

ALASKA STATE LEGISLATURE
SENATE STATE AFFAIRS STANDING COMMITTEE

April 2, 2009

9:01 a.m.

MEMBERS PRESENT

Senator Linda Menard, Chair
Senator Kevin Meyer, Vice Chair
Senator Hollis French
Senator Albert Kookesh
Senator Joe Paskvan

MEMBERS ABSENT

All members present

COMMITTEE CALENDAR

SENATE BILL NO. 157

"An Act directing the Alaska Permanent Fund Corporation to transfer \$22,700,000 from the principal of the mental health trust fund to the Alaska Mental Health Trust Authority; relating to the development of revenue-producing facilities on mental health trust land and to the Alaska Mental Health Trust Authority Support Office Building; authorizing the issuance of certificates of participation for construction of the building; approving leases of all or part of the building by the Department of Administration; and providing for an effective date."

MOVED SB 157 OUT OF COMMITTEE

SENATE BILL NO. 126

"An Act amending the State Personnel Act to place in the exempt service the chief economist and state comptroller in the Department of Revenue and certain professional positions concerning oil and gas within the Department of Natural Resources; relating to reemployment of and benefits for or on behalf of reemployed retired teachers and public employees by providing for an effective date by amending the delayed effective date for secs. 3, 5, 9, and 12, ch. 57, SLA 2001 and sec. 19, ch. 50, SLA 2005; and providing for an effective date."

MOVED CSSB 126(STA) OUT OF COMMITTEE

PREVIOUS COMMITTEE ACTION

BILL: SB 157

SHORT TITLE: CERTIFICATES OF PARTICIPATION FOR SUBPORT
SPONSOR(S): SENATOR(S) OLSON

03/18/09 (S) READ THE FIRST TIME - REFERRALS
03/18/09 (S) STA, FIN
04/02/09 (S) STA AT 9:00 AM BELTZ 211

BILL: SB 126

SHORT TITLE: REEMPLOYMENT OF RETIREES; EXEMPT SERVICE
SPONSOR(S): RULES BY REQUEST OF THE GOVERNOR

02/27/09 (S) READ THE FIRST TIME - REFERRALS
02/27/09 (S) STA, L&C, FIN
03/24/09 (S) STA AT 9:00 AM BELTZ 211
03/24/09 (S) Heard & Held
03/24/09 (S) MINUTE(STA)
03/26/09 (S) STA AT 9:00 AM BELTZ 211
03/26/09 (S) Heard & Held
03/26/09 (S) MINUTE(STA)
03/31/09 (S) STA AT 9:00 AM BELTZ 211
03/31/09 (S) <Above Item Removed from Agenda>
03/31/09 (S) MINUTE(STA)
04/02/09 (S) STA AT 9:00 AM BELTZ 211

WITNESS REGISTER

DENISE LICCIOLI, Staff
to Senator Donny Olson
Alaska State Legislature
Juneau AK

POSITION STATEMENT: Presented SB 157.

REPRESENTATIVE CATHY MUNOZ
Alaska State Legislature
Juneau AK

POSITION STATEMENT: Presented SB 157.

HARRY NOAH, Executive Director
Land Trust Office of the Mental Health Trust
Department of Natural Resources
Anchorage AK

POSITION STATEMENT: Spoke in support of SB 157.

VERN JONES, Chief Procurement Officer
Alaska Department of Administration
Juneau AK

POSITION STATEMENT: Spoke in support of SB 157.

JEFF JESSE

Alaska Mental Health Trust Authority
Anchorage AK

POSITION STATEMENT: Spoke in support of SB 157.

JEFF BUSH, Deputy Mayor
City and Borough of Juneau
Juneau AK

POSITION STATEMENT: Spoke in support of SB 157.

WAYNE JENSEN, Architect
Juneau AK

POSITION STATEMENT: Answered questions regarding SB 157.

DEVEN MITCHELL, Investment Manager
Department of Revenue
Juneau AK

POSITION STATEMENT: Answered questions regarding SB 157.

