

HOUSE FINANCE COMMITTEE
April 18, 2015
9:04 a.m.

9:04:02 AM

CALL TO ORDER

Co-Chair Thompson called the House Finance Committee meeting to order at 9:04 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

Tim Grussendorf, Staff, Senator Lyman Hoffman; Deven Mitchell, Executive Director, Alaska Municipal Bond Bank Authority, Department of Revenue; Jane Pierson, Staff, Representative Steve Thompson; Representative Charisse Millett, Sponsor; Michael Hanley, Commissioner, Department of Education and Early Development; Grace Abbott, Staff, Representative Charisse Millett; Representative Geran Tarr.

PRESENT VIA TELECONFERENCE

Cindy Moore, Self, Anchorage; Butch Moore, Self, Anchorage.

SUMMARY

HB 44 SEXUAL ABUSE/ASSAULT PREVENTION PROGRAMS

There being NO further OBJECTION, CSHB 44(FIN) was REPORTED out of committee with a "do pass" recommendation and with one new zero fiscal note from the Department of Education and Early Development.

SB 46 MUNI BOND BK;REG HEALTH ORGS;JT ACT AGENCY

CSSB 46(FIN) was REPORTED out of committee with a "do pass" recommendation and with one previously published indeterminate fiscal note: FN1 (DHS); and one previously published fiscal impact note: FN2 (DHS).

#sb46

CS FOR SENATE BILL NO. 46(FIN)

"An Act relating to the Alaska Municipal Bond Bank Authority; authorizing the Alaska Municipal Bond Bank Authority to issue bonds or notes for a regional health organization or joint action agency; and providing for an effective date."

[9:04:57 AM](#)

TIM GRUSSENDORF, STAFF, SENATOR LYMAN HOFFMAN, noted that the bill had been previously before the committee on March 26, 2015. He spoke to the changes in the bill that were made by the senate, and shared that they were identical to changes made in HB 101. He walked through the explanation of changes:

The CS for Senate Bill **46**(FIN) makes the following changes form the Senate Bill **46**:

Bill Language Changes

1. The CS lowers the total amount form \$250 million to \$205 million that the bond bank can finance for Regional Health organization.

2. The CS only allows for the bond bank to finance no more than 49 percent of any one project in the state.

3. The CS states that the 49 percent bond bank financing is contingent on the balance (51 percent) of the total project cost being secured/delivered prior to bonding.

4. The CS states that no single Regional Health Organization borrower can be access more than 50 percent of the \$205,000,000 bonding authority.

5. The CS allows for Joint Action Agencies to utilize the bond bank.

Co-Chair Thompson noted that Representative Gara had joined the meeting.

Representative Wilson could not find language pertaining to the 50 percent bonding authority on page 6.

Mr. Grussendorf replied that \$102.5 million was 50 percent of the \$205,000,000 bonding authority.

Representative Wilson assumed that the fund would never exceed \$205 million.

Mr. Grussendorf concurred with the assumption.

Co-Chair Thompson noted that Representative Kawasaki had joined the meeting.

Vice-Chair Saddler asked whether the \$102.5 million was per project, or for all Regional Health Corporations.

DEVEN MITCHELL, EXECUTIVE DIRECTOR, ALASKA MUNICIPAL BOND BANK AUTHORITY, DEPARTMENT OF REVENUE, replied that the \$102.5 million would be the limit per project.

[9:09:15 AM](#)

Co-Chair Thompson queried the definition of a "joint action agency" as it was written in the legislation.

Mr. Mitchell replied that joint action agencies were entities created by state law that required utilities to come together and form an agency in instances where facilities were being acquired from the state

Vice-Chair Saddler noted that the bonds bank had recently expanded to cover the University. He wondered which entity the bank would expand to next.

Mr. Mitchell thought that the university had synergy with the bond bank that had worked well, the Regional Health Organizations had similar synergy of goals. He said that a future synergy between the state and a capital need could result in another expansion. He asserted that there were no plans for future expansion on the horizon.

