

MINUTES
SENATE FINANCE COMMITTEE
April 24, 2002
9:16 AM

TAPES

SFC-02 # 75, Side A
SFC 02 # 75, Side B

CALL TO ORDER

Co-Chair Pete Kelly convened the meeting at approximately 9:16 AM.

PRESENT

Senator Dave Donley, Co-Chair
Senator Pete Kelly, Co-Chair
Senator Jerry Ward, Vice Chair
Senator Lyda Green
Senator Alan Austerman
Senator Loren Leman
Senator Lyman Hoffman
Senator Donny Olson
Senator Gary Wilken

Also Attending: REPRESENTATIVE HUGH FATE; SENATOR GENE THERRIAULT; REPRESENTATIVE FRED DYSON; PATRICK GALVIN, Director, Division of Governmental Coordination, Office of the Governor; JIM NORDLUND, Director, Division of Public Assistance, Department of Health and Social Services; PAM LABOLLE, President, Alaska State Chamber of Commerce; MARY JANE FATE, Member, Arctic Research Commission

Attending via Teleconference: From Anchorage: REPRESENTATIVE SCOTT OGAN; MARK MYERS, Director, Division of Oil & Gas, Department of Natural Resources; MEAD TREADWELL, Member, Arctic Research Commission (ARC) and Director, Institute of the North; From Mat-SU: DANA OLSON, resident of Mat-Su Coastal District;

SUMMARY INFORMATION

HB 439-COASTAL ZONE MANAGEMENT PETITIONS

The Committee heard from the sponsor, the Division of Governmental Coordination, and took public testimony. A committee substitute and one amendment were adopted, and the bill reported from Committee.

SJR 44-STATE-FEDERAL JOINT RESEARCH PLAN

The Committee heard public testimony and reported the bill from Committee.

HB 307-OIL/GAS EXPLORATION INCENTIVE CREDIT

The Committee heard from the sponsor and the Department of Natural Resources, and reported the bill from Committee.

HB 402-ALASKA TEMPORARY ASSISTANCE PROGRAM

The Committee heard testimony from the sponsor and the Department of Health and Social Services. The bill was held in Committee.

#hb439

CS FOR HOUSE BILL NO. 439(RES)(title am)

"An Act removing provisions providing an opportunity to petition for review of proposed or final consistency determinations under the Alaska coastal zone management program; and limiting the authority of the Alaska Coastal Policy Council to order a coastal resource district or a state agency to take action with respect to a proposed or final consistency determination."

This was the first hearing for this bill in the Senate Finance Committee.

REPRESENTATIVE SCOTT OGAN testified via teleconference from Anchorage to state that this legislation changes the Alaska Coastal Zone Management Program by: eliminating the petition process currently allowed during consideration of a program's consistency determination; specifying that approved resource agencies are limited to the Department of Environmental Conservation, the Department of Natural Resources, and the Department of Fish and Game; and establishing, under specified circumstances, a petition process generated from a coastal resource district by a citizen of that coastal resource district or by a state resource agency. He informed the Committee that these changes are supported by the Alaska Oil and Gas Association (AOGA); have resulted in a limited "outcry" from environmental groups; and are not opposed to by the State Administration.

Senator Ward asked whether the changes in this bill would affect the proposed extension of the Tony Knowles' Coastal Trail in Anchorage.

Representative Ogan responded that this legislation would not "hamper a constituent's ability" to participate in a consistency determination; however, it would "eliminate a dysfunctional petition process" which petitioners have used to delay projects. He noted that the petition process "was never used successfully by anybody to halt or change a project," but it did extend the time involved in completing a project; thereby, increasing costs.

Senator Ward stated that citizens have expressed concern that certain government entities support extension of the coastal trail, and might usurp the public process.

Senator Leman asked whether Representative Ogan supports an immediate effective date for this bill.

Representative Ogan responded he supports an immediate effective date, as the provisions of this bill would affect pending projects.

Co-Chair Kelly asked Representative Ogan to further explain the petition process identified in Section 7, subsection (h) of the Version "L" committee substitute, which, he noted, has not been adopted.

