

HOUSE FINANCE COMMITTEE
March 24, 2006
1:46 P.M.

CALL TO ORDER

Co-Chair Meyer called the House Finance Committee meeting to order at [1:46:49 PM](#).

MEMBERS PRESENT

Representative Kevin Meyer, Co-Chair
Representative Bill Stoltze, Vice-Chair
Representative Richard Foster
Representative Mike Hawker
Representative Mike Kelly
Representative Beth Kerttula
Representative Carl Moses
Representative Bruce Weyhrauch

MEMBERS ABSENT

Representative Mike Chenault, Co-Chair
Representative Jim Holm
Representative Reggie Joule

ALSO PRESENT

Representative Harry Crawford; Representative Jim Elkins; Mike Pawlowski, Staff, Representative Kevin Meyer; Suzanne Cunningham, Staff, Representative Meyer; Joe Balash, Staff, Senator Gene Therriault; Annette Kreitzer, Chief of Staff, Office of the Lt. Governor; Heather Beaty, Staff, Representative Harry Crawford; Whitney Brewster, Director, Division of Elections, Office of the Lt. Governor; John MacKinnon, Deputy Director, Department of Transportation and Public Facilities; Jennifer Baxter, Staff, Representative Jim Elkins

PRESENT VIA TELECONFERENCE

Aves Thompson, Director, Commercial Vehicle Enforcement, Department of Transportation & Public Facilities, Anchorage; Duane Bannock, Director, Division of Motor Vehicles, Department of Administration, Anchorage

SUMMARY

HB 190 An Act relating to the purchase of alcoholic beverages and to requiring identification to buy alcoholic beverages; requiring driver's licenses

and identification cards to be marked if a person is restricted from consuming alcoholic beverages as a result of a conviction or condition of probation or parole.

CS HB 190 (FIN) was reported out of Committee with a "no recommendation" and with zero note #2 by the Department of Administration and indeterminate note #3 by the Department of Administration.

HB 266 An Act relating to offenses and penalties for violation of vehicle weight limitations; prohibiting the use of a violation of a vehicle weight limitation for certain personal automobile insurance actions; amending Rule 43.6, Alaska Rules of Administration; and providing for an effective date.

CS HB 266 (FIN) was reported out of Committee with a "no recommendation" and with zero note #4 by the Department of Commerce, Community & Economic Development, zero note #5 by the Department of Transportation & Public Facilities and indeterminate note #6 by the Department of Law.

HB 278 An Act relating to the Alaska Municipal Bond Bank Authority; permitting the Alaska Municipal Bond Bank Authority or a subsidiary of the authority to assist state and municipal governmental employers by issuing bonds and other commercial paper to enable the governmental employers to prepay all or a portion of the governmental employers' shares of the unfunded accrued actuarial liabilities of retirement systems and authorizing governmental employers to contract with and to issue bonds, notes, or commercial paper to the authority or its subsidiary corporation for that purpose; and providing for an effective date.

CS HB 278 (FIN) was reported out of Committee with "individual" recommendations and with a new indeterminate note by the House Finance Committee for the Alaska Municipal Bond Bank.

HB 377 An Act relating to an exemption from certain registration and practice requirements for persons preparing drawings or specifications related to the construction of certain buildings.

CS HB 377 (L&C) was reported out of Committee with a "do pass" recommendation and with zero note #1 by the Department of Commerce, Community & Economic Development.

SB 172 An Act relating to the presentation of initiatives and referenda on the ballot.

HCS CS SB 172 (FIN) was reported out of Committee with a "do pass" recommendation, with two new fiscal notes by the Office of the Lt. Governor and the House Finance Committee and with the accompanying title change resolution.

[1:47:34 PM](#)

#HB266

HOUSE BILL NO. 266

An Act relating to offenses and penalties for violation of vehicle weight limitations; prohibiting the use of a violation of a vehicle weight limitation for certain personal automobile insurance actions; amending Rule 43.6, Alaska Rules of Administration; and providing for an effective date.

Co-Chair Meyer overviewed briefly the history of the bill.

