

ALASKA STATE LEGISLATURE
SENATE STATE AFFAIRS STANDING COMMITTEE

January 26, 2006

3:38 p.m.

MEMBERS PRESENT

Senator Gene Therriault, Chair
Senator Thomas Wagoner, Vice Chair
Senator Charlie Huggins
Senator Bettye Davis
Senator Kim Elton

MEMBERS ABSENT

All members present

COMMITTEE CALENDAR

SENATE BILL NO. 214

"An Act making appropriations for energy assistance and weatherization; and providing for an effective date."

HEARD AND HELD

SENATE BILL NO. 215

"An Act relating to the energy dividend for 2005; and providing for an effective date."

HEARD AND HELD

PREVIOUS COMMITTEE ACTION

BILL: SB 214

SHORT TITLE: APPROP FOR ENERGY DIVIDEND & ASSISTANCE

SPONSOR(S): SENATOR(S) THERRIAULT, KOOKESH

01/09/06	(S)	PREFILE RELEASED 12/30/05
01/09/06	(S)	READ THE FIRST TIME - REFERRALS
01/09/06	(S)	STA, FIN
01/26/06	(S)	STA AT 3:30 PM BELTZ 211

BILL: SB 215

SHORT TITLE: ENERGY DIVIDEND: INCREASE 2005 PFD

SPONSOR(S): SENATOR(S) THERRIAULT, KOOKESH

01/09/06	(S)	PREFILE RELEASED 12/30/05
01/09/06	(S)	READ THE FIRST TIME - REFERRALS
01/09/06	(S)	STA, FIN

01/26/06

(S)

STA AT 3:30 PM BELTZ 211

WITNESS REGISTER

Jim Dalman, Program Officer
Division of Public Assistance
Department of Health &
Social Services
PO Box 110601
Juneau, AK 99801-0601

POSITION STATEMENT: Outlined the Alaska Heating Assistance Program

Brian Butcher,
Governmental Relations and Public Affairs Director
Alaska Housing Finance Corporation (AHFC),

POSITION STATEMENT: Provided information about the AHFC administered weatherization program

Debbie Joslin
Eagle River Forum
Delta Junction, AK

POSITION STATEMENT: Spoke in support of SB 214 & SB 215

Todd Honer, Energy Efficiency Specialist
Golden Valley Electric Association
Fairbanks, AK

POSITION STATEMENT: Described SB 214 & SB 215 as well intended but a short term solution

Viann Nations
Copper River Native Association
Copper Center, AK

POSITION STATEMENT: Stated support for SB 214 & SB 215

Sharon Barton, Director,
Permanent Fund Dividend Division
Department of Revenue
PO Box 110400
Juneau, AK 99811-0400

POSITION STATEMENT: Answered questions related to using the Permanent Fund data and computer system for an energy dividend

ACTION NARRATIVE

CHAIR GENE THERRIAULT called the Senate State Affairs Standing Committee meeting to order at [3:38:25 PM](#). Present were Senators

Bettye Davis, Kim Elton, Thomas Wagoner, Charlie Huggins and Chair Gene Therriault.

SB 214-APPROP FOR ENERGY DIVIDEND & ASSISTANCE
SB 215-ENERGY DIVIDEND: INCREASE 2005 PFD

[3:38:25 PM](#)

CHAIR THERRIAULT announced SB 214 and SB 215, to be up for consideration and that he and Senator Albert Kookesh were the sponsors. He intended to introduce the bills and take initial public comment, but he didn't intend to take any action that day.

He informed committee members that the idea for the bills came from two public forums he attended last fall to discuss the potential impact on Alaskans from high energy costs.

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He explained that Representative Jay Ramras called the first meeting after a number of Interior fuel distributors expressed concern that a growing number of their customers were going to have difficulty paying their winter fuel bills. Alaska Industrial Development & Export Authority (AIDEA) and Interior lending institutions also attended the meeting because the fuel distributors weren't sure they could extend sufficient credit to carry their customers through the winter and also pay their own fuel bills to the refiners.

Discussion regarding which assistance programs were available to the end users initially focused on the Low Income Energy Assistance Program (LIHEAP) but distributors stated concern that many customers wouldn't qualify for the program even though they would be squeezed financially.

