

SENATE FINANCE COMMITTEE
March 18, 2014
9:06 a.m.

9:06:05 AM

CALL TO ORDER

Co-Chair Meyer called the Senate Finance Committee meeting to order at 9:06 a.m.

MEMBERS PRESENT

Senator Pete Kelly, Co-Chair
Senator Kevin Meyer, Co-Chair
Senator Anna Fairclough, Vice-Chair
Senator Click Bishop
Senator Mike Dunleavy
Senator Lyman Hoffman
Senator Donny Olson

MEMBERS ABSENT

None

ALSO PRESENT

Senator Fred Dyson; Chuck Kopp, Staff, Senator Fred Dyson; Laura Brooks, Heath Care Administrator, Department of Corrections; Robert Lawrence, Doctor, Chief Medical Officer, Department of Corrections; Representative Mark Neuman; Suzanne Armstrong, Staff, Senator Kevin Meyer.

PRESENT VIA TELECONFERENCE

Dave Powers, Doctor, Bristol Bay Health, Dillingham; Henry Phillips, Doctor, Teladoc, Nashville; Sheela Tallman, Premera Blue Cross Blue Shield, Seattle; Ron Hale, Hospital Administration, Alaska Psychiatric Institute, Anchorage; Carly Wier, Self, Anchorage; Lorali Simon, Usibeli Coal Mine, Healy.

SUMMARY

SCR 16 REQ GOV TO INVESTIGATE COAL RESOURCES

SCR 16 was HEARD and HELD in committee for further consideration.

SB 80 OUT-OF-STATE PHYSICIAN LICENSE

SB 80 was HEARD and HELD in committee for further consideration.

SB 108 LIMIT PUBLIC ACCESS TO CRIMINAL RECORDS

SB 108 was REPORTED out of committee with a "do pass" recommendation and with previously published zero fiscal notes: FN1(LAW), FN2(ADM), and FN3(ADM); a new zero fiscal note from the Department of Health and Social Services; and a new fiscal impact note from the Alaska Court System.

2d CSHB 23(RLS)
KNIK ARM CROSSING; AHFC

2d CSHB 23(RLS) was HEARD and HELD in committee for further consideration.

#sb108
SENATE BILL NO. 108

"An Act relating to the confidentiality of certain records of criminal cases; and providing for an effective date."

[9:07:31 AM](#)

Co-Chair Meyer communicated that the bill introduction and public testimony had been heard the previous day.

SENATOR FRED DYSON, SPONSOR thanked the committee for hearing the bill. He was available to answer questions.

Senator Olson observed that public testimony the prior day had been overwhelmingly in favor of the bill. He wondered if any opposition had been expressed. Senator Dyson replied that the only active opposition was from the Office of Victim's Rights. The office was concerned that the public information on CourtView helped individuals to identify potential patterns of bad behavior. The sponsor had provided a workaround with the Department of Health and

Social Services (DHSS) that would allow the agency through training to gain access to confidential records if the legislation passed. He asked his staff to elaborate.

CHUCK KOPP, STAFF, SENATOR FRED DYSON, explained that the exception of access to information made confidential by the legislation had been brought to the sponsor by the Office of Public Advocacy and DHSS. The entities had asked that persons responsible for the safety and welfare of child placement, vulnerable adults, and seniors with disabilities have access to the information for the placement of the individuals. Additionally, individuals who currently had access to the Alaska Public Safety Information Network (the state criminal justice information system) would continue to have access to the information. The amendment to the bill had been made in Section 2. He noted that the change had resulted in a fiscal note from the Alaska Court System.

Senator Dyson advised that there would always be pragmatic reasons to trample on personal liberties and Bill of Rights issues. He acknowledged that decisions would be difficult due to heartfelt testimony on the downsides of particular personal liberties. He believed the legislature needed to be vigilant about upholding personal liberties. The current issue was related to privacy and due process.

