

MINUTES
SENATE FINANCE COMMITTEE
May 04, 2001
7:17 PM

TAPES

SFC-01 # 96, Side A
SFC 01 # 96, Side B

CALL TO ORDER

Co-Chair Pete Kelly reconvened the meeting at approximately 7:17 PM.

PRESENT

Senator Dave Donley, Co-Chair
Senator Pete Kelly, Co-Chair
Senator Loren Leman
Senator Gary Wilken
Senator Lyman Hoffman
Senator Alan Austerman
Senator Donny Olson
Senator Jerry Ward

Also Attending: REPRESENTATIVE PETE KOTT; DIANE BARRANS, Executive Director, Alaska Postsecondary Education Commission, Department of Education and Early Development; GAIL FENUMIAI, Election Program Specialist, Division of Elections, Office of the Lieutenant Governor

SUMMARY INFORMATION

HB 242-TRS & PERS REEMPLOY & MED BENEFITS; COLA

The Committee heard from the sponsor and moved the bill from Committee.

HB 204-STUDENT LOANS/COMN. ON POSTSECONDARY ED.

The Committee heard from the Department of Education and Early Development

#HB 242

CS FOR HOUSE BILL NO. 242(FIN)

"An Act relating to reemployment of and medical benefits for retired members of the teachers' retirement system and public employees' retirement system; relating to the inclusion of cost-of-living differentials on compensation and benefits under the public employees' retirement system; and providing for an effective date."

This was the second hearing for this bill in the Senate Finance Committee.

REPRESENTATIVE PETE KOTT testified this bill "offers an opportunity" for retired members of the Teachers Retirement System (TRS) and the Public Employees Retirement System (PERS) to return to work within the system. In addition, he said, the bill provides greater incentive for retaining these PERS and TRS members. He stressed there is a recognized shortage of teachers in the state and he told of the "brain drain" impact from the departure of many state employees to the private sector. He suggested this could either be because the private sector is paying salaries that are too high, or that state government is paying too little. He noted efforts other states have taken to attract teachers by providing incentives. He gave as an example the State of California, which is providing down payments on home purchases in addition to signing bonuses.

Representative Kott detailed the bill as follows.

Section 1 - requires that a school district must confirm by resolution and adopt a policy, indicating that there is a shortage of teachers in that district.

Sections 2 & 4 - relates to the incentives for retired teachers to return to full-time teaching for a TRS employer. Provides that a retired teacher who returns to work collects their earned retirement income in addition to the salary paid for the teaching position. New retirement benefits do not accrue for these employees.

Representative Kott qualified that teachers who retired under the Retirement Incentive Plan (RIP) are not eligible for re-hire under the provisions of this legislation.

Sections 3, 5, 12 & 16 - repeals the "TRS Return Initiative" provided in this legislation effective in the year 2005.

Section 6 - addresses the TRS Tier II medical benefits

enhancement. Teachers, who continue to work in TRS an additional five years beyond the normal retirement eligibility of 20 years, qualify for full-system paid medical coverage at age 60.

Representative Kott noted this enhancement is an attempt to attract new teachers and to retain existing teachers who are currently members of TRS in the Tier II retirement program. He stated that currently these employees are not eligible to receive system-provided medical coverage until the age of 60, at which time the retirement system pays half and the retiree is responsible for the remaining half of expenses. This, he pointed out, is regardless of the number of years the employee worked in TRS.

Representative Kott surmised these additional benefits should ensure there are quality teachers in Alaska's schools.

Sections 7 & 8 - provides the same incentives to PERS retirees, although the state is not required to determine a shortage.

Section 10 - gives incentives for public employees to remain in TRS or PERS for 30 years.

Representative Kott pointed out that, as with TRS members, Tier II PERS employees are current not eligible for system-provided medical coverage until the age of 60 at which time half of the premiums are paid by the retirement system. Under the provisions of this Section, he informed, full benefits are paid for PERS members who worked at least 30 years.

Representative Kott asserted, "there is very little impact, financially on the state." He referenced the fiscal note to demonstrate.

Section 11 - simplifies the geographical pay differential method

Representative Kott stated this provision would allow employees working in remote locations to know the exact amount of increased retirement benefits.

Representative Kott indicated the changes in the committee substitute primarily pertain to the TRS benefits. He stated the committee substitute also changes the repeal date of this legislation from five, to four years. He explained this change was made based upon projections showing the effectiveness of the program in five years.

Co-Chair Donley offered a motion to move SCS CS HB 242, 22-LS0885\L from Committee with \$91,000 fiscal note from the Department of Administration, Division of Retirement and Benefits.

There was no objection and the bill MOVED from Committee.

