

HOUSE FINANCE COMMITTEE
February 20, 2003
1:45 P.M.

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CALL TO ORDER

Co-Chair Williams called the House Finance Committee meeting to order at 1:45 P.M.

MEMBERS PRESENT

Representative Bill Williams, Co-Chair
Representative Kevin Meyer, Vice-Chair
Representative Eric Croft
Representative Richard Foster
Representative Mike Hawker
Representative Reggie Joule
Representative Carl Moses
Representative Bill Stoltze
Representative Jim Whitaker

MEMBERS ABSENT

Representative John Harris, Co-Chair

ALSO PRESENT

Representative Mark Chenault; Representative Norman Rokeberg; Representative Bruce Weyhrauch; Representative Carl Morgan; Cheryl Frasca, Director, Division of Management & Budget, Office of the Governor; Tom Wright, Staff, Representative John Harris; Rick Urion, Director, Division of Occupational Licensing, Department of Community & Economic Development; Pat Davidson, Director, Division of Legislative Audit; Kaye Kanne, Executive Director, Juneau Family Birth Center; Midge Clouse, Division of Community and Business Development, Department of Community & Economic Development; Loren Gerhard, Policy Director, Southeast Conference, Juneau; Kimberly Duke, Executive Director, Arctic Power, Anchorage; Barbara Huff-Tuckers, Director of Legislative and Governmental Affairs for Local 959, Juneau; Matt Davidson, Alaska Conservation Voters, Juneau.

PRESENT VIA TELECONFERENCE

Dana Brown, Executive Director, Fairbanks Birth Center, Fairbanks; Ginny Wood, Fairbanks; Brad Snow, Self, Fairbanks; Deb Moore, Arctic Coordinator, Northern Alaska Environmental Center, Fairbanks; Jim Sykes, Founder, Oil Watch-Alaska, Mat-Su; Wanetta Ayers, Executive Director,

Southwest Alaska Municipal Conference (SWAMC), Anchorage; Sue Cogswell, Prince Williams Sound Economic Development District (PWSEDD), Anchorage; Carl Berger, Executive Director, Lower Kuskokwim Economic Development Council, Bethel; Jim Carter, Director, Kenai Peninsula Economic Development District, Kenai; Mike Navarre, Arctic Power Board, Self, Kenai; Sally Ann Carey, Member of Arctic Power, Health, Safety and Environmental Training Consultants, Anchorage; Mary Shields, Manager, Northwest Technical Services, Anchorage; Luci Beach, Gwitch Steering Committee, Fairbanks.

SUMMARY

HB 9 An Act relating to the registration of individuals who perform home inspections; relating to regulation of contractors; relating to registration fees for specialty contractors, home inspectors, and associate home inspectors; relating to home inspection requirements for residential loans purchased or approved by the Alaska Housing Finance Corporation; relating to civil actions by and against home inspectors and to civil actions arising from residential unit inspections; and providing for an effective date.

CS HB 9 (FIN) was reported out of Committee with a "do pass" recommendation and with zero fiscal note #1 by the Department of Revenue, zero fiscal note #2 by the Department of Law, zero fiscal note #3 by the Department of Labor & Workforce Development, and fiscal note #4 by the Department of Community & Economic Development.

HB 71 An Act extending the termination date of the Board of Certified Direct-Entry Midwives.

HB 71 was reported out of Committee with a "do pass" recommendation and with a fiscal note #1 by the Department of Community & Economic Development.

HB 79 An Act extending the termination date of the Alaska regional economic assistance program; and providing for an effective date.

HB 79 was reported out of Committee with a "do pass" recommendation and with a new fiscal note by the Department of Community & Economic Development.

HB 100 An Act making supplemental and other appropriations; amending appropriations; and providing for an effective date.

HB 100 was HEARD & HELD in Committee for further consideration.

HB 101 An Act making a special appropriation for a grant to Arctic Power to promote the opening of the Arctic National Wildlife Refuge for oil and gas exploration and development; and providing for an effective date.