[9:12:08 AM](#)

Co-Chair Kelly MOVED to REPORT CSSB 108(JUD) out of committee with individual recommendations and the accompanying fiscal notes. There being NO OBJECTION, it was so ordered.

CSSB 108(JUD) was REPORTED out of committee with a "do pass" recommendation and with previously published zero fiscal notes: FN1 (LAW), FN2 (ADM), and FN3 (ADM); one new zero fiscal note from the Department of Health and Social Services; and one new fiscal impact note from the Alaska Court System.

[9:12:18 AM](#)

AT EASE

[9:13:50 AM](#)

RECONVENED

#sb80

SENATE BILL NO. 80

"An Act relating to the practice of telemedicine and relating to licenses for out-of-state physicians or podiatrists to practice telemedicine in this state under certain circumstances."

9:14:16 AM

Senator Dyson explained that SB 80 introduced into Alaska's Medical Practice Act the practice of telemedicine, sets parameters for prescription of controlled substances without an in-person contact between physician and patient, establishes a definition for telemedicine, and provides that health care insurers may not require in-person contact between a health care provider and patient before payment is made for services. With Alaska's large rural and remote areas, the need for telemedicine is especially acute with much of the state designated as medically underserved by the federal Health Resources and Services Administration. The legislation will provide expanded opportunity for health care delivery for individuals and businesses throughout Alaska. Currently, the only delivery of telehealth in Alaska is via the Alaska Federal Health Care Access Network (AFHCAN), established in 1998 to provide telehealth services for federal beneficiaries in Alaska, including Alaska Natives. The Alaska Native Tribal Health Care Consortium (ANTHC) manages the telehealth program and provided statewide health and information technology services to Alaska Natives and American Indians, in additions to supporting the local tribal health organizations. The bill will allow the cost-saving and efficiencies of telehealth to be delivered to the many other constituencies in Alaska that do not qualify to participate in the ANTHC telehealth program. In Alaska and nationwide, the ongoing discussion of how to provide greater access to health care at a reasonable cost is becoming ever more relevant. Telemedicine is emerging as a key element in the delivery of health services to children, seniors, and other vulnerable populations through the integration of technology and provider care. The Patient Protection and Affordable Care Act is leading to increased demand that physicians interact with more patients. Telemedicine allows physicians to consult with more patients, and enables patients to meet with their physicians in a shorter time period. In terms of economic advantages, telemedicine saves travel time and expense for

patients who otherwise have to leave home and work to see a health care provider, provides for more timely diagnosis of ailments, and reduces unnecessary ER visits.

9:19:24 AM

Mr. Kopp stated that the build out recipient of the state's broadband network in Southwest and Western Alaska the ANTHC, which created the Alaska Federal Health Care Network expanding telemedicine statewide. He announced that GCI had employees in very remote locations, and were using telemedicine. The physicians were given a Cease and Desist order, because, under state regulations, prescription of medication or diagnosis of a patient must not be done based solely on a patient-supplied history. In order for a physician to prescribe medication, there must be an in-person visit. He stressed that the regulations were old fashioned, and enacted before telehealth was advanced. Alaska Natives and federal entities had access to the current telehealth network, but others would not be allowed access. The legislation sought to allow those people to take part in the telehealth network. He stressed that the cost of a trip to a medical clinic for some Alaskans was extremely expensive. He pointed out that the ANTHC announced that telehealth had saved over \$10 million in travel costs for the clientele that were served. The legislation introduced into statute the practice of telemedicine. The sponsor met twice with the State Medical Board, and had conversations to conclude on the current language in the bill. He stated that the Department of Corrections (DOC) requested an exception to continue prescribe controlled substances electronically, due to the DOC diversity that were going through withdrawals or have behavioral disorders while incarcerated.

9:22:57 AM

Mr. Kopp stated that the bill was in line with other states' that allowed for physical examinations to take place electronically: California, Kansas, Maryland, New Mexico, Ohio, Texas, Vermont, Hawaii, Louisiana, Nevada, North Carolina, South Dakota, and Virginia. He presented the sectional analysis (copy on file):

Section 1 - Adds a new section in the Medical Practice Act (AS 08.64) establishing the practice of telemedicine. Remains unchanged.

