

**MINUTES**  
**SENATE FINANCE COMMITTEE**  
**March 8, 2006**  
**9:10 a.m.**

**CALL TO ORDER**

Co-Chair Lyda Green convened the meeting at approximately [9:10:31 AM](#).

**PRESENT**

Senator Lyda Green, Co-Chair  
Senator Gary Wilken, Co-Chair  
Senator Con Bunde, Vice Chair  
Senator Bert Stedman  
Senator Lyman Hoffman

**Also Attending:** SENATOR CHARLIE HUGGINS; PORTIA PARKER, Deputy Commissioner, Department of Corrections; JERRY BURNETT, Special Assistant to the Commissioner, Department of Revenue

**Attending via Teleconference:** There were no teleconference participants.

**SUMMARY INFORMATION**

SB 216-BAIL RESTRICTIONS

The Committee heard from the Department of Corrections and reported the bill from Committee.

SB 265-BONDS OF BOND BANK AUTHORITY

The Committee heard from the bill's sponsor and the Department of Revenue. The bill reported from Committee.

SB 232-APPROPS: ENERGY-RELATED, PIPELINE & MISC.

This bill was scheduled but not heard.

SB 264-FAST TRACK SUPPLEMENTAL APPROPS

This bill was scheduled but not heard.

Co-Chair Wilken announced that the Fast Track FY 2006 supplemental bills, SB 264 and SB 232, would be addressed at the Friday, March 10, 2006 hearing rather than today. Amendments would be considered and the desire would be to report the bill from Committee at that time.

[9:11:55 AM](#)

#sb216

CS FOR SENATE BILL NO. 216(JUD)  
"An Act relating to bail and unlawful evasion; and providing for an effective date."

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

Co-Chair Green stated that the Department of Corrections was invited to testify today in order to clarify a few areas of concern, specifically as to how the current bail process negatively impacts the Department and how this bill would improve the system.

[9:12:16 AM](#)

PORTIA PARKER, Deputy Commissioner, Department of Corrections, understood that during the first hearing on this bill, there might have been "some confusion" regarding the intent of this legislation, the current bail process, the reason for the changes being proposed in this legislation, and how the process would be implemented were this bill adopted. The primary concern is that under the current process an offender in State custody who could not post bail, could petition an Alaska Court System judge to issue them a temporary release order. In this case, the judge could not order the Department to escort the individual. The Department of Corrections must internally make such a request. The intent of this legislation would be to change the conditions of that release as the current process is problematic. Oftentimes, offenders do not return or when they return they might possess contraband or be under the influence of drugs and alcohol. These scenarios create additional work for the Department and the Court System. As a result, the Department

has determined that "these temporary releases are not needed and are not justified."

Ms. Parker stated that while this legislation would remove "the ability of the judge" to grant temporary releases, it would not affect those who were able to make bail.

Ms. Parker continued that, were this legislation adopted, a pre-sentence offender desiring to participate in something outside of the facility, could submit a request to the Department of Corrections. The Department of Corrections would then determine "the appropriateness to escort that offender. It is not a release from custody." Rather than the offender being released from custody, a Department of Corrections officer would accompany them. The Department would also require the offender or their family pay for the transport expenses. Few of these "requests for transport" would be anticipated. She noted that the Department currently provides transport services for medical cases. Transport for such things as mental health pretrial assessments would not be necessary as those activities could be conducted either in the facility or telephonically.

[9:15:29 AM](#)

Senator Hoffman asked the number of temporary release requests that have been experienced over the last few years at each correctional facility.

Ms. Parker did not have that information; however, she shared that most of the Court issued pre-sentence releases relate to mental health assessments or medical appointments. Fewer such requests are experienced at the Bethel and Nome correctional facilities, as providers tend to travel to those facilities.

Ms. Parker clarified that the transporting or escorting of a person who has been sentenced would be unaffected by this bill, as the Department "already" manages those situations.

