

SENATE FINANCE COMMITTEE
March 27, 2014
9:17 a.m.

[9:17:51 AM](#)

CALL TO ORDER

Co-Chair Kelly called the Senate Finance Committee meeting to order at 9:17 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

James Armstrong, Staff, Senator Pete Kelly; Diane Barrans, Executive Director, Alaska Commission on Postsecondary Education, Department of Education and Early Development, and Executive Officer, Alaska Student Loan Corporation, Department of Education and Early Development; Senator Lesil McGuire; Jesse Logan, Staff, Senator Lesil McGuire; Paul Fuhs, Former Board Chairman, AIDEA, Board Chairman, Marine of Alaska, Juneau; Sarah Lukin, Chief Operating Officer, PT Public Policy LLC, Juneau; Ron Long, City of Seward, Juneau; Senator Cathy Geisel; Jane Conway, Staff, Senator Cathy Geisel;

PRESENT VIA TELECONFERENCE

Mark Davis, Deputy Director, Alaska Industrial Export Authority (AIDEA), Anchorage; Nancy Sanders, Executive Administrator, Alaska Board of Nursing; Sara Chambers, Administrative Operations Manager, Division of Corporations, Businesses, and Professional Licensing,

Department of Commerce, Community and Economic Development;
Beth Farnstrom, Chair, Alaska State Board of Nursing,
Anchorage; Patricia Senner, Professional Practice Director,
Alaska Nurses Association, Anchorage; Jana Shockman,
President, Alaska Nurses Association, Anchorage;

SUMMARY

SB 104 APPROPRIATIONS FROM THE DIVIDEND FUND

SB 104 was SCHEDULED but not HEARD.

SB 140 AIDEA: ARCTIC DEVELOPMENT PROGRAM/FUND

SB 140 was HEARD and HELD in committee for
further consideration.

SB 166 BOARD OF NURSING; NURSES

CSSB 166(FIN) was REPORTED out of committee with
a "do pass" recommendation and with a previously
published zero fiscal: FN2(CED).

SB 195 POSTSECONDARY EDUCATION LOANS/GRANTS

CSSB 195(FIN) was REPORTED out of committee with
a "do pass" recommendation and with a new fiscal
impact note from the Department of Education and
Early Development.

HB 199 VPSO FIREARMS

HB 199 was HEARD and HELD in committee for
further consideration.

CSHB 266(FIN)

APPROP: OPERATING BUDGET/LOANS/FUNDS

CSHB 266(FIN) was HEARD and HELD in committee for
further consideration.

CSHB 267(FIN)

APPROP: MENTAL HEALTH BUDGET

CSHB 267(FIN) was HEARD and HELD in committee for
further consideration.

#hb266

#hb267

CS FOR HOUSE BILL NO. 266(FIN)

"An Act making appropriations for the operating and loan program expenses of state government and for certain programs, capitalizing funds, and making reappropriations; and providing for an effective date."

CS FOR HOUSE BILL NO. 267(FIN)

"An Act making appropriations for the operating and capital expenses of the state's integrated comprehensive mental health program; and providing for an effective date."

[9:18:14 AM](#)

Co-Chair Kelly discussed housekeeping.

[9:18:34 AM](#)

Co-Chair Meyer MOVED to ADOPT the proposed committee substitute for HB 266, Work Draft 28-GH2671\E (Wallace 3/26/14) as a working document.

Co-Chair Kelly OBJECTED for the purpose of discussion.

Co-Chair Meyer MOVED to ADOPT the proposed committee substitute for HB 267, WORK DRAFT 28-GH2673\R (Wallace 3/26/14) as a working document.

[9:19:31 AM](#)

Co-Chair Kelly OBJECTED for the purpose of discussion.

[9:20:27 AM](#)

AT EASE

[9:21:56 AM](#)

RECONVENED

[9:22:05 AM](#)

Mr. Armstrong stated that the 4 page narrative in members' packets(copy on file) explained the 19 changes that had

been incorporated into the new committee substitute (CS) for HB 266 and HB 267. He noted that the reports could be found on the Legislative Finance website. He reviewed the changes:

Commerce, Community and Economic Development:

Community and Regional Affairs

Community and Regional Affairs

Page 5

Lines 13-14

Increase \$50,000 (UGF) -provides necessary UGF for Kawarek Inc. to provide sufficient match for the Federal Aviation Administration funding

Commerce, Community and Economic Development:

Corporations, Business and Professional Licensing

Page 6

Lines 4-7

Intent Language -provides direction to find efficiencies and cost savings measures while also limiting the burden of the licensing process on license holders

Commerce, Community and Economic Development Economic Development (Tourism Marketing):

Page 6

Line 10 & 19

Reduce \$800,000 (UGF) -reduces program by 5%

Education and Early Development:

K-12 Support

Foundation Program

Page 10

Lines 11-20

Intent -provides policy guidance to school districts utilizing K-12 support funding

Education and Early Development:

Teaching and Learning Support

Student and School Achievement

Page 10

Lines 31-32

Increase \$750,000 (UGF) -provides Innovative Grant funding

Environmental Conservation:

Water

Water Quality

Page 14

Lines 3-4

Increase \$400,000 (UGF) -partially restores funding associated with State Primacy for Dredge and Fill Activities

Health & Social Services:

Public Health

Health Planning and Systems Development

Page 19

Lines 17-30

Increase \$615,500 (UGF) -partially restores funding for the SHARP Program Intent language added -provides additional guidance to the program

Health & Social Services:

Senior Disability Services

Senior Community Based Grants

Page 20 of HB 266 and Page 5 of HB 267

Lines 15 & 20 of HB 266 and Lines 28 and 33 of HB 267

Increase \$345,000 UGF -provides grant funding for the senior independent living program (\$200,000 GF/MH for this program is included in HB 267)

Increase \$200,000 for a one-time grant to the Mat-Su Aging and Disability Resource Center

Public Safety:

Alaska State Troopers

Page 29

Lines 29-32

Intent -provides that funding may not be used to assist federal employees in enforcing the Marine Mammal Protection act of 1972 as it relates to sea otters in Southeast Alaska.

