meeting apparently started at approximately 8:00 a.m., and someone started the tape recorder at that time. The first portion of these minutes through discussion of House Bill 1 (Sunset Bill) have been reconstructed from tape.

All committee members were present. Also present were Garrey Peska, Legislative Audit; Diane Bergstrom, Alaska Public Employees Association; Representative Sally Smith; Representative Terry Gardiner; Fiscal Analysts Alison Farnan and Milt Barker; Jerry Wilkerson, Legislative Auditor; Dick Block, Director of the Division of Insurance; and members of the press. PRESENT

Chairman Sackett moved that Senate Bill 337 (Making a special appropriation to the Department of Natural Resources, agricultural development project revolving fund) be brought up for discussion. He asked if there was any discussion pertaining to the committee substitute. Senator Croft advised that he believed changes had to be made. Senator Butrovich advised that the bill had been amended in the Resources Committee and he believed the amended version included the changes Senator Croft had in mind. Senator Croft questioned appropriation of the general fund moneys to the agricultural development fund rather than Natural Resources. Senator Butrovich explained the action taken in the Resources Committee resulting in the existing Committee Substitute. Upon conclusion of his explanation, Senator Butrovich moved that the Resource Committee Substitute for Senate Bill 337 pass from committee with individual recommendations. There being no objection, the bill passed from committee. MOTION SB 337

MOTION CSSB 337 (Resources)

Chairman Sackett moved that House Concurrent Resolution 10 (Relating to the upgrading and maintenance of the Fairview Loop Road in the Matanuska-Susitna Borough) be brought up for discussion. He moved that the bill pass from committee with individual recommendations. There being no objection, HCR 10 passed from committee. MOTION HCR 10

Chairman Sackett moved that House Bill 1 (Relating to the termination, continuation, or reestablishment of certain HB 1 MOTION HB 1

boards and commissions, and establishing a procedure for zero-based periodic review and evaluation of agency programs and activities) be brought up for discussion. He advised that Garrey Peska was before the committee for the purpose of testifying concerning the bill. Mr. Peska stated that he understood the committee had some questions pertaining to the fiscal note accompanying the bill, and he would attempt to answer the questions.

Garrey Peska

He advised that the bill had been amended several times. The original bill with the fiscal note, called for terminations dated effective June 30, 1978, so when the audit division wrote the fiscal note, it anticipated having audit reports ready for the legislature next year. The bill was then amended. The original bill called for termination of 21 boards on June 30, 1978. Following amendment, the number of boards subject to termination in 1979 was reduced to 11, and the time frame was moved back a full year. That is why the new fiscal note dated May 11, 1977, has no impact in 1978 and has only half the impact originally anticipated for 1979.

Effective
Date
Changed
by
Amendments

Senator Orsini asked if any of the fiscal impact was the result of the zero-based format. Mr. Peska replied negatively, stating that the fiscal note by Commerce would cover some evaluating techniques included within the bill.

Senator Tillion asked what had been cut out of the bill when it was amended. Mr. Peska replied that nothing had been cut out, the time frame had only been moved back.

Senator Orsini asked Mr. Peska if he was familiar with other states and the sunset laws they have effected. Mr. Peska replied that he was familiar with the sunset law in Colorado, and advised that he had met with the state auditor for Colorado and discussed the bill with him.

Colorado
Sunset
Laws

Senator Orsini stated that the reason the legislature was contemplating passage of the bill was to prevent the proliferation of boards, etc. He asked Mr. Peska if the Colorado state auditor felt the sunset laws would accomplish this goal and point to any savings. Mr. Peska replied that Colorado had run into some problems

it hadn't anticipated. As an example he cited the situation of a state which has a Board of Barbers and several hundred barbers who are licensed to practice within the state. What happens when the Board of Barbers is eliminated? Is anyone who owns a pair of clippers able to practice because there is no longer a board to oversee the licensing and qualifying function? He advised that Colorado had been able to combine some boards and effect a savings in that way, and is continuing to work on the question of how to fill gaps left by eliminated boards.

Mr. Peska advised that Alaska would be experiencing somewhat the same situation. The state will not see any great savings unless it finds a board that really isn't doing anything, and hasn't done anything for a number of years.

Under the proposed bill the legislature can put a board on a year's probation, and then terminate it after that time if it feels necessary.

Senator Croft stated that he felt the bill contained an important concept, and asked Mr. Peska if he had any concerns about the bill as the Committee Substitute which came out of House Finance. Mr. Peska replied that he had no problem with that version of the bill.

Senator Croft asked Mr. Peska how the bill would work, adding that he understood the bill divides the budget into four categories for program review and termination, and asked how the termination process would be effected. Mr. Peska replied that legislative audit would review the budget categories to determine the effectiveness of existing programs. This review would be submitted to the Budget and Audit Committee. Budget and Audit would then sponsor a bill which would designate programs to be terminated. The legislature would have to act to reinstate these programs, or they would be gone at the end of the session. As an example, Mr. Peska set forth the following timetable.

(1) Audit prepared and ready for submission to Budget and Audit, January 1, 1979. (Division would recommend termination of listed programs at this time)

(2) The legislature would conduct hearings during 1979 pertaining to the program, and Division would conduct second, performance audit.

(3) The legislature makes the determination as to whether the program should continue or be discontinued, and if necessary effects legislative termination during the 1980 session.

Mr. Peska stated again that it would take positive legislative action to reinstate a program recommended for termination.

Senator Orsini advised that he would like to propose changes deleting language referring to zero-based budgeting. Page 8, line 19, delete "zero-base review and." Page 8, lines 28 and 29, delete "and submitted in a zero-based format." Also in the title of the bill delete "zero-base periodic review and." Mr. Peska advised that he did not feel the above changes would adversely affect the bill. Senator Orsini then moved that the Committee Substitute for House Bill 1, with the above-proposed amendments, pass from committee with individual recommendations. There being no objection, the bill passed from committee.

MOTION
CSHB 1
w/amend.

Chairman Sackett moved that Senate Bill 326 (Act eliminating requirement that health care providers purchase medical malpractice insurance from the medical indemnity corporation of Alaska) be brought up for discussion. He stated that the committee had before it the original bill and a Committee Substitute from State Affairs, and advised that Mr. Block was present to testify concerning the bill.

MOTION
SB 326

MEDICAL
MALPRACTICE

Mr. Block presented committee members with a fiscal note for the bill; a fiscal note for the committee substitute; and a projection sheet calculating figures through the end of the year, and advised that the figures contained on all documents were only rough estimates.

Mr. Block

He stated that the fiscal note for SB 326 shows no impact except for the fact that by going to a voluntary program it will not be necessary for the state to purchase malpractice insurance from MICA, and the fiscal note shows only the difference in premiums. The note for CSSB 326 shows the fiscal impact of the voluntary program where the state would no longer have to pay for its own premiums. If it is no longer mandatory to purchase this coverage, MICA will operate at a loss which could be substantial. Mr. Block advised that he has reflected this loss at \$500.0 a year for the coming year, and added that he

did not know how great the loss might be in the coming years.

Mr. Block advised that the third sheet presented a combination of the two notes and projections of the future effect of the bill. He stated the sheet shows a possible adverse effect in 1980 or 81, and added that the net loss is not due to SB 326 but to lack of participation.

Chairman Sackett inquired concerning the worth of SB 326 without passage of SB 325. Mr. Block replied that if the appropriation (SB 325) is not adopted, the Division of Insurance would continue to operate as it has in the past by using the loan fund in participation with the Department of Revenue. He added that Senate Bill 326 would function without SB 325.

SB 325

Chairman Sackett inquired concerning the difference between the original bill and the committee substitute. Mr. Block replied that SB 326 is the bill introduced by state physicians and the Division of Insurance. The committee substitute is essentially the original bill introduced in the beginning in the sense that it makes the program voluntary without any other changes in the law.

Senator Croft inquired concerning total state involvement in MICA to date. Mr. Block replied that the loan fund has loaned \$1000.0 to MICA and paid \$180.0 in state premiums. Senator Croft asked if the \$180.0 was a good or a bad deal for the state. Mr. Block replied that as to hospitals and convalescent homes it is as good as they could purchase from individual carriers. For physicians, MICA is probably a little higher. For the Pioneer Homes MICA is probably a little higher. He then added that the state would probably not go out and buy top dollar insurance anyway, it would carry some of the buffer itself.