[9:11:04 AM](#)

Vice-Chair Saddler asked how Mr. Mitchell would respond to a legislative request to extend the bond bank to tribal organizations.

Mr. Mitchell replied that it was hard to project what an extension would entail. He said that tribal organizations had issues specific to tribal finance. He understood that there could be challenges associated with dealing with sovereign entities.

Vice-Chair Saddler asked whether there were limits to bond authority expansion.

Mr. Mitchell replied that there would be limits on what could be bonded for on a tax exempt basis.

Vice-Chair Saddler asked how the department evaluated, balanced, compared, and prioritized bonding requests.

Mr. Mitchell answered that the willingness of the bond bank to consider partnering with regional health organizations had developed during collaborative talks between the Board of Directors of the bond bank and the department. He believed that the partnership would benefit the quality of care in rural part of the state and ensure that services were delivered in a financially minimized fashion.

Vice-Chair Saddler asked again how the bond bank prioritized the bonding capacity for different users.

Mr. Mitchell replied that the financing requests that would come before the bond bank were prioritized in statute and in department regulation. He offered to provide further information.

Co-Chair Thompson noted that Representative Munoz and Representative Pruitt had joined the meeting.

9:13:55 AM

Representative Edgmon spoke in strong support of the project. He categorized the project as an innovative and a responsible financing mechanism. He spoke to the stellar credit rating of the bond bank. He requested clarification on Page 6 of the document, and pointed out that the bill would transfer more risk to the investor, or builder of the project, and contained additional sideboards.

Mr. Mitchell answered that the bill protected the state's participation in the proposed financings by requiring partners in the financing. He explained that the state would be financing a minority interest of the total funding and the partner would be expected to provide an additional 51 percent of the project costs. He noted that the structure would prove to create greater financial security for the state.

Representative Edgmon observed that the project had been carefully crafted.

Representative Kawasaki noted that the bill would add non-profit regional health organizations. He asked whether joint-action agencies could be for-profit entities, and whether those agencies were rate regulated.

Mr. Mitchell answered that the entities were non-profit and were not rate regulated. He added that joint-action agencies set their power rate based on a break-even proposition and had no profit motive.

Representative Kawasaki wondered whether the bill should recommend that someone outside of the municipal bond bank review requests by examining the need of the requesting region.

Representative Gara believed the bill was strong and hoped that it would receive committee support. He queried the bank's opinion of the policy change found on Line 21 of the bill; the bond bank would no longer finance more than 49 percent of a project.

Mr. Mitchell asserted that the change made it easier for the bond bank to support the bill because it mitigated risk. The change would require the partner to provide

either equity, or alternative funding sources, to share in the risk.

9:20:36 AM

Mr. Mitchell followed up on an earlier question by Vice-Chair Saddler. He read from AS 44.85.180:

(d) In deciding to purchase municipal bonds of a municipality, the bond bank authority shall give preference to the municipalities referred to in AS 44.85.005. In addition, the following, listed in order of preference, are preferred purposes of the municipal bonds that may be considered by the bond bank authority for purchase: schools, waste water treatment facilities, fire protection and public safety facilities, public health facilities, and public transportation facilities.

Vice-Chair Saddler pointed to Page 3, lines 18 to 19, which added conditions to the issuance of bonds for regional health corporations. He asked what form documentation of an anticipated need the bond bank would require from the Department of Health and Social Services.

Mr. Mitchell replied that a letter from the commissioner or a certificate of need analysis would suffice.

Representative Pruitt wondered what the benefit of increasing the regional quality of care actually meant, and did it include cost savings.

Mr. Mitchell answered that it was a two-pronged test; the first would be a recognition that there would be an improvement of the quality of care in the region, and that the state expected that the facility would result in a financial benefit to the state through reduced costs.

Representative Pruitt asked about the moral obligation to the state.

