

HOUSE FINANCE COMMITTEE
May 3, 2006
8:51 a.m.

CALL TO ORDER

Co-Chair Meyer called the House Finance Committee meeting to order at [8:51:12 AM](#).

MEMBERS PRESENT

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

Representative Mike Chenault, Co-Chair

ALSO PRESENT

Linda Hall, Director, Division of Insurance, CCED; Scott J. Nordstrand, Commissioner, Department of Administration; Senator Fred Dyson; Senator Donny Olson; John MacKinnon, Deputy Director, Department of Transportation and Public Facilities; Peter Putzier, Senior Assistant Attorney General, Transportation Section, Department of Law; Gary Olson, Chairman, Alaska Moose Federation

PRESENT VIA TELECONFERENCE

Jim McMillian, Deputy Director of Credit & Business Development, Alaska Industrial Development and Export Authority (AIDEA)

SUMMARY

CONFIRMATIONS:

Alaska Mental Health Trust Authority Board Confirmations:

Laraine L. Derr, Juneau
Paula Easley, Anchorage
Roy Huhndorf, Anchorage

State Assessment Review Board:

Mary Keller

CSSB 289(FIN)

"An Act relating to the payment of insurer examination expenses, to the regulation of managed care insurance plans, to actuarial opinions and supporting documentation for an insurer, to insurance firms, managing general agents, and third-party administrators, to eligibility of surplus lines insurers, to prompt payment of health care insurance claims, to required notice by an insurer, to individual deferred annuities, to mental health benefits under a health care insurance plan, to the definitions of 'title insurance limited producer' and of other terms used in the title regulating the practice of the business of insurance, and to small employer health insurance; repealing the Small Employer Health Reinsurance Association; making conforming amendments; and providing for an effective date."

CSSB 289 (FIN) was REPORTED out of Committee with a "no recommendation" and with zero fiscal note #1 by the Department of Commerce, Community and Economic Development.

SB 317 "An Act relating to the purchase by the Alaska Housing Finance Corporation of a parking garage in Anchorage, Alaska and approving the issuance of bonds for the purchase of that parking garage; providing notice of, and authorizing the commissioner of the Department of Administration to enter into, a lease-purchase agreement with the Alaska Housing Finance Corporation for that parking garage; and providing for an effective date."

SB 317 was REPORTED out of Committee with individual recommendations and with fiscal note #1 by the Department of Administration.

CSSB 274(STA)
"An Act relating to the disposition of forfeited, surplus, and unclaimed firearms by the state."

HCSSB 274 (FIN) was REPORTED out of Committee with a "do pass" recommendation and with fiscal note #1 by the Department of Administration and with zero fiscal note #2 by the Department of Public Safety.

CSSB 188(FIN)
"An Act relating to the maximum amount of loans from the bulk fuel revolving loan fund to one borrower in a fiscal year."

CSSB 188 (FIN) was REPORTED out of Committee with a "do pass" recommendation and with zero fiscal

note #2 by Department of Commerce, Community and Economic Development.

SB 271 "An Act authorizing the commissioner of transportation and public facilities to participate in certain federal highway programs and relating to that authorization; relating to powers of the attorney general to waive immunity from suit in federal court related to those programs; and providing for an effective date."

SB 271 was REPORTED out of Committee with a "no recommendation" and with fiscal note #1 by the Department of Transportation and Public Facilities, and with zero fiscal note #2 by the Department of Environmental Conservation.

[8:52:08 AM](#)

CONFIRMATIONS

Alaska Mental Health Trust Authority Board Confirmations:

Laraine L. Derr, Juneau
Paula Easley, Anchorage
Roy Huhndorf, Anchorage

State Assessment Review Board:

Mary Keller

Co-Chair Meyer stated the names of the board confirmations before the Committee.

Representative Foster MOVED to send the names to the floor for consideration in joint session. There being NO OBJECTION, it was so ordered.

[8:53:17 AM](#)

CS FOR SENATE BILL NO. 188(FIN)

"An Act relating to the maximum amount of loans from the bulk fuel revolving loan fund to one borrower in a fiscal year."

SENATOR DONNY OLSON related the purpose of SB 188. The bill increases the cap on the bulk fuel revolving loan fund, which was started in 1980 to allow small communities to purchase fuel. The cap would increase from \$300,000 to \$400,000 for individual communities and would allow up to \$1.5 million for organized communities.

Representative Kelly asked what the bad debt ratio currently is. Senator Olson replied that there is money in the fund.

JIM MCMILLAN, DEPUTY DIRECTOR OF CREDIT AND BUSINESS DEVELOPMENT (AIDEA), clarified that delinquencies are around the 5 percent level.

Representative Hawker asked about a need to increase the capitalization of the revolving loan fund.