Senator Croft inquired concerning claims against MICA. Mr. Block advised that the claims are being defended and funds have been set aside. He advised that approximately \$400.0 has been placed in reserves, and added that there are a couple of pending claims where there is a question of coverage.

5/25/77

Senator Croft advised that he understood the fiscal impact of the bill to be somewhere between 1/2 to 3/4 of a million dollars, and that Mr. Block preferred the original bill to the committee substitute. Mr. Block replied affirmatively. Senator Croft then asked if Mr. Block would rather see the MICA bill drafted last year enforced. Mr. Block replied that he had helped draft the original plan and felt at the time it was a rather eloquent plan. Now the physicians have come back after being under the plan for a year and want the plan to be discretionary. He added that at this time he would say that the administration would rather have Senate Bill 326. It would allow for a wind down of MICA over the next two years, and would allow the physicians to effect their own programs within that time.

Senator Croft inquired concerning which approach would best address the malpractice problem, existing law or SB 326. Mr. Block replied that given the current status of the people involved, he felt SB 326 to be the best answer.

Senator Croft asked Mr. Block if he thought his predictions for SB 326 were correct. Mr. Block replied that the effect upon funds by the end of 1980 would result from the level of participation not because of SB 326.

Senator Butrovich inquired concerning the percentage of participation. Mr. Block replied that approximately 150 physicians have purchased MICA, plus almost all the hospitals. Of the 360 practicing physicians, MICA insures approximately 40%. Senator Butrovich asked if Mr. Block would expect more or less participation under SB 326, and he replied that he would anticipate participation to be about the same as under current law. He added that under SB 326, the division can send a bill out to the physicians if a deficit exists.

Senator Tillion stated that when the legislature first addressed malpractice, the physicians had no way of getting insurance. Now, things have straightened out and physicians are able to get medical malpractice elsewhere. Mr. Block stated that the above was true that some insurance companies are re-entering the malpractice market.

Senator Orsini asked if loss of participation by the hospitals would have a significant effect upon MICA, and

Mr. Block replied that it would.

Mr. Block advised that he would provide more information regarding voluntary participation under MICA, and left the meeting at this time.

Chairman Sackett moved that House Bill 264 (Relating to Fisheries Enhancement) be brought up for discussion. He advised that Representative Gardiner was present to testify concerning the bill if necessary. He then moved that the bill pass from committee with individual recommendations. MOTION HB 264

Senator Croft asked Mr. Gardiner how he felt about the Resource Committee Substitute for the bill. Representative Gardiner advised that he liked it. He then added that there were some amendments which the administration wished included within the bill.

He advised that the proposed change at p. 6, line 9 would allow the Commissioner of Economic Development to get rid of the assessment the regional corporation now has. The other amendments relate to the bonding authority contained in the other part of the bill. He added that the original reason for the bonding authority was to enable the regional corporations to qualify for federal funds. At the present time there is no anticipated need for the bonding authority. Amendments

Senator Orsini referred to Section 610, and inquired concerning the effect of the 10-year tax exemption upon municipalities. Mr. Gardiner replied that he didn't really feel there would be any impact on the local governments. State law allows for the conduction of a public business for the purpose of building a hatchery which does not come within the taxing function.

Senator Tillion stated that the state Dept. of Fish and Game has estimated it will cost four hundred million dollars to bring the salmon back to the 1920 level, and added that this bill would make it a little cheaper for the state. He moved that the committee adopt the amendments and pass the Senate Resource Committee Substitute for the Committee Substitute for House Bill 264. There being no objection, the bill, plus amendments, passed from committee. MOTION SCSCSHB 264 w/amend.

Chairman Sackett moved that House Bill 192 (An Act making a supplemental appropriation to the Department of Natural Resources) be brought up for discussion.

MOTION
HB 192

Senator Tillion moved that the committee pass out the latest version of the bill. Attorney General Gross was called into the meeting to verify that the request for \$14,500,000.00 represented the most recent request pertaining to the Kachemak Bay leases. Mr. Gross replied that the above amount was the most recent request and left the meeting. Senator Tillion moved that the Senate (Resource) Committee Substitute for House Bill 192 pass from committee with individual recommendations. There being no objection, the bill passed from committee.

MOTION
SCSHP 192

(Senator Orsini left the meeting at approximately 9:35 a.m. during the period when Mr. Gross was being located to verify the above figure.)

Chairman Sackett moved that House Bill 343 (Relating to teachers' and public employees' retirement) be brought up for discussion. He advised that he had asked Judy Crondahl to take the four retirement bills (house bills) and come up with a workable committee substitute. He added that Mr. Gates, from the Division of Retirement and Benefits was present to testify concerning the bill.

MOTION
HOUSE BILL
343
Retirement
Bills
Combined

Mr. Gates advised that basically HB 332 (Teachers' retirement) pertains to the granting of a one-time 3% cost of living benefit to teachers. This would effect a 10% increase in their past benefits.

HB 332

House Bill 267 (Retirement - Public Employees) deals with housekeeping, cleanup measures, and includes a new definition for public employees association. House Bill 343 is the same cleanup bill for the teachers' retirement system.

HB 267

Referring to House Bill 343, Mr. Gates stated that the first section deals with supplementary contributions to retirement and the enrollment period in which individuals can select that option.

Supp.
Contribu-
tions

The next section deals with arrearage indebtedness.

Arrearages

The next section deals with survivor allowance. Under this section the selection period is moved from one year to five years.

Survivor
Allowance

Page 6 cleans up the language contained in the Public Employees' Retirement System.

Page 7 deals with the retirement accounting system.

Section 18, on page 9, deals with re-employment of a former employee. Now he has the option as to whether he returns to the program. The above section would mandate that he return to the coverage. Re-employment

The bill also contains a new definition section for ease of understanding by the membership.

Definitions

Page 14, line 25 deals with 4 or 5 members in deferred vestment status where they cannot claim military service. This would give them a one-year period in which to claim. Military Service

Section 43, page 25 deals with a cost of living allowance for a retired member who continues to live within the state. Members are entitled to this allowance if they do not remain outside the state for more than 60 days. COLA

The remainder of the bill, page 28 through the end essentially sets out the new definition section mentioned earlier.

Mr. Gates advised that House Bill 10, Senate Bill 233, and the HESS Committee Substitute for 343 were the basis for the combined, proposed committee substitute distributed to members by Judy.

He advised that in the combined version, section 3 deals with arrearage indebtedness. This section establishes July 1, 1977 as the date on which new members will be required to pay the actual cost of received benefits. This will have a tremendous cost impact to the retirement system. Mr. Gates stated that 22.7% of all benefits paid were based on outside service. This new language would generate a savings of \$445 million dollars between now and the year 2000. Under the current law it is mandatory to claim, under the new law it would be voluntary. This change can now be effected because it is no longer necessary to attract teachers to Alaska, and state taxpayers will no longer be subsidizing teachers for outside service. Arrearages

Page 5 contains a technical change where the word "becoming" had been inserted twice. Page 5 also changes the way BIA service is handled. Mr. Gates stated that under current law an individual may claim up to 15 years of BIA service, now BIA service will be valid only when gained in Alaska. BIA Service

Judy Crondahl referred to page 9, advising that it was at this point SB 233 dealing with legislators has been inserted.

Mr. Gates referred to p. 16 and inclusion of employees by the Department of Justice. He also commented upon the problem with the bill in combining all employees within the system. Justice Employees

Mr. Gates advised that he felt it unnecessary to include Territorial service because he believed it was already covered. He advised that he was aware that some Territorial employees have not been included because the political subdivision has not elected to cover them. Senator Tillion alluded to the disparity between police officers who had served under cities which opted for inclusion in PER and those which didn't. Territorial Coverage

Senator Meland referred to page 18, line 26 of the old bill. Mr. Gates stated that that section had the effect of treating PERS employees the same as teachers. It would pay non-occupational employees 40% at the time of their disability. He advised that the above provision would represent \$340.0 for next year, and further stated that he viewed this provision as encouragement for some people to seek disability retirement rather than normal retirement. It would probably double payments made through retirement. Mr. Gates stated that the total retirement paid in 1972 was \$500.0--this year it will be \$8000.0. Disability Retirement

Senator Butrovich advised that he would still like to offer the amendment. Senator Sackett read the amendment to committee members. Mr. Gates advised that the fiscal note had been prepared for the original House version of the bill.

