

ALASKA STATE LEGISLATURE
HOUSE COMMUNITY AND REGIONAL AFFAIRS STANDING COMMITTEE

March 20, 2007

8:06 a.m.

MEMBERS PRESENT

Representative Anna Fairclough, Co-Chair
Representative Gabrielle LeDoux, Co-Chair
Representative Nancy Dahlstrom
Representative Mark Neuman
Representative Kurt Olson
Representative Sharon Cissna
Representative Woodie Salmon

MEMBERS ABSENT

All members present

OTHER LEGISLATORS PRESENT

Representative Bryce Edgmon
Representative Paul Seaton

COMMITTEE CALENDAR

HOUSE BILL NO. 202

"An Act relating to the community revenue sharing program; and providing for an effective date."

- HEARD AND HELD

HOUSE BILL NO. 152

"An Act establishing a renewable energy fund and describing its uses and purposes."

- HEARD AND HELD

PREVIOUS COMMITTEE ACTION

BILL: HB 202

SHORT TITLE: COMMUNITY REVENUE SHARING

SPONSOR(S): COMMUNITY & REGIONAL AFFAIRS

03/14/07	(H)	READ THE FIRST TIME - REFERRALS
03/14/07	(H)	CRA, FIN
03/20/07	(H)	CRA AT 8:00 AM BARNES 124

BILL: HB 152

SHORT TITLE: ESTABLISHING A RENEWABLE ENERGY FUND

SPONSOR(S): REPRESENTATIVE(S) HARRIS

02/26/07	(H)	READ THE FIRST TIME - REFERRALS
02/26/07	(H)	CRA, FIN
03/06/07	(H)	CRA AT 8:00 AM BARNES 124
03/06/07	(H)	Heard & Held
03/06/07	(H)	MINUTE(CRA)
03/20/07	(H)	CRA AT 8:00 AM BARNES 124

WITNESS REGISTER

SONYA HYMER, Staff
to Representative LeDoux
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Speaking as staff to the House Community and Regional Affairs Standing Committee, sponsor of HB 202, presented HB 202.

KATHY WASSERMAN
Alaska Municipal League
Juneau, Alaska

POSITION STATEMENT: Encouraged the committee to forward HB 202 from committee.

TOM QUICK, Member
Ouzinkie City Council
City of Ouzinkie
Ouzinkie, Alaska

POSITION STATEMENT: Testified in support of HB 202.

LUKE HOPKINS, Member
Alaska Municipal League (AML);
Presiding Officer, Fairbanks North Star Borough Assembly
Fairbanks North Star Borough
Fairbanks, Alaska

POSITION STATEMENT: During hearing of HB 202, urged the committee to put in place a formula for the use of general fund dollars for revenue sharing.

LYNNE WOODS, Member
Matanuska-Susitna Borough Assembly
Matanuska-Susitna Borough
Palmer, Alaska

POSITION STATEMENT: Testified in support of HB 202.

DAN COFFEY, Vice Chair
Anchorage Assembly
Anchorage, Alaska

POSITION STATEMENT: Urged the committee to offer revenue sharing, whether through HB 202 or other legislation.

MARVIN YODER
Seward, Alaska

POSITION STATEMENT: Testified on HB 202.

TAMMIE WILSON
Fairbanks, Alaska

POSITION STATEMENT: Testified in support of HB 202.

TIM BOURCY, President
Alaska Municipal League;
Mayor, City of Skagway
Skagway, Alaska

POSITION STATEMENT: Testified in support of HB 202.

CARTER CRAWFORD
Fairbanks, Alaska

POSITION STATEMENT: Testified on HB 202.

CHARISSE MILLET, Staff
to Representative John Harris
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Reviewed the changes embodied in CSHB 152, Version V.

REPRESENTATIVE JOHN HARRIS
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Spoke as the sponsor of HB 152.

JEROME SELBY, Mayor
Kodiak Island Borough
Kodiak, Alaska

POSITION STATEMENT: Urged the passage of HB 152 and HB 202.

CHRIS ROSE, Executive Director
Renewable Energy Alaska Project
Anchorage, Alaska

POSITION STATEMENT: Testified in support of HB 152.

