

SENATE FINANCE COMMITTEE

April 15, 2015

9:01 a.m.

9:01:44 AM

CALL TO ORDER

Co-Chair MacKinnon called the Senate Finance Committee meeting to order at 9:01 a.m.

MEMBERS PRESENT

Senator Anna MacKinnon, Co-Chair
Senator Peter Micciche, Vice-Chair
Senator Click Bishop
Senator Mike Dunleavy
Senator Lyman Hoffman
Senator Donny Olson

MEMBERS ABSENT

Senator Pete Kelly, Co-Chair

ALSO PRESENT

Senator Cathy Giessel, Sponsor; Erin Shine, Staff, Senator Anna MacKinnon; Deven Mitchell, Executive Director, Alaska Municipal Bond Bank Authority, Department of Revenue; Representative Steve Thompson, Sponsor; Representative Cathy Munoz, Sponsor; Representative Lynn Gattis, Sponsor.

SUMMARY

SB 46 MUNI BOND BANK LOANS TO REG HEALTH ORGS

CSSB 46(FIN) was REPORTED out of committee with a "do pass" recommendation and with one new zero fiscal note from the Department of Revenue; and one new indeterminate fiscal note from the Department of Health and Social Services.

SB 53 ADVANCED PRACTICE REGISTERED NURSES

SB 53 was REPORTED out of committee with a "do pass" recommendation and with one new fiscal

impact note from the Department of Education and Early Development.

HB 140 LEG. APPROVAL: AK RAILROAD REVENUE BONDS

HB 140 was REPORTED out of committee with a "do pass" recommendation and with one previously published zero fiscal note: FN1 (CED).

CSHB 158(FIN)

REFINED FUEL SURCHARGE;MOTOR FUEL TAX

SCS CSHB 158(FIN) was REPORTED out of committee with a "do pass" recommendation and with attached letter of intent; one new fiscal impact note from the Senate Finance Committee; one new zero impact note from the Department of Revenue; and one previously published zero impact note: FN1 (DEC).

CSHB 161(HSS)

MEDICAID: USED DURABLE MEDICAL EQUIPMENT

CSHB 161(HSS) was REPORTED out of committee with a "do pass" recommendation and with one previously published zero impact note: FN 1(DHS).

#sb53

SENATE BILL NO. 53

"An Act relating to advanced practice registered nursing; relating to certified direct-entry midwifery; and providing for an effective date."

[9:02:47 AM](#)

SENATOR CATHY GIESSEL, SPONSOR, stated that she was available for questions.

Vice-Chair Micciche discussed the attached fiscal note from the Department of Commerce, Community and Economic Development, with the appropriation for Corporations, Business, and Professional Licensing. The allocation was corporations, business, and professional licensing. The fiscal note for FY 16 was \$7,500 with zero in the ongoing years to FY 21.

Co-Chair MacKinnon announced that the fiscal note was receipt collection authority for the division. Senator Giessel agreed.

Vice-Chair Micciche MOVED to REPORT SB 53 out of committee with individual recommendations and the accompanying fiscal note. There being NO OBJECTION, it was so ordered.

SB 53 was REPORTED out of committee with a "do pass" recommendation and with one new fiscal impact note from the Department of Education and Early Development.

[9:05:02 AM](#)

AT EASE

[9:06:46 AM](#)

RECONVENED

#sb46

SENATE BILL NO. 46

"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; and providing for an effective date."

[9:06:57 AM](#)

Vice-Chair Micciche MOVED to ADOPT the proposed committee substitute for SB 46, Work Draft 29-LS0447\1 (Wallace, 4/14/15). Co-Chair MacKinnon OBJECTED for discussion.

ERIN SHINE, STAFF, SENATOR ANNA MACKINNON, explained the committee substitute allowed for regional health organizations to utilize the municipal bond bank to assist to provide health care facilities by providing capital funds through loans. She stated that the committee substitute lowered the amount from \$250 million to \$205 million as the total the bond bank could finance for regional health organizations. The committee substitute also allowed for the bond bank to finance no more than 49 percent of any one project. In addition, the 49 percent financing was contingent on the balance or 51 percent of the total project costs being secured or delivered prior to bonding. The last change in the committee substitute stated

that no single regional health organization borrower could access more than 50 percent of the \$205 million bonding authority. The committee substitute also allowed for joint action agencies to utilize the bond bank. She added there were also some conforming and technical changes in the committee substitute.

Co-Chair MacKinnon remarked that there was a requested amendment from Trey Acteson during the public testimony hearing to allow CEP out of Petersburg, Ketchikan, and Swan Lake, therefore allowing the joint action agency declared a political subdivision. There was not clear direction about whether they qualified for the bonds.