Section 2 - Clarifies how prescription of drugs without a physical examination is to occur by setting three requirements: 1) the prescription drug is not to be a controlled substance, 2) the physician is located in the state and able to provide follow-up care, and 3) the person consents to sending a copy of records of the encounter to their primary care provider if the prescribing physician is not their primary care provider and the physician sends the records to the primary care provider. It deletes the license for out of state physician or podiatrist to practice telemedicine.

Section 3 - Creates a definition for the practice of telemedicine by adding a new paragraph to the Medical Practice Act's definition section AS 08.64.380. It deletes the language pertaining to personal interview requirements for physician licensure for out-of-state telemedicine license.

Section 4 - Adds a new section to the state insurance code and provides that an insurance company that offers a health care insurance plan that provides coverage for telemedicine may not require that prior in person contact occur between doctor and patient before payment is made for covered services. It deletes the language amending the license fee statute and add an out-of-state license fee.

Section 5 - Provides an effective date for applicability of new section AS 21.54.102 dealing with health care insurance plans.

[9:26:28 AM](#)

Senator Olson queried the reason the physician should be located within the state. Mr. Kopp responded that the provision was included, because the physician must be available for follow-up care.

Senator Olson wondered if he could treat patients while on vacation. Mr. Kopp responded that medical regulation already provided exception for existing physician-patient relationships.

Senator Olson felt that Section 2 allowed for prescribing medication without a physical examination. Mr. Kopp replied that there an exception already outlined in regulation.

Senator Dyson furthered that the Medical Board was fairly conservative, and there was some concern regarding some large national firms that were currently practicing telemedicine nationwide. He remarked that the medical board wanted to preserve the traditional doctor/patient relationship.

Senator Olson wondered if the Alaska Medical Association was supportive of the legislation. Mr. Kopp replied that the board may be neutral, and may be supportive. The Association did not support the out-of-state licensing of physicians.

Senator Olson asked if the Alaska State Medical Board supported the bill. Mr. Kopp replied that the Board asked for the removal of out-of-state licensing. He furthered that the sponsor had been working with the association, and he believed that the association was in support of the legislation.

Senator Olson queried the position of the Alaska Medical Association. Mr. Kopp responded that they were supportive of the legislation.

Senator Olson asked for the position of the Alaska State Medical Board. Mr. Kopp replied that they were either neutral or in support, but not in opposition to the legislation.

[9:31:17 AM](#)

Senator Olson wondered if there were conversations with the rural providers to see how they view the legislation. Senator Dyson replied that he believed there was enthusiasm from the rural communities and rural medical centers.

Senator Olson stressed that there were some private physicians that were treating patients. He queried the position of these private providers. Mr. Kopp replied that the sponsor had not received a position statement from those providers.

Co-Chair Meyer remarked that the file did not contain many position letters, so it was assumed that most people were neutral on the legislation.

Co-Chair Meyer wondered if the Labor and Commerce subcommittee's concerns had been addressed. Senator Dunleavy replied in the affirmative.

Co-Chair Meyer wondered if there was a new fiscal note forthcoming. Mr. Kopp replied that there was a new fiscal note forthcoming.

Co-Chair Meyer stressed that DOC had some concerns, and would perhaps comment on the fiscal note.

[9:35:27 AM](#)

LAURA BROOKS, HEATH CARE ADMINISTRATOR, DEPARTMENT OF CORRECTIONS, introduced herself.

ROBERT LAWRENCE, DOCTOR, CHIEF MEDICAL OFFICER, DEPARTMENT OF CORRECTIONS, introduced himself.

