

HOUSE FINANCE COMMITTEE  
March 02, 2004  
1:55 P.M.

TAPE HFC 04 - 38, Side A  
TAPE HFC 04 - 38, Side B  
TAPE HFC 04 - 39, Side A

CALL TO ORDER

Co-Chair Williams called the House Finance Committee meeting to order at 1:55 P.M.

MEMBERS PRESENT

Representative John Harris, Co-Chair  
Representative Bill Williams, Co-Chair  
Representative Kevin Meyer, Vice-Chair  
Representative Eric Croft  
Representative Hugh Fate  
Representative Richard Foster  
Representative Mike Hawker  
Representative Reggie Joule  
Representative Carl Moses  
Representative Bill Stoltze

MEMBERS ABSENT

Representative Mike Chenault

ALSO PRESENT

Pete Ecklund, Staff, Representative Bill Williams; Jim Pound, Staff, Representative Hugh Fate; Kristin Ryan, Director, Division of Environmental Health, Department of Environmental Conservation; Geraldine McIntosh, Staff, Representative Bill Williams; Diane Barrans, Executive Director, Postsecondary Education Commission, Department of Education; Tom Lovas, Executive Director, Four Dam Pool Joint Action Agency (JAA), Anchorage; Bob LeResche, Financial Advisor, Four Dam Pool Joint Action Agency, Juneau; Bob Loeffler, Director, Mining, Land and Water Division, Department of Natural Resources, Anchorage; Steve Porter, Deputy Commissioner, Department of Revenue; Sheila King, Finance Officer, Postsecondary Education Commission, Department of Education

PRESENT VIA TELECONFERENCE

Elise Hsieh, Assistant Attorney General, Department of Law, Anchorage; Ken Vassar, Bond Council, Alaska Commission on Postsecondary Education (ACPE), Anchorage; Ron Miller, Executive Director, Alaska Industrial Development and Export Authority, (AIDEA), Anchorage; Brian Bjorkquist, Assistant

Attorney General, Department of Law, Anchorage; Eric Yould, Executive Director, Alaska Power Association (APA), Anchorage; Sarah Fisher-Goade, Alaska Energy Authority (AEA) & Alaska Industrial Development and Export Authority (AIDEA), Anchorage

SUMMARY

HB 344 An Act relating to annual rental fees for mining claims, and providing for reduced royalties during the first three years of production.

CS HB 344 (RES) was reported out of Committee with a "do pass" recommendation and with a new fiscal note by the Department of Natural Resources.

HB 378 An Act relating to the Alaska Food, Drug, and Cosmetic Act, including sales, advertising, certain devices, food donors, and food banks; making certain violations of organic food provisions and of the Alaska Food, Drug, and Cosmetic Act unfair methods of competition and unfair or deceptive acts or practices under certain of the state's unfair trade practices and consumer protection laws; and providing for an effective date.

HB 378 was reported out of Committee with a "no recommendation" and with zero note #1 by the Department of Law and fiscal note #2 by the Department of Environmental Conservation.

HB 404 An Act relating to the Alaska Commission on Postsecondary Education; relating to the Alaska Student Loan Corporation; relating to bonds of the corporation; relating to loan and grant programs of the commission; relating to an exemption from the State Procurement Code regarding certain contracts of the commission or corporation; making conforming changes; and providing for an effective date.

CS HB 404 (HES) was reported out of Committee with "individual recommendations" and with zero note #1 by the Department of Administration, zero note #2 by the Department of Community & Economic Development, zero note #4 by the Department of Labor and Workforce Development and fiscal note #5 by the Department of Community & Economic Development.

HB 495 An Act relating to the four dam pool joint action agency; and providing for an effective date.

CS HB 495 (FIN) was reported out of Committee with a "do pass" recommendation and with a new zero note by the Department of Community & Economic Development.

CS SB 283(FIN)

An Act making an appropriation to reverse the deposit of money available for appropriation in the general fund at the end of fiscal year 2003 into the constitutional budget reserve fund; making an appropriation for investment management fees for the constitutional budget reserve fund; making appropriations under art. IX, sec. 17(c), Constitution of the State of Alaska, from the constitutional budget reserve fund; and providing for an effective date.

CS SB 283 (FIN) was HEARD and HELD in Committee for further consideration.