#HB204

HOUSE BILL NO. 204

"An Act relating to the Alaska Commission on Postsecondary Education and the Alaska Student Loan Corporation; relating to student financial aid programs and the financing of those programs; establishing the Alaska Advantage Loan Program and the Alaska Supplemental Education Loan Program; increasing the bonding authorization of the Alaska Student Loan Corporation; providing for liens resulting from a default under AS 14.43 or AS 14.44; relating to the duties of the recorder regarding those liens; relating to defaults under the Western Regional Higher Education Compact; relating to the prohibition on discrimination regarding programs under AS 14.43; relating to fees for the review of certain postsecondary institutions; making conforming amendments; and providing for an effective date."

This was the first hearing for this bill in the Senate Finance Committee.

DIANE BARRANS, Executive Director, Alaska Commission on Postsecondary Education, Department of Education and Early Development, testified in Juneau that the bill creates the Alaska Advantage Student Loan Model. She explained this loan program would provide benefits to borrowers, institutions and the Alaska Student Loan Corporation by combining federally guaranteed student loans with state loans, which would be supplemental to the guaranteed loans.

Ms. Barrans stated the objective of this model is to allow the Corporation to finance the loans and the Commission to service them. Because the federal portion of the Commission's portfolio would be subsidized and guaranteed by the federal government, she remarked that the loans could be offered a substantially lower interest rates than loans traditionally financed by the Corporation. She elaborated that by authorizing the Commission to package the loans, borrowers could be offered the "lowest possible borrowing rates" and the borrowers could receive funding from one source rather than multiple lenders. She added that borrowers would

also become eligible for consideration for federal grant funds for the application process.

Ms. Barrans continued noting program changes generated by following the federal student loan model would expand the repayment and deferment options available to borrowers. She added this would also allow borrowers to consolidate all educational debt with a single Alaskan lender.

Ms. Barrans pointed out benefits to the institutions participating in the model by providing a retention and recruitment tool through the improved interest rates, which would ease administration efforts by streamlining financial aid delivery. She noted these loans would have comparable terms that would allow financial aid counselors working with potential borrowers, the ability to compare loan products. She stated this would also provide "targeted financial rewards" to borrowers who remain in, or return to, Alaska. She told of the additional support for institutions to manage the default rate of these loans.

Ms. Barrans asserted that besides providing these benefits to both institutions and borrowers, there would also be "clear financial benefits" to the Corporation. She detailed there would be new income streams to the Corporation through the interest subsidies on a certain portion of the federal loans made under this model. She also told of the special allowance the federal government pays to lenders in its programs to protect against fluctuations in interest rates. She continued this would eliminate 98 percent of the losses due to default, death, disability and bankruptcy on those loans that were federally guaranteed.

Ms. Barrans remarked that the combination of the financial benefits would allow the Corporation to enhance its underlying credit rating from AA to AAA.

Ms. Barrans spoke of secondary objectives of the legislation, including identification in the findings section of the bill, relating to the mission of the Commission and the Corporation as a student-focused delivery system. She noted the Commission's functions are updated in this legislation as well; by eliminating provisions no longer applicable because the federal programs have been discontinued or modified. She continued explaining the Commission's collection authority would be clarified to provide the same collection authority for all the financial aid programs it administers in the event of default. She stated this legislation also allows the Commission to issue administrative liens in addition to administrative wage garnishment authority previously granted.

Ms. Barrans noted this legislation would allow the Corporation to offer extended maturities on the bonds issued in the event it is financially advantageous to the Corporation. She said it would allow the Corporation to increase the amount of bonds issued in a two-year period of time.

Ms. Barrans concluded that the bill provides that the current student loan program remains in place for the next year while the model is prepared for implementation in the fall of 2002.

Co-Chair Donley pointed out the type of funds are not specified in the fiscal note.

Ms. Barrans indicated a new fiscal note would be prepared correcting this error and showing the fund source as Alaska Student Loan Corporation Receipts.

Senator Wilken offered a motion to move HB 204 from Committee with a forthcoming fiscal note from the Department of Education and Early Development.

The bill MOVED from Committee without objection.

AT EASE 7:34 PM / 7:46 PM

#SB186

SENATE BILL NO. 186

"An Act establishing a limit on the general obligation debt that may be authorized and issued by home rule and general law municipalities; and providing for an effective date."

This was the second hearing for this bill in the Senate Finance Committee. [It was indicated on record that this was the third hearing; however it was scheduled but not actually heard at an earlier meeting.]

Co-Chair Donley stated that the proposed committee substitute is intended to address concerns raised at the previous hearing.

Co-Chair Donley moved to adopt CS SB 186, 22-LS0851\F, as a working draft.