Ms. Brooks stated that DOC had worked with the sponsor on some of the language of the bill. She stated that DOC was one of the first agencies to use telemedicine in order provide improved medical services to inmates across the state. Psychiatrists began using telemedicine in 1998. Telemedicine had allowed DOC to defer some significant costs that would have been incurred, if the facilities were staffed. Telemedicine was an integral part of the DOC's operations. The wording in the bill related to controlled substances could impact DOC in the area of psychiatry, for the new inmates that had mental health crisis. The tele-psychiatry allowed for safe and immediate intervention for inmates experiencing a mental health crisis. She stated that DOC was a 24-hour provider, so there was a 24-hour on-call system, so a physician was always available. Prescribing controlled substances was common for those on-call providers, because the vast majority of the highly intoxicated arrestees come in after hours, and were at a high risk for alcohol withdrawal that could be life-threatening. She estimated that approximately 3000 of those controlled substance prescriptions were written annually, just for that segment of the inmate population. She remarked that DOC did not have policy concerns with the

legislation, but was concerned with the language in order to continue to provide the services to inmates.

Dr. Lawrence stressed that there were different types of telemedicine in the state. He explained that one type of telemedicine was provider to provider communication, and direct patient to provider communication. Both of the forms of telemedicine were approved by the State Medical Board. The legislation addressed a third type of telemedicine where a patient was able to contact a medical provider directly, without the existence of a prior doctor/patient relationship. He stressed that DOC wanted to ensure that there was no negative impact on the history of telemedicine.

[9:40:54 AM](#)

Co-Chair Meyer wondered if the legislation included the amended language. Dr. Lawrence replied that DOC was currently working with the bill sponsor to draft language that accommodates the forms of telemedicine that were currently in practice.

Co-Chair Meyer wondered if there would be a fiscal impact to DOC in the forthcoming fiscal note. Ms. Brooks did not anticipate any change to the fiscal note.

Senator Olson expressed concern regarding the issue of licensing medical practitioners. He wanted to ensure that the medical providers were clearly following the law. Dr. Lawrence replied that the language was included in order to ensure that the allowance was not maliciously used, without the relationship already established. The FDA gave different levels of the prescription of controlled substances, which restricted the prescription through telemedicine regardless of state law allowance. The other scheduled medicines were just as equally problematic in the small communities, because of the potential for abuse. Those restrictions must be in place without a prior doctor/patient relationship, to ensure that both parties understand the use of the medication.

Senator Olson noted that a person agrees to send a copy of medical records to their primary care provider, but stressed that many rural residents did not have a primary care provider. He wondered if that was taken into consideration. Dr. Lawrence replied that DOC never faced

that issue. He could not speak to how other physicians in the state would respond to that.

Senator Olson stressed that those people who did not have any health care coverage or protection should not be at risk of losing their licenses. Dr. Lawrence recognized that there was a fear of telemedicine hampering the business side of medicine in the state.

Co-Chair Meyer stated that the new language would be incorporated into a forthcoming committee substitute.

[9:48:41 AM](#)

DAVE POWERS, DOCTOR, BRISTOL BAY HEALTH, DILLINGHAM (via teleconference), addressed some concerns regarding the legislation. When he moved to Alaska in 1984, he worked in Anchorage. At the time, he was told that each small village had a medical provider. He found that to be true when he worked in each village. He felt that there was better medical care in rural Alaska than there was in rural Colorado and Idaho. He worked to get telemedicine, as it currently stands, in 1998, which rapidly became relied upon. He felt that virtually no one was restricted from the telemedicine use. He stressed that the interaction with health aides was essential for telemedicine, so there were no laws broken with regard to a patient's history and vital signs. He remarked that the legislation made it seem like the practices were not already occurring. He felt that it made the common practices illegal.

[9:55:30 AM](#)

Co-Chair Meyer wondered if the State Medical Board was in support of the bill. Dr. Powers responded that the legislation was intended for those in rural Alaska with no access to health care. He stated that the current system was in almost every village in Alaska, and there were no restrictions for the Natives to use that system.

Senator Olson wondered if the legislation defined the boundaries more clearly. Dr. Powers replied that the bill did not clarify telemedicine, and only raised concerns.

