

HOUSE FINANCE COMMITTEE  
April 01, 2002  
2:00 P.M.

TAPE HFC 02 - 71, Side A

CALL TO ORDER

Co-Chair Williams called the House Finance Committee meeting to order at 2:00 P.M.

MEMBERS PRESENT

Representative Bill Williams, Co-Chair  
Representative Eldon Mulder, Co-Chair  
Representative Con Bunde, Vice-Chair  
Representative Eric Croft  
Representative John Davies  
Representative Bill Hudson  
Representative John Harris  
Representative Ken Lancaster  
Representative Jim Whitaker

MEMBERS ABSENT

Representative Richard Foster  
Representative Carl Moses

ALSO PRESENT

Representative Lesil McGuire; Heath Hilyard, Staff,  
Representative Jeanette James; Barbara Belknap, Executive  
Director, Alaska Seafood Marketing Institute, Department of  
Community and Economic Development; Jerry McCune, United  
Fishermen of Alaska (UFA), Juneau; Eddy Jeans, Manger,  
School Finance and Facilities Section, Department of  
Education and Early Development

PRESENT VIA TELECONFERENCE

Herb Jensen, United Salmon Association, Prince Williams  
Sound, Cordova; Dee Hubbard, Sterling

SUMMARY

HB 390 An Act extending the termination dates of certain activities and salmon marketing programs of the Alaska Seafood Marketing Institute and of the salmon marketing tax; expanding the allowable use of that tax for the salmon marketing programs of the Alaska Seafood Marketing Institute; relating to the Alaska Seafood Marketing Institute's salmon marketing committee; and providing for an effective date.

HB 390 was reported out of Committee with a "do pass" recommendation and with fiscal note #1 by the Department of Community & Economic Development.

HB 451 An Act relating to municipal bond reimbursement for school construction; and providing for an effective date.

HB 451 was reported out of Committee with a "do pass" recommendation and with a zero fiscal note #1 by the Department of Education & Early Development.

#HB380

HOUSE BILL NO. 380

An Act relating to reimbursement for certain Medicare premium charges for persons receiving benefits from the teachers' retirement system, the judicial retirement system, the elected public officers retirement system, and the public employees' retirement system.

Representative Lesil McGuire explained that HB 390 would extend the termination date of certain activities and salmon marketing programs of the Alaska Seafood Marketing Institute (ASMI) and the salmon marketing tax.

Under current uncodified law, the salmon marketing activities and programs of ASMI described in AS 16.51.100 (7)-(9), terminate on June 30, 2004. The salmon marketing tax described in AS 43.76.110-43.76.130, which supports certain ASMI activities and ASMI's domestic salmon marketing program, terminates June 30, 2003. HB 390 would extend those activities and programs and the tax for an additional five years.

In addition, HB 390 would amend AS 43.76.120(d) to permit salmon marketing tax revenue to be appropriated for use in ASMI's international salmon marketing as well as for use in its domestic salmon marketing program. The changes would assure the continuation of the important work of ASMI and would provide greater flexibility in the marketing of Alaska salmon to the international marketplace.

Representative McGuire urged that the bill moved quickly from the House Finance Committee.

Vice-Chair Bunde asked the original motivation for including the domestic limitation.

Representative McGuire explained that when the board, which address salmon marketing, was created, Alaska was primarily

exporting salmon to international markets. It was believed at that point that there was a domestic market, waiting to be explored, which was the reason for that limitation. Changing it now, reflects the changing times within the market and is an effort, which provides more tools.

Representative Harris clarified that the money would be paid through the taxes paid by the fishermen.

Representative McGuire advised that the requested amount would result from a 1% excise tax, which was paid by the fishermen. She reiterated that it was being paid by the industry, not the Legislature.

BARBARA BELKNAP, EXECUTIVE DIRECTOR, ALASKA SEAFOOD MARKETING INSTITUTE, DEPARTMENT OF COMMUNITY AND ECONOMIC DEVELOPMENT, advised that passage of the bill would extend the 1% excise tax for a second time. She pointed out that the action would provide for the second five-year period renewal. By renewing it this year, will allow ASMI to keep out of a "wind-down type scenario". She added that the Board of Directors supports removing the "domestic" restrictions.

Representative Hudson questioned the reason to spend more than the oversea portion.

Ms. Belknap explained that the Board of Directors would determine the actual make-up. She added that ASMI hoped to use the 1% as a match for some of the overseas funding, adding that her sense was that the vast majority of the funds would stay within the U.S. market. There would be additional funding that could be used to leverage federal funds for the overseas markets. There continues to be definite interest in the Japanese and European market for the Alaskan salmon.

HERB JENSEN, [TESTIFIED VIA TELECONFERENCE], UNITED SALMON ASSOCIATION, CORDOVA, proposed an amendment to HB 390 that would note a one-year extension instead of the five year, as there is a planned meeting in 2002. He believed that change would make sense and would create a win-win situation for all concerned.

Representative Harris commented that the bill would extend ASMI marketing out to 2008, 2009. He noted that making no changes to the bill would extend it for only one more year. He pointed out that Ms. Belknap's explanation addresses concerns to reach the sunset date. Representative Harris questioned why a one-year extension period would be beneficial for the State.

Mr. Jensen responded that many fishermen do not agree that ASMI is working to the benefit of all fishermen. Some

fishermen believe that the current charter needs some changes. He reiterated that ASMI has not benefited all fishermen and thought that the Legislature should wait for one year to reauthorize the program.

