

ALASKA STATE LEGISLATURE
SENATE STATE AFFAIRS STANDING COMMITTEE

February 10, 2015

9:01 a.m.

MEMBERS PRESENT

Senator Bill Stoltze, Chair
Senator John Coghill, Vice Chair
Senator Charlie Huggins
Senator Lesil McGuire
Senator Bill Wielechowski

MEMBERS ABSENT

All members present

COMMITTEE CALENDAR

SENATE BILL NO. 6

"An Act exempting the state from daylight saving time; and providing for an effective date."

- MOVED SB 6 OUT OF COMMITTEE

SENATE JOINT RESOLUTION NO. 2

Proposing an amendment to the Constitution of the State of Alaska relating to contracting state debt for postsecondary student loans.

- MOVED SJR 2 OUT OF COMMITTEE

CONTINUING DISCUSSION OF THE IMPLEMENTATION OF BALLOT MEASURE NO. 2 (13PSUM) - AN ACT TO TAX AND REGULATE THE PRODUCTION, SALE, AND USE OF MARIJUANA.

- SCHEDULED BUT NOT HEARD

REVIOUS COMMITTEE ACTION

BILL: SB 6

SHORT TITLE: ELIMINATE DAYLIGHT SAVING TIME

SPONSOR(S): SENATOR(S) MACKINNON

01/21/15 (S) PREFILE RELEASED 1/9/15

01/21/15 (S) READ THE FIRST TIME - REFERRALS
01/21/15 (S) STA, FIN
02/10/15 (S) STA AT 9:00 AM BUTROVICH 205

BILL: SJR 2

SHORT TITLE: CONST. AM: G.O. BONDS FOR STUDENT LOANS
SPONSOR(S): SENATOR(S) MACKINNON

01/21/15 (S) PREFILE RELEASED 1/9/15
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WITNESS REGISTER

SENATOR ANNA MACKINNON
Alaska State Legislature
Juneau, Alaska
POSITION STATEMENT: Sponsor of SB 6.

ERIN SHINE, Staff
Senator MacKinnon
Alaska State Legislature
POSITION STATEMENT: Provided an overview of SB 6.

LYNN WILLIS, representing himself
Eagle River, Alaska
POSITION STATEMENT: Supports SB 6.

THOMAS MAYER, Director
Division of General Services
Alaska Department of Administration
Juneau, Alaska
POSITION STATEMENT: Addressed the impact of Daylight Savings Time on building management.

JAY BUTLER, MD
Chief Medical Officer, and Director
Division of Public Health
Alaska Department of Health and Social Services
Anchorage, Alaska
POSITION STATEMENT: Commented on the health effects from Daylight Savings Time.

MIKE STEDMAN, business owner
Wings Airways

Juneau, Alaska

POSITION STATEMENT: Opposes SB 6.

MIKE WILSON, member

Leadership Council

National Federation of Independent Business-Alaska

Juneau, Alaska

POSITION STATEMENT: Supports SB 6.

SENATOR ANNA MACKINNON

Alaska State Legislature

Juneau, Alaska

POSITION STATEMENT: Sponsor of SJR 2.

KRISTEN PRATT, Staff

Senator Anna MacKinnon

Alaska State Legislature

Juneau, Alaska

POSITION STATEMENT: Offered to provide an overview of SJR 2.

JERRY BURNETT, Deputy Commissioner

Treasury Division

Alaska Department of Revenue

Juneau, Alaska

POSITION STATEMENT: Answered revenue impact questions regarding SJR 2.

DIANE BARRANS, Executive Officer/Executive Director

Alaska Student Loan Corporation/Alaska Commission on

Postsecondary Education

Juneau, Alaska

POSITION STATEMENT: Answered questions on SJR 2.

LANCE STEVENS, President

Juneau Chamber of Commerce

Juneau, Alaska

POSITION STATEMENT: Supports SJR 2.

MIKE COONS, representing himself

Palmer, Alaska

POSITION STATEMENT: Opposes SJR 2.

DAVID NEES, representing himself

Anchorage, Alaska

POSITION STATEMENT: Opposes SJR 2.

ACTION NARRATIVE

9:01:47 AM

CHAIR BILL STOLTZE called the Senate State Affairs Standing Committee meeting to order at 9:01 a.m. Present at the call to order were Senators Wielechowski, Huggins, and Chair Stoltze.

SB 6-ELIMINATE DAYLIGHT SAVING TIME

9:02:10 AM

CHAIR STOLTZE announced that the business before the committee was the consideration of SB 6.

9:02:30 AM

SENATOR ANNA MACKINNON, Alaska State Legislature, Juneau, Alaska, provided a sponsor's overview as follows:

SB 6 is requesting a conversation with the people of Alaska about the repeal of Daylight Saving Time (DST). As many of you know in 1784, Benjamin Franklin in an effort to save "wax and wicks" suggested that we could change the time that we do our daily living activities and save energy. DST was first implemented in the United States in 1918 and in 1966, America adopted the Uniform Time Act. In 2005, the Energy Policy Act extended DST, we're now participating in the moving forward of one hour every day for almost 7 months. Mr. Chairman and members of the committee, I don't have any personal ambition about repealing DST or not, but I would like to bring to your attention is some of the effects that DST has differently than other states on Alaskans, and Americans in general.