HB 101 was HEARD & HELD in Committee for further consideration.

HB 110 An Act making supplemental and other appropriations; amending appropriations; making appropriations to capitalize funds; and providing for an effective date.

HB 110 was HEARD & HELD in Committee for further consideration.

#HB71

HOUSE BILL NO. 71

An Act extending the termination date of the Board of Certified Direct-Entry Midwives.

REPRESENTATIVE BRUCE WEYHRAUCH advised that the Board of Certified Direct-Entry Midwives (CDM) consists of five members appointed by the Governor. The duties of the Board include examining and certificating applicants, permitting apprentices, holding hearings and ordering disciplinary sanctions. The Board also adopts regulations to establish certification and certification renewal requirements.

Representative Weyhrauch added that the Board has served as a means to make people practicing in midwifery aware of the level of experience and education expected of them. Also, by having a board, the individuals that practice midwifery are held accountable to an established standard of care. Women seeking an alternative to hospital care for normal pregnancy and birth rely on the diligence of the board to enhance both the quality and accessibility of their healthcare. He added that an enhancement is that the Board worked with the State of Alaska to establish Medicaid procedures for CDM services, thereby, placing Alaska among eight states which both license their traditional midwives and provide Medicaid reimbursement for their services.

He noted that the Board is scheduled to terminate June 30, 2003 and if the Legislature does not act this session, the Board will have one year to conclude its administrative operations. Representative Weyhrauch stated that based upon recommendations by the Division of Legislative Audit, HB 71

would extend the Board's termination date to June 30, 2007. He requested that the bill pass from Committee without any changes.

DANA BROWN, (TESTIFIED VIA TELECONFERENCE), EXECUTIVE DIRECTOR, FAIRBANKS BIRTH CENTER, FAIRBANKS, spoke in support of the legislation, requesting that the extension be made. She added that the Board guarantees that high standards and safety are maintained throughout the State for midwifery services.

KAYE KANNE, EXECUTIVE DIRECTOR, JUNEAU FAMILY BIRTH CENTER, PRESIDENT OF THE MIDWIVES ASSOCIATION OF ALASKA, pointed out that the Board's inception was in 1992. The Board has done an exemplary job of writing and implementing regulations for the governing of CDM's and as a result, midwives in Alaska are professional, well trained and provide safe care for women and families.

Ms. Kanne stated that Alaska has one of the best midwifery laws in the United States. Direct-Entry midwifery is recognized across the nation, with licensing for midwives in 21 states, and legislation pending in 8 more. Many more women are seeking the continuity of care and family centered maternity care which midwifery does provide. In some Alaskan communities, midwives delivered 25% of the births. In Juneau, midwives deliver approximately 15% of all births.

She urged that the Board be extended four years more in order that they can continue with the good work that they have accomplished.

RICK URION, DIRECTOR, DIVISION OF OCCUPATIONAL LICENSING, DEPARTMENT OF COMMUNITY & ECONOMIC DEVELOPMENT, voiced his support for the legislation. He agreed that the State midwives do a very good job and that the Board operates in an efficient manner. The fiscal note requires no additional funding.

Representative Foster MOVED to report HB 71 out of Committee with individual recommendations and the accompanying fiscal note.

There being NO OBJECTION, it was so ordered.

HB 71 was reported out of Committee with a "do pass" recommendation and with fiscal note #1 by the Department of Community & Economic Development.

#HB79

HOUSE BILL NO. 79

An Act extending the termination date of the Alaska regional economic assistance program; and providing for an effective date.

REPRESENTATIVE CARL MORGAN observed that the Alaska Regional Development Organizations (ARDOR) Program is the State's contribution to regional initiatives for developing Alaska's economy. In 1988, the Legislature recognized that a locally driven initiative, in partnership with the State, is the most effective approach to creating and sustaining a strong and healthy economy. The Legislature established the ARDOR Program to create a network of organizations to plan and support economic development at the regional level.