REPRESENTATIVE JIM ELKINS, SPONSOR, introduced his staff, Jennifer Baxter. He commented on the bill's process and said he supports the version before the Committee.

Representative Weyhrauch indicated his gratitude for the introduction of the legislation.

[1:50:34 PM](#)

Co-Chair Meyer inquired if Department of Transportation & Public Facilities supports the bill.

JOHN MACKINNON, DEPUTY DIRECTOR, DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES, stated that the Department does support the bill. He stated they had worked with the trucking industry and have reached an agreement providing an increase to the fine structure, as well as enforceability.

[1:51:33 PM](#)

Vice Chair Stoltze made comments regarding the availability of scales in the Chugiak area.

AVES THOMPSON, (TESTIFIED VIA TELECONFERENCE), DIRECTOR, COMMERCIAL VEHICLE ENFORCEMENT DIVISION, DEPARTMENT OF TRANSPORTATION & PUBLIC FACILITIES, ANCHORAGE, replied there are not scales at all area pits but there are at the larger ones. The Department is working to develop a strategy to address vehicles that are operating within the accepted weight limits. Vice Chair Stoltze voiced concern with better compliance.

Co-Chair Meyer noted the differences between the House Transportation Committee (HTC) and the House Finance Committee (HFC) version, pointing out that the HFC one addresses the violation practice. He asked why that was necessary since the Department has the authority to go after multiple offenders. Mr. Thompson agreed, acknowledging he supports the House Finance Committee version.

Representative Foster MOVED to REPORT CS HB 266 (FIN) out of Committee with individual recommendations and with the accompanying fiscal notes. There being NO OBJECTION, it was so ordered.

CS HB 266 (FIN) was reported out of Committee with a "no recommendation" and with zero note #4 by the Department of Commerce, Community & Economic Development, zero note #5 by the Department of Transportation & Public Facilities and indeterminate note #6 by the Department of Law.

At EASE: [1:55:04 PM](#)
RECONVENE: [1:57:33 PM](#)

#SB172
SENATE BILL NO. 172

An Act relating to the presentation of initiatives and referenda on the ballot.

Vice Chair Stoltze MOVED to ADOPT work draft #24-LS0859\U, Kurtz, 3/24/06, as the version of the bill before the Committee. There being NO OBJECTION, it was adopted.

SUZANNE CUNNINGHAM, STAFF, REPRESENTATIVE KEVIN MEYER, addressed the modifications made to the committee substitute. There are two essential changes from the House Judiciary Committee (HJC) version.

- In the HJC version, there was a requirement that the summary be no more than 100 words for each section. The House Finance Committee (HFC) substitute reduces that to 50 words per session.
- The HFC version requires the Division of Elections to prepare and publish a pamphlet for the primary election if there is an initiative that will appear on the ballot. There is already a requirement in State law that the Division of Elections prepare a pamphlet for the General Election ballot, except for, in that description, the summary would be 50 words or less.

[2:00:12 PM](#)

Representative Hawker asked if the interpretation as proposed was for the 100 words and was meant for each section or the entire bill. Ms. Cunningham replied that when preparing the summary, the Division of Elections, in describing each section of the initiative, could use up to 50 words only. There is no aggregate limit.

ANNETTE KREITZER, CHIEF OF STAFF, OFFICE OF THE LT. GOVERNOR, clarified that would be a technical correction. It is the job of the Lt. Governor to make that description, not the Division of Elections.

[2:01:54 PM](#)

Representative Hawker asked further clarification. Ms. Kreitzer reiterated it was clear to their office, that it would be 50 words or less per section.

[2:04:07 PM](#)

Co-Chair Meyer acknowledged concerns but realized there must be a limit to keep encouraging citizens to vote. The bill also requires an information pamphlet sent out before the election.

Representative Hawker asked if that was what was truly intended. Ms. Kreitzer stated that the Legislature must make the policy call and then the Lt. Governor and the Division of Elections will carry it out.

[2:05:30 PM](#)

JOE BALASH, STAFF, SENATOR GENE THERRIAULT, responded to queries by Representative Hawker noting that the sponsor supports the proposed approach.

Representative Kelly asked what other states are doing to address such concerns. Mr. Balash offered to research that.

