

SENATE FINANCE COMMITTEE

April 21, 2022

9:04 a.m.

9:04:29 AM

CALL TO ORDER

Co-Chair Bishop called the Senate Finance Committee meeting to order at 9:04 a.m.

MEMBERS PRESENT

Senator Click Bishop, Co-Chair
Senator Bert Stedman, Co-Chair
Senator Lyman Hoffman
Senator Donny Olson
Senator Natasha von Imhof
Senator Bill Wielechowski
Senator David Wilson

MEMBERS ABSENT

None

ALSO PRESENT

Representative Kreiss-Tomkins, Sponsor; Brandon Locke, Director, World Languages and Immersion Programs, Anchorage School District; Anne Rittgers, Staff for Representative LeBon; Deven Mitchell, Executive Director, Alaska Municipal Bond Bank Authority, Department of Revenue.

PRESENT VIA TELECONFERENCE

Sondra Meredith, Administrator for Teacher Certification, Department of Education and Early Development; Peggy Rankin, Senior Director, Talent Management, Anchorage School District; Representative Bart LeBon, Sponsor; Myron Dosch, Chief Finance Officer, University of Alaska; Luke Welles, Chairman, Alaska Municipal Bond Bank.

SUMMARY

CSHB 19(EDC)

LIMITED TEACHER CERTIFICATES; LANGUAGES

CSHB 19(EDC) was HEARD and HELD in committee for further consideration.

HB 127 MUNI BOND BANK: UA, LOAN AND BOND LIMITS

HB 127 was HEARD and HELD in committee for further consideration.

#hb19

CS FOR HOUSE BILL NO. 19(EDC)

"An Act relating to instruction in a language other than English; and establishing limited language immersion teacher certificates."

[9:05:26 AM](#)

REPRESENTATIVE KREISS-TOMKINS, SPONSOR, relayed that it was the third legislature to hear the bill. He asserted that the bill spoke to a growing demand for emergent language programs in Alaska schools, both in world languages and Alaska Native languages. He cited that the Anchorage School District (ASD) and the Matanuska-Susitna Borough School District had extremely popular and successful immersion language programs that had been nationally recognized. He commented on the growing interest in Native language immersion programs all over the state.

Representative Kreiss-Tomkins shared that one of the limiting factors to starting immersion language programs had been the inability to attract and recruit teachers that were fluent in the target language. He summarized that a language immersion program was an elementary language program that immersed students while teachers taught in the target language for a majority of the day. The students advanced in the language year by year and the ratio between the target language and English was reduced and by the time the student left the program they would be fully fluent.

Representative Kreiss-Tomkins spoke to the challenge of finding teachers. He shared that programs had been seeking greater flexibility to attract teachers, and that there were many unique circumstances that arose around immersion language programs. He noted that world language immersion programs often sought to recruit a teacher from the country of the target language. He used the example of a teacher

from Japan that taught in Anchorage in contrast with fully fluent Alaska Native language speakers from rural Alaska.

9:08:42 AM

Representative Kreiss-Tomkins continued his remarks. He characterized the bill as a calibrated approach to try and provide flexibility to school districts seeking to create the immersion programs. The goal was to provide more tools to attract and retain teachers to make the programs reality, while still having state and local sideboards that approved teachers and promulgated regulations. He mentioned conversations with the Department of Education and Early Development (DEED). He specified that it was the bill's intent that the department interpret dual-language education programs in the Lower Kuskokwim School District (LKSD) be included in the language of the bill.

Senator Hoffman asked where LKSD was located.

Representative Kreiss-Tomkins understood that LKSD was an exemplar of Alaskan education.

Senator Hoffman relayed that LKSD stood for the Lower Kuskokwim School District.

9:10:37 AM

Senator Olson asked if the fiscal note was all-inclusive or if there would be liability to the school districts.

Representative Kreiss-Tomkins informed that the \$6,000 fiscal note covered only the cost of regulation writing for the department. Any costs associated with setting up an immersion language program would be borne by the district.

Senator Olson asked if school districts were supportive of the bill.

Representative Kreiss-Tomkins thought there was universal support for the bill from the K-12 education community, including urban and rural districts from across the state. He could not recall exactly which organizations had supported the different iterations of the legislation, but he thought the Association of Alaska School Boards (AASB) and the Superintendents Association had positive orientations toward the legislation.

