

HOUSE FINANCE COMMITTEE

April 18, 2014

9:48 a.m.

[9:48:11 AM](#)

CALL TO ORDER

Co-Chair Stoltze called the House Finance Committee meeting to order at 9:48 a.m.

MEMBERS PRESENT

Representative Alan Austerman, Co-Chair
Representative Bill Stoltze, Co-Chair
Representative Mark Neuman, Vice-Chair
Representative Mia Costello
Representative Bryce Edgmon
Representative Les Gara
Representative David Guttenberg
Representative Lindsey Holmes
Representative Cathy Munoz
Representative Steve Thompson
Representative Tammie Wilson

MEMBERS ABSENT

None

ALSO PRESENT

Laura Pierre, Staff, Senator Anna Fairclough; Diane Barrans, Executive Director, Alaska Commission on Postsecondary Education, Department of Education and Early Development; Senator Anna Fairclough, Sponsor; Jordan Shilling, Staff, Senator John Coghill; Ron Taylor, Deputy Commissioner, Department of Corrections; Representative Bob Herron; Joe Balash, Commissioner, Department of Natural Resources.

PRESENT VIA TELECONFERENCE

Tiffany Thomas, Driver Licensing Manager, Department of Motor Vehicles, Department of Administration.

SUMMARY

CSSB 64(FIN)

OMNIBUS CRIME/CORRECTIONS/RECIDIVISM BILL

CSSB 64(FIN) was HEARD and HELD in committee for further consideration.

CSSB 138(FIN)am

GAS PIPELINE; AGDC; OIL & GAS PROD. TAX

CSSB 138(FIN)am was HEARD and HELD in committee for further consideration.

CSSB 195(FIN)

POSTSECONDARY EDUCATION LOANS/GRANTS

HCS CSSB 195(FIN) was REPORTED out of committee with a "do pass" recommendation and with one previously published fiscal impact note: FN2 (DEED).

SJR 23 CONST. AM: STUDENT LOAN DEBT

SJR 23 was REPORTED out of committee with a "do pass" recommendation and with one previously published fiscal impact note: FN1 (GOV).

#sb195

CS FOR SENATE BILL NO. 195(FIN)

"An Act relating to the membership and authority of the Alaska Commission on Postsecondary Education; relating to the Alaska Student Loan Corporation; relating to teacher education loans; relating to interest on and consolidation of postsecondary education loans; relating to Alaska supplemental education loans; relating to AlaskAdvantage grants; relating to the Alaska family education loan program; relating to postsecondary educational institutions; and providing for an effective date."

9:49:10 AM

LAURA PIERRE, STAFF, SENATOR ANNA FAIRCLOUGH, offered a sponsor statement:

Senate Bill 195 makes both substantive and housekeeping changes to statutes regarding the Alaska

Commission on Postsecondary Education and the Alaska Student Loan Corporation. These changes include allowing the commission to set favorable terms for borrowers, increase the total loan limit a student may borrow, and define "on-time" status for a student to reach completion.

With increasing amounts of debt in the state of Alaska, borrowers need to make the best and most informed decisions when they borrow for their education, as well as when they are preparing to enter repayment. By allowing the corporation to set favorable terms, Alaska's students will receive their education for the best deal.

The cost of tuition is going up at postsecondary institutions around the country; however, state education loan maximums have not been modified in almost twenty years. Increased loan limits will allow students easier access to enough financial aid from one loan servicer, thereby easing the processes of both borrowing and repayment.

National trends show students are taking longer to complete their postsecondary education. In the past, an undergraduate degree took, on average, four years to complete. Now it is more common to see students take longer to complete their degree. By staying in school longer, students are accruing more debt and delaying entry into the workforce. Defining "on-time" status as 15 credits per semester encourages students to complete their postsecondary education in a timely manner. This, in turn, will keep their debt lower, more manageable, and allow them to enter the workforce sooner.