9:02:59 AM

SENATOR COGHILL joined the committee meeting.

SENATORY MCGUIRE joined the committee meeting.

SENATOR MACKINNON reviewed statistics from a study referring to health consequences from DST as follows:

I know each of you are aware of the heavy incidences of suicide in Alaska. I alluded to this in a previous session. When I first brought forward DST I asserted that there may be a relationship between suicide and DST and it's just the flipping, it's the changing of times and how everyone's body associates itself with

the sun. We are creatures of this world and the sun and the moon actually does have an effect on our wellbeing and as we move back and forth between these two times that are artificially put before us by the U.S. Government, we are affecting people's health.

In your packets there are studies, we have studies that show that heart attack rates for men in the first 24 or 48 hours coming out of DST in March that your heart attack rates increase by almost 5 percent; as well, we have a study that shows the rates of suicide for men. There's also issues regarding safety in the workplace and car crashes that happen more frequently in the spring. We have feedback from across the state, but specifically Northwest Alaska regarding attendance issues in schools as well as testing issues for our students and how students actually have lower performance rates when we move on and off of DST. While I haven't provided it, I do have the documentation for you, we have studies regarding energy and the increased energy cost, at least in Indiana when they moved on to DST and they saw an increase of \$9 million overall for that increase. What I'm here to tell you is in the past we've moved on and off because of energy issues because of DST and while that may or may not be a fact, from my perspective, we have adverse health effects with this flipping on and off.

[9:06:13 AM](#)

SENATOR MAKINNON addressed support for SB 6 as follows:

I always like to know who is in support and who is in opposition to different pieces of legislation so that we may make sure we bring those particular constituencies to the table when we talk about policy issues that could affect businesses or health. So I would just advise you that some feedback I've received is from the financial markets, they are concerned that moving off of DST would create their employees having to come to work one hour earlier, so we would be off of Wall Street per se by five hours for almost seven months out of the year, so that is a concern that those employees would have to come to work earlier; but, I would refer you to other personal testimony, Mr. Dan Cuddy, [Chairman] of First National Bank Alaska, is in favor of moving the time zone, that's

just one instance of people with different perspectives of this issue, but I wanted to make sure you knew that from a financial perspective people would have to come to work earlier, possibly to meet those markets or change the way that they do business in some way. To counteract that particular assertion, we do have people that believe that technology has brought us a long way and that those business practices could be accommodated in this world for Alaska.

The second group I have heard from when I carried this bill in the past was the networks and the networks said that they may have trouble bringing live TV, like a live football game may be a challenge because of timing issues; so to try to address that particular need we extended the effective date out until 2017 so that those that had to schedule things like Alaska Airlines who we are reaching out to and others that have scheduling issues, cruise ships as an example, that they would have a full year and a half to implement changes and so they could respond. So we have tried to be responsive to people who have suggested troubles for their particular industry. In addition, I had a group of individuals before me yesterday during a meeting environment that was talking to me about DST, those are private tourism companies that have direct schedules to when a cruise ship docks and the specific folks spoke to me yesterday said there may be difficulty getting the last helicopter flight or the last air flight during the evening if we moved forward in time and stayed there.

In favor of DST opposition I believe are over 50 percent of Alaskans. We have a survey that is opening up online right now, that's at [AlaskaSenate.org\DST](http://AlaskaSenate.org/DST). The last time I had this legislation we had over 500 people from across the Alaska, specifically our teachers in Northwest Alaska and as I've said before, are supportive and talked to increased disruption in their classroom.

9:09:42 AM

SENATOR MACKINNON summarized that the DST issue is very important to Alaskans. She noted that she had introduced similar legislation six years prior and added that Senator Wielechowski

also introduced a bill during the Session. She said the difference between the bill she introduced 6 years ago and SB 6 was that the previous bill was tied to specific DST dates. She explained that the federal government can change dates at any time and Alaska would then randomly be forced back on DST. She said SB 6 is tied directly to the federal government's code on time versus the specific dates. She added that the effective date is further out to accommodate those that may be adversely effected by scheduling.

9:10:28 AM

CHAIR STOLTZE asked Senator MacKinnon to address the effects from Alaska's time zone consolidation in 1983.

SENATOR MACKINNON noted that Southeast Alaska is geographically opposed. She noted that Southeast Alaska had given up an hour from consolidation. She pointed out that Southeast Alaska used to be linked to Seattle and they still believe their economy is crucially linked to Seattle. She said Southeast Alaska feels like they have already given up their hour as a team effort for the whole state to align. She specified that there are currently two time zones, Adak and further west is on Hawaii Time.

CHAIR STOLTZE asked how many time zones Alaska had prior to the consolidation.

SENATOR MACKINNON answered five.

CHAIR STOLTZE commented that Alaska had more time zones than the Continental U.S.

