

HOUSE FINANCE COMMITTEE
March 25, 2008
2:40 P.M.

CALL TO ORDER

Co-Chair Meyer called the House Finance Committee meeting to order at [2:40:19 PM](#).

MEMBERS PRESENT

Representative Mike Chenault, Co-Chair
Representative Kevin Meyer, Co-Chair
Representative Bill Stoltze, Vice-Chair
Representative Les Gara
Representative Mike Hawker
Representative Reggie Joule
Representative Mike Kelly
Representative Bill Thomas Jr.

MEMBERS ABSENT

Representative Harry Crawford
Representative John Harris
Representative Mary Nelson

ALSO PRESENT

Representative Craig Johnson; Representative Carl Gatto; Rachel Lewis, Project Coordinator, Unclaimed Property Section, Tax Division, Department of Revenue; Frank Richards, Deputy Commissioner of Highways & Public Facilities, Department of Transportation and Public Facilities; Greg Winegar, Director, Division of Investments, Department of Commerce, Community and Economic Development

PRESENT VIA TELECONFERENCE

Jim Hemsath, Deputy Director, Alaska Energy Administration (AEA), Anchorage; Wilfred Ryan, Federal Aviation Association (FAA); Wilfred Ryan, Federal Aviation Administration (FAA); Karen Casanovas, Alaska Air Carriers Association; Joe Pearson, Alaska Airmen's Association; Jere Hayslett, Federal Aviation Administration (FAA)

SUMMARY

HB 49 An Act relating to credit memos, gift certificates, and gift cards, and to unclaimed property; and making a violation of certain gift card prohibitions an unlawful trade practice.

CS HB 49 (FIN) was reported out of Committee with a "no recommendation" and with new zero notes by the Department of Revenue and the Department of Law.

HB 336 An Act directing the Alaska Energy Authority to conduct a study of and to prepare a proposal for an appropriately sized Susitna River hydroelectric power project; and providing for an effective date.

CS HB 336 (RES) was reported out of Committee with a "do pass" recommendation and with a new fiscal note by the House Finance Committee for the Department of Commerce, Community and Economic Development.

#HB418

HB 418 An Act providing notice of and authorization for the Department of Administration to enter into a lease-purchase agreement for the construction, the purchase of equipment, and the financing of a fish hatchery in Anchorage to be operated by the Department of Fish and Game; relating to the issuance of certificates of participation for the fish hatchery; authorizing payments for the lease-purchase agreement from sport fishing facility license surcharge fees; relating to capital lease financing of sport fishing facilities; and providing for an effective date.

HB 418 was SCHEDULED but not HEARD.

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SB 249 An Act establishing the Alaska capstone avionics revolving loan fund and relating to the fund; and providing for an effective date.

SB 249 was HEARD & HELD in Committee for further consideration.

[2:42:06 PM](#)

#HB336

HOUSE BILL NO. 336

An Act directing the Alaska Energy Authority to conduct a study of and to prepare a proposal for an appropriately sized Susitna River hydroelectric power project; and providing for an effective date.

[RECORDING EQUIPMENT FAILURE - MUCH OF RECORDING IS INAUDIBLE]

REPRESENTATIVE CRAIG JOHNSON, SPONSOR, introduced his staff, Debbie Higgins. He pointed out the letter contained in the member's packet itemizing the breakdown of the \$1 million dollar expenditure. (Copy on File).

Representative Johnson requested questions be directed to the Alaska Energy Authority (AEA) & urged quick passage of the bill.

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Co-Chair Meyer asked AEA's position on the study for moving the project forward.

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JIM HEMSATH, DEPUTY DIRECTOR FOR DEVELOPMENT, ALASKA ENERGY AUTHORITY (AEA), ANCHORAGE (Testified via teleconference), responded that the Susitna Dam study is one component of the long range State plan. The plan has some history in people's minds and could be a significant player in determining alternative energy statewide costs. There is no way to determine if it will be successful until it is complete and defines the engineering information and update cost determinations.