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The second forum was a radio talk show. A caller expressed the opinion that the State of Alaska set the high price of energy in Interior Alaska. He contended that if the state were to sell oil to the refiners at half price, the savings would ultimately flow to the end consumer. A back-and-forth discussion ensued and the caller ultimately suggested that politicians don't tend to think outside the box. He charged that more often than not they tell you what they can't do for you rather than what they can do for you.

CHAIR THERRIAULT said he decided the caller had a legitimate point so he talked with his staff about a creative way to help citizens with the price of energy. He is using the generic term because of the variability in the types of energy used and reasons for its use. The constant is that all energy costs have gone up and no one will get through the Alaskan winter without paying for the energy they use.

The proposal is for a one-time distribution to help with current costs and to encourage individuals to step forward and take conservation measures that will pay cost-saving dividends in years to come. Consumers should not expect that this is the beginning of an ongoing program, he warned.

Data from the 2005 Permanent Fund Dividend application was used to come up with the anticipated distribution of \$250 per person. However, because there are potential problems associated with that data, updated information from the 2006 dividend applications may be needed as well. Because of the potential legal issues associated with the distribution, he stated that he is open to suggestions.

The bill has two additional components to direct more of the earnings surplus to the constituency with the greatest need. The first proposes to put an additional \$5.7 million into power cost equalization to make up the FY06 budgetary shortfall and the second adds \$10 million to the low-income weatherization program.

He explained that SB 214 sets up the appropriations and SB 215 relates to the mechanism by which the distributions would be made.

He questioned the \$655,000 fiscal note from the Permanent Fund Dividend Division.

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SENATOR CHARLIE HUGGINS aired the view that people are excited that the money would be distributed directly to the people.

CHAIR THERRIAULT acknowledged that has been a criticism as well, but it comes down to the fact that you can't go very long in Alaska without paying your energy bills so whether the bill is paid with the money distributed by the state or from the

individual's paycheck doesn't matter. Energy bills ultimately must be paid.

He stated his belief that the spiraling cost of energy caught people off guard. When the Legislature developed its oil and gas tax system, it wasn't anticipated that oil would reach \$60 or \$70 per barrel. But because prices have risen to that point, it's now clear that State of Alaska has an unusual situation in that what is good for the state treasury is harmful for the individual. To address the situation he contended that using approximately 10 percent of the anticipated budget surplus for a onetime program warrants consideration.

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SENATOR THOMAS WAGONER cautioned that oil prices aren't likely to drop in the near future and although everyone likes free money, there is a real and stated concern that this program could become an entitlement.

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CHAIR THERRIAULT said he could understand his point and that's one reason he wanted to base the distribution on existing programs or data. Although nothing prevents a future legislator or future Legislature from considering a similar distribution, nothing in the current proposal carries forward.

SENATOR HUGGINS remarked teaming with another legislator to look for a positive solution is a good thing.

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SENATOR KIM ELTON said he had several questions about the distribution mechanism. First, how much of the money would leave the state and second, how much would go to families that have no energy cost associated with their housing. Referencing the latter, he said he was thinking about military families living in military housing.

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CHAIR THERRIAULT reiterated he is open to suggestions regarding a different distribution mechanism.

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SENATOR ELTON clarified he didn't mean to focus on the military because college students who live in dorms also have fewer energy challenges.

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JIM DALMAN, Program Officer, Division of Public Assistance, Department of Health and Social Services (DHSS), explained that the division administers the state's low-income home energy assistance block grant. The heating assistance program operates under the state portion of the block grant and its mission and purpose is to help low-income Alaskans offset high home-heating costs.

CHAIR THERRIault interjected to explain that the program is established on the federal level. Federal funds flow through the state budget and are subsequently administered by the state and some Native entities.

He asked whether state or federal law establishes eligibility criterion.

MR. DALMAN replied it's both. The low-income energy assistance block grant is federally funded on an annual basis and has a provision for direct funding for Native entities. In Alaska there are eight Native organizations, four regional non-profits, and a number of small tribal or community organizations that receive direct funding. DHSS shares some of its funding so that all entities are able to offer comparable benefits.

A maximum eligibility provision exists that amounts to 60 percent of median income adjusted by state. In Alaska a lower standard is used, which is 150 percent of the Alaska poverty standard or \$36,000 per year for a household of four. Individuals are income-tested against that qualifying guideline on a monthly income basis. Tribal organizations have the latitude to deviate to set up their own delivery methods and eligibility criteria.