#HB378

HOUSE BILL NO. 378

An Act relating to the Alaska Food, Drug, and Cosmetic Act, including sales, advertising, certain devices, food donors, and food banks; making certain violations of organic food provisions and of the Alaska Food, Drug, and Cosmetic Act unfair methods of competition and unfair or deceptive acts or practices under certain of the state's unfair trade practices and consumer protection laws; and providing for an effective date.

REPRESENTATIVE BILL WILLIAMS explained that the legislation was introduced as a result of complaints his office had received regarding food inspections throughout Alaska. Last year, he noted that he had requested Department of Environmental Conservation to determine a plan and through collaborative effort between the Department and his office, HB 378 was created.

GERALDINE MCINTOSH, STAFF, REPRESENTATIVE BILL WILLIAMS, explained that HB 378 would amend provisions in Title 17 relating to the powers of the Commissioner of the Department of Environmental Conservation relating to food offered or sold to the public. The bill would make it possible for the Department to require food-handling operators to become trained, certified and assess fines. Both of those capacities are needed as part of the new food safety paradigm, Active Managerial Control. Also, the bill defines labeling or advertising violations of the unfair trade and consumer protection provisions.

Currently, AS 17.20.005 allows the Commissioner to issue orders, regulations, permits, embargoes and quarantines.

That includes inspection, sanitation standards, food handling methods and labeling. Under the proposed bill, the Commissioner would have additional authority to ensure knowledge of food safety and sanitation by individuals who handle or prepare food for the public and persons who supervise or employ those individuals. The bill authorizes the Department to impose a civil fine for a violation of the Alaska Food, Drug and Cosmetic Act.

Ms. McIntosh added that HB 378 clarifies that a violation of provision, AS 17.20, or a violation of the representation requirement in AS 17.06, as unfair or deceptive trade practices under Alaska Statutes. The legislation would allow the Attorney General's office to investigate labeling violations that are not food safety or sanitation concerns.

Representative Stoltze inquired if the legislation would supercede programs that the municipalities could have in place.

KRISTIN RYAN, DIRECTOR, DIVISION OF ENVIRONMENTAL HEALTH, DEPARTMENT OF ENVIRONMENTAL CONSERVATION, responded that the Food Safety and Sanitation program has the ability to delegate the program to local municipalities and has done so in Anchorage. The changes would not impact those municipalities.

Representative Croft asked how "active managerial control" would differ from the current system. Ms. Ryan explained currently, the State relies on inspections by government employees to insure food safety. The legislation proposes to transfer some responsibility to the managers and owners of the retail food establishments. That would mean, "more control in their hands" to insure that food is safe by requiring that food handlers and managers are trained and certified. Active managerial control indicates that the control is moving into the hands of the food handlers. Inspections will continue, but the past rate was not sufficient. In the highest facilities, the Department was able to send one inspector a year, 60% of the time. She added that there are approximately 5,000 establishments with only eighteen inspectors.

Representative Croft questioned if "self inspection" would really work when a company is violating food safety regulations. Ms. Ryan stated that the Department's inspections will not decrease, however, in addition, they will be requiring self-inspections as well as placing certified operators in each establishment.

Representative Croft was skeptical that it would be "realistic to think that a business would report their own violations". Ms. Ryan responded that this was a common model in the environmental field and that companies are

responsible for insuring themselves. It is the government's obligation to check to make sure that information is accurate. It may seem that they would not want to report their own violations, however, what it does is set up a mechanism for them to check their establishment. When the reports are submitted, if they are shown to be false or wrong, that establishment would be charged with breaking the law.

Representative Croft stated that it would be a "passive model" on the part of the State. Ms. Ryan countered that the Department's obligation would not be decreasing but it would be shared responsibility with businesses. She noted that this is a common problem throughout the United States and that no state has enough resources to do all the inspections. There are 5,000 establishments. Every state is attempting to come up with a model to help address needs and financial concerns. In the past, the only enforcing authority was the inspector's authority to issue a "Notice of Violation" or to close the facility.

Representative Croft inquired the history of the number of inspections over the past decade. Ms. Ryan advised that number has stayed steady. The average of what an inspector is capable of has stayed the same; however, the number of inspectors doing the work, over the years, has been reduced. She pointed out that last year there was a reduction of six inspectors. That current system does not work. Ms. Ryan reiterated that the number does fluctuate and usually 40% - 60% of the establishments are inspected. The goal is 80% and it has never been reached.

Representative Stoltze understood that the certification program would establish guidelines. Ms. Ryan acknowledged that was the intent of the legislation. It will guarantee that a food safety worker, working in a remote community will have the same training as someone in a community on a road system.