TOM ABELL, Member
Kodiak Island Borough Assembly;
President, Southwest Alaska Municipal Conference
Kodiak, Alaska

POSITION STATEMENT: During hearing of HB 202, related the need for sustainable revenue sharing.

ACTION NARRATIVE

CO-CHAIR ANNA FAIRCLOUGH called the House Community and Regional Affairs Standing Committee meeting to order at [8:06:22 AM](#). Representatives Fairclough, LeDoux, Neuman, and Olson were present at the call to order. Representatives Dahlstrom, Cissna, and Salmon arrived as the meeting was in progress. Also in attendance were Representatives Edgmon and Seaton.

HB 202-COMMUNITY REVENUE SHARING

[8:07:19 AM](#)

CO-CHAIR FAIRCLOUGH announced that the first order of business would be HOUSE BILL NO. 202, "An Act relating to the community revenue sharing program; and providing for an effective date."

[8:07:30 AM](#)

SONYA HYMER, Staff to Representative LeDoux, Alaska State Legislature, speaking as staff to the House Community and Regional Affairs Standing Committee, sponsor, paraphrased from the sponsor statement, which read [original punctuation provided]:

HB 202 establishes a sustainable revenue sharing program based on the owner-state concept. The resources of the state belong to all Alaskans. Cities and boroughs were formed by the state as political subdivisions to provide services to the people. Without revenue sharing, the entire cost of basic services is [borne] by local taxpayers.

Skyrocketing fuel and retirement system costs and inflation, in conjunction with severe cuts in revenue sharing over the past several years have crippled local governments' ability to provide even basic

services such as public safety, snow removal and road maintenance, and the education of our children.

HB 202 provides a means for sustainable revenue sharing in order to allow communities to continue providing basic services. HB 202 would allow the legislature to allocate 6% of certain natural resource revenues to revenue sharing every year. Basing revenue sharing on the state's annual income allows for the flexibility needed to continue the program during lean years, when state revenue is down.

The Alaska Senate is currently considering a companion bill, SB 72, which was sponsored by the Senate Committee on Community and Regional Affairs. Last month, the Senate CRA moved a committee substitute for SB 72 out of Committee. That bill now awaits a hearing in Senate Finance. SB 72 is nearly identical to the bill before this committee today. However, there are two important differences between HB 202 and SB 72.

- In addition to providing for unincorporated communities in the unorganized borough, HB 202 includes payments of \$25,000 for the benefit of an unincorporated community in an organized borough. According to Section 29.60.870(b) of this bill, a qualified unincorporated community has a population of at least 25 people and there is a non-profit community entity or tribal council providing at least three of seven services to the community, including: fire protection, emergency medical services, water and sewer, solid waste management, public road or ice road maintenance, public health, and search and rescue. This service-based eligibility applies to unincorporated communities in organized boroughs. In the unorganized borough, unincorporated communities with 25 or more residents would continue to qualify for payments of \$25,000.
- Another difference between HB 202 and SB 72 is HB 202's 'pass-through' clause in Section 29.60.870(b), by which the assembly of the organized borough, rather than the State, would determine which nonprofit entity or village council in a community should receive the funds

and would cut the individual checks to the communities.

The House and Senate versions of this bill share the same goals. They establish a dedicated fund source for sharing natural resource revenues in order to fulfill two requirements of our State Constitution. The first is Article 8, Section 2: to use our natural resources for the maximum benefit of the people of Alaska. The second is Article 10, Section I: to maximize local government with a minimum of local government units.

Without consistent, dependable revenue sharing, provision of basic local services will continue to decline. Some small communities have already closed their doors. HB 202 provides the tool to solve the problem of helping local governments fund basic services.

[8:11:52 AM](#)

MS. HYMER suggested a conforming amendment striking the language "or unincorporated community" on page 3, line 22. She then highlighted documents in the packet, including the document entitled "Unincorporated Communities of At least 25 People" and "HB 202 Community Revenue Sharing Program." The latter of the two documents points out that the Department of Commerce, Community, & Economic Development (DCCED) estimates that approximately 68 unincorporated communities in the unorganized borough that would qualify for \$25,000 payments and approximately 68 unincorporated communities in organized boroughs would also qualify. She noted that the aforementioned are merely estimates because in each case the eligibility requirements would have to be reviewed in detail to determine which communities would qualify.

