

HOUSE FINANCE COMMITTEE
March 12, 2020
9:07 a.m.

[9:07:26 AM](#)

CALL TO ORDER

Co-Chair Johnston called the House Finance Committee meeting to order at 9:07 a.m.

MEMBERS PRESENT

Representative Neal Foster, Co-Chair
Representative Jennifer Johnston, Co-Chair
Representative Dan Ortiz, Vice-Chair
Representative Ben Carpenter
Representative Andy Josephson
Representative Gary Knopp
Representative Bart LeBon
Representative Kelly Merrick
Representative Colleen Sullivan-Leonard
Representative Cathy Tilton
Representative Adam Wool

MEMBERS ABSENT

None

ALSO PRESENT

Erin Shine, Staff, Representative Jennifer Johnston; Anne Rittgers, Staff, Representative Bart LeBon; Luke Welles, Senior Director of Business Development Alaska Native Tribal Health Consortium; Devin Mitchell, Executive Director, Alaska Municipal Bond Bank Authority, Department of Revenue; Myron Dosch, Chief Financial Officer, University of Alaska, Fairbanks; Renee Gayhart, Director, Division of Health Care Services, Department of Health and Social Services; Representative Matt Claman; Sophie Jonas, Staff, Representative Matt Claman; Lacey Sanders, Administrative Services Director, Department of Education and Early Development, Office of Management and Budget, Office of the Governor; Senator Peter Miccichie.

PRESENT VIA TELECONFERENCE

Jason Lessard, Executive Director, National Alliance on Mental Illness (NAMI), Anchorage; Lucas Johnson, Self, Brunswick, Maine; Natalie Fraser, Mental Health Advocacy Through Story Telling, Anchorage; Zoe Kaplan, Mental Health Advocacy Through Story Telling, Anchorage; Lucinda Mahoney, Commissioner Designee, Department of Revenue.

SUMMARY

HB 181 PUBLIC SCHOOLS: MENTAL HEALTH EDUCATION

HB 268 MUNI BOND BANK: UA, LOAN AND BOND LIMITS

CONSIDERATION OF GOVERNOR'S APPOINTEE: LUCINDA MAHONEY,
COMMISSIONER, DEPARTMENT OF REVENUE

Co-Chair Johnston reviewed the agenda for the day.

#hb268

HOUSE BILL NO. 268

"An Act relating to the Alaska Municipal Bond Bank Authority."

9:08:16 AM

Co-Chair Foster MOVED to ADOPT proposed committee substitute for HB 268, Work Draft 31-LS1440\U (Klein, 3/10/20)(copy on file).

Co-Chair Johnston OBJECTED for discussion.

ERIN SHINE, STAFF, REPRESENTATIVE JENNIFER JOHNSTON, relayed that the one difference between the version that came to the committee and the committee substitute (CS) before members, version U, was that the previous version eliminated the \$102.5 million project limit for a single regional health organization project. The cap was removed completely. In the CS on page 3, lines 21-22, the section was reinserted with an increased project limit to \$250 million.

Representative Josephson asked why the cap was increased. Co-Chair Johnson indicated the explanation would be provided by the sponsor.

Co-Chair Johnston WITHDREW her OBJECTION.

There being NO OBJECTION, it was so ordered.

9:10:06 AM

REPRESENTATIVE BART LEBON, SPONSOR, explained that the purpose of the bill was to expand the availability of credit for Alaska's regional health organizations as well as assist the University of Alaska with potential debt refinancing opportunities. Currently, the University's access to the Alaska Municipal Bond Bank was limited.

Representative LeBon provided a brief history of the Bond Bank. About 5 years prior, access to the Alaska Municipal Bond Bank by regional health organizations was established in statute. However, at the time it was established in statute the funding was limited to 49 percent of the cost of a project and capped at \$102 million. The goal of making a change was to allow up to 100 percent financing through the Alaska Municipal Bond Bank and to raise the cap from \$102 million to \$250 million. It raised the ceiling on the total funding through the Bond Bank to \$500 million. The goal of the legislation was to give Alaska's regional health organizations and the University of Alaska an additional tool in their toolboxes.

Representative LeBon indicated that to finance a project currently entities were always looking for the best deal possible whether through a private bank, participation loans, or a bond bank. Part of determining the best deal was determining how much could be financed through the lender. Some lenders might go up to 95 percent and others might be more comfortable at 75 percent. He mentioned a law that came out in 2014 that limited regional health organizations from borrowing more than 49 percent of a project's cost through bond banking creating a condition that forced the regional health organization to seek partnerships. Sometimes partnerships could benefit an organization. He spoke of his banking days and a number of partnerships where there was a lead lender in a deal who would assist in putting together partnerships to benefit the client or customer. The legislation would give the regional health organizations additional options.

Representative LeBon discussed repayment and collateral risks. He explained that it was difficult to define

collateral risk in a traditional way regarding a regional health organization. He provided an example of a traditional collateral risk to a bank. If a home owner did not pay back a home loan, the bank would foreclose on the home. He opined that it was unlikely any bank would want to foreclose on a regional health organization. The risk would likely be cash flow and, the credit risk would be managed. The bill allowed for multiple or single lenders and provided the option for the Alaska Municipal Bond Bank to be the lead lender. He indicated his staff would provide further details.

9:15:23 AM

ANNE RITTGERS, STAFF, REPRESENTATIVE BART LEBON, explained that there were also a few changes to lending to the University of Alaska. It removed the project scope limiting bond bank participation to only heating and energy projects. It also raised the UA project participation cap from \$87.5 million to \$500 million.

Representative Josephson asked if it was possible that the borrower would have more leverage to negotiate with partners. Representative LeBon responded in the affirmative. Additional options helped to drive down rates and provided other benefits.

Representative Sullivan-Leonard saw the benefits of the legislation. She wondered if there were any projects that Representative LeBon was aware of that had not been established because of how the bond rating was currently. Therefore, the legislation being presented would assist in their endeavor.

Representative LeBon was not aware of any projects that lacked financing opportunities. He suggested that if an entity was forced to partner with multiple lenders, it would also force a parody agreement from the multiple lenders. It required a balanced playing field among lenders. The borrower was also required to be aware of the relationships. It was rare in partnerships that the borrower could favor one lender over another. He continued that a parody relationship had to be clearly defined and respected. It was also important for all parties involved in the transaction to have defined agreements in place. He suggested that the more parties that were involved in a transaction, the more complicated the parody agreement

became. He relayed an experience in which there were four partners. The four partners had to reach a common agreement on how the financing would take place. Once the agreement was reached, the partners had to share the agreement with the borrower who rejected the agreement. His point was that the more players involved in a deal, the more complicated the deal would likely become.

Representative Wool asked if there was any competition between Alaska Industrial Development and Export Authority (AIDEA) and the banking industry. Representative LeBon did not believe the banking industry would be threatened by the legislation. In his experience, at times a banking entity might be brought in to do the interim financing such as construction financing. The takeout would be AIDEA, USDA, or the Alaska Municipal Bond Bank Authority. Some entities would not do interim construction financing and would look to the private banks for assistance. He had done several projects statewide in which the bank financed the construction of a building providing the take out. He also understood that the Bond Bank could help with construction financing.