SENATOR CHARLIE HUGGINS, the bill's sponsor, informed the Committee that he had no additional testimony to present.

Co-Chair Green stated that this discussion has addressed her concerns. The system would be improved by this legislation.

[9:17:11 AM](#)

Senator Hoffman asked whether the Judicial Branch has presented a position on the bill.

Co-Chair Green stated that, during the first hearing on the bill, Doug Wooliver, Administrative Attorney, Office of the Administrative Director, Alaska Court System, testified that the Court System had no position on the bill.

Co-Chair Green noted that an indeterminate fiscal note and a zero fiscal note accompany the bill.

Co-Chair Wilken moved to report the bill from Committee with individual recommendations and accompanying fiscal notes.

There being no objection, CS SB 216(JUD) was REPORTED from Committee with a new indeterminate fiscal note dated March 6, 2006 from the Department of Administration and previous zero fiscal note #1 from the Department of Corrections.

[9:18:12 AM](#)

#sb265

SENATE BILL NO. 265

"An Act increasing the total amount of bonds and notes that the Alaska Municipal Bond Bank Authority may have outstanding; and providing for an effective date."

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

Senator Stedman, the bill's sponsor, explained that the Alaska Municipal Bond Bank Authority (MBBA) currently has Statutory authority to issue \$500,000,000 in bonds. Continuing, he noted that the ability of communities in the State "to borrow in the capital market is limited by their size and credit worthiness and other factors." The benefit of pooling communities into a central bond bank authority creates "synergy for the communities, which reduces their fixed costs" and increases "investor interest in the purchasing" of their municipal bonds. It also assists in increasing a municipality's credit rating.

Senator Stedman continued that, with the exception of "very small ones", communities of various sizes throughout the State utilize the Authority. Of the total \$500 million MBBA authority, only \$50 million is un-issued at this time. The current expectation is that \$80 million in community capital expansion applications would be forthcoming during the next six months. This would exceed the MBBA's current authority balance.

Senator Stedman stated therefore that the purpose of this bill would be to increase the bond bank authority by \$250 million; therefore the total authority would increase from \$500 million to \$750 million.

Senator Stedman noted the expenses reflected in the fiscal note would not affect the State's general fund, but would instead be addressed by the investment earnings of the Authority. In summary, this bill would "expand" the authority of the MBB "to facilitate the capital requirements of our communities."

Co-Chair Green concluded that this bill would increase the current MBB authority from \$500 million to \$750 million.

[9:21:26 AM](#)

Senator Bunde asked whether the MBBA bonds were "guaranteed by the full faith and credit of the State".

Senator Stedman responded in the negative; "it's a pooling mechanism and financing mechanism to allow cost reduction and make it easier for the communities to issue the bonds".

Senator Bunde acknowledged, but asked whether the State would be responsible for the debt were a community to experience financial difficulties.

Senator Stedman replied that the State would have "the authority to interdict in case of a default". He asked that a representative of the Department of Revenue explain the process were a default to occur. He understood that to date, no community default has occurred.

[9:22:41 AM](#)

JERRY BURNETT, Director, Administrative Services Division, Department of Revenue, informed the Committee that Deven

Mitchell, Executive Director of the Alaska Municipal Bond Bank Authority, Department of Revenue was unable to attend the hearing due to previous commitment. Continuing, he noted that while no community has defaulted on a loan to date, the State must be prepared for such an event. "The general obligation debt of the Municipal Bond Bank is moral obligation debt of the State." Thus, were a community default experienced, the Department of Revenue's Commissioner would be obligated to request an appropriation from the Legislature. The Legislature, however, would not be required to grant that appropriation. There would be no other obligation on the part of the State.

Senator Bunde asked whether the \$250, million increase might affect the State's bond rating in consideration of this "moral obligation".

Mr. Burnett stated that this increase would not impact the State's credit rating.

