

HOUSE FINANCE COMMITTEE
March 16, 2006
1:45 p.m.

CALL TO ORDER

Co-Chair Meyer called the House Finance Committee meeting to order at [1:45:36 PM](#).

MEMBERS PRESENT

Representative Mike Chenault, Co-Chair
Representative Kevin Meyer, Co-Chair
Representative Bill Stoltze, Vice-Chair
Representative Richard Foster
Representative Mike Hawker
Representative Jim Holm
Representative Reggie Joule
Representative Mike Kelly
Representative Beth Kerttula
Representative Carl Moses
Representative Bruce Weyhrauch

MEMBERS ABSENT

None

ALSO PRESENT

Representative Norman Rokeberg; Representative Bill Thomas; Kate Giard, Chair, Regulatory Commission of Alaska; Jim Posey, Anchorage Municipal Light and Power, Anchorage; Ian Fisk, Staff, Representative Thomas; John Stone, President, Alaska Association of Harbor Masters; Kurt Reynertson, Manager, City of Seldovia; John Makinnon, Deputy Commissioner, Transportation and Public Facilities.

PRESENT VIA TELECONFERENCE

Ted Moninski, Director of Regulatory Affairs, Alaska Communication Systems; Bill Saupe, AT&T Alascom; Dan Dieckgraeff, Treasurer of Finance and Rates, Enstar; Jim Rowe, Executive Director, Alaska Telephone Association; Alan Sorum, Valdez Harbormasters; Gary Hennigh, Manager, City of King Cove; Greg Meissner, Harbormaster, City of Wrangell; Valery McCandeless, Manager, City of Wrangell; Alan Sorum, Harbor Master, City of Valdez; Scott Ransom, Harbor Master, City of Seward; Ray Majeski, City and Borough of Sitka.

SUMMARY

HB 441 "An Act relating to operating or driving a motor vehicle, aircraft, or watercraft while under the

influence; relating to mitigating factors in sentencing; amending Rule 35, Alaska Rules of Criminal Procedure; and providing for an effective date."

CS 441 (FIN) was REPORTED OUT of Committee with a Do Pass Recommendation and seven zero fiscal notes: four new (ADM; DPS; HSS, COR) and three previously published (ADMIN; Courts; LAW).

CSSB 157(FIN)

"An Act relating to the maximum annual regulatory cost charge collected from certain regulated public utilities and pipeline carriers and to public utility liability associated with operating certain transmission lines under a Regulatory Commission of Alaska order for joint use and interconnection; and providing for an effective date."

CSSB 157 (FIN) was REPORTED OUT of Committee with Individual Recommendations and one new fiscal note (HFC for DCED).

HB 478 "An Act relating to the municipal harbor facility grant program; and providing for an effective date."

HB 478 was HEARD and HELD for further consideration.

#HB176

HB 176 "An Act exempting the state and its political subdivisions from daylight saving time."

HB176 was SCHEDULED AND NOT HEARD.

#HB271

HB 271 "An Act relating to limitations on overtime for registered nurses in health care facilities; and providing for an effective date."

HB271 was SCHEDULED AND NOT HEARD.

#HB441

HOUSE BILL NO. 441

"An Act relating to operating or driving a motor vehicle, aircraft, or watercraft while under the influence; relating to mitigating factors in sentencing; amending Rule 35, Alaska Rules of Criminal Procedure; and providing for an effective date."

Representative Stoltze MOVED to ADOPT Work Draft 24-LS1295\F, Luckhaupt, 3/8/06. There being NO OBJECTIONS, the Committee Substitute was ADOPTED.

REPRESENTATIVE NORMAN ROKEBERG, SPONSOR, summarized the intent of the bill as conforming and updating statutes to the therapeutic court model in the State of Alaska for the DUI or alcohol related courts. He noted the success of the program, as well as the proposed savings to the general fund. He referred to previous testimony citing a ten to one savings ratio from hard dollars to general fund savings. He observed that an initial review of the pilot program revealed a two to one potential savings, and submitted that the most important element was the saving of lives by successful rehabilitation. He stated that the first program would begin in Juneau, and referred any questions to his staff member, Heather Norbrega.