Chairman Sackett advised that the above was just a proposed committee substitute.

Senator Tillion moved to leave in the section referring to police officers. Mr. Gates advised that doing so would be quite expensive since some of the effected police officers would be eligible for immediate retirement. Chairman Sackett inquired concerning the number of members in favor of deleting the provision for the territorial policemen. Motion passed with all present in favor but Senator Tillion.

The meeting recessed at approximately 10:25 a.m. for attendance at the floor session; the committee meeting to reconvene for an additional meeting between 12:00 noon and 1:30 p.m. RECESS

The committee reconvened at approximately 12:00 noon.
All committee members were present.

RECONVENE

Chairman Sackett returned to Senate Bill 326 (Medical Malpractice) and advised that Mr. Block had additional material he wished to provide to the committee.

SB 326

Mr. Block advised that he had taken the differences from the House and Senate bill and presented them in the document distributed to the committee. He advised that the Declaration of Purpose was necessary in order to clarify that making the coverage retroactive was to stabilize the extent of the coverage.

The second proposed amendment was recommended by attorneys for MICA in order to provide that officers and employees of MICA have immunity from suit.

The next section was proposed at the request of the House Commerce Committee because the bill provides for discharge of claims upon the termination of MICA. These claims will be discharges as any insurance company would handle them upon liquidation.

Liquidation

The second half of page 2 clarifies retroactive voluntary participation.

Section 15 refers to a statute number containing a repealer. The physical Therapists were previously left out of the repealer and this provision would include them.

The last page refers to the portion of 326 which the House Commerce Committee took out. It would provide for a limitation on the period of discovery. Mr. Block advised that the Division of Insurance supported the bill when it contained the above provision and would continue to support the bill without inclusion of the provision.

Discovery

Senator Croft asked Mr. Block what he thought the premiums would be under SB 326. Mr. Block replied that previous rates were based on the physician's income, but they would not be based on the classification of the physician.

Premiums

Chairman Sackett referred to the period of discovery advising that he understood the period was previously two years after discovery for filing, and that under the proposed amendment it would be two years after the act. Mr. Block stated that he did not feel that the language contained on the last page of his handout pertaining to discovery was completely clear. Senator Tillion advised that he felt the bill should contain the above provision but he would rather have the bill without it than no bill at all. He moved to adopt all the proposed amendments but the one on the last page dealing with discovery (proposed amendments attached to these minutes).

Discovery

Senator Butrovich raised a question pertaining to endorsements to policies, and asked if the doctor would pay for the endorsement. Mr. Block replied that the doctor would pay for the endorsement since it extends the coverage by MICA. He added that the physician would not buy the endorsement until he left MICA, and the cost of the endorsement would not be determined at the time of purchase but at the time he withdrew.

Endorsements

Senator Tillion moved to adopt the proposed amendments and incorporate them within a Senate Finance Committee Substitute for Senate Bill 326, and that it pass from committee with individual recommendations. There being no objection, the bill passed from committee.

MOTION
SCS SB 326

Chairman Sackett moved that House Concurrent Resolution 66 (Relating to withdrawal from Social Security) be brought up for discussion. He read a proposed amendment to the Resolution to committee members. Mr. Gates advised that with the proposed amendment the Resolution would be endorsed by the Public Employees Association.

MOTION
HCR 66

Senator Orsini inquired concerning the propose of the resolution and the amendment. Mr. Gates replied that as presently drafted, state withdrawal from social security would occur in the middle of the calendar year. Social Security operates on a calendar year basis.

Senator Tillion asked what would happen if the committee didn't pass the resolution. Mr. Gates replied that if the resolution isn't passed the state will be rescinding its present withdrawal notification.

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Senator Butrovich asked if all state employees were under social security. Mr. Gates replied that they were with the exception of teachers. Senator Butrovich then asked why the state wished to withdraw from Social Security. Mr. Gates replied that a study had been prepared last summer by a national firm in response to a collective bargaining agreement. The report produced alternative methods of coverage which may be more beneficial to employees. The resolution would propose a more in-depth study of alternative coverage.

Chairman Sackett inquired whether there were any objections to asking the Governor to rescind his withdrawal from Social Security. Senator Tillion objected and voiced his opinion of the Social Security System. Chairman Sackett asked if there was any objection to moving the Resolution out of committee with a do pass recommendation and attached amendments. There being no objection, HCR 66 passed from committee.

MOTION
HCR 66
w/amend.

Chairman Sackett referred to House Bill 343, advising that he had spoken with Senator Ray during the floor session and Senator Ray advised that he believed there were only about 9 territorial police officers who could benefit from retirement under the above bill. He asked Mr. Gates if the above estimate appeared to be correct. Mr. Gates replied that the division had estimated that between 15 and 20 police officers would benefit from the retirement. There being no further questions of Mr. Gates, he left the meeting at this time.

MOTION
HB 343

Chairman Sackett moved that Committee Substitute for House Concurrent Resolution 27 (Relating to the study of state facilitated financing of an all-Alaska gas pipeline and state construction and financing of a royalty gas pipeline to Interior and Tidewater Alaska) be brought up for discussion. Senator Orsini moved that the bill pass from committee with individual recommendations. There being no objection, the bill passed from committee.

MOTION
CSHCR 27

Chairman Sackett moved that House Concurrent Resolution 30 (Relating to the North Slope Haul Road) be brought up for discussion. He moved that it pass from committee with individual recommendations. There being no objection, the bill passed from committee.

MOTION
HCR 30

MOTION
HB 78

MOTION
CSHB 78

MOTION
HB 84

MOTION
HB 107

MOTION
HB 165

MOTION
CSHB 224

Chairman Sackett moved that House Bill 179 (Making special appropriation to Department of Education for Community Schools) be brought up for discussion. He advised that the above bill was contained on the House priority list.

MOTION
HB 179

Senator Tillion advised that if the committee made the bill effective July 1, 1978, it would be providing something the Governor would have to plug into his next budget. He moved that Line 14 contain a change from 1978 to 1979, and that 1977 be changed to 1978 at Line 15. Chairman Sackett advised that he didn't think the legislature could make a special appropriation one year in advance. Senator Butrovich concurred in Chairman Sackett's statement advising that the legislature would have to make an appropriation act. Senator Tillion advised that he believed his suggestion could be effected so long as it was accomplished within the same legislature. Chairman Sackett ruled his motion to be out of order and moved that the bill pass from committee with individual recommendations. There being no objection, the bill passed from committee.

Chairman Sackett moved that House Bill 186 (Relating to forgiveness of the remaining outstanding school construction debt of the City of Hydaburg) be brought on for discussion. He explained that over the years the legislature has forgiven this indebtedness for a number of the smaller schools and Hydaburg is the last remaining school yet to be forgiven. He moved that the bill pass from committee with individual recommendations. There being no objections, the bill passed from committee.

MOTION
HB 186

Chairman Sackett moved that House Bill 226 (Making a supplemental appropriation to Office of the Governor; pipeline coordinators office) be brought on for discussion. Senator Croft asked if the administration intended to attempt to recover this cost from Alyeska. Senator Croft moved that the bill pass from committee with a do pass recommendation and letter of intent that the administration try to recover the \$45,000.00 for tanker simulation studies from Alyeska. There being no objection, the above bill passed from committee with the proposed letter of intent.

MOTION
HB 226
w/letter
of intent

Chairman Sackett moved that House Bill 234 (Making special appropriation for the work of the Steering Council for Alaska lands) be brought up for discussion.

MOTION
HB 234

Senator Tillion moved that Committee Substitute for House Bill 234 pass from committee with individual recommendations. There being no objection, the bill passed from committee.

MOTION
CS HB 234

Chairman Sackett moved that House Bill 358 (Special appropriation to the Dept. of Natural Resources, division of minerals and energy management) be brought up for discussion. He advised that this appropriation pertained to the Beaufort Sea. Senator Tillion moved that the bill pass from committee with individual recommendations. There being no objection, the bill passed from committee.