[8:13:35 AM](#)

MS. HYMER, in response to Co-Chair Fairclough, clarified that the estimates are "68 plus 68." She reiterated that the estimates are that 68 unincorporated communities in the unorganized boroughs and 68 unincorporated communities in organized boroughs would qualify.

[8:14:06 AM](#)

KATHY WASSERMAN, Alaska Municipal League (AML), related AML's appreciation for HB 202. She explained that in AML's discussions over the years it has become clear that most legislators are okay with revenue sharing, but that AML needed to develop some sort of fund that was sustainable. Last summer, AML discussed tailoring the revenue sharing program with regard to market fluctuations related to oil revenue, which is the state's main source of revenue. Therefore, in doing so AML developed tying [revenue sharing] to 6 percent of certain natural resource revenues. Ms. Wasserman opined that all communities need revenue sharing. In fact, the larger communities have committed to deducting the revenue sharing from their tax base, and thus the savings will be passed on to the residents. However, the smaller communities need the funds just to provide basic services. Ms. Wasserman pointed out that while communities may receive capital budget funds for things such as a new fire hall or a new fire truck, it still takes maintenance hours, employees, fuel, and basic services to maintain those things funded through capital funds. Communities are experiencing difficulty in keeping up the day-to-day basic infrastructure for which there is no grant or funding from the capital budget, she further pointed out. Ms. Wasserman thanked the committee for hearing HB 202 and encouraged the committee to forward it from committee.

[8:17:22 AM](#)

MS. WASSERMAN, in response to Representative Neuman, reiterated that most of the larger communities have committed to deducting the revenue sharing from their property taxes.

REPRESENTATIVE NEUMAN asked if there's anything in writing specifying that an area with a population over a certain point would have to distribute a certain percentage of the [revenue sharing] to reduce the tax liability of the property owners.

MS. WASSERMAN answered that AML had no intention of placing restrictions on revenue sharing because each community knows best how to use the money. Last year the tri-boroughs, which consists of the Mat-Su Borough, the Kenai Peninsula Borough, and the Municipality of Anchorage, all committed on paper to offset the amount of revenue sharing received on property taxes.

[8:19:41 AM](#)

CO-CHAIR LEDOUX inquired as to whom these communities have committed.

MS. WASSERMAN said that there are some letters of commitment from some of the larger communities, which she offered to provide to the committee.

8:20:38 AM

REPRESENTATIVE OLSON asked whether the Public Employees' Retirement System (PERS) and Teachers' Retirement System (TRS) contributions planned by the legislature this year are considered municipal assistance.

MS. WASSERMAN replied no, adding that over 90 communities aren't involved in PERS/TRS but will still need operating funds. The revenue sharing funds, she opined, are a way for the communities to use the funds in a way the communities see fit.

8:22:09 AM

TOM QUICK, Member, Ouzinkie City Council, City of Ouzinkie, informed the committee that he is speaking on behalf of Ouzinkie, which consists of six villages around the base of Kodiak Island. He said that by extension he is also speaking on behalf of the 250 villages throughout the state. Mr. Quick opined that "we're" at a crisis point. In fact, 100 communities of the 250 communities have moderate to severe concern with regard to their financial integrity. He likened the situation to damage control. Mr. Quick related that last week the six villages from Kodiak met and discussed the organizational structure, roles, responsibilities, and the positions of the village, state, and the borough. He noted that he relayed concerns brought out at that meeting to the Kodiak Borough Island Assembly. He then noted that he has many years of experience working with the Native leadership. During the aforementioned discussion, there was review of the communities' ability to carry out and sustain the individual village positions. There was discussion that originally the state, as it was formed, had the authority to collect revenue from the resources, which were located by and large in rural areas, and the borough had the authority to collect and redistribute revenues from the state as well as collect revenues from the tax base on the real estate and businesses in Kodiak. The bulk of that budget goes to education. He pointed out that the villages don't have any tax base. Furthermore, the majority of housing is low-income U.S. Department of Housing and Urban Development (HUD) housing and thus those properties are exempt from taxation. The local impacts in Ouzinkie have been particularly

severe and Ouzinkie, in particular, has used almost all its reserves. Those reserves are coming to a close and there aren't any further options. Basically, Ouzinkie's fate is in the hands of the legislature, he opined. Mr. Quick stated support of HB 202 and SB 72.