Representative Kelly indicated his concern with the fiscal note.

Representative Kerttula MOVED to ADOPT Amendment #2. Vice Chair Stoltze OBJECTED.

Representative Kerttula noted that she supported including the information in the voter pamphlet as voters could actually take time to read it. The intent of the amendment is to keep the ballot the same as it currently looks at 100 words; she did not think voters would actually read a 50-word ballot. The amendment is meant to leave the 25-word title limit alone but limit the description to 100 words.

[2:09:21 PM](#)

Mr. Balash commented that the sponsor was satisfied with the product of the Committee.

Representative Hawker worried how realistic the amendment would be. He thought that the Lt. Governor needs to have the expanded authority to decide what is contained in the voter's pamphlet. He did not support the amendment.

Representative Kerttula explained that her concern is the actual ballot. Placing too many words on the actual ballot is not good and the amendment could save money.

Co-Chair Meyer hoped that including the information in the pamphlet, the voter would then be able to make the most educated voting decision. Representative Kerttula agreed about the pamphlet but thought that the extra language on the ballot will make it more expensive and confusing.

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A roll call vote was taken on the motion.

IN FAVOR: Kerttula, Moses, Weyhrauch
OPPOSED: Kelly, Stoltze, Foster, Hawker, Meyer

Representative Holm, Representative Joule and Co-Chair Chenault were not present for the vote.

The MOTION FAILED (3-5).

[2:14:28 PM](#)

Representative Kelly reiterated concerns regarding how other states are addressing the concern.

[2:15:42 PM](#)

WHITNEY BREWSTER, DIRECTOR, DIVISION OF ELECTIONS, OFFICE OF THE LT. GOVERNOR, stated that the Municipality of Anchorage has the full language on their ballot and had heard mixed reactions to that.

Representative Kelly hoped that researched information could be brought forward to the House Rules Committee. Co-Chair Meyer noted that Mr. Balash would research it.

[2:16:34 PM](#)

Co-Chair Meyer pointed out that the Lt. Governor would be receiving plenty of latitude with up to 50 words. He pointed out the new fiscal note.

Ms. Cunningham advised that there had been discussions with the Office of the Lt. Governor and the Division of Elections regarding the changes made in the version before the Committee, particularly the provision that requires them to print a pamphlet. If there was a need for something on the general election ballot, they prepared a cost estimate, indicated by fiscal note dated 3/24/06, itemizing the contractual costs. Through continuing discussions, the Division has "real concerns" regarding the length of various initiatives that may appear on the ballot. She recommended both notes be moved with the bill:

- The one dated 2/10/06, Office of the Lt. Governor, and
- The new one proposed by the House Finance Committee.

Ms. Cunningham believed the final costs could be rectified during the Conference Committee action.

[2:19:48 PM](#)

Co-Chair Meyer knew that the Lt. Governor's office wanted to avoid a supplemental request. Ms. Kreitzer acknowledged that was correct. She appreciated the Committee working with their Office to avoid such action.

[2:20:23 PM](#)

Representative Weyhrauch appreciated the testimony.

Representative Foster MOVED to REPORT HCS CS SB 172 (FIN) out of Committee with individual recommendations and with the accompanying fiscal note. There being NO OBJECTION, it was so ordered.

[2:21:24 PM](#)

Ms. Cunningham pointed out that the substitute adopted by the Committee, includes a reference to election pamphlets, which must be incorporated into the title. Consequently, there is an accompanying title change resolution.

Co-Chair Meyer stated that the bill would be passed from Committee including the accompanying title change resolution.

HCS CS SB 172 (FIN) was reported out of Committee with a "do pass" recommendation, with two new fiscal notes by the Office of the Lt. Governor and the House Finance Committee and with the accompanying title change resolution.

[2:23:02 PM](#)

#HB190
HOUSE BILL NO. 190

An Act relating to the purchase of alcoholic beverages and to requiring identification to buy alcoholic beverages; requiring driver's licenses and identification cards to be marked if a person is restricted from consuming alcoholic beverages as a result of a conviction or condition of probation or parole.