The changes proposed in Senate Bill 195 will allow the commission to better assist Alaskans accessing higher education. It will create incentives for students to enroll in sufficient credits to expedite completion of their degree as well as begin their career as part of Alaska's workforce.

Ms. Pierre noted that the bill interplayed with SJR 23, both would allow for a lower interest rate for students and incentivize early and on-time graduation.

DIANE BARRANS, EXECUTIVE DIRECTOR, ALASKA COMMISSION ON POSTSECONDARY EDUCATION, DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT, testified that the legislation would help to better meet the needs of students in the state.

Co-Chair Stoltze thought that a constitutional amendment that would be a mechanism to reduce student loan rates was an attractive provision.

Ms. Barrans relayed that the relatively attractive market prior to 2008 had never returned. She said that through the combination of the bill and the resolution, debt could be issued at a lower rate than could be otherwise achieved.

Co-Chair Stoltze asked about the federal interplay related to student loan rates.

Ms. Barrans answered that Congress and the U.S. Department of Education had created barriers between non-federal lenders and the consumer. She felt that this had been done under the guise of consumer protection but with respect to other governmental agencies, such as the state trying to offer low rates to students, they had created barriers in terms of schools being able to recommend state programs.

Representative Holmes asked for clarification on interest rate changes and borrowing amounts.

Ms. Barrans replied that one advantage would be a rate decrease of between 1 and 1.25 percent of what could be achieved with a revenue backed bond. She said that the other advantage would be that rating agencies and the market looked to the rating status of the state when examining general obligation debts rather than the underlying collateral. She said that credit criteria had been imposed in recent years that made the loans less accessible to Alaska residents. She believed that while credit criteria would need to remain in place, it could be moderated and make the loans more generally available. She hoped that by increasing the loan limits varied loan limits would be set according to the student's level of enrollment.

[9:57:05 AM](#)

Representative Gara asked if the bill would allow for the reduction of the student loan rate by 1.25 percent compared to other bonds used currently.

Ms. Barrans replied that yes, when comparing a revenue backed bond with a general obligation backed bond.

Representative Gara asked whether the 1.25 percent was lower than the current rate.

Ms. Barrans replied in the affirmative.

Representative Gara asked whether students would be required to have a guarantor. He wondered whether low income students would be eligible to get the loan.

Ms. Barrans answered that it would depend on the students credit score. She said that the combination of changes would not eliminate the need to have a performing loan portfolio. She furthered that the concept behind the bill was that general obligation debt would be issued but that the state would not be expected to repay the debt; the revenue on the loans would repay the debt. It was expected that the credit criteria could be reduced from what it currently was, but it could not be eliminated altogether. She said that a student would need to have adequate credit or a credit worthy co-signer.

Representative Gara asked how low income families, with little or no credit, could qualify for the program.

Ms. Barrans replied that the student would need to look to federal aid and state and federal grants. She said that under the legislation the maximum grant amount would be increased and the hope was that students would be able to package other aid to meet their needs.

[10:00:27 AM](#)

SENATOR ANNA FAIRCLOUGH, SPONSOR, hoped that the committee would support both the legislation and SJR 23 unanimously. She said that the bill was one step closer to consolidating loans and making sure that students could borrow what they needed at a particular point in time instead of having to go to several creditors. She noted that students that had to go to several creditors had higher interest rates than the state was charging; 7.3 percent. She asserted that the

bill would expand the state's authority to let students borrow loans in one place and reduce their debt.

10:03:00 AM

Co-Chair Stoltze mentioned a 1982 constitutional provision for veteran's housing bonds. He requested an explanation as to why the state constitution required provisions like SJR 23.