Alaska received about \$12 million in block grant money this year and about one-third went to Native organizations. The department expects to serve about 10,500 households and the Native organizations might serve between 3,000 and 4,000 households.

Applications are made in the fall and the program's early focus is on the elderly, the disabled, families with children under age six, and people living in rural areas. The program operates

September thru May and has never relied on state funding. Federal guidelines allow 10 percent maximum utilization of the block grant money for administration, which requires an efficient operation. The result is that most of the benefit goes to those who are eligible for the service.

Applicants receive a one-time annual grant the amount of which is driven by household size, income, and location. Location is modeled to take into consideration heating degree-days and local fuel costs. As a result, the grants vary widely. The average payment this year is just over \$800 per qualifying household and the range is from \$200 up to \$1,000 in some areas.

About 60 percent of the qualifying households receive no other form of public assistance, but the application volume has risen about 18 percent so far this year. Buying power is down and applicants have expressed increased concern that their fuel dollar isn't stretching very far.

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A provision in the block grant allows states to set aside up to 15 percent of their LIHEAP (Low Income Home Energy Assistance Program) block grant for low-income home weatherization. Each year a certain portion of the funds is transferred to AHFC (Alaska Housing Finance Corporation) to supplement the state's low-income residential weatherization program. He said they intend to do that in some measure again this year simply because it's a good way to defray costs in the long term.

He recapped; the program is income tested and the benefit is delivered directly. Typically more than 90 percent of the benefit goes directly to the individual's home energy supplier with the primary focus on home heating needs. Renters are not excluded. If heat and electricity is included in the rent an individual could still qualify for the program.

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CHAIR THERRIAULT asked if the \$12 million he mentioned for the LIHEAP funding included tribal payments.

MR. DALMAN turned to an audience member for verification.

UNIDENTIFIED SPEAKER gave an inaudible response.

SENATOR ELTON questioned whether it would work to use the data from the Permanent Fund Dividend Division then distribute through the federally funded heating assistance program.

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LAURA BAKER, Budget Chief, DHSS, clarified that the needs could not be met without supplemental state assistance this year. She informed members that the governor's office has submitted a supplemental bill that includes an additional \$8.8 million in state funds to supplement the heating assistance program for the year. About \$2.8 million will go to the Native entities and about \$5.9 million will go to the state program.

SENATOR ELTON asked if there is any problem associated with the supplemental state money being counted as household income and therefore making some individuals ineligible because of the increase.

MS. BAKER deferred to Mr. Dalman.

SENATOR THOMAS WAGONER asked how much it costs to administer the grant.

MR. DALMAN responded administrative costs amount to about 10 percent.

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SENATOR BETTYE DAVIS asked Mr. Dalman to comment on the advisability of earmarking the proposed funds to the established program so that the money gets to those that really need it rather than distributing \$250 to every Alaskan who qualifies for a Permanent Fund Dividend.

MR. DALMAN responded whatever the Legislature decides to do could be accommodated, but he would reserve judgment regarding the best mechanism. He emphasized that there is need out there and he welcomes the notions about giving relief to those in need.

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CHAIR THERRIAULT asked how many tribal providers there are.

MR. DALMAN replied there are eight Native entities that receive direct federal LIHEAP block grant funding. They are: Tanana

Chiefs, Association of Village Council Presidents from Bethel, Kuskokwim Native Association, Orutsararmuit Native Corporation, Seldovia, Kenaitze Indian Tribes, Tlingit Haida Central Council, and the Aleutian/Pribilof Islands Association, Inc.

CHAIR THERRIAULT asked if there are nine different sets of criteria.

MR. DALMAN replied not all programs deliver payment directly to the provider.

MARY RIGGEN-VER, former Heating Assistance Program Coordinator, DHSS, said she thought that most Native grantees provide the grants directly to energy suppliers.

CHAIR THERRIAULT questioned whether payment always goes to the vender.

MS. RIGGEN-VER said not always. Over 90 percent of the grant to the state goes directly to the vendors, but in certain instances heat and electricity is included in the rent so there is provision for a cash grant.

CHAIR THERRIAULT asked if there are different income criteria among the nine different grantees.