Mr. Mitchell answered that the bill did not require a full-faith credit pledge of the state. He listed the tiers of credit to which an entity could obligate itself. He believed that if the state saw an opportunity to increase the quality of healthcare in the state, which would also benefit the state financially, the benefits were worth the

risk. He relayed that the risk would be minimized to the extent that the bond bank would be obtaining an authorization, not a requirement, to lend money. He stressed that the bank intended to be repaid 100 percent of the time, questions about an organizations financial viability could result in impairment of their ability to access the program.

[9:26:43 AM](#)

Representative Kawasaki spoke to the add-on for joint-action agencies. He understood that the commissioner of DHSS would detail a significant financial benefit to the state, but that joint-action agencies would not bear that burden of proof. He appreciated the sideboards that had been crafted into the legislation, but expressed concern that the joint-action agencies could place the bond bank at risk.

Mr. Mitchell answered that the difference was warranted due to the different nature of the organizations. He said that a municipality that owned a utility would not be subject to the Regulatory Commission of Alaska (RCA) setting its rates; rates could be adjusted at the city council level based on need, their loans would be evaluated based on the merits of the enterprise activity. The joint-action agency, as was currently provided for in statute, would be similar in nature.

Vice-Chair Saddler reiterated his concern about the expansion of the bond bank's authority. He thought that the bond bank should provide a guideline as to the limitations of the bank's financing authority expansion.

Mr. Mitchell restated the question for clarification. He contended that the question was a difficult one because the state's interest would be the basis of why the bond bank program would be taking action in the first place. The bank would be providing an opportunity to borrow at lesser cost than would otherwise be available.

Vice-Chair Saddler asked if there was a standard for the state's interests.

[9:31:21 AM](#)

Mr. Mitchell replied that the parameters for the standard were broad.

Vice-Chair Saddler asked whether the Municipal League had offered a position on the legislation.

Mr. Mitchell replied that he had not heard any concerns from the Municipal League.

Representative Wilson asked about the difference between using Alaska Industrial Development and Export Authority (AIDEA) versus the Alaska Municipal Bond Bank Authority (AMBBA) to fund projects.

Mr. Mitchell believed that the AMBBA program was more streamlined than AIDEA, which resulted in a more efficient program. He added that the bank had a program that was set up strictly as a credit enhancing program, which allowed the bank to provide lower costs and better execution. He thought that having several funding options for projects was beneficial to local municipalities.

[9:35:10 AM](#)

Representative Wilson wondered whether a program could be funded by both the bond bank at 50 percent, and another agency in the state for the other 50 percent.

Mr. Mitchell replied it was possible. He said that the organizations involved would need to be in good communication with each other.

Representative Wilson thought that it would be good for the committee to have a better understanding of underutilized state agencies. She voiced support for the project.

Representative Munoz whether the joint-action agency language spoke to only municipally owned utilities, or could it be a combination of a non-profit and a municipality.

Mr. Mitchell understood that the statute offered a small window of potential joint-action agencies because they were required to consist of several utilities that were coming together to purchase a facility previously owned by a state agency.

[9:38:35 AM](#)

Representative Munoz understood that that joint-agency was directed specifically to the Southeast Alaska Power Agency (SEPA) and would not include other organizations, such as the Inside Passage Electric Cooperative (IPEC).

Mr. Mitchell answered that IPEC would not qualify unless they were purchasing utilities formerly owned by the state.

Representative Munoz understood that a joint-agency could apply for up to 100 percent of its financing for a project.

Mr. Mitchell replied in the affirmative.

Representative Pruitt wondered at what point the bank would reach the limit in its ability to expand bonding capacity.

Mr. Mitchell answered that it would be a moving target. He likened the bond bank's credit to a form of cosigning indirectly by the state. He relayed that the state would have a lesser rating than the current AAplus if the authority were based on the borrowers in the current pool; the pool size was limited because the state was small. He believed that the state's financial strength would inform the bond bank's expansion limit.