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Representative Hawker thanked AEA for "flushing out the cost proposal", indicating his support; however, pointed out that the fiscal note requests a selection from AEA's approved contractors. He reminded member's that these are public funds and there are procurement concerns. He worried the wording would preclude some Alaska bidders from

the process & he urged that AEA provide every possible opportunity for Alaska hire.

Representative Gara requested a review of the studies already done. He wanted to make sure that past reviews compare the costs of power to the costs of other potential projects such as the gas or bullet line. He recommended comparisons be made and asked if the sponsor would support that.

Representative Johnson was concerned with increased costs when comparing studies. The bill provides for a cornerstone of an alternative energy plan for the State. He was already hesitant to ask the Committee for \$1 million dollars, adding that when the review is complete, the costs will clearly be known. He did not think HB 336 was the vehicle to begin studying all energy projects.

Representative Gara submitted that the study and proposal should not be undertaken unless it is definitely viable. He advised that the study would not be useful unless other projects had also been considered. Representative Johnson responded that it was not his intention to determine a broad based energy component. The bill is only a first step in the process. He hoped that the Legislature could scrutinize other alternatives not included in HB 336.

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Representative Gara referenced Line 8, with regard to conducting a study and preparing a proposal. He wondered if this project made more sense than other statewide proposals and encouraged that all be considered. Representative Johnson referenced number six on the accompanying explanation, stating "developing a final report"; he did not oppose amending "proposal" to "report". He knew that the \$1 million dollars would provide a finished product. Representative Gara agreed that the change would help.

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Representative Hawker warned Representative Johnson about adopting the change too quickly. He did not see how it could flush anything out, and possibly affecting the fiscal note. He supported keeping "proposal".

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Representative Gara believed the legislation could impact the fisheries. He requested a summary of the power aspects & the affect on the fisheries. From the update of old reports, there is indication that there could be a minimal impact to fisheries. Representative Johnson did not think that was necessary, adding that a beneficial sideline could result in a recreational fishing lake.

Representative Gara suggested adding a Letter of Intent and offered to speak with the sponsor at a later date. He maintained that he was not comfortable with a study submitted from a few years ago. [Inaudible]

Representative Johnson acknowledged if they had been comfortable with the Susitna report, they would have already started building. He believed that making the report would either raise or decrease the necessary "flags" of potential.

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Co-Chair Chenault commented on other alternative energy projects. He recommended using those funds used to determine if the projects are viable. He asked if the study would look at the statewide dip-net fishery areas. Representative Johnson laughed, it could possibly be a hatchery for dip-netting.

Co-Chair Chenault referenced the side by side comparison, looking at the cubic watt hour output. He inquired the current kilowatt usage in the Railbelt area. Representative Johnson did not know. He hoped that one of the responsibilities of the new Energy Coordinator position would be to outline current consumption.

Co-Chair Chenault asked about the State's estimated future use of electricity.

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Representative Kelly agreed with Representative Gara about using the "report" language, which he believed could make the consultants "reach higher" and that most of the results would be borrowing information from AEA. He suggested that #2 could cover environmental concerns. He commented on

hiring from outside the State for consultants, especially when the need for specialized project understanding sometimes does not exist within State; he supported those hires. He encouraged the use of milestones in the legislative determination. Representative Johnson agreed, pointing out that the 2010 date was included. The first million dollars does not address all necessary costs for the project. HB 336 provides only the 1st step. He wanted to see accountability.

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Representative Kelly appreciated that. He pointed out that other utilities are required to provide periodic studies. He recommended consulting those utilities before making a comparison.

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Representative Gara [inaudible]. He asked if it was a wise use of funds, pointing out that AEA is capable of providing information on existing studies. The amount [\$1 million dollars] is not enough to provide a full comprehensive study and he asked if Alaskan's really wanted to run that risk. Representative Johnson replied yes. The State should run the risk of spending the \$1 million dollars in order to determine if it could be a viable project. He said if it was a less than 50% chance, he would not be presenting it. He maintained that there is good information available and the proposed funding elevates it to a higher level, realizing it is a risk and that the outcome is not known. He concluded that the upside is that it will provide a comparison to other projects on the table.