MOTION
HB 358

Chairman Sackett moved that House Bill 435 (Making a special appropriation to Community & Regional Affairs for otitismedia medical program) be brought up for discussion. He advised that the above medical program had been taken over by Ruralcap and pertained to treatment for inner ear infection and imbalance. Senator Hohman moved that the bill pass from committee with a do pass recommendation. There being no objection, the bill passed from committee.

MOTION
HB 435

There being no further bills to be brought before the committee for review at this time, the meeting adjourned at approximately 1:30 p.m.

ADJOURNED

PROPOSED AMENDMENTS TO
SENATE BILL 326

* Section 1. PURPOSE. The purpose of this Act is to insure that no person suffers denial or revocation of licensure for any period of time for failure to procure insurance from the Medical Indemnity Corporation of Alaska or for failure to comply with any other requirement imposed by ch. 102 SLA 1976. This Act is for the further purpose of insuring that the coverage of occurrence policies issued by the Medical Indemnity Corporation of Alaska before the effective date of this Act continues to extend to claims arising out of occurrences before the effective date of this Act, but that (1) the Medical Indemnity Corporation of Alaska not be liable on an occurrence basis for any claims arising after the effective date of this Act; (2) persons who procured coverage from the Medical Indemnity Corporation of Alaska before the effective date of this Act neither be allowed to cancel the coverage procured nor evade the requirement of payment of premiums for that coverage; and (3) persons who did not procure retroactive coverage from the Medical Indemnity Corporation of Alaska by January 1, 1977 are not entitled to, nor may the Medical Indemnity Corporation of Alaska issue, that coverage.

* Sec. 3. AS 21.88.030 is amended by adding a new subsection to read:

(f) No governor, officer, or employee or former governor, officer, or employee of the corporation is liable for damages or other relief in any action by reason of his actions or inactions as a governor, officer, or employee of the corporation, or by reason of the actions or inactions of the corporation, its board of governors, officers or employees unless the person acts with actual knowledge that he was acting outside the scope of his authority, or at the time was acting for a purpose which he knew was not in the best interests of the corporation, or with respect to any criminal action he had actual knowledge or should have known his action was unlawful.

* Sec. 8. AS 21.88 is amended by adding a new section to read:

Sec. 21.88.055. TERMINATION. Upon termination of the affairs of the corporation the director shall be appointed receiver for the corporation by the court and the corporation shall be liquidated in accordance with ch. 78 of this title as if the corporation were a domestic insurer. When the director is appointed receiver, all officers and directors shall be discharged. |

(c) Upon transfer of all of its assets and liabilities in accordance with this section and winding up its affairs, the corporation is dissolved and the corporation, its governors, officers and employees are relieved of all further liabilities for all of their obligations to the creditors and policyholders of the corporation.

* Sec. 12. AS 21.88.210(b)(1) is amended to read:

* Sec. 14. (a) The coverage obligations and duties of the insured under policies issued by the Medical Indemnity Corporation of Alaska before the effective date of this Act may not be breached without the consent of the Medical Indemnity Corporation of Alaska and the director of the division of insurance.

(b) All policies issued by the Medical Indemnity Corporation of Alaska before the effective date of this Act are terminated as of the effective date of this Act; however, if a person elects to purchase a policy for any term beginning after the effective date of this Act, a new policy may be issued that person provided that any new policies issued may only cover "covered claims", as defined in sec. 13 of this Act, which occur after the effective date of this Act. (

* Sec. 15.

; AS 08.84.035;

* Sec. 18. Sections 3 and 15 of this Act are retroactive to June 28, 1976.

* Sec. 19. Sections 1, 2, 4 - 14 and 16 - 17 of this Act take effect
July 1, 1977.

* Sec. 20. Sections 3 and 15 of this Act take effect immediately in
accordance with AS 01.10.070(c).

* Sec. 11. AS 09.10.070 is amended by adding new subsections to read:

(b) Except as provided in (c) of this section, no person may bring a malpractice action based on negligence or wilful misconduct of

SB 326

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a health care provider unless commenced within two years of the act or omission. However, if the plaintiff first had knowledge of the act or omission complained of on a date within one year of the expiration of the period of the limitation, the time period during which an action may be brought is extended one year from that date, but in no event may an action be commenced later than three years from the date of the act or omission complained of.

(c) If the act or omission complained of occurred before the plaintiff attains the age of six years, an action brought under (b) of this section may be commenced at any time before the plaintiff attains the age of eight years, but may not be commenced after that date.

delete

SENATE FINANCE COMMITTEE

May 26, 1977

8:20 a.m.

Chairman Sackett convened the meeting at approximately 8:20 a.m. All committee members were present with the exception of Senator Tillion who was out of town, and Senator Croft who arrived a few minutes after the meeting commenced. Also in attendance were Representatives Swanson, Freeman, Miller, and Haugen, and Senator Rodey for a portion of the meeting. Others attending were: Mr. Russ Meekins from Anchorage; Robert S. Gates, Director, Division of Retirement; Kent Dawson from the Governor's Office; Joe Wilhour, Leaseholder from Wasilla, Alaska; Fiscal Analysts Alison Farnan and Bob Grogan; Representatives of the Community College Teachers' Association consisting of the following: Lyle Hubbard, Bob Kuhner, John Nelson, Clark Corbridge, Pat Austin, Ed Cordove. Also attending were members of the press including Joe LaRocca and Mike Harmon. PRESENT

Chairman Sackett moved that House Bill 2 (Homesite Land Available from State) be brought up for discussion and advised that one of the sponsors of the bill, Representative Freeman was available to testify and answer questions for committee members. MOTION
HB 2

Representative Freeman stated that the bill contains some amendments that he is not too happy with, but he can live with the bill in its amended form. The bill provides for the development of a homesite on 5 acres of land previously surveyed and made available by the Department. The homesteader must build a livable dwelling within three years in order to obtain a patent to the land. Mr. Freeman advised that the State currently makes land available and auctions it off to the highest bidder. Only about 10% of the land auctioned has been used for the purpose for which it was sold. The land is purchased and held by its owners on speculation. The bill basically changes the method of getting title. Rather than purchasing the land, the homesteader earns it. Rep.
Freeman

Senator Orsini stated that the municipal land selection concept allows cities to develop land. He raised a question as to how homesteaders could live on land located far from municipalities and still work within the municipality. He also questioned the advisability of giving land away rather than selling it. Representative Freeman replied

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that some people do not have the money to buy land, and the bill would give some state land back to the people. He further added that he didn't feel that returning land to the people would be detrimental to the municipalities; he felt that everyone should have an opportunity to have a home and land of their own.

Representative Freeman stated that the borough which has the most land and most strenuously objects to the bill is the Matanuska-Susitna Borough. He stated that that borough has 400 thousand acres; the Ketchikan Borough would get 8 thousand acres. The land that the municipalities will get is still state land, and the municipalities will not be in a hurry to go out and sell that land, they will get the highest dollar they can, and there will be no land available for the people this legislation is trying to help.

In reply to a question concerning residency requirements raised by Senator Butrovich, Mr. Freeman stated that there will always be more applicants than lots available, and preference will be given to Alaskan residents, and the length of residence will set the preference.

Senator Orsini raised a question concerning the necessity for the municipalities to construct roads and schools to accommodate homesteaders in undeveloped outlying areas. Representative Freeman stated that he believed Senator Orsini was mistaken if he thought that the state was going to select land out in the "boondocks." The local planning and zoning commissions will make the land selections, and they will probably not select land too far removed from the municipality.

Senator Croft stated that it was his understanding that the bill proposed that the state select the land rather than allowing the individual to go out and find it. Mr. Freeman replied that the above understanding is correct.

Senator Meland moved that the Resources Senate Committee
Substitute for Committee Substitute for House Bill 2 pass
from committee with individual recommendations. There
being no objection, the bill passed from committee.

MOTION SCSCSHB 2
(Resources)

Chairman Sackett advised committee members that the
Representatives from the Federation of Community College
Teachers were present and had asked to be allowed to
speak to the committee. Mr. John Nelson introduced

Community
College
Teachers

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himself as a teacher at the Anchorage Community College and President of the Teachers' Association. He advised that the reason the group has asked to speak before the committee resulted from a recent newspaper article in an Anchorage paper stating that funding of the contract between the teachers and the University would be deferred until the next legislative session. He stated that the Association wished to urge the committee to get funds for the contract into the budget for the upcoming year. He advised that the contract between the teachers and the University had resulted from lengthy negotiations and asked that the funds be appropriated in order to continue satisfactory labor and management relations within the University.