[9:20:20 AM](#)

Representative Wool commented that it looked like several millions were available. He assumed that the funds were for something other than construction. He asked about the 6-fold increase from \$87 million to \$500 million and the kinds of projects that would need a \$500,000 bond bank loan. Representative LeBon thought most of the financing would be related to building a facility and not to purchasing equipment. Equipment was a depreciable asset with a short life. There were other ways to finance or purchase equipment. The biggest benefit for the University was that it would have another option if debt came up for renewal, debt was recallable, or refinancing rates became more favorable. He thought there might be opportunities for the University to lower its debt service because of current low interest rates.

Representative Knopp wondered if in Representative LeBon's banking days he ever financed 100 percent of a home purchase. He referenced the fiscal note and read from it:

In the event of a default by the University or a regional health organization that participates in this

program the State of Alaska would be asked to provide for that debt service, and if the State failed to act on that request a loss of market access, impacts on investor confidence and current credit rating would be expected.

Representative Knopp reported that since 2006 his hospital had taken on hundreds of millions of bond debt for expansion purposes. Since the passage of the Affordable Care Act the area did away with service area mill rates and sold revenue bonds to help to pay down debt. The result was the responsibility was taken from the borough and placed in the hands of the facilities. He was concerned with the state getting overburdened with debt. He wondered if it was possible for the state to avoid having the liability of a revenue bond issuance. He thought the institutions should have some skin in the game.

Representative LeBon responded that the loan-to-value issue in traditional bank loans was important. He recalled that the bank always tried to keep a maximum 80 percent loan to value. He responded to the representative's question about debt service and repayment ability. The loan approval process by a banker weighed what the project could afford to pay back and the predictability of its revenue stream. He wanted to invite a couple of experts to the table.

Representative Josephson asked Representative LeBon to define "Takeout." Representative LeBon responded that a takeout was the lender who followed the construction lender and took out the construction loan and converted it into a long-term mortgage.

[9:25:50 AM](#)

DEVIN MITCHELL, EXECUTIVE DIRECTOR, ALASKA MUNICIPAL BOND BANK AUTHORITY, DEPARTMENT OF REVENUE, introduced himself.

LUKE WELLES, SENIOR DIRECTOR OF BUSINESS DEVELOPMENT ALASKA NATIVE TRIBAL HEALTH CONSORTIUM, introduced himself. He had been on the board of the Alaska Municipal Bond Bank and was currently the chair.

Mr. Mitchell responded to Representative Knopp's question about 100 percent of a project financing and his concerns related to loan to equity issues. He explained that the Bond Bank was not a commercial bank, rather, it was a

public corporation of the State of Alaska. The corporation issued bonds but did not make mortgage loans. He continued that when the corporation looked to an organization, it did not look at a specific asset being financed. It looked at the cashflow-generating capabilities of the organization and what could be pledged to secure the bonds that the Bond Bank would be purchasing from the organization. In the case of regional health organizations, they had some revenues that were not pledge-able, certain federal receipts, and other revenues that were pledge-able. The Alaska Municipal Bond Bank Authority created a lock box situation with the pledge-able revenues in which all the insurance payments, the co-payments, and Medicare and Medicaid receipts that could be pledged flowed through a trustee bank. The trustee bank would have irrevocable control of the account and would ensure that the funding paid debt service before being used for other purposes of the organization.

Mr. Mitchell continued that the organizations had other cashflow associated with the non-pledge-able revenues they received from Indian Health Service (IHS) or from joint-venture agreements that they could rely on to ensure their operations would remain intact even with a diversion of revenue. The Bond Bank would require coverage to be in place such that the amount of revenue coming in would exceed the debt service amount paid on the bonds issued by the bank. In previous instances involving regional health organizations and the Bond Bank, coverage had been robust - equal to multiple times the amount. In a normal revenue situation, coverage might be equal to 1.5 times the amount. He added that when the Bond Bank sold bonds it implemented provisions to avoid a diminution of the credit pledge. The bank conducted an additional bond test ensuring that historical or projected revenue (based on changes in rates and charges) would be sufficient to repay the bonds that might be issued after those of the Bond Bank and provide coverage on the bonds.

Co-Chair Johnston asked if there was a way to define the capacity of the Alaska Municipal Bond Bank. Mr. Mitchell responded that in the current instance, the Bond Bank, as a public corporation, obtained its credit rating based on a moral obligation pledge of the State of Alaska. The Alaska Municipal Bond Bank Authority had existed since 1975 and had never had to rely on a moral obligation pledge. All the loans that had been made had been paid by the underlying borrowers. The program was not a grant or risk program. A

speculative idea without an expectation of being paid 100 percent would not qualify for the program. In the case of the regional health organizations and capacity, it would be a matter of the organizations themselves. The University was a different animal. It was like a conduit revenue bond program unlike a traditional bond bank program which originally started with municipalities.

[9:30:53 AM](#)

Representative Josephson asked Mr. Mitchell to describe how the University was a different animal. Mr. Mitchell responded that the University was a subagency of the state which received much of its funding from the state already. The Alaska Municipal Bond Bank Authority had participated with the University in the past. The Bond Bank had a statute that allowed for the interception of state funds appropriated to one or any of the borrowers prior to disbursement to the lender. The University, with the payments it received from the State of Alaska, fell into a different credit analysis category. The Bond Bank did not have to be quite as stringent with the University as it was with the regional health organizations. The Bond Bank only made loans it expected to get repaid. However, the coverage requirements for the University could possibly be reduced.

Representative LeBon indicated the University had a representative online.

[9:32:04 AM](#)

Representative Josephson noted the University was trying to decrease its square footage. Ten years previously, it made sense to build the Alaska Airlines Arena in his district. Presently, it would not make sense. He asked if the Alaska Municipal Bond Bank Authority considered all factors.

Mr. Mitchell indicated that the University had its own requirements to fulfill in order to issue bonds. It also typically had to have legislative approval to do so. He noted that the Bond Bank was not like a credit card available for use by the University, rather it was an option the University could exercise if it was already planning on borrowing money. The University would look at issuing bonds on its own based on its credit, or it would consider using the Bond Bank, whichever option cost less. The University's chief financial officer, Myron Dosch, had

undertaken analysis in the current interest rate environment. It appeared the University would save money if it refinanced its portfolio through the Bond Bank rather than independently. He concluded that given the strong linkage between the State of Alaska and the University, it was not a step sideways to allow the Bond Bank to help the University save money.

MYRON DOSCH, CHIEF FINANCIAL OFFICER, UNIVERSITY OF ALASKA, FAIRBANKS, spoke in support of the bill. He concurred with the comments made by Representative LeBon and Mr. Mitchell. The bill would provide the opportunity to borrow or refinance obligations at lower interest rates by accessing credit through the Municipal Bond Bank Authority. He suggested that by avoiding interest costs the University would have more money for operations. The University had been able to quantify its position. In the current interest rate environment, if the University were to issue a bond for either new money or refinancing in the amount of about \$50 million over 30 years, the interest rate would be better by about .15 percent. The saving would be approximately \$50,000 per year or about \$1.5 million over the life of the bond. He saw the bill as a way of making opportunities more viable.