SENATOR MACKINNON added that her original attempt was to advance Alaska's time zone and stay off of DST so Alaska would be three hours off of the stock markets and aligned with Seattle. She revealed that Alaska was told that the state could not do that. She said SB 6 is specific about the revolving back-and-forth issue that is directly related to health that is supported with statistics. She conceded that an additional conversation is needed at some point to address the consolidation of five time zones. She noted that the Northwest Arctic's students are impacted from the artificial time change when the sun is at its highest at 3:00 p.m. rather than noon. She stated that sun-time has a significant impact on health. She revealed that while serving on Alaska's Suicide Prevention Council, she hypothesized whether there could be an issue with Alaska's sun-time versus suicide rates and noted that she did not have any proven studies when she carried her previous bill six years ago. She asserted

that she now has some initial research that addresses sun-time versus suicide rates.

CHAIR STOLTZE asked what authorizing entities must be contacted for time zone changes and inquired what the next steps are should SB 6 pass.

SENATOR MACKINNON replied that a letter would be issued by the Alaska Department of Transportation (DOT) to the federal government for the state to make a case for changing a time zone.

9:13:36 AM

ERIN SHINE, Staff, Senator Mackinnon, Alaska State Legislature, Juneau, Alaska, explained that changing a time zone requires a two-step process. She specified that the state would have to exempt itself from the Uniform Time Act and then either pass a resolution or executive order to petition the U.S. DOT.

CHAIR STOLTZE noted that Senator Wielechowski has a companion bill. He asked Senator Wielechowski for any comments.

SENATOR WIELECHOWSKI explained that he has met with Senator MacKinnon and supports SB 6. He noted that when he first ran for office going door-to-door, he was surprised at the magnitude of feeling that people have about DST. He revealed that he surveyed his constituents a year ago and 75 percent supported changing DST.

CHAIR STOLTZE commented that the feeling from constituents is probably higher during March and October.

SENATOR HUGGINS concurred that his constituents feel the same as Senator Wielechowski's constituents. He asked if the Administration supports SB 6.

SENATOR MACKINNON answered that a request was made to meet with the Governor's office and to date there has not been a response that allows her to ask the question.

SENATOR HUGGINS noted that receiving word from the Administration is important in order to unite the regions and understand the rationale and the Administration is the right place to do that. He apologized for addressing DST over the past years because it is artificial and people realize that. He commended Senator Mackinnon for taking on the DST task once again.

9:16:21 AM

SENATOR MCGUIRE noted that she has supported the DST change in the past. She said a series of economic and health impacts were noted and pointed out that the committee had not heard whether the Chamber of Commerce supported SB 6 due to possible DST impact on workplace efficiency.

MS. SHINE noted two DST studies that show a financial impact on businesses where an increase in non-work related websites are accessed as well as an increase in workplace injuries during the time switch in the spring when an hour is lost.

SENATOR MACKINNON noted that an article pointed out that thousands of hours are lost as far as gross domestic product by just changing mechanical clocks twice a year.

SENATOR COGHILL asked why the U.S. DOT must be involved.

SENATOR MACKINNON explained that the U.S. DOT acts as a central location to notify other countries. She reiterated that the state has to make a case for a time zone change with a resolution.

9:19:47 AM

SENATOR COGHILL asked if the Governor is involved in the time zone change request.

MS. SHINE replied that to change Alaska's time zone, the state would have to petition or pass a resolution requesting the U.S. DOT to change the state's time zones.

SENATOR COGHILL asked if a resolution should be prepared in anticipation of a time zone change.

SENATOR MACKINNON replied that she will let Senator Coghill know as soon as she talks to the Governor.

CHAIR STOLTZE explained that in 1983, Governor Sheffield made the personal request to then Secretary of Transportation, Elizabeth Dole during the Regan Administration. He specified that a state generally asks permission for a time zone change rather than demanding a change from the federal government.

MS. SHINE answered that Chair Stoltze is correct.

SENATOR HUGGINS stated that to say Alaska is in a different time zone is an understatement. He noted that the number of days to gain 1 hour of daylight after DST is 6 days in Barrow and 40 days in Miami.

CHAIR STOLTZE announced that the committee will proceed to public testimony.

[9:22:44 AM](#)

LYNN WILLIS, representing himself, Eagle River, Alaska, Supports SB 6. He said most Alaskans want to stop DST. He pointed out that he is concerned that the bill will meet the same fate as five previous bills that did not pass the Legislature since 1999. He stated that the 1983 time zone change placed Alaska's southcentral and western communities on permanent DST. He noted that DST causes problems with the human circadian rhythm where the sun is at its highest during DST at 2:00 p.m. in Anchorage, 3:00 p.m. in Kotzebue and Nome. He opined that proponents have argued that DST is necessary for commerce, a claim that is no longer valid due to the impact from the internet's 24 hour a day business cycle. He said DST works in the temperate zones and tends not to work in the polar or equatorial regions where the length of day either varies significantly or hardly at all. He stated that when DST was moved up a month, mornings without daylight were extended which makes for dangerous working conditions for outdoor workplaces. He summarized that DST does not save energy and noted that no testimony has ever been given or information provided that cites energy savings in Alaska.

[9:27:50 AM](#)

CHAIR STOLTZE noted that he is a co-sponsor for SB 6. He revealed that Senator MacKinnon's previous legislation passed through the House Finance Committee.

[9:28:25 AM](#)

CHAIR STOLTZE announced that committee will stand at ease.