Representative Rokeberg referenced the zero fiscal note, based on previously authorized expenditures under the initial bill of HB 172, the initial DUI felony court levels, and subsequent legislation that authorized the necessary positions. There has been some discussion regarding the national highway safety funds. He noted that \$669 thousand had been received from the National Highway Safety Transportation Fund with the adoption of the mandatory seatbelt law. He noted that some confusion existed regarding the local State match of \$344 thousand in order to utilize the appropriation. He concluded that there had been issues with the Public Defender's Office, the Department of Law, the Department of Corrections, the Courts, and other issues of expense as a part of the General Fund appropriations. He noted that newer incoming funds would be used to establish new programs, such as in Fairbanks and Ketchikan.

Representative Weyhrauch asked whether the bill established a separate court. Representative Rokeberg replied that the program initiated a court within a court or a type of process within the district and superior court levels. He noted that it also established a statutory framework which gave judges some flexibility in granting sanctions and concessions to program participants as long as they meet the requirements.

Representative Joule observed that a recent Alaska Budget Report indicated budget changes made by the Court System sub-committee and wondered if they correlated to the bill. Representative Rokeberg stated that the program was not affected by budget changes since it carried a zero fiscal note. However, he stressed that in order for the program to succeed, it required not only policy support but also financial support by the Legislature. He stated that they were currently able to leverage substantial federal dollars

by use of minimal General Funds. He noted historic problems culturally with some agencies that did not support such concepts, but acknowledged current progress.

[1:53:14 PM](#)

Vice-Chair Meyer opened the floor to public testimony. There being no comments from the floor, testimony was invited via teleconference. There being no comments, public testimony closed.

Representative Foster MOVED to REPORT CS 441 (FIN) out of Committee with individual recommendations and attached fiscal notes. There being NO OBJECTIONS, it was so ordered.

CS 441 (FIN) was REPORTED OUT of Committee with a Do Pass Recommendation and seven zero fiscal notes: four new (ADM; DPS; HSS, COR) and three previously published (ADMIN; Courts; LAW).

#SB157

CS FOR SENATE BILL NO. 157(FIN)

"An Act relating to the maximum annual regulatory cost charge collected from certain regulated public utilities and pipeline carriers and to public utility liability associated with operating certain transmission lines under a Regulatory Commission of Alaska order for joint use and interconnection; and providing for an effective date."

Representative Stoltze MOVED to ADOPT Work Draft 24-GS1138\I, Wayne, 3/8/06. There being NO OBJECTION, the Committee Substitute was ADOPTED.

[1:57:24 PM](#)

KATE GIARD, CHAIR, REGULATORY COMMISSION OF ALASKA testified regarding the bill. She indicated that the bill would provide a funding mechanism for the purchase and implementation of data systems that would allow regulated utilities and pipeline companies in Alaska access to a secure web-based RCA portal, through which all day to day business transactions could be performed electronically. The project was valuated by a user utility committee and underwent a public process with the RCA in 2004/05, and is supported by utilities companies as a positive move for the regulatory environment in the State. She noted that the bill would increase utility cost for consumers by approximately \$1 per year, since the costs were spread over a very large rate base. She requested that the Committee pass the legislation as a good policy for Alaska.

Representative Hawker asked about the AIDEA receipts as a funding source. Ms. Gaird noted that these were actually

Regulatory Cost Charge (RCC) receipts. Representative Hawker proposed that the fiscal note be changed to reflect the correction in the funding source.

Vice-Chair Meyer opened the floor to public testimony.

TED MONINSKI, DIRECTOR OF REGULATORY AFFAIRS, ALASKA COMMUNICATION SYSTEMS, testified via teleconference. He noted that ACS was supportive of RCA plans to update its internal case management systems, and strongly supports its plans to create an electronic filing capability and enhanced searchable data system.

[2:00:49 PM](#)

Mr. Moninski noted his experience in the field, representing public utilities before the RCA, and stressed the value of automating the operations of these agencies. He outlined ACS's experience with the Federal Communications System, implementing tools for efficiency such as its EDOC system and various searchable data bases. He proposed that such systems would ultimately pass benefits on to utility customers.

[2:02:12 PM](#)

Mr. Moninski also expressed concern about whether certain modules of the system would not be implemented if not adequately funded. He noted the importance of such efficiency tools, while acknowledging the impact on consumers, and the importance to carefully evaluate any increased rates. ACS recommended that that Legislature and RCA work together to ensure a real rate of return on rate-payers' investment. He proposed that once the funding increased over a two year period - and stated support of an increase of the RCA cap to \$1.9 for two years - it may generate an amount of funding that allowed consumers to be refunded rate increases. He urged legislators to consider this forward thinking legislation.

