

HOUSE FINANCE COMMITTEE
March 3, 2008
1:39 p.m.

CALL TO ORDER

Co-Chair Meyer called the House Finance Committee meeting to order at [1:39:28 PM](#).

MEMBERS PRESENT

Representative Mike Chenault, Co-Chair
Representative Kevin Meyer, Co-Chair
Representative Bill Stoltze, Vice-Chair
Representative Harry Crawford
Representative Mike Hawker
Representative Reggie Joule
Representative Mike Kelly
Representative Mary Nelson
Representative Bill Thomas Jr.

MEMBERS ABSENT

Representative Les Gara
Representative John Harris

ALSO PRESENT

Tom Wright, Staff, Representative Mike Chenault; Bill Rolfzen, Local Government Specialist, Department of Commerce, Community and Economic Development; Suzanne Armstrong, Staff, Representative Kevin Meyer; Representative Nancy Dahlstrom; Eleanor Wolf, Staff, Senator Kurt Olson; Pat Davidson, Legislative Auditor, Legislative Audit Division, Legislative Affairs Agency; McHugh Pierre, Legislative Liaison, Department of Military Affairs.

PRESENT VIA TELECONFERENCE

Chris Maisch, Director, Division of Forestry, Department of Natural Resources; Michael Mitchell, Assistant Attorney General, Department of Law.

SUMMARY

HB 200 "An Act relating to the presumption of coverage for a workers' compensation claim for disability as a result of certain diseases for certain occupations."

CS HB 200(FIN) was REPORTED out of Committee with a "do pass" recommendation and with new indeterminate fiscal note by the Department of Labor and Workforce Development and new

indeterminate fiscal note by the Department of Administration.

HB 326 "An Act authorizing the governor to delegate to the adjutant general the authority to order the organized militia into active state service and authorizing the payment of Alaska National Guard called into active state service to fight wildfires at rates of pay established for certain emergency fire-fighting personnel; and providing for an effective date."

HB 326 was HEARD and HELD in Committee for further consideration.

HB 413 "An Act extending the termination date for the Real Estate Commission; and providing for an effective date."

HB 413 was REPORTED out of Committee with "no recommendation" and new fiscal note by the Department of Commerce, Community and Economic Development.

CSSB 72(FIN)

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

HCS CSSB 72(FIN) was REPORTED out of Committee with a "do pass" recommendation and with new zero fiscal note by the Department of Natural Resources, new fiscal note by the House Finance Committee for the Department of Commerce, Community and Economic Development, and new zero fiscal note by the Department of Administration.

CS FOR SENATE BILL NO. 72(FIN)

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

Co-Chair Meyer reviewed that the Committee had previously adopted Amendments #1 and #2, and had withdrawn Amendment #3.

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Co-Chair Chenault MOVED to ADOPT Amendment #3.

Page 7, lines 11-13: Delete all material. Insert "assembly approval. If there is more than one qualified entity in an unincorporated community in a borough or unified municipality, one of the entities may receive the entire payment, or the payment may be shared

between two or more of the qualified entities, as determined by the assembly.

(c) An unincorporated community in a borough or unified municipality is eligible for a community revenue sharing payment only if at least three of the following services are generally available to all residents of the unincorporated community and each of the three services, in any combination, are provided by one of more qualifying incorporated nonprofit entities or a Native village council or are substantially paid for by the residents of the unincorporated community through taxes, charges, or assessments levied or authorized by the borough or unified municipality:"

Vice-Chair Stoltze OBJECTED.

Co-Chair Chenault pointed out that in previous discussion there had been question about which communities would be eligible for the revenue sharing. The Department of Commerce, Community and Economic Development (DCCED) worked with staff to put together a list of potentially eligible communities.

TOM WRIGHT, STAFF, REPRESENTATIVE MIKE CHENAULT, explained the list submitted by DCCED ("The Estimated Potentially Eligible Unincorporated Community List Under Proposed Amendment #3," Copy on File). The 31 communities in bold typeface are already represented and receiving payment from the State under the current revenue-sharing plan. The list also contains 55 communities that may or may not be eligible to receive the revenue. Under the amendment, the borough would determine if the criteria is met. The communities accepted would be eligible for the \$20,000 payment.

Co-Chair Meyer asked what the total potential cost would be. Mr. Wright answered that if all 55 communities were accepted, the cost would be an additional \$1.1 million. He expressed doubt that all the communities would be able to meet the criteria.

Co-Chair Chenault explained that the seven criteria used were on page 7 of the bill. The community would have to provide a minimum of three of the seven. He reiterated that the borough would determine if the criteria were met.

