

HOUSE FINANCE COMMITTEE
April 14, 2015
9:05 a.m.

[9:05:54 AM](#)

CALL TO ORDER

Co-Chair Thompson called the House Finance Committee meeting to order at 9:05 a.m.

MEMBERS PRESENT

Representative Mark Neuman, Co-Chair
Representative Steve Thompson, Co-Chair
Representative Dan Saddler, Vice-Chair
Representative Bryce Edgmon
Representative Les Gara
Representative Lynn Gattis
Representative David Guttenberg
Representative Scott Kawasaki
Representative Cathy Munoz
Representative Lance Pruitt
Representative Tammie Wilson

MEMBERS ABSENT

None

ALSO PRESENT

Fred Parady, Deputy Commissioner, Department of Commerce, Community, and Economic Development; Gene Therriault, Deputy Director, Statewide Energy Policy Development, Alaska Energy Authority, Department of Commerce, Community and Economic Development; Representative Lynn Gattis, Sponsor; Les Morse, Deputy Commissioner, Department of Education and Early Development; Steve Ricci, Staff, Representative Lynn Gattis; Representative Mike Chenault.

PRESENT VIA TELECONFERENCE

Ted Leonard, Director, Alaska Industrial Development and Export Authority (AIDEA); Joe Griffith, General Manager, Matanuska Electric Association; Deena Paramo, Superintendent, Matsu Borough School District.

SUMMARY

HB 80 REPEAL COLLEGE/CAREER READINESS ASSESS.

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

HB 105 AIDEA: BONDS; PROGRAMS; LOANS; LNG PROJECT

CSHB 105(FIN) was REPORTED out of committee with a "do pass" recommendation and with one previously published zero fiscal note: FN1 (CED).

Co-Chair Thompson reviewed the agenda for the morning meeting.

#hb105

HOUSE BILL NO. 105

"An Act relating to the programs and bonds of the Alaska Industrial Development and Export Authority; related to the financing authorization through the Alaska Industrial Development and Export Authority of a liquefied natural gas production plant and natural gas energy projects and distribution systems in the state; amending and repealing bond authorizations granted to the Alaska Industrial Development and Export Authority; and providing for an effective date."

9:06:46 AM

FRED PARADY, DEPUTY COMMISSIONER, DEPARTMENT OF COMMERCE, COMMUNITY, AND ECONOMIC DEVELOPMENT, placed himself on the record.

GENE THERRIAULT, DEPUTY DIRECTOR, STATEWIDE ENERGY POLICY DEVELOPMENT, ALASKA ENERGY AUTHORITY, DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT, placed himself on the record.

Acting Commissioner Parady provided a brief explanation of the bill. The legislation sought to give Alaska Industrial Development and Export Authority (AIDEA) the authority to consider an alternative gas supply to the Interior Energy Project. He referenced SB 23 [Short Title: AIDEA: LNG

Project; Dividends; Financing] passed in 2013 which provided funding and specified that a North Slope gas supply be used. House Bill 105 continued the same funding authorities but opened the door to consideration of propane or a Cook Inlet gas supply while retaining the ability to evaluate further North Slope alternatives.

[9:08:27 AM](#)

Co-Chair Thompson MOVED to ADOPT Amendment 1:

Page 2, line 6:

Delete "sec. 9" in both places

Insert "sec. 8" in both places

Page 2, lines 8 - 29:

Delete all material.

Renumber the following bill sections accordingly.

Page 9, line 4:

Delete "Sections 14 and 15"

Insert "Sections 13 and 14"

Co-Chair Neuman OBJECTED for discussion.

Co-Chair Thompson announced that Nick Szymoniak, Ted Leonard, and Bob Shefchik were online and available for questions.

Co-Chair Neuman clarified the amendment version was 29-GH1019\N. Co-Chair Thompson agreed.

[9:09:00 AM](#)

Mr. Therriault pointed out that Amendment 1 deleted Section 2 on page 2 which essentially left the Fairbanks utilities at the same status as other utilities owned by municipalities across the state. They were exempt from being regulated by the Regulatory Commission of Alaska (RCA) unless they opted voluntarily. The language of the bill placed them into RCA regulation unless a governing body of a utility removed them. The feedback he received from municipalities was that they desired to be non-regulated giving entities more flexibility in the initial build-out to acclimate rate-payers to rate changes. It allowed costs to be spread as demand ramped up. In terms of

energy delivery, it was a volume enterprise; the higher the demand, the lower the per-unit cost. The initial cost of a new system would likely be high. Therefore, spreading out the cost over a longer period of time was desirable and would allow for an enterprise to be installed and initialized. If the section was removed, it [AIDEA] would default to the regular statutes as any other utility that was owned by a political subdivision of the state.

[9:10:49 AM](#)

Representative Gara had not followed the controversy that lead up to the version of the bill in the finance committee. He asked about the major amendments added by Representative Hawker in the previous committee.

Mr. Therriault pointed out an addition to the section in statute that required utilities in Interior Alaska to be RCA regulated.

[9:11:34 AM](#)

Representative Wilson asked about the two utilities in the Interior staying separate and about Fairbanks Natural Gas (FNG) being regulated. She wondered if the two utilities would be handled differently. She wanted to make sure the committee was not making two classifications.

Mr. Therriault spoke of the pending AIDEA purchase of Pentex assets; the existing FNG system. If the purchase was finalized and AIDEA became the new owner, it would not be regulated. Fairbanks Natural Gas indicated that it had applied with the RCA for a rate regulation in case the sale did not materialize.