Vice Chair Stoltze MOVED to ADOPT work draft #24-LS0617\p, Luckhaupt, 3/21/06, as the version of the bill before the Committee. There being NO OBJECTION, it was adopted.

[2:23:43 PM](#)

REPRESENTATIVE HARRY CRAWFORD, SPONSOR, deferred comments to his staff, Ms. Beaty.

HEATHER BEATY, STAFF, REPRESENTATIVE HARRY CRAWFORD, highlighted the changes made from version "X" to version "P" - before the Committee.

- Page 2, Lines 9 & 10, references were added to AS 28.35.030 and 28.35.032, which clarifies that the intent of the bill, only persons convicted under Alaska's drunken driving and refusal to submit to breathalyzer, would receive a marked license or State ID.
- Page 3, Line 3, adds that the description of the mark on the license reflect, "not to enter or consume". The idea was that could help the Division of Motor Vehicles understand what is needed on the actual license. It would also provide better understanding to the business selling alcohol and what they should be looking for.
- Page 3, Lines 28 & 29, & Page 4, Lines 3 & 4, incorporates Amendment #1 adopted by the Finance Committee at the last hearing, and clarifies that the license must reflect the mark and other information that the bill might require.

[2:26:28 PM](#)

Co-Chair Meyer was encouraged by the support from the Brown Jug, wholesaler.

Representative Kelly asked about the mark on the license and the six-year time limit. Representative Crawford explained that the person would have to surrender their license at the time stopped by the police. The new license would have a mark for a prescribed amount of time.

[2:27:31 PM](#)

Vice Chair Stoltze asked the intent of Section 1. Representative Crawford replied that the responsibility would be voluntary and it would only restrict the purpose for buying alcohol; it would not restrict them from entering a premise.

[2:29:12 PM](#)

Co-Chair Meyer MOVED to ADOPT Amendment #2, #24-LS0617\P.2, Mischel, 3/23/06. Representative Hawker OBJECTED for discussion purposes.

SUZANNE CUNNINGHAM, STAFF, REPRESENTATIVE KEVIN MEYER, explained that Amendment #2 was drawn from concerns regarding a restriction that a person might have in entering an establishment that serves alcohol. The amendment would delete "NEOC" on Page 3, Line 3 and would insert "ROC", which is an abbreviation for "restriction on consumption". Vice Chair Stoltze commented it would still allow the person to go to a club but not be served.

Representative Hawker WITHDREW his OBJECTION. There being NO further OBJECTION, Amendment #2 was adopted.

[2:31:10 PM](#)

Co-Chair Meyer MOVED to ADOPT Amendment #3, #24-LS0617\P.1, Mischel, 3/24/06. Representative Hawker OBJECTED for discussion purposes.

Ms. Cunningham explained Amendment #3, addresses identification (I.D.) cards. She was concerned that if a person was restricted from consumption, the card should contain a mark during the person's probation or duration of parole. The amendment only applies to driving under the influence of alcohol or controlled substances and refusal to submit to a Breathalyzer or chemical test. Drivers license is usually the first thing taken at that time. To meet the intent of the bill, the license should contain a restriction on consumption during the period of probation and/or parole. The amendment would help tighten up those concerns by indicating the restriction.

Representative Crawford was okay with the amendment.

Representative Hawker WITHDREW his OBJECTION. There being NO further OBJECTION, Amendment #3 was adopted.

[2:33:45 PM](#)

Co-Chair Meyer MOVED to ADOPT conceptual Amendment #4 to Page 3, Line 31, deleting "Department of Corrections" and

inserting "Alaska Parole Board". Representative Hawker OBJECTED for discussion purposes.

Ms. Cunningham explained that Amendment #4 provides clarification submitted by the Department of Corrections.

Representative Crawford stated that he supports Amendment #4.

Representative Hawker inquired if it would be appropriate to indicate the Alaska Parole Board or the Department of Corrections. Ms. Cunningham responded that the conceptual amendment would remain with that intent depending on how the duties were divided between the two.

Ms. Beaty advised that language came directly from the Department of Corrections and the instructions were to replace the language.

