

**MINUTES**  
**SENATE FINANCE COMMITTEE**  
**May 10, 2002**  
**5:38 PM**

**TAPES**

SFC-02 # 94, Side A  
SFC 02 # 94, Side B

**CALL TO ORDER**

Co-Chair Pete Kelly convened the meeting at approximately 5:38 PM.

**PRESENT**

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

**Also Attending:** REPRESENTATIVE LESIL MCGUIRE; JIM DUNCAN, Commissioner, Department of Administration; PHIL OATES, Adjutant General, Commissioner, Department of Military and Veterans Affairs; GARY BERRY, American Legion; GENE DALL, Legislative Officer, Veterans of Foreign Wars Post 5559; DALE ANDERSON, staff to Representative Mulder; PAT HARTLEY, staff to Representative Scalzi; MARY MCDOWELL, Commissioner, Commercial Fisheries Entry Commission; ANNE CARPENETI, Assistant Attorney General, Legal Services Section, Criminal Division, Department of Law; JESSICA MENENDEZ, Staff to Representative Green; BOB POE, Executive Director, Alaska Industrial Development and Export Authority

**Attending via Teleconference:** There were no teleconference participants.

**SUMMARY INFORMATION**

SB 372-TRANSPORTATION BONDS

The bill was discussed and held in Committee.

SB 55-PIONEERS' AND VETERANS' HOME/ADVISORY BD

The Committee heard from the Department of Administration, the Department of Military and Veterans Affairs and representatives of veterans. A committee substitute was adopted and the bill moved from Committee.

HB 447-COM FISH & AGRICULTURE BANK INTEREST RATE

The Committee heard from the sponsor and the bill moved from Committee.

HB 287-EXEMPT ENTRY PERMITS FROM CREDITOR CLAIMS

The Committee heard from the sponsor and the Commercial Fisheries Entry Commission. The bill moved from Committee.

HB 350-TERRORISTIC THREATS & OTHER CRIMES

The Committee heard from the sponsor and the Department of Law. The bill moved from Committee

HB 471-AIDEA LOANS AND DIVIDEND/AEA LOANS

The Committee heard from the sponsor and the Alaska Industrial Development and Export Authority. The bill moved from Committee.

#SB372

CS FOR SENATE BILL NO. 372(TRA)

"An Act providing for and relating to the issuance of general obligation bonds in a principal amount of not more than \$168,120,000 for the purpose of paying the cost of state transportation projects; and providing for an effective date."

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

Co-Chair Kelly announced no substantive action would be taken on this bill at this hearing.

Co-Chair Donley spoke to this bill, sponsored by the Senate Transportation Committee, which would present a general obligation bond proposal for voter approval during the upcoming general election. He pointed out the State has not issued a general obligation bond for approximately 20 years. He stated that previous

general obligation bonds for road projects have received the highest percentage of votes.

Co-Chair Donley indicated his intent to further review the matter of a general obligation bond package during the remainder of the legislative session.

Senator Austerman asked if the issuance of Grant Anticipation Revenue Vehicle (GARV) bonds was under discussion in relation to general obligation bonds.

Co-Chair Kelly responded that legislation pertaining to GARV bonds would likely be heard at the next Committee meeting.

The bill was HELD in Committee.

#SB55

CS FOR SENATE BILL NO. 55(STA)

"An Act relating to the Alaska Pioneers' Home and the Alaska Pioneers' Homes Advisory Board; relating to admissions to, payment assistance for, and transfers from the home; relating to housing and services for veterans; and providing for an effective date."

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

Senator Ward indicated he had prepared no amendments to this legislation.

Senator Wilken moved to adopt CS SB 55, 22-GS1040\J as a working draft.

Co-Chair Kelly objected for discussion.

Senator Wilken recapped discussions from previous hearing whereby he opined that some decisions regarding services for Alaska veterans were being made too quickly. He reminded the Committee of his comments that while Alaska is the only state without veterans' homes, it is also the only state with pioneers' homes. He agreed with the premise of combining the pioneers' homes with veteran's housing; however further efforts are necessary to achieve this.