[9:12:28 AM](#)

Representative Wilson was trying to understand the two different utilities. If the utilities remained separate would there be less regulation for the Interior Gas Utility (IGU) as a municipally owned utility or for another reason.

Mr. Therriault pointed out that the existing statutory exemption from RCA regulation for utilities owned by political subdivisions would not be available to FNG if it remained separate under private ownership. It was AIDEA's intent to eventually blend the two systems together into

one. If the AIDEA purchase moved forward the amendment would be helpful.

Representative Wilson remarked that she did not understand but suggested the committee move on.

[9:13:37 AM](#)

Representative Pruitt wanted to understand why the people of Fairbanks would want a non-regulated utility. He understood the burden of regulation. However, he wanted to ensure that the people of Fairbanks were not harmed by another government agency. He did not want to see a large burden fall on the user because of initial build-up costs. He wondered about the costs following build-up. He opined that he would not want his rates as a consumer set by a government bureaucracy. He believed that the RCA worked to do the right thing for the public. He wondered if there was a way of making RCA the regulatory entity over the project following the build-up period.

Mr. Therriault reported that a municipally-owned utility could choose to fall under RCA regulations at any time. The attempt would be to initially have the additional flexibility as AIDEA was trying to get the enterprise up and running. The Interior Gas Utility had a locally elected board. The reason why a utility owned by a political subdivision had the option of being exempt by statute was because an elected board could interact with its constituency at a local level to determine fair rates. In the case of the Pentex purchase and the FNG system, the AIDEA board would be making the decisions, at least for a period of time, until the utility could be spun off from the AIDEA board to another utility operation such as IGU. He did not have any reason to suspect the AIDEA board was going to somehow savage the constituency of Fairbanks with unfair rates.

[9:16:45 AM](#)

Co-Chair Thompson noted that Speaker Chenault had joined the audience.

Representative Guttenberg asked about Section 2 which he suggested separated the IGU from all other municipal utilities. He wanted to clarify that no other municipal utility had the obligation to operate under the RCA.

Mr. Therriault responded affirmatively. He added that other utilities owned by political subdivisions of the state had the ability to be non-RCA regulated by statute assuming they had locally elected boards. In other words, a utility had another body that governed the rates to consumers.

Representative Guttenberg asked about the benefits of including Section 2. He wondered if they outweighed not including the section.

Mr. Therriault suggested that the limitation on flexibility outweighed the benefit of having RCA regulation in place.

Co-Chair Neuman WITHDREW his OBJECTION. There being NO OBJECTION, Amendment 1 was adopted.

[9:18:31 AM](#)

Co-Chair Thompson MOVED to ADOPT Amendment 2:

Page 7, line 15, following "the":
Insert "members of the"

Page 7, line 16:
Delete "approves"
Insert "approve by resolution"

Vice-Chair Saddler OBJECTED for discussion.

Mr. Therriault relayed that AIDEA had suggested the amendment. There was a desire to have more certainty about moving the IEP forward. He pointed to Section 11 on page 7, lines 14-21 of the bill. He explained that, in an attempt to meet some of the concerns that were brought up in earlier committees, AIDEA needed to act on an initial set of criteria prior to utilizing any remaining financing tools. Amendment 2 clarified who approved the project plan. Alaska Industrial Development and Export Authority wanted approval defined by an official action of the board in the form of a resolution rather than a letter signed by the chairman or a couple of committee members.

[9:20:32 AM](#)

Representative Pruitt commented that the word "Board" was not included in the language of the bill. He wondered if it should say "Members of the Board."

Mr. Therriault stated that in the statute establishing AIEDA the term "board" was not included. Instead it mentioned "members". The word "resolution" inherently encompassed the members who acted together as a board. By using the word "resolution" it assured that it was the board entity taking an action rather than just the chairman.

[9:21:11 AM](#)

Vice-Chair Saddler asked about the threshold for passing a resolution. He wondered if it was a simple two-thirds majority.

TED LEONARD, DIRECTOR, ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY (AIDEA) (via teleconference), explained that AIDEA had a seven member board and in order for a resolution to pass a majority vote was needed. Four out of seven board members had to vote in favor in order to approve a resolution.

[9:22:13 AM](#)

Vice-Chair Saddler clarified that the majority meant four members not just the majority of the members present.

Mr. Leonard believed that it had to be the majority of the quorum but would verify the information.

Vice-Chair Saddler stated that he would appreciate the verification.

[9:22:38 AM](#)

Representative Gara reported he had just sent a public information request to Mr. Leonard.

Mr. Leonard reported that four members had to vote in favor of a resolution in order for it to be approved no matter the quorum.

Mr. Therriault added that the membership of the AIDEA board was predominantly public members.

Vice-Chair Saddler WITHDREW his OBJECTION. There being NO OBJECTION, Amendment 2 was adopted.

[9:23:31 AM](#)

Co-Chair Thompson MOVED to ADOPT Amendment 3:

Page 9, following line 4:

Insert a new bill section to read:

"* Sec. 18. Section 16 of this Act is repealed June 30, 2020."

Renumber the following bill section accordingly.

Vice-Chair Saddler OBJECTED for discussion.

Mr. Therriault encouraged committee members to refer to Section 16 on page 8 of the work draft which added a new section establishing a report given quarterly and also required AIDEA to be prepared to give a briefing at the request of the Legislative Budget and Audit Committee. Amendment 3 placed a repealer on the section. Without a repealer AIDEA would be giving quarterly reports to the legislature long after financing was completed. AIDEA understood that the legislature wanted more information in the early years of financing being utilized. However, he argued that after a certain period of time it the obligation would be unnecessary.