Mr. McMillan replied that would not be a necessity for at least a few years and is dependent on fuel price. The amount of uncommitted cash available after the loans have gone out has been from \$1.5 million to \$2 million. There is no need for additional capitalization.

[8:58:27 AM](#)

Representative Foster MOVED to REPORT CSSB 188 (FIN) out of Committee with individual recommendations and the accompanying fiscal note. There being NO OBJECTION, it was so ordered.

CSSB 188 (FIN) was REPORTED out of Committee with a "do pass" recommendation and with zero fiscal note #2 by Department of Commerce, Community and Economic Development.

[8:59:30 AM](#)

CS FOR SENATE BILL NO. 289(FIN)

"An Act relating to the payment of insurer examination expenses, to the regulation of managed care insurance plans, to actuarial opinions and supporting documentation for an insurer, to insurance firms, managing general agents, and third-party administrators, to eligibility of surplus lines insurers, to prompt payment of health care insurance claims, to required notice by an insurer, to individual deferred annuities, to mental health benefits under a health care insurance plan, to the definitions of 'title insurance limited producer' and of other terms used in the title regulating the practice of the business of insurance, and to small employer health insurance; repealing the Small Employer Health Reinsurance Association; making conforming amendments; and providing for an effective date."

LINDA HALL, DIRECTOR, DIVISION OF INSURANCE, DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT, related that the bill serves four purposes. It gives protection to individuals in the area of health insurance and annuities and provides for prompt payment of claims. It adopts NAIC standards so consumers will not be excessively charged when they choose not to resume services. It repeals the small employer reinsurance association. The bill also provides for the addition of actuarial opinion requirements for

domestic insurers. It changes licensing language to be consistent with state standards, allows for increasing electronic communication, and changes some definitions.

Co-Chair Meyer noted the zero fiscal note. He asked if the Labor and Commerce Committee agrees with the bill. Ms. Hall replied that Labor and Commerce sponsored the bill at her request.

[9:02:17 AM](#)

Representative Foster MOVED to REPORT CSSB 289 (FIN) out of Committee with individual recommendations and the accompanying fiscal note. There being NO OBJECTION, it was so ordered.

CSSB 289 (FIN) was REPORTED out of Committee with a "no recommendation" and with zero fiscal note #1 by the Department of Commerce, Community and Economic Development.

[9:03:43 AM](#)

SENATE BILL NO. 317

"An Act relating to the purchase by the Alaska Housing Finance Corporation of a parking garage in Anchorage, Alaska and approving the issuance of bonds for the purchase of that parking garage; providing notice of, and authorizing the commissioner of the Department of Administration to enter into, a lease-purchase agreement with the Alaska Housing Finance Corporation for that parking garage; and providing for an effective date."

SCOTT J. NORDSTRAND, COMMISSIONER, DEPARTMENT OF ADMINISTRATION, referred to a handout "Atwood Building Parking Center" (copy on file.) He explained that Anchorage is building a convention center downtown and wants to acquire Block 80, which is valued at \$4.6 million. An agreement was made to swap half of Block 70 for half of Block 80. The state accepted \$2.3 million in cash for the other half of Block 80. That left a shortage of parking in Block 70. The state made an agreement with the municipality for the right to park 149 cars in the JC Penney garage for up to 7 years and for free parking during the construction of a new parking garage. If, at the end of 7 years, the state does not build a parking garage, the municipality has the option to purchase back the property and they would have to build a parking garage. Presently, there is a need for about 1,000 parking spaces.

[9:07:37 AM](#)

Mr. Nordstrand referred to page 2 and listed the various parking spaces currently available. The plan is to build a parking garage on Block 70 that would accommodate up to 830 vehicles and with a skyway into the Atwood Building.

Mr. Nordstrand noted on page 5 the configuration of the future parking plan. Alaska Housing Finance Corporation (AHFC) owns the Atwood Building. The developer for the new convention center will also be used for the new parking garage in order to get the best possible price. Construction on the new garage will begin next spring. AHFC would issue debt and purchase from the municipality, and the Department of Administration would lease the parking facility from AHFC. The state will own it at the end of the lease/debt payoff. The Department of Administration will build the cost of the parking into the lease rate that is charged to tenants in the facility.

[9:10:41 AM](#)

Mr. Nordstrand related the financial terms on page 7. AHFC will bond up to \$44 million and have a debt service of \$3,700,000 annual lease payments over 21 years. The debt would be issued at the beginning of construction with progress payments thereafter.