[9:28:37 AM](#)

CHAIR STOLTZE called the committee back to order. He stated that now is the time for the Administration to step forward and note their issues or concerns. He asked Senator MacKinnon if she had any questions for the Administration.

SENATOR MACKINNON noted that the financial impact on the state changing its "mechanicals" twice a year is not known.

CHAIR STOLTZE asked Mr. Mayer for a comment on DST's fiscal or technical impacts on the state.

9:30:02 AM

THOMAS MAYER, Director, Division of General Services, Alaska Department of Administration (DOA), Juneau, Alaska, explained that the DOA manages approximately 20 buildings and the vast majority are on electronic systems that automatically adjust. He specified that electronic systems are simple to adjust and there is minimal savings if Alaska goes off of DST. He said for the buildings that DOA manages, most have had a significant amount of energy work done. He asserted that the DOA does not see any fiscal impact to the department at all.

CHAIR STOLTZE stated that it is hard to put a value on a happier, healthier, more rested workforce.

MR. MAYER replied that what Chair Stoltze noted is pretty hard to do from a facility standpoint. He pointed out that he was speaking specifically from a facility standpoint and did not claim to have personal knowledge of whether or not having DST will make him healthier or not.

SENATOR COGHILL asked Mr. Mayer if the DOA manages some of the DOT's facilities.

MR. MAYER answered no. He explained that the DOA strictly manages facilities assigned by the Legislature or the Administration. He specified that DOA manages 12 public building fund buildings and 6 non-public building fund buildings which are traditionally non-office space buildings that are warehouse type buildings. He specified that DOT manages their own buildings and noted that they have a very large portfolio of buildings as well.

SENATOR COGHILL asked if there is anything that Mr. Mayer would find in opposing the resolution he previously proposed to the Administration to exempt the state from DST.

MR. MAYER answered no.

SENATOR COGHILL noted that DOT should be on the record due to their impact from DST.

CHAIR STOLTZE opined that there is consensus to move SB 6 out of committee. He asserted that all of the Administration's departments should provide comments on any DST challenges.

9:34:21 AM

JAY BUTLER, MD, Chief Medical Officer, and Director, Division of Public Health, Alaska Department of Health and Social Services, Anchorage, Alaska.

CHAIR STOLTZE announced that the committee will not ask Dr. Butler to take a position and asked for general comments. He stated that Dr. Butler's input will not be viewed as the Administration's position.

DR. BUTLER addressed the increased rates of heart attaches after the period DST takes effect and pointed out that the study came from Sweden, an Arctic region rather than a temperate area. He noted another study that revealed increased rates of motor vehicle accidents during the day after the one hour DST change in the spring. He revealed that he had recently looked at the seasonality of suicide. He explained that there is a peak in suicide in mid-summer and another in November. He stated that he cannot say that there is a causation in November is due to the change back to standard time from DST.

CHAIR STOLTZE thanked Dr. Butler and asked if anyone would like to testify.

9:36:55 AM

MIKE STEDMAN, business owner, Wings Airways, Juneau, Alaska, explained that Wings Airways is a tour operator business that caters to the cruise ships in the summer time. He added that Alaska Seaplanes is also a business that he owns that acts as a small commuter airline that flies throughout Southeast Alaska. He said he opposes SB 6 because in the summer time, as the daylight starts to dwindle, there are late trips that will be impacted because of the daylight issue. He explained that floatplanes cannot land on water during darkness. He revealed that Wings Airways' cruise ship business will realize a 20 percent reduction in tours as well as a loss of charter business on Alaska Seaplanes due to the loss of DST. He asserted that SB 6 is a commerce issue that will cause a big impact with a 20 percent loss in revenue for his business.

9:38:50 AM

MIKE WILSON, member, Leadership Council, National Federation of Independent Business-Alaska, Juneau, Alaska, noted that he operates an aviation business in Juneau and stated that his business finds DST to be an inconvenience.

CHAIR STOLTZE noted that Mr. Wilson's company is a helicopter tour business.

MR. WILSON answered correct.

SENATOR COGHILL noted that the timeline for the bill's sponsor takes the movement of cruise ships into account. He asked if Mr. Wilson's company is in the tourism business.

MR. WILSON answered correct. He stated that his business will not be affected because his permits require tours to be completed by 8:00 p.m.

CHAIR STOLTZE asked if Mr. Wilson's permit is based on a local ordinance.

MR. WILSON answered that the permits are federal and regulated by the U.S. Forest Service.

[9:40:41 AM](#)

CHAIR STOLTZE announced that public testimony is closed. He asked Senator MacKinnon if she had spoken to the education community regarding DST's impact.

SENATOR MACKINNON replied that her office is reaching out to every opportunity that it can. She said that she will verify that her staff has reached out to all of the school districts in Alaska.

CHAIR STOLTZE noted that a principal in his district is addressing DST to advise the district's superintendent.

SENATOR MACKINNON specified that she does not want to adversely affect any business. She said after she heard from Mr. Stedman, she reached out to the cruise industry and noted that Mr. Stedman had indicated that it is difficult to change the schedules for the cruise ship because her intention is not to harm anyone but to help people in any way possible. She conceded that there are tradeoffs and asserted that the health aspect is the overwhelming concern for her in advancing SB 6. She said she will run the numbers in the Senate Finance Committee to absolutely understand how businesses will be disadvantaged by SB 6.

