

**ALASKA STATE LEGISLATURE
HOUSE COMMUNITY AND REGIONAL AFFAIRS
STANDING COMMITTEE**

March 26, 2002
8:05 a.m.

MEMBERS PRESENT

Representative Kevin Meyer, Co-Chair
Representative Carl Morgan, Co-Chair
Representative Andrew Halcro
Representative Drew Scalzi
Representative Lisa Murkowski
Representative Beth Kerttula

MEMBERS ABSENT

Representative Gretchen Guess

COMMITTEE CALENDAR

HOUSE BILL NO. 299

"An Act providing for the naming and renaming of Alaska geographic features."

- MOVED CSHB 299(CRA) OUT OF COMMITTEE

HOUSE JOINT RESOLUTION NO. 32

Encouraging the United States Board on Geographic Names to adopt place name changes proposed by the Alaska Historical Commission.

- MOVED HJR 32 OUT OF COMMITTEE

HOUSE BILL NO. 471

"An Act relating to the definitions of 'net income' and 'unrestricted net income' for purposes of determining the amount of the Alaska Industrial Development and Export Authority's dividend to the state; relating to communities within which rural development loans may be made by the authority; and providing for an effective date."

- MOVED CSHB 471(CRA) OUT OF COMMITTEE

PREVIOUS ACTION

BILL: HB 299

SHORT TITLE:ALASKA PLACE NAMES

SPONSOR(S): REPRESENTATIVE(S)DYSON

Jrn-Date	Jrn-Page		Action
01/14/02	1953	(H)	PREFILE RELEASED 1/4/02
01/14/02	1953	(H)	READ THE FIRST TIME - REFERRALS
01/14/02	1953	(H)	CRA, RES
03/19/02		(H)	CRA AT 8:00 AM CAPITOL 124
03/19/02		(H)	Scheduled But Not Heard
03/26/02		(H)	CRA AT 8:00 AM CAPITOL 124

BILL: HJR 32

SHORT TITLE:FEDERAL PLACE NAMES

SPONSOR(S): REPRESENTATIVE(S)DYSON

Jrn-Date	Jrn-Page		Action
01/22/02	2028	(H)	READ THE FIRST TIME - REFERRALS
01/22/02	2028	(H)	CRA, RES
03/26/02		(H)	CRA AT 8:00 AM CAPITOL 124

BILL: HB 471

SHORT TITLE:AIDEA PROGRAMS

SPONSOR(S): REPRESENTATIVE(S)GREEN

Jrn-Date	Jrn-Page		Action
02/19/02	2314	(H)	READ THE FIRST TIME - REFERRALS
02/19/02	2314	(H)	CRA, L&C
03/26/02		(H)	CRA AT 8:00 AM CAPITOL 124

WITNESS REGISTER

REPRESENTATIVE FRED DYSON
Alaska State Legislature
Capitol Building, Room 104
Juneau, Alaska 99801

POSITION STATEMENT: Testified as the sponsor of HB 299 and HJR 32.

REPRESENTATIVE JOE GREEN
Alaska State Legislature
Capitol Building, Room 403
Juneau, Alaska 99801

POSITION STATEMENT: Testified as the sponsor of HB 471.

LAURA ACHEE, Staff
to Representative Green
Alaska State Legislature
Capitol Building, Room 403
Juneau, Alaska 99801

POSITION STATEMENT: Testified on behalf of the sponsor of HB 471.

BOB POE, Executive Director
Alaska Industrial Development and Export Authority (AIDEA)
and Alaska Energy Authority (AEA)
Department of Community & Economic Development
813 W Northern Lights Boulevard
Anchorage, Alaska 99503

POSITION STATEMENT: Testified on HB 471.

JIM McMILLAN, Deputy Director - Credit
Alaska Industrial Development & Export Authority (AIDEA)
and Alaska Energy Authority (AEA)
Department of Community & Economic Development
813 W Northern Lights Boulevard
Anchorage, Alaska 99503

POSITION STATEMENT: Testified on HB 471.