DAN WAYNE, Attorney
Legislative Legal and Research Services Division
Alaska State Legislature
Juneau AK

POSITION STATEMENT: Explained the CS to SB 126.

AGNES MORAN, Parent
Ketchikan AK

POSITION STATEMENT: Spoke in support of the original SB 126.

HANNAH RAMISKEY, Grandparent
Ketchikan AK

POSITION STATEMENT: Spoke in support of the original SB 126.

GINGER BLAISDELL, Director of Administrative Services
Department of Revenue
Juneau AK

POSITION STATEMENT: Spoke in support of the original SB 126.

ACTION NARRATIVE

[9:01:57 AM](#)

CHAIR LINDA MENARD called the Senate State Affairs Standing Committee meeting to order at 9:01 a.m. Senators Kookesh, Paskvan, Meyer, and Menard were present at the call to order.

SB 157-CERTIFICATES OF PARTICIPATION FOR SUBPORT

[9:02:59 AM](#)

CHAIR MENARD announced the consideration of SB 157.

DENISE LICCIOLI, Staff to Senator Donny Olson, Alaska State Legislature, sponsor, said the Department of Labor needs new office space in Juneau. The lease on the current space will be up in June of 2012, and no other space in Juneau will hold the 300 employees who work in the department. Other space is needed, and it will likely need to be built because of the lack of a suitable building in Juneau. SB 157 will authorize the certificates of participation "for one of the options that exists for taking care of that need for space." Even if it doesn't pass there will need to be an RFP [request for proposal] issued for space, and that is a fairly long process. Given the timing, it is important to move on this. There are two state-owned office buildings that house three state departments that are in bad need of significant renovation. The Department of Administration approached the Mental Health Trust to look into a joint project to satisfy some of those needs. It would be mutually beneficial.

[9:06:21 AM](#)

MS. LICCIOLI said the core mission of the trust is to develop and manage trust assets for mental health beneficiaries. The trust owns this land, and it is in the top priority for development. SB 157 will enable the trust to develop the much needed office and retail space on land it owns. The offices that are in need of better facilities would benefit. The proposed building will use modern construction standards and energy efficiency. This new facility will save the state money and provide a steady revenue to the trust. SB 157 will enable the trust to move forward with the construction.

CHAIR MENARD asked how old the buildings are.

MS. LICCIOLI said the Department of Public Safety building is about 40 years old.

[9:08:58 AM](#)

REPRESENTATIVE CATHY MUNOZ, Alaska State Legislature, said the public safety building was supposed to be temporary when it was built in 1970. The state will have to invest considerable funds to bring it up to standard or replace it. The other site is the Department of Fish and Game building in Douglas that was built in the 1950s. It needs major rehabilitation. Both facilities would require about \$8.5 million of renovation. The legislation

is to allow the Mental Health Trust to develop the land, and the parcel in the bill has been a priority for development by the trust for many years. The trust holds land throughout Alaska. Its mission is to develop these lands to the maximum benefit of its beneficiaries. The timing of the legislation is critical because the old buildings are in dire need of repair. The lease is soon to expire for the labor department building, and the state doesn't want to remain in that space. There will be a savings to the state of \$13 million over the course of the lease. The trust will receive revenue for the next 20 to 30 years. As the landowner, the trust provides the land and half of the construction costs. The bill will allow the trust to access \$22.7 million in trust funds. The state will meet a critical need for space. The bonds will be paid back with the revenues of the leases. This is a win-win proposal.

[9:13:24 AM](#)

SENATOR KOOKESH asked what the revenue will be to the trust.

REPRESENTATIVE MUÑOZ said trust funds are managed by the Alaska Permanent Fund. The rate of return will start out as being similar to its current investments, but over time the revenue to the trust will increase greatly.

SENATOR KOOKESH said the money earns interest now, and if it is spent, there has to be some sort of income.

[9:15:07 AM](#)

SENATOR MEYER said a big concern is the loss of property tax when a state entity builds a building.