Mr. Dosch continued that the University did not anticipate any new construction projects in the next 2 to 3 years. Accessing credit through the Bond Bank would provide an opportunity that it would assess in the future. He reiterated that the University had the authority to issue bonds in its own name which it had done in the past. There were other state statute provisions that limited the size of the bonds the University could issue without seeking legislative authority. The board made its decision based on the University's debt capacity and the mission of any given project. The board was very judicious about debt.

Representative Wool asked for the University's current total debt amount. Mr. Dosch responded that the aggregate total debt was \$297 million. Currently, the annual debt service was about \$28 million.

Representative Wool noted that the bill would allow for \$500 million in debt service per project. He asked if that limit exceeded the cost of any project the University had undertaken in the past. Mr. Dosch responded in the affirmative. He noted that the bill did not provide any

additional authority from the University's perspective. It was merely an avenue for the University to access credit. The University would remain bound by its own authority to issue debt in its name as well as the other statute AS.14.40.253. He explained that when there was a project with expected annual debt service that exceeded \$2.5 million, the statute required the University to seek separate approval from the Legislature.

[9:39:42 AM](#)

Representative Carpenter asked who currently owned the bonds related to the University. Mr. Bosch responded that the University bonds were on the general market and sold on the capital market. They generally had a 10-year call. He elaborated that when the University refinanced, the existing bond holders were paid off and new bonds were reissued. The bonds were owned in the general market - traded and sold in mutual funds, insurance companies, and the like.

Representative Carpenter was curious if there were other organizations that had access to bonding authorities other than the University and regional health organizations. Mr. Mitchell responded that through the program there were other authorized borrowers who had the capability of financing 100 percent of the University's projects. He detailed that the projects themselves were not providing the security or source for repayment. For example, on a general obligation pledge of the City of Kenai or Soldotna, the Bond Bank was not worried about the library or the public safety building being financed. Instead, the Bond Bank was worried about the property tax base or sales tax base being able to provide revenue to be used to pay a bond.

Representative Carpenter noted the significant healthcare inflation in the state. He wondered how the cost of inflation would impact payment risk. He also wondered how getting a handle on inflation would impact payment risk specifically for health care organizations. Mr. Mitchell indicated the Bond Bank would rely on the current construct and on experts to provide information on the expectation in the current market. In terms of the risks moving forward, he thought they were of legitimate concern. He deferred to others.

[9:42:51 AM](#)

Mr. Welles responded that he would break up the question into several questions. He reported that the healthcare facilities being discussed were tribally owned by regional health organizations. The joint venture projects in which facilities were being built included all people within their respective communities. He indicated that reimbursement was primarily through Medicaid (State of Alaska), Medicare (federal government), and third-party insurance with price regulations. Tribal health was unique in that for an individual on Medicaid who was a tribal member of one of the 229 federally recognized tribes in the state, their health care cost was the responsibility of the federal government rather than the state. He noted the 100 percent Federal Medical Assistance Percentage (FMAP) when a member received health care through a tribal health organization.

Mr. Welles relayed that the current projects slated to expand community health services included a \$20 million project in Kotzebue, an \$87 million project in Kodiak, a \$15 million project in Seward, a \$20 million project in Cordova, and a new hospital project in Sitka estimated to cost more than \$300 million. The projects were joint ventures with IHS providing a unique stream of revenue. He explained that when a tribal health organization entered into an agreement with IHS to build an infrastructure project (hospital or clinic), the IHS entered into an agreement with the organization to pay for staffing, operations, and maintenance costs of the facility for 20 years upon the project's completion. The agreement was entered into as part of compact funding tied to self-determination. He elaborated that for the past 35 years Alaska's tribes had looked to the federal government for funding through Public Law 93.6.38. The law allowed for the tribes to take the funding to form regional health organizations.

Mr. Welles continued that the baseline funding for the organizations came from the federal government and was negotiated every year. The regional health organizations were able to bill for third-party care including Medicare, Medicaid, and third-parties. He indicated that the rates of reimbursement for Medicaid and Medicare were cost-based rates. A cost-based rate was an all-inclusive rate determined by taking all of the allowable costs under

Medicare rules each year in the cost reports divided by the number of allowable patient encounters. In turn, the cost per encounter for in-patient services and out-patient services could be determined. Once determined, the cost-based rate was forwarded to the regional health organizations addressing the issue of price inflation. The projects would provide equal opportunity, improved access to and quality of care, and a significant boost to telemedicine services.

Representative Carpenter surmised that if the legislature made the decision to bond, the public would pick up 100 percent of the debt. However, if the conditions changed, the public would be more on the hook than it would be under current law. He was unsure whether federal funds would continue to flow at the same level over the next couple of decades. He thought the situation was challenging and that it was likely that money would dry up. If so, the state would pick up the risk on the bonds more so with the proposed legislation.

[9:49:32 AM](#)

Mr. Mitchell indicated the Alaska Municipal Bond Bank Authority would address the issue through the rate covenant concept in which pledge-able revenues would be a multiple factor of the debt service. There would be limitations on the ability to pledge the revenue. If the revenue diminished in the future, a default would not occur until the diminishment was significant. In the current instance, there was additional comfort that the operation would continue because of the funding packages Mr. Welles described, even if 100 percent of the pledge-able revenues were taken. He reiterated that the Alaska Municipal Bond Bank Authority's process in issuing loans was conservative and, there was a 100 percent expectation of their repayment. The authority tried to accommodate for potential future negative events. It was possible there might be a scenario in which measures were not conservative enough. However, the Bond Bank tried to incorporate any concerns in its process.

Co-Chair Foster heard Mr. Welles mention FMAP. He asked for an example. He noted that there was a hospital in Kotzebue that might be able to take advantage of the program. He asked if a long-term care facility would be a good example.

Mr. Welles responded that Tim Gilbert, the President and CEO of the Maniilaq Association, had provided a letter of support and information about the association's project submitted to IHS. He relayed that although many projects across the United States had been submitted to IHS, five of ten of the selected projects were in Alaska. One of them was the Maniilaq Association's project in Kotzebue. He explained that the project would expand dental services and other outpatient ancillary clinic services at its facility. The Maniilaq facility was the hub for 12 surrounding communities outside of Kotzebue. The Maniilaq Association owned and operated the clinics in the surrounding communities referring patients to Kotzebue when they needed a greater care of service.

Co-Chair Foster was familiar with the long-term facility model. He suggested that if a tribal member had to be placed in a facility not associated with IHS or FMAP, it was his understanding that the federal government would only be responsible for 50 percent of the cost and the state would be responsible for the other 50 percent. Ideally, a tribal member would be placed in a facility that was IHS owned where the federal government paid 100 percent of the costs. He asked if part of the reason for the legislation was to free the state from having to pay the 50 percent. He asked how the legislation applied to dental services.

Mr. Welles explained that the regional health organizations had traditionally provided dental and behavioral health services. Whereas, specialty care and tertiary hospital care had been provided at the Alaska Native Medical Center in Anchorage. If a person needed to see a specialist such as a dermatologist or a cardiologist, they would have to be seen in Anchorage. The regional health organizations provided local care to Alaska Natives and non-natives.