Representative Ogan read from a sectional analysis memorandum dated April 23, 2002 from Kathryn Kurtz of the Division of Legal and Research Services, [copy on file] which states, "This subsection would permit a coastal resource district, a citizen of the coastal resource district, or a state resource agency to file a petition showing that a district coastal management program is not being implemented." He stressed that a petition process remains; however, it is not based on whether "they were being fairly heard, but rather on whether the program was being implemented."

Senator Green moved to adopt the committee substitute for HB 439, Version 22-LS1464\L as a working draft.

There being no objections, Version "L" was ADOPTED as a working draft.

SENATOR GENE THERRIault clarified that Section 7 of this legislation specifies that if any district, citizen of that district, or permitted resource agency determines that the local plan is not being consistently followed, that party could file a petition requesting the Alaska Coastal Policy Council to "review the plan." He continued that if the Council determines that the

plan is not being followed, it would instruct the project "to get back on track." He stressed that the Council could not "go back and review a project or question decisions" that had been made regarding that project. He asserted that this legislation specifies, "the Alaska Coastal Policy Council could order a coastal resource district or state resource agency to take action with respect to future implementation of the plan."

Senator Therriault supported an immediate effective date for the bill, and urged the Committee to request a legal analysis to address a situation in which a petition might already have been filed or is pending as allowed under current law.

Amendment #1: This conceptual amendment would establish an immediate effective date for the bill and allow for transitional language to permit petitions that are already in progress be allowed to proceed according to current law.

Senator Leman moved for adoption of Amendment #1.

PATRICK GALVIN, Director, Division of Governmental Coordination, Office of the Governor, remarked that the amendment "would be adequate."

Senator Leman asked Mr. Galvin whether omitting the existing petition language from the amendment would create any problems.

Mr. Galvin responded that although there are no petitions currently on file, there is the possibility that one could be filed. He urged the Committee to make the language in the bill "as clear as possible to avoid any legal issues;" as historically, when changes have been made to statutes governing the coastal management plan process, legal issues have surfaced. He exemplified that the most recent changes to these statutes were made in 1994, and, at that time, an Alaska Superior Court judge ruled that the changes were procedural and could be applied retroactively.

Senator Ward asked, if this bill were passed today with an immediate effective date, whether a "grand-fathered in" petition would have a "second appeal process currently under the law that would be affected."

Mr. Galvin responded that, "there is no other administrative appeal."

Senator Olson asked if regional Native councils would be adversely affected by this amendment.

Mr. Galvin responded that this amendment would not affect regional Native councils.

There being no objections, Amendment #1 was ADOPTED.

Mr. Galvin testified that the Division of Governmental Coordination is responsible for the implementation of the Alaska Coastal Management Program. He explained that the Alaska Coastal Management Program was enacted in response to the federal Coastal Zone Management Act that allowed coastal states to develop their own coastal management plan. He informed the Committee that Alaska's decision to implement a "decentralized" Plan structure emphasizing local government control, development, and implementation, resulted in the creation of a petition process as a method to assure the federal government that the State of Alaska would be responsible for the overall implementation of the Plan.

Mr. Galvin explained that, initially, implementation of the State's Plan was relegated to local governments; however, local permitting decisions resulted in "conflicting decisions about the same issue." He stated that, shortly after the State's Plan was developed, in response to this conflict, a single "consistency review process" was implemented at the State level that allowed the State to oversee project reviews requiring State or federal permits.

Mr. Galvin continued that a petition process was also established to allow the Coastal Management Council to review projects to ensure the Plan was being properly implemented at the local level; however, he explained, the process expanded beyond determining whether petitioners comments were being "fairly considered" and began "questioning individual project decisions." He stated this resulted "in legal and procedural problems."

Mr. Galvin stated that 1994 legislation addressed these petition process issues by establishing two petition processes: one through which the Coastal Policy Council could review whether the process "was fair to the persons commenting," but not whether the project was "a good one;" and the other to determine whether there is a "systematic failure to implement the local plan." He stated that neither petition process "has proven beneficial to anybody."

Mr. Galvin stated that Section 7, subsection (h) in this legislation eliminates the problems created by the petition process wherein decisions regarding a project were questioned, but leaves intact the original intent of the petition process, which is to determine whether the Coastal Management Plan is being followed. He stressed that the legislation "retains the ability of local government" or citizens or resource agencies to ask the Council to determine "whether there is a pattern of non-implementation."