REPRESENTATIVE MUÑOZ said the City of Juneau supports this.

SENATOR MEYER said it will raise property taxes for everybody else [in Juneau]. It won't go on the private tax roles.

REPRESENTATIVE MUÑOZ said the city recognizes the need for the employees to be in a space that meets the requirements of a state lease. Those requirements are not being met.

SENATOR MEYER said those same needs could be met by a private developer without losing property taxes.

REPRESENTATIVE MUÑOZ said there are a lot of financial benefits to working with the trust. The property tax situation could be discussed by the city. The city sees this as positive.

[9:16:56 AM](#)

SENATOR MEYER asked what rent the state is currently paying.

REPRESENTATIVE MUÑOZ said the state is paying \$2.33 per square foot. Renovations are needed, so when the lease is up the rate will likely change. The rent on the proposed facility has a negotiated ceiling of \$3.50 per square foot. That rate is in line with Class B space around the state. The state often has to invest funds beyond the square footage rate in order to meet state standards with lighting and technology.

[9:18:09 AM](#)

SENATOR MEYER asked about adequate parking.

REPRESENTATIVE MUÑOZ said the site is 4.5 acres, and there is sufficient land for parking.

HARRY NOAH, Executive Director, Land Trust Office, Mental Health Trust, Department of Natural Resources, said the trust will invest \$22.7 million, and "we're asking 7.5 percent on that money, which basically is on par with what we would get for that money in the permanent fund under normal conditions. We're also asking for 8 percent of the value of the land as per the lease of the land." Ultimately the building will be paid for, and then there will be a cash flow. There are still negotiations with the state on what that number will be. This bill will set an upper limit, but there will be some negotiating after the bill passes.

[9:20:46 AM](#)

VERN JONES, Chief Procurement Officer, Alaska Department of Administration, said the state has been working with the trust and he believes that the building will provide the state with savings and solve several problems. The Department of Labor is housed in a large building and the lease is ending. There is no vacant space in Juneau, and a new building will be an improvement. There have been issues with the current facility. The bill solves other problems for his division, which manages several state office buildings, including the Public Safety building that was built in 1970 as a temporary structure. It needs a lot of work. The Fish and Game building in Douglas has numerous problems. Wind, rain, and snow comes through the gaps in the walls and windows. The state is very reluctant to invest millions into facilities that are well beyond their usable lives. It would be throwing good money after bad. SB 157 will get the state into energy efficient buildings that are suitable for state employees. His division provided the analysis, and it shows a substantial savings over the years. It is fairly

conservative because it only includes the current list of deferred maintenance, and who knows how much more work will need to be done. In fact, the buildings will probably need to be replaced. Even though the state still has to negotiate the lease rate, the bill is in the state's best interest.

[9:24:44 AM](#)

JEFF JESSE, Alaska Mental Health Trust Authority, said Mr. Noah and Representative Muñoz explained the bill well. The DOA approached the trust and the trust land office did a great job of assessing options and potential returns. This will benefit the trust.

JEFF BUSH, Deputy Mayor, City and Borough of Juneau, said the assembly took up an ordinance to change the zoning to allow this project to proceed. The city is fully supportive.

[9:26:58 AM](#)

WAYNE JENSEN, Architect, Juneau, said his company has been working on this project and can answer questions.

SENATOR KOOKESH asked how much parking is required.

MR. JENSON said there are two requirements. The city has land-use requirements, and the lease will have parking requirements. Both will be an obligation of the trust. The requirements generally depend on the size of the building. There is adequate parking space.

[9:29:25 AM](#)

DEVEN MITCHELL, Investment Manager, Department of Revenue, said the project is a convergence of a variety of missions for the trust and the state of Alaska. The practice of using certificates has been used a number of times throughout the state. It is a means of borrowing money for specific facilities. It was used recently for a virology lab at the university in Fairbanks. It was used for the replacement of the "API" facility in Anchorage, which was a similar partnership for something that was badly needed. The certificates that he would sell would receive ratings in the low double-a category. "The state sold general obligation bonds today, which is a slightly better credit than a subject-to-appropriation credit, but the 20-year bonds - and these were approved in November of 2008 for transportation projects throughout the state - the true interest cost was 4.04 percent." The fiscal note assumes 5.5 percent, which is obviously conservative in today's market. Today's rate is indicative of what might be possible.