Representative Morgan noted that there are currently 14 ARDOR's in the State. The work of the ARDOR's consist of:

- Enable local officials and businesses to pool their limited resources and work together on economic development issues;
- Develop partnerships among public, private and other organizations; and
- Provide needed technical assistance via direct links with local citizens.

Representative Morgan pointed out that the ARDOR Program is providing a return for the State's investment. The State provides \$620,000 in grants funds for the ARDOR Program and with those funds, the accomplishments are impressive. The ARDOR's have used \$620,000 dollars in State grant funds to leverage over \$3.6 million dollars in other funds. Board members participation reflects a local commitment to the ARDOR Program. The 14 ARDOR boards, each with 10-20 members, constitute 150 plus local, civic-minded individuals who volunteer their time to achieve a stronger economic base in their region.

The original intent of the ARDOR Program was to create regional entities that could improve the local economy and eliminate region-wide economic development barriers. He stressed that the ARDOR program is meeting legislative intent. Representative Morgan concluded, the ARDOR's work on a wide range of projects that assist individuals and businesses statewide.

Representative Foster voiced his appreciation for the work accomplished by the sponsor and the program.

WANETTA AYERS, (TESTIFIED VIA TELECONFERENCE), EXECUTIVE DIRECTOR, SOUTHWEST ALASKA MUNICIPAL CONFERENCE (SWAMC), ANCHORAGE, testified in support of the proposed legislation. She noted that Alaska Regional Development Organization (ARDOR) funds account for 25% of the total funding for SWAMC. SWAMC provides educational opportunities for 54 communities through conferences, workshops and other communications. In FY02, SWAMC was selected by Congress to administer a \$30 million dollar program to mitigate economic losses to communities, businesses and individuals that were adversely impacted by federal measures to protect the stellar sea lions. She urged that the Committee support HB 79.

Representative Hawker pointed out that SWAMC was able to leverage from \$48,000 dollars of State money a total budget of \$211,000 dollars. He applauded the commendable work.

SUE COGSWELL, (TESTIFIED VIA TELECONFERENCE), PRINCE WILLIAM SOUND ECONOMIC DEVELOPMENT DISTRICT (PWSEDD), ANCHORAGE, urged passage of the legislation. She commented that her organization has undertaken many projects such as museums, fishery projects and scientific undertakings. Ms. Cogswell urged the Committee's support for passage of the legislation.

JIM CARTER, (TESTIFIED VIA TELECONFERENCE), DIRECTOR, KENAI PENINSULA ECONOMIC DEVELOPMENT DISTRICT (KPEDD), KENAI, spoke to the history of the ARDOR program in the State of Alaska. Alaska is at a 'stage' where economic development is essential. KPEED has attempted to support entrepreneurial development that affects the quality of life for local residents. Without these investments from the State, it would be difficult to continue that level of service. He urged passage of the legislation.

Representative Hawker pointed out the work done by KPEDD, which successfully leveraged from a \$47,000 dollar State investment, \$265,000 dollars of delivered services through other funding. He commended that success.

CARL BERGER, (TESTIFIED VIA TELECONFERENCE), EXECUTIVE DIRECTOR, LOWER KUSHKOKWIM ECONOMIC DEVELOPMENT COUNCIL (LKEDC), BETHEL, voiced support of HB 79. He noted that his agency exists to provide economic development activity in Bethel and 26 surrounding villages surrounding that area. LKEDC has worked in salmon quality management projects. Additionally, LKEDC has provided 'familiarization' trips for the travel industry to their region to enhance tourism business. Mr. Berger urged continued funding of the ARDOR Program.

Representative Foster voiced his support of the success of the program run by Mr. Berger.

LOREN GERHARD, POLICY DIRECTOR, SOUTHEAST CONFERENCE, JUNEAU, requested that the Legislature support continued funding, especially as the State faces fiscal challenges. He emphasized that ARDOR's use seed money provided by the State to build on leveraging approximately five times as much for business assistance, infrastructure development, community assistance, and a host of other functions, with a very low overhead.