[9:09:46 AM](#)

DEVEN MITCHELL, EXECUTIVE DIRECTOR, ALASKA MUNICIPAL BOND BANK AUTHORITY, DEPARTMENT OF REVENUE, explained that the joint action agencies were similar to port authorities, in as much as they were created by a conglomeration of municipalities for delivering energy to the communities. Therefore, the joint action agency was similar to a current mandate within the bond bank.

Senator Dunleavy wondered if the bill was an appropriate method, and queried any concerns that Alaskans may experience related to the legislation. Mr. Mitchell asked if Senator Dunleavy referred to the joint action agency or the broader aspects of the bill.

Senator Dunleavy clarified that he was referring to the committee substitute. Mr. Mitchell stated that the suggested changes would alleviate some concerns that were discussed in the committee. The addition of the joint action agency did not cause any concern, because it was a similar mission to the current mission. He stated that the bank already lent money to the region for electric generate cost, and was only a portion of the electrical generation provided to the region. The regional health organization lending was new to the bond bank. The committee substitute provided some comfort, because 51 percent of the project was a fund requirement from other sources, so there were borrowing partners. There were also partners in evaluating credit, with less exposure on a per loan and project basis.

[9:12:24 AM](#)

Senator Dunleavy asked if the bill would provide a low risk high return outcome. Mr. Mitchell replied in the affirmative. He stated that there would be significant financial benefits to regional health organizations for any portion of the project financing that was accomplished through the bond bank.

Senator Dunleavy wondered if the bill would be a low risk high return for the state itself. Mr. Mitchell deferred to the Department of Health and Social Services (DHSS). The discussed project would increase the level of health care to the region, to the extent that the state paid for the cost through matching federal programs, the costs would be reduced.

Senator Dunleavy asked if the bill was low risk or medium risk specifically for the state. Mr. Mitchell responded that it must be low risk. There must be 100 percent expectation of loan repayment.

Senator Dunleavy wondered if there were any issues regarding the addition of the energy entities. Mr. Mitchell replied in the negative.

Vice-Chair Micciche stressed that the state was not issuing bonds, rather the state was issuing the authorization for the bank to issue a bond. He requested a short discussion regarding due diligence and risk evaluation, in order to assure the public that the committee was not authorizing the issuance of a specific bond. He queried the process for issuing bonds. Mr. Mitchell replied that the bond bank program was a loan program. The bank had a long history of loans that had 100 percent repayment. The process required an entity to provide an application; the application was reviewed by the bank staff; then reviewed by a third party financial advisor; resulting in a loan recommendation. He explained that there were often scenarios that outlined credit enhancements through the loan structure, to ensure loan repayment. The bank would then provide a positive recommendation to the board, and the board must approve the loan. He stated that the board approved more than 90 percent of the loan recommendations, but only after significant discussion. He shared that there was occasion where the board suggested additional work prior to an entered loan. The bank often refined the structure, and returned to the board at a later date. He stated that the

bank tried not to deny an application, but rather suggest appropriate alternatives.

Vice-Chair Micciche queried the state's input in the decision making process. Mr. Mitchell replied that the state's involvement depended on the specific partners. He remarked that the bank did not have a title interest, but rather a pledge of revenue generation related to the actions of an enterprise.

9:23:06 AM

Co-Chair MacKinnon REMOVED her objection. There being NO further OBJECTION, Work Draft 29-LS0447\1 was ADOPTED.

Co-Chair MacKinnon wondered if the committee substitute provided an acceptable solution to provide Bethel an opportunity to follow through on a process while still protecting the state. Senator Hoffman replied that the committee substitute accomplished the proposed goals, and would broaden the liability, and reduces the exposure by the state. He remarked that the corporation felt that they could accomplish their original goal. He stated that Bethel had some of the highest cost of living with the lowest health care in the state, which encompassed an area nearly the size of the state of Washington. The loan would provide funds for a major health care facility in the region; provide increased health care services, which would eventually improve the health care in the region; provide an additional 200 jobs; the jobs would then spur additional housing to the region. He felt that the legislation was beneficial to both the state and the Yukon-Kuskokwim Delta.

Senator Dunleavy wondered if there would be a fiscal note discussion. Co-Chair MacKinnon replied in the affirmative.

9:26:40 AM

Co-Chair MacKinnon looked at the original version of the legislation and noted that there were some anticipated GF dollars. She wondered if the bank needed an additional \$20 million of GF for the reserve accounts to balance the bonds. Mr. Mitchell responded that the discussion related to the previous size, and the reserve requirement would diminish. He remarked that the bank had a reserve account to buy an assured policy for the purpose of purchasing the

increased reserve requirement. The cost would then pass through to the Regional Health Organization.