SENATOR MEYER asked, "We've already got the money at 5 percent secured?"

MR. MITCHELL said no, the fiscal note provided an estimate of what might be possible. There has been a wide distribution of available interest rates over the last six months because of the dislocation seen in October, in particular. There were certain days you couldn't sell bonds. "A credit like this is an extremely strong credit that's recognized in the market. But, still, if you have Merrill Lynch and Lehman Brothers ... being purchased or going out of business, then that type of dislocation is difficult to overcome." The Matanuska-Susitna borough lease revenue bonds are supported by the state on a subject-to-appropriation basis, "and that is the credit - the borough pledges the lease payments that it receives from the state, so it's called something different, but it's the same credit." Those achieved an interest rate of just under 6 percent, versus 4.04 today. "The state's [general obligation bonds] would have priced better than the lease revenue bonds back on December 22, but maybe 50 basis points better, not 200."

[9:33:54 AM](#)

SENATOR MEYER said his concern is the state's overall debt load. Are you comfortable that we can take on this additional debt and still maintain a good credit rating?

MR. MITCHELL said that is one of Alaska's strengths. The state has a relatively low debt burden, not necessarily in a ratio perspective because of Alaska's small population, but relative to the high oil revenue. "We're well within the parameters ... we typically use 5 to 8 percent as a threshold of unrestricted revenue as being an acceptable level of debt service." With the updated revenue forecast, Alaska is in the 5-ish range, including the Mat-Su bonds and the [general obligation bonds] that were just issued.

[9:35:19 AM](#)

SENATOR MEYER said Alaska's revenue is based on one source, which isn't doing well. Oil price and production are declining.

MR. MITCHELL said Alaska's reserve position is incredible relative to other states. He mentioned the CBRF [constitutional budget reserve fund], SBR [statutory budget reserve], and the forward-funding of education. Those allow Alaska to retain a high rating despite the volatility of the revenue stream. The

state has protected its position. It is a relatively small obligation.

CHAIR MENARD asked if the note is for 30 years.

MR. MITCHELL said it is 20 years. There are two things. "There's COPS, which are 20, and there's a lease for the facility."

[9:36:42 AM](#)

SENATOR MEYER said he is convinced that this is needed. He moved to report SB 157 from committee with individual recommendations and attached fiscal note(s). There being no objection, SB 157 moved out of committee.

[9:37:49 AM](#)

The committee took a brief at-ease.

SB 126-REEMPLOYMENT OF RETIREES; EXEMPT SERVICE

CHAIR MENARD announced the consideration of SB 126.

[9:40:24 AM](#)

SENATOR PASKVAN moved to adopt the proposed committee substitute (CS) to SB 126, labeled 26-GS1035\S, as a working document. There being no objection, Version S was before the committee.

DAN WAYNE, Attorney, Legislative Legal and Research Services Division, Alaska State Legislature, said the CS creates a six-month waiting period between the time a person can retire and be rehired. On page 3, line 4, the bill deletes the language "in the executive branch of state government". This is significant because "we've taken out the words on line 27 similar to the procedure." This makes all employers subject to the procedure.

CHAIR MENARD surmised that it deletes "executive branch" and will apply to any employer.

[9:43:08 AM](#)

MR. WAYNE said that is correct. A memo in the committee packet explains a technical change on page 3. There was a bill in 2005 that called for a repeal in 2009 of certain statutes. Two of those statutes were moved to other places. So the bill was amended to target that language more accurately. After the repeal in 2010, there won't be language left in statute that refers to rehired retirees.

CHAIR MENARD said the sunset date will be 2010 instead of 2013.