University of Alaska:

Fairbanks Campus

Page 38

Lines 3 and 29

Increase \$500,000 -provides funding to organize a fossil fuel integration program

Commerce, Community and Economic Development:

Alaska Seafood Marketing Institute

Alaska Seafood Marketing Institute Page 60 Lines 11-13
Increase \$388,600 (UGF) -restores Y2 of the
subcommittee's reduction

Department of Natural Resources New Language Section:
Page 63
Lines 4-8
Limits the replacement of federal funding with UGF for
declining federal grants for the Hot Shot firefighting
crews

University of Alaska:
New Language Section
Page 63
Lines 19-22
\$12,500,000 -Contingent Appropriation -this language
only takes effect if the existing power plant at the
Fairbanks Campus utilizes diesel as its primary fuel
source for 60 consecutive days

Office of the Governor:
Statewide Fuel Trigger
Page 65
Lines 15-16
This amends the University of Alaska's allocation
formula from 10 percent of the total plus or minus
three percent to 15 percent of the total plus or minus
five percent. This change reflects recent allocation
disbursement within the fuel trigger formula.

Agency-Wide Technical Additions to the Numbers
Section:
In-State Natural Gas Pipeline Fund
Technical Legislative Finance fund code amendment
designed to meet accounting requirements for
separation of the Alaska Gasline Development
Corporation budget from money spent by other agencies
at the request of AGDC.

[9:27:57 AM](#)

Changes incorporated into
Senate CS for CS for House Bill 267 (FIN) 28-GH2673\R:

Health & Social Services:
Behavioral Health
Services to the Seriously Mentally III

Page 3 Line 27

Increase \$75,000 UGF -replaces MHTAAR funding with UGF
Health & Social Services:
Behavioral Health
Suicide Prevention Council

Page 4

Line 21 Increase \$60,000 -provides additional funds
for the suicide prevention program needs

Health & Social Services:

Senior Disability Services Senior Community Based
Grants Page 5

Lines 28 and 33

Increase \$200,000 UGF -provides grant funding for the
Aging and Disability Resource Center

Revenue:

Alaska Mental Health Trust Authority
Mental Health Trust Operations

Page 7

Lines 15-16

Increase \$500,000 -provides funding for a Fetal
Alcohol Spectrum Disorders Media Campaign

[9:28:51 AM](#)

AT EASE

[9:33:12 AM](#)

RECONVENED

[9:33:26 AM](#)

Co-Chair Meyer pointed out to the committee that the CS reduced the tourism marketing money by \$800,000, but noted that the money for the Alaska Seafood Marketing Institute's marketing program was increased on page 2 of the bill; he assumed that this change put the two on equal footing.

Co-Chair Kelly replied that in the spirit of balance both programs had been reduced the same amount. Mr. Armstrong added that both programs had taken a 5 percent reduction within the CS.

[9:34:07 AM](#)

Co-Chair Kelly WITHDREW his OBJECTION. There being NO further OBJECTION, Work Draft 28-GH2671\E (Wallace 3/26/14)

and WORK DRAFT 28-GH2673\R (Wallace 3/26/14) were ADOPTED as a working documents for HB 266 and HB 267.

Co-Chair Kelly noted that amendments to the CS would be taken up the following day.

Mr. Armstrong stated that there would be an amendment that dealt with the 4 contracts that had been settled, which was not contained within the current CS.

9:35:14 AM

Mr. Armstrong expressed appreciation to Amanda Ryder and David Teal for their help on the two budget bills.

9:35:54 AM

AT EASE

10:09:21 AM

RECONVENED

Co-Chair Kelly announced an amendment by Senators Hoffmann Olson and Bishop. Co-Chair Kelly requested to be added as sponsors to Amendment 1.

10:09:58 AM

Senator Hoffman MOVED to ADOPT Amendment 1:

OFFERED IN: The Senate Finance Committee
TO: HB 266 / HB 267
OFFERED BY: Senator Hoffman, Senator Bishop, Senator Olson

DEPARTMENT: Fund Capitalization
APPROPRIATION: Fund Capitalization (no approps out)
ALLOCATION: Community Revenue Sharing Fund

AMEND LANGUAGE SECTION 25(b) AS FOLLOWS:

Sec. 25(b):

(b) An amount equal to 20 percent of the revenue collected under AS 43.20.030(c), not to exceed \$53,000,000 [50,000,000], is appropriated from the general fund to the community revenue sharing fund (AS 29.60.850).

EXPLANATION: This amendment adds \$3 million UGF to the Community Revenue Sharing Fund (from \$50 million to \$53 million). This amendment is \$3 million above the Senate's budget and \$7 million below the Governor's request.

[10:10:07 AM](#)

Co-Chair Meyer OBJECTED for the purpose of discussion.

Senator Hoffman explained that the amendment increased the revenue sharing by \$3 million. The original request by the governor had been for \$60 million, the subcommittee had recommended a funding level of \$50 million; the amendment would add \$3 million and would result in a number that would be \$7 million below the governor's budget.

[10:10:37 AM](#)

Mr. Armstrong explained that the reduction in 2014 would have no effect on FY15 revenue shares. He said that the \$53 million would take effect in the next cycle; \$57.6 million would be distributed in FY16, \$56.1 in FY17, \$55.1 in FY18 and \$54.4 in FY19.

[10:11:29 AM](#)

Co-Chair Kelly explained that the amendment considered public testimony on the legislation regarding municipal assistance and the concern for life, health, and safety issues.

[10:12:04 AM](#)

Co-Chair Meyer WITHDREW his OBJECTION. There being NO further OBJECTION, Amendment 1 was ADOPTED.

CSHB 266(FIN) was HEARD and HELD in committee for further consideration.

CSHB 267(FIN) was HEARD and HELD in committee for further consideration.

[10:12:21 AM](#)

AT EASE

[10:14:31 AM](#)

RECONVENED

Co-Chair Kelly handed the gavel over to Co-Chair Meyer.

#sb195

SENATE BILL NO. 195

"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."

