

HOUSE FINANCE COMMITTEE
April 25, 2002
2:14 PM

TAPE HFC 02 - 94, Side A

CALL TO ORDER

Co-Chair Williams called the House Finance Committee meeting to order at 2:14 PM.

MEMBERS PRESENT

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

MEMBERS ABSENT

None

ALSO PRESENT

Senator Ben Stevens; Representative Pete Kott, Sponsor; Catherine Reardon, Director, Division of Occupational Licensing, Department of Community and Economic Development; Dean Guaneli, Chief Assistant Attorney General, Department of Law; John Bitney, Legislative Liaison, Alaska Housing Finance Corporation, Department of Revenue; Greg Winegar, Director, Division of Investments, Department of Community and Economic Development; Jon Carter, Director, Douglas Island Pink and Chums, Juneau; Carl Rosier, Alaska Outdoor Council, Juneau.

PRESENT VIA TELECONFERENCE

Joe Geldhoff, Mechanical Contractors of Alaska, Juneau; Dave Cobb, Business Manager, Valdez Fisheries Development Association, Valdez,

SUMMARY

HB 287 "An Act relating to the exemption of commercial fishing entry permits from claims of creditors, to loans to satisfy past due federal tax obligations of commercial fishing entry permit holders, and to

loan origination charges for loans made by the commercial fishing loan program to refinance a debt obligation; and providing for an effective date."

CSHB 287 (FIN) was REPORTED out of Committee with a "do pass" recommendation and with two previously published fiscal notes: DFG #1 and CED #2.

HB 318 "An Act relating to a health insurance uniform prescription drug information card; and providing for an effective date."

CSHB 318 (FIN) was REPORTED out of Committee with a "do pass" recommendation and with two previously published fiscal notes: ADM #1 and CED #2.

HB 399 "An Act relating to the Uniform Mechanical Code and other safety codes; annulling certain regulations adopted by the Department of Community and Economic Development relating to the mechanical code that applies to certain construction contractors and mechanical administrators; and providing for an effective date."

CSHB 399 (FIN) was REPORTED out of Committee with a "do pass" recommendation and with one previously published fiscal note (REV #1); and two zero fiscal notes: CED and LAW.

HB 519 "An Act authorizing priority treatment under the Right-of-Way Leasing Act for an Alaska North Slope natural gas project; expanding the scope for the kinds of gas development projects that may become qualified projects under the Alaska Stranded Gas Development Act; extending the deadline for submitting applications under the Alaska Stranded Gas Development Act; exempting an Alaska North Slope natural gas project from state property tax and all municipal taxes during construction; and providing for an effective date."

HB 519 was heard and HELD in Committee for further consideration.

CSSB 266(RES)

"An Act authorizing the commissioner of community and economic development to refinance and extend the term of a fishery enhancement loan."

CSSB 266 (RES) was REPORTED out of Committee with a "do pass" recommendation and with a previously published fiscal note: CED #1.

#hb399

HOUSE BILL NO. 399

"An Act relating to the Uniform Mechanical Code and other safety codes; annulling certain regulations adopted by the Department of Community and Economic Development relating to the mechanical code that applies to certain construction contractors and mechanical administrators; and providing for an effective date."

CATHERINE REARDON, DIRECTOR, DIVISION OF OCCUPATIONAL LICENSING, DEPARTMENT OF COMMUNITY AND ECONOMIC DEVELOPMENT provided testimony on HB 399. She noted that the legislation would nullify regulations adopted by the Division regarding the definition of uniform mechanical code and mechanical administrator and affect the mechanical contractor statutes. She added that the House Labor and Commerce version also provides some clarification regarding administration of the program after repeal of the regulations. She stated that the Division could work with CS HB 399 (L&C). The Division has submitted a zero fiscal note with the proposed committee substitute. Applicants would be given the choice of taking their examinations on either the Uniform Mechanical Code of 1997 or the International Mechanical Code of 2000. After December 31, 2003 the Division would test on the current version of the mechanical code that has been adopted in the state. She felt that health and safety would be protected under either test.

DEAN GUANELI, CHIEF ASSISTANT ATTORNEY GENERAL, DEPARTMENT OF LAW, stated that the department would support the House Labor and Commerce version of the legislation. The department supports clarification of the law, which the legislation would provide.

JOE GELDHOFF, MECHANICAL CONTRACTORS OF ALASKA, JUNEAU, testified via teleconference. He spoke in support of the proposed committee substitute. He maintained that the Labor and Commerce version does not clarify a number of issues; it leaves the Alaska Housing Finance Corporation (AHFC) hanging, does not meet concerns expressed by the Municipality of Anchorage, and does not address the legislative law making powers under the Constitution. He asserted that the regulations are being used to adopt a new code and should be annulled.