MR. WAYNE said yes, and the title was changed because Section 1 was deleted. He believes that Section 1 would have put some employees into exempt service.

CHAIR MENARD said on page 2, line 7, "we took out the word 'similar' to clarify that it applies to all employers." The bill was also changed from 5 to 3 applicants. Section 1 was removed so that DNR employees are left as they are now with the thought that they would be addressed in separate legislation.

MR. WAYNE said it was taken out, but he doesn't know why.

CHAIR MENARD said, "On 3, we removed the chief economist and left in the comptroller."

MR. WAYNE said yes, and the title was changed to reflect that.

[9:47:33 AM](#)

CHAIR MENARD apologized that citizens from Ketchikan were not allowed to speak at the last meeting. She spoke to them personally, and she believes in an open process. They are on line today.

AGNES MORAN, Parent, Ketchikan, said she has two children. She doesn't have access to the CS, but she supports the original SB 126. It allows rural schools access to experienced educators and administrators who have made a commitment to remain in Alaska. The number of participants in the retiree/rehire program may appear small but their impact on a community is large. Many are certified in various special education fields. The reading specialist at her children's school is one such individual. The specialist has close ties to the Native community and is a positive role model. At the charter school, 86 percent of the Alaska Native students scored proficient in language arts and math. That is higher than any other group in the school. Access to educators with experience in special needs is important. Her child spent six years in the special needs program. These teachers are resources for the children and other educators. Her son's first-grade teacher was fresh out of college and overwhelmed by the needs of her diverse group of students. Fortunately she had access to experienced educators to help guide her. Schools with rehired retirees have current openings. Instead of viewing them as barriers, they should be seen as bridges. Students, families, and communities benefit from the experience of these rehires. She urged the passage of SB 126.

[9:51:14 AM](#)

HANNAH RAMISKEY, Ketchikan, said she is a grandparent of a child who has struggled and gets a lot of additional help. Ms. Ramiskey has sent several letters, and she has explained why there was a custodian on the Ketchikan rehire list. That person has left. She is concerned about the amendments. A charter school without an experienced principal will need to do without one for six months or hire someone who is not qualified. "Do you do without a reading specialist in Ketchikan because there aren't any that are certified in the curriculum that you have?" She spoke of the impact of waiting six months. She questioned the public process in the creation of the CS. She has been at every hearing and didn't know when the bill was changed. During House hearings she was impressed when a member asked a union representative if it would be OK if a retiree from another state could double dip. The union man said "Well yea, that's OK." So a committed person in Alaska won't be able to do what someone from any other state can do. Ketchikan has 15 feet of rain in some years, so new people often don't last. The lack of a Nordstrom store seems to be an issue for wives. She asked the committee to look at the impact on children. "Do we just take what we can get even if it's not right?"

[9:54:54 AM](#)

GINGER BLAISDELL, Director, Administrative Services, Department of Revenue, said she looked at the CS last night. She noted that Chair Menard kept saying "all employers" instead of "similar", and she presumed the chair was referring to all employers who participate in PERS.

CHAIR MENARD said yes.

MS. BLAISDELL clarified that the bill will not impact the private sector. Changing the 30-day to 180-day provision will eliminate individuals from being considered for nearly the life of the program since it's now slated to sunset in one year. It eliminates the younger spectrum of the retirement community. Changing from five applicants to three is fine. Typically, if a retiree is rehired, he or she is the only qualified applicant. The one-year extension doesn't address the issue of unqualified or unwilling applicants for hard-to-fill positions. "Eliminating the chief economist leaves the state with a critical vacancy in a position that would be guiding the state in its critical global economic strategy. Eliminating the oil and gas positions puts the state at risk for high turnover in critical positions in oil and gas development." This bill doesn't accomplish what was intended: providing a hiring pool to keep Alaskans employed

in Alaskan jobs regardless of their retirement status and to provide options for hiring critical positions for the departments of revenue and natural resources.