Vice-Chair Stoltze expressed concerns that some of the smaller communities were analogous to large homeowners associations that would become eligible for funds. He wondered if the intent of revenue sharing would be met in those situations.

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Representative Hawker thought the list of potential communities was quantifiable. He added that the criteria established in the amendment does not increase the funding mechanism. He thought the amendment would promote the desired outcome of having communities take responsibility for providing public services. He supported the amendment.

Co-Chair Chenault listed distinct areas with their own organized governance in his district.

Representative Thomas noticed Haines, a community in his district, was on the list. He noted that Haines had a different status as a consolidated borough and believed they would get more than \$20,000.

BILL ROLFZEN, LOCAL GOVERNMENT SPECIALIST, DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT, explained that the list of unincorporated communities was taken from the U.S. Census Bureau. The communities are not incorporated cities but meet the definition of community. Haines was a city for many years; when it consolidated with the Haines Borough, the city government was dissolved. They are now considered an unincorporated community within the Haines Borough, which would make them eligible for the \$20,000.

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Representative Thomas wondered if by consolidating government, the community lost opportunity for revenue. Mr. Rolfzen replied that the city of Haines would have received a \$75,000 base plus the per capita. Once the city dissolved and consolidated with the Borough, eligibility changed to \$20,000. However, there were cost savings as a result of streamlining government. Representative Thomas did not think there was savings from unifying.

Vice-Chair Stoltze WITHDREW his OBJECTION.

There being NO OBJECTION, Amendment #3 was ADOPTED.

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Co-Chair Meyer MOVED to ADOPT Amendment #4.

Page 5, line 7: Delete "\$50,000,000", Insert "\$60,000,000"; Page 5, line 9: Delete "\$150,000,000", Insert "\$180,000,000"; Page 5, line 11: Delete \$50,000,000, Insert "\$60,000,000"; Page 5, line 22: Delete "50,000,000, divided by 50,000,000, plus one, multiplied by 300,000", Insert "\$60,000,000, divided by 60,000,000, plus one, multiplied by 384,000"; Page 6, line 3: Delete "fifteenth", Insert "nineteenth"

Vice-Chair Stoltze OBJECTED for discussion purposes.

Co-Chair Meyer provided a general overview of Amendment #4. The Governor had recommended \$75 million for revenue sharing but had only recommended a one-year solution. Senate Bill 72 recommends \$50 million each year for three years. If the price of oil stays above \$60, 20% of that progressivity amount will be added to the fund. Hopefully, the fund will continue as long as oil prices stay high. Amendment #4 proposes a compromise of \$60 million, higher than the \$50 million recommended by the Senate but less than the Governor's request of \$75 million. The total for the three years becomes \$180 million.

SUZANNE ARMSTRONG, STAFF, REPRESENTATIVE KEVIN MEYER, provided more detail regarding Amendment #4. Page 5, line 22 makes the adjustments to the formula and increases the borough basic payment. The basic payments for the borough will be \$384,000; city reserves and unincorporated communities inside boroughs and unincorporated communities outside of boroughs will be based on \$384,000 rather than \$300,000. Page 6, line 3 changes the factor by which the basic payment for unincorporated communities inside the boroughs will be calculated to one nineteenth instead of one fifteenth to keep payments roughly at the \$20,000 level.

Co-Chair Meyer added that the level jumps from \$320 to \$384 because of the floating base. As that amount goes up, so does the base.

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Vice-Chair Stoltze sought clarification regarding the changes in the numbers.

Representative Hawker queried Co-Chair Meyer's statement regarding a "three-year program." Representative Hawker surmised that the bill and the amendment would establish a permanent and durable change of statute that would continue to fund as long as oil prices remained above \$60 per barrel. Co-Chair Meyer clarified that the bill intends a three-year minimum, but hoped it would last twenty years or more. He acknowledged the fund was dependent on the price of oil. He pointed out that if the price goes below \$60, communities would have time to make adjustments.

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Representative Kelly did not like the phrase "twenty or thirty years." He said he would not object to the amendments, but voiced his concerns regarding over-spending.

Representative Crawford referred to other bills that target the progressivity funding source and wondered what would happen if the Legislature passed two bills targeting the

same source. Co-Chair Meyer thought the bill Representative Crawford was referring to would not be considered for a vote of the people for another year.

Ms. Armstrong added that Amendment #1 added language to the section dealing with progressivity. The bill would not limit the Legislature's ability to appropriate General Fund money or other revenue sources.