8:30:36 AM

LUKE HOPKINS, Member, Alaska Municipal League (AML); Presiding Officer, Fairbanks North Star Borough Assembly, Fairbanks North Star Borough, pointed out that in many areas where natural resources are extracted/harvested, the general fund dollars for that flow into state coffers provide the vast majority of the revenue used in the state government. He further pointed out that the Alaska State Constitution calls for sharing to the maximum benefit with the citizens of Alaska. In the previous two legislative sessions, as many as 22 different pieces of legislation addressed revenue sharing. In closing, Mr. Hopkins urged the committee to put in place a formula for the use of general fund dollars for revenue sharing.

8:33:31 AM

REPRESENTATIVE NEUMAN highlighted that some very large amounts of money have gone into the Fairbanks area for various capital projects. He asked if Mr. Hopkins considered those as community revenue sharing.

MR. HOPKINS answered that he considered such support for transportation projects. He then pointed out that the Fairbanks North Star Borough doesn't have road service powers and many of the funds received for such are grants that come through the Department of Transportation & Public Facilities (DOT&PF). Therefore, it's a bit blurry whether that's considered revenue sharing. In further response to Representative Neuman, Mr. Hopkins said he doesn't believe the capital improvement projects decreased property taxes in the area. However, he noted that the additional municipal aid last year was used to offset a portion of property taxes and assisted with large borough maintenance projects.

8:35:53 AM

LYNNE WOODS, Member, Matanuska-Susitna Borough Assembly, Matanuska-Susitna Borough, highlighted the increasing cost of local government and the high growth of the area causing the market value to increase, which in turn increases property

taxes. Furthermore, the demand for various services has increased also. Ms. Woods stated her support for HB 202. She informed the committee that in the two years she has served on the Mat-Su Borough Assembly all possible measures to reduce the burden of property tax have been taken. The proposed formula would certainly fall in line with what other states and counties have found in an effort to balance their budget. She related that she philosophically agrees with the approach taken in HB 202. Ms. Woods recalled a recent assembly meeting in which the Mat-Su Assembly had to approve local tax dollars to pay for improvements to a state road for which the legislature appropriated \$150,000, but the improvements actually cost \$320,000. Therefore, as the state demands more from local [governments], [local governments] need more resources than property taxes, which [the borough] is committed to reducing.

[8:40:14 AM](#)

DAN COFFEY, Vice Chair, Anchorage Assembly, related that Anchorage has pledged every bit of state money to reduce real property taxes and increased the exemption for property taxes to the maximum allowed. He said, "We've been asking for years for the state to stop unfunded mandates." He then highlighted that the state has many opportunities with regard to sources of revenue, including the substantial permanent fund. Therefore, local property tax relief is necessary in the form of revenue sharing, which was a long-standing policy of the state for many years. He said he was glad people are bringing back revenue sharing. The source of revenue [for revenue sharing] needs to be consistent and reliable over time in order to allow for local governments to plan their budgets. Furthermore, such a plan should recognize that local governments, in many instances, know better how to spend their money than does the state. Mr. Coffey urged the committee to offer revenue sharing, whether through HB 202 or other legislation.

[8:42:26 AM](#)

REPRESENTATIVE NEUMAN related his understanding from Mr. Coffey that communities don't have anything left from which to produce more revenue, and that [funds for revenue sharing] should come from the permanent fund dividend. "The people have stated several times that they don't want that to happen and I think that that money belongs to ... all citizens of the state," he pointed. He inquired as to how Mr. Coffey would respond to the aforementioned as well as the fact that Anchorage has a self-

imposed tax cap and doesn't meet the maximum amount of funding for education.

MR. COFFEY said that there's no law prohibiting the legislature from making adjustments to the permanent fund if it was desirous. In response to Representative Neuman's question, Mr. Coffey questioned: "How much is enough and why should all of the earnings be applied to the permanent fund as opposed to some of the needs of local government." Mr. Coffey then clarified that his earlier comment was that local governments have fewer other resources. He opined that the vast resources that can solve these problems aren't found in any one local government but rather are found at the state level.