Vice-Chair Saddler WITHDREW his OBJECTION. There being NO OBJECTION, it was so ordered.

[9:25:48 AM](#)

Co-Chair Thompson MOVED to ADOPT Amendment 4:

Page 3, line 23:

Delete "law"

Insert "the legislature [LAW]"

Vice-Chair Saddler OBJECTED for discussion.

Mr. Therriault referred to Section 4 on page 3, line 22 explaining that "the legislature" was substituted for "law" currently in existing statute. The substitution was an amendment suggested in the other body. It had been retained

in the House version of the bill. In Section 4 on page 3, line 23 there was another reference to "law." Amendment 4 made the two lines read the same, changing the word "law" to "the legislature."

Vice-Chair Saddler WITHDREW his OBJECTION. There being NO OBJECTION, it was so ordered.

Co-Chair Thompson WITHDREW Amendment 5.

[9:27:16 AM](#)

Co-Chair Thompson MOVED to ADOPT Amendment 6:

Page 7, following line 31:

Insert a new bill section to read:

"* Sec. 14. Section 2(a), ch. 27, SLA 1993, as amended by sec. 19, ch. 111, SLA 1996, and sec. 10 of this Act is repealed June 30, 2019."

Renumber the following bill sections accordingly.

Page 9, line 4:

Delete "Sections 14 and 15"

Insert "Sections 15 and 16"

Vice-Chair Saddler OBJECTED for discussion.

Mr. Therriault explained that in the proposed committee substitute (CS) a project from an old AIDEA bond authorization for a bulk commodity loading facility somewhere in Cook Inlet was removed from the repealer section of the bill, refreshed, and reinserted into Section 10 at the top of page 7. He explained that after a certain number of years if the refreshed authorization was not utilized, it would automatically be repealed. In the past, AIDEA's bonding authorizations or possible loans were passed without a repealer. If they were never used, they were still seen by rating agencies as potential obligations on AIDEA's books. As a result, AIDEA's rating evaluations were affected. If bonding authorizations were not used by a certain time, AIDEA needed to clean them off of its books by incorporating automatic repealers. For any new projects in which authorizations were granted AIDEA was asking proposers to include an automatic repealer to avoid any accumulation of old, unused authorizations. The amendment

established a new sunset for a refreshed bond authorization.

Representative Pruitt asked about all of the repealers included in the bill. He noted a repealer for the bulk commodity loading ship terminal in Point MacKenzie, one for the Sweetheart Lake [Hydroelectric Project], and one for the Waterfall Creek Hydroelectric Project in King Cove. He wondered if there were things that were not specified in the bill that would be repealed.

Mr. Therriault was looking for the Governor's original transmittal letter which explained the meaning of each of the repeals. There were a number of projects that, for various reasons, never went forward. He referred to the sectional analysis that explained that there was one for the processing facility for seafood, the Kodiak launch complex facilities, the Red Dog port, the Nome port facility, the development at Hatcher Pass, and the port facilities in Lynn Canal. Some of the projects dated back to 1993, 1995, 1998, 2004, and 2006. The projects were old enough that AIDEA would not be using the bonding authorizations.

[9:31:24 AM](#)

Representative Pruitt wondered if the authorization for the Red Dog Mine had been utilized in part or at all.

Mr. Therriault replied that it was in the repealer because it had not been utilized at all. If it had been partially utilized it would have appeared in the bill with a different structure to remove the unused portion.

Representative Pruitt wondered if there was a repealer associated with the current IEP project. If so, he inquired about the dates.

Mr. Therriault invited Mr. Leonard to answer Representative Pruitt's question.

[9:32:15 AM](#)

Mr. Leonard responded that under SB 23 he believed and would confirm that there was a five-year sunset on bond authorizations. He would get the information and bring it back to the committee.

Representative Wilson asked if the five years started upon the passing of the current bill or prior. She wondered if other projects were included in the bill aside from the IEP.

Mr. Therriault believed there would be a repealer on all new authorizations contained in the bill.

Co-Chair Thompson asked Mrs. Leonard if he had found the information requested by Representative Pruitt.

Mr. Leonard was looking for it in SB 23 and would find it.

Representative Pruitt did not want to hold up the meeting, but the information would be helpful.

Vice-Chair Saddler WITHDREW his OBJECTION. There being NO OBJECTION, Amendment 6 was adopted.

[9:34:12 AM](#)

Vice-Chair Saddler MOVED to ADOPT Amendment 7:

Page 1, line 11, following "project;":

Insert "authorizing the Alaska Industrial Development and Export Authority to issue bonds to finance the infrastructure and construction costs of rebuilding transmission between the Hope substation and Portage, rebuilding transmission between Powerline Pass to Indian, and the Eklutna hydroelectric transmission system upgrade project;"

Page 2, line 6:

Delete "sec. 9" in both places
Insert "sec. 11" in both places

Page 8, following line 11:

Insert a new bill section to read:

"* Sec. 15. The uncodified law of the State of Alaska is amended by adding a new section to read:

LEGISLATIVE APPROVAL; ALASKA RAILBELT COOPERATIVE TRANSMISSION AND ELECTRIC COMPANY. (a) The Alaska Industrial Development and Export Authority may

issue bonds to finance the infrastructure and construction costs for

(1) rebuilding transmission between the Hope substation and Portage by the Alaska Railbelt Cooperative Transmission and Electric Company;

(2) rebuilding transmission between Powerline Pass to Indian by the Alaska Railbelt Cooperative Transmission and Electric Company; and

(3) the Eklutna hydroelectric transmission system upgrade project by the Alaska Railbelt Cooperative Transmission and Electric Company.