Mr. Welles addressed Co-Chair Foster's question about dental services. He relayed that Mr. Gilbert spoke of an organic growth and a need to expand dental services within the Maniilaq facility. The association also wanted to be able to offer more services closer to home keeping costs as low as possible. He noted a large pediatric dental need in Alaska. Enhancing facilities to handle the pediatric dental need in the rural areas was an important goal.

Mr. Mitchell pointed out that there was an existing provision in statute that required the Department of Health and Social Services (DHSS) to agree that a project would glean a financial benefit to the state and improve quality of care. He continued that partnerships were created in 2015 to ensure both, particularly in rural Alaska.

[9:56:52 AM](#)

Representative Wool used his community-owned hospital as an example. He wondered if it would be eligible to apply to the Bond Bank.

Mr. Mitchell responded that the Fairbanks Hospital would not be eligible to apply directly to the Bond Bank, as it was a non-profit facility. He noted that the Bond Bank had a loan with a long-term care facility in Juneau, Wildflower Court. He elaborated that the City and Borough of Juneau (CBJ) applied to the Bond Bank because they had a close association with Wildflower Court - it was co-located with Bartlett Regional Hospital, a place where patients went after surgery to convalesce, and a place to receive end-of-life care. The facilities were on land owned by CBJ. He noted there was an agreement in place that if Wildflower Court were to fail, Bartlett Hospital would take over operations of the facility. Otherwise, the organization would be looking to issue bonds on a conduit basis through some entity such as Alaska Industrial Development and Export Authority (AIDEA) or the Fairbanks North Star Borough. The borough or the city would have to be willing to commit financially to the Bond Bank, as their credit would be pledged. If the non-profit were to fail, the municipality would take on the debt.

Representative LeBon asked to hear from Ms. Gayhart.

[9:59:20 AM](#)

RENEE GAYHART, DIRECTOR, DIVISION OF HEALTH CARE SERVICES, DEPARTMENT OF HEALTH AND SOCIAL SERVICES referenced 2 lines on page 2. She explained that when the Bond Bank received a project, the department took a look at it from a health and social services perspective. The Medicaid Office and the Office of Rate Review evaluated the project. She continued that in many cases the project would entail a build or an enhancement of existing services. The department considered whether the project would divert travel as new services

were added. Some examples included increasing the number of available dental chairs or enhancing facilities in the outlying areas in order to perform dental crowns locally. The department reviewed travel costs, potential revenue generation, and the costs for additional hospital beds or dental services.

Ms. Gayhart addressed Representative Carpenter's question regarding inflation. The department did not set the rates for tribal health organizations - they were set in the federal register by IHS. The department paid the set rates and was reimbursed 100 percent. She indicated things were more complicated with reclaiming. She noted the state health official letter that came out in 2016. She reported that in some cases when tribal members went to non-tribal sites, if the requirements of the state health official letter were met, the state would receive 100 percent reimbursement. Additional analysis had to be completed to assess how much Medicaid would contribute or alleviate from the state's expenses. Expenses would include items such as transportation or services in another region. The Medicaid Office and the Office of Rate Review compiled the numbers and sent them to the Commissioner's Office to be reviewed and forwarded to the Bond Bank. The information included what the state would contribute. She conveyed that Medicaid was a different payer mix in every region with the Medicaid population being a factor.

Ms. Gayhardt relayed that there was another piece that had to be analyzed. There were several non-native Medicaid beneficiaries that went to tribal health organizations in the regions. They met the regular match qualifications. The state would pay the all-inclusive IHS rate but only receive a reimbursement rate of 50 percent. The State Medicaid Office had a detailed analysis of the numbers before they were sent to the Bond Bank. The department weighed in either supporting or remaining neutral on a project.

[10:02:48 AM](#)

Representative Carpenter wondered what other avenues were available for moving forward with projects if the bill did not pass. Mr. Welles indicated that there were other alternatives. Typically, the other options entailed paying additional interest costs. He used the new hospital project in Sitka as an example. He indicated that the entity was large enough to get its own credit rating and issue its own

bonds. More than likely they would receive an A+ or AA rating based on their financials having the same rating as the Bond Bank and the ability to stand alone.

Mr. Welles continued that the Maniilaq Association might be able to get its own credit rating and issue its own bonds, but perhaps at a credit rating less than that of the Bond Bank at higher interest rates. He noted that a commercial bank was also an option. He reported that the Tanana Chiefs Conference was one of the first entities to go through the Bond Bank. They were able to refinance and save more than \$30 million in interest charges for the life of the financing. He mentioned going to Fitch and Moody's to get credit ratings and provide them with information. Subsequently, with the follow up issuance of bonds in the market they were found to be a good credit risk. In September Tanana Chief Conference Received its own credit rating (single A) and issued \$126 million of bonds on their own with a 30-year term and an interest rate of 3.4 percent. He noted several tools in the tool box.

Representative Wool brought up the hospital in Sitka for \$300 million. He noted that the current cap for a project was \$102 million. He asked if the Sitka project was dependent on the cap being raised.

Mr. Welles replied that it would be helpful to have the cap raised. He noted the project in Bethel associated with Yukon-Kuskokwim Health Corporation (YKHC) was 50 percent to the cap. He relayed that the new hospital was a joint venture project with the U.S. Department of Agriculture (USDA). He was aware of similar projects in Sitka and Anchorage. He added that the larger projects could stand on their own.

[10:07:04 AM](#)

Representative Wool asked if the cost of the Tanana Chief Conference project was \$127 million. Mr. Welles indicated that the amount applied to multiple projects.

Representative Wool clarified that the figure reflected the construction cost of the original project. Mr. Welles indicated that the \$127 million was the refinancing amount of the original project which was \$87 million. There were additional projects underway next door to Fairbanks Memorial Hospital (FMH).

Representative Knopp asked about the hospital in Sitka and whether it changed hands. Mr. Welles responded that the Sitka Community Hospital had been taken over by Sitka Community Health Services (SEARHC) - the two hospitals were becoming one.

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

[10:08:30 AM](#)
RECONVENED

Co-Chair Johnston OPENED Public Testimony.

[10:08:48 AM](#)

Co-Chair Johnston CLOSED Public Testimony.

Co-Chair Johnston would be setting the bill aside.

HB 264 was HEARD and HELD in committee for further consideration.

[10:09:11 AM](#)
AT EASE

[10:09:32 AM](#)
RECONVENED

#hb181
HOUSE BILL NO. 181

"An Act relating to mental health education."

[10:09:32 AM](#)

Co-Chair Johnston invited the sponsor to the table.

REPRESENTATIVE MATT CLAMAN, SPONSOR read prepared statement:

Co-chairs, members of the House Finance committee, thank you for hearing House Bill 181, "An Act relating to mental health education." House Bill 181 amends the existing K-12 public school health education statute to include mental health guidelines for all K-12

health classrooms to educate students on vital information about mental health symptoms, resources, and treatment.