Mr. Gerhard pointed out that the reauthorization was contained in the Governor's Budget, as he supports efforts to develop local and regional economies. ARDOR's address the vast diversity of economic challenges and opportunities in Alaska.

In Southeast, the Southeast Conference focuses on infrastructure issues, primarily the Alaska Marine Highway System (AMHS), and a regional electrical intertie. There are numerous organizations that concentrate on business development and business assistance, and the Southeast Conference does not duplicate those efforts. In other areas, ARDOR's are very involved in business assistance because the need there is unfilled.

ARDOR's supply a useful resource to the State. ARDOR's are now tasked by the Governor to apply recommendations to members regarding the newly formed Alaska Highway Board. It is useful to have State chartered regional organizations to help bridge the gap between State bureaucracies and local communities.

Mr. Gerhard pointed out that many ARDOR's are designated economic development districts, which lowers match requirements for communities utilizing Economic Development Administration funding. Many ARDOR's are also designated Resource Conservation and Development Councils, a program that provides them with federal employees of the U.S.D.A. and resources to pursue targeting of regional projects.

The Southeast Conference ARDOR was instrumental in obtaining federal authorization for a regional electric intertie with the help of Senator Frank Murkowski. There is a committee working on those steps to actually build the next stage of that project. The seed money made it possible for soliciting contributions from various communities, State and federal programs to move the project along.

Mr. Gerhard stated that the ARDOR's help bring people in

remote regions together, where they collectively decide to pursue a whole range of regional projects. There are over 80 volunteers on 9 committees and subcommittees addressing a broad range of issues in the region. Without the grant, the program would be unable to afford the staff, which provides the value that the membership relies upon.

Mr. Gerhard pointed out that this grant is an important piece of their budget. The members supply about twice the amount in dues and other support. Together that money allows pursuing goals with staff, rent, and teleconferences. If the ARDOR's were to disappear, millions of dollars of federal and private grants would no longer flow into the State.

Representative Hawker voiced his appreciation for the work done on the shellfish mara-culture activities.

Co-Chair Williams advised that to date, the Governor had not proposed any budget funding for the ARDOR program or any program.

Representative Joule pointed out that there is a web site, which highlights the Alaska Native Arts resulting from ARDOR funding.

Representative Foster MOVED to report HB 79 out of Committee with individual recommendations and with the accompanying fiscal note.

There being NO OBJECTION, it was so ordered.

HB 79 was reported out of Committee with a "do pass" recommendation and with a new fiscal note by Department of Community & Economic Development.

#HB100

#HB110

HOUSE BILL NO. 100

An Act making supplemental and other appropriations; amending appropriations; and providing for an effective date.

HOUSE BILL NO. 110

An Act making supplemental and other appropriations; amending appropriations; making appropriations to capitalize funds; and providing for an effective date.

CHERYL FRASCA, DIRECTOR, DIVISION OF MANAGEMENT & BUDGET, OFFICE OF THE GOVERNOR, provided 'general comments' regarding proposed supplemental package.

Co-Chair Williams advised that those bills would not be moved from Committee today.

Ms. Frasca emphasized that all requests had been scrutinized. She listed criteria used to determine each request. The total supplemental request is in the amount of \$63.3 million dollars of which, \$9 million needs to be "fast tracked".

Ms. Frasca highlighted the reasons for supplemental growth:

- Caseload growth with a net cost of \$15 million dollars. She noted that savings in the K-12 foundation formula had covered some of the caseload growth. There was also increased tobacco tax proceeds providing for a \$13 million dollar savings;
- Disasters and fire suppression requests amounts to \$31 million dollars;
- Short-funded programs in the amount of \$7 million dollars; and
- The balance of \$11 million dollars will be used for "other" kinds of requests.

Representative Whitaker inquired why "fair share" had not been included in the supplemental request.

Ms. Frasca understood that was a 'permitted' program under federal regulations. Their denial of the plan is currently on appeal through the administrative agency, with a hearing scheduled next month. If that process is not successful, then the State will appeal it in the 9th Court circuit. The process could take a couple years. She advised that it would be 'premature' to replace those general funds.