(b) The projects listed in (a) of this section shall be owned and operated by the authority or financed under AS 44.88.172.

(c) The principal amount of the bonds provided by the authority for the projects in (a)(1) and (2) of this section may not exceed a combined total of \$107,100,000, and may include the costs of issuing bonds considered reasonable and appropriate by the Alaska Industrial Development and Export Authority.

(d) The principal amount of the bonds provided by the authority for the project in (a)(3) of this section may not exceed \$20,400,000 and may include the costs of issuing bonds considered reasonable and appropriate by the Alaska Industrial Development and Export Authority.

(e) This section constitutes legislative approval required by AS 44.88.095(g)."

Renumber the following bill sections accordingly.

Page 9, line 4:

Delete "Sections 14 and 15"

Insert "Sections 14 - 16"

Co-Chair Thompson OBJECTED for discussion.

Vice-Chair Saddler explained his amendment which would authorize AIDEA to issue up to \$127 million in bonds to finance some additional critical state electrical transmission upgrades. He relayed that the Bradley lake power transmission system in the Kenai area provided power for the entire Homer to Fairbanks Railbelt. However, it was

constrained by inadequate old lines and transmission towers. These inhibited the development of big hydroelectric projects in the Railbelt and made the transmission of power less reliable and less efficient. There was an Alaska Energy Authority (AEA) study two years previously that showed the state was potentially losing more than \$100 million worth of energy efficiency as a result of inadequate transmission lines. The \$127 million in projects would be bonded through the amendment and would take care of much of the Anchorage-to-Kenai limitations although not the entire problem. He spoke of two major elements that the authorization would fund including an upgrade of the Quartz Creek to the Anchorage and Kenai transmission lines at a cost of about \$107 million. The two segments were from the Hope substation to Portage and from Power Line Pass to Indian that would replace 50-year old transmission lines. Also, towers with higher capacity lines would be upgraded from 115 kilovolts to 230 kilovolts. The study from AEA indicated that there would be a cost-benefit ratio of 1 to 4.6, meaning that for every dollar in capital expenditures the state contributed the state received nearly \$5 in benefits to consumers along the Railbelt from Anchorage to Homer and Fairbanks to Kenai in terms of more economical and reliable power. The second portion that would be funded was a \$20 million project called the Eklutna Hydroelectric Transmission System that would improve the connections between the existing Municipal Light and Power (MLP) plants in Muldoon with the Matanuska-Susitna Electric Association's (MEA) new Eklutna generation station. The project would have a cost benefit ratio of \$1 to \$23. He suggested that with a little bit of input from bonding there would be tremendous benefits of an entire state transmission system; improved reliability of a transmission system and improved use of the Bradley Lake Hydroelectric System that Railbelt rate payers were already paying for. He remarked that the project fell squarely in the tradition of some of the other state projects to generate hydroelectric and improve transmission. He encouraged members to support the amendment.

Co-Chair Thompson informed the committee that Joe Griffith, the general manager of Matanuska Electric was online to answer any questions.

[9:36:48 AM](#)

Representative Wilson was not aware of the project. She wanted to know if the bonds were going directly to the utility and whether the utility would be the entity requesting the bond. She was assuming AIDEA would be providing due diligence.

Mr. Therriault deferred to Mr. Leonard who could better speak to the AIDEA process.

Mr. Leonard stated that the bonds allowed under SB 23 had a sunset date of June 30, 2018.

Mr. Therriault interjected that Mr. Leonard's answer was in response to Representative Pruitt's question.

He responded to Representative Wilson's question. He explained that before AIDEA issued bonds for a project, such as the one being discussed, full due diligence was required in order to issue bonds. Alaska Industrial Development and Export Authority's process would be the same in issuing any other bond authorizations that came before the committee.

[9:38:27 AM](#)

Representative Wilson asked about due diligence and if there was discussion about the use of transmission lines for other projects.

Mr. Leonard specified that for a project owned by AIDEA or financed through AS 44.88.172 there was usually language that dealt with how the process could incorporate other entities using the lines as long as the lines were owned or the project was financed by AIDEA.

Representative Wilson asked where the funds were coming from and whether they came from other hydro power funds.

Mr. Leonard clarified that all the bond authorization would allow AIDEA to utilize bonding as a tool when examining a project for financing or owning the project and issuing bonds. In the due diligence process of evaluating a project AIDEA would be looking at its capacity and the type of bonds that would best serve the project like revenue bonds or general obligation bonds. The evaluation process would determine whether AIDEA would finance the project, and what type of bonds would be utilized for financing.

[9:41:22 AM](#)

Representative Wilson asked why it [the bond authorization] was in the bill and whether the amount was a factor. She suggested that in the case of a lesser amount legislation was not needed.

Mr. Leonard concurred. He stated that based on state statutes, a project financed through AS 44.88.172 AIDEA currently had to have an authorization for bonds issued over \$10 million.

[9:41:59 AM](#)

Vice-Chair Saddler wanted to clarify that the Eklutna Hydro facility was an existing and very old facility. His amendment proposed AIDEA issuing bonds to finance transmission lines which would connect the old Eklutna facility with the new power generation facility at Muldoon and to the new Eklutna generation station, MEA's gas-fired plant being constructed. He pointed out it was not a new hydro facility.