BRIAN BJORKQUIST, Assistant Attorney General
Governmental Affairs Section
Civil Division(Anchorage)
Department of Law
1031 W 4th Avenue, Suite 200
Anchorage, Alaska 99501-1994

POSITION STATEMENT: Mentioned the single subject rule in realtion to Version C of HB 471.

ACTION NARRATIVE

TAPE 02-18, SIDE A
Number 0001

CO-CHAIR CARL MORGAN called the House Community and Regional Affairs Standing Committee meeting to order at 8:05 a.m. Representatives Morgan, Meyer, Halcro, and Scalzi were present at the call to order. Representatives Murkowski and Kerttula arrived as the meeting was in progress.

HB 299-ALASKA PLACE NAMES
HJR 32-FEDERAL PLACE NAMES

CO-CHAIR MORGAN announced that the committee would simultaneously hear HOUSE BILL NO. 299, "An Act providing for the naming and renaming of Alaska geographic features." and HOUSE JOINT RESOLUTION NO. 32, Encouraging the United States Board on Geographic Names to adopt place name changes proposed by the Alaska Historical Commission.

Number 0105

REPRESENTATIVE FRED DYSON, Alaska State Legislature, testified as the sponsor of HB 299 and HJR 32. Representative Dyson explained that the U.S. Geological Survey (USGS) and the [Alaska] Place Names Commission have the responsibility of establishing geographical place names in Alaska. Although the USGS takes recommendations from the state, there has been a long-standing practice not to change established names. Representative Dyson said that he appreciated that and the desire to not create confusion. However, many of the place names of Alaska's geographical features are named in inappropriate ways. Representative Dyson mentioned the efforts to change the name of Mt. McKinley to Denali, which has led to both names appearing on many maps.

REPRESENTATIVE DYSON explained that HB 299 authorizes the state agency to begin the process for the renaming of Alaska geographical features for appropriate Alaska originating names when the agency deems appropriate to do so. The resolution, HJR 32, requests that the federal government begin the process of giving deference to the place names that come from Alaska. Representative Dyson reviewed many place names that could be named more appropriately. He informed the committee that the [Alaska Place Names Commission] sees some very practical problems in that the commission doesn't have much staff. Without research staff, progress will be difficult. The administration has produced a fiscal note that reflects the need for staff. "At this point, I'm not overly optimistic that we will get this project through the legislature this year," he remarked. Therefore, he requested that the committee zero out the fiscal note and adopt an amendment that he would suggest to page 3.

Number 0621

CO-CHAIR MEYER inquired as to how the committee would zero out the fiscal note.

REPRESENTATIVE DYSON answered that it merely requires a motion that prevails.

CO-CHAIR MEYER pointed out that there will definitely be a cost for this. He related his understanding that the fiscal note would fund one-and-a-quarter person.

REPRESENTATIVE DYSON replied yes. He pointed out that the legislation doesn't establish any deadlines or timelines and thus he anticipated that the commission would begin the process of developing its own criteria for the changing of place names. This legislation merely authorizes [the commission] to begin this process. Representative Dyson explained that currently the commission's business has been reactive; never before has the commission been in the business of changing names. If there is more than one name proposed for a geographical feature, the commission acts as a referee. Again, this merely authorizes the commission to have this additional authority to change names when the agency deems necessary.

Number 0790

CO-CHAIR MEYER asked if it would be possible to zero out the fiscal note and request that the federal government pay for this through the resolution.

REPRESENTATIVE DYSON replied no. He clarified that the resolution merely requests that the federal government give deference to the state recommendations. He reiterated that generally, the federal government hasn't been receptive to changing names on maps.

CO-CHAIR MEYER turned to a letter Representative Dyson wrote to the Alaska Historical Commission that explained the intent. He asked if Representative Dyson had received a response from the Alaska Historical Commission.