Currently, the Alaska health curriculum guidelines include prevention and treatment of diseases; learning about "good" health practices like diet, exercise, and personal hygiene; and "bad" health habits such as substance abuse, alcoholism, and physical abuse. But the guidelines do not address mental health. HB 181 will result in updating the health curriculum guidelines to include mental health. It is important to keep in mind, however, that the guidelines are voluntary and school districts can choose whether to offer health classes. The local districts retain control of their health curriculum.

Lucas Johnson, who you will hear testify today, was 18 years old and in his junior year at Monticello High School in Virginia's Albemarle County when he and fellow classmates Alexander Moreno and Choetsow Tenzin began lobbying for more mental health resources in their school. From troubling social media posts to bullying to students in distress who felt they had nowhere to turn, Johnson and his classmates saw how unaddressed mental health was hurting their peers.

Johnson and his classmates recognized that while the Virginia Board of Education's Standards of Learning already included some mental health education, the standards were by no means comprehensive. So, they pushed for a law that would require the Board of Education to review and update the health Standards of Living for students in grades 9 and 10 to include mental health. Since this provision was signed into law in Virginia in March of 2018, the State of Maine passed a similar law. Now, we have the opportunity to consider similar legislation in Alaska, where the statistics show that the severity of unaddressed mental health among our youth and teenage populations is nothing short of a public health crisis.

According to the 2017 Alaska High School Youth Risk Behavior Survey, which surveyed 1,343 students in grades 9-12 from 40 high schools across the state, more than 1 in 3 students reported feeling sad or hopeless, for a period of at least 2 weeks, during the

12 months preceding the survey. Furthermore, the SAMHSA National Survey in Drug Use and Health estimates that in 2015 and 2016, 15% of adolescents aged 12-17 reported that they had at least 1 major depressive episode during the 12 months preceding the survey. Both of these studies are included in your bill packets for reference.

HB 181 requires the Alaska State Board of Education and Early Development and the Alaska Department of Education and Early Development to develop guidelines for instruction in mental health education in consultation with the Alaska Department of Health and Social Services, counselors, educators, students, administrators and representatives of national and state mental health organizations and regional tribal health organizations.

After standards have been developed, the Alaska State Board of Education and Early Development and the Alaska Department of Education and Early Development will be responsible for facilitating implementation throughout the Alaska school system, utilizing an existing school health education specialist position to assist in state-wide program coordination. As with existing health education curriculum, the Department of Education and Early Development, the Department of Health and Social Services, and the Council in Domestic Violence and Sexual Assault will provide technical assistance to school districts in the development of curricula.

The state has a responsibility to treat the current mental health crisis in Alaska as a serious public health issue. By creating mental health education standards and encouraging schools to teach a mental health curriculum, HB 181 aims to decrease the stigma surrounding mental illnesses and increase students' knowledge of mental health, encouraging conversation around and understanding of the issue.

Representative Claman indicated his staff, Sophie Jonas, would present a Sectional Analysis of the bill.

[10:15:52 AM](#)

SOPHIE JONAS, STAFF, REPRESENTATIVE MATT CLAMAN read the sectional analysis:

Section 1

Legislative Intent

Adds intent language stating it is the intent of the legislature that the Board of Education and Early Development develop guidelines for instruction in mental health in consultation with representatives of mental health organizations and regional tribal health organizations, including the National Council for Behavioral Health, Providence Health and Services Alaska, Southcentral Foundation, Anchorage Community Mental Health Services, Inc., North Star Behavioral Health System, and the National Alliance on Mental Health Illness Alaska.

Section 2

AS 14.30.360. Health education curriculum; physical activity guidelines. Amends AS 14.30.360 by removing the word "physical" when referencing instruction for health education and adding "mental health" to the list of curriculum items each district includes in their health education programs.

Section 3

AS 14.30.360. Health education curriculum; physical activity guidelines. Amends AS 14.30.360 by clarifying that health guidelines developed by the Board of Education and Early Development must provide standards for instruction in mental health and be developed in consultation with the Department of Health and Social Services and representatives of national and state mental health organizations.

Section 4

Amends the uncodified law of the State of Alaska by adding a new section to read "the state Board of Education and Early Development shall develop the mental health guidelines required by AS 14.30.360(b), as amended by sec. 3 of this Act, within two years after the effective date of this Act."

Ms. Jonas was available for questions.

[10:17:34 AM](#)

[A video was played entitled, "And Mental Health."]

10:21:45 AM

Co-Chair Johnston indicated there was invited testimony. She asked testifiers to limit their testimony to 3 minutes.

JASON LESSARD, EXECUTIVE DIRECTOR, NATIONAL ALLIANCE ON MENTAL ILLNESS (NAMI), ANCHORAGE, spoke in support of HB 181. He provided some background information and important statistics. He reported that one in five teens had a serious mental disorder at some point in their lives. He claimed that 50 percent of all lifetime mental illnesses began by age 14 and 75 percent by age 24. He recognized that mental illness onset was largely happening in the teenaged brain and in the brain of transitional aged youth. He returned to the notion that half of all lifetime mental illnesses began by freshman year of high school for youth. He thought it was imperative to have safe informed conversations with youth about mental illnesses and mental wellness. One of the largest barriers to seeking help was stigma. He asserted that stigma was born of ignorance and education was the most effective antidote.

Mr. Lessard asserted that although there were several great programs educating youth and staff around the state, the programs did not engage directly with Alaska's youth. He thought the bill would help to put standards into place. He asserted that not all programs were created equal. Although some of the programs were created with good intentions, some of them had negative or fatal consequences. He noted the example of ALICE Training - the active shooter drill training. Improperly implemented, the trainings were causing Post Traumatic Stress Disorder (PTSD) in some youth. He also pointed out that interaction between peers was imperative. He mentioned a NAMI program that was presented in schools that had been effective in changing knowledge and attitudes towards mental health as well as seeking help. The National Council on Behavioral Health saw value in early engagement and was currently piloting a teen mental health first aid program in various communities around the state. He stressed the importance of adding mental health to the current health curriculum statute and creating guidelines to ensure that the curriculum was being implemented safely and effectively in the various districts.

[10:27:08 AM](#)

LUCAS JOHNSON, SELF, BRUNSWICK, MAINE, supported HB 181. He spoke of the importance of ensuring that all students had the opportunity to talk about and learn about mental health. He thought it was critical to have mental health education within Alaska's statutes and in its classrooms. He believed that HB 181 was an integral bill to ensuring all students were given the opportunity to learn about one of the most important aspects of their health: mental health. He suggested that it was fundamental to understand that having the requisite language, materials, and knowledge to get help when a person needed it was as important as teaching someone about any other part of their body. He thought HB 181 would ensure that Alaska's youth received what they needed. He thought the statistics mentioned by the previous speaker provided enough evidence that early intervention in teaching youth about mental health was critical. He reiterated his support FOR HB 181.

[10:29:56 AM](#)

NATALIE FRASER, MENTAL HEALTH ADVOCACY THROUGH STORY TELLING, ANCHORAGE, spoke in support in HB 181. She was currently a high school student in Anchorage. She talked about learning about physical health and care. However, she experienced mental health conditions that were detrimental to her wellbeing. She believed that mental illness was thought to be what other people had. She talked about the benefits of suicide prevention programs. She indicated that if she had not received help from a suicide prevention program, she would not be present today. She thought it was important to recognize that life was hard. She reiterated her support for HB 181.