Representative John Davies clarified that the annulment language is identical in the Labor and Commerce Committee version and the proposed committee substitute, version 0.

JOHN BITNEY, LEGISLATIVE LIAISON, ALASKA HOUSING FINANCE CORPORATION, DEPARTMENT OF REVENUE, observed that section 2 on page 2 amends the Alaska Housing Finance Corporation

(AHFC) statutes defining state building code. The Corporation may not make or purchase a housing loan for residential housing the construction of which begins after June 30, 1992, unless the seller of the mortgage loan complies with the state building code, which is defined in the language being amended.

The current statutes provide that buildings funded by AHFC must meet Uniform Building Code standards that were adopted by the Department of Public Safety and mechanical standards set out in the Uniform Mechanical Code that were adopted by the Department of Public Safety. Last fall the Department of Public Safety adopted the International Mechanical Code. The legislation changes "Uniform Mechanical Code" to "mechanical code". He pointed out that it would be cleaner to also change "Uniform Building Code" to the more generic term "building code" on line 10. He observed that statutes refer to the standard adopted by the Department of Public Safety. Therefore, the Alaska Housing Finance Corporation (AHFC) has interpreted action by the Department of Public Safety to mean that mortgages should conform to the International Mechanical Code. He stressed that confusion remains due to the reference to the Uniform Mechanical Code in the statute.

Representative Lancaster questioned if "Uniform Plumbing Code" should be changed to "plumbing code" on page 1. Mr. Bitney noted that the reference on page 1 refers to occupational licensing and is not an issue for AHFC.

Co-Chair Mulder MOVED to ADOPT Amendment 1: delete "uniform" on page 2, line 10. There being NO OBJECTION, it was so ordered.

Co-Chair Mulder MOVED to report CSHB 399 (FIN) out of Committee with the accompanying zero fiscal note. There being NO OBJECTION, it was so ordered.

CSHB 399 (FIN) was REPORTED out of Committee with a "do pass" recommendation and with one previously published fiscal note (REV #1); and two zero fiscal notes: CED and LAW.

#hb287

HOUSE BILL NO. 287

"An Act relating to the exemption of commercial fishing entry permits from claims of creditors, to loans to satisfy past due federal tax obligations of commercial fishing entry permit holders, and to loan origination charges for loans made by the commercial fishing loan program to refinance a debt obligation; and providing for an effective date."

Co-Chair Mulder MOVED to ADOPT proposed committee substitute, work draft LS1106\S, dated 4/24/02. He explained

that the draft takes out sections of the legislation pertaining to reconfiguration of the loan. Portions requested by the Limited Entry Commission were retain and the legislation meets with the Commission and sponsor's concurrence.

Co-Chair Mulder MOVED to report CSHB 287 (FIN) out of Committee with the accompanying fiscal note. There being NO OBJECTION, it was so ordered.

CSHB 287 (FIN) was REPORTED out of Committee with a "do pass" recommendation and with two previously published fiscal notes: DFG #1 and CED #2.

#318

HOUSE BILL NO. 318

"An Act relating to a health insurance uniform prescription drug information card; and providing for an effective date."

Co-Chair Mulder MOVED to ADOPT proposed committee substitute, work draft LS1061\X, dated 4/24/02. There being NO OBJECTION, it was so ordered. He explained that the committee substitute extends the effective date to July 1, 2004. He acknowledged that the amendment is a compromise and noted that the sponsor concurs. The effective date would allow a transition period.

Co-Chair Mulder MOVED to report CSHB 318 (FIN) out of Committee with the accompanying fiscal note. There being NO OBJECTION, it was so ordered.

CSHB 318 (FIN) was REPORTED out of Committee with a "do pass" recommendation and with two previously published fiscal notes: ADM #1 and CED #2.

#519

HOUSE BILL NO. 519

"An Act authorizing priority treatment under the Right-of-Way Leasing Act for an Alaska North Slope natural gas project; expanding the scope for the kinds of gas development projects that may become qualified projects under the Alaska Stranded Gas Development Act; extending the deadline for submitting applications under the Alaska Stranded Gas Development Act; exempting an Alaska North Slope natural gas project from state property tax and all municipal taxes during construction; and providing for an effective date."

Co-Chair Mulder MOVED to ADOPT proposed committee substitute 22-LS1651\W, dated 4/25/02. There being NO OBJECTION, it was so ordered.

REPRESENTATIVE PETE KOTT, SPONSOR, discussed the committee substitute. He noted explained that the railroad bill was included in the legislation: sections 2, 4, 5, 6, and 14. He discussed other changes to the legislation. An end date, of December 31, 2015, for application of the tax break was added on page 7 lines 1 - 24. Language on page 9, line 10 - 13 clarifies that the exemption must be applied for and the negotiation process must be agreed to.