Senator Fairclough testified that SJR 23 proposed to amend Article 9, section 8 of the Alaska State Constitution. Currently, state debt can only be borrowed for capital projects and veteran's homes. She asserted that the state's forefathers could never have imagined what student debt would look like in the future. She said that at the time that the constitution was written debt was a bad thing and most things were paid for in cash. She stated that students could not pay for school in cash and needed to borrow money. She shared that the legislature could help students borrow money at a lower interest rate by offering the full faith and credit of the State of Alaska. She explained that the constitutional amendment would insert very few words into the constitution that would allow the ability of the full faith and credit of the state to be used for student loans and the advancement of postsecondary education. She believed that if the amendment passed then the postsecondary education student loan corporation would have to advance a plan to the legislature asking whether debt should be taken on, but this time when going to the bond market the interest rate would be a full percentage point lower for students. She said that as the student loans would all be repaid. She emphasized that the language was permissive and would allow the state under the right circumstances to use a better way to finance student loans if the state wanted to take on or offer additional student loans.

Co-Chair Stoltze appreciated the need to amend the constitution by anybody but the court system.

10:07:28 AM

Representative Gara offered his support for the legislation.

Co-Chair Stoltze CLOSED public testimony. He MOVED to ADOPT Amendment 1:

Page 13, line 6:
Delete "8,000"
Insert "10,000"

Representative Wilson OBJECTED for discussion.

Co-Chair Stoltze spoke to the amendment.

Senator Fairclough had no problem with the addition of the amendment. She noted that the bill had yet to be amended and a concurrence vote would be required.

Co-Chair Stoltze appreciated the notation.

Vice-Chair Neuman offered support for the amendment.

Representative Guttenberg noted that the \$2,000 was more significant for students pursuing vocational education.

Representative Holmes supported the amendment but warned that comparing one student category with another could be unfair.

Representative Thompson requested confirmation that the amendment would change the amount given to an eligible student attending a career education program to \$10,000.

Co-Chair Stoltze thought that the amendment could be made clearer.

[10:12:31 AM](#)

Ms. Barrans interjected that currently career education students could borrow more than one certificate, the cap that applied to them was the undergraduate cap.

Co-Chair Stoltze wondered if the amendment would cause any kind of drafting deficiency.

Ms. Barrans replied in the negative. She said that the vocational loans covered a broader array of certificates; historically, the limit had been lower because the vocational programs had higher default rates. She said that differentiation between high value and those that produced

a lower return on investment could be researched during the interim.

Representative Edgmon expressed support for the amendment.

Representative Gara asked whether the amendment would hamper the department's ability to make loans to all classes of students.

Ms. Barrans answered no.

Representative Thompson understood that under the amendment a student could borrow up to \$56,000 for a career education loan.

Ms. Barrans replied that the student would have to have borrowed to gain a series of credentials; under the amendment they could borrow up to \$10,000 for each separate program of study, up to \$56,000.

Representative Thompson understood that the \$10,000 loan would be for one program. Ms. Barrans replied in the affirmative.

Co-Chair Stoltze expounded on the history of abuses of the system in the vocational education field.

[10:19:36 AM](#)

Representative Wilson WITHDREW her OBJECTION to the adoption of Amendment 1. There being NO further OBJECTION, Amendment 1 was ADOPTED.

[10:22:14 AM](#)

Co-Chair Stoltze OPENED public testimony.

Co-Chair Stoltze CLOSED public testimony.

[10:23:14 AM](#)

Co-Chair Stoltze queried the fiscal note for SB 195.

Representative Costello discussed the one previously published fiscal impact note from the Department of Education and Early Development.

Vice-Chair Neuman MOVED to REPORT HCS CSSB 195(FIN) out of committee with individual recommendations and the accompanying fiscal note. There being NO OBJECTION, it was so ordered.

HCS CSSB 195(FIN) was REPORTED out of committee with a "do pass" recommendation and with one previously published fiscal impact note: FN2 (DEED).

#sjr23

SENATE JOINT RESOLUTION NO. 23

Proposing an amendment to the Constitution of the State of Alaska relating to contracting state debt for postsecondary student loans.

10:26:15 AM

Representative Costello discussed the previously published fiscal note from the Office of the Governor.

Vice-Chair Neuman MOVED to REPORT SJR 23 out of committee with individual recommendations and the accompanying fiscal note. There being NO OBJECTION, it was so ordered.