Senator Wilken pointed out for example that it remains uncertain whether the State's six pioneer home facilities would meet the required standards for veterans' housing. He explained that federal

requirements prohibit senior veterans' care in conjunction with other veterans' services. He furthered that it has been learned that it is uncertain whether federal requirements would allow the operation of the pioneers' homes together with veterans' homes. He also stressed that the federal funding, which has been a primary incentive for the establishment of veterans' homes in Alaska, has not been guaranteed.

Senator Wilken asserted, "If we're going to do this, lets do it right. Let's step back for a moment and let's look at the alternatives." He then directed attention to a spreadsheet, "Alternatives", he had distributed [copy on file], which lists six options: 1) Do Nothing, which he did not anticipate would occur, 2) Stand Alone, and he referenced a 1992 study about the significant expense of constructing a stand-alone veterans' housing facility, 3) Convert existing Pioneers' Home to Veterans' Home, 4) Separate Pioneers'/Veterans' Home, dividing existing Pioneers' homes into separate wings for veterans and pioneers. 5) Combined Pioneers'/Veterans' Home, similar to the current operation, and 6) Other.

Senator Wilken noted the proposed committee substitute continues to support a proposed study of the six aforementioned alternatives, encourages negotiation with the federal government to secure funding for veterans' housing, and allows for the creation of a pilot program.

Senator Wilken expressed his intent to review this issue in a few years to determine the option that would be in the best interest of the pioneers and the veterans. He remarked that if "tens of millions of dollars" are to be expended, those funds should be leveraged to best serve veterans, as opposed to implementing a "hurried" decision that may be regretted five or ten years in the future.

Senator Ward announced he would vote to adopt the committee substitute. He spoke to a unique opportunity and talked about the patriotic aspects of supporting veterans. He surmised that changing the name of the State's pioneers' homes to reflect veterans is the goal of the Knowles Administration. However, he also was aware that many Alaskan pioneers do not support changing the name of the homes. He expressed his intent to make any name change contingent upon actual receipt of federal funds. He emphasized that he did not want to loose the opportunity to receive federal funds for pioneers' homes, although he relayed that he had spoken to US Senator Ted Stevens and did not receive a commitment that funding would be forthcoming. Senator Ward predicted that simply changing the name of the facilities would not guarantee receipt of federal

funds.

JIM DUNCAN, Commissioner, Department of Administration appreciated the efforts of Senator Wilken with regard to the proposed committee substitute. However, Mr. Duncan pointed out that intent language alone is inadequate to demonstrate to the federal Veterans' Administration, the State's "true strong commitment" to recognizing Alaska's veterans and the intent of accommodating them in the Pioneer Home system. He suggested that changing the name of the Pioneer Homes would provide a necessary "tool" in negotiations with the Veteran's Administration to secure funding for veterans' benefits.

Mr. Duncan referenced a letter addressed to him from Anthony J. Principi, Secretary of Veterans Affairs dated April 2, 2002 [copy on file.] Mr. Duncan asserted this letter "outlines very clearly" the understanding between the State and the federal Veterans' Administration that some current federal regulations may "cause us some difficulty right now" but that the federal agency is "willing to work with us to overcome that" even if federal legislation is required. He predicted that federal legislation would not be necessary, but emphasized that the Veterans' Administration intends to assist the State in preserving ownership and management of the unique pioneer home system as well as seek common ground for potential demonstration projects.

Mr. Duncan addressed Senator Ward's suggestion of making a name change contingent upon an agreement between the State and the Veterans' Administration. Mr. Duncan informed he had not evaluated this proposal, as it had not been previously raised either in relation to the bill or the proposed committee substitute.

Co-Chair Kelly pointed out that the aforementioned letter is not a binding document or a memorandum of understanding, but rather it outlines a conversation held with Mr. Principi.

Senator Ward noted that in negotiations between the State and local governments, an "intergovernmental agreement" is used and he asked if such an agreement would be appropriate in this situation.

Mr. Duncan clarified his testimony regarding the letter from Mr. Principi that it is a "memorandum for the record", which outlines the progress to date as well as future intentions. He stated the goal of these negotiations is that the final document would be a signed agreement between the State, the Pioneers' Home administration and the federal Veterans' Administration, containing the provisions of a new demonstration project.