Senator Olson asked if he had support letters from school districts even though they were financially liable for the programs.

Representative Kreiss-Tompkins answered in the affirmative and offered to produce the list of school districts that had taken a formal position on the legislation. He addressed the liability question. He stated that there was not any extraordinary liability that would be assumed by school districts, and many were already operating immersion language programs as they would any other program. The bill did not change anything or create any additional exposure or liability for school districts.

Co-Chair Bishop asked Representative Kreiss-Tompkins to repeat the latter part of his answer.

Representative Kreiss-Tompkins reiterated that there was nothing in the bill that would create new exposure, liability, responsibility, or mandates for school districts. The bill just gave districts a new option for teacher recruitment.

Senator Wilson asked if teachers would still have to meet all other requirements for teaching under the provisions of the bill. He mentioned the requirements for Alaska Native cultural education and domestic violence training that were established for certificated teachers.

Representative Kreiss-Tompkins deferred the question to the Department of Education and Early Development (DEED), which was authorized to write the regulations to figure out the sideboards.

[9:14:30 AM](#)

SONDRA MEREDITH, ADMINISTRATOR FOR TEACHER CERTIFICATION, DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT (via teleconference), asked Senator Wilson to repeat his question.

Senator Wilson asked if the new type of certificate proposed in the bill would require the same training and professional development courses currently required of teachers.

Ms. Meredith stated that there would be the same requirements around mandatory training that all educators were required to do. The bill allowed for other criteria besides a bachelor's degree and testing requirements currently required for regularly certified teachers. The board would have to regulate the alternative. She discussed the Type M certificate, which allowed for requirements to be substituted with various factors.

Co-Chair Bishop asked if the state school board supported the bill.

Representative Kreiss-Tompkins did not believe the Alaska Board of Education had taken a position on the bill.

Co-Chair Bishop clarified that he asked because the board would have to meet and approve the new type of certificate proposed in the bill.

Representative Kreiss-Tompkins relayed that DEED Commissioner Michael Johnson had spoken in favor of the legislation in prior hearings. He recognized that the commissioner was not a board member, although he worked with the board.

Co-Chair Bishop asked how long it would take the department to make changes if the board were to make the new certificate proposed in the bill.

Ms. Meredith stated that considering the department's regulatory process, it would take between six to twelve months to regulate the certificate.

[9:18:48 AM](#)

PEGGY RANKIN, SENIOR DIRECTOR, TALENT MANAGEMENT, ANCHORAGE SCHOOL DISTRICT (via teleconference), spoke in support of the bill. She noted that ASD Superintendent Dr. Deena Bishop had submitted a letter in support of the bill on April 22, 2021, and had also testified on the matter. She commented that education had changed in the past twenty years and the bill proposed to provide additional opportunities for students. She thought the bill supported immersion programs.

[9:19:57 AM](#)

BRANDON LOCKE, DIRECTOR, WORLD LANGUAGES AND IMMERSION PROGRAMS, ANCHORAGE SCHOOL DISTRICT, spoke in support of the bill. He echoed Ms. Rankin's comments. He acknowledged a nationwide teacher shortage and asserted that there were even greater challenges in Alaska. He cited that there were about 8,000 students in a world language or immersion program in ASD. Specifically, there were 2,600 students in K-12 immersion, including Spanish, Japanese, Russian, and German.

Mr. Locke cited there were three ASD high school seniors currently employed by the National Security Agency working on Joint Base Elmendorf-Richardson (JBER) working as linguist interns. He mentioned growing programs in French, Mandarin, and Yupik. He noted that finding teachers for the programs was next to impossible, and the district often had to hire from outside the country where certification processes were very different. He cited challenges in hiring foreign teachers. He emphasized working with international teachers and supporting them to fill difficult-to-fill positions in immersion programs. He did not see the bill as a way to "open the floodgates," but rather it would be up to each school district's human resources process to hire the most qualified people for the positions.

[9:23:05 AM](#)

Co-Chair Bishop OPENED public testimony.

[9:23:21 AM](#)

Co-Chair Bishop CLOSED public testimony.

Co-Chair Bishop set the bill aside.

HB 19 was HEARD and HELD in committee for further consideration.