[10:32:59 AM](#)

Co-Chair Johnston OPENED Public Testimony.

ZOE KAPLAN, MENTAL HEALTH ADVOCACY THROUGH STORY TELLING, ANCHORAGE, spoke in support of HB 181. She provided a personal experience with depression. She had a network of support. However, she relayed her observation of others struggling with their mental Health. She thought mental health had not become a topic of normal conversation. She suggested that people were not able to get the help and resources they needed because they did not have the

education to identify what they were experiencing. [The testifier faded in and out during her testimony]. She thought it was neglectful and a risk to Alaska youth not to provide them with information that could potentially save them. She reiterated her support for the legislation.

[10:36:23 AM](#)

Co-Chair Johnston CLOSED Public Testimony.

Co-Chair Johnston wanted to hold questions until after the fiscal note was presented.

Representative Claman indicated he had some concerns with the fiscal note.

LACEY SANDERS, ADMINISTRATIVE SERVICES DIRECTOR, DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT, OFFICE OF MANAGEMENT AND BUDGET, OFFICE OF THE GOVERNOR, reviewed the fiscal note with OMB component number 2796. She detailed that the cost associated with implementation of standards for the Department of Education (DEED) consisted of a total of \$113,000 unrestricted general funds (UGF). The department had requested a multi-year appropriation due to the 2-year implementation covering FY 21 and FY 22. The fiscal note contained 4 one-time multi-year expenses. The first expense in the amount of \$35,000 would pay for a year-long contract with state of national subject matter expert with experience facilitating the creation of the state health education standards. The second expense in the amount of \$60,000 paid for travel for 20 to 30 representatives of mental health organizations to convene in Anchorage for 2 separate 2-day meetings. The next expense was for \$6,000 for legal services costs associated with producing new regulations. Lastly, there was an expense of \$12,000 for the creation and printing and booklets of the new health education standards that would be distributed to 500 schools, 54 school districts, and other health education stakeholders. She noted that the fiscal note reflected the department's standard request when implementing standards. The department had implemented several standards in the past and were being put forward currently. It reflected the associated costs each time the department implemented new standards.

[10:39:11 AM](#)

Representative LeBon asked what the expectation or the responsibility of the Fairbanks School District would be to the program. Ms. Sanders responded that the way the bill was currently written the implementation of standards at the school district level were optional. The Department of Education and Early Development would develop the standards and would present them to the State Board of Education for approval. The department would then work with the school districts to address any concerns.

Co-Chair Foster referred to Ms. Sanders' remark about the fiscal note reflecting a multi-year appropriation. He saw that money was only listed in the FY 21 column. He asked for clarification.

Ms. Sanders replied that the fiscal note was a reflection of the department's needs. The department identified the appropriation as a multi-year appropriation. She continued that the need is listed in the comment box and the analysis on the second page of the fiscal note. She explained that when the legislature reached the point of incorporating the fiscal note appropriations that were approved for bills into the appropriation bill, it would be up to the bill drafters and the Legislative Finance Division to ensure that there was a multi-year appropriation with an extended lapse date. The fiscal note did not allow for the costs to be broken out into a 2-year appropriation. Therefore, the department put it all in the appropriation requested so that it could get started on the work in FY 21. She furthered that with an extended lapse date it would allow the department 2 years to expend the money.

Co-Chair Johnston asked if Ms. Sanders was familiar with HB 136. It had to do with public schools' social and emotional learning. Ms. Sanders was only familiar with the bill in name. She indicated Erin Harden might be able to better speak to the bill referenced by Representative Johnston.

Co-Chair Johnston relayed that the fiscal note for HB 131 was only \$6,000. Ms. Sanders explained that the \$6,000 Representative Johnston was referring to in HB 136 had to do with the regulation work contracted out to the Department of Law by DEED. The fiscal note reflected a cost of \$6,000 for regulation work related to HB 181. She continued that because there were no existing standards for

mental health, additional work had to be completed to implement them.

Co-Chair Johnston asked for confirmation that the \$60,000 was to facilitate people convening together. Ms. Sanders responded in the affirmative.

Co-Chair Johnson asked if the \$12,000 appropriation was for printing costs and the distribution of information. Ms. Sanders replied, "Correct."

[10:42:46 AM](#)

Representative Wool asked about the \$12,000 for 500 schools and 54 school districts. He asked if the booklets were for administrators rather than students. He did not think the amount was very sizable to distribute booklets to many places. Ms. Sanders replied that the amount was for the purpose of distributing booklets to all of the 500 schools, 54 school district offices, and to any other additional stakeholders.

Representative Wool asked if each school only received one booklet. Ms. Sanders responded, "Yes."

Co-Chair Johnston requested that Representative Claman return to the testifier table. She asked if there were tools available in other states that would help eliminate Alaska's need for a broadband conversation.

Representative Claman responded that Alaska was not unique. The health education curriculum of the Centers for Disease Control (CDC) did not contain information on mental health either. However, the CDC had some resources equal to a few pages about what they would recommend for guidelines for mental health. Interestingly, the health guidelines that Alaska currently had was on 2 pages. He was skeptical of a \$6,000 fiscal note in the current age of the internet. He suspected mental health could be uploaded to the rest of the health curriculums online. He thought several resources were available. He also questioned the notion of having to bring 20 to 30 people to Anchorage twice, especially with the current budget challenges. He suggested the use of telephonic meetings. He opined that updating the information on mental health that was currently 2 pages could be done for much less.

10:46:19 AM

Representative Josephson asked the sponsor about the potential for expanding the school year. He asked how the bill would affect on-the-ground activity. He requested that the representative paint a picture of how the bill would work. Representative Claman replied that the bill did not create a separate mental health class. He recalled growing up in high school that health was a one-semester class. If the class was a 10-week class containing everything but mental health, he thought the curriculum could fold into the 10-week period. He cited an example of an annual exam incorporating a question about a person's mental health.

Representative Wool thought there was more time devoted to health classes. He indicated his kids were spending more time in the classroom on the topic of health. He suggested that the more curriculum that was expected to be taught, the longer the class hours or days in the school year. He wondered if any of the language prevented mental health from being part of the classroom curriculum.

Representative Claman replied that presently there was nothing preventing school districts from including mental health in their curriculum. There was a number of school districts that already provided different levels of mental health education. He indicated the bill was about suicide prevention. He thought it was a worthy investment in time. He understood the pressure of having to teach additional curriculum. He thought it was a priority and would need to be balanced with additional curriculum.

10:51:38 AM

Vice-Chair Ortiz appreciated the bill being presented. He understood that the bill was not a mandate but was supposed to bring a heightened awareness to mental health. He wondered if it was still up to the district to fold in the curriculum. He wondered what it would look like in terms of process and implementation.

Representative Claman expected the districts to have the conversation with the school board and the state. The Department of Education and Early Development would provide assistance to those school districts that wanted to add mental health to their curriculum. He thought parents with

kids with mental health illnesses might push things along as well.