Vice-Chair Stoltze WITHDREW his OBJECTION. There being NO further OBJECTION, Amendment #4 was ADOPTED.

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Representative Kelly restated concerns regarding progressivity and how it would fund revenue sharing. He thought that, allowing for budget growth, the State would not have enough money without using all of the progressivity revenue. He worried that the debate was not addressing the difficulty of sustaining the payments to the municipalities. He stated his intent to vote against the bill.

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Representative Hawker reiterated his concerns regarding the State's inability to predict future revenue sharing. He was reluctant to go forward with revenue sharing, but said there were two reasons he could move forward with SB 72. First, the self-limiting component in the bill says that if the price or production of oil declines, the program would phase itself out. Second, he thought the State's highest priority should be putting wealth into the communities through revenue sharing. He read the statement of purpose of the Alaska Statehood Act, Section 6, which selected land and the resource wealth "For the purposes of furthering the development of and expansion of communities." Representative Hawker thought the revenue sharing program reflected in SB 72 was exactly what the crafters of statehood wanted. He stated his intention to support the bill.

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Representative Thomas talked about his experience serving on a borough assembly during a time when revenue sharing was lost. He supports revenue sharing with clear limits, especially related to building infrastructure. He wants debt retirement instead and would like to see limits placed on how the municipalities spend the money.

Co-Chair Meyer agreed that it would be interesting to see how communities would use the money. He expressed confidence in the bill and encouraged movement.

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Representative Hawker acknowledged Representative Carl Moses and thought the Act should be dedicated to him and his "Never give up" legacy.

Representative Kelly stated that he supports revenue sharing but wants to control the budget. He thought a policy call would be needed regarding a state tax.

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Vice-Chair Stoltze MOVED to report HCS for CSSB 72 (FIN) out of Committee with individual recommendations and with new fiscal note by the House Finance Committee for the Department of Commerce, Community and Economic Development, new zero fiscal note by the Department of Administration, and new zero fiscal note by the Department of Natural Resources.

AT EASE: [2:13:42 PM](#)

RECONVENED: [2:14:07 PM](#)

Representative Kelly OBJECTED. A roll call vote was taken on the motion.

IN FAVOR: Nelson, Stoltze, Thomas, Crawford, Hawker, Joule, Meyer and Chenault
OPPOSED: Kelly

Representative Harris and Representative Gara were absent from the vote.

The MOTION PASSED (8/1).

HCS CSSB 72(FIN) was REPORTED out of Committee with a "do pass" recommendation and with new zero fiscal note by the Department of Natural Resources, new fiscal note by the House Finance Committee for the Department of Commerce, Community and Economic Development, and new zero fiscal note by the Department of Administration.

HOUSE BILL NO. 200

"An Act relating to the presumption of coverage for a workers' compensation claim for disability as a result of certain diseases for certain occupations."

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Co-Chair Meyer MOVED to ADOPT Amendment #1, 25-LS0748\M.4, Bailey, 2/28/08 (Copy on File).

Vice-Chair Stoltze OBJECTED.

Ms. Armstrong explained that Amendment #1 removes the section that provides a presumption for contagious diseases, requires annual exams for the first seven years of employment, and clarifies that the seven years of firefighting service must take place in Alaska. Co-Chair Meyer added that many states do not cover infectious diseases. Ms. Armstrong elaborated that a review of the statutes of other states revealed that infectious diseases are being added.

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Ms. Armstrong reported that the Alaska Municipal League Joint Insurance Association (AMLJIA), which covers municipalities, supports the amendment because it narrows down the class of people covered under HB 200. Previously, the bill would have covered fire firefighters, peace officers, emergency medical and rescue personnel as well as others, making it a large group. Co-Chair Meyer referenced the letter from AMLJIA (Copy on File).

REPRESENTATIVE NANCY DAHLSTROM, SPONSOR, spoke to the bill. She preferred the original version of HB 200, but was willing to support the amendment in the interest of moving the bill forward. She thought future studies would show that the cost for covering a broader range of workers is less than some believe, but understood that the change was a policy call of the present Legislature. Representative Hawker shared Representative Dahlstrom's view and thought the bill, though compromised, was acceptable. Co-Chair Meyer concurred.

Vice-Chair Stoltze stated that he preferred the original bill and was unhappy that AMLJIA was not present.

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Representative Thomas commented that the Committee could vote the amendment down and have AMLJIA come to work further on the bill. He agreed with Representative Stoltz that they should be present for the discussion.

Ms. Armstrong stated for the record that Amendment #1 was not brought forward by AMLJIA.