Representative Whitaker inquired if the \$55 million dollars had been paid out.

Ms. Frasca clarified that in the 'accounting world', it is booked as "income receivable". The Administration is acting as if those funds will be received. She understood that the funds would be spent throughout the fiscal year.

Representative Joule mentioned the 'erosion issue'. He offered to provide information regarding that concern by Monday, February 24th.

Representative Foster voiced his appreciation for the supplemental recommendations of restoration of highway maintenance cuts, which had previously been made.

Ms. Frasca responded that originally, that amount had been estimated at \$3.1 million dollars. The Department 'shaved'

that number off by \$500,000 dollars; additionally, there has not been a lot of snow this year throughout the State. She noted there continues to be further savings potential.

Co-Chair Williams commented that Co-Chair Harris' office would provide a committee substitute for this legislation early next week.

Co-Chair Williams stated that HB 100 and HB 110 would be HELD in Committee for further consideration.

#HB9

HOUSE BILL NO. 9

An Act relating to the registration of individuals who perform home inspections; relating to regulation of contractors; relating to registration fees for specialty contractors, home inspectors, and associate home inspectors; relating to home inspection requirements for residential loans purchased or approved by the Alaska Housing Finance Corporation; relating to civil actions by and against home inspectors and to civil actions arising from residential unit inspections; and providing for an effective date.

Vice-Chair Meyer MOVED to ADOPT the committee substitute, #23-LS0029, Lauterbach, 2/19/03, as the version of the bill before the Committee. There being NO OBJECTION, the committee substitute was adopted.

REPRESENTATIVE NORM ROKEBERG outlined the changes made to the committee substitute.

- Page 1, Line 6: Added language to the title reflecting the repeal in Section 41 of the bill.
- Page 5, Line 27 & Page 6, Line 8: Added a requirement that the home inspector put his registration number on the pre-inspection contract, as well as the final report.
- Page 10, Lines 12 & 13: Included exception to the statute of limitations for intentional acts or gross negligence by the home inspector.

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Representative Rokeberg continued highlighting the changes made to the committee substitute.

- Page 10, Line 15: Rewrote subsection © to be in the affirmative. Only a party to the real estate

transaction, or someone who received written permission to use the home inspection report could sue the home inspector.

Representative Whitaker referenced Page 10(C), #2, and asked if he should assume that would be the attorney for the person who is a party to the transaction.

Representative Rokeberg explained that the provisions of the bill assume that anyone that has the report must have a written consent of the person that paid for it. There has been a problem with the reports being 'passed' around to various people. It is conceivable that the manner in which the legislation is drafted, the report could be in possession of that person and it would be 'legal'. Subsequently, that is under appeal.

Representative Stoltze distributed a document, which had been submitted by one of his constituents. (Copy on File).

Representative Joule referenced the letter in member's packets from Husky Enterprises. (Copy on File). He noted the statements on Page 2, indicating that the legislation would drive the cost of home inspections up in rural Alaska. Mr. Huss noted that construction in Anchorage, Fairbanks and Juneau and other large cities would not be affected by the legislation, as the municipal inspectors are 'exempt' from licensing. He indicated that the legislation would only target new construction in rural Alaska.

Representative Rokeberg advised that it was not his intent to create higher costs for inspections; that process was accomplished by not providing a board. He noted that the costs of a bond would be \$5,000 dollars. Representative Rokeberg indicated that it is not inappropriate to add inspectors to the contractor's licensure. The actual licensure would cost \$125 dollars per year. He added that regarding the issue of continuing education, the bill does provide the Division of Occupational Licensing draft regulations as a form of communication. The bill is not intended to avoid those costs and that the level of costs for the licensure is small.

Representative Rokeberg addressed concerns with focusing. It is true that local building code is enforced by the building officials, however, are not enforced in all areas of the State. The point is that the bill does exempt local inspectors under municipal licensure. He pointed out that Alaska Housing Finance Corporation (AHFC) has supported the bill since inception.