Co-Chair MacKinnon wondered what the bond bank would need from the state, if the request was moved forward. Mr. Mitchell responded that the reserve requirement would be diminished by the downsizing of the authority.

Senator Dunleavy asked why access to the municipal bond bank to joint action agencies was in the best interest of the state, when they already have the power of a public facilities. Mr. Mitchell responded that there were often many different alternatives to entities. He stated that the organization had an alternative, but the bond bank provided a lower cost alternative. He stated that there was a time when the bank could not fund municipal requests for power generation. Those statutes were amended first to allow the bond bank the authority for diesel power generation, and subsequently hydroelectric power generation.

[9:31:38 AM](#)

Senator Dunleavy he wondered if the state's credit would back the project to a level where revenue bonds could be used. Mr. Mitchell replied that the full faith in credit would not be pledged, rather the state would pledge a moral obligation.

Senator Dunleavy wondered if the ceiling for the bond bank was aggregate or single project. Mr. Mitchell replied that the limit was \$1.5 billion for municipal loans, and an additional \$87.5 million for power/heating projects. He stated that the bill would provide an additional \$205 million authority. The \$1.5 billion for the general program had approximately \$40 million paid off bonds per year, which resulted in a \$40 million cap retirement per year.

Senator Dunleavy queried the number allowed in the legislation. Mr. Mitchell replied that the committee substitute provided \$205 million for the Regional Health Organization lending.

Co-Chair MacKinnon furthered that the maximum for the legislation was approximately \$100 million. She explained that the \$205 million was set to allow other regional corporations to have funding available under the same

circumstances. She shared that it was better to have more than one candidate in the pool. Mr. Mitchell agreed.

Senator Dunleavy looked at page 7, lines 23 through 25. Co-Chair MacKinnon shared that no one single project can maximize the use of over 50 percent of the funds. Mr. Mitchell agreed

[9:36:11 AM](#)

Vice-Chair Micciche looked at page 7, lines 23 through 25, and noted that the paragraph on the limitation did not apply to bonds or notes issued to fund or refund. He wondered if that section meant that the bond bank could refinance debt in addition to the \$205 million, which was not originally issued by the bond bank. Mr. Mitchell replied that the language mirrored language in Section C for the main program of the bond bank. The inclusion of the language was not intended for an extra limit for refinancing opportunities. It was intended to allow for the mismatch between a potential refinancing, and the paying off of outstanding bonds. There could be a multi-year differential between when a bond was refinanced, and when it was ultimately paid off.

Vice-Chair Micciche remarked that the corporation had some substantial funds in a permanent fund, and wondered if that was a consideration in the due diligence in evaluation. Mr. Mitchell responded that the balance sheet of the entity was involved in the consideration of the loan, but those assets were only pledged as a revenue source. The corporation could choose to not offer the assets as collateral. The bank was more interested in the ongoing viability of the organization, and its ability to cover the debt in addition to its current operation.

Vice-Chair Micciche surmised that a health care facility in Anchorage would remain marketable. He felt that a large health care facility may not have a large revenue stream in a smaller community like Bethel. He wondered if location was considered when determining the loan. Mr. Mitchell replied that the value of assets did not typically go into the analysis, as much as the title interest in the building as security for the loan.

Co-Chair MacKinnon remarked that the funding was available for only regional health corporations or any private health

corporations. Mr. Mitchell replied that the funds would be intended for regional health corporations as defined in statute.

[9:41:12 AM](#)

Senator Bishop assumed that the utility would pass the savings as lower rates to the consumers because of the lower cost of borrowing. Mr. Mitchell agreed.

Vice-Chair Micciche addressed the fiscal notes.

[9:44:00 AM](#)

AT EASE

[9:45:29 AM](#)

RECONVENED

[9:45:33 AM](#)

Vice-Chair Micciche commented that the fiscal note needed to be updated.

Vice-Chair Micciche looked at the indeterminate fiscal note from Department of Health and Social Services.

Co-Chair MacKinnon queried the expected changes in the forthcoming fiscal note. Mr. Mitchell replied that the fiscal note services line would be diminished similar to the size of the issuance authority.

Co-Chair MacKinnon queried costs related to adding the joint agencies. Mr. Mitchell did not anticipate any added costs.

[9:48:58 AM](#)

AT EASE

[9:50:52 AM](#)

RECONVENED

[9:51:00 AM](#)

Senator Hoffman commented that the legislation was a unique opportunity to finance and improve health care in rural areas of the state.