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BILL SAUPE, AT&T ALASCOM, testified via teleconference. He stated that he has worked with the Anchorage law firm of Ashburn and Mason, representing utility companies before the RCA since 1985. He stated that AT&T Alascom believed that the proposed \$3 million increase in the Regulatory Cost Charge was the most reasonable means to upgrade the RCA's computer systems.

Mr. Saupe noted their understanding that the funds would be administered by a users committee, made up of a broad spectrum of utility industry and public interest representatives. The committee would work to create an improved computer system to allow for a searchable data base

as well as other improvements to the agency's efficiency, and quality of its orders. He also surmised that it would save a great deal of money in terms of time savings. He raised concern that if implemented in stages, there was a risk that some aspects would not be completed. He also suggested that any surplus would be passed back to the consumers in savings. He proposed that they ensure that Regulatory Commission of Alaska increase be sufficient to provide adequate funding for the entire project developed by the user committee.

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DAN DIECKGRAEFF, TREASURER AND MANAGER OF FINANCE AND RATES, ENSTAR NATIONAL GAS COMPANY, testified via teleconference. He noted his experience with the company and the spectrum of his company's service in Alaska.

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Mr. Dieckgraeff stated that Enstar supported the RCA's initiative to update its information systems and to fund it with the proposed two-year limited increase in the RCC. He indicated the advantages for the utility companies, such as tracking of cases and cost of cases, making information available faster and easier, and savings in storage and filing. He concluded that it was important to his corporation that RCA have the necessary funding to complete all aspects of the project.

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Mr. Dieckgraeff recounted a recently completed project during which historical information had been added into a data base, similar to the system proposed by the Commission. He stated his belief that this would be a very helpful system.

[2:11:39 PM](#)

JIM POSEY, MANAGER, ANCHORAGE MUNICIPAL LIGHT AND POWER, ANCHORAGE, testified in support of the bill. He noted the complicated nature of dealings with the Commission in terms of filing documents and information. He confirmed that having a simultaneous filing of information would enable communication with regulators, noting that recent filing of information had decreased the amount of time spent in such endeavors.

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JIM ROWE, EXECUTIVE DIRECTOR, ALASKA TELEPHONE ASSOCIATION, testified via teleconference in support of the increase in the RCC charge for the reasons outlined by previous testimony.

Mr. Rowe noted that in rural areas, the FCC electronic filing has saved a great deal of time. He suggested that for the Regulatory Commission of Alaska to have the same type of filing system would be of similar benefit. He noted that all of his directors supported the legislation for its potential increase in efficiency. He read a note from an employee with Matanuska Telephone Association. The letter expressed the lessening burden of filing through new FCC electronic system, but asked about the extent of document filing. Mr. Rowe concluded that such efficiency would pass along savings to customers.

[2:18:23 PM](#)

Representative Stoltze asked whether there was a point when accumulated regulatory charges might comprise more than half of a service rate, and if in such cases this might represent a concern of public policy.

Mr. Rowe acknowledged that half of the companies in his membership were cooperatives, and were experiencing a significant amount of service charges. He acknowledged that these breakout charges were not formerly seen on bills, but that total customer charges may not actually have increased.

[2:19:36 PM](#)

He acknowledged that network access fees had been reduced recently at the request of cooperatives. He noted the perception that some local phone calls were "free", and that in fact charges were sometimes not what they appeared.

[2:21:01 PM](#)

Representative Stoltze noted the improvements in phone charges.

There being no further public testimony, Vice-Chair Meyer closed public testimony.

Representative Kerttula asked regarding Sections 3 and 6 of the bill, regarding retroactivity and liability for damages. She wished to ensure that she did not have a conflict of interest, since her family had a current law suit pending. Ms. Giard confirmed that the retroactivity only deals with damages after December 1, 2004.

[2:22:40 PM](#)

Representative Kerttula asked if the state of Alaska would become liable if damages were awarded.