[9:43:10 AM](#)

CHAIR STOLTZE stated that he is confident that Senator MacKinnon will continue to research the bill's pros and cons. He said he

has no discomfort in moving SB 6 forward and noted the bill's zero fiscal note. He added that Senator MacKinnon will further study any impacts and noted that the Administration certainly has a right to change the fiscal note.

SENATOR MACKINNON stated that her purpose is to have a policy discussion in front of the people of Alaska. She noted that she had discussions with the Alaska Permanent Fund Corporation and the Department of Revenue regarding the negative impact from SB 6 due to the added time difference when dealing with the financial markets. She reiterated that her concern pertains to the issue of health. She said she would consider a second step to review Alaska's time zones after DST is addressed. She reiterated that the state's legal department revealed that Alaska cannot change to permanent DST.

SENATOR COGHILL commented that every policy the committee brings up uncovers another need for policy. He opined that the time zone really answers more to the objections of this bill than almost anything that he has seen so far. He said if the state is going to be under one time zone, then the flexibility between the furthest east and the furthest west are just going to be in huge tension with DST highlighting that. He asked if there is anything the Legislature can do to help bring the time zone issue up. He assumed that the time zone change is a federal issue. He inquired if a resolution is required for a time zone change.

[9:45:22 AM](#)

SENATOR MACKINNON replied that she has reached out to Alaska's congressional delegation. She pointed out that different states at different times are all trying to get off of DST and specified that time-flipping is a health problem. She noted that Dr. Butler had suggested that time-flipping is similar to jet-lag where some people require 5 to 10 days to adjust.

She summarized that there is nothing that can be done at the current time except recognizing DST's health consequences followed by addressing Southeast Alaska's business issues. She asserted that Alaska's northern and western communities, especially children, struggle with being three hours off of their circadian rhythm. She noted that March and November are higher points of suicide rates in Alaska and she is trying to see if the rates occur after the DST changes. She opined that the state is having huge issues and dealing with DST from a biological perspective is the right way to go.

[9:48:10 AM](#)

SENATOR WIELECHOWSKI noted that switching permanently to DST solves a lot of the business community issues. He asked what Senator MacKinnon's concerns are with switching to permanent DST.

SENATOR MACKINNON answered that she is in favor of a permanent DST and noted that she had originally asked the Legislature's legal department to look at permanent DST. She revealed that the legal department said the state could not switch to permanent DST. She added that the National Conference of State Legislatures revealed that several other states were actually proceeding with eliminating DST. She added that changing DST and time zones at the same time previously delayed legislation. She reiterated that addressing Alaska's time zones should occur after the state is taken off of DST.

CHAIR STOLTZE noted that he erred in saying that there was a fiscal note. He added that the Administration has the opportunity to express any concerns or potential costs.

[9:50:17 AM](#)

SENATOR WIELECHOWSKI moved that the committee move SB 6, [29-LS0111\H], out of committee with individual recommendations and zero fiscal note.

[9:50:27 AM](#)

CHAIR STOLTZE announced that hearing no objection, SB 6 moves from committee.

SJR 2-CONST. AM: G.O. BONDS FOR STUDENT LOANS

[9:50:49 AM](#)

CHAIR STOLTZE announced that SJR 2 is the committee's next order of business.

[9:51:29 AM](#)

SENATOR ANNA MACKINNON, Alaska State Legislature, Juneau, Alaska, SJR 2 sponsor, explained that SJR 2 proposes to amend Alaska's Constitution, a process that is an extremely serious issue. She referred to page 30, Article 9, Section 8 in the Constitution regarding state debt as follows:

No state debt shall be contracted unless authorized by law for capital improvements or unless authorized by law for housing loans for veterans and ratified by a majority of the qualified voters of the state who vote

on the question; Mr. Chairman, what that means is that we can't right now use the full faith and credit for student loans, so our corporation goes out into a bond market and uses a revenue stream to provide opportunities for Alaskans to borrow.

Currently the state interest rates for student loans is 6.7 percent and the federal rate is 4.66 percent; should this be passed into law, the question would go before voters in the 2016 election and the first time we can try to reduce student loan debt, or at least the interest rate we charge, would be in 2018 where we would offer a bond and the first time a student could benefit from this is 2019.

CHAIR STOLTZE pointed out that voting does not have to occur during the general election.

SENATOR MACKINNON answered correct and noted that voting could occur in a special election.

She declared that SJR 2, should it be passed by the people of Alaska, would provide an opportunity to reduce student loan debt through refinancing or lowered interest rates.

[9:53:38 AM](#)

KRISTEN PRATT, Staff, Senator MacKinnon, Alaska State Legislature, Juneau, Alaska, confirmed that Senator MacKinnon had addressed the resolution's main points.

CHAIR STOLTZE asked to verify that there were similar mechanisms for veterans' bonds in 1982 and 2002. He inquired if there are any other bond authorization mechanisms.