SJR 23 was REPORTED out of committee with a "do pass" recommendation and with one previously published fiscal impact note: FN1 (GOV).

10:27:42 AM

AT EASE

10:48:42 AM

RECONVENED

CS FOR SENATE BILL NO. 64(FIN)

"An Act relating to theft and property offenses; relating to the definition of 'prior convictions' for certain theft offenses; establishing the Alaska Criminal Justice Commission and providing an expiration date; relating to the crime of custodial interference; relating to the duties of the Alaska Judicial Council; relating to jail-time credit for offenders in court-ordered treatment programs; relating to conditions of release, probation, and parole; relating to duties of the commissioner of

corrections and board of parole; establishing a fund for reducing recidivism in the Department of Health and Social Services; requiring the commissioner of health and social services to establish programs for persons on conditions of release or probation that require testing for controlled substances and alcoholic beverages; requiring the board of parole to establish programs for persons on parole that require testing for controlled substances and alcoholic beverages; relating to the duties of the Department of Health and Social Services; and providing for an effective date."

[10:48:59 AM](#)

Co-Chair Stoltze discussed that the committee would hear a presentation on the bill.

JORDAN SHILLING, STAFF, SENATOR JOHN COGHILL, stated that SB 64 had had 21 hearings since its introduction, the summary of changes explaining the bills evolution could be found in member packets (copy on file). He stated that the bill had been created with the help of many experts in the Department of Law, Corrections, the Court System, and the Public Defender Agency. He introduced the PowerPoint presentation: "Senate Bill 64 Omnibus Crime/Corrections/Recidivism Bill" (copy on file).

Mr. Shilling spoke to Slide 7, "Bill Components":

- 24/7 Sobriety
- Alaska Criminal Justice Commission
- Probation Reform (P.A.C.E.)
- More Risk-Needs Assessments
- Recidivism Reduction Fund
- Limited Licenses
- Stricter penalties for attempted abduction
- Adjusting the Felony Theft Threshold
- Incentivizing Residential Treatment
- PTSD Mitigating Factor
- Confidentiality of Criminal Records

Vice-Chair Neuman expressed concern about the Recidivism Reduction Fund. He believed that the Department of Corrections (DOC) had not used the funding it had received

in FY14 through the Department of Health and Social Services (DHSS) because DOC had not had the ability to catch the shorter term people in need. He asked how it was envisioned that the fund would work; where would the money come from and how much money was expected.

Mr. Shilling understood that Vice-Chair Neuman's office was in communication with DOC concerning movement of the fund. He deferred the question to the department.

10:53:46 AM

RON TAYLOR, DEPUTY COMMISSIONER, DEPARTMENT OF CORRECTIONS, stated that \$1 million had lapsed in terms of programming funds for substance abuse treatment programs and sex offender treatment programs.

Co-Chair Stoltze asked if it was due to the inability to transfer the money to other programs.

Mr. Taylor replied that the funds designated for those programs was not spent due to a number of factors and had not been transferred to other programs.

Vice-Chair Neuman queried why the money available for drug treatment programs was not being used by the department for those programs.

Mr. Taylor replied that contracts with providers needed to be vetted; additionally, when the contracts were established it was on a fee for service basis; if no services were provided on the contract then the department did not pay the money. He said that it was discovered toward the end of the fiscal year the money would lapse because of the way that the contracts were structured. He assured that the department was making efforts to ensure that the money was getting where it needed be in addition to working to include incentives in contract to ensure that staffing was appropriate. He said that the sex offender treatment program in Bethel had been the biggest problem for the department because there had been no provider in the area for several years.

Vice-Chair Neuman reminded the committee that there was an amendment included in the operating budget directing legislators to work with DOC to reduce recidivisms.

10:56:52 AM

Co-Chair Stoltze asked which of the provisions had initially been a priority of the sponsor.