Representative Wilson mentioned that she was just talking about transmission lines. As the state installed more of them she suggested they could be shared with other entities to reduce costs.

[9:42:43 AM](#)

Representative Pruitt responded that the amendment would benefit more than just one or two of the utilities. Currently, there was a bottleneck for energy produced at Bradley Lake Hydroelectric Plant. The lines could not accommodate additional power. If there were any problems with the lines the gas-fired generation plants such as the one in Beluga would be turned on. He understood that all six of the utilities on the Railbelt benefited from the energy at Bradley Lake. However, if the line could not transmit the affordable energy then no one benefitted. The utilities in the valley, Fairbanks, and Anchorage would all benefit greatly from the expansion of the transmission lines in the critical connecting sector between the Kenai area and Anchorage. He believed Fairbanks would benefit from low-cost power by improving the Bradley Lake transmission system.

Co-Chair Thompson suggested that the rate-payers would be the beneficiaries.

[9:44:10 AM](#)

Representative Guttenberg asked for more information about the Alaska Railbelt Cooperative Transmission Company (ARCTEC). He was not familiar with the entity. He understood about the transmission bottleneck but wondered about who would be paying for the improvements and who would benefit. He wanted to assure parity across all users.

Mr. Therriault answered that ARCTEC was a creation of four Railbelt utilities. It was an entity created by the parties to work together, particularly on transmission. In answer to Representative Wilson's question, as part of AIDEA's due diligence board members would look at what kind of traffic would be expected if a line was created. They would also consider whether it would be operated under an open access tariff. More business would be anticipated with a line with commonly understood reliability standards. He acknowledged the legislature's interest in making sure a governance structure was in place for the entire Railbelt. He commented on the savings numbers Representative Saddler noted explaining that the numbers came from an AEA study done on the entire Railbelt system. Alaska Energy Authority and its consultant suggested there would be a substantial savings from de-bottlenecking the system. He reported that his staff compared the suggested project to the project list from AEA's study and found all components were recommended for upgrades.

[9:46:33 AM](#)

Representative Guttenberg restated his question regarding equitability across the project.

Mr. Therriault suggested that as the lines were improved and debt was accumulated there would be a cost built into the tariff. Therefore, anyone shipping power across a particular portion of the system would pay an equal tariff.

[9:47:14 AM](#)

Vice-Chair Saddler thought Mr. Therriault's answer was "yes." He asked Mr. Therriault to explain the Bradley Lake

funding model including how different utilities shared expenses and how that example might parallel the transmission line work.

Mr. Therriault was uncertain of the comparison to Bradley. He explained that, in terms of Bradley Lake, the state provided a portion of the funding. The utilities bonded through the state for the remaining funds. As power was produced there was a cost associated with repaying the bonds. Once the bonds were paid back, the charge for the power continued until the state recuperated its investment; anywhere from 25 to 30 years.

Vice-Chair Saddler suggested that Joe Griffith with ARCTEC was on the line and could answer Representative Guttenberg's questions about the organization and the potential benefits of the upgrades.

[9:48:30 AM](#)

JOE GRIFFITH, GENERAL MANAGER, MATANUSKA ELECTRIC ASSOCIATION (via teleconference), explained that ARCTEC was created in 2010 or 2011 to principally deal with the generation and transmission [G&T] issues in the Railbelt. The company's thrust over the previous five years had been on transmission that would de-constrain the Bradley Lake delivery method. It was a huge benefit for the Railbelt.

[9:49:49 AM](#)

Representative Gara stated that obviously the legislature's job was to support the entire state. He indicated that he was concerned about the resistance from other Anchorage legislators earlier in the session. He wanted to know if Alaska Energy Authority had future plans to expand the production at Bradley Lake. It was clean and cost-efficient power. He thought the energy would go all the way to Fairbanks. He was wondering about a plan for Bradley Lake.

Mr. Therriault relayed that the utilities had been working closely with AEA on a project called the Battle Creek Diversion which would put more water behind Bradley Lake dam to generate more power. The de-bottlenecking would ensure that the power could get to the utilities along the Railbelt at the optimum time of the day to achieve the largest benefit for the consumer as far as the cost of power. It was his understanding that an application had

been filed with the Federal Energy Regulatory Commission (FERC) for Bradley Lake to add the Battle Creek diversion. He stressed that AEA was working closely with the utilities to get more power out of the existing infrastructure.

[9:52:06 AM](#)

Representative Gara stated that it was important and would also reduce reliance on natural gas in Cook Inlet.

Co-Chair Thompson WITHDREW his OBJECTION. There being NO OBJECTION, Amendment 7 was adopted.

Co-Chair Thompson MOVED to ADOPT Amendment 8:

Page 2, line 6:

Delete "sec. 9" in both places

Insert "sec. 11" in both places

Vice-Chair Saddler OBJECTED for discussion.

Mr. Therriault indicated that the amendment was a conforming amendment. In the bill there was language that clarified that the IEP and the Sustainable Energy Transmission and Supply Development Funds (SETS) were to be used only for the IEP. He stated that the drafters identified a change needed on page 2, line 6 to incorporate the addition rolled into the CS.

Vice-Chair Saddler WITHDREW his OBJECTION. There being NO OBJECTION, it was so ordered.