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Representative Hawker WITHDREW his OBJECTION. There being NO further OBJECTION, conceptual Amendment #3 was adopted.

Co-Chair Meyer MOVED to ADOPT Amendment #5. Representative Hawker OBJECTED for the purposes of discussion.

Ms. Cunningham explained that Amendment #5 would accomplish the needed changes to address technical and drafting concerns and would clarify the condition of parole for the conviction of those crimes.

Representative Hawker WITHDREW his OBJECTION. There being NO further OBJECTION, Amendment #5 was adopted.

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Co-Chair Meyer pointed out that the largest wholesaler in the State of Alaska supports the bill. He applauded that costs had been reduced.

Representative Kelly asked if there would be any liability to a vendor if they had not checked the ID and then something 'bad' occurred. Representative Crawford stated it was not the intent of the legislation to place liability on a vendor. The responsibility rests on the offender.

Representative Hawker applauded the amount of work done on the bill, but maintained his reservations on the kind of policy being proposed.

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Representative Crawford acknowledged that there had been much deliberation on that concern and that the mark would remain during the time the person was on orders from the Court. He stated the merits keeping people with a drinking problem during the specified time of their probation. He stressed the number of people harmed and/or killed and the amount of expense to the State.

Representative Hawker worried about protection issues and thought the legislation would predominately be enforced on young people; seniors are rarely carded. Representative Crawford acknowledged that not every establishment would check ID's.

[2:46:20 PM](#)

Representative Foster MOVED to REPORT CS HB 190 (FIN) out of Committee with individual recommendations and with the accompanying fiscal notes.

CS HB 190 (FIN) was reported out of Committee with a "no recommendation" and with zero note #2 by the Department of Administration and indeterminate note #3 by the Department of Administration.

[2:47:04 PM](#)

#HB377

HOUSE BILL NO. 377

An Act relating to an exemption from certain registration and practice requirements for persons preparing drawings or specifications related to the construction of certain buildings.

MIKE PAWLOWSKI, STAFF, REPRESENTATIVE KEVIN MEYER, updated the Committee on the work done to address safety issues since the bill was last heard. He indicated that each side was present for testimony.

[2:49:02 PM](#)

Co-Chair Meyer said there would be no public testimony as it had been closed at the previous hearing. He mentioned concerns regarding how it could work within statewide cities & towns. Mr. Pawlowski acknowledged discussion regarding that concern. Most places have building departments and planning review divisions. There was concern that the staff providing reviews might not be structural engineers. That argument was countered that building codes prohibit third stories being built in areas where earthquakes or high winds exist and it is a mute point for the bill. He thought reviews by structural engineers add expense. Mr. Pawlowski advised that Alaska Statute, Page 2, Lines 13 & 14, itemizes the exceptions.

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Mr. Pawlowski added that per request of Representative Kelly, contact with various statewide building departments was made and have remained neutral on the bill.

Representative Hawker noted he initially expressed reservation out of deference to the Architects, Engineers, and Land Surveyors (AELS) Board, but his position had changed and now supports the bill.

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Vice Chair Stoltze pointed out the high cost of building residential units statewide and how costs associated with engineering increase that price tag. He emphasized the escalation of building costs, stating he would support the bill.

[2:55:14 PM](#)

Co-Chair Meyer understood that it would conform the Alaska code to the International Building and Residential code. Mr. Pawlowski stated that there might be some distinction in the residential code.

Representative Kerttula voiced the serious concerns that are not being acknowledged regarding load safety. She advised that she would address those concerns on the House Floor.

[2:56:18 PM](#)

Representative Foster MOVED to REPORT CS HB 377 (L&C) out of Committee with individual recommendations and with the accompanying zero note.

CS HB 377 (L&C) was reported out of Committee with a "do pass" recommendation and with zero note #1 by the Department of Commerce, Community & Economic Development.

[2:57:02 PM](#)

#HB278

HOUSE BILL NO. 278

An Act relating to the Alaska Municipal Bond Bank Authority; permitting the Alaska Municipal Bond Bank Authority or a subsidiary of the authority to assist state and municipal governmental employers by issuing bonds and other commercial paper to enable the governmental employers to prepay all or a portion of the governmental employers' shares of the unfunded accrued actuarial liabilities of retirement systems and

authorizing governmental employers to contract with and to issue bonds, notes, or commercial paper to the authority or its subsidiary corporation for that purpose; and providing for an effective date.