[8:44:40 AM](#)

MARVIN YODER said that the source of funds is the change [for revenue sharing] as local governments are willing to be tied to the resources of the state. In the past, revenue sharing plans have tried to find another source of revenue and obtain a general appropriation each year, which didn't really work. He then related that as he drives from Palmer into Anchorage, he finds it ironic that public safety services on the first half of the trip are paid for out of the state's resources while the second half of the trip those services are paid for by local taxes in Anchorage. It seems, he opined, that the resources of the state should be applied equally. The aforementioned is important when reviewing the basic revenue stream that's being tapped under HB 202. He then pointed out that revenue sharing was originally tied to what services the local government provided. This legislation, he emphasized, is aimed at the basic services.

[8:47:06 AM](#)

TAMMIE WILSON related that she is in great support of this revenue sharing. She noted that probably like many others she has seen her taxes increase over the years. She said that she likes HB 202 because it provides a sustainable source of revenue so that new monies won't have to be found to meet this need every year. Furthermore, HB 202 allows communities to provide basic services as well as give tax relief to others. Ms. Wilson applauded those communities and municipalities that have committed all of their revenue sharing funds to relieve property taxes. With regard to the PERS/TRS issue, she characterized it as a separate issue that should be addressed separately. In

closing, Ms. Wilson expressed her hope that the committee would support HB 202.

[8:49:14 AM](#)

TIM BOURCY, President, Alaska Municipal League; Mayor, City of Skagway; related support for HB 202. The legislation provides that municipalities "share in the wealth and ... the pain." Although the state has so much potential and opportunity, it lacks the basics of sustainable government. He expressed the need to take the resources the state has and invest it in education and infrastructure in order to create opportunities for individuals to establish roots and start families. In conclusion, he requested the committee's support for HB 202.

[8:51:22 AM](#)

CARTER CRAWFORD had her testimony read by Tammie Wilson as follows:

With my involvement with the upcoming elections to resolve property taxes and the efforts to keep the community block grant make it painfully aware just how important the municipal [revenue] sharing program is and how critical local analysis of needs and local allocation of state funding is. So, please support it.

[8:52:21 AM](#)

CO-CHAIR FAIRCLOUGH, upon determining no one else wished to testify, closed public testimony.

[8:52:37 AM](#)

CO-CHAIR FAIRCLOUGH asked if there was any opposition to holding HB 202. [None was stated.] She related her understanding that committee members should have copies of two amendments from Representative Seaton. She then informed the committee that staff has just received a new document to replace the aforementioned amendments.

[8:53:42 AM](#)

REPRESENTATIVE NEUMAN clarified that Representative Seaton's [conceptual] amendment that was just provided to the committee is labeled 25-LS0489\K.1, Cook, 3/20/07.

CO-CHAIR FAIRCLOUGH announced that HB 202 would be held over until Thursday.

[Further testimony was taken on HB 202 later in this hearing.]

HB 152-ESTABLISHING A RENEWABLE ENERGY FUND

8:55:06 AM

CO-CHAIR FAIRCLOUGH announced that the final order of business would be HOUSE BILL NO. 152, "An Act establishing a renewable energy fund and describing its uses and purposes."

The committee took an at-ease from 8:55 a.m. to 8:58 a.m.

8:58:50 AM

REPRESENTATIVE NEUMAN moved to adopt CSHB 152, Version 25-LS0413\V, Kane, 3/20/07, as the working document. There being no objection, Version V was before the committee.

8:59:27 AM

CHARISSE MILLET, Staff to Representative John Harris, Alaska State Legislature, explained that within Version V Section 2, which establishes a renewable energy project fund, was added. The aforementioned funds would be under the umbrella of the Power Project Fund (PPF) within the Alaska Energy Authority. Section 3 takes the loan component out of the fund, and thus this section would be used as the grant money for the renewable energy fund. Version V also includes some other technical changes such as the elimination of the requirement for there to be a minimum of 50 kilowatts in order to allow other user groups to use the renewable energy fund and the account. Version V also eliminates the reference to "electric grids" and replaces it with "transmission and distribution lines" in order that those projects that are connectors to the renewable energy projects will have some opportunity to have their portion of the project funded through these accounts. One of the main changes embodied in Version V is that it provides for 5 percent of market value (POMV) of the fund in order to have a self-sustaining fund. Therefore, the loan component is a revolving loan fund and the grant fund is a POMV fund. Section 3(k) is merely boiler-plate language regarding the components of the board. Under Version V, the state government board seat would be held by the Denali Commission as it's an advocate for rural

renewable energy projects. Furthermore, the sponsor felt that the Denali Commission would provide good input with regard to the focus of the renewable energy fund and may provide some matching federal funds.