[10:15:42 AM](#)

DIANE BARRANS, EXECUTIVE DIRECTOR, ALASKA COMMISSION ON POSTSECONDARY EDUCATION, DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT, AND EXECUTIVE OFFICER, ALASKA STUDENT LOAN CORPORATION, DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT, expressed appreciation for the legislation. She opined that it had been two decades since a substantive review of loan limits and the policies that guided the state's financial aid administration.

[10:16:21 AM](#)

Senator Dunleavy queried that language in the bill that stated that a person representing private higher education had to be non-profit.

Ms. Barrans replied that the membership of the commission was comprised of representative from both the for-profit and non-profit sectors. She said that the language allowed the governor the latitude to choose any of the institutions in the sector, rather than being limited to a member of the board of trustees.

[10:17:31 AM](#)

Senator Dunleavy wondered if there was a seat reserved for for-profit educational entities.

Ms. Barrans replied in the affirmative.

10:17:38 AM

Senator Dunleavy inquired if there was a practice of loaning more willingly for certain categories of educational entities.

Ms. Barrans responded that that there was not an express policy relative to the question. She said that loan limits were divided between collegiate and vocational institutions, without speaking to whether those institutions were non-profit or for-profit. She explained that rating agencies requested a break out of the portfolio of lenders who financed their loans in the financial market in order to determine, by educational sector, what portion of the loans when to one or the other. If a portfolio reflected a high proportion of proprietary lending, it could result in higher overcollateralization requirements because of the historical trend of higher default rates associated with vocational schools, particularly in the for-profit sector.

10:20:45 AM

Vice-Chair Fairclough requested that Ms. Barrans discuss the 15 credit per semester requirement in order to access funds.

Ms. Barrans said that the reason the 15 credits per term had been proposed, rather than 30 credits per year, was because it was a student's enrollment level on each term that determined the amount of loan that they could receive. She stated that there was flexibility; if a student enrolled and met the full-time requirement of 12 credits for fall, but then increased their credits to 15 for spring, they could qualify for the higher amount for the spring term. She noted that if a student enrolled for full-time of 12 credits, and did not complete the 12 credits in the term, the student could make up the credits during the academic year for the purpose of continuing eligibility for the next year's loan. She stated that the department worked to ensure that students were completing the number of credits that their loan was awarded for without risking over-awarding students, which could be a risk if the loan were awarded at the beginning of the year for a higher amount based on the student's best intentions.

[10:22:53 AM](#)

Co-Chair Meyer queried the default rate for Alaska student loans.

Ms. Barrans replied that the most recent published rate was slightly higher than 6 percent. She said that looking back over the last 10 years, the rate had been as low as 3.8 percent, peaking in 2008 and 2009 at about 7.5 percent, but gradually rising as the economy has recovered.

[10:23:28 AM](#)

Co-Chair Meyer understood that Alaska's default rate was lower than the national average.

Ms. Barrans replied that the default rate for the federal loan program was substantially higher than Alaska. She noted that the federal loans had no credit underwriting criteria; taxpayers underwrite the credit for federal loans.

Co-Chair Meyer probed the difference between the two loans.

Ms. Barrans responded that if the borrower did not have a credit score of at least 680, they would need a credit worthy co-signer.

[10:24:14 AM](#)

Co-Chair Meyer discussed the new fiscal note. He understood that with the purchase of new software with \$460,000 capital dollars the state would see a savings of \$82.8 thousand.

Ms. Barrans replied that the savings would be approximately \$30,000 per year due to reduced software maintenance. She relayed that the current system was inadequate to support the number of student receiving student loans.

[10:25:40 AM](#)

Co-Chair Meyer inquired if the expense was reflected in the governor's FY15 capital budget.

Ms. Barrans replied that it was not.

[10:25:51 AM](#)

Vice-Chair Fairclough offered that the investment of capital would save the state money in the long run and provided a smoother streamlined process for the students that were accessing student loans.

[10:26:25 AM](#)

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

CSSB 195(FIN) was REPORTED out of committee with a "do pass" recommendation and with a new fiscal impact note from the Department of Education and Early Development.

[10:26:49 AM](#)

AT EASE

[10:30:05 AM](#)

RECONVENED

#sb140

SENATE BILL NO. 140

"An Act creating the Arctic infrastructure development program and fund in the Alaska Industrial Development and Export Authority."

[10:30:53 AM](#)

SENATOR LESIL MCGUIRE, introduced SB 140 and related that the bill was a result of work that had been done by the Alaska Arctic Policy Commission. She relayed some background on the make-up and duties of the commission. She shared that over the course of one year the commission had compiled a preliminary report, which could be found at akarctic.com. The bill would develop and contrive a funding and implementation mechanism for constructing and maintaining Arctic infrastructure and economic development. She asserted that the Alaskan Arctic was one of the least developed areas of the state, yet one of the most open and ready for opportunity. The intent of the legislation was to develop the vision statements, policy statement and strategic recommendations of the Alaska Arctic Policy

Commission. She contended that Arctic policy was part of a global discussion and that the state was behind the other seven Arctic Nations when it came to infrastructure development. She relayed that Alaska has the longest coastline in the United States; Alaska's Arctic coastline extends from the Northeastern Canadian border, west across the Arctic Ocean, and south covering western Alaska, then 1500 miles down to the Aleutian Chain. She stated that within the entire coastline the only deep draft port was in Dutch Harbor. She lamented that the lack of infrastructure in Unalaska limited any support for new traffic coming from the Northwest Passage. She added that telecommunications, emergency and spill response, search and rescue, national defense and other critical needs were all addressed within the legislation.

Senator McGuire proclaimed that Alaska was blessed with untold natural resource wealth in the Arctic that would provide opportunity for future generations, but nothing could be done without sufficient infrastructure. She shared that there was an estimated \$100 billion in private funding that was waiting to be invested in the Arctic, which was considered to be one of the last great economic global opportunities.

[10:38:07 AM](#)

Senator McGuire provided a further sponsor statement:

Globally, all eyes are on the Arctic. The World Economic Forum has recently identified Arctic Infrastructure development as one of the top Four (4) challenges facing the regions. Alaska's future is in the Arctic, and in order for Alaskans to capitalize on the incredible opportunities and overcome the significant challenges that this region presents, we must begin to build infrastructure now.