Vice-Chair Stoltze WITHDREW his OBJECTION. There being no further OBJECTION, Amendment #1 was ADOPTED.

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Representative Kelly advocated for other workers with dangerous jobs and stated his concern with protecting only certain groups. He said he would not be supporting the bill.

Co-Chair Meyer referred to indeterminate fiscal notes. Vice-Chair Stoltze wondered if the amendment changed the nature of the fiscal notes.

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Representative Nelson stated for the record that she thought it very unfair that another indeterminate fiscal note attached to a minority bill protecting families had not been acceptable. She asserted that the indeterminate notes attached to HB 200 should be treated in the same manner. Co-Chair Meyer thought the note attached to HB 200 was truly indeterminate as the diseases could not be predicted, whereas the other note could be quantified.

Representative Nelson stressed that she does not have a problem with the bill, but protested the double standards shown in the Committee regarding fiscal notes. Co-Chair Meyer said there was no intent to favor one bill over another.

Co-Chair Chenault concurred. He wanted to see indeterminate fiscal notes dealt with better. He promised Representative Nelson to look more closely at all indeterminate notes. He thought HB 200 was unusual and had few risks.

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Vice-Chair Stoltze MOVED to report CS HB 200(FIN) out of Committee with individual recommendations and with new indeterminate fiscal note by the Department of Labor and Workforce Development and new indeterminate fiscal note by the Department of Administration. There being NO OBJECTION, it was so ordered.

CS HB 200(FIN) was REPORTED out of Committee with a "do pass" recommendation and with new indeterminate fiscal note by the Department of Labor and Workforce Development and new indeterminate fiscal note by the Department of Administration.

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HOUSE BILL NO. 413

"An Act extending the termination date for the Real Estate Commission; and providing for an effective date."

ELEANOR WOLF, STAFF, SENATOR KURT OLSON, explained that the bill extends the sunset date for the Real Estate Commission.

Co-Chair Meyer mentioned the zero fiscal note by the Department of Commerce, Community and Economic Development.

Representative Hawker commented on the audit (Copy on File), particularly the Commissioner's letter recommending a fee analysis.

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PAT DAVIDSON, LEGISLATIVE AUDITOR, LEGISLATIVE AUDIT DIVISION, LEGISLATIVE AFFAIRS AGENCY, related that the fee analysis had been conducted. The Department had been failing to clear out their credit card suspense account. After recalculating, Legislative Audit found the Board no longer showed a deficit. Representative Hawker asked for clarification regarding the failure to clear the credit card account. Ms. Davidson replied that over the last couple years the Division has expanded the ability to pay with credit cards. There were receipts of \$475,000 from the real estate web site, which would have cleared the deficit. During the next audit this will be looked at.

Representative Hawker characterized the operations of the Department in losing track of \$500,000 of public funds as serious neglect. Ms. Davidson agreed that this is a risk area of accountability. She explained that the funds remained in the State's control, but were not properly allocated. She became aware of the failure only after the audit. Until Legislative Audit gets into the next sunsets, she won't have a clear view of where the failure occurred. Representative Hawker did not think the issue should be addressed in the Finance Committee.

Ms. Davidson said the Department's response will be to look at this issue during the next audit. She said the Committee was free to request a direct audit.

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Co-Chair Meyer commented that the issue requires further attention. Representative Hawker said he would be contacting the chair of the Labor and Commerce Committee regarding oversight hearings.

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Vice-Chair Stoltze MOVED to report HB 413 out of Committee with individual recommendations and with new fiscal note by the Department of Commerce, Community and Economic Development. There being NO OBJECTION, it was so ordered.

HB 413 was REPORTED out of Committee with "no recommendation" and new fiscal note by the Department of Commerce, Community and Economic Development.

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HOUSE BILL NO. 326

"An Act authorizing the governor to delegate to the adjutant general the authority to order the organized militia into active state service and authorizing the payment of Alaska National Guard called into active state service to fight wildfires at rates of pay established for certain emergency fire-fighting personnel; and providing for an effective date."

MCHUGH PIERRE, LEGISLATIVE LIAISON, DEPARTMENT OF MILITARY AND VETERANS AFFAIRS (DMVA), explained that HB 326 came about when the Department realized that fire fighters, organized through the Department of Natural Resources, were getting paid federal rates, while National Guard members working as fire fighters were being paid at the state active duty rate, as much as 75% less. Statute prohibited the disparity from being corrected; HB 326 will rectify that. In addition, the bill allows the Governor to delegate activation of the National Guard for wildfire fighting purposes in times of emergency.