Co-Chair Williams recommended that the bill be amended in future committee's of referral. He advised that the Committee should continue full discussion and consideration of HB 390.

Mr. Jensen agreed.

In response to Mr. Jensen, Representative Hudson said that to extend the proposed program for only one year would be a "waste of money". He warned that this type of program requires continuity for recognition.

Representative Hudson proposed that the United Salmon Association and the ASMI Board have a meeting to address the concerns voiced by Mr. Jensen.

Mr. Jensen responded that there is a lot of frustration amongst the fishermen and that he would be willing to meet with ASMI.

JERRY MCCUNE, UNITED FISERMEN OF ALASKA (UFA), JUNEAU, voiced support for the bill as written. He pointed out that the original concern was that the domestic market be included. Now that the economics in Japan are down, many people are switching over to the European and domestic market to get more value for their product. Mr. McCune stated that a long-range plan was needed with the 1% renewal tax.

Representative Hudson MOVED to report HB 390 out of Committee with individual recommendations and with the accompanying fiscal note. There being NO OBJECTION, it was so ordered.

HB 390 was reported out of Committee with a "do pass" recommendation and with fiscal note #1 by Department of Community & Economic Development dated 2/27/02.

#HB451  
HOUSE BILL NO. 451

An Act relating to municipal bond reimbursement for school construction; and providing for an effective date.

HEATH HILYARD, STAFF, REPRESENTATIVE JEANNETTE JAMES, stated that HB 451 would correct the disparity in statute between grant proposals and bond reimbursement for school construction. Currently, the statute requires the

presentation of a preventative maintenance plan when reviewing school construction grant proposals, but there is no such requirement for bond reimbursement. Mr. Hilyard stated that HB 451 would correct that disparity requiring a preventative maintenance plan in bond reimbursement proposals.

Representative Whitaker asked if there had been any negative feedback.

Mr. Hilyard was not aware of any vocal opposition to the legislation.

Representative Davies noted his concern on Page 3, sub Section (b) with the clause that the district "is adequately following the preventive maintenance plan". He asked about circumstances in which the district does not have the funding to do that.

EDDY JEANS, MANGER, SCHOOL FINANCE AND FACILITIES SECTION, DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT, explained that preventative maintenance programs are a general operation of maintenance requirements. All school districts should have some type of preventative maintenance plan in place. Some school districts cannot meet the 70-30 percent instructional program requirement. The Department lets those districts know that is why there is a waiver program in place to help meet that requirement. Not meeting that requirement is beyond the districts control and provides justification to submit a waiver.

In 1988, the Legislature adopted, the five criteria, which the Department should measure as an eligibility requirement for being placed on the State's major maintenance, school construction.

Representative Davies asked the number of districts that were up to date on the proposed statute. He asked if the adoption would be harmful to any districts that might not be able to apply for bonding.

Mr. Jeans replied that there are two people that are reviewing school districts compliance for the maintenance programs. Currently, there is not one district that meets all five of the requirements. Through the Department's regulatory process, the definition of the five points has been expanded and the Department has allowed a grace period. At the next board meeting, an additional one-year grace period will be put forth to help comply with all five of the requirements. Some of the districts meet only two of the requirements. The intent of the grace period is to provide the Legislature the assurance that districts do have and are following a preventative maintenance program.

Representative Davies asked what would the Department's position would be on applying for new bonding in the future.

Mr. Jeans replied that would happen on the grant side before the bonding side. Regarding the five criteria and the preventative maintenance program, the Department is putting forth every effort to assure that the districts do have a program that meets the statutory requirements. The Department has developed the renewal and replacement schedule for the school districts. That action would help the school districts and the Department in their work with the Legislature in addressing statewide needs.

Representative Whitaker attempted to clarify information on school districts without bonding capabilities. He asked if those would mostly be the rural schools. Representative Whitaker questioned whether #5 would affect that group.

Mr. Jeans explained that it would apply to the debt reimbursement program. The provisions already exist in statute for the grant program, which applies to Regional Education Attendance Areas (REAA's). The REAA's do not have bonding capacity or authority. The grant program is their only option to receive State aid for school construction and major maintenance. REAA's would have a problem before the municipal districts. The point is if that contributes to their inability to meet the minimum expenditure requirement on instruction, that would be a justifiable reason to request a waiver and the Department would take that into consideration.

DEE HUBBARD, [TESTIFIED VIA TELECONFERENCE], STERLING, explained that when the Legislature adopted SB 7, it charged the communities and districts to take all the school construction process and make them apply an equitable method across the State. Principles of fiscal responsibility are also a charge that the Legislature gave to the school districts. In regards to the preventative maintenance statute, the bonding does not apply to bonding reimbursement. She added that in February, her group endorsed the bill. For the system to remain fair and consistent, the requirements in the preventative maintenance statute and regulations must apply to all funding mechanisms.

The Department has worked really hard to make sure that the school districts would be eligible to apply, based on the preventative maintenance statute. At their latest meeting, they addressed the unintended consequences of having to spend additional funds to guarantee that a school district would be eligible. She thought that would be a problem with a 70/30 requirement under SB 36. She urged, there be quick passage of the bill from the House Finance Committee.

Representative Davies MOVED to report HB 451 out of Committee with individual recommendations and with the accompanying fiscal note by the Department. There being NO OBJECTION, it was so ordered.

HB 451 was reported out of Committee with a "do pass" recommendation and with a zero fiscal note #1 by Department of Education & Early Development.

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ADJOURNMENT

The meeting was adjourned at 2:36 P.M.