Senator Hoffman requested General Phil Oats speak to the impacts of the proposed committee substitute.

PHIL OATES, Adjutant General, Commissioner, Department of Military and Veterans Affairs, "truly believed" in Senator Wilken's support for veterans and pioneers; however, cautioned that the committee substitute would not accomplish the intended goals. General Oates explained the two issues at hand: a name to indicate that a facility is a home for veterans, and a priority given to veterans. He stated that Senator Ward's suggestion regarding a contingent name change is "creative" and could possibly be implemented in a manner that would preserve the identity of the Alaska Pioneers' Homes. General Oates also suggested operating under two names within one structure as an alternative. He stated that instituting a "percentage preference" of the number of veterans' admitted to the pioneers' homes would comply with the Veterans Administration requirements and would be consistent with veterans' homes in other states. He clarified that the State must "take the steps to establish" veterans' housing, then the Veterans' Administration assistance would follow. He spoke of calculating population percentages to determine the number of veterans given preference.

Co-Chair Kelly noted that because of the limited amount of time remaining in the legislative session, significant changes could not be made to this bill. He recommended passing this bill from Committee at this hearing and suggested Senator Ward work with Representative Coghill.

Senator Wilken recalled the State approached the Veterans' Administration with the intent to offer long-term care housing to veterans. He surmised that because the State does not "jump ahead" and change the name of the pioneers' homes, the argument is made that the State is failing to demonstrate a commitment. He emphasized this committee substitute provides that the State would expend \$250,000 to conduct a mandated report of the alternatives to be presented to the next Legislature. He did not predict the federal government would deny funding in this situation.

Senator Hoffman agreed with Co-Chair Kelly that this legislation must be sent to the House of Representatives. He disagreed the matter should be held until the next legislative session because many current legislators might no longer be in office. He also pointed out a new gubernatorial administration would be in office and that priorities might be different.

Co-Chair Kelly directed the Committee to address discussion to the motion to adopt the committee substitute.

Senator Ward suggested the Committee adopt the committee substitute, but stressed the final version of this bill must have the unanimous support of all legislators.

Senator Wilken remarked that it is irrelevant who holds legislative office during the next session. He deferred the decision to future lawmakers, predicting they would make the "right decision."

Senator Olson objected to adoption of the committee substitute.

A roll call was taken on the motion to adopt the committee substitute as a working draft.

IN FAVOR: Senator Ward, Senator Wilken, Senator Austerman, Senator Green and Co-Chair Kelly

OPPOSED: Senator Hoffman, Senator Lemman and Senator Olson

ABSENT: Co-Chair Donley

The motion PASSED (5-3-1)

The committee substitute was ADOPTED as a working draft.

Senator Ward "moved committee substitute for Senate Bill number 55 out of Committee with individual recommendations and accompanying notes."

Senator Austerman pointed out the committee substitute would require amended fiscal notes.

Senator Ward amended his motion to stipulate, "Revised notes is what I meant to say; revised accompanying notes."

Senator Wilken offered to work with Senator Ward to address the concerns raised.

Co-Chair Kelly summarized the Committee's intent to pass this bill to the House of Representatives. He warned that "political hay" must not be made of this action, "because it could be killed like that [snap fingers]."

Senator Lemman commented, "I had heard some things earlier today that give me hope that we could maybe reach something this year." He explained this pertained to the proposal of a demonstration project, different from that contained in the committee substitute.

He expressed he is not concerned that the name change must be made this year and predicted that if and when an agreement is reached with the Veterans' Administration, the name of the pioneers' homes

could be changed.

Co-Chair Kelly noted public testimony was taken on this bill earlier in the day.

GARY BERRY, American Legion, testified that the Committee has "lost sight" of the issue. He asserted that Alaska veterans' organizations did not "ask for very much" of the Legislature this session and listed five items including a pioneer/veterans home and a veterans' home study. He spoke of his efforts in lobbying the Legislature for the past ten years, during which time "nothing has happened." He noted two other veterans' home studies have been undertaken already but have had no result. He charged that one of the studies was conducted by the State and was biased.