Need for
funding
U. of A.
contract

Senator Orsini inquired concerning the percentage increase for teachers' salaries under the contract. Mr. Nelson replied that the salary increase was tied to a cost of living increase. He further advised that a teacher could get a 5% increase with a step increase. The cost of living payment would not affect the salary, but would be a one time payment. Mr. Corbridge confirmed Senator Orsini's figures which indicated a 10% increase in salaries.

Salary
Increases

Chairman Sackett stated that the largest part of the teachers' request pertained to office space for faculty. Mr. Corbridge replied that the prior contract had provided for offices, but there has been a problem getting the offices constructed. Mr. Corbridge spoke to the need for these offices for student counseling and pointed specifically to the Bethel area as the campus with the most immediate need.

Office
Space

Mr. Ed Cordove, an administrator with the Anchorage Community College spoke on the importance of having the contract funded and continuing the community college work. He added that it would be almost impossible to experience any kind of growth without the funding.

Senator Hohman questioned the \$614.0 figure for office space at the Kuskokwim Community College and asked if the figure included equipment. Mr. Nelson replied that it did include equipment and would cost approximately \$200 per square foot, including equipment.

Cost of
Office Space
Kuskokwim

Representatives of the Teachers' Association thanked committee members for allowing them to make their presentation, and left the meeting at this time.

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Chairman Sackett moved that House Bill 67 (Relating to the Uniform Land Sales Practices Act) be brought up for discussion. He advised that Senator Rodey was present to testify concerning the bill. Senator Rodey advised that the bill provides for adoption of certain land sale provisions and makes material changes in the statutes, making unlawful some practices regarding sale of land. There are references to the size of lots, subdivisions, etc. The bill would make these provisions applicable to the sale of land within the state. Chairman Sackett stated that there is backup material in the file from the Division of Banking and Securities, and moved that the Committee Substitute for House Bill 67 am pass from committee with individual recommendations. There being no objection, the bill passed from committee.

MOTION
HB 67

MOTION
CSHB 67 am

Chairman Sackett moved that Senate Bill 288 (Relating to certification of social workers) be brought up for discussion. He stated that Senator Rodey would testify concerning the bill. Senator Rodey stated that the bill would effect a different approach in licensing and would provide only for certification of those who have masters degrees in social work. The bill is support by the social workers throughout the state as an attempt to upgrade the profession. It would provide for a two-tier system of certification. One for those with a masters degree and those with a masters degree plus two years of experience. The above approach to certification is intended to encourage members to seek the masters degree.

MOTION
SB 288

The bill is before the finance committee because it is felt that the individual social worker should bear the cost of obtaining his masters degree rather than funding by the state through certification receipts. Senator Rodey advised that application of fees collected through certification fees toward individual assistance in obtaining a masters degree would be unconstitutional.

Senator Orsini stated that it was his understanding that a person who does not have his masters degree cannot be a certified social worker. Senator Rodey replied that the above understanding was correct, the individual would have to have taken the masters program and passed the national examination. An individual without the degree would still be able to practice, he would just not be able to call himself a certified social worker.

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Senator Orsini stated that he felt a masters and doctors degree to be research degrees which he didn't believe applied to qualifications for social workers which requires a talent for working with people. Senator Rodey replied that in the social work field the masters and doctors degrees are clinical degrees rather than research.

Chairman Sackett advised that the above bill would be held over until a later time.

The meeting adjourned at approximately 9:05 a.m.

ADJOURN

SENATE FINANCE COMMITTEE

May 27, 1977
9:07 a.m.

All members of the Committee were in attendance except Senator Tillion. Also in attendance were: Don Wold, Executive Director, Oil and Gas Royalty Advisory Board; Gregg Erickson, Director of Research and Elke Kallab, Research Analyst, Legislative Affairs Agency; and Bob Gates, Director, Division of Retirement and Benefits.

PRESENT

Chairman Sackett called the meeting to order and moved to bring up HB 407 am (an act relating to emergency medical services) for discussion. There being no objection, it was so ordered. He stated that he had introduced an identical bill on the Senate side which is still in Senate Finance. He stated the fiscal impact of this bill for FY 78 is \$11.3.

HB 407 am

Chairman Sackett moved that HB 407 am be passed from Committee with a do pass recommendation. There being no objection, it was so ordered.

HB 407 am
MOTION

Chairman Sackett moved that HCR 58 (approving the disposal to Alaska Pipeline Company of royalty gas taken in-kind) be brought up for discussion. There being no objection, it was so ordered. He stated that HCR 58 is the same as SCR 56.

HCR 58

Mr. Wold, Executive Director of Oil and Gas Royalty Advisory Board, stated they tried to negotiate a contract with Phillips Petroleum Company last year and failed. He stated this contract is an attempt to remedy the reasons that contract failed and to try and make it work.

Mr. Wold stated the new agreement provides that the State can take their royalty in-kind at the well head or at some point along the line. Since the well head is at Cook Inlet it was not practical. Alaska Pipeline Company could not take delivery of it at the well head because it was uneconomical. Alaska Pipeline Company tried to negotiate an agreement with Phillips Petroleum Company to take delivery. He advised the contract failed because it would subject Phillips to the jurisdiction of the Public Utilities Commission.

Mr. Wold stated that under the contract the State would pay the two 10¢ charges (10¢ per thousand cubic feet for delivery and transfer and 10¢ for compression) and Alaska Pipeline Company would reimburse the State. He stated that Alaska Pipeline Company (APC) is contemplating building a \$4 million gas line which will allow them to take all gas available all the time. He stated if the contract is not completed APC will have to supply their customers with gas from the Kenai Reserves which will deplete the reserves faster than necessary.

Mr. Wold stated that in order to solve some of these problems, the State takes delivery of gas not at the well head but at North Kenai Road. He stated this avoids Phillips becoming involved with the PUC.

Mr. Gregg Erickson, Director of Research, Legislative Affairs Agency testified on this bill. He stated he has provided a memo of his findings to the Committee (in original bill file). Mr. Erickson stated they have questions on whether or not the rate they have will continue to be obtained for very long. He stated they have three questions on the contract. (1) the rate that is currently in effect to Bernice Lake Power Plant is probably non-compensatory. (2) The national energy policy would require the phasing out of natural gas; (3) This contract will result in a \$4 million pipeline in an area that is already covered by a pipeline.

Mr. Erickson stated he would like to emphasis that this is not necessarily a bad or good contract. He stated there are some good things about the contract and the Legislators have to weight each benefit to see if it is of any duration and sufficient to compensate for the negative impact.

Chairman Sackett asked the Committee what their desire was regarding HCR 58. As Committee members had no recommendations, this bill was returned to the files.

Chairman Sackett moved that CSHB 167 (an act making a supplemental appropriation to the Department of Law) be brought up for discussion. There being no objection, it was so ordered. Chairman Sackett stated a Finance Committee substitute was prepared which would provided \$165,000 for ICC Representation; \$300,000 for ICC Investigation Analysis; \$60,000 for Gas Pipeline; and \$279,939 for Judgments against the State.

CSHB 167

Chairman Sackett moved that the Finance Committee Substitute for CSHB 167 be passed from Committee with individual recommendations. There being no objection, it was so ordered.

SCS FOR
CSHB 167
MOTION

Chairman Sackett moved that CSHB 343 (an act relating to teachers' and public employees' retirement) be brought up for discussion. There being no objection, it was so ordered.

CSHB 343

Chairman Sackett stated a committee substitute has been prepared which combines the retirement bills. Mr. Gates, Division of Retirement and Benefits, stated he has prepared two new fiscal notes for this bill.

Senator Croft asked for further information regarding the provision in this bill concerned with credit for out of state services. Mr. Gates stated this section sets up a new class of members and will not effect any member currently in the system, but for future members it would require that they would have the obligation of paying the actuarial costs.

Chairman Sackett asked why the State should be paying for outside service and Mr. Gates stated at one time there was a need to attract teachers from outside when there was a shortage of teachers here. He stated this is no longer the case. He stated the new provision does not effect BIA or military service.