MS. RIGGEN-VER explained that the federal maximum is either 60 percent of median or 150 percent of the Alaska poverty level. The former is a bit higher for lower household sizes and the latter is higher for larger households.

CHAIR THERRIAULT questioned how the supplemental funds would be spent.

MS. RIGGEN-VER replied the additional money would primarily address the increased costs that people are facing that the current grant doesn't address. The LIHEAP grant hasn't been increased for three years because the federal funding hasn't increased.

CHAIR THERRIAULT summarized the same clientele would be served.

MS. RIGENBEAR agreed provisionally because the program has had more applicants due to increased energy costs.

CHAIR THERRIAULT said that's part of his concern. Fuel distributors have indicated that some households are struggling

to pay for their energy yet they don't qualify for the assistance program.

MS. RIGGEN-VER agreed it is a problem.

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SENATOR DAVIS questioned whether receiving benefits from the proposed energy dividend could cause individuals to become ineligible for the low-income heating assistance program

MR. DALMAN replied there is a hold harmless provision related to the Permanent Fund Dividend and the proposed energy dividend could probably be defined in a similar fashion.

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SENATOR DAVIS asked about the cost of increasing the hold harmless provision.

MR. DALMAN surmised it wouldn't be a direct budget issue.

SENATOR ELTON suggested that if most of the money goes directly to the vendors, most applicants would avoid the problems associated with increased individual income.

MR. DALMAN agreed; the current benefit is excluded from income calculation.

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SENATOR HUGGINS asked about the 15 percent that is set aside for weatherization.

MR. DALMAN informed him that is the maximum allowable under the block grant provisions. So far this year \$600,000 has been allocated.

SENATOR HUGGINS asked how long it takes to get weatherization help after completing an application.

MR. DALMAN deferred response to the AHFC representative.

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CHAIR THERRIAULT asked Mr. Butcher to come forward and explain how the low-income weatherization works and the payment that comes from LIHEAP funds.

BRIAN BUTCHER, Governmental Relations and Public Affairs Director, Alaska Housing Finance Corporation (AHFC), outlined the low-income weatherization program and stated that its purpose is to provide cost effective energy improvements primarily to low-income families.

This fiscal year the funding to non-profits across the state is \$1.8 million from the federal government and \$3 million in AHFC dividend. He noted that the Municipality of Anchorage is the only government entity in the state that operates its own program. He explained that over 1,900 clients in 615 homes were served last year.

To demonstrate that the weatherization program is geared to needy families he made the following points:

- Over 50 percent have children under age six.
- Over 25 percent have a disabled family member.
- Over 25 percent have elderly family member(s).

For every million dollars in funding approximately 150 homes are weatherized. The program provides an economic boost to the local community as well as the family because local vendors are hired by the non-profits to do the weatherization work.

A positive aspect to the program is that the benefits are enduring. Once a house is weatherized there is a long-term energy savings benefit to the family and the community, he concluded.

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CHAIR THERRIAULT used the previously cited figures and calculated that the average home could be weatherized for between \$6,000 and \$7,000.

MR. BUTCHER responded the cost varies widely depending on the home and its location, but the average weatherization cost is between \$4,000 and \$4,500 per home. An additional point is that as energy costs go up the price of materials increase as well. The AHFC program manager estimates that materials increased between 30 and 40 percent since last year. Therefore, a similar increase in the program is needed to maintain equilibrium.

CHAIR THERRIAULT pointed out that the bill proposal is for \$10 million and he was interested in an estimate of the program's capacity for "getting the money out door."

MR. BUTCHER replied the money wouldn't hit the street the first year; it would likely take two to three years to get the program to the point that it could handle the increase. Also, having no assurance of a follow-up program would create some difficulty.

CHAIR THERRIAULT asked whether complaints are handled locally or whether they get back to him.

MR. BUTCHER replied AHFC isn't involved in the day-to-day workings, but hopefully complaints related to unnecessary work would get back to the corporation.

CHAIR THERRIAULT noted that the funding is a combination of federal and state funds and he was curious about the latitude for changing eligibility criteria.

MR. BUTCHER responded there is no latitude with federal money, but there is considerable flexibility with state funds. One reason for state latitude is that it benefits the corporation if people don't lose their homes.