Co-Chair Kelly assured the Committee's action in adoption the committee substitute is "a step in the right direction." He explained the process of passing legislation through both bodies of the Legislature before a session adjourns. He assured the specific language contained in the committee substitute would likely be amended.

Senator Hoffman informed that if the language were not amended he would probably vote against the legislation.

GENE DALL, Legislative Officer, Veterans of Foreign Wars Post 5559, testified about the approximately 100 beds in the pioneers' homes that have remained empty for four or five years. He warned that with budget reductions, an additional ten beds would become empty. He told of waiting lists and the need for funds to staff the facilities.

Mr. Dall asserted that action to create long-term care for veterans in Alaska must occur while US Senator Ted Stevens is in office. Mr. Dall recalled a speech made by Senator Stevens to the Alaska Legislature in which he indicated his support of this bill. Mr. Dall stressed that Senator Stevens has the necessary clout to secure federal funding and told of the numerous congressional actions taken by Senator Stevens on behalf of the various organizations Mr. Dall represents. He avowed of Senator Stevens, "If he says he'll do it, he'll do it, and he wouldn't say he'd do it if he couldn't do it."

There was no objection and CS SB 55 (FIN) with forthcoming fiscal notes MOVED from Committee. [Note: Fiscal notes for the Senate Finance committee substitute were not produced as the Senate Rules Committee adopted a committee substitute.]

#HB447

HOUSE BILL NO. 447

"An Act relating to the interest rates that may be charged on loans by the Commercial Fishing and Agriculture Bank."

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

DALE ANDERSON, staff to Representative Mulder, testified this legislation "addresses the dilemma" in statute that "inhibits the ability" of the Alaska Commercial Fishing and Agriculture Bank (CFAB) to serve its mandated purpose of granting loans to Alaskan small business enterprises.

Mr. Anderson detailed three events that factor into the need for this legislation: the lowest federal reserve discount rates in recent history; limited entry permits have begun to trade at a significantly lower range of \$20,000 to \$40,000; and a recent bank examiner's report highlights the issue, warning that if the statutorily imposed limitation remains, it could lead to the erosion of the earnings of CFAB.

Mr. Anderson shared that the purpose of this bill is to ensure that the CFAB is able to continue serving its Alaskan member borrowers in an efficient manner and equitably compete with other lending institutions serving this unique market.

Senator Green asked what current activities would change under the provisions of this bill.

Mr. Anderson referenced the existing "usury law" that limits the institution to five-percent over "San Francisco rates" on loans less than \$25,000. He noted the CFAB is unable to service these loans, as it is not profitable to do so. Therefore, borrowers requesting less than \$25,000 are not served by the CFAB.

Mr. Anderson spoke to the uniqueness of the organizational structure of the CFAB. He explained the institution is required to serve member borrowers "at cost" and that profits earned are returned to the member borrowers. He explained that because of current restrictions, the larger loans subsidize the expenses of the loans of less than \$25,000.

Senator Green asked why the interest rate for the smaller loans is not increased to cover the operating expenses.

Mr. Anderson responded this legislation would allow the CFAB to charge rates higher than the current five-percent amount.

Senator Olson asked if any borrowers were present to testify before the Committee.

It was established no such witnesses were present.

Senator Olson asked the witness how this legislation would impact borrowers.

Mr. Anderson responded this bill would not affect "anybody", but rather is an opportunity for the CFAB to become more profitable and to serve its members. He anticipated the members would be "happier" because the income of the larger loans would not be needed to subsidize the smaller loans.

Senator Austerman commented he normally receives feedback on fisheries issues, but had not in regards to this legislation. Therefore he surmised there were no problems. He pointed out that the board of directors of the CFAB is comprised of commercial fishers who are members of the institution and would subsequently benefit from this legislation.

Senator Wilken "moved to report House Bill 447 from Committee with individual recommendations and attached fiscal note."

Without objection HB 447 with accompanying zero fiscal note #1, dated 3/27/02, from the Department of Community and Economic Development MOVED from Committee.