HB 519 was heard and HELD in Committee for further consideration.

#sb266

CS FOR SENATE BILL NO. 266(RES)

"An Act authorizing the commissioner of community and economic development to refinance and extend the term of a fishery enhancement loan."

SENATOR BEN STEVENS, SPONSOR, explained that the legislation authorizes the commissioner of the Department of Community and Economic Development to refinance loans from the Fisheries Enhancement Revolving Loan Fund. The Fund has been in existence since 1974 and has about \$112 million dollars in loans. The legislation allows for refinancing of existing loans but does not forgive interest or principle. The director of the Division can allow the participants of the loans to benefit from lower interest rates available in the current markets. Loan terms can be extended at the director's discretion. The director would report their activities in relation to loan financing, refinancing or extensions to the legislature.

Representative Hudson clarified that there are no scarcity of funds for loans at the present time. Senator Stevens noted that there is no shortage and that the balance of the Fund would not jeopardized its ability to make new loans. Representative Hudson spoke in support of the legislation.

Representative Harris questioned if there were a floor on the legislation. Senator Stevens thought the floor was 6.25%.

GREG WINEGAR, DIRECTOR, DIVISION OF INVESTMENTS, DEPARTMENT OF COMMUNITY AND ECONOMIC DEVELOPMENT, clarified that a floor was not set. A ceiling was set that cannot exceed 9 and a half percent. The regulation ties into the prime rate at prime plus one not to exceed 9.25 percent, adjusted on a quarterly basis. He noted that the fund has done well and they do not anticipate problems. The fund is revolving and would not impact the general fund.

DAVE COBB, BUSINESS MANAGER, VALDEZ FISHERIES DEVELOPMENT ASSOCIATION, VALDEZ, testified via teleconference. He noted

that loan refinancing is one of the tools needed for the hatchery program to remain competitive in today's global fisheries environment. Lower interest rates would allow most hatcheries to reduce their annual loan payments and costs of operations significantly.

Valdez Fisheries believes that while the legislation is very important to the state hatchery program it is only one of the many changes needed if the commercial fishing industry in Alaska is to survive. The hatchery system created by the legislature in 1974 has met or exceeds expectations. Harvest of hatchery salmon exceeds one billion pounds, with a value in excess of \$340 million dollars over the last ten years. The legislation would allow them to manage funds more efficiently and effectively. He observed the level of global competition. He asserted that the legislation makes good business sense and would have no impact on General Fund dollars.

JON CARTER, DIRECTOR, DOUGLAS ISLAND PINK AND CHUMS (DIPAC), Juneau, testified in support of the legislation.

The private non-profit hatchery program was created by the legislature to replace the hatchery program operated by the state's Fish & Game FRED Division. The FRED hatcheries operated through annual appropriations to the State Department of Fish & Game. In effect, the PNP hatchery program was created as a user pay entity to reduce the draw on the state coffers. To get the program started the State gifted some existing hatcheries to Regional Corporations but primarily created the "Fisheries Enhancement Revolving Loan Fund". This fund, along with a tax on commercial fishermen, was to provide construction and operational funds as the enhancement programs developed.

Twenty-five plus years later, the PNP hatchery programs are described, even by some of its detractors, as "some of the best in North America." They have made dramatic financial contributions to many areas of the State with a total contribution of well over 1 Billion dollars. The recent McDowell Report covering four of the State's largest enhancement corporations certainly makes it appear the program is an unqualified success.

That being said, we are still a business and are responsible for budgets, payroll and of course debt service. What we are asking for here is the ability to refinance our debt at lower interest rates. This is obviously going on in businesses all across the country. Taking advantage of today's current low interest environment just makes good business sense.

Simply put, refinancing will strengthen our financial position, make us better able to pay our debt and more able to continue doing our job of providing fish to the commercial and sport fishers across the state. This will mean principle and interest are paid into the fund at a slower rate but loan demand on the fund has slowed dramatically so the fund will remain financially sound.

CARL ROSIER, ALASKA OUTDOOR COUNCIL, JUNEAU, testified in support of the legislation. He stressed that the hatchery program in private hands has been a "real plus" for all user groups and urged passage of the legislation.

In response to a question by Representative Hudson, Mr. Rosier agreed that the program has been successful in rebuilding and adding to natural stocks. He emphasized that the marketing aspect was forgotten. The resources are in good shape, but the right market needs to be found.

Representative Foster MOVED to report CSSB 266 (FIIN) out of Committee with the accompanying fiscal note.

CSSB 266 (RES) was REPORTED out of Committee with a "do pass" recommendation and with a previously published fiscal note: CED #1.

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ADJOURNMENT

The meeting was adjourned at 3:19 PM