Ms. Giard explained that the amendment resulted from a Regulatory Commission of Alaska order requiring MEA to

provide service to the Alaska intertie in the Matanuska valley. She explained that the MEA was the only utility in this area using its own facilities to provide its own intertie service. The RCA ordered the utility to provide the service at 138 kilovolts, and the utility's design was for a lower power production level. She proposed that this section of the bill was in the public interest, because it exempts MEA from liability should any harm result from running the line at this reduced level.

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Representative Kerttula followed up and Ms. Giard confirmed that the state of Alaska has assumed liability for any plaintiff damages.

Representative Kerttula wished to ensure that no sovereign unity or waiver would be put forward. Ms. Giard noted that the bill had been evaluated by Legislative Budget and Audit and the Attorney General's office when it had been heard in Senate Finance the previous year. She noted that at that time, no discussion occurred around the possibility of a plaintiff not being able to seek recovery.

[2:25:20 PM](#)

Representative Kerttula expressed her dissatisfaction with the directness of this response, and stated that she would follow up with the Attorney General's office.

Representative Chenault asked if the Regulatory Commission of Alaska had already been out for bid on the project, and if the funds were truly adequate to provide the proposed system.

Ms. Giard explained that that system was comprised of three primary components: first building the system core of an electronic case management system; a content management system which will maintain data for a goal of seven years, allowing companies to research data for that time; and the ability of the utilities and pipeline companies to use the web interface to file with the Regulatory Commission of Alaska and eliminate paper filing.

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Ms. Giard noted that she had originally estimated a \$1.5 million budget on the project. She went on to explain that utilities during public process indicated that this was not sufficient. A utility user committee was formed, and a conceptual budgeting process ensued, developing a range of budgets between \$890 thousand and \$2.2 million. Within that process, the committee added the ability for companies to view old data, relying on pictures of data that had been taken in past years, something not included in the current

funding. She noted that utilities had expressed a desire to compile historical information into searchable data. She reiterated that this historical research was not part of the currently proposed funding.

In response to a follow up question by Representative Chenault, Ms. Giard confirmed that she was comfortable with the proposed funding level of \$1.5 million to build the three-part core system.

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Ms. Giard noted that the second phase of the project would require a range of \$.5 million to \$1.0 million to convert historical information into searchable data. She stated that this funding was contained in the version of the bill passed by the Senate Committee, but not in the current Committee Substitute. She stated that while there was every opportunity for utilities to return and request future increases of the RCC, it was not likely that the RCA would make such a request.

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Representative Kelly speculated that a future request might be made for the second phase of the project. He pointed out that he had met with the Commissioner on this issue to ensure that future projects might receive consideration. He proposed that the project may then be extended if appropriate.

Commissioner Giard stated that utilities would need to approach the legislature for such action, and noted that the RCA was scheduled to sunset, and would not be likely to ask the administration to sponsor a future bill.

[2:33:18 PM](#)

Representative Foster MOVED to REPORT CS SB 157 out of Committee with individual recommendations and attached fiscal notes. There being NO OBJECTIONS, it was so ordered.

CSSB 157 (FIN) was REPORTED OUT of Committee with Individual Recommendations and one new fiscal note (HFC for DCED).

#HB478

HOUSE BILL NO. 478

"An Act relating to the municipal harbor facility grant program; and providing for an effective date."

MOVED to ADOPT Work Draft 24-LS1694\I, Cook, 3/15/06

Representative Stoltze MOVED to ADOPT Work Draft 24-LS1694/I, Cook, 3/15/06. There being NO OBJECTION, the Committee Substitute was ADOPTED.

[2:35:38 PM](#)

REPRESENTATIVE BILL THOMAS, SPONSOR, stated that this was a companion bill to SB 291 (Sen. Steadman). He noted that the bill had been introduced to respond to the State process of transferring harbors to municipalities, and discovering funding shortfalls needed to complete necessary repairs. The bill developed through comments from the Alaskan Association of Harbormasters throughout Alaska. The bill will create a harbor facility grant fund, using funds such as fisheries business tax or fuel tax and other taxes. The Department of Administration would administer the grants. He pointed out the requirement of a 50/50 grant match from municipalities, requiring commitment on the local level. The funding would provide repair or major maintenance in communities, and be limited to one grant per year per facility. Some communities may have more than one harbor, but would be limited to a \$5 million aggregate cap.

[2:38:08 PM](#)

Representative Thomas noted that to qualify for a grant, a municipality must demonstrate the ability to operate independently of state aid in the future, and noted that several communities were making this adjustment by increasing harbor rates. He pointed out that new construction received the lowest priority in the project list. The proposed effective date of the legislation is July 1, 2006.