Aside from a few areas in Norway and the Russian Federation the Arctic as a whole remains vastly underserved by transportation, ports, communication, emergency response, defense and other critical infrastructure. For further development to occur, which Alaskans deserve, both public and private interests must come together to boost the investment in the Arctic.

For these reasons I have introduced Senate Bill 140, *Arctic Infrastructure Development Fund* ("AIDF"). The CS SB 140 (L&C) expands AIDEA's tool bag by extending the same authority for loans, loan guarantees, bonds and bond guarantees that it currently utilizes in the energy sector via the SETS fund (AS 44.88.650- 690) in order to develop Infrastructure in the Arctic. AIDEA used SETS to facilitate the financing of the Interior Energy Project. This tool helps to create the public-private partnerships that are needed to encourage large investment in capital intensive infrastructure. CS SB 140 (L&C) extends AIDEA's existing power to finance, or facilitate the financing of projects to the realm of Arctic Infrastructure by granting the Authority the ability to:

1. Insure project obligations and guarantee loans or bonds for projects.
2. Defer principle payments and capitalize interest.
3. Offer financing terms of up to 40 years.
4. Enter into lease agreements, sales-lease-back agreements, build-operate-transfer agreements and other agreements to finance Arctic infrastructure projects.
5. Finance certain aspects of Fisheries in the Arctic.

Many of these powers already provide flexible terms that can reduce the ultimate cost of energy (via the SETS program) to consumers, and if it can work in the energy realm, it can work for infrastructure. However, CSSB 140 (L&C) also requires legislative approval for investments that are more than one-third of a project's capital costs or if a loan guarantee exceeds \$20 Million. By subjecting certain investments to legislative approval, CSSB 140 (L&C) maintains an appropriate level of due diligence for projects. By making financing available we can empower communities and attract a global pool of investment that is an alternative to the traditional grant model that too often underfunds projects and leads to delays. Relying on credit also ensures that sponsors have some skin in the game and a stake in the project's success. Most importantly, we expand the arena of where Alaskan assets are working in order to grow our own economy. Currently, many of Alaska's savings accounts are invested in stocks and bonds that drive economic activity outside of Alaska. CSSB

140(L&C) suggests instead that some of those savings be invested here in Alaska through AIDEA, not as blank checks for development, but as investments for our future in Arctic Infrastructure.

For the purposes of this Act, I propose that this program and fund focus infrastructure development in the geographical definition of the Arctic as laid out in Arctic Research and Policy Act (amended 1990). That definition includes the area of the State of Alaska north of the Arctic Circle, north and west of the boundary formed by the Porcupine, Yukon, and Kuskokwim Rivers, all contiguous seas, including the Arctic Ocean, and the Beaufort, Bering, and Chukchi Seas, and the Aleutian chain.

With AIDF I am proposing that the State expand AIDEA's existing authority to finance, or facilitate the financing of, Arctic Infrastructure.

[10:43:01 AM](#)

Senator McGuire asserted that it would be irresponsible to ignore the obligation of the state to develop infrastructure in the Arctic.

[10:43:41 AM](#)

Co-Chair Meyer requested that the sponsor list any sideboards that had been written into the bill.

[10:44:02 AM](#)

JESSE LOGAN, STAFF, SENATOR LESIL MCGUIRE, offered a sectional analysis (copy on file):

Section 1. AS 44.88.088(a) is amended

Page 1, Line 5 thru Page 2, Line 19.

o This section establishes that the Alaska Industrial Development and Export Authority (AIDEA) shall adopt a policy for payment of a dividend from the Arctic infrastructure development fund (AS 44.88.810) to the state each fiscal year.

o The dividend may not be less than 25% nor more than 50% of the net income of the fund.

- o This puts the AIDF in-line with AIDEA's sustainable energy transmission and supply development fund (SETS) (AS 44.88.660).

Section 2. AS 44.88.088(b)(2) is amended

Page 2, Lines 20-29

- o This section defines "net income" for the purposes of this chapter.
- o The definition now includes the AIDF.

Section 3. AS 44.88.088(b)(3) is amended

Page 2, line 30 thru Page 3, line 7

- o This section defines "unrestricted net income" for the purposes of this chapter.
- o The definition now includes the AIDF

Sections 4-8 AS 44.88.159(a)(b)(d)(e)(f) are amended

Page 3, Line 8 thru Page 5, Line 6

- o These sections make conforming changes to include loans from the Arctic Infrastructure Development fund to existing statutes regarding interest rates and other requirements for loans from funds managed by AIDEA.
- o These changes place the same requirements on the AIDF that currently exist for the SETS fund.

Section 9 AS 44.88.159(g) is amended

Page 5, lines 7-27

- o This section adds the AIDF to the types of programs to pay borrowers of loan participation the Authority may establish.

Section 10 AS 44.88 is amended to add a new section

Page 5, line 29 thru Page 6, line 1 (AS 44.88.800)

- o This section establishes the Arctic Infrastructure Development Program and fund.

The purpose of this fund is to promote and provide financing for Arctic Infrastructure development.

Page 6, line 2-16 (AS 44.88.810)

- o This section defines what the fund consists of:
 - Direct appropriations made by the legislature
 - Money or assets transferred to the fund by AIDEA from any other fund controlled by AIDEA

These transfers would require a majority vote by the members of the authority- essentially an action by the Board of Directors

Unrestricted loan repayments

Interest

Other income earned by the fund

Investment or assets of the fund.

o This section also allows separate accounts to be established within the fund and managed by AIDEA.

o This section establishes the AIDF and clarifies that it is not part of the revolving fund.

Page 6, lines 17-19 (AS 44.88.820)

o Clarifies that the fund will be used for Arctic Infrastructure development.

Page 6, lines 20 thru Page 7, line 14 (AS 44.88.830)

o Establishes the Powers and Duties of the authority regarding the AIDF

o This section mirrors the Powers and Duties of the SETS fund.

o Allows AIDEA to use the AIDF for:

Finance Arctic Infrastructure development

Insure project obligations

Guarantee loans or bonds

Establish reserves.