Representative Croft referenced Sections 2 & 3, which adds sub paragraph #5, the aquatic farms. Ms. Ryan advised that there are changes in the bill that are corrections or additions to enforcement statutory authority and labeling violations. The reference referred to by Representative Croft, outlines the relationship of who will be responsible for each section statute.

Co-Chair Harris asked about the \$210.0 thousand dollar operating fiscal note submitted by the Department, noting the decline in FY06. Ms. Ryan explained that relates primarily to the purchase of the training and certification on-line equipment needed. It would be a one-time cost of approximately \$70 thousand dollars for the database.

Co-Chair Harris inquired how the Division anticipates receiving their receipt money. Ms. Ryan indicated that the Department proposed charging a \$10 dollar fee for the food handler certification. The fee and certification would last for three years. It is similar to a model used by other states. She stressed that the fee was reasonable and would help maintain that aspect of the program.

Co-Chair Harris pointed out two new employees. He noted the \$80 thousand dollars anticipated in new revenue for FY05 and asked if it would come from receipt support services. Ms. Ryan acknowledged that at this time in that component, the Department does over collect.

Co-Chair Harris asked if the Department anticipates collecting \$290 thousand dollars. Ms. Ryan explained the fluctuation in revenue sources resulting from changes in the three-year cycle for the renewal of the permit and the slow inception of the requirement. She noted the intent of implanting the program slowly. The Department does not anticipate a large number of people coming forward the first year, as it will not be required until FY06. This would be a tri-annual fee.

Co-Chair Williams asked if fees would be decreasing. Ms. Ryan responded that the Department has proposed drafting a regulation to decrease permit fees.

Representative Stoltze requested an example of violation to the organic food provision. Ms. Ryan could not provide that. She pointed out that would be the responsibility of the Division of Agriculture. She understood that the impact would address misbranding and labeling problems. Representative Stoltze noted that he did have an interest in the labeling for organic foods and asked that Ms. Ryan follow-up on that concern.

ELISE HSIEH, (TESTIFIED VIA TELECONFERENCE), ASSISTANT ATTORNEY GENERAL, DEPARTMENT OF LAW, ANCHORAGE, offered to answer questions of the Committee.

Representative Foster asked if schools in the bush would be exempt from the proposed regulation. Ms. Ryan stated that they would not be exempt, however, the Department has been working closely to determine ways to easily implement it in those areas.

Co-Chair Harris asked if the proposed legislation would be a "burden" to rural Alaska. Representative Foster suggested that the costs could be absorbed by a school district, however, he wondered how it would affect workers in locations outside the big cities. Ms. Ryan acknowledged that had been a concern for the Division and that it was not the intent to create a program that would not work for rural

Alaska. That is why the Division is proposing the interactive website, as a way for training and certification to happen. In communities that are unable to take the tests in that way, there will be proctor exams set up by the inspectors in those locations. She reiterated that it is the Department's intent to make the test as accessible as possible.

Co-Chair Harris voiced concern with the unintended consequences of passing the legislation. He noted that he did support the bill but asked to hear about on-going efforts in rural Alaska. He did not want to see violations in those areas. Ms. Ryan acknowledged that was a priority and that the Division wants the system to be effective no matter where the person is located in the State.

Representative Foster MOVED to report HB 378 out of Committee with individual recommendations and with the accompanying fiscal notes. There being NO OBJECTION, it was so ordered.

HB 378 was reported out of Committee with a "no recommendation" and with zero note #1 by the Department of Law and fiscal note #2 by the Department of Environmental Conservation.

#HB344

HOUSE BILL NO. 344

An Act relating to annual rental fees for mining claims, and providing for reduced royalties during the first three years of production.

REPRESENTATIVE HUGH 'BUD' FATE noted that the bill was designed to keep the small Alaska mining industry in business. Since 1980's, Alaska has seen the small miner disappear because of the costs associated with that industry. There is a 'glitch' in the Alaska statutes. The language causes a miner to automatically lose their claim if the required paperwork was filed a day late.

HB 344 would "fix" that language, granting a deadline extension. New language would allow a miner to keep claims by filing the paperwork and paying a penalty equal to one years rent. He pointed out that Alaska was founded on mining before oil was important to the State's industry. Small mines have brought cash to the local communities. HB 344 is an important first step in reviving an industry that is good for local communities and the State as a whole.

JIM POUND, STAFF, REPRESENTATIVE HUGH 'BUD' FATE, offered to answer questions of the Committee.