[9:02:57 AM](#)

REPRESENTATIVE CISSNA recalled U.S. Senator Ted Stevens address to the legislature in which he focused on the need for state funding to the Denali Commission. She said that although she is a proponent of the Denali Commission having a long life, there's a question as [to its funding]. Therefore, she inquired as to what the legislature should do when something isn't embedded in the state structure.

MS. MILLET related her understanding that the Denali Commission was included because it doesn't seem that it would be going away this year or next year. Furthermore, the hope is that the Denali Commission will continue. However, Ms. Millet pointed out that the Denali Commission is merely part of an advisory board established under HB 152 and thus the composition of the board could be amended to add state government as a member if the Denali Commission no longer existed.

[9:04:47 AM](#)

REPRESENTATIVE JOHN HARRIS, Alaska State Legislature, sponsor, highlighted that the Denali Commission has been involved in many rural projects, including energy projects. A good portion of what HB 152 attempts to address is rural energy, especially attempting to reduce costs to the rural areas of the state, he said. Although this legislation isn't exclusively for rural Alaska, it is predominantly for rural areas where it's more difficult to generate cheap energy. The Denali Commission actually petitioned the sponsor to be an active part in this process [proposed by HB 152].

[9:06:01 AM](#)

REPRESENTATIVE NEUMAN directed attention to page 3, line 6, and inquired as to whether the funds for this fund would come from the permanent fund dividend or the Railbelt Energy Fund.

REPRESENTATIVE HARRIS said that he didn't know from where the funds for this proposal will come. The first step is to authorize the program in statute. He offered to work with the Finance Committees and the administration to determine funding

sources. He mentioned that the funds could come from a variety of sources, including the 2007 surplus. Representative Harris said that although this program probably won't be funded when it goes through the legislative process, the hope is that at the conclusion of the budget process there will be some seed money to generate revenue. He noted that this proposal is similar to the power cost equalization (PCE) fund in which a set amount of funds are placed in a fund from which the interest/earnings are used to facilitate and pay for projects. He also likened the proposal embodied in HB 152 to the former science and technology fund. In further response to Representative Neuman, Representative Harris suggested that perhaps a portion of the 2007 surplus will be utilized, but at this point there's no set amount. He emphasized the need to generate a decent amount of revenue from the earnings of whatever funds are utilized. Again, he related that there could be a variety of funding sources and it would depend upon what's politically palatable.

[9:10:03 AM](#)

REPRESENTATIVE SALMON referred to Section 3(f)(2) of HB 152, which specifies that in order for a renewable energy project to qualify for a grant or loan, the project must "generate more than 50 kilowatts of electricity and distribute the electricity to more than 20 end users". He then inquired as to what [language] replaces that in Version V.

MS. MILLET said that the aforementioned limiting language was deleted. She noted that AEA would be able to relate the problems associated with limiting it to 50 kilowatts and 20 end users.

REPRESENTATIVE HARRIS interjected that he didn't want to limit [a renewable energy project] or what qualifies.

[9:11:52 AM](#)

REPRESENTATIVE SALMON recalled that HB 152 specified that the Alaska Native organizations would qualify as a housing authority.

REPRESENTATIVE HARRIS said he believes that's correct.

MS. MILLET confirmed that [Alaska Native organizations] remain qualifying entities in [Version V].

[9:12:23 AM](#)

CO-CHAIR FAIRCLOUGH related that committee members have expressed concern that the committee just received Version V and committee members wish to hold HB 152 until Thursday in order to provide an opportunity to review Version V. Additionally, numerous individuals have signed up to testify on HB 152, although the public testimony has been closed. Therefore, she announced that the committee has decided to reopen the public hearing. Co-Chair Fairclough, drawing upon her experience of attending the Energy Council, recalled that there was great concern with regard to the efficient use of energy. Therefore, she asked if the sponsor would consider, on the criteria for qualification on the project, a criteria that would include efficient use of energy.