Acquire real or personal property by

Purchase, transfer, or foreclosure

Defer principle payments or capitalize interest on Arctic Infrastructure development

Enter into lease agreements, sales-lease-back agreements, build-operate-transfer and operate-transfer agreements or similar financing agreements

Enter into agreements with government entities for the transfer and control of infrastructure, facilities, rights-of-way, and studies

Allows contract services

Allows the fund to borrow money or issue bonds

o Directs AIDEA to establish regulations to implement the fund

Page 7, lines 15 thru Page 8, Line 1 (AS 44.88.840)

- o Establishes the limitations on financing in the AIDF

- o Provides that legislative authority would be needed to go beyond the limitations set forth in this section, the Authority may not use the AIDF to make the following:

- A loan for more than 1/3 of the capital cost of the development

- A loan guarantee if the amount of the guarantee exceeds \$20 Million

- Financing for more than 40yrs

- Notwithstanding (a) of this section (legislative approval) the Authority can use the fund as security for a bond guarantee.

- AIDEA may use the fund for fisheries related financing that shall not be less than \$7,000,000.

Mr. Logan informed the committee that language had recently been changed in Section 9, subsection d that would be presented to the committee at a later time. The language suggested that funding for quotas and vessel repairs within federally managed fisheries would only be available in the form of a loan guarantee and not a direct loan.

Section 11. AS 44.88.900 is amended

Page 8, lines 2-19

- o Defines "Arctic" in a geographical boundary similar to the boundary set forth in the Arctic Region Policy Act (ARPA)

- North of the Arctic Circle

- North and West of the boundary formed by the Porcupine, Yukon, and Kuskokwim Rivers

- All contiguous seas including

- The Arctic Ocean

- Beaufort, Bering and Chukchi Seas

- The Aleutian Chain

Page 8, Lines 7-19

- o Defines "Arctic Infrastructure development"

- The definition includes the "construction, improvement, rehabilitation, or expansion of a facility" for two purposes:

- In the Arctic to aid in development or meet emergency response needs

In the State to further the development of a facility in the Arctic.

The final section relates to the financing of vessels, equipment and facilities in Arctic Fisheries.

[10:48:21 AM](#)

Co-Chair Meyer inquired whether \$20 million had always been the cap for a loan guarantee without legislative approval.

Mr. Logan replied that ambiguity related to that issue had been removed by the passage of SB99. The bill before the committee explicitly stated that the amount of the guarantee could not be over \$20 million, or that the loan package could not be more than one-third of the capital cost.

[10:49:17 AM](#)

Co-Chair Meyer asked whether a loan program related to the fishing industry.

Mr. Logan replied that the hope was to amend the language in order end the practice of the state running direct loan programs through AIDEA; the state could just provide loan guarantees, which would engage community banks in a sector in which they were already involved.

[10:49:45 AM](#)

Senator McGuire interjected that the idea had not been in the original bill but had been brought forward by state residents with an interest in creating more fishing industry jobs for Alaskans. She noted that many of the federal quota shares were held by people outside of the state; of the 44,000 people employed in the fishing industry only 11,000 were Alaska residents. She said that the idea was to allow for village cooperatives the opportunity to buy back some of the quotas for future benefit to their coastal communities.

[10:51:02 AM](#)

Vice-Chair Fairclough pointed to Page 6, lines 2-16 of the bill. She noted that there could be money transferred from

AIDEA, by a vote of their board, to provide assets to the fund. She stated that the goal for many Alaskan was to have a natural gas pipeline. She expressed concern that large projects under AIDEA or AEA could inhibit the committee's ability to advance other priorities and they arose in the future.

Senator McGuire responded that Section 44.88.810 was recommendation from AIDEA in order to give them more latitude to move between the funds. She said that the state's overall bond rating should remain intact.

[10:54:43 AM](#)

Senator Olson wondered whether there would be any negative implications from not passing the bill.

Senator McGuire replied that the \$100 billion in private capital looking to invest in the state could also be invested elsewhere; investors were looking to invest all over the world. She suggested that members consult the 9th Circuit Court opinion that had been released concerning Shell. She believed that anything that the state could do to set baseline data on infrastructure and spill response would make for a stronger case for Alaska to enter into the next phase of economic prosperity in the state. She highlighted opportunities ranging from the gasline to mining to tourism. She added that there could be homeland security issues at play, as well. She furthered that Arctic communities would be impacted socially; economic stability could lead to lower suicide and substance abuse rates.

[10:58:28 AM](#)

Co-Chair Kelly offered a correction 100 million bbl/d in total and not per day.

[10:59:34 AM](#)

Co-Chair Meyer noted that currently, there was not money to capitalize the program.

Senator McGuire explained that her vision for the SETS Fund was \$16 billion. She stated that one idea would be to capitalize the fund with \$2 billion, but that the fund would grow investment and revenue in the form of dividends. She recognized that politically and financially her vision

was not realistic. The SETS funds was capitalized with \$125 million, she though \$100 million would be an excellent place to start with the funding for the program.

[11:03:11 AM](#)

PAUL FUHS, FORMER BOARD CHAIRMAN, AIDEA, BOARD CHAIRMAN, MARINE OF ALASKA, JUNEAU, introduced the PowerPoint presentation, "SB 140 Breaking the Ice for the Arctic Infrastructure"(copy on file).

[11:03:55 AM](#)

Mr. Fuhs addressed Slide 1, "SB 140 Underlying Need for Arctic Infrastructure Fund":

- GROWTH IN ARCTIC MARITIME OPERATIONS
SHIPPING AND PETROLEUM DEVELOPMENT
- ORGANIZATION OF LOCAL GOV'TS AND BUSINESS
AS PROJECT SPONSORS
- GEOSTRATEGIC POSITION OF ALASKA

TWO CRITICAL GOALS FOR ALASKA:
REALISE ECONOMIC OPPORTUNITIES
PROVIDE FACILITIES TO MANAGE RISK

[11:04:17 AM](#)

Mr. Fuhs spoke to slide 2 titled "Humans Don't Go Back", which highlighted that the Inupiat people had developed the technology to live and thrived in Alaska going back 10,000 years. He stressed that the state should not go back on Arctic operations.