[2:39:33 PM](#)

IAN FISK, STAFF, REPRESENTATIVE THOMAS, noted the change in the grammar on Page 2, line 14, from "should be" to "is". He also noted that on lines 19 to 23, language was inserted to clarify the types of funds that could be used for the municipal match, especially the shared portions of the fisheries business tax. He also pointed out that language regarding municipal revenue sharing was also included in case those monies became available in the future. He noted that previous language added by the Community and Regional Affairs Committee had prohibited any state funds from being used in the municipal match, and stated the Sponsor's desire that certain state funds be excepted.

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Representative Kerttula observed that Page 3, line 5, limited municipalities to only one grant. She asked if this

referred to just this program, or any programs, and suggested the need for a technical amendment.

Mr. Fisk responded that this limitation pertained only to the program, and conceded that an amendment might be helpful.

Representative Kerttula asked for the reason of the program limitation to one grant. Mr. Fisk responded that the program was limited to address the deferred maintenance needs carrying over from the State transfer. He noted that they wished to ensure that a municipality was able to meet those needs not properly addressed by the State.

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Representative Hawker observed that if one grant was received, another grant could not be obtained. He asked hypothetically if during a granting period, all requests except one were minimally funded, this would leave all funding available for the unfunded project in the subsequent year. Representative Thomas stated that projects would be prioritized by community need. He noted that some communities had more than one harbor, and could apply for one harbor per year. He conceded that some projects may have to wait a few years to receive funding. He gave the example of Yakutat, when a transferred harbor experienced a shortfall in maintenance funding. Representative Hawker acknowledged the intent, but suggested more work on the language to close a potential loophole.

Vice-Chair Meyer expressed his intent to HOLD the bill in order to receive more testimony and potential amendment.

Representative Kelly asked if the list of transferred harbors was all-inclusive. Representative Thomas replied that there could be other harbors being transferred this year that were not yet on the list.

[2:47:15 PM](#)

JOHN STONE, PRESIDENT, ALASKA ASSOCIATION OF HARBOR MASTERS AND PORT ADMINISTRATORS testified in support and gratitude for the bill. His organization represents 27 municipal harbor systems throughout the state. He noted that they had been working on this problem for many years. He expressed support of the bill and the matching grant program. He noted that he had provided the committee with written comments (copy on file.)

Mr. Stone pointed out that much of the harbor structure being transferred to municipalities had been built in the 1960's through 1980's. He showed the Committee an outdated power cable from Harris Harbor in Juneau that fed 40, 30-amp

shore power services. The cable was indicative of the electrical code of the 1960's. He compared it to the newly installed cable. He emphasized the expense involved in trying to recapitalize the infrastructure.

Mr. Stone referred to a question about page 3, regarding the one-time grant. He explained that the intent of the Harbor Masters was to ensure that grants were used for rebuilding a facility on a one-time basis.

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Representative Kelly asked about the transfer of the facilities and the amount of funding that accompanied the transfer. Mr. Stone replied that the purpose was to bring the harbors to good condition. He stated that the funding was far short of what was needed to restore facilities, even in terms of code requirements. He also noted that user needs had also changed, with larger float systems now required. The money provided was only one quarter to one third of what the communities actually needed.

Representative Kelly asked how the amount of funding had been determined. Mr. Stone replied that the formula used was consistent, but overall quite low.

Representative Holm asked whether, when the transfer occurred, there was a misunderstanding about the facility requirements. Mr. Stone stated that the money was intended to restore facilities to good condition, but it that it fell far short. He suggested that this may have been because many facilities were at the end of their useful life, requiring more than simply maintenance. He also noted a difference in code, rather than a depreciation of an investment.

Representative Holm asked if the intent was to build new facilities. Mr. Stone confirmed that this may be what occurs, although various communities will try to refurbish as they can. Representative Holm expressed concern over the matching funds, and wondered if a better formula was now in place to determine the amount of funding needed. Mr. Stone explained that a consulting engineer would be hired to develop a cost estimate to be used to apply for the grant.

Representative Kerttula asked how much funding per year was spent by the City and Borough of Juneau to maintain harbors, and how much would be saved by the State by transferring this maintenance to communities. Mr. Stone replied that the operating cost for maintaining the float system in Juneau was approximately \$2 million a year. Representative Kerttula observed that this did not cover all of the costs, and only represented one community.