#HB287

CS FOR HOUSE BILL NO. 287(FIN)

"An Act relating to the exemption of commercial fishing entry permits from claims of creditors and execution on an interest in a limited entry permit; and providing for an effective date."

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

PAT HARTLEY, staff to Representative Scalzi, testified that this legislation passed the House of Representatives unanimously. She read a statement into the record as follows.

Since enactment of the limited entry program 28 years ago, the

State always has held that limited entry permits are use privilege, not property, and cannot be seized by creditors. This legal status is an important element of Alaska fisheries management system and a central factor in the State's fight against attempted seizure of permits by the IRS [Internal Revenue Service] and other creditors. If Alaskan fishermen are forced out of the water because creditors take their limited fishing privileges, everyone in Alaska loses and the State could lose some of its control of fishing privileges to the courts.

Section 1 of the bill removes permits from the exemption section of Title 9 to delete any inference that they are somehow property, and adds in Section 3 specific language to the Limited Entry Act, spelling out that fishing privileges are exempt from claims of all creditors making exceptions only for loans under the Division of Investments, CFAB [Commercial Fishing and Agriculture Bank], and child support.

Section 2 adds language in the limited entry statute to make it absolutely clear that the only time a person may request the transfer of an entry permit due to an execution on that permit, is for the purpose of enforcing a lien recorded with the Commission under the statutes of the Child Support Enforcement Division.

Leaving the legal status of permits open in any way to varying interpretation could be detrimental to the interests of the State and of fishermen.

Senator Ward asked for an explanation of the protection this legislation would place on the limited entry permits and what parties would be prohibited from seizing the permits.

MARY MCDOWELL, Commissioner, Commercial Fisheries Limited Entry Commission, responded that this legislation clarifies in statutes the State's existing position that permits are not property but rather use privileges under the control of the State. She explained that current statutory language could be "misconstrued" and that this legislation eliminates the possibility.

Senator Ward asked the number of permits that have actually been seized.

Ms. McDowell answered that none have been seized, but emphasized it has been "a constant struggle" particularly with the IRS.

Senator Ward asked if this legislation is therefore unnecessary

because the efforts to date to prevent seizure have been successful.

Ms. McDowell informed of a recent federal bankruptcy case whereby a court ruled that fishing privileges for a vessel are impertinence to the vessel, which could become problematic for Alaskan permits. She noted pending congressional legislation would clarify that the federal government would recognize that fishing privileges have the legal status granted to them by the issuing entities. Therefore, she characterized this legislation as a "window of opportunity" for the State to clarify statutes to take advantage of the future federal law.

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Senator Ward clarified this legislation would ensure that permits could not be used as collateral.

Ms. McDowell responded the permits could still be used as collateral against loans from the Division of Investments and the CFAB, but could not be held as collateral against other loans. She noted these restrictions are currently in statute.

Senator Leman noted for the record he is a holder of a limited entry permit.

Senator Hoffman informed is also such a holder.

Senator Wilken "moved to report committee substitute for House Bill 287 Finance from Committee with individual recommendations and attached fiscal notes".

There was no objection and HB 287 MOVED from Committee with accompanying zero fiscal notes: #1, dated 3/4/02, from the Department of Fish and Game, and #3, dated 4/26/02, from the Department of Community and Economic Development.

#HB350

SENATE CS FOR CS FOR HOUSE BILL NO. 350(JUD)

"An Act relating to murder, conspiracy, criminal mischief, and terroristic threatening; and providing for an effective date."

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

REPRESENTATIVE LESIL MCGUIRE testified this legislation is an "omnibus homeland security bill." She shared that this bill was prompted by the terrorist events that occurred on September 11, 2001. She noted that she, along with representatives from the Department of Law, reviewed current statutes to identify those that could be updated to "reflect the new circumstances and security threats that we face." She spoke to the numerous hearings this bill has received and the significant efforts to "fine tune" the language.