CHAIR THERRIAULT asked him to review the federal eligibility requirements and to explain the decision making process for determining whether federal or state money is used for a particular weatherization project.

MR. BUTCHER explained that federal funds take care of the very low income and the rest are paid from the AHFC dividend program. With regard to income criteria, he explained that a family of four qualifies at \$43,000.

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CHAIR THERRIAULT opened teleconference testimony.

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DEBBIE JOSLIN, Eagle Forum Alaska Representative from Delta Junction, testified via teleconference in support of SB 214 and SB 215. She explained that the forum represents families across Alaska and the bills are definitely family friendly and offer welcome relief.

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TODD HONER, Energy Efficiency Specialist for Golden Valley Electric Association in Fairbanks, and Chair of the Policy Advisory Council for the Alaska Weatherization Program, testified via teleconference to report that energy efficiency programs have been his forte since the late 1970s when he became an energy auditor under Governor Hammond's administration. He described SB 214 and SB 215 as well intended and a fast response but, in the long run, a short-term solution to a problem that will plague Alaska far into the future.

He suggested that the state should lead the way in looking for long-term solutions to the energy problems that face the residents of Alaska. Previous experience tells him that the current proposal might not bring the needed relief.

He reviewed calculations he had made to demonstrate that investing in energy efficient devices such as compact fluorescent lights result in a substantial return on the initial investment. He further suggested addressing energy consumption behavior, addressing building codes, addressing energy efficiency codes. Instead of addressing cost, let's address efficiencies, he concluded.

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CHAIR THERRIAULT responded he has made changes to increase the energy efficiency of his home in Fairbanks and he would support others increasing efficiency. The question is how to get there.

MR. HONER said the way the market runs, consumers would make efficiency changes faster if the consumer knew that energy prices weren't going to drop and that neither the state nor the federal government was going to offer relief.

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VIANN NATIONS, Copper River Native Association (CRNA), testified that CRNA supports the bill.

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CHAIR THERRIAULT asked Sharon Barton about the fiscal note.

SHARON BARTON, Director, Permanent Fund Dividend Division, stated there would be no problem using the dividend division database. If the energy dividend were combined with an annual Permanent Fund dividend payment, the fiscal note would be zero. A problem does arise, however, if there is an extra payment. The mainframe/server system is old and specifically designed to pay each individual just one check per year so rebuilding the system to accommodate a second payment would result in a very large fiscal note.

The division estimates that a second payment would cost \$400,000 for changes to the system and \$255,800 in other costs. With apologies she presented the \$655,800 fiscal note for a special payment.

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CHAIR THERRIAULT admitted he didn't anticipate that the system would require reprogramming so he would likely have additional questions before taking final action on the bill.

He questioned how quickly the 2006 application data is updated and how many applications have been verified to date.

MS. BARTON replied approximately 150,000 records have been updated to the mainframe but they haven't been adjudicated. Over 230,000 online applications and 100,000 paper applications have come in, but most of the paper applications are still in the mailroom. The speed with which the information could be made available depends on how complete you might want it to be, she said. Typically the file isn't finished until it is locked down about Sept 1 for direct deposit reconciliation. At that time, between 98 and 99 percent of the processing is done although there are always several thousand files that aren't complete until well into the next application period.

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CHAIR THERRIAULT mused 2005 payments are still being made.

MS. BARTON said that's correct.

CHAIR THERRIAULT stated that although some legal issues might need to be addressed, that particular database is undoubtedly the best in the state on who qualifies as a resident.

MS. BARTON cautioned that if a special payment were to be made, the division estimates that it would take three months to do the work.

SENATOR WAGONER questioned why the energy dividend wouldn't go to each household rather than to each resident. He asked Ms. Barton if the permanent fund data could be sorted that way.

MS. BARTON replied the list wouldn't be accurate. Some families file under a family packet and the payments are made to that address, but all the family members don't necessarily reside under one roof.

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CHAIR THERRIAULT remarked he gave that idea some thought, but it could have inequities as well.

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MR. DALMAN clarified that the energy dividend for heating assistance could, through regulation or bill amendment, be defined as excluded income.

CHAIR THERRIAULT announced he would hold SB 214 and SB 215 in committee.

There being nothing further to come before the committee, Chair Therriault adjourned the meeting at [5:14:22 PM](#).