Without objection the committee substitute was ADOPTED.

Co-Chair Donley detailed three changes in the committee substitute.

The first change, he said, begins with Section 2 and provides for a "slow phasing in" of the ten-year cap restricting the North Slope Borough from issuing bonds imposed on the local share of oil and gas property tax. He explained this stipulation reduces the amount of bonding authority to one mil per year for ten years.

Co-Chair Donley detailed the second change, which occurs in Section 15 (b) and allows additional debt to be incurred by a municipality that would otherwise be restrained under the provisions in the bill. He asserted this is an "extraordinarily generous" yearly allocation of debt since the statewide average is lower than the amount allowed in these provisions.

Co-Chair Donley then told of the final change to allow existing bonds to be refinanced so long as the debt does not extend the length of the original loan. He explained this enables the borough to realize savings when lower interest rates are available. This language is contained in Section 16 of the committee substitute.

Senator Ward inquired about the North Slope Borough's permanent fund and its relationship to the bonding limits.

Co-Chair Donley suggested that the phasing down of the 20-mil oil and gas property tax availability would have a limiting effect upon issuance of new debt also.

Co-Chair Kelly requested further explanation about the change to Section 15.

Co-Chair Donley reminded of concerns expressed at the previous hearing from former Attorney General Avrum Gross that the bill had no provision for additional debt or flexibility for existing debt. Co-Chair Donley stated the committee substitute provides "a limited amount" of additional debt on an annual basis that would not exceed \$1000 per capita.

Co-Chair Kelly commented this would be "a tremendous amount".

Co-Chair Donley agreed citing that the average community in Alaska has less than \$3000 total debt per capita incurred over several years. He reiterated this is a "very generous allocation" for additional debt. He noted that there would be a "buy-down" of existing debt over a period of time.

Senator Olson acquiesced this committee substitute "offers an approach to try to fix some of the difficulties that were so glaring." However, he stressed, "We're dealing with a very serious bill here," and asserted that this legislation is not the proper

method to address such an important issue. He criticized the lack of public notice allowing for input, referring to the time between placement of the bill on the agenda, and the actual hearings within 24 hours of each other. He suggested that any legislation affecting the bonding authority for many other Alaskan communities, such as Anchorage, Fairbanks and the Mat-Su Borough, there would be an opportunity for "weeks and weeks" of public hearings on the issue. He emphasized there is no authority to provide for emergency situations such as the loss of a school building or health clinic to fire. He asserted the expedition of this bill demonstrated "extreme short-sidedness for us to try to pass legislation out of a distinguished committee such as this."

Senator Olson requested 24 hours to review the legislation.

Co-Chair Kelly responded that the committee substitute addresses the concerns raised by Senator Olson in that it allows the North Slope Borough to bond up to \$1000 per capita per year, which would accommodate emergencies.

Senator Olson calculated 8,000 residents in the Borough at \$1000 per resident and stressed, "I've got to build two schools."

Co-Chair Donley stated this provision allows bonding of \$8 million per year, which he remarked is a "very very significant amount"

Senator Olson repeated his request for additional time to review the legislation.

Co-Chair Kelly stated he would accommodate the request and ordered the bill HELD in Committee.

AT EASE 7:55 PM / 8:15 PM

[Note: Audio recorder continued recording during this time, although receiving equipment was turned off, resulting in a section of tape with no sound. No portion of the meeting was omitted.]

#HB193

SENATE CS FOR CS FOR HOUSE BILL NO. 193(JUD)

"An Act relating to the primary election and to the nomination of candidates for the general election; and providing for an effective date."

This was the second hearing for this bill in the Senate Finance Committee.

Amendment #1: This amendment inserts a new bill section on page 1, following line 3, to read as follows.

Section 1. AS 15.13.110(f)(2) is amended to read:

(2) a person who has filed a nominating petition under AS 15.25.140 - 15.25.200 to become a candidate at the general [PRIMARY] election for elective state executive or legislative office;

Senator Hoffman moved for adoption.

Co-Chair Kelly objected for discussion.

GAIL FENUMIAI, Election Program Specialist, Division of Elections, Office of the Lieutenant Governor, testified the legislation makes changes related to the filing of reports and the nomination of candidates. She explained the amendment replaces language in the statutes governing the Alaskan Public Offices Commission (APOC) to conform to the legislation.

SFC 01 # 96, Side B 08:17 PM

Co-Chair Donley asked if a similar amendment would be required to align APOC statutes with the House Finance Committee version of the bill, should the Senate Finance Committee adopt this version.