BOB LOEFFLER, DIRECTOR, MINING, LAND AND WATER DIVISION, DEPARTMENT OF NATURAL RESOURCES, pointed out that often times the miners are late in their filings. He commented on circumstances that affect the miners. HB 344 provides flexibility and alternatives. It will help to save some claims and will help small miners remain viable.

Representative Foster voiced his appreciation for the legislation. He asked what would happen if a miner filed late and another miner "staked" that claim. Mr. Loeffler replied that had been extensively discussed with the Mining Association. The bill could rectify the claim as long as no one had staked intervening rights. If someone staked in the interim, the language would not cure the problem. He pointed out that this is part of a long tradition from the 1872 mining bill.

Representative Croft asked the penalty and if interest would be calculated. Mr. Loeffler replied that the miner would be required to pay whatever was owed and an additional one-year rental.

Representative Croft inquired if the bill had originally addressed royalties. Mr. Pound responded that it did and after calculation, it was determined that would save only about \$20 to \$60 dollars so it was decided not to be worth the process. Representative Fate interjected that the legislation started the same as HB 232, but that bill did not "meaningfully help the small miner".

Representative Fate MOVED to report CS HB 344 (RES) out of Committee with individual recommendations and with the accompanying fiscal note. There being NO OBJECTION, it was so ordered.

CS HB 344 (RES) was reported out of Committee with a "do pass" recommendation and with a new note by Department of Natural Resources.

#HB404  
HOUSE BILL NO. 404

An Act relating to the Alaska Commission on Postsecondary Education; relating to the Alaska Student Loan Corporation; relating to bonds of the corporation; relating to loan and grant programs of the commission; relating to an exemption from the State Procurement Code regarding certain contracts of the commission or corporation; making conforming changes; and providing for an effective date.

DIANE BARRANS, EXECUTIVE DIRECTOR, POSTSECONDARY EDUCATION COMMISSION, DEPARTMENT OF EDUCATION, noted that she has previously requested support for agency initiatives. In

2001, Alaska Student Loan Corporation (ASLC) requested approval to redefine its role in becoming Alaska's full service financial aid assistance and postsecondary education planning agency. The Legislature has consistently exhibited bipartisan support for ASLC mission to promote postsecondary participation and success by Alaskans.

Ms. Barrans requested support for the current legislation, HB 404. The Commission and Corporation, having successfully implemented the AlaskAdvantage suite of programs and services for Alaskans, seeks support for the next step of organizational growth.

Ms. Barrans outlined the legislation's objectives:

- To broaden the scope of the Corporation's bonding authority to include the ability to bond for the general benefit of the State.
- To contribute to statewide efforts to use assets as efficiently as possible, the corporation has developed a plan to return a substantial portion of the capital originally given. The change is requested to insure that the capacity to return contributed capital back to the State; there would be a variety of means to do that.
- To provide the Commission with greater flexibility in offering loan consolidation options to borrowers. Current statutes limit the way in which, the Commission can offer consolidation and certain customers, who have borrowed from both the discontinued loan program and the AlaskAdvantage loans, and hence, cannot currently be served through consolidation.
- At the recommendation of the Department of Law, the bill will clarify the Commission's ability to administratively issue liens in the collection of defaulted education loans and set out the due process for appealing such an action by the Commission.
- To provide an exemption from the State Procurement Code for certain services related to guaranteeing and disbursing education loans. Under the current business structure for education loans, a lender must be prepared to conduct business with the guarantors and disbursing agents preferred by the schools participating in the loan programs.

Ms. Barrans commented on the corporation's activities leading up to developing the "Return of Capital" plan. In 2001, the corporation managers and financial advisors began planning to modify the education loan programs' financing structure. In order to do so, they identified assets within

the original master trust indenture. Because of substantial improvement in portfolio performance that could be identified as excess above the asset to debt coverage level required by the terms of the 1988 master indenture.

In 2002, in tandem with the implementation of the AlaskAdvantage Programs, a new master trust was created using the cash and assets transferred from the 1988 Trust. Out of the 2002 Trust, the Alaska Student Loan Corporation (ASLC) has noted intent to continue the issuance of bonds to finance core programs. The Return of Capital plan is designed to continue capturing the "excess" from the 1988 Trust, without waiting until 2018 when the final outstanding bonds are paid off.