Senator Austerman asked Mr. Galvin whether the Division supports this legislation.

Mr. Galvin responded it does.

DANA OLSON, resident of Mat-Su Coastal District, testified via teleconference from Mat Su that she would be affected by passage of this bill. She mentioned that during recent testimony on another bill, SB 361 that addresses revamping the Alaska Coastal Management Program, it was determined that additional time is needed to more thoroughly assess the Program. She opined that if the petition process allowing for the gathering of facts were removed, then determinations regarding "consistency" would be jeopardized. She stated that the State's emphasis on local control is detrimental to the overall health of such things as the State's fisheries, and water and air quality and also disregards the directives of Alaska's constitution.

Ms. Olson agreed that "the petition process is broken;" however, stressed that citizens should be involved in discussions that would change the program. She voiced her opposition to this bill and urged the Committee to hold the bill until all aspects of the program have been reviewed, instead of "piece-mealing" the program. She voiced concern that copies of the committee substitute, Version "L", were not available for public review at the State's Legislative Information Offices (LIO).

Senator Ward assured the testifier that the committee substitute would be distributed to the State's LIO sites.

PAM LABOLLE, President, Alaska State Chamber of Commerce voiced that the State Chamber of Commerce supports this bill. She asserted that the current "petition process only added needless costs and delays to the permitting process," which is unwelcome in today's competitive global market. She stated that the petition process proposed in this legislation adequately provides for consistency determinations.

Senator Lemman noted that the lone opposition to this bill stemmed from concern that the Program's challenges are not being addressed in its entirety; however, he voiced the need to repair "what you can, when you can."

Senator Lemman moved to report the "Senate Committee Substitute for HB 439 from Committee with individual recommendations and accompanying zero fiscal notes, as amended."

There being no objection, SCS CS HB 439(FIN) was REPORTED from Committee with a previous zero fiscal note from the Office of the Governor, dated February 20, 2002.

#sjr44

CS FOR SENATE JOINT RESOLUTION NO. 44(L&C)
Relating to preparation of a joint state-federal research and
development plan.

This was the first hearing for this resolution in the Senate Finance Committee.

Senator Leman explained that this resolution suggests constructive means for the various State and federal agencies engaged in research in the State, to coordinate their activities to promote the "optima benefit for Alaska."

MEAD TREADWELL, Member, Arctic Research Commission (ARC) and Director, Institute of the North, testified via teleconference from Anchorage and informed the Committee that ARC's objective is to formulate goals and objectives, and to bring federal research agencies together in a coordinated manner to work on issues affecting Alaska. He stated that major projects being developed include a study on changes occurring in the Arctic region, as well as Bering Sea research and health issues research. He stated that this resolution exemplifies the need to coordinate various federal and State research programs as well as educating the State Legislature about the various federal projects and their funding, in order for the State to get its priorities "meshed" with the federal system.

MARY JANE FATE, Member, Arctic Research Commission, concurred that the coordination of research would provide "a wonderful opportunity" to benefit the State's people, resources, and economy as well as other regions and countries.

Co-Chair Kelly asked whether the US Arctic Commission is the same entity as the Arctic Research Commission of the United States (ARCUS).

Ms. Fate clarified that these two entities work together. She stated that the US Arctic Commission is involved in research "policy-making."

Co-Chair Kelly reminded the Committee that the University of Alaska has recently re-instituted the position of Vice President of Research.

Ms. Fate noted that the person hired for the position is a scientist and would enhance the State's research coordination.

Senator Leman noted that a technical correction is required in the legislation on page 1 line 13; whereby, the reference to the WAMI medical program should correctly be the WWAMI medical program.

Senator Lemman moved to report "the committee substitute for Senate Joint Resolution #44, Labor and Commerce, from Committee with individual recommendations and accompanying zero fiscal note."

There being no objections, CS SJR 44 (L&C) was REPORTED from Committee with a previous zero fiscal note, dated April 16, 2002 prepared by the Senate Labor and Commerce Committee.