[10:54:47 AM](#)

Representative Carpenter asked for the definition of mental health. He suggested that it was the quality of a person's thinking. He wondered if the curriculum would be testable or measurable. He thought the video was a demonstration of the need for healthy relationships with parents and other people that influenced children. He was concerned with the notion that the school would be responsible for implementing additional curriculum without additional support. He suggested the standards that would be required to be set would essentially guide children on what was appropriate to think. He suggested the bill was venturing into the realm of parenting.

[10:58:20 AM](#)

Representative Sullivan-Leonard indicated that some of the school nurses she had talked with shared the sentiments of Representative Carpenter. She thought that many school nurses were the first to hear from students about feeling depressed or being bullied. She wondered who at each school would be encapsulating and disbursing the mental health information. She thought it would likely be school nurses. She asked if the bill would remove the term, "physical health" from the statute. Representative Claman responded that the way to incorporate mental health was to remove the word, physical. By doing so, it would allow the guidelines to include mental health.

Representative Sullivan-Leonard wondered if the term should remain in the statute, as physical education was a key component to a child's health. She believed students getting outside and doing something physical was essential to having strong mental health. Representative Claman thought physical health was a part of the current statute. He continued that by removing the word, "physical" it did not remove physical health from curriculum. He read a portion of the bill. From his perspective, the language undoubtedly included physical health.

[11:01:30 AM](#)

Representative LeBon had previously sat on the Fairbanks School Board for 6 year. He indicated that in a similar situation the school board would assign a topic to a curriculum committee made up of parents. There was a full vetting process that included family and parents. Representative Claman agreed that school nurses were some of the first people students approached. He had confidence in nurses' medical training and the consistency of their training.

Co-Chair Johnston invited Ms. Sanders to comment on the remarks made regarding the fiscal note. Ms. Sanders replied that the department understood that mental health standards were missing from what was considered physical health standards and supported implementing them. Today mental health was a complex issue. The department believed it was in the best interest of the students and the school districts to ensure that experts were available to provide input in the development of the standards. She admitted that the department did not have the expertise within the department to develop them on their own which was reflected in the fiscal note.

[11:04:30 AM](#)

Representative Carpenter was looking at the intent language of the bill. He read a portion containing a list of organizations. He suggested that unless the organizations involved parents and experts in the process of developing standards, there was nothing in the bill that pointed to parental involvement in determining the state's standards.

Representative Josephson noted that parents participated by testifying before their local school boards. He argued that there would be opportunities for parent involvement. Representative Claman agreed that testifying before a school board provided the most consistent opportunity for parental involvement. He also noted that the members of the State Board of Education were established in statute and appointed by the governor. He thought board members were consistently parents.

Representative Josephson questioned the role of the parents surrounding mental health issues because, in some instances, parents were a contributing factor to the problem. He was not aiming to be critical of parents. Representative Claman replied that parents were always an

issue according to Dr. Freud. Co-Chair Johnston thought the topic was straying from the bill.

Representative Josephson did not think the bill was designed to identify appropriate thoughts. Rather, the bill was about providing a broad understanding that if a person was feeling suicidal, a remedy was needed. He asked if he was correct. Representative Claman replied in the affirmative.

Representative Josephson thought if the bill was going to work, the periods of instruction should provoke the need for other referrals. It would give a student the confidence to seek help which would create a positive downstream effect but would require other resources.

[11:08:47 AM](#)

Representative Claman largely agreed. He elaborated that the funding received by Alaska's Department of Military and Veterans Affairs (DMVA) and by the U.S. Department of Veterans Affairs had increased over time for psychiatric services due to an increase in awareness. He shared a personal story about a family member who had fought on three islands in the Pacific, survived, and never went to a psychologist. However, the way in which he interacted with his colleagues he served with in the Marines in WWI suggested that they all suffered from their own degree of Post-Traumatic Stress Disorder. He thought as the conversation changed people would look for resources that they did not pursue in the past.

Representative Carpenter thought the conversation was surreal. He had personally fought in two wars and had spoken to a psychologist. He stated that the Department of Defense had mandated annual suicide awareness training for many years. However, the United States had very high rates of suicide. He did not believe the training was lacking. He suggested that the problem was effective relationships. He suggested people turn to government to solve their problems. They looked to schools and other institutions to solve the problem which he identified as the failure. He argued that people should be looking to each other and effective relationships, not to government training solutions. His opinion was based on his own experience.

Representative Wool referred to representative Josephson's comments that the bill might create additional referrals. He believed the curriculum might also help kids not to feel alone or abnormal. He noted that many kids did not have healthy homes. Even kids from good homes with well-balanced families had mental illness.

Co-Chair Johnston commented that the committee had participated in a robust discussion. She would be setting the bill aside.

HB 181 was HEARD and HELD in committee for further consideration.

[11:13:15 AM](#)
AT EASE

[11:23:36 AM](#)
RECONVENED

Co-Chair Johnston indicated the committee would consider the governor's appointee for commissioner of the Department of Revenue, Lucinda Mahoney.

^CONSIDERATION OF GOVERNOR'S APPOINTEE: LUCINDA MAHONEY, COMMISSIONER, DEPARTMENT OF REVENUE

[11:23:56 AM](#)

LUCINDA MAHONEY, COMMISSIONER DESIGNEE, DEPARTMENT OF REVENUE, thought she would review her resume' and pertinent experience. She asked the co-chair if that was acceptable.

Co-Chair Johnston responded in the affirmative.

Commissioner Designee Mahoney relayed that she attained a Bachelor of Business Administration degree with a finance concentration from the University of Texas. Later she attained a Masters of Business Administration from the University of Alaska Anchorage. She attended school while working full time. She described herself as intellectually curious and continued to pursue additional education. She was a certified valuation analyst for conducting business valuations for merger acquisitions. She also had an investment portfolio certificate from Wharton School of Business [University of Pennsylvania]. The certificate pertained to investments and investment allocations. She

obtained investment training at the Callan Investment Institute. She also obtained formal training in real estate.

Commissioner Designee Mahoney started her career in the oil industry in Alaska. She spent the majority of her time with ARCO Alaska where she was responsible for many different finance and accounting positions. Most Relevant, she worked on the North Slope at Kuparuk and Prudhoe Bay as a business manager. She was able to learn the operations of the field and understand the oil industry. She worked on net income forecasting and long-range planning. She worked on 30-year plans or plans for the life of a field. She left ARCO to begin a career at KPMG in the Advisory Services Department. She was responsible for the development of a consulting practice in Alaska and worked with many different entities including village corporations, native regional corporations, fisheries industries, and publicly-traded telecommunication companies. It opened her eyes to the various communities within Alaska. She worked in Barrow, Nome, Seward, Fairbanks, and Anchorage. Her time at KPMG provided her a great learning experience.

Commissioner Designee Mahoney moved to a position with Arctic Slope Regional Corporation as the Executive Director of the shared services organization. She was responsible for much of the back-office operations in support of the business units with the goal of attaining process improvements and efficiencies. She left her position with the regional corporation to start her own management consulting company called, Value Solutions. She provided consulting services much in line with what she did at KPMG for similar types of clients.