Representative Stoltze asked about the procurement code model. Ms. Barrans explained that the exemption requested by the Commission, would allow doing business with school business partners. In order to follow the State procurement code with the dispersing agent, they would go through the RFP process. It might be disadvantageous to continue using "paper checks" with an agent who won the contract. She stated that in respect to the guarantee agency, no cost is paid out of hand. Under the federal education loan model, receipt of income on the loan volume provides a federal government guarantee. That business relationship would be a "poor fit" for the procurement code and the services would be used but not paid for.

Co-Chair Harris commented on the federal receipt fiscal note. Ms. Barrans clarified that was correct for operating funds, however, there is a capital fund amount requested to purchase the software to administer the State grant program.

Vice Chair Meyer noted concern with \$85 thousand dollars being spent on software. Ms. Barrans pointed out that number was approximately \$15 thousand dollars less than the Corporation has been able to find. She stressed that the type of database that is being developed for State agencies to administer grant programs is very expensive to build. Discussion followed between Ms. Barrans and Vice Chair Meyer regarding the software capabilities of that program and the complexities of the process.

Representative Foster MOVED to report CS HB 404 (HES) out of Committee with individual recommendations and with the fiscal notes. There being NO OBJECTION, it was so ordered.

CS HB 404 (HES) was reported out of Committee with "individual recommendations" and with zero note #1 by the Department of Administration, zero note #2 by the Department of Community & Economic Development, zero note #4 by the Department of Labor and Workforce Development and fiscal

note #5 by the Department of Community & Economic Development.

#HB495

HOUSE BILL NO. 495

An Act relating to the four dam pool joint action agency; and providing for an effective date.

Co-Chair Harris MOVED to adopt work draft version #23-LS168\H, Craver, 3/2/02, as the version of the legislation before the Committee. There being NO OBJECTION, it was adopted.

PETE ECKLUND, STAFF, REPRESENTATIVE BILL WILLIAMS, stated that the main purpose of HB 495 is to allow the Four Dam Pool Power Agency (FDPPA), the first agency formed under the statute allowing the joint action agencies (JAA's) to refinance approximately a \$73 million dollar loan owed to the Alaska Industrial Development and Export Authority (AIDEA).

Mr. Ecklund stated that HB 495 would clarify existing JAA statute to explicitly defined that joint action agencies are political subdivisions of the State for the purpose of securities law. That action is necessary if the Four Dam Pool Power Agency (FDPPA) is to avoid certain expensive and damaging hurdles having to do with registration of securities under bond sale circumstances. The legislation also allows the agency to mortgage the Four Dam Pool assets. The assets are presently mortgaged to AIDEA.

The legislation re-states the important principal established by the Legislature that the Four Dam Pool assets might not be sold to a party outside the FDPPA without legislative approval. It does clarify that mortgaging the assets or a foreclosure, under the terms of that mortgage, would not constitute a sale under the restriction, providing that certain requirements are met.

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Mr. Ecklund pointed out that when the refinancing occurs and the AIDEA loan is retired, the State and consumers in a large part of Alaska would benefit by:

- Allowing the FDPPA to return approximately \$73 million dollars to AIDEA for other uses; and
- Helping consumers of Four Dam Pool power by lowering interest rates and administrative costs associated with the acquisition.

Co-Chair Harris asked if the legislation would allow JAA bonding agency to go out and get financing or bonding at a lower rate than they are currently getting from AIDEA, making them "out from under the State's ownership umbrella". He thought that savings could be passed on to the consumer. Mr. Ecklund agreed. The purpose is to allow refinancing at a lower rate. They, currently, are paying AIDEA, 6.5%.

Co-Chair Harris inquired what the "downside" could be.

TOM LOUVAS, CHIEF EXECUTIVE OFFICER, FOUR DAM POOL JOINT ACTION AGENCY (JAA), ANCHORAGE, explained that the intent is to be able to go into the open market, issue a tax-exempt debt and pay off or refinance the existing AIDEA loan. The proceeds would be a cash infusion to the State of Alaska through AIDEA and would allow a lower debt service rate on an annualized basis. Estimates range upwards from \$1 to \$1.5 million dollars per year in revenue requirements. The reduction in debt service costs would flow to the benefit of the ratepayers, jointly participating in the Four Dam Pool Power Agency.

Mr. Louvas listed points for refinancing:

- Reducing annual debt service costs for owning and operating the units;
- Removing certain operating restrictions that the Agency faces; and
- Providing more financial flexibility into the future.

Mr. Louvas noted that the intent of the Board indicates that the lower interest rate could be passed on to ratepayers after the adjustment.