Senator Olson asked that Dr. Powers examine the forthcoming committee substitute.

Co-Chair Meyer felt that some concerns would be address in the forth-coming committee substitute.

HENRY PHILLIPS, DOCTOR, TELADOC, NASHVILLE (via teleconference), addressed some concerns regarding the legislation. He pointed out that the Medical Board took action against some physicians in his program to pull some licenses. The board had announced that they were against telehealth, at least in certain circumstances. There were approximately 15 million Americans that were in telehealth programs, and would probably double in the next year. Telehealth helped to solve a rural access issue. The legislation allowed for someone to stay in their location, and contact a physician that they do not have a previous relationship with and not travel to that location. He stated that 50 percent of telehealth occurred in rural areas and the other 50 percent occurred in urban settings. He stated that it was still difficult access your provider in a timely manner. The legislation allowed for access to telehealth to all Alaskans.

[10:02:33 AM](#)

SHEELA TALLMAN, PREMIERA BLUE CROSS BLUE SHIELD, SEATTLE (via teleconference), stated that she was available for questions.

Vice-Chair Fairclough wondered how the insurance would be handled for a person who did not have a physical appointment with a physician. Ms. Tallman replied that telemedicine services were provided, and she was only aware of it if a provider used a modifier with a claim submitted.

Vice-Chair Fairclough asked if insurance companies covered telemedicine. Ms. Tallman responded that Premera covered telemedicine services, as long as the service is covered under the policy.

RON HALE, HOSPITAL ADMINISTRATION, ALASKA PSYCHIATRIC INSTITUTE, ANCHORAGE (via teleconference), introduced himself.

Co-Chair Meyer CLOSED public testimony.

Senator Olson queried Mr. Hale's position on the legislation. Mr. Hale replied that he could not provide an

opinion, because he was a state employee. He wanted to work with the sponsor to enhance the language of the bill.

Senator Olson wondered if Mr. Hale had the language of the new committee substitute. Mr. Hale replied that he had not seen the new committee substitute.

SB 80 was HEARD and HELD in committee for further consideration.

[10:07:12 AM](#)

AT EASE

[10:08:53 AM](#)

RECONVENED

#scr16

SENATE CONCURRENT RESOLUTION NO. 16

Requesting the Governor to investigate and report to the legislature regarding the development of a large coal power plant and associated electric grid to provide energy to residents of the state.

[10:09:20 AM](#)

Co-Chair Kelly explained SCR 16. He felt that the energy portfolio in Alaska was not diversified. He remarked that Alaska could provide the need for coal in the world for 100 years. 16 requests the Governor investigate the development of a large coal power plant and associated electric grid and to evaluate the costs and benefits of coal-generated energy with respect to other energy sources. Today, it is unfashionable to talk about our most abundant energy source, Coal. Alaska has enough coal to provide for peoples' needs for hundreds of years. It is a plentiful and inexpensive source of energy. Coal power plants are more efficient than ever. Some proposed and experimental plants even remove carbon dioxide. Coal is far more abundant globally than either oil or natural gas. Fashions change, but if we fail to have this conversation today, we will have failed to keep this option open for future generations of Alaskans. This is that day, and we need to advance the conversation on coal today so it remains in our vernacular for tomorrow. Yes, coal requires mining, and there are individuals and corporate entities that attack any effort to disturb the earth so as to provide for mankind. They

are part of the conversation, but often shout too loudly about issues of possible relevance outside, that do not apply to Alaska's coal. Coal can be used to heat homes, it can power communities. Alaska has 40 percent more coal than the Lower 48. Alaskan coal is ultra-low sulfur fuel without concentrations of trace elements considered harmful and is the cleanest not only in the United States, but perhaps the world. It is the ideal fuel, with the best chance of attaining the mandates of the 1990 Clean Air Act amendments. Coal is not just our past, but is also part of our future. We have the ability to secure Alaska's energy independence with a resource that is abundant in our state. SCR 16 will help keep coal in our consciousness as a solution to our energy needs. He felt that the current fiscal note did not provide an accurate reflect the legislation's intent.