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Representative Gara understood the need for the assessment request and asked for testimony from the AEA contracting staff.

Mr. Hemsath replied that there should be significant engineering and review necessary to determine the real numbers. The study will attempt to provide a number with good definition. By taking time, upgrading the information and providing the engineering as it relates to the building size, determining a cost in power & compared to existing

costs of power. He noted the staff at AEA is competent, but does not have the detailed engineering background needed for the expert study. The \$1 million dollars will cover the costs of about 20 senior professional engineers that can look at the power aspects, reviewing what has been done in the past and validate the design envisioned for the next 20-years.

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Representative Gara agreed. [Inaudible]

Representative Kelly supported the comments made by Mr. Hemsath. He noted that AEA is a small group and that they need to take the requested resources and hire professional consultants. He indicated his support for the bill.

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Co-Chair Meyer pointed out that the Co-Chair's had taken the liberty of changing the funding source for the fiscal note, removing the funds now from the Railbelt Energy Fund. Representative Hawker voiced support for the fund source change. He asked about the out years, recommending they be zeroed out. Co-Chair Meyer agreed. Representative Johnson also agreed.

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Representative Hawker commented on a previous recommendation for replacing "proposal" with "report". He was uncomfortable with using the report and suggested replacing it with "an assessment of the viability". Representative Johnson acknowledged that was the goal, being more concise. Representative Hawker offered another suggestion, adding language "a report, assessing the viability of a project".

Co-Chair Meyer recommended the change be given more thought and then made on the House floor.

Representative Kelly agreed that either phrase would work. He thought that the options of consideration were in regard to the implication of a proposal assessing the viability of the project. He wanted to examine multiple options.

Representative Johnson hoped that the bill proposes a good project. He anticipated specific combinations worth it, for the State to invest and move forward.

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Co-Chair Meyer encouraged that further discussion occurs on the House floor.

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Vice-Chair Stoltze MOVED to REPORT CS HB 336 (RES) out of Committee with individual recommendations and with the new accompanying fiscal note. There being NO OBJECTION, it was so ordered.

CS HB 336 (RES) was reported out of Committee with a "do pass" recommendation and with a new fiscal note by the House Finance Committee for Department of Commerce, Community and Economic Development.

[3:20:19 PM](#)

#HB49

HOUSE BILL NO. 49

An Act relating to credit memos, gift certificates, and gift cards, and to unclaimed property; and making a violation of certain gift card prohibitions an unlawful trade practice.

[RECORDING EQUIPMENT FAILURE - MUCH OF RECORDING IS INAUDIBLE]

Vice-Chair Stoltze MOVED to ADOPT work draft 25-LS0263\L, Bannister, 3/19/08, as the version of the bill before the Committee. There being NO OBJECTION, it was adopted.

REPRESENTATIVE CARL GATTO, SPONSOR, pointed out that retailers and banks have been offering electronic "gift cards" in response to growing consumer demand for easier and more convenient gift options. He added that 27% of those receiving gift cards never use them. The question is what happens to those un-used gift cards & HB 49 addresses that question. He provided an overview of each section:

- Section 1, amends AS 34.45.240 to replace the original reference to "gift certificate" with "gift

card" and provides conforming amendments to the original statutes structure based on the change.

- Section 2, amends AS 34.45.760(8) to provide a definitional reference for the new definition of "gift card" as found in AS 45.45.940.
- Section 3, amends AS 34.45.760(11) to add "gift cards" as "intangible property" and provides the statutory definitional reference for gift cards.
- Section 4, creates a new subsection under AS 45.45 to properly define "gift cards" and the new definition covers previous references to "gift certificate". The new section also identifies exclusions to the applicability of the new gift card provisions.
- Section 5, adds a reference to "gift cards" to unlawful acts and practices under AS 45.50.471.

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Vice-Chair Stoltze noted last year's movement on the bill and questioned if the slow-down resulted from associated legal issues. Representative Gatto replied it became a political rather than legal issue. He had personally requested that the bill be held.

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Representative Gatto introduced his staff, Sandra Wilson.