#hb127

HOUSE BILL NO. 127

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

[9:23:36 AM](#)

Co-Chair Bishop relayed that it was the first hearing of HB 127.

[9:24:03 AM](#)

AT EASE

[9:24:26 AM](#)

RECONVENED

Co-Chair Bishop relayed that it was the committee's intention to hear a bill introduction for HB 127 and take invited and public testimony.

[9:24:59 AM](#)

REPRESENTATIVE BART LEBON, SPONSOR (via teleconference), read from a Sponsor Statement:

This bill expands the authority of the Alaska Municipal Bond Bank Authority regarding bonding capacity to the University of Alaska and regional health organizations.

Regarding the University of Alaska (UA), the bill proposes two changes:

- Removes the project scope limiting Alaska Municipal Bond Bank Authority participation to only heating or energy projects
- Raises the UA project participation cap from \$87,500,000 to \$500,000,000

Previously the University used Municipal Bond Bank participation for funding of the combined heat and power plant at the University of Alaska Fairbanks. This change is intended to provide the University with expanded tools for financing or refinancing, allowing the University to leverage the bond ratings of the Alaska Municipal Bond Bank Authority if advantageous. This additional financing tool is not intended to be a substitute for capital appropriations through the legislature.

Regarding regional health organizations, the bill proposes these changes:

- Removes the 49% Alaska Municipal Bond Bank Authority single-project participation cap

- Raises the cap for all regional health organization projects from \$205,000,000 to \$500,000,000

This change is intended to expand opportunities for regional health organizations to use the Alaska Municipal Bond Bank Authority. In accordance with existing statute AS 44.85.010, the Bond Bank provides capital funds through loans to regional health organizations "when the commissioner of health and human services anticipates a state financial benefit and an increase in regional quality of care." The financial benefit is realized by the state by capturing additional Federal Medicaid reimbursement, assisting the State in reducing Medicaid expenditures.

I would appreciate your support in expanding opportunities for the University of Alaska and Alaska's regional health organizations to utilize the Alaska Municipal Bond Bank Authority.

Senator Wilson thought Representative LeBon was referencing the regional health corporations in Seward and Sitka being able to benefit from the program.

[9:28:45 AM](#)

ANNE RITTGERS, STAFF FOR REPRESENTATIVE LEBON, answered in the affirmative.

Co-Chair Stedman referenced federal loans asked if the expansion of the Southeast Alaska Regional Health Consortium (SEARHC) Hospital in Sitka was involved in the bill or if SEARHC had requested expansion of the cap.

[9:29:46 AM](#)

DEVEN MITCHELL, EXECUTIVE DIRECTOR, ALASKA MUNICIPAL BOND BANK AUTHORITY, DEPARTMENT OF REVENUE, explained that the facility in Sitka had already been financed. There was a bond secured by the revenues of SEARHC that were able to be pledged. He had discussions with staff of SEARHC about the protentional of the bond bank participating in the financing. Some of the limitations that would be remedied in the bill had held SEARHC back. He noted that currently an entity must have two financings to fund an improvement to utilize the bond bank. He discussed project limitations.

He recalled that SEARHC had found that it was administratively easier to one transaction instead of multiple transactions.

Mr. Mitchell continued that regional health authorities were added to the list of allowed borrowers from the bond bank, and it was not possible to obtain investment-grade credit ratings from the market. There was a lack of understanding in the public marketplace about the real credit strength of the regional health corporations. He mentioned special programs for specific improvements such as the Sitka Hospital. Now SEARHC was able to get investment grade ratings and obtain a relatively favorable rate absent bond bank participation.

Co-Chair Stedman summarized that SEARHC was not involved in the bill in regards to financing the hospital. He understood that SEARHC was oversubscribed to their request to issue bonds, with more investors than there was to service a request.

[9:32:53 AM](#)

Senator Olson asked how much the Indian Health Service health corporations participated in the program.

Mr. Mitchell explained that only regional health corporations were currently authorized to participate in the bond bank program.

Senator Olson understood that the health corporations in Western Alaska were not eligible.

Mr. Mitchell answered in the affirmative. He explained that regional corporations would be covered, and village corporations would not.

Senator von Imhof asked for clarification about raising the bond ceiling for the University. She asked if the bill would allow the University to add new debt up to \$500 million.