Representative Joule reiterated concerns voiced by Mr. Huss of Husky Enterprises, noting how the legislation could 'drive' rural inspectors out of business. Should that

scenario happen, village areas would be faced with bringing inspectors in from Anchorage to perform the inspections, which would incur additional costs.

Vice-Chair Meyer asked if the costs to the State would be recouped through the fees paid by the homebuilders.

Representative Rokeberg agreed and reiterated that there would be no impact on the general fund.

Representative Foster MOVED to ADOPT Amendment #1. (Copy on File). The amendment would delete "homebuilders" on Page 7, Line 7, and insert "home building". Representative Rokeberg acknowledged that the change was minimal.

There being NO OBJECTION, it was adopted.

Representative Foster MOVED to report CS HB 9 (FIN) out of Committee with individual recommendations and with the accompanying fiscal notes.

There being NO OBJECTION, it was so ordered.

CS HB 9 (FIN) was reported out of Committee with a "do pass" recommendation and with zero fiscal note #1 by the Department of Revenue, zero fiscal note #2 by the Department of Law, zero fiscal note #3 by the Department of Labor & Workforce Development, and fiscal note #4 by the Department of Community & Economic Development.

#HB101

HOUSE BILL NO. 101

An Act making a special appropriation for a grant to Arctic Power to promote the opening of the Arctic National Wildlife Refuge for oil and gas exploration and development; and providing for an effective date.

TOM WRIGHT, HOUSE FINANCE STAFF, REPRESENTATIVE JOHN HARRIS, stated that HB 101 would appropriate \$3 million dollars in general funds to Arctic Power to use in its campaign to secure necessary support in the U.S. Senate to pass legislation opening Arctic National Wildlife Refuge (ANWR) for oil exploration. The Budget Reconciliation bill will be considered early in the Congressional session. He commented that it is important that Arctic Power be active in its promotion of opening ANWR throughout the early part of 2003.

Mr. Wright noted that HB 101 would also appropriate \$100,000 in general fund dollars to the native village of Kaktovik for their community outreach effort to gain support for the opening of ANWR from Congressional members in Washington, D.C.

He added that Alaska's Congressional delegation believes that they may have the support to pass ANWR language this year. The educational efforts provided by Arctic Power could very well tip the scales in Alaska's favor whenever that vote reaches the Senate floor. With the long-term decrease in State revenue from existing fields, it is imperative that Alaska develops additional new fields in the future. ANWR is an important part of our fiscal future.

Representative Foster inquired how many years had the Legislature been attempting to achieve the opening of ANWR.

Mr. Wright responded that it has been nine to ten years in the making.

MIKE NAVARRE, (TESTIFIED VIA TELECONFERENCE), ARCTIC POWER BOARD, REPRESENTING SELF, KENAI, encouraged the Committee to support the proposed legislation and ongoing funding for Arctic Power. He noted that he had lobbied for opening the fields of ANWR for many years and that area has the highest discovery potential in North America. He claimed that opening ANWR would provide the State of Alaska the opportunity, which will pay investments and great returns.

SALLY ANN CAREY, (TESTIFIED VIA TELECONFERENCE), MEMBER OF ARCTIC POWER, HEALTH, SAFETY AND ENVIRONMENTAL TRAINING CONSULTANTS, ANCHORAGE, discussed that \$3 million dollars was a small investment for the return that it would bring into Alaska. Opening ANWR would extend Alaskan careers, production, and sales of local product, services and funding for our State. She encouraged that funding Arctic Power would be a prudent decision.

MARY SHIELDS, (TESTIFIED VIA TELECONFERENCE), GENERAL MANAGER, NORTHWEST TECHNICAL SERVICES, ANCHORAGE, spoke in support of the proposed legislation. She emphasized that the future is now and that it is time to open the Arctic. She encouraged the Legislature's support of passage of the bill with an effective date of January 1st.

BRAD SNOW, (TESTIFIED VIA TELECONFERENCE), SELF-TOUR GUIDE, FAIRBANKS, testified in opposition to HB 101. He noted that he opposed providing funds to an organization that directly threatens his livelihood. He claimed that through support of the proposed legislation, the State would undermine the infrastructure of the tourism industry.