[11:04:45 AM](#)

Mr. Fuhs discussed Slide 3, "Bering Strait Vessel Traffic 2013." Each line on the graph represented a vessel operation, with 400 in total for 2014. He stated that the Northern sea route traffic was growing at a rate of 50 percent per year; projections for 2030 were 2000 operations per year.

[11:05:29 AM](#)

Mr. Fuhs spoke to Slide 4, "Alaska Marine Exchange Receiving Stations." He said that 13 stations picked up

signals from vessels traveling through the area. He noted that nations such as China, not considered an Arctic Nation, were exploring and working in the area.

[11:05:58 AM](#)

Mr. Fuhs referenced Slide 5, "Russian Icebreaker Construction Schedule." He relayed that the icebreaker escorts were required, at a large expense, but were less expensive than the anti-piracy insurance required when traveling around the African cape. He shared that the 5 icebreaker vessels, with a shaft power of 60 mega-watts, were expected to be built by 2030.

[11:06:52 AM](#)

Mr. Fuhs addressed Slide 6, "Icebreaking Capacity", which illustrated how many days the vessels would be able to operate. Currently, operation could occur for approximately 5 months out of the year, but the new class of vessel would operate 7 month of the year; if 110-130 mega-watts could be reached the vessel could operate year-round.

[11:07:12 AM](#)

Mr. Fuhs spoke to Slide 7, "Breaking All Barriers." the slide pictured the 110 mega-watt shaft power icebreaker that was capable of doing 12-14 knots continuous through 10 feet of ice.

[11:07:28 AM](#)

Mr. Fuhs turned to Slide 8, "Korean LNG Vessels." He relayed that two of the aforementioned vessels had been built that currently brought liquefied natural gas (LNG) from the Yamal Peninsula to South Korea 5 months of the year. He shared that 16 of the vessels total had been contracted to be built.

[11:07:50 AM](#)

Mr. Fuhs addressed Slide 9 "Korean Icebreaking Containership." He stated that operations on the Northern sea route were shifting from bulk carriage to container operations. The slide contained a diagram of a Korean icebreaking containership. He shared that the air bubbler on the bow of the containership created space under the ice

that made it easier to break through. The vessels were also able to sail in both directions and contained powerful propellers.

[11:08:51 AM](#)

Mr. Fuhs spoke to Slide 10, "Marco Polo in the 21st century: Combining World Trade Routes." He asserted that connecting the Great Circle and Northern Sea Routes would benefit Alaska.

[11:09:27 AM](#)

Mr. Fuhs discussed Slide 11, "Great Circle Route." The slide reflects vessel traffic on January 22, 2014.

[11:09:53 AM](#)

Mr. Fuhs addressed Slide 12, "NSR/Great Circle Route", which illustrated container hub operations.

[11:10:19 AM](#)

Mr. Fuhs continued to Slide 13, "Risk Factors:1.3 million tons cargo 2013 800,000 tons petroleum products." He stated that of the 1.3 million tons of cargo shipped in 2013, 800,000 tons were petroleum products. He asserted that fighting oil development in the Arctic would put the state in the position of assuming 100 percent of the risk from Arctic oil development and zero percent of the benefit. He stressed the need for response capability in Arctic ports.

[11:11:10 AM](#)

Mr. Fuhs turned to Slide 14, "Arctic Circulation Patterns." He said if an incident of spillage should occur in the Bering Sea, ocean circulation patterns would carry the spill directly to the West Coast of Alaska.

[11:11:19 AM](#)

Senator Hoffman rewound the conversation to Slide 13. He asked whether the risk factors applied to double hulled vessels.

Mr. Fuhs replied that they were ice strengthened but were not double hulled. He relayed that the vessel on the slide

was carrying crude oil. He opined that the state currently had no regulatory authority over these vessels. He shared that the International Maritime Organization recently published a draft "polar code" for the vessels, but the state needed to have infrastructure on shore in order to be able to respond to emergencies.

[11:12:16 AM](#)

Mr. Fuhs spoke to Slide 14, "Russian Response Centers."

[11:12:39 AM](#)

Mr. Fuhs discussed Slide 15, "Spectators or Actors." He wondered whether Alaska was going to be an actor or a spectator in Arctic development.

[11:12:48 AM](#)

Mr. Fuhs addressed slide 16, "Will we ride the wave or be rolled over by it?"

[11:12:53 AM](#)

Mr. Fuhs continued to Slide 17, "Door to a Brighter Future? It's up to us."

[11:12:57 AM](#)

Mr. Fuhs addressed Slide 18, "Pledge to Do it Right."

[11:13:15 AM](#)

Mr. Fuhs explained that AIDEA was rated separately of the state and that part of the reason the authority's rating was so high was because of the reserve-to-loan basis. He reiterated that significant private funds would be brought to the project, which required a sound investment from the state.

[11:14:10 AM](#)

Senator Bishop understood that there was a center in Juneau where people could tour the ship traffic.

Mr. Fuhs replied that the Alaska Marine Exchange had a center in Juneau where people could watch all of the ship

traffic. He added that the exchange provided tracking services for the entire United States.

11:15:07 AM

Senator Olson confirmed that the large tankers would be going through the East Side of Big Diomedes, which had deeper waters than the West Side.

Mr. Fuhs replied that they would be going to the West Side because it was deeper. He stated that the real concern was St. Lawrence Island because that would be the place where an incident would most likely happen.

11:16:17 AM

SARAH LUKIN, CHIEF OPERATING OFFICER, PT PUBLIC POLICY LLC, JUNEAU, offered strong support for SB 140. She read from a prepared statement:

For the record my name is Sarah Lukin, Chief Operating Officer of Pt Public Policy, LLC, which is part of the Pt Capital family of companies.

Quyanaa (thank you) Chairman and Members of the Committee for allowing me to testify on SB 140. As the only Private Equity firm headquartered in Alaska focused exclusively on Arctic development, Pt Capital is a strong supporter of SB 140.

The Finance Committee's consideration of SB 140 today is certainly timely as Pt is in the mist of talking with global investors about deploying significant capital in Arctic Alaska.