[9:42:32 AM](#)

Co-Chair Thompson OPENED public testimony

Co-Chair Thompson CLOSED public testimony.

Vice-Chair Saddler MOVED to REPORT CSSB 46(FIN) out of committee with individual recommendations and the accompanying fiscal notes.

There being NO OBJECTION, CSSB 46(FIN) was REPORTED out of committee with a "do pass" recommendation and with one previously published indeterminate fiscal note: FN1 (DHS); and one previously published fiscal impact note: FN2 (DHS).

[9:43:26 AM](#)

AT EASE

[9:45:37 AM](#)

RECONVEYED

#hb44

HOUSE BILL NO. 44

"An Act relating to sexual abuse and sexual assault awareness and prevention efforts in public schools."

9:45:37 AM

Co-Chair Neuman MOVED to ADOPT the proposed committee substitute for HB 44, Work Draft 29-LS0258\P (Glover, 4/17/15). There being NO OBJECTION, it was so ordered.

JANE PIERSON, STAFF, REPRESENTATIVE STEVE THOMPSON, explained the changes in the legislation. She shared that a section had been added to address dating violence and abuse awareness and prevention efforts in public school. She noted that the changes could be found on Page 2, line 15.

REPRESENTATIVE CHARISSE MILLETT, SPONSOR, testified that the legislation had been crafted closely to Erin's Law, with the addition of the dating violence curriculum. She reminded the committee that the state face an epidemic in the area of child abuse and child sexual assault. She believed that the legislation was important to address the plight of sexual assault, and the subsequent social issues that stemmed from abuse.

9:48:58 AM

Co-Chair Neuman shared a constituent story pertaining to dating violence.

9:50:24 AM

CINDY MOORE, SELF, ANCHORAGE (via teleconference), urged the committee to support the legislation. She revealed that 21 other states currently mandated schools to address dating violence. She furthered that patterns of dating violence starting in the teen years carried over into adult relationships as domestic violence. She shared that her daughter, Breanna, had been shot and killed by her abusive boyfriend. She lamented that she and her husband had not been aware of the abuse. She asserted that ignoring the vastness of dating violence and its devastating consequences sent the message to young people that dating violence was a legitimate behavior. She hoped that lawmakers would use their power to fight for the lives of

young people. She offered national statistics related to teen dating violence. She contended that, statistically, Alaska was the most dangerous state in the nation based on the Federal Bureau of Investigations (FBI) four major violent crime categories of murder, aggravated assault, robbery, and forcible rape. She added that Anchorage and Fairbanks were on the Forbes 2015 list of the nation's most dangerous cities for women. Alaska leads the nation in rapes per capital at three times the national average. Alaska has the nation's highest rate of women murdered by men at two and a half times the national average. She believed that teen dating violence awareness curriculum could have saved her daughter's life.

BUTCH MOORE, SELF, ANCHORAGE (via teleconference), testified that 81 percent of parents were unaware of teen dating violence. He spoke to a proposed amendment to the legislation that would help educate peers about what to do if they suspected a friend was being abused. He noted that his daughter's friends had been aware of the abuse, but had not known how to reach out for help. He believed that the education and tools contained in the legislation would immediately save lives. He likened the dating violence prevention to seat belts being installed in cars to prevent fatal accidents. He spoke to a national study performed by the National Conference of State Legislators that found that 75 percent of all youth grades 7 through 12, were dating; in the prior 12 months of the survey, 10 percent of those people experienced teen dating violence and another 10 percent experience some sort of sexual assault or rape. The numbers in Alaska were much higher.

[9:59:23 AM](#)

Co-Chair Neuman shared that families had approached him before concerning the issue of sexual abuse. He asserted that the problem needed to be addressed.

Co-Chair Thompson CLOSED public testimony.

Representative Wilson thought that there was already someone within the Department of Education that was assisting on the development of curriculum related to Erin's Law.