REPRESENTATIVE MIKE HAWKER, SPONSOR, explained that the bill authorizes the Alaska Municipal Bond Authority to consider issuing pension obligation bonds (POBs) at the request of the State or a municipal governmental employer. POBs are a proven and acceptable tool to manage pre-existing liabilities for State and local pensions. Bond market participants are receptive to POBs, including bond insurers, rating agencies and investors.

HB 278 would expand the authority of the Alaska Municipal Bond Authority to support the State or municipality that wishes to include POBs in their strategy to reduce the cost of meeting unfunded pension liabilities. The bill does not authorize any debt instruments to be issued. The State or municipality would need to take a separate specific action to utilize the new ability of the Municipal Bond Bank Authority.

Co-Chair Meyer MOVED to ADOPT Amendment #1. Representative Weyhrauch OBJECTED.

Representative Hawker asked to AMEND Amendment #1: Delete lines 28 - 31, Page 4. That section is not needed. There being NO OBJECTION, it was deleted.

Representative Hawker explained that a title change might be necessary. He observed that Amendment #1 pertains to the Public Employees Retirement System (PERS) and Teachers Retirement System (TRS) contributions in place prior to the passage of legislation last year. The Department would have the authority to make regulations to allow that the employer could prepay a portion of the actuarial liability.

Representative Hawker continued, Page 1, Lines 19-22, address the provision that indemnifies an employer that makes a prepayment.

Section 2, highlights the State's statutory authority for municipal debt authority. It answers questions brought up in House State Affairs (HSTA) Committee and clarifies that 2 or more municipalities may come together to make that type transaction.

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Representative Hawker pointed out that the Municipal Bond Bank could pool those activities; the language is permissive. He added that Item C was another provision

requested and would authorize municipalities to enter into fund diversion agreements.

[3:04:50 PM](#)

Representative Hawker continued, Sections 3 - 5, recognizes that the individual employer (TRS) contributions must be prepaid all unfunded pension for unfunded service costs.

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Page 4 - Identical language relating to the PERS transactions. Page 1, Line 10, provides a technical correction. That section from Lines 13 - 26, is legislative policy guiding the Alaska Municipal Bond Bank. That language was rewritten, adding a provision addressing the authority. The Bond Bank must operate as a self-sufficient operation with no expectation of subsidization of State funds.

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Representative Hawker pointed out that the University of Alaska had been included.

[3:08:11 PM](#)

Representative Weyhrauch questioned what constraints would be placed upon the University of Alaska.

Representative Hawker responded that would be "empty authority" and subject to the internal accounting and editing controls. The capital market would regulate any such contemplated transaction along with the legislative sidebars. He felt it would be difficult for the University to secure such a transaction without sufficient legislative support. He did not believe the State would be overexposed.

Representative Weyhrauch stressed the need to address the State's unfunded liability. He observed the extent of the State's current liability @ \$6.9 billion dollars.

Representative Hawker pointed out that the legislation would only provide an additional tool in that toolbox and that the program would be optional for municipalities.

Representative Kelly pointed out a technical correction on Page 4, Line 25, that the period after "notes" should be a comma. Representative Hawker concurred.

[3:13:01 PM](#)

Representative Hawker advised that the Department of Revenue does not support the transactions; however, he reminded

members that the Legislature is an independent body. He pointed out statewide interest in the legislation.

Co-Chair Meyer spoke in support of the bill.

Representative Weyhrauch spoke in support of additional appropriations to municipalities, but noted that it was unlikely that they would receive further State funds.

Representative Hawker pointed out that the State will not be liable; he reiterated the municipality's desire for the transaction. Co-Chair Meyer countered that the State is ultimately responsible if the bonds default. Representative Hawker stated it would be a moral liability, but not a direct liability of the State.