Representative McGuire stated the intent of this bill is to provide "tools" to allow the discouragement of false threats and the punishment of attempts to practice terrorism, while ensuring that the provisions are not too broad. She explained that laws addressing criminal mischief and terroristic threatening are "expanded," by specifying that intentional damage of pipelines or facilities "that provide lifelines to communities" is a Class A felony punishable by up to 20 years imprisonment. She listed water, gas or electrical distribution systems and elements of the emergency responder systems as some such lifeline facilities. She continued that attempts, whether successful or unsuccessful, to damage airplanes or helicopters would be Class B felonies.

Representative McGuire asserted that existing statutes related to terroristic threats are ineffective. This legislation, she stated, classifies such offenses into terroristic threatening in the first and second degrees. She listed false reports that cause serious bodily harm as Class B felonies, and intentionally threatening to damage pipelines, utilities or transportation systems as a Class C felony.

Representative McGuire pointed out this bill creates new statutes pertaining to the offense of intentionally tampering with air and water. She noted that current statutes address intentional tampering with food and cosmetics.

Co-Chair Kelly asked why this legislation specifies tampering with aircraft and not other modes of transportation.

Representative McGuire replied the intent is to address areas deemed as likely targets. She did not oppose adding other vehicles if the Committee deemed necessary. She emphasized that the burden of proof as to the mental state of an individual causing such tampering is fairly low and therefore the intent is to ensure that the vehicle tampered with indicates the offense "is very serious that could cause serious harm."

Co-Chair Kelly why buses and other vehicles are not included in this provision.

ANNE CARPENETI, Assistant Attorney General, Legal Services Section, Criminal Division, Department of Law, responded this provision relates to current law adopted in 1978 and only increases the severity of these offenses. She surmised the reason that aircraft was specified is due to the potential widespread harm that intentional tampering to these vehicles could cause.

Senator Ward asked if the provisions would apply in the event of intentional damage to a pipeline inflicted using a boat, at a location where the pipeline crosses a river.

Representative McGuire affirmed noting that the crime committed would be tampering with a pipeline regardless of the means employed.

Senator Hoffman asked about a potential smallpox scare.

Representative McGuire referenced language on page 9 of the bill addressing bacteriological agents, noting that making threats of such an outbreak would be classified as terroristic threatening in the second degree.

Representative McGuire relayed discussions held during the Senate Judiciary Committee hearing on this bill about the specific identification of bacteriological, biological, chemical, or radiological substance as meaning "a material that is capable of causing serious physical injury". She stated prior language read, "a substance that could serious bodily harm" and noted that concerns were raised that this language was "too broad" and could be misinterpreted. She noted the current language reflects the federal definition.

Senator Hoffman asked about an actual intentional spreading of a smallpox virus as opposed to making a threat.

Ms. Carpeneti responded that because the smallpox virus is transmitted by air, the intentional release of the virus would be classified as criminal mischief in the second degree and a Class B felony. She furthered that terroristic threatening in the first degree includes the offense of sending a real or fake bacteriological agent.

Senator Ward "moved Senate committee substitute for committee substitute for House Bill number 350 Judiciary out of Committee with individual recommendations and the accompanying fiscal notes."

Without objection SCS CS HB 350 (JUD) MOVED from Committee with a zero fiscal note #1, dated 2/20/02 from the Alaska Court System; and three indeterminate fiscal notes: #3 dated 2/19/02, from the Department of Law; #4 dated 2/21/02, from the Department of Administration; #5 dated 2/26/02, from the Department of Corrections.

#HB471

CS FOR HOUSE BILL NO. 471(L&C)

"An Act increasing the maximum amount of loans from the bulk fuel revolving loan fund operated by the Alaska Energy Authority; precluding certain legal action concerning certain technical assistance to rural utilities; relating to powers of the Alaska Energy Authority; 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 Alaska Industrial Development and Export Authority; and providing for an effective date."

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

JESSICA MENENDEZ, Staff to Representative Green, testified this legislation amends three "important" programs of the Alaska Industrial Development and Export Authority (AIEDA): AIDEA dividend calculations, the Bulk Fuel Revolving Fund and the Rural Development Initiative Fund. She reminded the Committee that AIDEA is a self-supporting State agency that contributes an annual dividend to the State general fund. She furthered that since its inception, AIDEA has contributed or authorized \$129 million, including \$29,149,500 for the FY 03 fiscal year.