REPRESENTATIVE DYSON noted that he met with the Alaska Historical Commission during its recent annual meeting. He remarked that the committee could view the fiscal note as the Alaska Historical Commission's formal response. He agreed with Co-Chair Meyer that their response is that they are willing to do this, but money is necessary. The Native members of the group, in particular, were excited with having this authority.

Number 0935

REPRESENTATIVE SCALZI related his understanding that if the committee zeroed out the fiscal note and moved the bill, then the committee would be supporting something without funding it at this time.

REPRESENTATIVE DYSON agreed. In further response to Representative Scalzi, Representative Dyson agreed that the commission would consider [all proposed] names.

Number 1073

REPRESENTATIVE DYSON turned to his amendment, which read as follows:

Page 3, line 26,
Delete "widely"
Following "feature"
Insert "or by local Alaskan Native people"

Number 1211

REPRESENTATIVE KERTTULA moved the above amendment, Amendment 1. There being no objection, Amendment 1 was adopted.

Number 1239

REPRESENTATIVE KERTTULA moved that the committee zero out the fiscal note, Amendment 2.

REPRESENTATIVE HALCRO objected.

REPRESENTATIVE KERTTULA explained that normally she would go with the agency on a fiscal note. However, the bill doesn't require any overt action. "In terms of making a statement, I think it's a good idea. I think you're eventually going to have, for them to do any of this including their duties they already have, have to do this. But this time I could buy it because I like the idea," she explained. She expressed her desire for this to make it to the floor this session.

REPRESENTATIVE HALCRO withdrew his objection.

CO-CHAIR MEYER noted his support of zeroing out the fiscal note, but pointed out that the risk is that [the commission] won't do it. He said that he was willing to support the amendment if Representative Dyson was willing to take that risk.

REPRESENTATIVE DYSON suspected and hoped that some local folks, Native Alaskans in particular, will propose some changes. Hopefully, there will only be a few proposals that the commission can handle as a course of their normal business. Representative Dyson announced his intention to support more staff for the Alaska Historical Commission and the naming board in the future. However, he didn't believe this is a good year to look for more money for something that, although important, isn't vital to the state's business.

Number 1393

CO-CHAIR MEYER moved to report HB 299 as amended out of committee with individual recommendations and the accompanying zero fiscal note. There being no objection, CSHB 299 was reported from the House Community and Regional Affairs Standing Committee.

CO-CHAIR MEYER moved to report HJR 32 out of committee with individual recommendations. There being no objection, HJR 32 was reported from the House Community and Regional Affairs Standing Committee.

The committee took a brief at-ease from 8:27 a.m. to 8:31 a.m.

HB 471-AIDEA PROGRAMS

CO-CHAIR MORGAN announced that the next order of business would be HOUSE BILL NO. 471, "An Act relating to the definitions of 'net income' and 'unrestricted net income' for purposes of determining the amount of the Alaska Industrial Development and Export Authority's dividend to the state; relating to communities within which rural development loans may be made by the authority; and providing for an effective date."

Number 1516

REPRESENTATIVE CO-CHAIR MEYER moved to adopt Version 22-LS1560\C, Cook, 3/20/02, as the working document. There being no objection, Version C was before the committee.

REPRESENTATIVE JOE GREEN, Alaska State Legislature, Sponsor of HB 471, deferred to his staff.

LAURA ACHEE, Staff to Representative Green, Alaska State Legislature, testified on behalf of the sponsor. She explained that by statute the Alaska Industrial Development and Export

Authority (AIDEA) pays yearly dividends into the general fund (GF) of the state. The Governmental Accounting Standards Board (GASB), which establishes the standards for the auditing procedures and financial statements that AIDEA puts out, has made recent changes. The statute that determines the dividend refers to net income and unrestricted net income as the amounts which are used to calculate the dividend. The [net income and unrestricted net income] are obtained from the annual audited financial statement from AIDEA. However, under the new GASB standards those figures can't be used on the annual audited statement. Therefore, the statute points to numbers that no longer exist. In Ms. Achee's opinion, the most important accomplishment of HB 471 is that it places definitions for net income and unrestricted net income in statute, which provides values that will correspond with the GASB standards.