10:16:30 AM

CARLY WIER, SELF, ANCHORAGE (via teleconference), testified against SCR 16. She felt that it was irresponsible to build a power plant without regard to the federal permits or restrictions. She stressed that there were more effective ways to embark on a dialog or make a point to the federal government than wasting \$75,000 or more to determine the cost of a legal battle with the federal government on a study for a coal plant that could not be built without meeting federal regulations, and would not even address the needs of Alaska's small and diverse rural populations. Coal was the dirtiest available fuel, and stressed that Alaska had many other options. She stressed that it was not "fashion" that forced people to stop using lead in dishes or mercury to make hats, but rather a new understanding and rational decision making that changed the way humans used resources. She stressed that the global markets were demonstrating the new understanding of the dangers of coal.

LORALI SIMON, USIBELI COAL MINE, HEALY (via teleconference), testified in support of SCR 16. She felt that the legislature must consider the implications of all the different energy resources, and she stressed that coal had provided reliable and affordable energy to Alaska for 100 years. She stated that coal had would continue to be an important aspect of Alaska's energy.

Co-Chair Meyer CLOSED public testimony.

SCR 16 was HEARD and HELD in committee for further consideration.

#hb23

2d CS FOR HOUSE BILL NO. 23(RLS)

"An Act creating the Knik Crossing Development Corporation as a subsidiary corporation of the Alaska Housing Finance Corporation and relating to bonds of the Knik Crossing Development Corporation."

10:25:32 AM

REPRESENTATIVE MARK NEUMAN, outlined the basics of the legislation. He explained that House Bill 23 amends the Knik Arm Bridge and Toll Authority's enabling statute to provide for a successful procurement for the Knik Arm Crossing project and to generate the best value for the state. Passing this legislation this session is important to seeing the Knik Arm Crossing efficiently move toward a successful and low-cost procurement process and facilitate being open for traffic in 2015. The Knik Arm Crossing will be a significant addition to Alaska's infrastructure that will further facilitate the movement of goods and people in the state. This bill was written in consultation with the Knik Arm Bridge and Toll Authority (KABATA), which was established in 2003 by the Alaska Legislature. The bill accomplishes many items KABATA has deemed necessary to have a successful public-private partnership procurement. Those items are:

Increase in KABATA's Bonding Authority from \$500 million to \$600 million

- The \$600 million number represents the same amount authorized under Private Activity Bond (PABs) allocation from FHWA
- Lowers the cost of capital for the project and ultimately lowers the cost to end users
- Private partner is the borrower of any PABs issued.

Clarify that the bridge and associated facilities are exempt from state and local property taxes

- Like any other transportation project in our State, the roads and bridges are not subject to property taxation.

- Any private facilities developed outside the crossing will be taxable
- Property tax exemption reduces the availability payment and reduces the toll

Contractual Monetary Obligations

- Identifies the *obligations of the State of Alaska* under a P3 process
- The legislative language applies to "monetary liabilities" which may be incurred by KABATA under a P3 process
- Any P3 agreement needs to be approved by the KABATA Board of Directors, State AG's office, and ADOT&PF
- Serves to lower the cost of debt and equity to finance the project
- Keeps the tolls affordable to the traveling public

Project reserve

- Creation of a reserve fund is to provide a backstop for toll revenue fluctuations.
- Serves to enhance the credit worthiness of the project and reduce project costs
- Will be repaid over the project life

Vice-Chair Neuman stated that A the above language clarifications and additions serve to lower the cost of capital on this much needed infrastructure project and deliver the benefits in a timely and efficient manner.

[10:33:06 AM](#)

Co-Chair Kelly MOVED to ADOPT the committee substitute for SCS 2d CS HB 23 (FIN), work draft 28-LS014\R (Martin, 2/13/14). There being NO OBJECTION, it was so ordered.