Ms. Menendez explained that under current statute, AIDEA pays an annual dividend based on the agency's net income and fund-restricted net income. She informed that statute defines these two incomes as "the net income and unrestricted income included in the audited financial statements." However, she stated that new guidelines imposed by the Governmental Accounting Standards Board (GASB) no longer include these terms and that without these amounts reported, the AIDEA Board of Directors has no clear instruction of how to determine the annual dividend to the State.

Ms. Menendez added that GASB standards also stipulate that any

governmental transfers, capital contributions or grants must be listed as an expense or revenue. She explained this method would reduce the agency's net income for the base fiscal year and subsequently reduce the amount of the dividend calculated from the audited financial statements.

Ms. Menendez stated that Sections 2 and 3 of the bill address these issues by defining unrestricted net income using the new GASB terminology.

Ms. Menendez continued that this legislation also increases the maximum amount of the Bulk Fuel Revolving Fund. She described the purpose of the fund to assist rural communities in purchasing bulk fuel supplies. She spoke of the advantage for participating communities to purchase bulk fuel in more frequent, smaller shipments; also, shipments to some communities could only be made during certain timeframes. To accommodate this, she pointed out this legislation increases the maximum amount of the fund from \$100,000 to \$200,000.

Ms. Menendez next addressed Section 4 of the bill, which contains the eligibility requirements for the Rural Development Initiative Fund. She explained this program provides funding opportunities for those rural communities that have no other funding options available. She noted the intent of this provision is to ensure that the loans are awarded to the communities for which the program is intended. She detailed that eligible communities would have a population less of than 5,000 residents, and not connected by road or railroad to Anchorage or Fairbanks, or have a population of less than 2,000 if connected to Anchorage or Fairbanks.

Ms. Menendez concluded by stressing the importance of this legislation, not only because AIDEA provides the State with an annual dividend, but also because it provides programs and financing options to allow the establishment and expansion of businesses statewide, which subsequently provides jobs for Alaska and helps diversify the economy.

BOB POE, Executive Director, Alaska Industrial Development and Export Authority (AIDEA) testified the intent is to maintain the annual dividend in the current manner and that this legislation would allow that to occur. He explained the changes to the Bulk Fuel Revolving Fund are requested because the capacity of many updated fuel storage systems is increased and also because the amount of fuel that could be purchased for \$100,000 has decreased due to higher fuel prices. He added that US Senator Ted Stevens was successful in securing a \$5 million grant for the fund.

Mr. Poe stated that the provisions of this bill governing the Rural Development Initiative Fund would "make...wording that was a little problematic, much clearer." He gave examples of businesses located outside of city limits arguing for rural status, when lending institutions were nearby that were willing to lend money under the AIDEA loan participation program.

Senator Ward asked which communities would be affected by the changes to population eligibility for the Rural Development Initiative Fund program.

Mr. Poe surmised no communities would be excluded. He spoke of Settlers Bay located near Wasilla would be eligible for conventional financing. He noted the City of Bethel would not be impacted, although the population of Bethel has increased beyond 5,000 residents, because businesses in this area would qualify for AHFC-sponsored conventional financing.

Senator Wilken asked if passage of this bill would change the amount of the annual dividends.

Mr. Poe answered the provisions in this bill would not affect the amount of dividends.

Senator Wilken next asked the status of federal funding for an unrelated project.

Mr. Poe replied the pending congressional legislation contains an amendment that authorizes the Secretary of the Department of Energy to negotiate with AIDEA for a loan of up to \$125 million. He emphasized this is an authorization rather than an appropriation and therefore subject to negotiation. He predicted the chances of the amendment and the legislation passing into law was good.

Senator Austerman "moved House Bill 471 out of Committee."

Without objection CS HB 471 (CRA) with accompanying zero fiscal note #1, dated 3/22/02, from the Department of Community and Economic Development.

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**ADJOURNMENT**

Co-Chair Pete Kelly adjourned the meeting at 06:47 PM.