I'd like to briefly explain the fisheries provision in this bill, which authorizes AIDEA to finance fisheries in the Arctic.

The fisheries provision increases local ownership of Alaska fisheries by combining the State of Alaska's strong credit rating and low cost of capital to provide Alaskan's more affordable large-scale fisheries financing.

Pt has worked jointly with the Aleutian Pribilof Island Community Development Association

(APICDA), the City of Seward, and the Association of Village Council Presidents to advocate for this fisheries provision because we believe it is consistent with the broader bill and it makes it a much stronger bill.

The Alaska fishing industry is the largest employer in Alaska, and the third largest industry in the State. Nearly 60,000 Alaskan's are directly employed in commercial fishing and seafood processing. And an additional 11,000 jobs in Alaska are created through support services and spending of earned wages from fisheries.

Despite these positive numbers, most of the additional jobs created by Alaska fisheries - including small businesses that support the fishing industry like boat welders, net menders, and freight companies, and jobs like lawyers, car dealers, and the waitress at the local restaurant where the fisherman go to eat dinner - are largely outside of Alaska. In fact, there are four times as many additional jobs created outside of Alaska than inside Alaska from Alaska's fisheries. Why not try to bring some of these jobs home?

The fisheries provision will guarantee bank loans for quota and vessels used in a federally managed fishery in the Arctic, like Pollock, crab, and cod. And provide AIDEA loans for plants, facilities, and equipment within the State of Alaska that are used in the support of state or federally managed fisheries.

Pt envisions a program that is focused on permanent Alaska ownership by making Alaska community owned non-profits, located in non-CDQ communities, eligible for the program. As non-profits focused on providing benefits to local Alaska communities in perpetuity, it makes sense they would keep their business, and the benefits they provide, in Alaska permanently. If, after a set amount of time, the program isn't fully utilized by local non-profits, the program could be expanded to include other Alaska businesses.

Now that I've described what the fisheries provision does, it's important to note for the Committee what it doesn't do:

- It does not finance out of state projects.

- It does not provide a grant or gift. Community non-profits would apply for a loan or loan guarantee, and would have to meet qualification requirements developed by AIDEA.
- It does not double-dip with existing State and Federal fisheries financing programs. Those programs finance smaller scale fisheries below the \$7 million floor in this provision.
- It does not provide quota and vessel financing for state managed fisheries, like salmon permits, which are covered by other State financing programs. The State of Alaska does not have a program that supports Alaska's federally managed fisheries.
- It does not provide financing for Individual Fishing Quotas (IFQ's) in the Gulf of Alaska. The AIDEA Fisheries program is focused on quotas, vessels, and infrastructure support of Arctic fisheries.

In short, the fisheries provision and SB 140 as a whole will spur economic development and create jobs within Alaska, and urge more of Alaska's fisheries to be owned by Alaskans.

I would be happy to answer any questions you may have and Hugh Short, CEO of Pt Capital is on the phone and available to answer questions as well.

Quyanaasinaq (thank you very much) for your time.

Co-Chair Meyer queried the relationship between PT Capital and AIDEA.

Ms. Lukin explained that Pt worked closely with ADIEA on public/private partnerships, but did not have a direct connection with the authority.

[11:21:45 AM](#)

Co-Chair Meyer wondered what Pt stood for in the company title.

Ms. Lukin replied that Pt was short for Platinum.

[11:22:30 AM](#)

Senator Olson asked whether the community development quota (CDQ) members supported the bill.

Ms. Lukin replied that Pt was working closely with APICTA, a very supportive CDQ.

[11:23:16 AM](#)

Senator Olson noted that APICTA was only one of the CDQ in the state. He asked whether any other groups had offered support.

Ms. Lukin replied that Pt had only spoken with APICTA.

[11:23:26 AM](#)

Senator Olson inquired whether Pt was in favor of extending CDQ's North of the Bering Strait.

Ms. Lukin replied that Pt did not have an official position at the current time, but indicated that she could get back to the committee.

[11:24:16 AM](#)

RON LONG, CITY OF SEWARD, JUNEAU, testified in support of SB 140. He believed that the legislation would attract the private capital necessary to develop the infrastructure necessary to succeed in the Arctic. He stated that the work of the Arctic Policy Commission had not gone unnoticed and that there were significant amounts of private capital ready to invest in the Arctic. He spoke in support of the fisheries component of the bill.

[11:27:10 AM](#)

Co-Chair Meyer CLOSED public testimony.

Vice-Chair Fairclough noted that she would like to hear from Mr. Davies regarding the full faith and credit of the state in helping to ensure the bond rating; it had been suggested that the bond market viewed AIDEA as separate from the state, and she hoped that would not affect the overall bond indebtedness for Alaska.

[11:28:25 AM](#)

MARK DAVIS, DEPUTY DIRECTOR, ALASKA INDUSTRIAL EXPORT AUTHORITY (AIDEA), ANCHORAGE (via teleconference), stated that AIDEA issued its own bonds and was rated as a developmental authority. He explained that AIDEA did not have taxing authority and AIDEA's bonds were rated against its financial capabilities, portfolio, and assets.

[11:29:24 AM](#)

AT EASE

[11:33:46 AM](#)

RECONVENED

#sb166

SENATE BILL NO. 166

"An Act relating to nursing and to the Board of Nursing."

Vice-Chair Fairclough MOVED to ADOPT the proposed committee substitute for SB 166, Work Draft 28-LS1010\G (Martin, 3/25/14) as a working document. There being NO OBJECTION, it was so ordered.

[11:34:37 AM](#)

SENATOR CATHY GEISEL, stated that the intent of the legislation was to update statute for the Board of Nursing. She noted that the bill was accompanied by a zero fiscal note.

[11:35:24 AM](#)

JANE CONWAY, STAFF, SENATOR CATHY GEISEL, relayed that the first change in the committee substitute (CS), Version G, could be found on Page 1, line 11. Wording was added to the section pertaining to the nurse educator seat requiring that the nurse educator be a faculty member of a nationally accredited nursing education program. She noted the next change on Page 7, line 15. The following language was added:

The requirement of an employer to report under this section applies only to a discharge, suspension, or restriction of practice that is based on a ground allowing section by the board under AS 08.68.270 or

08.68.334 or for conduct prohibited under AS
08.68.340.