SUZANNE ARMSTRONG, STAFF, SENATOR KEVIN MEYER, explained the changes in the CS. She referred the explanation of changes (copy on file):

Section 1: Amends AS 19.75.021 Establishment of the Authority (KABATA)
Amends existing law to prevent the dissolution of KABATA until bonds issued by the State are satisfied.

Section 2: Amends AS 19.75.111 Powers and Duties of Authority (KABATA)

Amends existing law to allow KABATA to enter into an agreement with the State to pledge residual toll revenues to pay debt service incurred by the State.

Section 3: Amends AS 19.75.211 Bonds of the Authority (KABATA)

Amends existing law to require the State Bond Committee to evaluate whether toll revenues are adequate for payment of the principal and interest on bonds issued by the State before KABATA may issue additional toll revenue bonds.

Section 4: Amends AS 19.75.221 Trust Indentures and Trust Agreements; Funds and Reserves (KABATA)

Amends existing law to require that if KABATA issues bonds in addition to the toll revenue bonds issued by the State, KABATA's trust agreement would require the authority to agree to keep tolls at a level sufficient to cover any prior toll revenue pledges made to support previously issued State toll revenue bonds.

Section 5: Amends AS 19.75.231 Validity of Pledge

Amends existing law to express the Legislature's intent that a toll revenue pledge made by KABATA to support bonds issued by the State is valid and shall give rise to a lien against toll revenues.

Section 6: Establishes the Framework for Issuance of Toll Revenue Bonds for a Toll Bridge

AS 37.15.225 - Bond Authorization

Net proceeds of the sale of bonds remaining after payment of costs of issuance and after deposit to the Bond Reserve Fund, shall be transferred to the Knik Arm Bridge & Toll Authority. The net proceeds may be held by a trustee to be disbursed to pay the costs of a toll bridge, as set out in a trust agreement.

Accrued interest paid on the bonds shall be deposited into the Bond Redemption Fund.

Prior to the issuance of bonds, the State Bond Committee will notify the Legislature.

AS 37.15.230 - Provides for a Toll Bridge Revenue Bond Limit

The total unpaid principal amount of revenue bonds may not exceed \$300,000,000.

AS 37.15.235 Establishes a Toll Bridge Revenue Fund
Revenue received by the State, by contract with the authority, from the ownership or operation of the toll bridge and facilities, shall be deposited in this fund.

Contracts or other agreements with the authority may establish priorities for the payment of operations and maintenance costs and for the payment of other obligations (including debt obligations of the authority), prior to payments to be made by the authority to the State for deposit into this fund.

Revenue in the fund may be used only for:

1. Pay or secure payment of the principal of and interest on bonds;
2. Redeem bonds before the fixed maturity date; and
3. Subject to appropriation by the Legislature, for any other purpose for which federal funds may be obligated by the State under 23 U.S.C. 129(a)(3).

AS 37.15.240 Establishes the Toll Bridge Revenue Bond Redemption Fund

A trust fund for paying and securing the payment of the principal and interest on the bonds authorized under AS 37.15.225 - 37.15.285 is created. There is no limitation on the source of funds that may be deposited into the fund, only that funds in this account are to be used to pay principal and interest on bonds issued under AS 37.15.225 - 37.15.285.

AS 37.15.245 Establishes Bond Terms

Provides discretion for the state bond committee to determine the manner, amount, timing, and maturity date for the issuance of bonds under AS 37.15.225 - 37.15.285. Interest rates may be fixed or variable.

Requires the state bond committee to consider the best interests of the State when setting the terms of bond issuance and requires the final bond terms be expressed through a resolution of the bond committee.

AS 37.15.250 Bond Resolution

Provides that the bond committee shall authorize the issuance of the bonds by adopting a resolution. The resolution may fix the principal amount,

denominations, date, maturities, manner of sale, place or places of payment, terms, form, conditions and covenants of the bonds.