Mr. Mitchell explained that the University had its own process for authorizing debt which required legislative approval. He mentioned that the University was included in the legislation because the University had suffered a

lowered credit rating because of its uncertain funding from the state in recent years. The bond bank presented an alternative to utilize when considering authorized financing, and a lowered interest rate would be the sole reason because it could otherwise sell bonds independently.

Senator von Imhof clarified that the University had the capacity, but the bill would provide a different mechanism.

Mr. Mitchell affirmed that the sole purpose of the bond bank was to facilitate market access on a lower cost basis to entities that could not otherwise borrow money.

Senator von Imhof thought the bill signified that the bonds would be the moral obligation of the state, which meant if an organization defaulted, the bond bank would request funds of the legislature/governor to pay its debt service. She asked if the arrangement was the same as what was currently in place.

Mr. Mitchell answered in the affirmative.

[9:36:03 AM](#)

Co-Chair Stedman referenced municipalities and shared a concern that there seemed to be long term fixed assets that were built and financed with bonds issued that stretched out into the future and refinanced and stretched out to amortization. He used the example of a hydro project, and mentioned assets not being paid off and hampering future projects. He mentioned major maintenance needs and Federal Energy Regulatory Commission (FERC) inspections. He was concerned with state involvement when municipalities were not given the opportunity to continually extend the debt service and never pay off assets.

Mr. Mitchell thought Co-Chair Stedman was discussing what was called "pitch and chuck," through which debt service was placed into the future, which was usually viewed as a credit negative unless there were adjustments. He discussed bond financing terms and the fact that there would have to be special circumstances to extend the terms of an asset's financing.

[9:39:38 AM](#)

Co-Chair Stedman had experienced that the level of sophistication varied by community. He thought some groups had less experience with finance. He thought many administrators were endeavoring to keep rates down for utilities, which could lead to easy determination to stretch out the amortization rather than staying with the original payoff target. He thought that municipalities were inadvertently getting into the position of not paying an asset off. He was curious if the bond bank had a more formal position in order to ensure that municipalities fully understood the situations.

Mr. Mitchell knew the project that Co-Chair Stedman was referencing, which was not a refinancing that led to extension of terms, but rather original issue and project scope creep. After the project had already started, there was a variety of potential funding sources, some of which had not materialized after the project had started. He continued that there were multiple issues of bonds to fund the facility, and the later issues had longer amortizations that paid interest-only until the other debt was paid.

Mr. Mitchell continued that the bond bank did not offer financial advice, but rather encouraged financial best practices and offered alternatives. The bond bank made every effort to ensure local officials were well-informed and understood the obligations being entered into.

[9:44:01 AM](#)

Co-Chair Stedman thought there had been a second refinance of the project that was being discussed. He mentioned hydro-expansion, which had been problematic. He encouraged the bond bank to be cognizant of the issue and considered that many municipal elected officials did not have financial backgrounds. He clarified that he had referenced Blue Lake Dam in Sitka. He echoed Mr. Mitchell's comment that there had been "mission creep." He did not fault efforts to get projects going. He emphasized getting projects paid off in the time that was planned before expansions were needed.

Senator Hoffman thanked the committee for an initial rewrite of the bond bank that had allowed the Yukon-Kuskokwim Health Corporation (YKHC) to triple the size of its hospital. He noted that the bill had refinancing for the University of Alaska Fairbanks (UAF). He asked if the bill

would allow refinancing for other entities through the bond bank.

Mr. Mitchell answered in the affirmative. He recounted that the \$102.5 million that the bond bank issued for the YKHC facility would be eligible for refinancing ten years after the original issue. Additionally, the bond bank could reissue a portion of all the U.S. Department of Agriculture portion of the loan if it could beat the rate. Current law allowed for refinance of no more than 49 percent of the project.

Senator Hoffman recalled that when the committee originally broached the topic in 2019, Mr. Mitchell had provided a list of projects that the Municipal Bond Bank entered in to. He asked if Mr. Mitchell could again provide a list of projects and asked if the rate of default was still zero.

Mr. Mitchell affirmed that there had been no defaults in the bond bank program.

[9:48:29 AM](#)

Senator Wielechowski asked if anyone had ever lent money and defaulted and required the legislature to appropriate funds to cover the default.