#hb307

HOUSE BILL NO. 307

"An Act delaying to June 30, 2007, the last date by which hydrocarbon exploration geophysical work must be performed or drilling of a stratigraphic test well or exploratory well must be completed in order for a person to qualify for an exploration incentive credit."

This was the first hearing for this bill in the Senate Finance Committee.

REPRESENTATIVE HUGH FATE, the bill's sponsor, explained to the Committee that this bill would facilitate further natural gas and oil exploration in Alaska by extending the exploration incentive credit for petroleum exploration activities an additional three years. He noted that any seismic research obtained by private industry exploration processes under this agreement would not be proprietary and copies of the findings would be available to the State. He stated that this stratigraphic information is beneficial to the State and is an incentive for offering lease-sales. He shared the history of drilling and exploration in the Tanana area.

MARK MYERS, Director, Division of Oil & Gas, Department of Natural Resources, testified via teleconference from Anchorage and shared with the Committee information about the State's Exploration Incentive Credit (EIC) program. He communicated that this program was created in 1994 to allow the State to acquire more geophysical data information that it could not obtain under normal circumstances on un-leased or private land. He stated that the program provides for exploration incentive credits that could be applied toward royalties and taxes. He told of a total program cap of \$30 million, and an individual project cap of \$5 million. He detailed how the credits might be issued and stressed that the data supplied by the research is beneficial. He noted that some data would be confidential for a limited amount of time and then become available to the State and other entities.

Mr. Myers stated that the EIC program has not been extensively used by industry because the information garnered from the research could be "shown to a third party." He furthered that the State has at times, denied an EIC, as sufficient geophysical or geological information was already available on the area.

Senator Austerman asked the benefit of this program, if no corporate tax credits have been applied since 1994.

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Mr. Myers stated that the program "is applicable to frontier basins where there is very little or limited geological information." He stated that drilling activity has declined since this legislation was first enacted, as there is "a fundamental shift" occurring with the increased economic interest in gas, particularly with the prospect of a natural gas pipeline. He stated that this program could be used in the future, to gather baseline data from multiple basins.

Mr. Myers, responding to a question posed by Senator Ward, stated that the intent of the program focuses on the value of obtaining data, not so much as being a stimulus for exploration. He concurred; however, that a "positive benefit" would be derived by the State contributing a credit toward the cost of developing a well, provided that the criteria for the exploration meets the needs of the State.

Representative Fate stated that several exploration projects are being discussed for areas of rural Alaska, and if the EIC program could provide the incentive for these projects to occur, there would be an economic stimulation in those areas. He stressed that, "there are multiple advantages of this type of incentive."

Senator Austerman voiced concern about the State's fiscal gap and budget, and noted that the State derives tax revenue from its natural resources, and this EIP credit would reduce those monies.

Senator Green moved to report "House Bill 307 out of Committee with individual recommendations and accompanying fiscal notes."

There being no objections, House Bill 307 was REPORTED from Committee with a previous zero fiscal note, dated January 30, 2002, from the Department of Revenue and a previous zero fiscal note, dated January 30, 2002 from the Department of Natural Resources.

#hb402

SENATE CS FOR CS FOR HOUSE BILL NO. 402(HES)

"An Act relating to diversion payments, wage subsidies, cash assistance, and self- sufficiency services provided under the Alaska temporary assistance program; relating to the food stamp program; relating to child support cases that include persons who receive cash assistance or self-sufficiency services under the Alaska temporary assistance program; and providing for an effective date."

This was the first hearing for this bill in the Senate Finance Committee.

REPRESENTATIVE FRED DYSON, the bill's sponsor, informed the Committee that the previous year, an outside audit [copy not on file] had conducted on the State's public assistance plan, and that the recommendations of that audit "are encapsulated in this bill." He stated that this bill represents the "next step in welfare programs," by placing "in statute and practice the whole concept of work first." He communicated that the emphasis of this program is to take a combination of "public assistance monies, food stamp monies and other available funding to subsidize employment for welfare applicants." He stated, "it is a paradigm shift" for when a person applies for welfare benefits, instead of being placed on welfare and receiving a welfare check, they are first directed toward becoming employed and receiving a paycheck. He stated that this approach to the welfare system has been successful in the State of Oregon where the people in the program have had significant success in retaining their jobs, and the private sector is delighted to "get workers to fill jobs that were marginally economical before." He noted this proposed program is supported by the Administration and the Department of Health and Social Services.