MICHAEL HANLEY, COMMISSIONER, DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT, relayed that the department had one

staff member that focused on health in Alaska's schools through the previous administration's Choose Respect campaign. He added healthy relationships had been added into a small percentage of the state's high school and middle school curriculum. He said that the program was optional for districts and, while making a difference where offered, was not reaching all schools or elementary schools. He said that the currently optional programs were not comprehensively reaching all of the schools in the state in the way that was suggested in the legislation.

Representative Wilson wondered how much the curriculum in the bill would cost. She asked why oversight of the program by the department had not been written into the bill.

Commissioner Hanley responded that the question would be more appropriately addressed to the bill sponsor. He said that he had seen examples of curriculum that could be available at little, to no, cost. He understood that several school districts had K-12 sexual abuse prevention programs already in place. He conceded that some districts had testified that there would be additional cost to implement the legislation.

[10:05:26 AM](#)

Representative Wilson expressed discomfort with the sexual abuse prevention part of the legislation. She asserted that teachers were not social workers; she believed that the committee needed to hear from the Office of Children's Services (OCS) concerning mandatory reporting.

Representative Pruitt asked how the bill would change current policies.

Commissioner Hanley replied that it would solidify and quantify what was expected from each of the school districts so that all students, across the state, had access to the education.

Representative Pruitt understood that teachers were already mandatory reporters of sexual abuse.

Commissioner Hanley replied in the affirmative.

Representative Pruitt queried whether teachers were already required to undergo training specific to recognizing signs of sexual assault or dating violence.

Commissioner Hanley replied that mandatory reporters: certificated staff, administrators, athletic coaches, went through training to recognize signs of potential abuse and neglect, and to know when they were obligated to report instances. He said that the bill spoke to training for teachers, which could overlap with training they had already received, but also highlighted the teacher's responsibility to educate students on the issues of sexual abuse and dating violence.

Representative Pruitt noted that the Erin's Law portion of the bill pertained to grades K-12. He expressed concern for exposing children to issues surrounding sexual abuse. He worried about the age appropriateness of the material for certain children.

[10:09:32 AM](#)

Commissioner Hanley replied that children should be informed but not exposed to inappropriate material. He stated that the language in the bill directed local school boards to determine the best way to move forward for the students under their per view. He relayed that he had experienced healthy, age appropriate materials with programs already in schools. He noted that parents already had the choice to option out of the current offerings. He pointed out to the committee that the current legislation also maintained the parent's choice to option out of the proposed programs. He asserted that the bill did not mandate inappropriate curriculum, but rather required school districts understand their responsibility in meeting the needs of their students in regard to health education and sexual abuse.

Representative Gara asserted that under the legislation the training would be under local control and age appropriate. He asked whether that language covered the issue of teaching children things beyond the scope of their years.

Commissioner Hanley answered in the affirmative.

Vice-Chair Saddler noted a provision on Page 2, line 10, which offered parents the choice to option out of school

sexual awareness training for their children. He called on parents to be active in the lives of their children.

Representative Wilson felt that the bill was moving too quickly through committee. She argued that the bill could have negative repercussions.

Representative Wilson MOVED to ADOPT conceptual Amendment 1:

Page 1, line 11

Delete "shall"

Insert "may"

Page 2, line 16

Delete "shall"

Insert "may"

Representative Gara OBJECTED for the purpose of discussion.

Representative Wilson believed that the proposed legislation would burden school districts with a program that would have no oversight by the state.

[10:15:29 AM](#)

Co-Chair Thompson clarified where the amendment would affect the bill.

Co-Chair Neuman believed the amendment would be considered friendly by the bill sponsor.

Representative Edgmon wondered whether the amendment would negate the intent of the bill.

GRACE ABBOTT, STAFF, REPRESENTATIVE CHARISSE MILLETT, believed that the amendment would make the bill unnecessary. She asserted that school districts already had the capacity to implement the programs laid out in the bill; 50 percent of the state's districts already had active programs.