Mr. Mitchell answered that there had never been a community that had not been able to make payments. The bond bank had engaged in discussion with communities that had been under duress because of financial impacts, but the communities had always been able to cover the bond payments.

Senator Wielechowski asked if there had been any concern expressed by bankers that the bill was encroaching into the banks' area of lending money.

Mr. Mitchell had not heard of such a concern. He noted that typically commercial banks made mortgage-type or commercial-type loans that would be secured by the facility that was being built, whereas the bond bank utilized the public bond market with a pledge of revenues from an organization. The revenues would be deposited in a custodial bank, whereas a commercial bank did not have the underwriting necessary to loan with the same type of pledge.

Senator Wielechowski asked how the state could be responsible for the default of another entity if the state was constitutionally not allowed to borrow except for capital projects ratified by a vote, and public corporations could borrow (as long as there was no recourse to the state). He questioned whether the situation was a backdoor around the constitutional prohibition.

Mr. Mitchell reiterated that the bond bank issued revenue bonds that were secured by pledges of the underlying borrowers. The pledges could be general obligation pledges or revenue pledges, which was all authorized by a statutory construct. He noted that the process had not been challenged, and he did not know if the court would find it was not permissible.

[9:51:04 AM](#)

Co-Chair Stedman appreciated that the state had the bond bank for communities to use as a resource. He thought communities lacked the sophistication to go forward with projects without the bond bank, and it would be much more expensive. He thought the bill was good and thought it would provide more flexibility. He was not uncomfortable with lifting the cap of 49 percent, which he thought was a little low. He cautioned against letting communities over-leverage themselves.

Mr. Mitchell cited that the previous year the bond bank saved an estimated \$51 million and avoided interest expense for those that used the program.

Senator Wielechowski asked if the bill would potentially impact the state's credit rating.

Mr. Mitchell informed that the bill would not impact the state's credit rating, as the program was self-sufficient for all its obligations. He thought there could be some incremental impact to the state's debt capacity if there were to be some dislocation and a series of defaults by underlying borrowers, because the state would have obligations it would have to pay directly on an annualized basis. At this point, the obligations were not integrated into any of the state's capacity analysis internally or externally.

9:53:14 AM

MYRON DOSCH, CHIEF FINANCE OFFICER, UNIVERSITY OF ALASKA (via teleconference), spoke in support of the bill. He noted that the University supported the bill. He considered that the bill provided an additional option when considering issuing a financing obligation or a refinancing obligation. He mentioned that the credit rating of the bond bank was better than that of the University, and the marginal difference would allow the bond bank to borrow at more favorable rates than the University, which would result in avoided interest costs on any debt obligation. The bill did not create an obligation for the University to enter engagements with the bond bank. He thought the bill was straightforward.

9:54:40 AM

LUKE WELLES, CHAIRMAN, ALASKA MUNICIPAL BOND BANK (via teleconference), stated that the Alaska Municipal Bond Bank was strongly supportive of the bill. He had over 20 years' experience with tribal health and thought the opportunity to support the increased quality of care and infrastructure in rural areas was a great step forward. He thought the recent YKHC project demonstrated what the program could do and how it could support other communities. He continued that the bond bank had a unique structure which allowed entities to aggregate projects and save local taxpayers money.

Co-Chair Bishop OPENED public testimony.

Senator Hoffman asked about the name of the Alaska Municipal Bond Bank.

Mr. Mitchell relayed that the bond bank program was much more restrictive it was originally created and could not lend for electric generation projects. It was determined that the bond bank could play a role in certain instances where there were municipally owned facilities, and it could be more efficient in delivery of the financing package. He mentioned incremental adjustments to the program and projects outside municipalities. He noted that the bond bank also had the ability to lend to Southeast Alaska power agencies, as well as the Alaska Municipal League Joint Insurance Association. He did not know if the word "municipal" word applied as much as it once had.

Senator Hoffman suggested the name "Alaska Bond Bank."

9:59:27 AM

Co-Chair Bishop CLOSED public testimony.

HB 127 was HEARD and HELD in committee for further consideration.

9:59:35 AM

AT EASE

9:59:47 AM

RECONVENED

Co-Chair Bishop discussed the agenda for the afternoon meeting.

#

ADJOURNMENT

10:00:05 AM

The meeting was adjourned at 10:00 a.m.