SENATOR MACKINNON replied that bonding mechanisms have been for capital improvements that were originally in the Constitution. She noted that Chair Stoltze pointed out that the Constitution was amended in 1982 to include veteran housing. She reiterated that SJR 2 specifically allows an opening for something that is not capital. She noted that there has been conversation about trying to broaden the resolution to give the Legislature the full power and authority to use the state's Triple-A credit rating. She summarized that SJR 2 addresses Alaska's students who are adversely effected by the revenue bond stream and that the people of Alaska support the change.

CHAIR STOLTZE noted that SJR 2 is a constitutional amendment and that he intends to have the Department of Revenue address questions. He asked if there was a time limit or if there was a substantive change on the veteran's housing bonds authorization that required the Legislature to do a new constitutional amendment.

[9:54:27 AM](#)

JERRY BURNETT, Deputy Commissioner, Treasury Division, Alaska Department of Revenue, Juneau, Alaska, explained that the constitutional amendment in 1982 allowed for veterans' mortgage bonds and additional veterans' mortgage bonds was authorized in 2002. He stated that he assumed the change in 2002 was strictly an authorization and not a constitutional change.

CHAIR STOLTZE asked to verify that 2002 was not another constitutional amendment.

MR. BURNETT answered correct. He remarked that using general obligation bonds for student loans would have no adverse effect on the state's credit rating. He noted that student bonds would not be included in the state's calculation of state supported debt due to the secured revenue from the student loan program. He revealed that he sits on the board of the Student Loan Corporation and the Department of Revenue is familiar with the bonding issue. He pointed out that due to adverse market conditions, legislation was passed in 2009 to allow student loans to be financed directly out of the general fund.

CHAIR STOLTZE asked if the difficulty was linked to federal laws.

MR. BURNETT answered no. He explained that the change was in response to the financial crisis where direct student loan lending was locked-up.

[9:58:02 AM](#)

CHAIR STOLTZE recalled that Postsecondary Education prompted the Legislature to pass some statutory changes on requirements.

MR. BURNETT replied correct. He specified that the changes improved the program with additional credit standards. He added that legislation was passed to allow the state to have a letter of credit to support the Student Loan Program's borrowing and finance student loans directly from the general fund.

CHAIR STOLTZE noted that enhanced levels of securitization by the borrower was added.

SENATOR MACKINNON noted that the rating for student credit was changed where students were required to either use parents' credit ratings or have parents co-sign for loans.

SENATOR WIELECHOWSKI noted that there are very interesting provisions in the Constitution's original section about the state being able to contract debt for the purpose of "Repelling invasion, suppressing insurrection, and defending the state in war." He asked what the current student loan rates were and how much the interest rates could possibly be lowered.

MR. BURNETT answered that Diane Barrans could address questions regarding interest rates. He stated that borrowing from the Triple-A rated general obligation debt will result in low interest rate loans when the current money market is sub-three percent.

[10:00:26 AM](#)

SENATOR HUGGINS asked what the default rates were for veterans' mortgages and student loans.

MR. BURNETT answered that he was not certain. He explained that the programs are structured in a way that there's additional security beyond the borrowing to allow a default rate that does not directly hit the lending.

SENATOR HUGGINS noted that student loans have some forgiveness provisions and pointed out that mortgages cannot be forgiven. He asked what the student loan default rate was.

[10:02:06 AM](#)

DIANE BARRANS, Executive Officer/Executive Director, Alaska Student Loan Corporation (ASLC)/Alaska Commission on Postsecondary Education (ACPE), Juneau, Alaska, explained that the current default rate for student loans is 6.6 percent on the overall portfolio. She conceded that the default rate would appear high when compared against commercial loans.

She explained that funding for student loan debt is over-collateralized to ensure that the debt to loan ratio is never one-to-one. She specified that the loan program always has excess in order to offset any impacts to the program's ability to pay debt service or outstanding loans.

She added that there have been no loan forgiveness provisions for some years. She noted that forgiveness for the Teacher Education Loan is being phased out due to an inability to fund the program with debt.

CHAIR STOLTZE asked to verify that there is a medical provider's loan forgiveness program.

MS. BARRANS answered correct. She explained that there is a Washington, Wyoming, Alaska, Montana, and Idaho (WWAMI) Graduate Medical Program where the state directly funds Alaska students' participation with general funds. She specified that students in the WWAMI Program have an obligation to work in the state in order to receive loan forgiveness. Students that fail to comply with loan requirements have to repay the support the state has provided.

[10:04:17 AM](#)

CHAIR STOLTZE asked to verify that there is a medical provider forgiveness program that is paid for with general funds rather than the student loan program.

MS. BARRANS noted that Chair Stoltze was referencing the Providing Support-for-Service to Health Care Practitioners (SHARP) Program which the Legislature has funded. She explained that the SHARP Program pays for a percentage of a student loan if an individual works in eight different medical specialties and works in certain underserved areas.

SENATOR WIELECHOWSKI asked what the current student loan interest rate is and what the percentage will be if SJR 2 passes.

MS. BARRANS answered that the current student loan interest rate is 6.7 percent. She explained that the ASLC Board annually approves borrower benefits and noted that individuals attending school in Alaska receive a 0.50 percent discount, resulting in an interest rate of 6.2 percent.

She noted that financial advisors have indicated that passing SJR 2 could result in interest rates being lowered by 1.0 to 1.3 percent.