Ms. Fenumiai responded the issue was not brought to the Division's attention until after the bill passed the Senate Judiciary Committee. Therefore, she said such an amendment would be necessary.

AT EASE 8:17 PM / 8:18 PM

Senator Hoffman WITHDREW his motion to adopt the amendment without objection.

Co-Chair Donley moved to adopt CS HB 193 (FIN) as a working draft.

There was no objection and the committee substitute was ADOPTED.

Senator Hoffman re-offered his motion to adopt Amendment #1.

The amendment was ADOPTED without objection.

Ms. Fenumiai brought to the Committee's attention a difference

between the Senate Judiciary committee substitute and the House Finance committee substitute that the Senate Finance Committee may wish to address. She identified this as the language governing "no-party" candidates in Section 5 and 6 on page 3, line 17 through page 5, line 2, of the Senate Judiciary committee substitute. She relayed that the House Judiciary Committee determined that these candidates do not need to appear on the primary election ballots since they do not represent a political party. She stated that the Senate Judiciary Committee had concerns that these candidates do not have to file any paperwork until the date of the primary election. As a result, she explained, the Senate Judiciary Committee changed the legislation to provide that no-party candidates must file a declaration of candidacy on June 1 but that they did not have to submit the necessary petition signatures until the primary election day.

Co-Chair Donley asked if the Senate Judiciary Committee also addressed language on page 4, line 31 of that committee's committee substitute.

Ms. Fenumiai replied these changes were made in the House Finance Committee.

Ms. Fenumiai elaborated on Sections 5 and 6 of the Senate Judiciary committee substitute. She relayed that the House Judiciary Committee had amended the bill to change the filing deadline of no-party candidates from the date of the primary election to June 1. However, she informed, court decisions found that a filing deadline of June 1 for a candidate that does not appear on a ballot until the general election, was too long of a time frame. She told of the concerns of the Senate Judiciary Committee that no-party candidates are not required to submit APOC disclosures until the primary election, which resulted in an unequal "playing field". In response, she reiterated, that Committee decided to adopt the June 1 filing deadline and set the deadline for the submission of signatures at the date of the primary election. Under this method, she explained, the no-party candidates would be required to follow the APOC guidelines in the same manner as candidates of a political party.

Senator Ward asked if statutes precluded a no-party candidate from filing for one public office on June 1 then changing that filing to a different public office.

Ms. Fenumiai answered that statutes stipulate a candidate could not run for more than one office simultaneously.

Senator Ward asked if "filing for office" is considered the same as

"running for office".

Ms. Fenumiai responded that declaration of candidacy forms contain an oath stipulating that the candidate has not filed for that office under any other petition or declaration of candidacy, nor has that candidate filed for any other office in the election for which they seek an office. These forms, she explained, state the candidates intent to run for a specific public office. She added that this provision is in current statute.

Senator Ward asked if a petition of candidacy precludes a candidate from running for any other public office.

Ms. Fenumiai affirmed.

Amendment #2: This amendment replaces Section 5 of CS HB 193 (FIN) with the language of Section 5 of SCS CS HB 193 (JUD). The language reads as follows.

Sec. 15.25.150. Date of filing petition. A candidate seeking nomination by petition shall submit the information required under AS 15.25.180 (a)(1)-(8) and (11)-(17) to the director in the time and manner specified in AS 15.25.040. The full petition with voter signatures shall be [THE PETITION IS] filed with the director by actual physical delivery in person at or before 5:00 p.m., prevailing time, on the day of the primary election [JUNE 1] in the year in which a general election is held for the office, or by actual physical delivery to the director by registered or certified mail return receipts requested which is postmarked at or before 5:00 p.m., prevailing time, on the day of the primary election [JUNE 1] in the year in which a general election is held for the office, and received not more than 15 days after that time. If the postmark is illegible, a dated receipts from the post office where dispatched shall be acceptable as evidence of mailing. [IF JUNE 1 IS A SUNDAY OF HOLIDAY, THE DEADLINES FOR POSTMARKING AND RECEIPT OF THE PETITION SHALL BE EXTENDED 24 HOURS IN EACH INSTANCE.]

New Text Underlined [DELETED TEXT BRACKETED]

Co-Chair Donley moved for adoption.

Without objection, the amendment was ADOPTED.

Co-Chair Donley inquired about the fiscal note.

Ms. Fenumiai informed that the amount indicated on the current

fiscal note would not change.

Co-Chair Donley offered a motion to move CS SB 193 (FIN), as amended, from Committee with \$5,200 fiscal note from the Division of Elections, Office of the Lieutenant Governor.

The bill MOVED from Committee without objection.

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ADJOURNMENT

Co-Chair Pete Kelly adjourned the meeting at 08:30 PM