Mr. Nordstrand talked about the lease cost analysis on page 8. The new lease rate of \$2.52 per square foot does not reflect offsetting revenues and savings. He explained the revenues and savings on page 9. He estimated that parking costs would increase. The first floor of the facility will be used for retail space and will be a source of income. The convention center cash payment of \$2.3 million is available revenue. After hours parking revenue is estimated to be \$200,000 per year. The total when capitalized is \$23.5 million. Revenues and savings are estimated to reduce the square foot cost for the parking center by half.

[9:14:26 AM](#)

Mr. Nordstrand summarized that there is a demand for more parking and future cost and demand impacts are imminent. The Atwood Parking Center would provide safety and convenience for visitors and 1,000 state employees and other tenants.

Representative Foster spoke in support of SB 317. He recalled that a survey in the 80's showed 59 percent of facilities were not taxed so the burden fell on the other 41 percent of the people. When the state owns facilities, others have to pay for maintenance. Co-Chair Meyer recalled when the state bought the Atwood building, which resulted in a loss to the tax rolls. Mr. Nordstrand described this transaction as a win/win situation that has the approval of

the city. Co-Chair Meyer commented that the taxpayers may not be happy.

[9:16:24 AM](#)

Representative Kelly asked if there is a charge to park at the lot. Mr. Nordstrand replied that there are so many square feet allowed for state parking. He gave an example of a lease facility with not enough parking. Atwood employees have not been paying for parking. There are 930 free parking places presently.

Representative Kelly asked if that would be an issue in the future. He agreed with the concern brought up by Representative Foster and Co-Chair Meyer. He suggested letting the people pay for it. Mr. Nordstrand said that issue has not been looked at. He could see how it could be a financial problem for employees. The norm is to not pay for parking.

Representative Kelly cautioned that there is unfunded liability. Mr. Nordstrand pointed out that the municipality is planning to build more parking.

[9:21:52 AM](#)

Co-Chair Meyer asked if lease payments are shown on the fiscal note. He asked about savings resulting from consolidating parking. Mr. Nordstrand said that expense has not been determined. Co-Chair Meyer asked who would pay for maintenance of the parking garage. Mr. Nordstrand said the Anchorage Parking Authority. He spoke of how security would be handled. Those costs are unknown, but evening and weekend parking could offset those expenses.

Co-Chair Meyer asked if there would be a walkway to the Atwood Building. Mr. Nordstrand replied that the Atwood Building was designed for such a skyway. There may be a skyway to the Convention Center in the future.

[9:25:03 AM](#)

Co-Chair Meyer commented that the fiscal note has unknowns.

Representative Foster MOVED to REPORT SB 317 out of Committee with individual recommendations and the accompanying fiscal note. There being NO OBJECTION, it was so ordered.

SB 317 was REPORTED out of Committee with individual recommendations and with fiscal note #1 by the Department of Administration.

[9:26:37 AM](#)

CS FOR SENATE BILL NO. 274(STA)

"An Act relating to the disposition of forfeited, surplus, and unclaimed firearms by the state."

SENATOR FRED DYSON explained that the bill makes it clear how the state disposes of firearms. It clarifies that the state has no additional liability for selling a firearm and cannot destroy weapons in the manner that has been done in the past. Guns that are illegal for the general public to own are legal for a Class III dealer to own. The state can continue to donate guns to museums and shooting clubs. When there is no serial number the guns are disassembled and parts can be made available. A constituent who had a non-competitive bid experience requested the bill. The Department of Public Safety and the Department of Administration are in agreement with the bill.

Co-Chair Meyer asked if more money would be made as a result of this bill. Senator Dyson replied yes.

[9:30:42 AM](#)

Representative Foster spoke in favor of the bill. He related a personal experience with losing valuable guns.

Representative Hawker thanked the sponsor. He provided history of a lawsuit that determined the state was losing money. He spoke in favor of the bill.

Representative Joule asked if background checks would be conducted. Senator Dyson said absolutely.

[9:32:35 AM](#)

Representative Hawker MOVED to ADOPT Conceptual Amendment 1 to add "municipalities" following "state" in every instance.

Representative Stoltze OBJECTED for purposes of discussion.

Representative Hawker explained that the amendment empowers municipalities with the same power and responsibilities provided to the state. It addresses legal protection and allows indemnity of the municipality so it is not discouraged from participating in the actions of this bill.

Senator Dyson asked if "municipalities" includes boroughs and cities. Representative Hawker replied that is the generic term used in statute. Representative Stoltze suggested the term "political subdivisions". Senator Dyson suggested that the drafters come up with wording to include all classes of cities and municipalities.

Representative Hawker stated that the intent of the amendment is to include all public entities, boroughs, and all classes of cities and municipalities.

Representative Stoltze WITHDREW his OBJECTION. There being NO OBJECTION, it was so ordered.

Representative Hawker read the definition of "municipality", which seemed to satisfy the intent of the bill.