MS. MILLET said that the efficiency language wasn't included in the legislation, although the legislation does include language that establishes criteria. She noted that AEA has been very effective in not doing a project unless it's economical and makes good sense. Therefore, developing the criteria has been left to the regulatory process.

REPRESENTATIVE HARRIS said that there are the following two thoughts: the cost of generating power; the facility/procedure to make it cost-efficient for the end user. Representative Harris acknowledged that although there is the desire to have less expensive power, people need to use common sense and build correctly. He opined that one certainly wouldn't want to dump electricity into a system that doesn't call for conservation. Representative Harris then related that he doesn't have a problem with the legislation being held over.

[9:16:17 AM](#)

REPRESENTATIVE CISSNA characterized HB 152 as important legislation. She noted that she has been very interested in this legislation, and therefore she asked if the sponsor would work with her on potential amendments.

REPRESENTATIVE HARRIS replied yes. He then credited Representative Thomas and his staff who sponsored other legislation that has been incorporated into HB 152. Representative Thomas and his staff did a considerable amount of work to get the legislation to its current point, he mentioned.

[9:17:50 AM](#)

REPRESENTATIVE NEUMAN related that the City of Galena is reviewing partnering with Japan on a small nuclear plant in rural Alaska. He asked if such a program would qualify as an alternative energy program under this legislation.

REPRESENTATIVE HARRIS replied yes. He recalled that a few years ago the legislature appropriated \$500,000 to facilitate the economics and engineering for that particular project. If the project can be done economically, it would be helpful to the rural parts of the state as nuclear energy is a very inexpensive power source that can be moved into villages and other areas. However, the difficulty with nuclear energy is waste and how to deal with it over time. Obviously, the amount of funds available to do these things won't be large initially, although it will take large capital infusions to establish wind generation power and other alternative energy projects.

REPRESENTATIVE NEUMAN referred to page 3, line 6, and related his understanding that the language infers that the state is seeking help from private industry.

REPRESENTATIVE HARRIS replied yes, adding that help [would be welcome] from anywhere. He noted that the utility companies within the state are trying to partner with state agencies. He mentioned the rural intertie and the DC power cable prototype.

[9:20:50 AM](#)

MS. MILLET pointed out that the last section of Version V delegates the appointments by the governor to the advisory committee.

[9:21:39 AM](#)

CO-CHAIR FAIRCLOUGH then reopened the public hearing on HB 152.

[Further testimony on HB 152 was taken later in this hearing.]

HB 202-COMMUNITY REVENUE SHARING

CO-CHAIR FAIRCLOUGH, noting that public testimony had been closed on HB 202, allowed testimony from those who had missed the earlier opportunity to testify on HB 202.

[9:22:09 AM](#)

JEROME SELBY, Mayor, Kodiak Island Borough, expressed the significance and level of desperation that exists in a number of the smaller communities in the state. There are a number of villages in the state, he opined, that have about a year left. If the legislature can't determine how to help these villages this year, there will be a disaster in these small communities in Alaska. He opined that the issue embodied in HB 202 will be the issue that defines this legislature. Mayor Selby urged the committee to move HB 202 and HB 152 forward. He noted that for villages such as Ouzinkie, the cost of electricity is partly what's driving it out of existence and renewable energy is part of the long-term solution to help bring operating costs down in rural Alaska.

[Further testimony on HB 202 was taken later in this hearing.]

HB 152-ESTABLISHING A RENEWABLE ENERGY FUND

CO-CHAIR FAIRCLOUGH then allowed those who had missed the earlier opportunity to testify on HB 152 the ability to do so.

[9:27:08 AM](#)

CHRIS ROSE, Executive Director, Renewable Energy Alaska Project, related his support of HB 152 and urged its passage.

[9:28:20 AM](#)

CO-CHAIR FAIRCLOUGH again closed public testimony on HB 152.

[HB 152 was held over.]

HB 202-COMMUNITY REVENUE SHARING

[9:29:01 AM](#)

CO-CHAIR FAIRCLOUGH then returned the committee's attention to HB 202 and reopened public testimony.