MS. ACHEE informed the committee that GASB also said that any payouts would have to be charged to AIDEA as an expense, including the dividend that is paid to the GF each year. Therefore, when AIDEA does its accounting for next year, AIDEA would have to count the dividend that it paid out in the prior year as an expense, which would lower the base numbers in the calculations for next year's dividend payout. Over time, dividends would decrease. Therefore, Sections 2 and 3 specify that [net income and unrestricted net income] exclude the amounts attributable to intergovernmental transfers, capital contributions, or grants.

MS. ACHEE pointed out that Section 4 makes changes to the Rural Development Initiative Fund (RDIF) run by AIDEA. This fund provides commercial loans to rural businesses that wouldn't necessarily qualify for a commercial loan under guidelines established in the Lower 48. There were some gray areas; that is, there were some areas that qualified as rural, but were located very near an urban center. Therefore, [Section 4] tightens the restrictions on the program in order to ensure that [the loans] go to those businesses that truly qualify.

Number 1774

CO-CHAIR MORGAN announced that he had discussed an amendment with the sponsor of HB 471, which is incorporated in Version C. The amendment incorporated in Version C changes the rural bulk fuel revolving loan fund from "\$100,000" to "\$200,000". He explained that many communities in Bush Alaska purchase fuel in bulk and the more fuel that is purchased the better the rate,

and therefore there is the need to increase the fund to [\$200,000].

REPRESENTATIVE HALCRO returned to the issue of the changes of GASB. He related his understanding that because of the changes associated with Section 2, the dividend taken this year would have to be taken as an expense next year and thus lower the dividend. He asked if the accounting standards specify how that should be handled.

MS. ACHEE deferred to expert witnesses.

REPRESENTATIVE GREEN said that [the federal government] doesn't address that and thus there is the need to define net profits. He explained that if one makes \$100 and has costs of \$90, under the current system there would be \$10 net profit and if \$5 was placed in the GF that was fine. However, now that \$5 is viewed as an intergovernmental transfer and thus has to be shown as an expense, and therefore the net profit is really only \$5. The problem is that AIDEA can't actually provide up to half of its net profits to the GF. Therefore, [HB 471] specifies that net profits means that difference between income and expense as it does in any other accounting.

REPRESENTATIVE HALCRO related his understanding that these changes are being made because of [GASB] changes. Therefore, [HB 471] adopts the changes with an exception to those changes in Section 3.

REPRESENTATIVE GREEN replied yes. He clarified, "Not in true accounting words, but we're adding a definition that is not included in the new general accounting."

Number 2004

BOB POE, Executive Director, Alaska Industrial Development and Export Authority (AIDEA) and Alaska Energy Authority (AEA), Department of Community & Economic Development, testified via teleconference. Mr. Poe commented that the dividend program with AIDEA has been working well for AIDEA as well as the state. Since 1996 AIDEA has paid in or committed to pay in over \$128 million in dividends. The problem is that GASB 33 and 34 impacted how AIDEA's dividend program works. The desire is to keep the dividend working as it has. Therefore, Representative Halcro's statements were fairly accurate in that this is an attempt to state in law how the AIDEA dividend will be calculated regardless of what GASB 33 and 34 require in AIDEA's

audited financial report, which will comply with GASB 33 and 34. Mr. Poe turned to the RDIF program and explained that the language in [HB 471] is an attempt to [direct] the loan program to those businesses that it was intended to serve.

MR. POE noted that he hasn't seen the CS, but he understood that Version C increases the amount of funds that can be loaned under the rural bulk fuel revolving loan fund from \$100,000 to \$200,000. The [department] supports that provision. Mr. Poe mentioned that AIDEA has been informed by the USDA that AIDEA has been awarded a \$5 million contribution to the bulk fuel revolving loan fund, which has a significant impact in the amount of the revolving fund. He agreed with Co-Chair Morgan that the capacity for bulk fuel storage in rural Alaska has increased significantly. Additionally, quantity discounts do prevail even in rural Alaska. Mr. Poe explained that this program works well because it allows communities to buy their fuel in advance and the money is collected and the loan is paid back as the fuel is sold to residents. He pointed out that it would be difficult for urban Alaskans to pay for all their fuel consumption for the next seven or eight months in October. However, that is what rural communities do on a regular basis. Therefore, raising the amount to \$200,000 is a positive step.