[9:53:56 AM](#)

Co-Chair Thompson commented that members of the House expressed concerned with AIDEA getting too stretched in its ability to bond. He asked for Mr. Leonard's remarks.

Mr. Leonard reported that the authorizations were just endorsements that allowed AIDEA to utilize the tools. If AIDEA's capacity was ever pushed to a point where board members did not feel AIDEA had the bonding capacity available, then the authorizations would not be used. He added that as AIDEA went forward in examining several of the larger energy projects it would be looking at more than just the general obligations but also at revenue bonds. In using revenue bonds based on the revenues from a

transmission line, for example, they would not count against AIDEA's bonding capacity because revenue from a project would be used to back the bonds. Several of the projects would likely use revenue bonds which would not affect AIDEA's capacity. He reiterated that the authorizations allowed AIDEA to utilize bonds as a financing tool.

Co-Chair Thompson discussed that SB 23 contained certain restrictions. The original legislation removed four words, "On the North Slope". He stated that the AIDEA board was initiated by the legislature to take the politics out of the equation. However, he felt that HB 105 had turned into a political football. He pointed out that projects of which the AIDEA board had performed its due diligence were profitable and successful. He added that the only projects that had failed were those that the legislature interfered with by directing AIDEA. He reiterated his disappointment in the politicizing of the current legislation before the committee.

[9:57:23 AM](#)

Vice-Chair Saddler MOVED to REPORT CSHB 105 (FIN) out of committee with individual recommendations and the accompanying fiscal note. There being NO OBJECTION, it was so ordered.

CSHB 105(FIN) was REPORTED out of committee with a "do pass" recommendation and with one previously published zero fiscal note: FN1 (CED).

[9:57:57 AM](#)

AT EASE

[10:00:49 AM](#)

RECONVEYED

Co-Chair Thompson reviewed the list of testifiers online and invited Representative Gattis, the sponsor of the bill, to make her presentation.

#hb80

HOUSE BILL NO. 80

"An Act repealing the requirement for secondary students to take college and career readiness assessments."

[10:01:10 AM](#)

REPRESENTATIVE LYNN GATTIS, SPONSOR, explained that HB 80 was a repeal of the mandate from the previous year's omnibus education bill, HB 278. School districts were required to facilitate the mandate for all secondary students to take the American College Testing (ACT), Scholarship Aptitude Test (SAT), or WorkKeys exam. Last session HB 278 had provisions for funding for the purchase of the exam within the Department of Education and Early Development (DEED). However, school districts were left with an unfunded mandate. She pointed out that testing took instruction time away between teachers and students and created an administrative burden for school districts to coordinate and provide testing. She argued that HB 80 would relieve school districts from an administrative obligation and would save DEED \$525 thousand per year. School districts supported the elimination of all unfunded mandates due to the current budget crunch. The testing was an additional hurdle for students that had fulfilled all of the other criteria necessary to graduate. She pointed out that the packet she had distributed to members included several letters from school districts detailing the burden of providing the testing to students. She concluded that HB 80 would remove the new testing mandate before it became an expected tradition.

[10:04:27 AM](#)

Representative Gara reported that he had been contacted by a number of school officials about the possibility of administering an annual exam once every four years. He could not recollect the name of the test. In changing the time between testing the state would save a significant amount of money. He wondered if Representative Gattis knew the name of the test.

Representative Gattis believed he was speaking of the Alaska Measures of Progress (AMP) test which was not part of the current legislation. She had thought of including the AMP test in the bill and went so far as having a committee substitute drafted, but felt limited on time. There were other issues having to do with the AMP test

including federal funding that needed to be thoroughly investigated which would take time. Therefore, she left it out of the bill. She added that the Senate had a bill currently being vetted regarding the AMP test. She summarized that HB 80 was limited to the ACT, the SAT, and the WorkKeys exam.

[10:05:45 AM](#)

Representative Gara wanted to hear from DEED about the AMP test because of the potential cost savings.

[10:06:12 AM](#)

Representative Wilson clarified the version of the bill for consideration. She asked about what happened to the test information once a student completed one of the three exams.

Representative Gattis did not know but the department would be able to answer the question.

Representative Wilson wanted to know the answer. She also wanted to know about any requirements in terms of providing exam locations. She wanted to know how the state benefited.

Co-Chair Thompson relayed that Deena Paramo from the Matanuska Borough School District was available for questions as well as Les Morse with DEED available.

[10:07:40 AM](#)

LES MORSE, DEPUTY COMMISSIONER, DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT, reiterated that the question was how the data was used. He stated that for the particular assessment the department received the data for the purpose of verifying student participation. The state also took the number of participating students and calculated the percentage of students participating within the state's school rating system to determine whether students were taking the assessment. The exam was the means of determining college career readiness and the state's school accountability system.

[10:08:57 AM](#)

Representative Wilson asked if the state was grading its schools based on whether students participated in the assessment test rather than student performance.

Mr. Morse responded that the exam was a participation requirement. He added that the state used other assessments for achievement and performance. The test was used to determine performance for the Alaska Performance Scholarship but not for state purposes of accountability.

Representative Wilson wanted to hear from the Matsu superintendent. She relayed her personal experience taking the ACT. She wondered if the school districts were required to administer the test during the school day.