Representative Dyson qualified that two components of this bill are not endorsed by the Administration: the first being the more stringent sanctions placed on individuals who do not comply with the directives to obtain employment; and the second being a program participant limit of 25 percent of the total number of eligible welfare recipients. He stated that the Administration favors no restriction on the number of participants in the program at any given time. He informed that the 25 percent cap is based on both Alaska's employment studies as well as the Oregon program's

experience. He urged the Committee to support the bill as presented.

Senator Lemman commended Representative Dyson, Senator Green and the Department for their constructive work on this bill. He endorsed the legislation and stated that the Senate Health Education and Social Services committee substitute is an acceptable compromise for it instills incentives for the Department of Health and Social Services to revise the welfare program as the Legislature intends, in a "compassionate" manner.

Co-Chair Donley stated that his inclination is to trust Representative Dyson and Senator Green's judgment. He asked why national studies imply that Alaska has exerted minimal efforts in addressing welfare reform.

Representative Dyson responded that statistics indicate "a remarkable reduction" of the number of individuals on welfare in the State. He stated "there needs to be a cultural shift," to find jobs, help create jobs and to employ the people needing these jobs, which involves hiring administrative people with a "passion and vision," in addition to adopting enabling State statutes. He stated it is the Legislature's duty to enact legislation to support the process, and "it is the Administration's job to find the people who really have a passion" to make the changes happen.

Senator Green noted that as part of the federal welfare reform legislation, Congress granted "American Indian waiver" status to the State of Alaska that allows Native people who are residing in rural areas or other areas of the State where "economic non-viability" limits employment opportunities, to be exempt from the five-year (60-month) limitation on welfare benefits. She stated that because the "substantial number of people" granted waivers are not included in the total number of participants in which the 25 percent limitation is calculated, she supports the proposed 25 percent cap. She informed the Committee that the limitation on participation in the federal work-first program is 20 percent and that the State of Oregon, which has a higher number of exempted individuals than Alaska, has a 30 percent cap.

Co-Chair Donley asked whether there is a limit on how long people could receive welfare benefits.

Representative Dyson responded that there is a limit of 60-months; however, unlimited waivers are granted to "severely handicapped" individuals or those who serve as caretakers to a handicapped child.

Representative Dyson voiced concern that the Department would grant waivers to individuals "just because there is no job in their area." He asserted that people should live in areas where job opportunities exist, and he exemplified that Alaska's indigenous people historically followed caribou herds; in other words they, "moved to where the resource was."

Representative Dyson stated that the Department of Health and Social Services has assured him that waivers would not be granted to people "just because" they live in an area with limited job opportunities. He expressed that the proposed program would provide training and other life skills with the expectation that people would relocate.

Senator Green expressed that this legislation would provide the Department "with a great tool" to encourage some welfare benefit recipients "who have been reluctant or have refused" to participate in job training programs or go for interviews, to reenter the work force. She stated the current system is inefficient and "doesn't serve either the Department or the client well at all" as there is no incentive for people to seek employment; wherein, the proposed legislation would deny benefits to individuals if they refuse to participate in the training and employment program.

JIM NORDLUND, Director, Division of Public Assistance, Department of Health and Social Services, stated that Representative Dyson and Senator Green have presented the bill in an accurate manner.

Senator Green asked the testifier whether the Department would offer any recommendations to the Governor regarding signing this bill into law.

Mr. Nordlund commented that the final version of bill would be a factor in any recommendation. He stated that the Department supports no limitation on the number of participants in the program because State law specifies criteria as to who would or would not be eligible. However, he noted that the proposed 25 percent cap is an improvement over the current 20 percent limit. He stated that the Department's concerns about denial of benefits to people who do not participate in the program have been addressed in the committee substitute.

Co-Chair Kelly ordered the bill HELD in Committee.

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ADJOURNMENT

Co-Chair Pete Kelly adjourned the meeting at 10:30 AM