Number 2259

REPRESENTATIVE HALCRO returned to Sections 2 and 3. He expressed the need to be sure that this exception to general accounting standards isn't going to come back to haunt the state. He inquired as to how Sections 2 and 3 will apply to the AIDEA dividend in practical terms.

MR. POE explained that the changes will allow AIDEA to continue to pay the dividend as it has since 1996. The AIDEA board has to find that the dividend is Okay to pay, which requires review of the following issues: the future cash demands of AIDEA, the financial wherewithal, and the bond covenants. All of those must be found to be satisfactory before AIDEA can state a dividend.

MR. POE continued by explaining that currently AIDEA's income statement takes the net income from which it is allowed to make a dividend from 25-50 percent of the earnings in that year. That dividend would represent two years out. The board determines what percentage the dividend can be. That dividend was 47 percent this year, which is fairly typical. Therefore,

[Sections 2 and 3] intend to address an unintended consequence of GASB 34.

Number 2457

JIM McMILLAN, Deputy Director - Credit, Alaska Industrial Development & Export Authority (AIDEA) and Alaska Energy Authority (AEA), Department of Community & Economic Development, testified via teleconference in regard to RDIF. He explained that RDIF began in 1992 in order to provide commercial financing for those businesses located in areas where there is no access to conventional financing. The enabling legislation of 1992 included a definition of community, which is used in qualifying borrowers. In 1999 DCED was reorganized and RDIF was transferred to AIDEA. However, the definition of community wasn't included in the legislation. Therefore, this amendment [HB 471] reinserts the definition of community and attempts to further clarify an eligible community under RDIF.

REPRESENTATIVE GREEN returned to the bulk fuel storage issue. He recalled that recently there was a severe winter in which some villages had to import additional fuel. Therefore, those villages didn't receive the volume discount nor the summer discount. Therefore, [Version C] could help bypass such catastrophe.

Number 2603

BRIAN BJORKQUIST, Assistant Attorney General, Governmental Affairs Section, Civil Division (Anchorage), Department of Law, testifying via teleconference noted that he primarily works with AIDEA and AEA. Mr. Bjorkquist turned to the bulk fuel loan program amendment that is incorporated in Version C, and remarked that its insertion raises the single subject rule. Mr. Bjorkquist related his understanding that Legislative [Legal and Research Services] has reviewed this question and determined that public corporation is the single subject. Therefore, the amendment seems to be defensible from a legal standpoint. Mr. Bjorkquist acknowledged that both AIDEA and AEA support the amendment incorporated in Version C.

REPRESENTATIVE SCALZI inquired as to the history of the single subject rule.

Number 2740

MR. BJORKQUIST explained that the [Alaska] Constitution provides that any bill must be limited to a single subject. However, the courts have interpreted that section very broadly. The single subject can be anything in a broad topic as long as there is only one subject. Mr. Bjorkquist noted that there are exceptions to the single subject rule such as appropriations legislation or restating of legislation; both of those aren't applicable here.

REPRESENTATIVE SCALZI remarked that he didn't realize the increase to \$200,000 would create such debate.

CO-CHAIR MORGAN, upon there being no one else to testify, announced that public testimony was closed.

Number 2868

REPRESENTATIVE MURKOWSKI moved to report CSHB 471, Version 22-LS1560\C, Cook, 3/20/02, out of committee with individual recommendations and the accompanying zero fiscal note. There being no objection, CSHB 471(CRA) was reported from the House Community and Regional Affairs Standing Committee.

ADJOURNMENT

There being no further business before the committee, the House Community and Regional Affairs Standing Committee meeting was adjourned at 9:00 a.m.