DEENA PARAMO, SUPERINTENDENT, MATSU BOROUGH SCHOOL DISTRICT (via teleconference), indicated that the current discussion was what the district had evidenced in the current year. She pointed out some of the unintended consequences; additional work for counselors, lost instruction time in the classroom because of assessments being administered during school hours, and a significant amount of paperwork. The fact that students could choose one of three different tests also complicated the process. Another downside was that students were given one attempt. If, for example, a student was ill on the day of the exam, changing the date required completing a hurdle of paperwork. It also meant that a student would have to register on a weekend day on their own time. She added that ACT, SAT, and WorkKeys scores remained with a child's transcript.

[10:11:15 AM](#)

Representative Wilson understood that the primary reason for the test was to satisfy a requirement for the Alaska Performance Scholarship. She thought the fee to take the test was minimal. She was concerned with the costs and the classroom time lost because of the test requirement.

[10:11:50 AM](#)

Vice-Chair Saddler asked about the second repealer that repealed AS 14.03.75(b) regarding students that did not qualify for a diploma because of failing to take a college and career assessment. He wanted to know the practical result if the bill was amended and the statute repealed. He

wanted to clarify that if a student did not take the test they could still receive a diploma.

Representative Gattis stated that essentially the state mandated each student to take one of three tests, whether or not they passed it, in order to get a diploma. She emphasized that even if a student did all the required course work and passed all of the associated assessment measures, they could not receive a diploma unless they took the ACT, SAT, or WorkKeys exam. Simply stated, HB 80 allowed students who had completed their course work and received all of their credits to receive their diploma.

[10:12:55 AM](#)

Representative Gara understood that the tests would become voluntary. He wanted to know why Representative Gattis removed the provision that the state or the school district could pay for the testing.

Representative Gattis responded, "That is an interesting word, whether they can or they shall."

Representative Gara clarified that currently it was "shall."

Representative Gattis stated he was correct. She added, "It must. The state must pay for it. This is mandated."

[10:13:48 AM](#)

Representative Gara asked Representative Gattis why she was deleting the provision for the state to pay for testing for students that wanted to go to college or to pursue higher education through vocational training.

Representative Gattis responded that she deleted it so the state would not have to bear the cost of the testing. The student would pay to take one of the three exams rather than the state having to pay for it. She pointed out that there was a provision for students who could not afford to pay for the testing. Her staff would explain.

[10:14:28 AM](#)

STEVE RICCI, STAFF, REPRESENTATIVE LYNN GATTIS, indicated that there was a provision for a waiver for low-income

students. The College Board, the company that sells and distributes the ACT and SAT, reported that for students who received a waiver they would also receive additional benefits that were not available through the state. He suggested that, for instance, low-income students would receive four free college application waivers. He highlighted that low-income students benefited more by attaining the waiver from the College Board than receiving the testing from the state.

[10:15:31 AM](#)

Representative Gara understood that free college application waivers were available. However, he wondered if a student could get a waiver for the fees associated with taking the ACT, SAT, or WorkKeys exam. He asked if there was a WorkKeys waiver. He also asked if there was an ACT and SAT waiver based on income.

Representative Gattis stated there was a waiver for the ACT and SAT exams through the College Board. The WorkKeys test was available through the Department of Labor and Workforce Development (DOLWD).

Representative Gara wondered why Representative Gattis removed the regulations for people with disabilities and referred to AS 14.07.165.

Mr. Ricci asked Representative Gara to repeat his question.

Representative Gara indicated that the statutes addressed regulations the department was allowed to adopt to assist students with disabilities. He wondered why the legislature would take away the power to grant assistance to students with disabilities.

Mr. Ricci offered to do additional research. His interpretation was that people with disabilities would still have the ability to test, but it was not explicit that it was mandatory that the state provide the testing.

[10:17:04 AM](#)

Representative Gara commented that it was not the way he read it but thought more information was necessary. He had one question for Ms. Paramo regarding the AMP test. He purported that it costed school districts a significant

amount to provide the test on an annual basis. He asked for her thoughts on alternatively providing the test once every four years. He wondered if it would save her school district money.

Ms. Paramo emphatically supported a four-year rotation for the AMP test. Additionally, the test provided similar information about schools rather than about individual children's learning. There were other assessments that were more informative that parents and teachers relied on as well as school districts in making daily decisions. She would also support eliminating the AMP test completely.

Representative Gara asked about the potential savings from moving the test from an annual exam to a test administered once every four years.

Ms. Paramo relayed that the state paid for the cost of testing materials. The school district spent approximately \$15 Thousand per testing session for additional staffing to accommodate and process the assessment.

[10:19:10 AM](#)

Representative Guttenberg wondered what the state would lose in terms of test scores. He suggested that the bill would change the demographics of students taking the test regardless of the availability to students who could not afford it. He wanted to know if there was something the state needed or required to determine a student's grade which the state would no longer have access to with the passing of HB 80.

Representative Gattis verified that he was talking about the ACT and SAT exams versus the AMP test.

Representative Guttenberg confirmed he was talking about the ACT and the SAT.

Representative Gattis tried to paraphrase Representative Guttenberg's question about those students that did not take any of the tests. She clarified that in the current statute if a student did not take one of the three tests, they would not graduate. She wondered if Representative Guttenberg's question had to do with determining the purpose of the testing mandate.

Representative Guttenberg responded in the negative. He discussed the ranking of states in terms of how they are doing in educating students. He suggested that by changing the way Alaska was doing its testing the numbers would be skewed one way or another. He wondered if Alaska would lose credibility with a scoring system.

Representative Gattis remarked that because it was the first year there were no numbers to lose or gain. She was looking to eliminate the test before the state utilized the initial data. She was unaware of what the state would do with the testing numbers being a new mandate.