Chairman Sackett moved that the Finance Committee Substitute for CSHB 343 be passed from Committee with individual recommendations. There being no objection, it was so ordered.

SCS FOR
CSHB 343
MOTION

Chairman Sackett moved that CSHB 329 am (an act relating to residential fuel and residential fuel conservation credits) be brought up for discussion. There being no objection, it was so ordered.

CSHB 329 am

Chairman Sackett stated this bill was introduced by the request of the Governor and expanded by the State Affairs committee. He advised the Governor's bill had a fiscal note of \$2.7 million and the State Affairs Committee Substitute has a fiscal note of \$5.2 million.

Senator Croft moved CSHB 329 am be passed from Committee with individual recommendations. There being no objection, it was so ordered.

CSHB 329 am
MOTION

Senator Orsini moved that CSHB 72 (relating to creation of historical districts within municipalities) be brought up for discussion. There being no objection, it was so ordered. Senator Orsini stated this bill allows municipalities to create historical districts. He stated these districts are eligible for federal and state loans.

CSHB 72

He recommended that the Finance Committee accept the same amendment added by the Community and Regional Affairs Committee: On page 1, line 16, after "may" add "by ordinance". Senator Orsini moved that CSHB 72 be passed from Committee with individual recommendations and the above amendment. There being no objection, it was so ordered.

CSHB 72 amS
MOTION

Chairman Sackett moved that HB 47 (relating to creation of a utility corridor for extension of the Alaska Railroad) and HB 48 (making special appropriation to the Department of Transportation and Public Facilities, Interior division, for delineation of a utility corridor and railroad right-of-way for extension of the Alaska Railroad) be brought up for discussion. There being no objection, it was so ordered.

HB 47/
HB 48

Senator Hohman moved that HB 47 be passed from Committee with individual recommendations. There being no objection, it was so ordered.

HB 47
MOTION

Senator Croft moved that HB 48 be passed from Committee with individual recommendations. There being no objection, it was so ordered.

HB 48
MOTION

Chairman Sackett asked how many Committee members were interested in passing CSHB 171 am (an act relating to litter control) from Committee this Session. As Senator Croft was the only member expressing interest in the bill, Chairman Sackett stated this bill would not be discussed at this time.

CSHB 171 am

Chairman Sackett moved that HB 438 (an act making a supplemental appropriation to the Department of Revenue for additional expenses of the State Investment Advisory Committee) be brought up for discussion. There being no objection, it was so ordered.

HB 438

Chairman Sackett stated this bill is an appropriation from the General Fund for additional expenses. He advised these are additional expenses anticipated for more studies done with regard to State investment in the Permanent Fund.

Senator Hohman moved that HB 438 be passed from Committee with individual recommendations. There being no objection, it was so ordered.

HB 438
MOTION

Chairman Sackett stated the Committee would meet one more time before the Legislature adjourned this Session to discuss HB 163; HB 168; HB 455 and HB 508.

The meeting adjourned at 10:00 a.m.

ADJOURN

SENATE FINANCE COMMITTEE

May 28, 1977

9:10 a.m.

Chairman Sackett convened the meeting at approximately 9:10 a.m. All committee members were present with the exception of Senator Croft. Also in attendance were Mr. Dale Teal of Alaska Pipeline Company, Anchorage; Representative McKinnon; legislative staff, and members of the press.

PRESENT

Chairman Sackett moved that House Bill 351 (Creating the school of justice; amending sections 4 and 5 of Rule 2 of Part I of the Alaska Bar Rules of the Rules of Court) be brought up for discussion. He moved that the bill pass from committee with individual recommendations. Senator Tillion objected to the motion, but, upon a show of hands, his objection was overruled and the bill passed from committee.

MOTIONS
HB 351

Chairman Sackett moved that House Bill 121 (Making a special appropriation to the Commercial Fisheries Salary Commission) be brought up for discussion. He advised that the committee files contain a Senate Committee Substitute for the original bill. He moved that the committee put out the Senate Committee Substitute for the Committee Substitute for House Bill 121 with individual recommendations. There being no objection, the bill passed from committee.

MOTION
HB 121

Chairman Sackett moved that Committee Substitute for House Bill 487 am (Establishing a board of retirement benefits within the legislative branch of State government) be brought up for discussion. He further moved that the bill pass from committee with individual recommendations. There being no objection, the bill passed from committee.

MOTION
CSHB 487 am

Chairman Sackett moved that House Bill 163 (Supplemental appropriation to the Department of Military Affairs) be brought up for discussion. He advised that he had prepared a committee substitute for the bill dealing with the disaster office within the Dept. of Military Affairs. Chairman Sackett advised that Galena and two other locations had suffered substantial water damage during recent flooding. In order for the Disaster Office to make grants for restoration, the Governor has to declare

MOTION
HB 163

These areas as disaster areas. This declaration was not made, and Galena lost the school sewer system, a portion of its highway, and part of a bridge. He moved that the committee pass the Senate Committee Substitute for House Bill 163, making \$250.0 available to Military Affairs for the Disaster Office for damages. There being no objection, the Senate Committee Substitute passed from committee.

MOTION
SCSHB 163

Chairman Sackett moved that House Bill 168 (Making a Special Appropriation to the Dept. of Administration) be brought up for hearing. Senator Orsini moved that the committee pass the Committee Substitute with individual recommendations. There was objection to the motion, and the bill was held pending arrival of Jim Rhode to answer questions concerning the bill.

MOTIONS
HB 168
CSHB 168

Chairman Sackett moved that House Bill 455 (Relating to compensation for state employees) be brought up for discussion. Senator Butrovich moved that the bill pass from committee with individual recommendations. There being no objection, the bill passed from committee.

MOTIONS
HB 455

Chairman Sackett moved that House Bill 508 (Making a supplemental appropriation to the Dept. of Administration for salary and benefit increases and contracts) be brought up for discussion. Alison Farnan advised that the appropriation should be made to the Office of the Governor rather than Administration, and that the words "and contracts" be deleted from the title. Chairman Sackett offered a further explanation of the proposed Committee Substitute, and asked if there was objection to passing the bill as the Committee Substitute. There being no objection, Senate Committee Substitute for House Bill 508 am passed from committee. (SCSCSHB 508 am)

MOTION
HB 508

MOTION
SCSHB 508 am

Chairman Sackett inquired whether any committee member wished to move regarding funding for the community college contracts. Senator Orsini advised that without dollar figures he was at a loss to know what to do. Senator Tillion advised that he understood that the day care and babysitting have been removed from the contract. He stated that he felt the committee should vote on the community college salaries. Chairman Sackett stated that the salaries had not been included in the budget for 1978. Senator Tillion asked the Chairman if he intended to forgo funding for 1978. Chairman Sackett stated that he would prefer that what ever is done it be done on the floor in order to be consistent with the

Community
College
Contract
Funding

with the fact that Free Conference had not included the contracts for 1978.

Chairman Sackett moved that House Concurrent Resolution 58 (Approving the disposal to Alaska Pipeline Company of royalty gas taken in-kind) be brought up for discussion. Senator Butrovich moved that the bill pass from committee with individual recommendations. Senator Tillion asked if the committee wished to adopt the House Rules Committee letter of intent. Committee members advised that the intent should be adopted. Senator Orsini advised that Mr. Dale Teal was down from Anchorage and wished to speak before the committee concerning the bill. Mr. Teal advised that he was seeking Senate approval of the contract amendment for taking of royalty gas. He stated that the contract was passed last year subject to negotiations to bring the gas out. The action was approved by the Royalty Board, the Governor's Office, and the Attorney General's Office, and the Resolution has passed the House. It has no revenue effect on the state plus or minus.

MOTION
HCR 58

Mr. Dale
Teal

Senator Orsini questioned Mr. Teal stating that he had been told yesterday that it didn't appear to be necessary to build an additional pipeline for the gas. Mr. Teal replied that the contract will be valuable whether or not the pipeline is built. The pipeline is not part of this action.

In response to questions concerning the price of the gas, Mr. Wold explained that while the price might appear slightly higher than previous rates, it is still the only price for obtaining available gas, and thus it becomes the lowest possible price also. Senator Tillion asked if it would still be in the best interest of the Anchorage consumers to pass the legislation and Mr. Teal and Mr. Wold agreed it would be.