[9:29:11 AM](#)

TOM ABELL, Member, Kodiak Island Borough Assembly; President, Southwest Alaska Municipal Conference (SWAMC), informed the committee that he is one of the 20 percent who voted to use the permanent fund for the "rainy day." He then informed the committee that the Public Employees' Retirement System (PERS) and the Teachers' Retirement System (TRS) [contributions planned

by the legislature] don't help the small villages and communities as it's a minute matter for them. He echoed earlier comments that small communities are being devastated. These communities, he opined, need sustainable revenue sharing in order to budget things such as landfills. Mr. Abell related that although Ouzinkie is one of the better funded areas, it's within a few months of going bankrupt at which point [the responsibility] will fall to the municipalities.

[9:31:35 AM](#)

REPRESENTATIVE NEUMAN recalled that Mr. Ritchie, former executive director of the Alaska Municipal League (AML), had testified that AML would identify the permanent fund as the source of funding for revenue sharing. He asked if that's what AML has been discussing.

MR. ABELL deferred to Mayor Selby.

[9:32:30 AM](#)

REPRESENTATIVE CISSNA acknowledged the importance of the communities around Kodiak Island to be healthy in order to maintain the health of the town of Kodiak itself. She inquired as to the impact on Kodiak, if the surrounding communities failed.

MR. ABELL said that he can't specify a percentage of financial impact because he believes that the devastation is to a way of life. He explained that people live in small towns because they don't want to live in the larger town and if there's no government to keep the smaller town moving forward, the community ceases to exist. He pointed out that those in the outlying communities surrounding Kodiak have to come into Kodiak for supplies and it's where the tourism industry is located. As an example of the deterioration of these smaller communities, he highlighted that in the small town of Port Lyons the grocery store just closed. Mr. Abell then pointed out that such communities can't afford to come and represent themselves in larger venues.

[9:36:05 AM](#)

JEROME SELBY, Mayor, Kodiak Island Borough, related that after trying to work through revenue sharing last year, basically AML stepped back. He further related that [AML] feels that revenue sharing isn't about a pot of money but rather about providing,

at the local level, basic services to live wherever an individual chooses to live. From that perspective the notion was borne to take a percentage of the revenues coming to the state, the largest of which comes from the state's natural resources. Furthermore, according to the constitution the revenue from the state's natural resources is the people's money. He then left the committee documentation from Ouzinkie illustrating its dwindling resources over the past few years. Ouzinkie's situation is repeated in roughly 200 communities in the state.

[9:39:01 AM](#)

REPRESENTATIVE CISSNA identified two dynamics: government and public funding, and the private sector. She then inquired as to the value of smaller communities for Kodiak Island as a whole and whether there would be tangible impacts were those smaller communities to go away.

MAYOR SELBY submitted that Alaska is about its smaller communities and which is why they are important. Mayor Selby opined that the smaller communities of Alaska are the state's identity and hold the "real Alaskans." He then opined that leaders have a responsibility to ensure that those in rural areas have the ability to live wherever they want. "It's a matter of us sharing," he said. He further said that it's a matter of where the state's priorities lie rather than whether there's money available. These individuals in smaller communities contribute to the larger communities as well as the state economy. However, these smaller communities are too small to generate enough property tax to pay for basic needs. The aforementioned is why revenue sharing is necessary, he said. "And in a state with \$37 billion in the bank and a \$3 billion operating budget, we rank either 49th or 50th ... in how much is shared back," he related. He further related that the aforementioned is embarrassing to him.

[9:43:37 AM](#)

CO-CHAIR FAIRCLOUGH pointed out that Alaska ranks last, after the distribution of the permanent fund, for taxes. Therefore, she opined that the state shares the wealth and it's a matter of perspective. Still, she maintained that [the state] needs to look to provide viable communities in rural Alaska.

[9:44:23 AM](#)

CO-CHAIR FAIRCLOUGH, upon determining no one else wished to testify, again closed public testimony.

[HB 202 was held over.]

A conversation then ensued regarding time limitations that may not always allow already closed public testimony to be reopened. There was also commentary with regard to attendance of committee hearings and the various responsibilities of legislators and ways in which they can participate in the process.

[9:51:51 AM](#)

ADJOURNMENT

There being no further business before the committee, the House Community and Regional Affairs Standing Committee meeting was adjourned at 9:51 a.m.