[3:16:34 PM](#)

In response to a question by Representative Weyhrauch, Representative Hawker explained that "pooling provisions" were added to assist the smaller entities, which are feeling the largest impact. The intent is to minimize the cost associated with the liability. Smaller communities would be more likely to avail themselves of assistance from the municipal bond bank.

[3:18:03 PM](#)

Representative Kelly spoke in support of the legislation and noted that the liability is nearly \$7 billion dollars. He felt the problem is worse than anticipated and that the legislation could add an optional tool. He felt that there were reasonable protections for the downside.

[3:20:13 PM](#)

Representative Kerttula questioned why the University of Alaska had been included.

Representative Weyhrauch WITHDREW his OBJECTION to Amendment #1 as amended. There being NO further OBJECTION, amended Amendment #1 was adopted.

Representative Kerttula reiterated her question regarding inclusion of the University. Representative Hawker responded that it resulted from a request brought forward by the University. They have a large outstanding pension obligation and it would provide them the authority to use the professional services available through the Alaska Municipal Bond Bank.

[3:22:12 PM](#)

Representative Hawker reviewed the definition of governmental employer and observed that the University would fall under that definition.

[3:23:21 PM](#)

Representative Weyhrauch suggested that the Department of Law be included in the definition.

[3:23:48 PM](#)

Representative Kelly inquired if school districts would be included. Representative Hawker noted that the bill was drafted to encompass school districts, but pointed out that most have higher regulatory structures.

[3:25:00 PM](#)

Representative Kelly observed that the term intercept funds were used and/or a fund diversion, questioning if that was fair. Representative Hawker agreed and acknowledged that a transaction would not occur if capital markets were not favorable.

[3:25:56 PM](#)

Representative Weyhrauch advised that states using the pension obligation bonds are currently in serious trouble. He observed the high risk involved.

Representative Weyhrauch believed that the legislation could provide a false sense of security. He acknowledged that it could help address the problem, but emphasized the need for prudence.

[3:27:07 PM](#)

Representative Hawker agreed that any financial transaction has risks. He noted discussions in previous committees about the misuse of such transactions and referred to backup regarding ratings. Representative Hawker noted that most failures occur when entities are not realistic or are too aggressive. He maintained that the State of Alaska is operating in an atmosphere of reality. The transactions have exceeded 8 percent with a 2 - 3 percent arbitrage. Compound interest works to the favor of the employer. Representative Hawker emphasized that lessons learned in other jurisdictions have been included into the proposal.

[3:30:46 PM](#)

Co-Chair Meyer pointed out the new indeterminate fiscal note.

Representative Hawker agreed, explaining there is no way to know if a transaction would be completed.

[3:31:51 PM](#)

Representative Kelly expressed frustration with the size of the liability. He noted that there are Alaskans not invested in solving the problem, and that employees must be part of the solution.

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Representative Hawker observed that there are problems with paying cash up front to cover the liability. The State would forgo the ability to mitigate its obligation with other funding sources. There are no simple solutions and there is no silver bullet. The legislation is one tool in the toolbox.

[3:34:22 PM](#)

Representative Weyhrauch spoke to the complexity of the PERS/TRS system repayment and recommended deleting the University of Alaska. Representative Hawker accepted the change.

Representative Weyhrauch MOVED to delete "the University of Alaska" on Page 5 of Amendment #1.

Representative Kelly did not object, however, pointed out that the University has a significant problem, which also must be solved. He recommended further deliberation on inclusion of the University.

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Representative Hawker noted that the issue could be reviewed in the Senate.

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Representative Weyhrauch stated that notwithstanding significant increases in K-12 payments that must be made to the PERS/TRS system, the money should not be taken out of the classrooms. He warned that including the University would raise issues of "finances and politics". He urged distinguishing the University from the school districts.

[3:38:30 PM](#)

There being NO OBJECTION, the University was deleted.

Representative Foster MOVED to REPORT CS HB 278 (FIN) out of Committee with individual recommendations and with the accompanying new indeterminate note.

CS HB 278 (FIN) was reported out of Committee with "individual" recommendations and with a new indeterminate note by the House Finance Committee for the Alaska Municipal Bond Bank.

#

ADJOURNMENT

The meeting was adjourned at 3:39 P.M.