In response to a question from Senator Butrovich regarding the advisability of the letter of intent, Mr. Teal replied that the letter of intent really applies to Phillips and concerns inquiries.

There being no further question, Chairman Sackett moved that the Resolution pass from committee with individual recommendations and a letter of intent. There being no objection, the Resolution and letter of intent passed from committee.

MOTION
HCR 58
w/letter
of intent

5/28/77

Chairman Sackett asked if there were any further bills to bring before the committee. Senator Orsini advised that he had promised Representative Buchholt that he would bring up her "potty" bill. Committee members advised him that he could in good conscience say that he had brought it up.

The committee returned to House Bill 168, and Mr. Jay Hogan appeared in place of Jim Rhode to testify concerning the bill. Mr. Hogan advised that the bill pertains to contracts where necessary follow-up work has been needed after contract completion. He stated that funds were available in the budget to cover the costs, but no billings were received by the end of the year, so the funds were allowed to lapse. Chairman Sackett asked if the legislature and the state are obligated for the funds. Mr. Hogan replied that he personally felt the University should have been more diligent in this matter, but there is no question but what the contracts did exist.

MOTION
HB 168

Senator Hohman moved that the Committee Substitute for House Bill 168 pass from committee with individual recommendations. There being no objections, the bill passed from committee.

MOTION
CS HB 168

Chairman Sackett moved that House Concurrent Resolution 74 (Relating to employee-occupied state housing) be brought up for discussion. Representative Joe McKinnon appeared before the committee to testify concerning the bill. Mr. McKinnon stated that during the last year the state has federalized administration of rents for state-operated housing. The Resolution seeks to alter the formula used for rentals. The Department was unaware that HUD projections are for two years in advance rather than the current market value rental rates. The Resolution would shift the establishment of rental rates to census districts.

MOTION
HCR 74

Senator Tillion stated that he liked the first part of the Resolution, but believed the second part should be based on salary differential. He added that he felt that if the pay rates are 10% different in one area the rental rates should reflect the 10% difference. Chairman Sackett stated that he believed that basing the rent on fair market value as set forth in the Resolution, would cover the above circumstances. Representative McKinnon advised that his reason for preferring the Resolution version was because the salary differential applies to the over all cost of living. Senator Tillion agreed

stating that he did not feel there should be a rent difference because one's salary increases, but there should be a difference to reflect the cost of living.

Senator Orsini moved that the Resolution pass from committee with individual recommendations. There being no objection, House Concurrent Resolution passed from committee.

MOTION
HCR 74

Chairman Sackett announced that this would be the last meeting of the Senate Finance Committee for the First Session of the Tenth Alaska State Legislature. The meeting adjourned at approximately 9:55 a.m.

ADJOURN

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SENATE FINANCE COMMITTEE

January 12, 1978

9:10 a.m.

Chairman Sackett convened the meeting at approximately 9:10 a.m. All committee members were present. Also present were Milt Barker, Fiscal Analyst, and Joe LaRocca of the press.

PRESENT

Chairman Sackett made the following bill assignments, advising committee members that the subject bills had come into committee during the closing weeks of last session, and suggesting that committee members review their assigned bills to determine whether or not they remain pertinent to the current session.

BILL
ASSIGNMENT

SB 44	-	Tillion
SB 79	-	Orsini
SB 100	-	Croft
SB 102	-	Meland
SB 105	-	Sackett
SB 213	-	Hohman
SB 233	-	Butrovich
SB 285	-	Orsini
SB 288	-	Tillion
SB 333	-	Butrovich
SB 342	-	Meland
SB 343	-	Meland
SB 370	-	Hohman
CSHB 10	-	Tillion
HB 61	-	Hohman
HB 114	-	Meland
HB 115	-	Meland
CSHB 171am	-	Tillion
HB 251	-	Hohman
HB 253	-	Croft
CSHB 259am	-	Meland
CSHB 381	-	Tillion
CSHB 384	-	Butrovich
CSHB 409	-	
Fin.	-	Meland
HB 424	-	Orsini
CSHB 439	-	Sackett
HB 440	-	Orsini

Chairman Sackett advised that he had reviewed the 1/10/78 HB 59 am Bills in Committee list and, with the exception of HB 59 am (Relating to handicapped individuals), found none of the other

bills in committee to be of paramount concern. He suggested that committee members review the list and make individual assessments of pending in-committee legislation. He requested that Senator Hohman review HB 59 am in order to determine whether or not there were any problems concerning passage.

Chairman Sackett stated that he had received a request from the Governor for a supplemental appropriating counter cyclical funds contained in a bill passed by the House yesterday (1/11/78). He advised that there was apparently a deadline for obligating these anti-recessional federal funds. He then read the Governor's letter of January 3, 1978, to committee members (copy attached). Senator Croft questioned whether or not the Budget and Audit Committee should review the bill. Milt Barker replied that the appropriation could have been run through Budget and Audit by virtue of a waiver, but the administration had chosen not to do so. Chairman Sackett advised that he would check into the status of the appropriation.

COUNTER
CYCLICAL
FUNDS

Chairman Sackett advised that committee members would retain budget category assignments from last session for review this session, and stated that Ron Lind would appear before the committee at 9:00 a.m., Friday, January 13, 1978, to review the budget; and that the Department of Revenue would appear before the committee at 9:00 a.m., Monday, January 16, 1978, to review budget forecasts. He added that in the past, Revenue has not been prepared when the committee was ready for review, but he had instructed the department to bring whatever was available for the Monday meeting. He further added that Revenue would appear to be one of the areas of legislative concern during the current session.

Senator Butrovich inquired regarding the status of the budget short forms. Milt Barker advised that some sections would be sent down for printing Friday, January 13, 1978, and should be available sometime Monday, January 16, 1978.

SHORT
FORMS

Chairman Sackett directed the attention of committee members to the January 3, 1978, memo from Jay Hogan pertaining to revisions of executive budgets for other states.

There being no further matters to come before the meeting, it adjourned at approximately 9:25 a.m.

ADJOURN

STATE OF ALASKA

OFFICE OF THE GOVERNOR

JAY S. HAMMOND, GOVERNOR

BUDGET & MANAGEMENT

POUCH AM — JUNEAU 99811
PHONE 465-2213

January 3, 1978

The Honorable John Sackett
Chairman
Senate Finance Committee
Alaska State Senate
Pouch V
Juneau, AK 99811



Dear Senator Sackett:

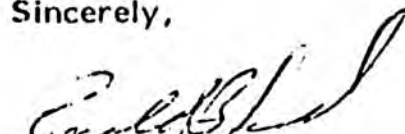
I am writing to inform you of a problem which we are encountering in complying with the federal statutes governing the use of "Counter Cyclical Funding." Basically, Section 207(7) of the Anti-Recessional Funding Assistance Act requires that every state assure the federal government that it will spend, appropriate or otherwise obligate funds within six months of receipt. Unless we are able to obtain very quick action on a supplemental appropriation, we will not be able to provide this assurance.

Due to changes in the federal law on the subject, the state received far more than was expected from this source. July 12, 1977, we received \$908,497, of which only \$376,198 was appropriated. Therefore, under the applicable regulations, we have until January 12 to spend, appropriate or otherwise obligate \$532,299, or be in the position of possibly turning these funds back to the federal government.

We are introducing two supplemental appropriations for Medicaid, one of which would allow the appropriation of these funds yet not be the total supplemental required for Medicaid. I would hope that early action could be obtained on the Counter Cyclical Appropriation and that the incremental supplemental would receive the Legislature's full review.

I would appreciate meeting with you prior to the session to provide you additional information of this problem.

Sincerely,



Ronald B. Lind
Director

Attachment

cc: Jay Hogan
Alison Elgee

STATE
of ALASKA

MEMORANDUM

TO: ☐ Ron Lind, Director
Division of Budget & Management
Office of the Governor

DATE: December 21, 1977

FILE NO:

TELEPHONE NO:

Mike Orelove
FROM: Mike Orelove, Budget Analyst

SUBJECT: General Revenue Sharing and
County Cyclical Funding Recap

The attached chart is a recap of the General Revenue Sharing and Counter Cyclical Funding to show which funding was used in FY 77, the planned use in FY 78 and Governor's Budget for FY 79.