Representative Wilson did not believe it took away the effectiveness of the bill. She contended that the Department of Education would not be monitoring the

implementation of the program throughout the state. She wondered whether schools could lose funding if parents complained to the department about the program.

Ms. Abbott replied that the teeth of the bill lay in the word "shall" and requiring that school districts implement the curriculum.

Representative Wilson disagreed. She feared that there would be negative repercussions for schools that did not adopt the curriculum laid out in the bill. She believed that the language was inconsequential if there was no one from the department that would be monitoring the bill.

[10:18:20 AM](#)

Co-Chair Neuman noted the zero fiscal note and agreed that the conceptual amendment was unnecessary.

Representative Wilson maintained her argument.

Commissioner Hanley replied that the department worked with districts to build the capacity to implement programs and maintain compliance with state statute.

Representative Wilson understood that if a district was out of compliance the department would withhold funding.

Commissioner Hanley reiterated that the department would work with the district in order to bring that district into compliance. He asserted that one tool available to the department was the ability to withhold funding; Commissioner Hanley stressed that the tool was not favored, and had never been applied. He recognized that when districts were intentionally out of compliance with state law the department had the responsibility to respond.

[10:20:34 AM](#)

Representative Wilson felt that the fiscal note was not really zero because the department would have to provide oversight for the legislation. She opined that the bill created an unfunded mandate that could lead to the potential withholding of funds to districts.

Representative Pruitt wondered whether the department had information on the proposed programs that could be provided

to the various districts in order for them to determine whether they wanted to facilitate the programs.

Commissioner Hanley replied that it would be up to local districts whether or not to implement the programs, but that the department would work alongside each district to work through challenges.

Representative Kawasaki reiterated concerns that the amendment would weaken the intent of the bill.

Vice-Chair Saddler requested further clarity in the department's answer.

Commissioner Hanley reiterated that the department had never withheld funding from a school district, but retained the capability to do so if districts were out of compliance with the law.

Vice-Chair Saddler demanded a yes or no answer to the question of whether the department would withhold funding from schools that did not implement the programs laid out in the bill.

Commissioner Hanley replied that the question begged something more than a yes or no answer.

Co-Chair Neuman wondered whether school would be considered in compliance by simply providing to students documents on the subject matter.

Ms. Abbott replied in the affirmative.

Representative Munoz wondered whether there were provisions in state law that would allow a community to opt out of the policy.

Commissioner Hanley replied that statute would have to be changes to reflect the possibility of schools to opt out of a state law.

[10:25:03 AM](#)

Representative Wilson wondered whether a school would be in compliance by sending home age appropriate materials to be discussed at home.

Ms. Abbott believed that if the materials were sent home without any classroom discussion time the school would not be in compliance.

Representative Wilson understood that classroom time would be necessary for both the dating violence and the sexual assault pieces of the bill.

Ms. Abbott clarified a teacher hanging out documents during class would qualify as class time. If the materials were placed in a mailbox or back pack without any discussion, the school would be out of compliance.

A roll call vote was taken on the motion to adopt conceptual Amendment 1.

IN FAVOR: Wilson, Gattis, Pruitt

OPPOSED: Edgmon, Gara, Guttenberg, Kawasaki, Munoz, Saddler, Neuman, Thompson

The MOTION FAILED (3/8).

Co-Chair Neuman noted that the Rasmuson Foundation had committed funds to help support the legislation.

Co-Chair Neuman MOVED to REPORT CSHB 44(FIN) out of committee with individual recommendations and the accompanying fiscal note.

Representative Wilson OBJECTED. She spoke to her objection. She WITHDREW her OBJECTION.

There being NO further OBJECTION, CSHB 44(FIN) was REPORTED out of committee with a "do pass" recommendation and with one new zero fiscal note from the Department of Education and Early Development.

#

ADJOURNMENT

10:29:40 AM

The meeting was adjourned at 10:29 a.m.