Senator Bunde stated that even though no community default has been experienced to date, the "potential" is there. To that point, he pondered about the pressure that would be exerted on Legislators in regards to the State's moral obligation to this program considering the intense pressure the Legislature has received in regards to Municipality Revenue Sharing. While this Committee has discussed means through which to reduce the State's debt, this program "encourages further debt". The hope is that communities would participate in this program "with their eyes very much wide open." Even though the program is "not legally binding, any default would end up at the feet of the Legislature eventually and would a responsibility of the General Fund."

[9:25:38 AM](#)

Senator Stedman pointed out that there are "funding mechanisms" such as covenants within the MBBA system that have been established to assist in alleviating this concern. Were a community in the State "to face general obligation default issues," the State, "regardless of whether they were in this program or not", would "step in" because otherwise the situation would incur "implications around the State". The State would receive "ample notice" were a community to be reaching the point of default and "breaching their covenants". The State would receive "ample warning that there is substantial financial

difficulty within one of our communities to step in". One must remember that, "the State is the deep pockets that the communities go to whenever they get into a predicament that they cannot get themselves out of". One of the benefits of having an "instrument like this is" that a community must meet the bond covenants in order to qualify for the program. This requirement should provide the State "a little more comfort in the underwriting of these bonds". Another "mechanism" in the bond bank program is that were a community experiencing cash flow problems and potential default, "it would be red-flagged by the Municipal Bond Bank" and the Legislature would be alerted to the situation. This would provide sufficient time in which to address the situation.

Senator Bunde stated that Senator Stedman's comments support Senator Bunde's concerns. The State currently has communities that "are not anxious to be financially responsible for themselves." Rather than his position to be in opposition to this legislation, his remarks are intended to be an alert about "potential ultimate outcomes".

Mr. Burnett reminded the Committee that the Authority "has been paying a dividend to the State for the past several years". The MBBA's original capitalization was approximately \$18 million, and to date, it has contributed \$26 million to the State. The MBBA is both self-supporting and a positive benefit to the State.

Co-Chair Green asked for confirmation that the initial capitalization was \$18 million.

In response to a question from Co-Chair Green, Mr. Burnett stated that the initial capitalization was in 1977.

[9:28:53 AM](#)

Senator Hoffman understood that "the vast majority of bonding authority has been used for school construction". To that point, he asked whether that trend continued today.

[9:29:09 AM](#)

Mr. Burnett communicated that the more recent issuances have not primarily been for school construction. Specifics in this regard could be provided.

Senator Stedman stated that some of the FY 05 bond issuances were in support of elementary, middle, and high school renovations in the community of Petersburg, an ice rink in the community of Palmer, a hospital expansion in Juneau, a performing arts center in the Municipality of Anchorage, a new high school and pool in Kodiak, a small boat harbor in Adak, street improvements in North Pole, and the refinancing of outstanding bonds for Haines, Palmer, and other communities.

Senator Stedman stated that the MBBA has served as a funding mechanism "for more of the organized areas" of the State. The bonds have been utilized more in communities from Southeast Alaska northward to Anchorage and the North Slope area more than they have been utilized in the Fairbanks area.

Co-Chair Green asked the location of the project information referenced by Senator Stedman.

Senator Hoffman stated that the information is located on page 7 of the "Alaska Municipal Bond Bank Authority 2005 Annual Report" [copy on file].

Co-Chair Green noted that a "wide variety" of projects have been funded by this mechanism.

Senator Stedman stated that the pie chart on page 8 of the report also provides pertinent project funding information.

Senator Stedman concluded his remarks by stating that the lower interest rates that this pooling mechanism offers provide further savings to the citizens of the communities.

Co-Chair Wilken moved to report the bill from Committee with individual recommendations and accompanying fiscal note.

There being no objection, SB 265 was REPORTED from Committee with previous \$50,000 fiscal note #1 dated February 10, 2006 from the Department of Revenue.

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#### **ADJOURNMENT**

Co-Chair Lyda Green adjourned the meeting at [9:32:26 AM](#).