Senator Bishop echoed Senator Hoffman's comments. He supported the committee substitute, and felt that it was a reasonable compromise.

Senator Olson remarked that he had practiced medicine in the rural offices, and shared that there was a great lack of facilities in some villages.

Vice-Chair Micciche MOVED to REPORT CSSB 46(FIN) out of committee with individual recommendations and the accompanying fiscal notes. There being NO OBJECTION, it was so ordered.

CSSB 46(FIN) was REPORTED out of committee with a "do pass" recommendation and with one new zero fiscal note from the Department of Revenue; and one new indeterminate fiscal note from the Department of Health and Social Services.

[9:54:52 AM](#)

AT EASE

[9:56:49 AM](#)

RECONVENED

#hb140

HOUSE BILL NO. 140

"An Act authorizing the Alaska Railroad Corporation to issue revenue bonds to finance a positive train control rail transportation safety project that qualifies for federal financial participation; and providing for an effective date."

[9:57:18 AM](#)

REPRESENTATIVE STEVE THOMPSON, SPONSOR, highlighted the basic aspects of the legislation. He stated that HB 140 will authorize the Alaska Railroad Corporation (ARRC) to issue up to \$37 million in tax-exempt bonds backed by Federal Transit Administration (FTA) formula funds received annually by ARRC. Bond proceeds will be used to finance Positive Train Control (PTC): a safety program mandated by the federal government without any correlating funding, which is estimated to cost ARRC approximately \$158 million.

Vice-Chair Micciche commented that PTC was an irresponsible unfunded federal mandate, counter to all reasonable metrics related to any substantive reduction to public safety risks.

Vice-Chair Micciche looked at the attached zero impact note.

Vice-Chair Micciche MOVED to REPORT HB 140 out of committee with individual recommendations and the accompanying zero fiscal note. There being NO OBJECTION, it was so ordered.

HB 140 was REPORTED out of committee with a "do pass" recommendation and with one previously published zero fiscal note: FN1 (CED).

[10:01:07 AM](#)

AT EASE

[10:03:56 AM](#)

RECONVENED

#hb158

CS FOR HOUSE BILL NO. 158(FIN)

"An Act relating to a refined fuel surcharge; relating to the motor fuel tax; relating to a qualified dealer license; and providing for an effective date."

[10:04:19 AM](#)

Vice-Chair Micciche MOVED to ADOPT the proposed committee substitute, for CSHB 158(FIN), Work Draft 29-LS060\F (Nauman, 4/14/15). Co-Chair MacKinnon OBJECTED for discussion.

ERIN SHINE, STAFF, SENATOR ANNA MACKINNON, stated that the committee substitute corrected a drafting error related to the labeling of the bill.

Co-Chair MacKinnon WITHDREW her OBJECTION. There being NO further OBJECTION, the Work Draft 29-LS060\F was ADOPTED.

REPRESENTATIVE CATHY MUNOZ, SPONSOR, thanked the committee for considering the legislation. She was comfortable with the change in the surcharge amount and the letter of intent language.

Vice-Chair Micciche looked at the fiscal notes.

Co-Chair MacKinnon clarified the fiscal note component numbers.

Vice-Chair Micciche MOVED to REPORT SCS CSHB 158 out of committee with individual recommendations, attached letter of intent, and the accompanying fiscal notes.

SCS CSHB 158(FIN) was REPORTED out of committee with a "do pass" recommendation and with attached letter of intent; one new fiscal impact note from the Senate Finance Committee; one new zero impact note from the Department of Revenue; and one previously published zero impact note: FN1 (DEC).

[10:08:45 AM](#)
AT EASE

[10:10:39 AM](#)
RECONVENED

#hb161
CS FOR HOUSE BILL NO. 161(HSS)

"An Act relating to the purchase of durable medical equipment under Medicaid; and providing for an effective date."

[10:11:27 AM](#)

REPRESENTATIVE LYNN GATTIS, SPONSOR, explained that the bill was a cost saving measure for the state. The legislation allowed for DHSS to purchase used or refurbished durable medical equipment.

Vice-Chair Micciche addressed the zero fiscal note.

Vice-Chair Micciche MOVED to REPORT CSHB 161(HSS) out of committee with individual recommendations and the accompanying fiscal note. There being NO OBJECTION, it was so ordered.

CSHB 161 was REPORTED out of committee with a "do pass" recommendation and with one previously published zero impact note: FN1 (DHS).

10:13:08 AM

AT EASE

10:14:46 AM

RECONVENED

Co-Chair MacKinnon discussed the following meeting's agenda.

#

ADJOURNMENT

10:15:33 AM

The meeting was adjourned at 10:15 a.m.