[9:37:26 AM](#)

Representative Foster MOVED to REPORT CSSB 274 (STA), as amended, out of Committee with individual recommendations and the accompanying fiscal notes. There being NO OBJECTION, it was so ordered.

HCSSB 274 (FIN) was REPORTED out of Committee with a "do pass" recommendation and with fiscal note #1 by the Department of Administration and with zero fiscal note #2 by the Department of Public Safety.

[9:38:10 AM](#)

SENATE BILL NO. 271

"An Act authorizing the commissioner of transportation and public facilities to participate in certain federal highway programs and relating to that authorization; relating to powers of the attorney general to waive immunity from suit in federal court related to those programs; and providing for an effective date."

JOHN MACKINNON, DEPUTY DIRECTOR, DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES, related aspects of the National Environmental Policy Act (NEPA). Alaska is one of five states participating in a federal pilot program delegating the review and approval of NEPA documents and related environmental approvals. The duration of the pilot program is six years and is limited to highway projects. He explained when the NEPA process is required for a construction job. Most NEPA activity involves categorical exclusions. The bill allows decisions to be made at the state level, rather than at the federal level.

[9:41:33 AM](#)

Mr. MacKinnon addressed the fiscal notes. He noted that federal funds pay 90 percent of the cost of the program. Participation in this pilot project adds four positions to Department of Transportation and Public Facilities and one to the Department of Law.

Mr. MacKinnon referred to the sovereign immunity waiver. Any suit brought against the state for a NEPA action can be done in federal court. Mr. MacKinnon related two past lawsuits, in which the state prevailed. He addressed potential costs as a result of a potential lawsuit.

Mr. MacKinnon emphasized that the bill does not lessen environmental protection.

[9:44:21 AM](#)

Representative Holm said he appreciates the local control aspect. He noted that legislators don't have to assume these duties until 2011 and wondered if it would be better to participate in the program right away. Mr. MacKinnon clarified that the pilot program is scheduled to sunset in 2011. The responsibilities of the program can be assumed immediately. The state's liability does not apply to any current NEPA action, only to environmental actions assumed under the pilot program.

Representative Holm asked what the liability is for future actions of state employees. He referred to past high costs for court cases. He wondered what the potential liability is.

Mr. MacKinnon replied that there is little potential for liability. Representative Holm said his point is that it is easier to sue in state court than in federal court. Mr. MacKinnon replied that the pilot program requires any suits to be brought in federal court. Representative Holm countered that they would have to be defended in federal court, which isn't the case today. Mr. MacKinnon continued to explain that the benefits of the program outweigh any potential liability.

Representative Holm said his concern is that there is no way to "escape under those rules". He returned to the issue of expense for silt litigation. He proposed great savings by exercising common sense. Mr. MacKinnon agreed with Representative Holm's frustrations regarding silt blankets and fences.

Mr. MacKinnon referred to a graph that explained the effects of federal environmental laws on transportation construction delays.

[9:50:32 AM](#)

Co-Chair Meyer summarized that the benefits outweigh the risks. He asked if the fiscal note requires four positions to implement this bill. Mr. MacKinnon said yes.

Representative Kerttula asked how long it would take for the federal government to turn the program over to the state. Mr. MacKinnon said the federal government is now working on the rules, but they are behind. He related the process of turning the responsibility over to the state. Representative Kerttula asked if Commissioner Barton prefers to assume all responsibility. Mr. MacKinnon said that is correct. Representative Kerttula asked if the state is assuming anything yet. Mr. MacKinnon said not yet.

9:53:40 AM

Representative Kerttula asked how many cases the federal government has to defend every year under NEPA.

PETER PUTZIER, SENIOR ASSISTANT ATTORNEY GENERAL, TRANSPORTATION SECTION, DEPARTMENT OF LAW, responded with details about two previous lawsuits within the last 20 years. Representative Kerttula said she had not considered that a lawsuit could be a part of a group of claims. Representative Kerttula asked what the state's role would be for such a lawsuit. Mr. Putzier said the intent is to only defend claims against NEPA.

GARY OLSON, CHAIRMAN, ALASKA MOOSE FEDERATION, related that his organization appreciates the intent of the bill. He recalled lawsuits down south because of animals on the highways. He spoke of ways to prevent similar litigation and listed steps to keep moose off highways.

9:58:56 AM

Representative Foster MOVED to REPORT SB 271 out of Committee with individual recommendations and the accompanying fiscal notes. There being NO OBJECTION, it was so ordered.

SB 271 was REPORTED out of Committee with a "no recommendation" and with fiscal note #1 by the Department of Transportation and Public Facilities and with zero fiscal note #2 by the Department of Environmental Conservation.

ADJOURNMENT

The meeting was adjourned at 9:59 AM.