Co-Chair Harris asked if an agreement had been reached from all four utilities. Mr. Louvas stated that the participants in the power agency are the cooperatives of Kodiak Electric Association, Copper Valley Electric Association and three municipalities, Ketchikan, Wrangell and Petersburg. The Board of Directors has been informed of the proposed action and they "strongly" support it.

Vice Chair Meyer noted that the current rate with AIDEA was 6.85%. Mr. Louvas reported that they think they can get a 4.8% - 4.9% rate for an insured issuance, which would be a significant interest reduction during a twenty-five year borrow. Mr. Louvas understood from information provided by AIDEA that there had been a recent AIDEA issue at 5%. He emphasized that time is of the essence when dealing with the interest market.

Vice Chair Meyer inquired if they could refinance through AIDEA.

BOB LERESCHE, FINANCIAL ADVISOR, FOUR DAM POOL JOINT ACTION AGENCY, JUNEAU, noted that the agency had asked AIDEA if they could refinance and AIDEA was not willing. An additional reason for going outside AIDEA is that it would allow moving outside present restrictions of the loan. He emphasized that they are "properly" strict. Mr. LeResche pointed out that it represents an actual financial cost. At present time, there is \$30 million dollars in reserved funds invested in securities earning 2%, while at the same time, paying 6.5% on that to AIDEA. That amount adds up to \$1.2 - \$1.4 million dollars per year for those restrictions.

Vice Chair Meyer understood that this was one of the "better loans that AIDEA had made" and he thought that they would regret losing it.

Representative Fate noted that AIDEA distributes a dividend that involves Power Cost Equalization (PCE) funds with about \$3 million dollars accruing in interest off of the \$73 million dollars. He asked what would happen if the \$73 million dollars went to AIDEA and was not directed to the full benefit of PCE.

RON MILLER, (TESTIFIED VIA TELECONFERENCE), EXECUTIVE DIRECTOR, ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY, (AIDEA), ANCHORAGE, introduced Ms. Goade and requested that she answer questions of the Committee.

SARAH FISHER-GOADE, (TESTIFIED VIA TELECONFERENCE), ALASKA ENERGY AUTHORITY (AEA) & ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY (AIDEA), ANCHORAGE, noted that there is confusion regarding the relationship between the Four Dam Pool and the PCE program. Proceeds of the sale were deposited into the PCE endowment; there was no additional anticipation that extra funds would go to the PCE endowment.

Representative Fate asked if there would be no more accrual and if then, the endowment would "dry up". Ms. Fisher-Goade explained that the Four Dam Pool was an asset of AEA. When the project was sold, the proceeds then went to another AEA program through the PCE endowment. That loan was financed through AIDEA. If there were a pay-off of the loan, that would become AIDEA funds. There is no additional relationship to the PCE program at this point.

Co-Chair Harris noted that when the Four Dam Pools were sold to the utilities, some of that money went into the PCE endowment fund. The State uses a portion of those earnings to fund PCE, subsidized with general funds to make up the roughly \$15 million dollar expenditure. The money spent on PCE comes from two sources, earnings of the PCE endowment and

the general fund. The intent was for the PCE fund to be large enough to fund PCE. He advised that has not yet been the case and that it is usually subsidized each year with general funds.

BRIAN BJORKQUIST, (TESTIFIED VIA TELECONFERENCE), ASSISTANT ATTORNEY GENERAL, DEPARTMENT OF LAW, ANCHORAGE, offered to answer questions of the Committee.

ERIC YOULD, (TESTIFIED VIA TELECONFERENCE), EXECUTIVE DIRECTOR, ALASKA POWER ASSOCIATION (APA), REPRESENTING THE ELECTRIC UTILITY INDUSTRY IN THE STATE OF ALASKA, ANCHORAGE, spoke in strong support of HB 495. He stated that the legislation would help to lower rates to the consumers of the Four Dam Pool. He clarified that any financing or easing of debt of the Four Dam Pool agency would have no impact on the Power Cost Equalization Program. The proceeds from the sale of the Four Dam Pool have already gone into a trust fund for PCE along with \$100 million dollars from the Constitutional Budget Reserve (CBR) distributed two years ago. The combination of those two make up a trust fund, which added with some general funds, comprise roughly \$15.7 million dollars for Power Cost Equalization. He reiterated that APA strongly supports the proposed bill.

Representative Foster MOVED to report CS HB 495 (FIN) out of Committee with individual recommendations and attached fiscal note.