Representative Thomas asked if payment would be retroactive. Mr. Pierre said it was not retroactive, but would begin immediately. Representative Thomas shared a personal experience. He questioned why a civilian would be paid the same as a military person. Mr. Pierre replied that the pay will be equitable for all working on the fire line.

Representative Kelly voiced concern about the costs. He wondered if this was a unique situation. Mr. Pierre replied that fire fighting would be the exception for National Guard members.

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CHRIS MAISCH, DIRECTOR, DIVISION OF FORESTRY, DEPARTMENT OF NATURAL RESOURCES (DNR) (Testified via teleconference), testified in support of HB 326. He explained that the National Guard has only been used four times in the history of the Division of Forestry (DOF) fire fighting. When Guard members are not on active duty, they are paid their regular salary. He said the issue was equal pay for equal work. He described the Guard's duties.

Mr. Maisch commented on the zero fiscal note. Use of the National Guard for fire fighting has been infrequent and cannot be predicted.

Representative Kelly asked about rate of pay and the assumption that there are several levels of firefighting

classes. He wondered if the Guard would come in at the lowest class as they are not trained fire fighters. Mr. Maisch explained the classification system (Copy on File). Representative Kelly noted his support for the bill.

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Mr. Pierre added that the National Guard is only activated for the specific task they are trained for, usually the helicopter and crew members.

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PUBLIC TESTIMONY CLOSED.

Co-Chair Meyer MOVED to ADOPT Amendment #1, (Copy on File).

Page 1, line 2: Delete "wildfire", Insert "wildland fire"; Page 1, line 3: Delete "wildfire", Insert "wildland fire"; Page 1, line 5: Delete "wildfire", Insert "wildland fire"; Page 1, line 11: Delete "wildfire", Insert "wildland fire"; Page 2, line 13: Delete "wildfire", Insert "wildland fire"; Page 2, line 15: Delete "wildfire", Insert "wildland fire"; Page 2, line 16: Delete all material and insert: "wildland fire includes the uncontrolled burning of grass, brush, timber, and other natural vegetative material."; Page 2, line 24: Delete "wildfire", Insert "wildland fire"; Page 3, lines 9-10: (2) "wildland fire includes the uncontrolled burning of grass, brush, timber, and other natural vegetative material."

Vice-Chair Stoltze OBJECTED.

Mr. Pierre explained the effort to change the definition to "wildland fire."

MICHAEL MITCHELL, ASSISTANT ATTORNEY GENERAL, DEPARTMENT OF LAW (Testified via teleconference), explained Amendment #1. The term "wildland fire" is the modern terminology and would make the language consistent with other statute.

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Vice-Chair Stoltze WITHDREW his OBJECTION. There being NO further OBJECTION, Amendment #1 was ADOPTED.

Co-Chair Meyer introduced the fiscal notes.

Representative Hawker said he would like to see both fiscal notes revised. He asked for clarification on the costs. Mr. Pierre explained that DMVA expects zero cost because DNR reimburses DMVA for real time use of equipment and man-hours. However, other expenses may be incurred, such as

equipment damages. Representative Hawker thought the other expenses would exist regardless of what members of the Guard were paid. Mr. Pierre agreed.

Representative Hawker maintained that proper policy and procedure had not been followed regarding the fiscal notes. He appreciated the indeterminate nature of the situation, but wanted to see the fiscal note cleared up with zeros on the lines that should have zeros, in order to quantify the State's exposure.

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Representative Hawker turned to the DNR fiscal note and said the fiscal note does not explain adequately the possible costs, as the components are known.

Mr. Maisch said the formula of who pays is complicated and different for each fire. He gave a more detailed analysis:

- In 2004, helicopters flew about 258 hours; the cost to DOF was about \$649,000. The Guard was mobilized twice in 2004 for a total of 50 days, the most they have been used.
- In 2002, the cost to the Division was \$177,000.
- In 2007, the cost to the Division was \$147,000.
- The funds come out of the activity component of the Division budget. The activity component is funded as a ten-year average each year and currently is \$13 million. A supplemental request during the fire fighting season augments the account.
- At the end of the year, there is a cross-billing with the federal partners to sort out the actual funds owed to each agency.

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Representative Hawker wanted to see the information encapsulated in the fiscal note. Mr. Maisch said the information had been submitted in "DNR Comments" (Copy on File).

Mr. Pierre said he could get the information for DMVA.

HB 326 was HEARD and HELD in Committee for further consideration.

[3:08:14 PM](#)

ADJOURNMENT

The meeting was adjourned at 3:08 PM.