Mr. Shilling replied that the evidence based programs were extremely important, the 24/7 Sobriety Program, the Probation Reform Program (P.A.C.E.), and the Recidivism Reduction Fund. He said that the purpose of the fund differed from the funds previously mentioned; the purpose of the fund was to provide resources for individuals that had been incarcerated for a long time and had been recently released. He stressed that one of the biggest drivers of the recidivism rate was the way that prisoners were release without resources to be successful outside prison.

Mr. Shilling shared that the provisions that had been added to the original legislation were: the PTSD Mitigating Factor, the Limited License provision, and Sections 2 through 4 concerning custodial interference were added in Senate Judiciary. He related that all other provisions were decided to be put into the bill during the interim as directed by the bill sponsor.

Representative Munoz asked about the Limited License provision.

Mr. Shilling pointed to Slide 23. He explained that the third DUI was considered a felony DUI, and often the offender would lose their license for the rest of their life. He stated that it was the sponsor's belief that, while the state had told them that they could not drive anymore, those individuals were currently on the road and without any accountability measures. He suggested that a special license could be granted to those individuals and referred to Slide 38, which listed details of the provision found in Section 30:

A court may grant a limited license for felony DUI if:

- The person is participating in a court-ordered treatment program
- Provides proof of insurance
- Has an ignition interlock installed on their vehicle
- Enrolled in the ASAP program.

- Participating in 24/7 Sobriety
- Has not been granted a limited license before

Representative Munoz asked for details on the ASAP program.

Mr. Shilling answered that it was the Alcohol Safety Action Program (ASAP), a drug screening and monitoring program. He related that anyone who got a DUI in the state was enrolled for a certain period of time. He added that the Limited License had been structured in a way that the offender would be fully accountable and there were no loopholes for them to be a danger to the public.

Representative Munoz asked about the testing twice per day related to the 24/7 Sobriety provision.

Mr. Shilling affirmed that that the 24/7 provision required twice daily breathalyzer tests.

Representative Munoz understood that the alternate license was an alternative to permanent revocation.

Mr. Shilling replied that it was an option for certain felony DUI offenders with lifetime revocations that were eligible for the therapeutic courts.

[11:02:54 AM](#)

Representative Munoz asked whether partial custody interference and removal of a child for the state against the wishes of the other parent fell under the provisions of the bill.

Mr. Shilling answered no. He furthered that the Custodial Interference section was geared towards non-relatives and dealt only with custodial interference in the 2nd degree.

[11:05:33 AM](#)

Representative Guttenberg referred back to Section 30 of the legislation. He wondered what would happen to individuals who received the alternative license and then continued to disregard the law.

Mr. Shilling answered that the same penalties would apply to them as would for individuals with regular licenses. He added that one aspect that was intended to change the

behavior was the requirement that they successfully participate in the therapeutic courts.

Representative Guttenberg wondered what would happen if a person received another DUI.

Mr. Shilling said that if another DUI was received under the limited license the person would lose the limited license and would not be eligible again for the limited license. //

Representative Guttenberg asked at what point the person would face jail time.

Mr. Shilling opined that the bill did not address the question.

Representative Thompson expressed concern about proof of insurance and thought language should be included that mandated proof of insurance for the limited licensees.

Mr. Shilling pointed to Page 18, line 30 of the bill that required an individual to provide proof of insurance.

[11:09:08 AM](#)

Representative Wilson had heard about two different 24/7 programs. She wondered which program was included in the bill.

Mr. Shilling answered that the bill contained the felony limited license program, the other program was a misdemeanor limited license program that tied the 24/7 program to the license.

Representative Wilson understood the third DUI would be considered a felony under the bill.

Mr. Shilling answered in the affirmative; in a 10-year period.

Representative Wilson asked about the timespan between the moment for felony conviction and eligibility for a limited license and what the restrictions would be on the license.

Mr. Shilling deferred the question to the court system.