Representative Croft OBJECTED for a comment. He indicated that of all the bills addressing the Four Dam Pool, this one is the best one. Representative Croft WITHDREW his OBJECTION, and the bill moved from Committee.

CS HB 495 (FIN) was reported out of Committee with a "do pass" recommendation and with a new zero note by the Department of Community & Economic Development.

#SB283

CS FOR SENATE BILL NO. 283(FIN)

An Act making an appropriation to reverse the deposit of money available for appropriation in the general fund at the end of fiscal year 2003 into the constitutional budget reserve fund; making an appropriation for investment management fees for the constitutional budget reserve fund; making appropriations under art. IX, sec. 17(c), Constitution of the State of Alaska, from the constitutional budget reserve fund; and providing for an effective date.

Co-Chair Williams moved Amendment #1. (Copy on File). Representative Croft OBJECTED for purpose of discussion.

**At Ease:** 3:01 p.m.  
**Reconvened:** 3:04 p.m.

Representative Croft stated that there was interest in the Minority Caucus to give some Constitutional Budget Reserve (CBR) money directly to the Alaska Natural Gas Pipeline Development Authority (ANGDA). He warned against CBR money going directly to the Department of Revenue for ANGDA needs. He stressed that option is not something that the Minority is interested in doing. Representative Croft warned passing the request would endanger entire sweep bill.

Co-Chair Harris agreed with Representative Croft's statement and requested to hear from the Department of Revenue, Steve Porter.

STEVE PORTER, DEPUTY COMMISSIONER, DEPARTMENT OF REVENUE, commented that the requested dollars would keep the project moving forward. He spoke to the contracts for ANGDA for research in the amount of \$426 thousand dollars. He addressed the socio-impact study beneficial to the ANGDA project for understanding the impacts to municipalities. Mr. Porter commented on the reasons for the money to go through the Department of Revenue resulting from a funding conflict. The expenses directly related to reimbursement between Conoco Phillips, British Petroleum (BP) and EXXON and their applications to the State are reimbursable. Anything spent on responding to an application by contractors can be reimbursed to do that. There is an overlap for all those concerns. The Department is attempting to determine how to allocate the money for the contracts between the parties. He added that the Department is trying to address issues relating to feasibility and stated that they would like to use the analysis and the questions that arise from it to do the research and assess the risk.

Co-Chair Harris asked how much money would ANGDA need to accomplish the items mentioned. Mr. Porter responded that there are about \$750 thousand dollars worth of contracts at this time and with additional needed funding.

Co-Chair Harris pointed out that if Amendment #1 passed the House Finance Committee and the House Floor, for implementation, there would need to be a  $\frac{3}{4}$  vote. He noted that there would be a good chance that the reverse sweep would not be adopted. He questioned if it would be better to adopt the reverse sweep clean or accept the amendment.

Mr. Porter responded that if the addition of the amendment does not pass in the sweep bill, the Department of Revenue would go back to \$3 million dollar request, which is the preferred amount. He mentioned on the Stranded Gas Act, requesting that it move forward. He concluded that the Department would be willing to defer to the judgment of the Legislature on timing.

Co-Chair Harris inquired how important was the reversed sweep bill to the Department. Mr. Porter stated that they do not want to stop the reverse sweep bill and if they cannot get the  $\frac{3}{4}$  majority, the Legislature should not put the attachment on the bill.

Co-Chair Harris MOVED that the bill be HELD in Committee for further deliberation.

Vice Chair Meyer asked if there was a March 12<sup>th</sup> deadline with the Mid America paperwork. Mr. Porter responded that there is an impact statement needed that would not be ready for March 12<sup>th</sup> meeting as the contract is not yet available.

Vice Chair Meyer asked if the Supplemental budget was the "other vehicle" referenced. Mr. Porter did not think so, pointing out that there are a couple of other bills that could be vehicles for the authority.

Representative Hawker asked if the Department had been in discussion with the Alaska Natural Gas Pipeline Development Authority Board regarding the structuring of the money. Mr. Porter responded that there was a thorough discussion with the Board and they passed a resolution in favor of providing \$3 million dollars for support of ANGDA and Stranded Gas.

Representative Hawker questioned if that meeting involved both public and executive sessions. Mr. Porter acknowledged that and noted it resulted in a unanimous resolution.

Representative Hawker admitted that he had heard different interpretations of those sessions and that they had been "spirited" and "cohesive". Representative Hawker asked how Mr. Porter would characterize what lead to the resolution.