9:57:53 AM

SENATOR KOOKESH said he doesn't like the change of 30 days to 180 days and won't support the bill with that in it.

SENATOR MEYER asked about a compromise of 3 months.

SENATOR KOOKESH said he doesn't like 180 days. He could probably support 90 days. "I just don't want to have to wait that long, because I come from a rural district too and sometimes you need somebody right away." The time constraint doesn't work. The intent of the bill was to have a pool [of applicants]. "We might as well just not pass this bill if we're going to put those kinds of restrictions on."

SENATOR MEYER said he agrees. Sometimes a person gets a little rusty after six months, "and if you indeed need to have this person, you want him [or her] to come in and hit the ground running." Perhaps 90 days would be better.

10:00:33 AM

SENATOR KOOKESH said he can live with that, but he wouldn't be happy about it.

SENATOR PASKVAN asked about a teacher retiring out of one TRS school district, and if that means he or she couldn't go to a rural district to teach. He asked if Senator Kookesh is worried about that situation.

SENATOR KOOKESH said yes, there has to be a pool of applicants. Often teachers in rural Alaska have to leave midyear. A teacher in Angoon got cancer, and her teacher husband had to leave with her for seven months. If a school has to wait for six months to hire somebody, "you're teaching the kids in that school with substitute teachers who have never gone to college."

CHAIR MENARD said that is a reasonable concern.

SENATOR MEYER moved to adopt conceptual Amendment 1 to change the waiting period from 120 days to 90 days.

SENATOR PASKVAN objected in order to discuss the amendment. His concern is a retiree staying in the same job. That is different from the situation that Senator Kookesh is talking about. He

absolutely agrees in accommodating those situations and making sure there is a big enough pool. But someone retiring and keeping the job is the concern.

[10:03:53 AM](#)

SENATOR KOOKESH said 90 days will give a gap for looking for a different employee. "The school is going to have to find somebody, and they could find somebody who's not a retiree."

SENATOR FRENCH said that is a good point with regard to school districts. The school district issue is in Section 1, and Section 4 relates to PERS employees. "If we want to deal with teachers, Section 1 should be 90 days and we could leave the other 180-day number alone, and still fix the concern you have."

SENATOR KOOKESH said he is concerned about teachers and hasn't thought about other employees.

SENATOR MEYER said he is not sure if a similar situation could happen with a PERS employee.

SENATOR KOOKESH asked who wrote the CS.

CHAIR MENARD said she did and has no problem with changing the number of days for both. She is trying get something better than the original bill because there has not been the attention paid to this that there should be. Some people get hired the day after retiring.

SENATOR KOOKESH surmised that she wants a separation, but 180 days is too much. He supports 90 days for both TRS and PERS employees.

[10:06:32 AM](#)

SENATOR MEYER said there are critical positions in the courts. He doesn't know how 90 days or 120 days will impact them.

SENATOR PASKVAN said he has no problem if someone retires from the Fairbanks school district and wants to teach in Angoon. "They stop teaching in May in Fairbanks and they start teaching in August/September in Angoon." His problem is a person who retires from a chair in an office on one day, and the next day he or she has the same chair.

SENATOR KOOKESH said if that position is critical, no one will wait 90 days for that person.

CHAIR MENARD said by putting the department on notice it will actively try to recruit. If there are stellar employees, it is human nature to slide them into the same slot when they retire. It is tempting to keep those good people. But it is arrogant for any of us to think we can't be replaced.

SENATOR PASKVAN said he supports a 90-day change, especially with the repeal set for July of 2010. Next year will be the opportunity to look at how many people have participated and how many stayed in the same job or moved to another district.

[10:09:34 AM](#)

SENATOR PASKVAN removed his objection, there being no further objections, conceptual Amendment 1 was adopted.

SENATOR MEYER moved to report the CS to SB 126, labeled 26-GS1035\S, from committee, as amended, with individual recommendations and attached fiscal note(s). There being no objection, CSSB 126(STA) moved out of committee.

[10:10:44 AM](#)

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