[11:27:56 AM](#)

Commissioner Mahoney reported that in 2009 she was contacted by Mayor Dan Sullivan to work as the Chief Financial Officer for the Municipality of Anchorage. It was her first job working in the public sector. All of her work prior was in the private sector. The work environment at the municipality was similar to working for the Department of revenue. She started working for the Municipality of Anchorage during the Great Recession and worked to help develop a fiscal plan after reserves had been depleted and revenues were down significantly. She and her team worked diligently to evaluate sources of revenues, combinations of

revenues, potential reductions, and the possibility of refinancing debt. Her team came up with a plan identifying financial goals to create a culture of thrift and strict discipline. The plan was implemented and the Municipality of Anchorage ended up with surplus balances for several years of her tenure. She was the financial face of the organization meeting with the rating agencies, including Standard and Poor's and Fitch, about the municipality's financial condition. Over a period of years, it received small credit upgrades eventually reaching a AAA rating. The rating was a reflection of the collaboration of everyone working together. The entities involved included the political body, the administration, the operations managers, and the finance department. She resigned from the City of Anchorage in 2014 to spend more time with her mother who had taken ill. She continued to do consulting work through her company, Value Solutions.

Commissioner Mahoney relayed that in January she was approached by the administration to serve as the commissioner for the Department of Revenue (DOR). She noted her concern that she might have a conflict of interest due to her husband's work as an attorney for the oil industry. She noted that the chief of staff for the governor implemented a proper ethics shield in conjunction with the Department of Law. The Deputy Commissioner, Mike Barnhill, would handle anything that would otherwise be a conflict. She intended to be involved in any process regarding changes to the oil tax structure. She was excited to do her best to help the state. She made herself available for questions.

[11:33:36 AM](#)

Representative LeBon asked, given the economic activities such as the price of oil and the stock market, if the commissioner designee had an opinion on following the law and a full Permanent Fund Dividend (PFD).

Commissioner Mahoney responded that it was the position of the administration that the state followed the statutory law associated with the PFD unless there was a change from the vote of the people.

Representative Josephson asked about auditors having sufficient access to files - he read a portion of the audit prepared regarding the Department of Revenue and the

settlement of oil and gas taxes. He asked if the commissioner would be more cooperative with the auditor than the previous commissioner.

Commissioner Mahoney relayed that the incident occurred prior to her appointment. She relayed that in December [2019] the Department of Revenue advised Legislative Audit in writing that it would provide the tax settlement files that reversed the position of the previous commissioner. Based on the advice of the Department of Law, DOR would not disclose the attorney/client communications. It placed the commissioner in a quandary because of the direction of the Department of Law. However, she planned to discuss the issue with Attorney General Clarkson as soon as she was confirmed.

Representative Josephson asked if it was the commissioner designee's understanding that her predecessor had taken a position but, in December [2019] the administration became more cooperative. Commissioner Mahoney responded, "Yes." The files were provided other than the files which the attorney/client privilege applied.

Representative Josephson thought it was typical that other agencies of state government would not look at settlement papers because of the nature of the documents. However, he interpreted the auditor's comments indicating she could not see the documents relative to the reduction in tax credits owed. He asked if the commissioner was sensitive to her position.

Commissioner Mahoney replied in the affirmative. She provided an example working for the Municipality of Anchorage. When she addressed entities on Wall Street, she had to address questions regarding the caffer. She valued the importance of numbers being accurate. In the particular case being addressed, she could not review the detail because of the ethics screen associated with any of the tax settlements. However, she would be able to work with the attorney general to better understand the Department of Law's position regarding disclosing the attorney/client communications. After she researched the issue, she could determine whether it was appropriate to release the information. She would want to work collaboratively with Attorney General Clarkson and potentially influence him about the importance of transparency in the caffer.

[11:39:25 AM](#)

Representative Josephson inquired about the State Assessment Review Board. It was his understanding that Mr. Greeley was the state assessor and would be working for Commissioner Designee Mahoney. He had learned a significant amount about the State Assessment Review Board while serving as a member of the legislature. Between 2013 to 2015 there was constant media coverage about litigation regarding the state's property and equipment valuation. The wide disparity was about \$10 billion. The industry reported assets of \$5 billion rather than \$10 billion. He wondered if Mr. Greeley would be given the latitude to do his job.

Commissioner Mahoney responded that under the ethics screen she would not be overseeing those issues at all. However, her general expectation would be that Mr. Greeley would perform his functions independently and conduct his evaluations in compliance with state statutes.

Vice-Chair Ortiz thanked Commissioner Designee Mahoney for being available. He wondered about her experience working for the City of Anchorage. One of the things she spoke proudly of was helping to implement a proper fiscal plan. He noted the state's untenable fiscal situation. He wondered if she saw herself playing an active role in helping the state resolve its fiscal plan. Commissioner Mahoney responded that she absolutely wanted to be involved and would be looking at all fiscally sustainable solutions.

Vice-Chair Ortiz understood her role would require good communication. He asked her to comment on how she thought the state could resolve its fiscal situation. Commissioner Mahoney indicated her view was complicated. From a high-level perspective, she would look at all revenue sources for consideration. She would also evaluate expenditure downward pressures. She would look at what kind of government services the state wanted to continue to provide. Additionally, she would consider the state's debt and bonds. She noted the current low interest rates. She thought the state might have an opportunity to refund and refinance its bonds. Bringing interest rates down would provide more leverage for capital projects. The fiscal plan would include a combination of things.

[11:45:28 AM](#)

Vice-Chair Ortiz noted her mentioning the need to put downward pressure on government expenditures. He asked her to speak about what the state was trying to do to support government services. He asked her whether she thought the state was providing too many services. Commissioner Mahoney indicated that it would be difficult for her to comment, as she would need to take a thorough look at each department first. She noted that any kind of reductions needed to be done with significant care and consideration.

Representative Wool noted the presentation from the prior day's hearing. He wondered if the commissioner would support an unscheduled draw to pay for a full PFD. Commissioner Mahoney could not comment without further information.

Representative Wool asked if she spent any time studying sovereign wealth funds. Commissioner Mahoney replied that she primarily studied the subject of portfolio investment analysis while attending Wharton School of Business. She received training in asset classes and fund allocations to minimize risk.

Representative Wool clarified that she was responding in the negative about being trained on the topic of sovereign wealth funds. Commissioner Designee responded in the negative.

Representative Wool noted Deputy Commissioner Barnhill presented a bill earlier in the week to backpay PFD amounts. The money would come out of the Earnings Reserve Account. He looked forward to her comments on the subject when she was ready.

[11:49:50 AM](#)

Co-Chair Johnston OPENED Public Testimony.

[11:50:01 AM](#)

Co-Chair Johnston CLOSED Public Testimony.

Vice-Chair Ortiz indicated that the House Finance Committee had reviewed the qualifications of the governor's appointee and recommended the following name be forwarded to the joint session for consideration:

Lucinda Mahoney, Commissioner, Department of Revenue

Representative Ortiz continued that forwarding the name did not reflect by any of the members an intent to vote for or against this individual during any further sessions for the purpose of confirmations.

Co-Chair Johnston reviewed the agenda for the afternoon and evening. The committee would be hearing public testimony for HB 300 and HB 306. She provided details regarding public testimony.

#

ADJOURNMENT

[11:52:11 AM](#)

The meeting was adjourned at 11:52 a.m.