Representative Croft interrupted, requesting a Point of Order. He asked if Representative Hawker was asking for information of what had been said in Executive Session. Representative Hawker asked to qualify his question, recognizing that some of the sessions were in Executive Session and others were in the public domain. He asked how the nature of those discussions could be characterized. Mr. Porter responded that the board members are a group of strong-minded individuals and in the public sessions, concerns had been openly discussed.

Representative Hawker asked if it was true that funding through the Department of Revenue was not the Board's first choice. Mr. Porter explained that before the best course of action was defined that could have been true. Understanding how the finances are, the proposed idea is the best course of action.

Representative Hawker thought that the best course of action would be direct funding rather than through the Department of Revenue. He asked what the Department did that persuaded the Board that funding through the Department of Revenue would be the best course of action. Mr. Porter replied that the Board saw that maximum value would be received by administering through the Department of Revenue.

Representative Hawker understood that the relationship between ANGDA and the Department of Revenue was not always easy, but that they were attempting to work out their differences. Mr. Porter stated from the Department's point of view, they have always been interested in supporting the viability of that project.

Representative Hawker asked if the ANGDA Board has reason to fear that if the money were appropriated through the Department of Revenue, would they then be able to access the funds needed to do the work that they need to accomplish between now and June 30<sup>th</sup>. He asked will there be adequate resources for the Board. Mr. Porter replied that they do have reason to "fear", as \$1.6 million dollars may not be sufficient.

Representative Hawker asked if the Department had \$3 million dollars, would they be able to assure the Board adequate resources. Mr. Porter responded that with \$3 million dollars, the Department believes that they could have adequate resources through the end of the year with enough to ask the necessary questions for contracts to provide a viable determination.

Representative Hawker expressed "grave concerns" with the answers being provided by the Department of Revenue. Mr. Porter commented that was a "different concern" from the one originally presented. He did not see this as an issue. Each project would either fund and benefit ANGDA or benefit the industry. He suggested that he was being asked to choose between ANGDA and oil, claiming that the real question is how to distribute the cash. If the industry receives a proportionate share, there would then be value to everyone.

Representative Croft asked if Mr. Porter had ever told the ANGDA Board that the only way to get significant money was to support the \$3 million dollar request. Mr. Porter did not remember stating that.

Representative Croft pointed out that the Board was historically an independent agency and that the tendency has been to make that Board more dependant and wrapped into the Department of Revenue. The funding for stranded gas is okay. Representative Croft stated that there are many appropriate uses for \$2 million dollars but the fact that Mr. Porter may need \$2 million for the Stranded Gas Project negotiations is very interesting. Representative Croft noted that the Minority was interested in having an independent look at those issues. If it is going to be "dependant", then that is not something that the Minority is willing to spend on. He warned that the proposed amendment "threatens" the reversed sweep legislation.

Mr. Porter countered that the actual patrol of the Board has not changed moving it to the Department of Revenue. The move could change the Board's ability to spend on stranded gas versus ANGDA and the ability to manage the way in which the systems are billed out. The actual control over the ANGDA Board has not changed. He added that Board is very important to the State and they need to get to a place where the public can believe that they are strong and viable.

Co-Chair Williams commented that the Committee has addressed what the Board wants by passing the proposed amendment.

Vice Chair Meyer noted that the Senate had passed the bill without the amendment. He asked if discussion had been presented on the Senate side regarding the idea. He voiced his concern with continual delays in passage of the bill.

Co-Chair Williams indicated that he had spoken with the Senate leadership and that they indicated that they did not have a problem with the language of the amendment.

Co-Chair Harris pointed out that the bill passed from the Senate side was a "clean bill". The Minority has strictly indicated interest only for ANGDA and nothing else. Since that occurred, there has been many conversations. Co-Chair Harris did not believe that there was  $\frac{3}{4}$  vote available on the Senate side to support the amendment. Co-Chair Harris stressed that time is of the essence. He commented that he would like to see that the bill kept clean.

**TAPE HFC 04 - 39, Side A**

(Tape Malfunction)

Vice Chair Meyer suggested that perhaps the amendment could be passed through the supplemental.

Co-Chair Williams commented that the bill had sat in Committee for three weeks and that no amendments had been brought forward. Co-Chair Williams noted that it was not his intent to move the bill from Committee at this time.

CS SB 283 (FIN) was HELD in Committee for further consideration.

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ADJOURNMENT

The meeting was adjourned at 3:37 P.M.