SENATOR HUGGINS noted that the University of Alaska is looking at homegrown-teachers that target Alaska's bush-communities and asked if a loan forgiveness will be instituted to support the program.

MS. BARRANS answered that supporting homegrown-teachers with a loan forgiveness program similar to SHARP is a possibility rather than the Teacher Education Loan that is currently being phased out. She explained that the SHARP program has successfully targeted underserved areas where the Teacher Education Loan resulted in a small percentage actually in the field teaching where the program ideally targeted them.

[10:07:41 AM](#)

SENATOR COGHILL asked how the bonding process would work if SJR 2 passed.

SENATOR MACKINNON answered that the revenue source for the bonding service will change where a lower interest is attained through the full faith and credit of the State of Alaska.

MS. BARRANS explained that general obligation bonds addresses the amount of debt beyond an authorized cap. She specified that the ASLC Program goes into the market in February or March in order to coincide with the academic year. She said one of the advantages of having general obligation authority is the process will be more expedited because there will not be the kind of labor intensive work involve with rating agencies that examine student loan cash flow portfolios.

[10:09:57 AM](#)

SENATOR COGHILL asked to verify that general obligation bonding will smooth out some of the cyclical issues by having a ready-bondable system.

MS. BARRANS answered yes.

SENATOR COGHILL asked if the definition for postsecondary education being inserted into the Constitution needs to be flexible.

MS. BARRANS answered that the use of the funding is controlled by the Legislature through the student loan statutes that very explicitly set out what the loans can be used for. She noted that student loans include vocational training that meets certain criteria.

[10:12:01 AM](#)

SENATOR WIELECHOWSKI asked what the formula is to come up with the current 6.7 percent interest rate.

MS. BARRANS answered that the fairly complicated formula looks at the cost of issuance, the cost of debt which ASLC pays, and the cost of servicing.

SENATOR WIELECHOWSKI noted that the federal interest rates are much lower, 4.6 percent for 2014-2015. He pointed out that the state's interest rate for students is over two points higher than the federal interest rate, a significant difference for the tens of thousands of dollars that students take on. He asked if Ms. Barrans had a component breakdown the student interest rate.

MS. BARRANS answered that Congress sets the rate. She explained that because the federal government is not financing the loans through the financial markets, the federal government can essentially choose to subsidize the loans to whatever extent they choose to and that is a matter of federal policy. She said an analogy would be if the State of Alaska funded the ASLC Program with cash and the State of Alaska could set the rate at whatever rate they chose to.

SENATOR MACKINNON pointed out that most students are referred to the federal program to access lower interest rates first, the state's program second, and the private sector third. She noted that the private sector's interest rates depend on what educational career the student is pursuing.

MS. BARRANS agreed with Senator MacKinnon. She pointed out that the Federal Stafford Loan is also available for students, but the interest rate is 0.50 percent higher than the state's rate at 7.21 percent. She added that the ASLC Program also makes students and parents aware of the Family Education Loan as well as the Supplemental Education Loan. She revealed that when the in-state discount is factored in, the state's loan options are 1.0 percent below the federal rate.

[10:15:58 AM](#)

SENATOR HUGGINS asked Ms. Barrans to explain President Obama's proposal to offer education at community colleges.

MS. BARRANS answered that the proposal is in the President's budget. She detailed that the proposal comes with "strings" attached so the entire concept is not free, but the proposal would reduce cost.

SENATOR HUGGINS asked for an explanation of how the "strings" attached to the program will affect Alaska's students.

MS. BARRANS answered that she has not done the analysis nor has she spoken with the University of Alaska.

SENATOR HUGGINS stated that he is not supportive of the President's concept with the attached "strings." He asked if Alaska has a community college campus that will meet the concept's definition.

MS. BARRANS answered yes. She said Prince William Sound Community College and most other campuses that primarily offer associates or lower credentials would qualify. She noted that there are income contingent provisions that are in the President's proposal where students would not qualify if their family incomes reach certain levels.

[10:18:23 AM](#)

SENATOR MACKINNON noted that she has a son with a student loan debt in Alaska. She said she did not think that she will be positively impacted because her son intends to pay off his student loan debt by 2019.

CHAIR STOLTZE inquired if a student's degree is taken into account when assessing a student loan.

SENATOR MACKINNON replied that there is an education component of the student loan program where monthly payments are calculated based upon a student's career choice.

CHAIR STOLTZE noted that the data provided from the calculation was strictly informational.

SENATOR MACKINNON replied yes.

SENATOR WIELECHOWSKI asked what the cost breakdown was for the 6.7 percent rate. He asked what the three components are that make up the percentage.

MS. BARRANS explained that the board annually sets the interest rate that is derived from the three components.

SENATOR WIELECHOWSKI asked if ASLC is a breakeven operation or if money is returned to the general fund.

MS. BARRANS answered that there have been dividends that ASLC has paid to the state. She noted that ASCL has not paid a dividend to the state since 2009. She explained that ASLC's goal

is to do just enough better than breaking even to keep the organization in the black.

[10:21:26 AM](#)

SENATOR WIELECHOWSKI asked if Ms. Barrans had any sense of how the state's interest rate compares with other states.