Mr. Morse indicated that currently the state used the information to verify participation. He did not anticipate any loss of credibility with any ranking organization. All students chose to take one of three assessments. The legislation was brought forward to create a college or career readiness environment within schools. With the state covering the costs associated with the testing it broadened student access and helped students to meet requirements associated with the Alaska Performance Scholarship. He reiterated that waivers for the ACT and SAT exams were available to low-income students and helped to preserve student access to testing.

Mr. Morse anticipated a loss in the number of testing sites. He relayed that without a state contract testing could not be conducted during school hours, thus, reducing the number of testing sites. He stressed that the main question was whether the test should be required to receive a diploma. He conveyed that DEED did not have a strong feeling about the issue one way or another. He confirmed that the department thought it was good to take the test. However, it also understood the current financial climate. Returning to Representative Guttenberg's question, he did not believe there would be a loss of credibility.

[10:24:20 AM](#)

Representative Guttenberg asked if the waiver applied to the fee or having to take the test.

Mr. Morse clarified that if students met a low-income requirement, the non-profit companies, ACT and the College Board, would give those students a fee waiver to allow them to take the test without cost.

10:24:54 AM

Representative Munoz mentioned getting rid of the high stakes exam, the High School Graduation Qualifying Exam (HSGQE) in the previous year and replacing it with the three choices of exams. She wanted to make sure that students did not have to pass the exam to get a diploma, they simply had to take it. She asked if she was correct.

Mr. Morse responded in the affirmative. He added that taking any of the three tests (ACT, SAT, or WorkKeys) would satisfy a student's participation requirement.

Representative Munoz asked the sponsor about whether she had considered also removing the testing requirement for the Alaska Performance Scholarship (APS) and rather relying on a student's grade point average for qualification of the APS.

Representative Gattis responded that she had not thought of Representative Munoz's idea. She reported that the feedback she received from different people was that they would find the funding for their children to take the exam. She spoke of her first two years as the Education Committee Chair. She had asked school districts to provide her with unfunded mandates so she could address them. In the current year schools were focused on eliminating unfunded mandates. She opined that the testing detracted from the state's main mission. She also offered that the testing results did not help the school districts teach kids adding that many kids were moving to different areas. She believed she had addressed and discussed the issue of folks not being able to afford an exam. She conveyed that if school districts had kids that could not afford the test but wanted to take one they would find a way to fund the testing.

10:27:06 AM

Vice-Chair Saddler asked about the way in which students with disabilities were treated. He wanted to know whether students with disabilities who wanted to take career assessment tests, even in the absence of a mandate, would be able to do so. If so, he wondered if the schools would be required to accommodate disabled students with special needs by state policy.

Representative Gattis relayed that schools already made accommodations for students on a daily basis as part of their Individualized Education Program (IEP). In terms of testing, schools would continue to make necessary accommodations. She stipulated that she was basing her answer on her own life experience.

Vice-Chair Saddler specifically asked if schools would be mandated to accommodate disabled students. He restated his first question which was whether disabled students who wanted to take the assessments in the absence of the state mandate be allowed to do so.

Mr. Morse responded in the affirmative.

Vice-Chair Saddler asked if schools, by policy, would be obligated to accommodate the special needs of students with disabilities.

Mr. Morse specified that if the testing was not state mandated the testing would not be administered during school hours. The testing would not be run by the schools but by either the non-profit for SAT [ACT] or College Board for SAT. Both assessments allowed for accommodations and were made available to students that needed them.

[10:29:14 AM](#)

Vice-Chair Saddler clarified that schools would not have to make accommodations but the College Board or the ACT authority would make accommodations.

Mr. Morse responded affirmatively.

[10:29:26 AM](#)

Vice-Chair Saddler wanted to clarify a question asked by Representative Munoz. He wondered if it was correct that in order to qualify for the APS a student had to take one of the assessments.

Mr. Morse responded positively.

[10:29:42 AM](#)

Representative Gara referred to the disability provision in AS 14.07.165 (a)(5) and (b). Currently, for a student with

a disability the department was required to adopt regulations that might address the conditions, criteria, procedure and scheduling of the assessment, things needed to accommodate someone with a disability and required to adopt regulation. He asked why it was no longer needed.

Mr. Morse stated that the reason it would no longer be needed was that the schools would not be doing the assessment. The College Board and ACT would be responsible for conducting assessments and providing necessary accommodations provisions. He elaborated that the current statute was mandating schools to follow the same provisions laid out by ACT and SAT. He concluded that the world would not change for students with disabilities.

[10:30:59 AM](#)

Representative Gara asked about WorkKeys.

Mr. Morse's understanding was that WorkKeys was part of ACT and the same accommodations would be provided. However, WorkKeys was not conducted in the same type of setting where there were certain test days.

Representative Gara asked what AMP stood for and where he would find it in the statutes.

Mr. Morse answered that AMP stood for Assessment Measures of Progress. It was the standards-based assessment required in statute, also required under federal law, and was the assessment used for state accountability given in grades 3 through 10.

[10:32:42 AM](#)

Representative Gara asked if the state would incur a federal penalty if the legislature decided to move the AMP to being administered every four years.

Mr. Morse confirmed that there would be a federal penalty. He elaborated that the \$97.5 million the state received for the elementary and secondary education act would be at risk.

Co-Chair Thompson stated that HB 80 would be brought up again at 1:30 pm at which time public testimony would be heard.

#

ADJOURNMENT

10:33:46 AM

The meeting was adjourned at 10:33 a.m.