DEB MOORE, (TESTIFIED VIA TELECONFERENCE), ARCTIC COORDINATOR, NORTHERN ALASKA ENVIRONMENTAL CENTER, FAIRBANKS, spoke in opposition to HB 101. She expressed concern for the non-representation of environmental groups during the process. She stressed that Arctic Power is a special interest group whose sole purpose is to lobby the opening of ANWR. She claimed that it is inappropriate to be

using State money for a special interest group considering that 1/3 of the State's population opposes the drilling.

Ms. Moore criticized supporting private industry with State resources, especially in times of financial constraints. State money should be spent for things that are in the interest of all Alaskans and serve the public at large and not just the oil industry and their allies. She proposed that industry fund the opening of ANWR. Ms. Moore urged the Committee to oppose HB 101.

LUCI BEACH, (TESTIFIED VIA TELECONFERENCE), GWITCH STEERING COMMITTEE, FAIRBANKS, testified in opposition to the bill. She discussed the sacred significance of these lands to her culture and her people. Ms. Beach voiced concern that while the State budget was being heavily cut, the Legislature was considering funding a private endeavor. She stressed the closure of schools in rural areas, as well as agency cuts. Ms. Beach stressed that the oil companies should bear the financial burden of such an endeavor.

GINNY WOOD, (TESTIFIED VIA TELECONFERENCE), FAIRBANKS, testified in opposition the bill. She noted historical examples of economic gains, which claimed to develop Artic resources. She maintained that the present plan is not accountable and that the economic feasibility is dubious. She expressed concern over what she termed a great deal of misinformation regarding the amount of oil available in Arctic area. She urged that the Committee not pass the bill from Committee.

JIM SYKES, (TESTIFIED VIA TELECONFERENCE), FOUNDER, OIL WATCH-ALASKA, MAT-SU, urged that the Committee veto HB 101. The millions of dollars already given to Arctic Power have produced nothing to date. He urged that there be an audit on the use of State funds.

Mr. Sykes noted that British Petroleum (BP) has pulled out of Arctic Power. He claimed that Arctic Refuge oil would mean a cut of 40% in royalties to the State. The State 'must' focus on the development of State lands as a priority. The State cannot afford to throw "good money after bad", when the State needs public education and public safety. He mentioned the "windfall profit tax" and how much that tax would have generated for the State had it been in place. He reiterated that Arctic Power should be audited.

KIMBERLY DUKE, EXECUTIVE DIRECTOR, ARCTIC POWER, ANCHORAGE, clarified that Arctic Power has been working with the Congressional delegation, the Governor and the Legislature for opening ANWR. She stressed that there have been considerable successes along the way and that with the support of the President, circumstances have never been better. Ms. Duke claimed that investing in Arctic Power has

always been an investment of Alaska's future. Oil and gas development is the 'bread and butter' of Alaska's State budget and funds 80% of the overall budget. She stressed that it would be a wise investment for Alaska.

The U.S. Geological Survey has placed a conservative estimate of 10 billion barrels of oil in the ANWR area. She stated that would be equal to the amount recovered from the Prudoe Bay field. That level of production would double the level of production in the pipeline right now bringing it back to capacity of 2 million barrels per day.

Ms. Duke reminded members that the land is federal land and that the State will receive 50% in royalties. In current legislation, that would amount to \$1.5 billion dollars in royalties for the State of Alaska.

She noted that U.S. Senator Stevens has indicated that when the refuge was expanded in 1980, his 'compromise deal' was to keep the coastal plain area open for oil and gas exploration. The Department of Interior approved that and recommended exploration in 1987. Opening ANWR will provide jobs and increase domestic production.

Ms. Duke stressed that Arctic Power has been working on the issue for 10 years. She noted that by the end of 2002, there were 20 votes through Congress through various committees and on the floor. President Clinton vetoed the legislation in 1995. In 2001, the House passed legislation and it was vetoed and did not move past that body until 2002. She noted that political considerations have changed dramatically since that time.