11:12:14 AM

TIFFANY THOMAS, DRIVER LICENSING MANAGER, DEPARTMENT OF MOTOR VEHICLES, DEPARTMENT OF ADMINISTRATION (via teleconference), relayed that there would be two different mechanisms for a termination of revocation for a felony offender. The first would be for those offenders that did not have the opportunity to go through therapeutic court; according to AS 28.35.030, the person would have a 10 year minimum period of revocation before they could apply for a termination. The second path would involve the people that participated in therapeutic court; upon completion of therapeutic court and successful participation on a limited license they would be eligible to apply for a termination of revocation through the department. She said that the process could take 1 to 2 months.

Representative Wilson asked how long it would take a person to get through the therapeutic court system before they could begin driving again.

11:16:19 AM

Ms. Thomas replied that the court orders treatment program would take 6 months and all other requirements would need to be met. She thought it could take over a year before they could apply for the termination process.

Representative Wilson asked for a definition of a limited license.

Ms. Thomas replied that the division referred to it as an unlimited limited because it was not restricted to work. She said the limitations would be outlined in the bill.

11:17:54 AM

SB 64 was HEARD and HELD in committee for further consideration.

11:18:27 AM

RECESSED

5:16:34 PM

RECONVENED

Co-Chair Stoltze called the meeting to order. He relayed that the updated fiscal notes for HCS CSSB 195(FIN) and SJR 23 had not changed. The bills had reported out of committee earlier in the day.

#sb138

CS FOR SENATE BILL NO. 138(FIN) am

"An Act relating to the purposes, powers, and duties of the Alaska Gasline Development Corporation; relating to an in-state natural gas pipeline, an Alaska liquefied natural gas project, and associated funds; requiring state agencies and other entities to expedite reviews and actions related to natural gas pipelines and projects; relating to the authorities and duties of the commissioner of natural resources relating to a North Slope natural gas project, oil and gas and gas only leases, and royalty gas and other gas received by the state including gas received as payment for the production tax on gas; relating to the tax on oil and gas production, on oil production, and on gas production; relating to the duties of the commissioner of revenue relating to a North Slope natural gas project and gas received as payment for tax; relating to confidential information and public record status of information provided to or in the custody of the Department of Natural Resources and the Department of Revenue; relating to apportionment factors of the Alaska Net Income Tax Act; amending the definition of gross value at the 'point of production' for gas for purposes of the oil and gas production tax; clarifying that the exploration incentive credit, the oil or gas producer education credit, and the film production tax credit may not be taken against the gas production tax paid in gas; relating to the oil or gas producer education credit; requesting the governor to establish an interim advisory board to advise the governor on municipal involvement in a North Slope natural gas project; relating to the development of a plan by the Alaska Energy Authority for developing infrastructure to deliver affordable energy to areas of the state that will not have direct access to a North Slope natural gas pipeline and a recommendation of a funding source for energy infrastructure development; establishing the Alaska affordable energy fund; requiring the commissioner of revenue to develop a plan and suggest legislation for municipalities,

regional corporations, and residents of the state to acquire ownership interests in a North Slope natural gas pipeline project; making conforming amendments; and providing for an effective date."

He relayed his intent to address the fiscal notes for HCS CSSB 138(FIN) [the bill reported out of committee the previous night]. He would have the Department of Natural Resources address the components and costs of each fiscal note.

JOE BALASH, COMMISSIONER, DEPARTMENT OF NATURAL RESOURCES, discussed the fiscal notes. He stated that the stack began with the Alaska Gasline Development Corporation (AGDC)'s note.

Co-Chair Stoltze agreed.

Commissioner Balash noted that there were AGDC representatives available via teleconference to speak to the details of the note.

Co-Chair Stoltze relayed his intent to adjourn the meeting and resume the conversation in the subsequent meeting. [See minutes dated 4/18/14 5:19 pm.]

CSSB 138(FIN)am was HEARD and HELD in committee for further consideration.

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ADJOURNMENT

5:19:36 PM

The meeting was adjourned at 5:19 p.m.