AS 37.15.255 Bond Reserve Fund

The resolution authorizing the issuance of bonds, may provide for the establishment and maintenance of a special fund - The Toll Bridge Revenue Bond Reserve Fund.

The fund will consist of:

1. All proceeds of the bonds required to be deposited into the fund by terms of the bond resolution or a trust agreement;
2. An amount equal to the required debt service reserve, as determined by the Commissioner of Revenue; and
3. Appropriations approved by the Legislature.

Money in the fund will be applied solely to the payment of the interest and principal on bonds authorized and issued under AS 37.15.225 - 37.15.285.

Money in the reserve fund, excess of what is required for the debt service reserve, may be withdrawn or may be transferred to the bond redemption fund.

Bonds may not be issued under a trust agreement, indenture, or bond resolution unless the required debt service reserve for the bonds is in the reserve fund.

If the funds in the fund fall below the required debt service reserve amount, as determined by bond committee, the Commissioner of Revenue will notify the Governor and the Legislature of the amount of funds necessary to restore the account to an amount sufficient to meet the required debt service. The Legislature then has the discretion of appropriating funds to replenish the fund to an amount equal to the required debt service reserve.

AS 37.15.260 Enforcement by Bond Owner

Provides that bondholders, or their trustees, may enforce their rights (transfer, set aside, payment of money, and the enforcement of all terms, conditions, and covenants) in superior court.

AS 37.15.265 Amounts Required for Payments

Starting with the year in which bonds are issued, the bond committee will certify to the Commissioners of Revenue and Administration, the amount, required for the next two fiscal years, to be paid from toll revenues or other state appropriations to:

1. The Bond Redemption Fund - to pay the principal and interest
2. The Bond Reserve Fund - to maintain the required debt service reserve

AS 37.15.270 Refunding

Provides the bond committee with the authority to refund parts or all of the bonds at or before the maturity or redemption date, if refunding is advantageous to or in the best interest of the State. All of the provisions that relate to the issuance of bonds under AS 37.15.225 - 37.15.285 are applicable to the refunding bonds.

AS 37.15.275 Bonds as Legal Investments

Provides that the bonds are legally enforceable securities that can be purchased by individual and institutional investors.

AS 37.15.285 Definitions

Section 7: Effective Date Clause

Provides for a July 1, 2014 effective date.

[10:41:52 AM](#)

Senator Hoffman looked at Section 3, and noticed that the bond committee was assigned to evaluate whether the total revenues were adequate to pay for the principal and interest on the bonds, and if not would issue additional toll revenues. He then looked at page 2 regarding the bond reserve fund, and there was a provision for appropriation by the legislature. He wondered why legislation appropriation was necessary, if in fact Section 3 addressed that issue with a toll adjustment. Ms. Armstrong replied that there were discussions regarding maintaining the authority's ability to issue bonds itself, especially if the legislature decided that it was the appropriating direction, so the obligations of the authority needed to address the operations, maintenance, and the state's issued debt that the bill proposed. She stressed that the legislature should seriously examine that provision.

Senator Hoffman felt that it was the main concern, because the state would maintain the obligation. He felt that the toll would adequately fund the construction. He did not think that there would be support, if the state had to cover the cost of construction.

Senator Olson stressed that there were very substantial financial requirements and burdens that the state was currently addressing. He asked for an update regarding the Transportation Infrastructure Finance and Innovation Act (TIFIA) loans. Co-Chair Meyer replied that Ms. Armstrong was not capable of answering that question. Senator Olson agreed to receive a response at a later date.

Co-Chair Meyer remarked that the funding of the project had three components: 1) one-third was TIVIA bonds; 2) one-third in revenue bonds; 3) and one-third federal highway receipts. The funding would have very little anticipated general fund money. Ms. Armstrong agreed with that summation.

2d CSHB 23(RLS) was HEARD and HELD in committee for further consideration.

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ADJOURNMENT

10:47:55 AM

The meeting was adjourned at 10:47 a.m.