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Representative Kelly asked how it could be prevented that a grant accompanying a transfer was not being wasted on maintenance that would eventually be replaced in a rebuild. Mr. Stone stated that DOT would watch for this during the grant process, but that in each case the most economical rebuild would be considered.

[3:01:01 PM](#)

KURT REYNERTSON, MANAGER, CITY OF SELDOVIA, testified in support of the legislation. He noted that they had recently passed a resolution through their city council. He explained that when they took over from harbormasters, they received \$2.6 million from the State. After an engineer's estimate of \$3.4 million, they discovered an \$800-900 thousand shortage in order to provide good harbor standards. He stated that this amount was insurmountable for a community of their size. He commented that the bill would help to provide needed municipal services.

[3:02:55 PM](#)

Representative Kelly asked if the \$2.6 million for refurbishment was included in the amount for the rebuild of the harbor. Mr. Reynertson replied that engineering designs cost approximately \$250 thousand, and the remaining funding would be utilized to complete the actual harbor rehabilitation.

[3:03:50 PM](#)

GARY HENNIGH, MANAGER, CITY OF KING COVE, testified via teleconference. He expressed support for the bill and for the harbormasters for their work on the topic. He explained that their community was one of the first to take over management of their harbor from the State. He noted that the management has been more difficult than anticipated. He explained that the harbor was in poor condition, affecting the local residents who use the harbor. He stated his opinion that dedicating the fisheries tax as a funding source was a good idea. He noted that between \$4 and \$5 million had been paid into harbor repair by local fishers. He observed that linking this income to solving the harbor problem spoke well of legislators working with local harbormasters. He suggested that on page 2, lines 17 and 18, language be changed so that State Revenue funds from revenue sharing or a legislative grant could be used as a match. He suggested that these sources of municipal funding would be driven predominately by oil and gas revenues experienced by other areas of the state.

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He also suggested that on Page 3, lines 1 and 2, to add a provision allowing those communities that first accepted harbor transfers receive a small "head start" in applying for funds, allowing for some portion of the funding in the first two years to be set aside for communities which had initially taken over harbor management. He emphasized that in past years, DOT had no formula to assist municipalities in determining the amount needed to bring the harbor up to reasonable standards. He noted that \$352 thousand received in the early 1990's did not make a legitimate contribution.

[3:09:05 PM](#)

Representative Kelly commented that Hoonah, Juneau and Valdez had implemented significant fee increases in their harbors, and asked what fee increases had been experienced by their community.

Mr. Hennigh responded that for fifteen years the fee for moorage had increased by only 25 percent. He noted the need for a local fee increase, but observed that currently the residents might be unwilling to pay increased fees on a harbor that was in ill repair. He proposed that support for fees would increase when they could be assured that there would be building improvements.

[3:10:31 PM](#)

Representative Kelly asked how many were on the waiting list for slips. Mr. Hennigh responded that there was no waiting list, since unless one was a commercial fisher, they would not be docking there. He noted that their waterfront was very busy, although the community was often overlooked. He stated they were the largest per capita fish producing area in that part of the state of Alaska.

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Vice-Chair Meyer stated that HB176 would not be heard; likewise he stated that HB271 would not be heard in the meeting.

Public Testimony continued.

[3:12:59 PM](#)

GREG MEISSNER, HARBORMASTER, CITY OF WRANGELL, testified in support of the bill. He voiced concern over page 3, line 9, regarding the one time only nature of a grant per facility. He asked what qualified as a "facility"; he pointed out that perhaps each float would be considered a facility within a single harbor, and suggested that it might make sense for a community to refurbish one float at a time.

Mr. Meissner then referred to Line 16 of the bill and noted that a replacement cost for a concrete float would be \$5 million, vs. \$3 million for a repair, and suggested that it would be more cost effective to replace rather than repair.

[3:15:04 PM](#)

Mr. Stone responded that the definition of facility was an issue being addressed with the Department of Transportation and Public Facilities. He suggested that the cases would be addressed on an individual basis. He stated that he would be glad to speak directly with Mr. Meissner regarding his questions.