MS. BARRANS answered that the state's interest rates are quite comparable to other states, but noted that Texas is the exception with a program that is funded through general obligation bonds. She pointed out that Texas actually has loans that range from a 0.0 percent to 5.5 percent.

SENATOR WIELECHOWSKI asked if the Texas model is something Alaska could replicate.

MS. BARRANS answered that replicating a program similar to Texas would seem unlikely due to the state's current financial climate. She explained that Texas has built their large fund source over a 40 year period. She noted that Texas is seriously looking at ending their 0.0 interest rate.

SENATOR COGHILL asked what the cost of debt is for ASLC.

MS. BARRANS answered that ACPS actually services the loans for the ASLC and there are costs associated with servicing. She revealed that other than servicing, the other costs include the interest paid on the debt and the onetime cost of issuance for the bond council rating agency fees.

CHAIR STOLTZE announced that the committee will hear public testimony.

[10:24:29 AM](#)

LANCE STEVENS, President, Juneau Chamber of Commerce, Juneau, Alaska, Supports SJR 2. He said the Juneau Chamber of Commerce feels that any opportunity to increase the participation in continuing education increases the ability to hire and recruit a qualified workforce. He asserted that driving down student debt servicing costs increases the opportunity for repayment, lowers default rates, and sets individuals up for long term success.

SENATOR HUGGINS noted that some states with large industrial bases have companies that buyout student loans. He asked if Alaska has programs that buyout student loans.

MR. STEVENS noted that the Juneau Chamber of Commerce offers class reimbursement within its organization for classes that are business oriented. He specified that students pay upfront and reimbursement is based on achieving a certain qualifications. He said what Senator Huggins referred to is more industry specific.

10:28:04 AM

MIKE COONS, representing himself, Palmer, Alaska, stated that student loans negatively impact taxpayers and harms students' and parents' credit ratings. He opined that there needs to be more encouragement for Alaska's parents to save more money rather than borrowing. He inquired if the Alaska student loans can be used at colleges outside of the state. He added that students who attend colleges outside of Alaska tend not to return. He noted that the 6.6 percent default rate was substantial and asked what the specific default rate was for veterans.

10:32:57 AM

CHAIR STOLTZE noted that he shares a lot of the same personal values with Mr. Coons about personal responsibility and being debt free.

He noted that Ms. Barrans had testified in the past that Alaskans who did not return to the state actually had a higher repayment rate than students who remained in Alaska.

MS. BARRANS acknowledged that Chair Stoltze was correct.

CHAIR STOLTZE added that the state needs to strive to correct the default percentage for instate students.

10:34:23 AM

DAVID NEES, representing himself, Anchorage, Alaska, noted that he is concerned about amending the Constitution to bond for something that is not real property. He stated that he is worried that additional programs might be considered to receive lower interest rates from the state. He asked what the current default rate was. He pointed out that the current loan program pays for 90 percent or 100 percent of the ACPE's budget. He inquired if a lowered loan rate program will ultimately be paid for from the state's general fund.

10:36:48 AM

MS. BARRANS reiterated that the current student default rate is 6.6 percent on the outstanding portfolio. She pointed out that the default rate will continue to decline because a higher

credit requirement has been in place for the last several years. She said the structure from the proposed bill should have no effect in the way ACPE's activities are funded. She stated that ACPE does not expect to shift any of its supported cost to the general fund and costs will continue to be paid from ASLC's receipts.

10:38:00 AM

CHAIR STOLTZE stated that he suspects the bill will receive more scrutiny in the Senate Finance Committee.

SENATOR HUGGINS asked if ACPE has wage garnishment authority.

MS. BARRANS answered yes. She said the Legislature has given ACPE the authority by statute to issue administrative wage garnishments. She stated that wage garnishment is another tool that ACPE uses on a regular basis. She added that ACPE also garnishes Permanent Fund Dividends (PFD). She revealed that ACPE is third in line for PFD garnishment after child support and court ordered restitution.

CHAIR STOLTZE announced that seeing no additional requests, public testimony is closed.

SENATOR WIELECHOWSKI asked after garnishment procedures, what default percentage is actually not recovered.

MS. BARRANS replied that she can provide write-off information. She noted that some write-offs occurs due to death or total disability.

CHAIR STOLTZE asked if the ASLC oversees its default collections.

MS. BARRANS answered that ACPE does instate collections and a third party collection agency is used to pursue some instate and out of state collections.

CHAIR STOLTZE asked what percentage ACPE collects from its defaulters.

MS. BARRANS answered that 15 percent is considered a good rate for badly-aged debt.

10:41:59 AM

SENATOR COGHILL moved to report SJR 2, [29-LS0010\W], from committee with individual recommendations and attached fiscal note(s).

10:42:19 AM

CHAIR STOLTZE announced that seeing no objection, SJR 2 moved out of committee.

CHAIR STOLTZE noted that the committee meeting did not have time to address Ballot Measure No. 2 (13PSUM) - An Act to Tax and Regulate the Possession of Marijuana.

10:43:45 AM

There being no further business to come before the committee, Chair Stoltze adjourned the Senate State Affairs Standing Committee hearing at 10:43 a.m.