Ms. Duke commented on the 'open book' policy of grant funding done by Arctic Power, noting that their money is audited.

Representative Stoltze asked if during the process if there had been any efforts to preclude certain areas from drilling.

Ms. Duke responded that there had been a number of attempts to preclude certain areas and there have been a number of bills regularly filed to open areas. The coastal plain area is outside the designated wilderness of the Arctic Refuge. Out of 19 million acres, there are 8 million acres of designated refuge, which would include the Brooks Range where a lot of the tourist activities take place.

Representative Stoltze asked for a composition of groups involved with Arctic Power.

Ms. Duke advised that Arctic Power is a non-profit organization, '501 C6', and is operated by a Board of

Directors. Arctic Power has been in existence for ten years and it is a "grass roots organization" representing the State of Alaska in Congress in this 'battle'. She claimed that Arctic Power has approximately 75% support in the State.

BARBARA HUF TUCKNESS, DIRECTOR OF LEGISLATIVE & GOVERNMENTAL AFFAIRS, LOCAL 959, JUNEAU, spoke on record in support of HB 101. She noted that Arctic Power is an excellent resource for educating the Alaskan people. Ms. Huff Tuckness noted that many members in the Union are or have been employed on the North Slope.

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Ms. Huff Tuckness identified job opportunities that the State can look forward to with development. She urged that the State look at what can proactively be done, as those resources are needed for the long term. Ms. Huff Tuckness strongly recommended that the members support and move from Committee, HB 101.

Representative Stoltze commented that past Legislature's had gone on record supporting the legislation encouraging local hire and fair share. He asked if oil companies would have the same commitment for lobbying for concerns for the State of Alaska.

Ms. Huff Tuckness believed that they would.

Representative Stoltze reiterated, asking if the oil companies would be attentive to local hire and those other provisions. He pointed out that the Legislature does not have the same interests as the oil companies and voiced concern that they take care of the local hire issues.

Ms. Huff Tuckness explained that from a Legislative perspective, there are many issues of concern. The Legislature must move forward to guarantee that all the issues are identified.

MATT DAVIDSON, ALASKA CONSERVATION ALLIANCE (ACA) ADVOCATE FOR THE ALASKA CONSERVATION VOTERS, JUNEAU, requested that the bill be reconsidered. He noted that the Alaska Conservation Alliance (ACA) and Alaska Conservation Voters are sister nonprofit organizations dedicated to protecting Alaska's environment through public education and advocacy. The 44 member organizations and businesses represent over 35,000 registered Alaskan voters. As many Alaskans, the members want to be assured that the State's limited general funds are being put to the best uses. The State has given

Arctic Power \$7.5 million dollars over the past 10 years. Witnessing State agencies and other entities being cut back.

Mr. Davidson interjected that before appropriating \$3.1 million dollars to Arctic Power, legislators should seek answers to these questions:

- Ask is this a responsible way to handle the budget gap with the limited funding for basic protection of fish habitat and clean water. He asked why should the State dump millions of dollars into the Arctic Power black hole.
- Ask where has the money gone. In the last two years, Arctic Power has received almost \$5 million dollars from the State of Alaska with nothing to show. The reports regarding Arctic Power indicate that they 'bankroll high-priced' lobby firms in Washington D.C.
- Ask why should Alaskans pay for an effort that benefits multinational oil companies.
- Ask how does the Legislature plan to hold Arctic Power accountable for those general funds appropriated.

Mr. Davidson concluded that the money under consideration for Arctic Power's use is funding that would not be available to address statewide needs. Essentially, all Alaskans are being asked to help finance the oil industry's lobbying efforts and in return, it is reasonable for full, public disclosure of how they spend that money. He encouraged members of the House Finance Committee to ask for that information before authorizing any additional funds.

Co-Chair Williams stated that HB 101 would be HELD in Committee for further consideration.

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ADJOURNMENT

The meeting was adjourned at 3:32 P.M.