[3:16:02 PM](#)

VALERY MCCANDELESS, MANAGER, CITY OF WRANGELL, testified via teleconference in support of the bill. She expressed her pleasure that the bill was addressing specific work on each harbor.

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ALAN SORUM, HARBOR MASTER, CITY OF VALDEZ, testified via teleconference in support of the bill. He noted that many of the boats harbored in their city were from the city of Fairbanks. He voiced his support for working with the Department of Transportation and Public Facilities, with whom they've worked on grants for harbor projects.

[3:18:25 PM](#)

SCOTT RANSOM, HARBOR MASTER, CITY OF SEWARD, testified via teleconference in support of the bill. He noted that his community had taken over the management of their harbor in 1999, and currently had over \$6 million in deferred maintenance. He noted that these were the oldest floats in the harbor, installed after the earthquake. He stated that they had two rate increases to support the harbors. The bill will help with the deferred maintenance.

[3:19:31 PM](#)

RAY MAJESKI, HARBORMASTER, CITY AND BOROUGH OF SITKA, testified via teleconference, in support of the bill. He explained that the city had taken over three harbors from the State, and after doing so discovered that Thompson Harbor needed to be replaced, at a cost estimated at \$6.7 million. He stated that \$3 million of \$4.4 million from the State was spent on the other two harbors, with \$1 million remaining to replace Thompson Harbor. He noted that repairs had added 15 more years to the other two harbors, but stressed that Thompson Harbor was beyond repair. He

expressed concern regarding the statement that grant applications must be filed in the fiscal year immediately preceding February 1. He pointed out that they were currently replacing the harbor and receiving bids, beginning construction by mid-August. He hoped that the bill, if passed, would cover their current process. He noted that in the past six years, they'd raised moorage rates more than 100 percent. The bill would help the community members.

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He noted that to be able to take the burden off of harbor users in his community, the bill would allow them to raise them to raise rates at an acceptable level. He concluded that the bill was a positive step.

[3:23:08 PM](#)

There being no further testimony, public testimony was closed.

JOHN MAKINNON, DEPUTY COMMISSIONER, TRANSPORTATION AND PUBLIC FACILITIES, responded to a question by Representative Kelly regarding the original formulation of funding when harbors were originally transferred from the State to municipalities.

[3:25:07 PM](#)

He explained that most of the harbors discussed as "underfunded" were part of the November 2002 statewide bond issue, allocating \$30 million to ten communities and 26 facilities. The numbers used for allocations resulted from a 1992 Core of Engineers' condition survey of all boat harbor facilities in Alaska. In 2002, the Department was asked to develop a list of harbors for repair and amounts for deferred maintenance. The numbers from the 1992 study were adjusted for inflation and also for additional deferred maintenance. He stated that it was unclear as to whether those numbers were accurate. He conceded that the level to which they aspired was not that which was desired by many communities. He referred to testimony by Mr. Stone regarding changes in codes, but noted that community changes also resulted in different harbor user needs. Some harbors had changed from working harbors into recreational harbors. He stated that changes in community expectations were not reflected in the numbers devised by the harbor engineer involved in the bond study. He concluded that this accounted for the discrepancy between the estimates.

[3:27:39 PM](#)

Responding to another question by Representative Kelly, Mr. Makinnon noted that some harbors were very difficult to

transfer due to a difference in expectation. He noted that communities were reluctant to raise rates to pay for improvements.

[3:28:45 PM](#)

Representative Hawker noted his experience with the transfer of the harbor at Whittier, stating clearly that there was no State responsibility following the transfer of the harbor. However, he noted the significant need at some of the harbor facilities. He also proposed that harbors should be in "excellent" condition rather than "good" as is stated in current policy, along with the transfer of harbor responsibility to local authorities.

[3:30:42 PM](#)

Representative Kelly observed that harbor masters found it difficult to balance the amount of repairs needed with funds available. He asked how the Legislature could avoid another problem with deferred maintenance in the future.

Mr. Makinnon recommended a change in the definition of "facility", including "portion thereof". A facility might decide to improve a separate finger each year, and that could be considered a separate facility. The intent is that once the various portions are completed, it becomes the responsibility of the community to collect adequate fees for maintenance so as not to approach the State in another 15 years for replacement costs. He stressed that communities need to take on the responsibility.

HB 478 was HEARD and HELD in Committee for further consideration.

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ADJOURNMENT

The meeting was adjourned at 3:32 PM