Ms. Conway said that language had been deleted from the bill that spoke to a "whistle blower" provision. She testified that the issue required further discussion, which would take place during the interim. The deletion of the language removed the Department of Labor's role in the legislation.

[11:37:53 AM](#)

Senator Olson stated that some of his constituents had expressed the desire to allow some of the more religious and spiritually oriented practitioners to operate freely within the context of providing healthcare. He noted that the Alaska medical act had an exception for the religious tenants of a church. He wondered why the Alaska nurses regulations did not offer the same exception.

Senator Geisel replied that the state needed to be more specific in the definition of religious groups that were the exception. She testified that Christian Scientists had care providers that were referred to as "nurse". Christian Scientists had requested that the Board of Nurses acknowledge the individuals as nurses, which would allow them to advertise in the yellow pages as "nursing services" under the Christian Science religion. She said that the board had entertained the suggestion for several years. The board had repeatedly denied the request because the term "nurse" was recognized by the public to designate a healthcare professional with a certain level of education and professional oversight.

[11:40:51 AM](#)

Senator Geisel spoke to a Gallup Poll on honesty and trustworthiness among professions conducted throughout the state in October 2013; the term "nurse" had been added to the poll's list of over 20 professions in the late 1990s. Since "nurse" had been added to the list, nurses had been identified as number one by the public as the most ethically and professionally trusted healthcare providers. She asserted that the public recognized the term "nurse" as a healthcare professional and not a spiritual caregiver. She pointed out to the committee that the State Medical Board in AS 08.64.370, number c, made the exception for the

practice of religious tenants of a church; however, in their definition of what it was to deliver medical care, "physician" was identified specifically and the term "doctor" was protected.

[11:42:37 AM](#)

NANCY SANDERS, EXECUTIVE ADMINISTRATOR, ALASKA BOARD OF NURSING (via teleconference), stated that it had been asked of the board to include Christian Science Nurses in the exception, but that the board had declined to do so for the reasons that Senator Geisel had listed.

[11:43:48 AM](#)

SARA CHAMBERS, ADMINISTRATIVE OPERATIONS MANAGER, DIVISION OF CORPORATIONS, BUSINESSES, AND PROFESSIONAL LICENSING, DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT (via teleconference), testified that Section 3 of the bill would require the executive administrator of the board to hold, at minimum, a master's degree in nursing. The division feared that the pool of talented candidates could be limited by the requirement. She said that removing the language would not preclude the division from selecting an executive administrator with a master's or higher degree on education.

[11:45:56 AM](#)

Vice-Chair Fairclough inquired whether the nurses would pay for the position through their own licensing fees.

Ms. Chambers replied that all of the board's expenses were supported by licensing fees, including the salary of the executive administrator.

Vice-Chair Fairclough assumed that if the board was seeking a high level of expertise then they were willing to pay the cost of that higher level.

Ms. Chambers replied in the affirmative.

[11:46:50 AM](#)

Vice-Chair Fairclough inquired if Ms. Chambers was suggesting that the primary care nurse documentation would require administrative work to complete.

Ms. Chambers responded no. She noted that the current executive administrator held a doctorate in nursing.

[11:47:23 AM](#)

Senator Bishop queried how many nurses registered in the state held masters degrees.

Ms. Chambers responded that in a 2012 survey, 14 percent, of the 47 percent of RNs that responded, held a master's degree. One percent responded that they held a doctorate in nursing.

[11:48:29 AM](#)

Senator Olson wondered how many past administrators had held a master's degree or higher.

Ms. Chambers replied that she did not know.

Senator Olson inferred that all administrators, to-date, had held a degree higher than a bachelor's degree.

Ms. Chambers referred the question to the chair of the board.

[11:49:31 AM](#)

BETH FARNSTROM, CHAIR, ALASKA STATE BOARD OF NURSING, ANCHORAGE (via teleconference), spoke in support SB 166 as it was currently written. She stated that there was a pool of nurses in the state that held master's degrees, and that the board could take the search to the national level if the need should arise. She said that the board respected the services of the Christian Scientist nurses and believed that there was value in the services they provided to their clients, but they were not licensed nurses. She mentioned a letter she had written on the issue, which could be found in member files.

[11:51:59 AM](#)

PATRICIA SENNER, PROFESSIONAL PRACTICE DIRECTOR, ALASKA NURSES ASSOCIATION, ANCHORAGE (via teleconference), testified in support of SB 166. She approximated that there were over 1000 nurses in the state that held a master's

degree or higher. She offered support for the legislation in its current form.

[11:54:15 AM](#)

JANA SHOCKMAN, PRESIDENT, ALASKA NURSES ASSOCIATION, ANCHORAGE (via teleconference), spoke in support of SB 166 in its current form.

[11:55:19 AM](#)

Co-Chair Meyer CLOSED public testimony.

[11:55:43 AM](#)

Senator Olson wondered whether rural healthcare organizations had offered input into the legislation.

Senator Geisel responded that she was not aware of any rural nursing organizations in the state, but that consolidating background checks for nurses and certified nurse aides was being examined.

[11:58:10 AM](#)

Vice-Chair Fairclough understood that the bill was accompanied by one fiscal note.

Senator Geisel replied in the affirmative.

[11:58:54 AM](#)

Co-Chair Kelly MOVED to REPORT SB 166 out of committee with individual recommendations and accompanying fiscal note.

[11:59:25 AM](#)

Vice-Chair Fairclough OBJECTED. She requested clarification that the CS was Version G.

Co-Chair Meyer responded in the affirmative.

Vice-Chair Fairclough WITHDREW her OBJECTION. CSSB 166(FIN) was REPORTED out of committee with a "do pass" recommendation and with previously publish zero fiscal note: FN2(CED).

Co-Chair Kelly discussed housekeeping.

[12:00:38 PM](#)

#

ADJOURNMENT

The meeting was adjourned at 12:00 p.m.