The following items of explanation are lettered to correspond with letters on the chart.

Part 1 General Revenue Sharing

The amount of General Revenue Sharing requested and appropriated for FY 78 was based on estimates from Senator Gravel's office as follows:

Federal Period #8 estimate was \$3,536,316 (A), however the actual amount was \$3,543,385 (B) leaving a balance of \$7,069 (C) unappropriated.

Federal Period #9 estimate was \$4,859,427. Since only 3 quarters of the Federal Fiscal year coincide with the State Fiscal year, 3/4 of this estimate was used for the FY 78 budget in the amount of \$3,644,484 (D). The actual amount to be earned in this time period is \$6,005,656 (E) leaving a balance of \$2,361,172 (F) unappropriated.

The state will be receiving payments during FY 79, however the exact amount of funding is unknown at this time. For budget purposes we are projecting that for federal period #10 the state will receive the same amount as in period #9 - \$6,005,656 (G). Since only 3 quarters of this period coincides with state FY 79, only 3/4 of this amount is projected in the FY 79 budget in the amount of \$4504242.

In summary, the FY 79 budget contains a total estimated amount of General Revenue Sharing of \$6,872,483 (I) which is made up of the balance from federal period #8 (C), the balance of federal period #9 (F) and 3/4 of the estimated amount of federal period #10 (H).

Part 2 Counter Cyclical Funding

When the FY 78 budget estimate for counter cyclical funding was made, the state was in receipt of the 1st three quarters payments which averaged \$207,439 per quarter (A).

Of the total 1st three quarter payments of \$622,316, the amount of \$528,627 (B) was appropriated in a FY 77 supplemental request leaving a balance of \$93,689 (C) unappropriated from the 1st three quarters.

This balance of \$93,689 (C) plus an estimate of \$622,311 (D) (\$207,439 average for 1st three quarters X 3 additional quarters) equaled \$716,600 (E) which was the amount requested and appropriated for FY 78.

The Legislature was still in session when the state received the 4th quarter payment of \$246,113 (F). Although this was \$38,674 higher than the monthly average, the difference was not significant enough to warrant revising the FY 78 estimate.

As can be seen on the summary, the 5th (G) and 6th (H) payments were far in excess of the budget estimates. This was caused mainly by action on the federal level which authorized more funding to the states and extended the program through federal FY 78 (Sept. 30, 1978) (I).

When we received the 5th (G) payment on July 12, 1977 the state was in receipt of a balance of \$532,299 (J) which was not appropriated.

Federal regulations require that these funds be appropriated within 6 months from the date the funds are received in the same manner as state general funds are appropriated, i.e., by the full Legislature. It is necessary to have the amount of \$532,299 (J) appropriated by January 12, 1978 or the funds may lapse back to the federal government. The 6th payment of \$1,327,135 (K) must also be appropriated within 6 months from the date received or the funds may lapse. These funds were received on October 13, 1977 and must be appropriated by April 13, 1978.

These unappropriated amounts (J) & (K) are being requested as funding for a portion of the FY 78 supplemental appropriation request for Medicaid.

The state will be receiving payments for three additional quarters (L), however the exact amount of funding is unknown until actually received. For budget purposes we are projecting receiving the same amounts in each of the last 3 quarters as our last payment of \$1,327,135.

Prepared by: _____
 Approved by: _____
 Initials Date

GENERAL REVENUE SHARING

COUNTER CYCLICAL

	AMOUNT EARNED	AMOUNT APPROPRIATED FY77	AMOUNT APPROPRIATED FY78	AMOUNT APPROPRIATED FY79		LATE REC'D	AMOUNT EARNED	AMOUNT APPROPRIATED FY77	AMOUNT APPROPRIATED FY78	AMOUNT APPROPRIATED FY79
FY77	Balance 7/1/76 1003653	3586500								
JNS 76		(528627)								
OND 76	2054220	3057673								
JFM 77										
APR 77										
JAS 77	3543385		3536316	7069						
OND 77										
JFM 78	6005656		3644484	2361172						
APR 78										
JAS 78										
OND 78										
JFM 79	6005656			4504242						
APR 79										
JAS 79										
OND 79										

622316 (A)
 43 = 207439
 AVERAGE

241475
 197675
 183166
 246113 (F)
 908497 (G)
 1327135 (H)
 1327135 (ST)
 1327185 (LST)
 1327185 (LST)

528627 (B)
 93689 (C)
 622311 (D)
 716021
 532271
 71327135
 2572434
 1327185
 1327135
 1327135
 3721105

716021
 532271
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SENATE FINANCE COMMITTEE

January 12, 1978

1:10 p.m.

Chairman Sackett convened the meeting at approximately 1:10 p.m. In attendance were Senators Tillion, Croft, Orsini, and Meland. Senators Hohman and Butrovich were absent. Also in attendance were Helen D. Beirne, Commissioner, Department of Health & Social Services; Catherine M. Lloyd, Deputy Commissioner; Richard R. Wilson, Director, Division of Public Assistance; D. M. Davidson, Administrative Officer, Health and Social Services; Marsha Hubbard, Budget Analyst, Health and Social Services; Ron Lind, Director of the Dept. of Budget and Management; Jay Hogan, Director, Legislative Division of Finance; and members of the press, Elaine Mitchell, A.I.S.; and Cheryl Probst, Anchorage Times.

PRESENT

Chairman Sackett advised committee members that the purpose of the meeting was to consider House Bill 580 (An Act making supplemental appropriations to the Department of Health and Social Services, Medicaid; and providing for an effective date.) He further advised that it would be necessary for the committee to take action on the bill today due to the time limitation placed upon available federal funds.

HB 580

Ron Lind, Director of the Division of Budget and Management appeared before the committee to testify regarding utilization of Counter Cyclical funding, and stated that representatives from Health and Social Services would testify regarding use of these funds within the Department.

Mr. Lind referred to his letter of 1/12/78 (distributed to committee members and attached to these minutes) setting forth possible dates for calculating the six month plus one day time period for obligating the relevant federal funds. He stated that Russ Phillips, the State Accountant, had received the funds on July 12, 1977, and the funds were subsequently deposited in a State banking account July 18, 1977. He added that the State had until tomorrow, January 13, 1978, in terms of time in which to obligate the funds. He also stated that possibly an argument could be made in favor of obligation by the 18th of January and the State would still remain within the spirit (if not the explicit intent) of the federal law, but he believed that if the funds were appropriated by the 13th, there should be no problem.

Mr. Lind further advised that the funds were to be spent for ongoing obligations, and that the state had received more money than expected during 1977. He stated that the state had received an average of \$200,000 during the first three quarters of 1976-1977. The department assumed that this quarterly average would continue. On July 12, 1977, the state received a quarterly payment of \$908,000, resulting in an excess of \$532,000 in the current appropriation for Medicaid. Mr. Lind attributed the increased quarterly payment to changes in the federal law and the manner in which funds were calculated and distributed. He added that Alaska's unemployment rate had also gone up (unemployment is a key factor at the federal level).

Mr. Lind next advised that \$1,327,000 received in October will need to be appropriated within three months from this date, but added that that appropriation would be taken up at another time.

Mr. Lind advised that the Medicaid program was in need of the additional funds included within H3 580 and stated that the Department of Health and Social Services would demonstrate the need.

Commissioner Beirne briefly addressed the committee offering department assistance on all matters within its jurisdiction and introduced her Deputy Commissioner and Marsha Hubbard.

Marsha Hubbard advised that in preparing its '79 budget, the department used a projection system based on analysis of '76 expenditures for medicaid, application of inflation figures, and costs for '78. She added that the Federal Government had supplied figures which it believed to be increases for Medicaid.

HE&SS

Increases in the Medicaid program are due to additional nursing home clients and failure to budget for cost settlements to hospitals. Replying to a question from Chairman Sackett requesting clarification of "cost settlements," Marsha Hubbard advised that cost settlements are reimbursements to hospitals for the actual cost of taking care of Medicaid patients. The settlement amount is determined on the basis that a client is sent to a hospital and cared for at a fixed bed day cost. Health and Social Services will reimburse the hospital if it spends more than the fixed rate. She