Vice-Chair Stoltze mentioned a concern indicated in his district with small business people that donate cards and not differentiating those from the ones they sell. He wanted to guarantee the unused donations could be removed from their books after a couple years. He did not want any small business penalized because they do not have a sophisticated accounting system.

Representative Gatto advised that often there are expiration dates added to the donation cards. There are exceptions.

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Vice-Chair Stoltze reiterated that some smaller business provide the same type of card that they also sell as gift certificates. He reiterated the concern that they not be penalized. He did not want to discourage donations to the

charities. Representative Gatto recommended they enter an expiration date on the card if they want to donate without risk.

Vice-Chair Stoltze assessed that would create extra work for the small business person; he worried about the consumer issues and thought that they might not want to go through the extra step. He did not want to see the bill discouraging charitable donations. Representative Gatto pointed out that each business creates their own cards and he imagined it would not be that big of a step to add an expiration date to those cards.

In response to Representative Gara, Representative Gatto clarified that most gift cards expire, especially if a promotional item. [Inaudible]

Representative Gara commented on the non profit status of the donation.

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RACHEL LEWIS, PROJECT COORDINATOR, UNCLAIMED PROPERTY SECTION, TAX DIVISION, DEPARTMENT OF REVENUE, offered to answer questions of the Committee. In response to queries from Representative Stoltze, regarding organizations that donate for charities, the gift cards do not have to be recorded and are a one time property. Expiration dates are not required and that most business owners each day indicate more items gone than dollars collected. Often, they have a reconciliation donation indication section. The State of Alaska does not spend time monitoring how individual business keeps their books.

Ms. Lewis pointed out that gift cards do not have specific correct accounting procedures. She mentioned the designation of when a gift card is donated & how to determine if it had matured. She suggested many options such as adding stickers or highlighting them with a magic marker. Most businesses want the information regarding what comes back to them as a result of a charitable donation. Questions and concerns can be addressed by the Tax Division at the Department of Revenue.

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Co-Chair Chenault referenced tax deductible donation received from a hotel to a non profit, and asked about taking that tax deduction. [Inaudible]

Ms. Lewis responded that when a gift certificate is purchased, there usually is an expiration date; the business of the hotel has the gift certificate on their books including the date. Most companies do not fluctuate on that policy. With the example submitted by Co-Chair Chenault, the hotel not including an expiration date, would most likely honor it indefinitely. Usually, there is a three year deadline, unless otherwise disclosed by the seller.

Co-Chair Chenault assumed that the hotel, being a non-profit, would understand the rules. He assumed that before a purchase is made, it should be determined how long it would be good for. He asked about deducting the tax for gift certificates. He thought that there was no recourse if the gift cards were not used except in a tax deduction. Ms. Lewis commented she was not that familiar with tax law.

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Vice-Chair Stoltze reiterated concerns for the charity gift cards. He asked if there was an out-reach in place to let small business know that they have protection, noting that gift cards are such a common donation mechanism and he wanted to make sure that the accounting system was understandable.

Ms. Lewis pointed out that the Division does have a bill for unclaimed property, which clarifies that every gift card has to be used within three years. The proposed bill better defines current statute. She did not imagine this would hugely impact any business.

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PUBLIC TESTIMONY CLOSED

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Vice-Chair Stoltze MOVED to REPORT CS HB 49 (FIN) out of Committee with individual recommendations and with the accompanying fiscal notes. There being NO OBJECTION, it was so ordered.

CS HB 49 (FIN) was reported out of Committee with a "no recommendation" and with new zero notes by the Department of Revenue and the Department of Law.

#SB249

SENATE BILL NO. 249

An Act establishing the Alaska capstone avionics revolving loan fund and relating to the fund; and providing for an effective date.

[RECORDING EQUIPMENT FAILURE - MUCH OF RECORDING IS INAUDIBLE]

FRANK RICHARDS, DEPUTY COMMISSIONER OF HIGHWAYS & PUBLIC FACILITIES, DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES, discussed SB 249, the revolving loan fund. The bill creates a loan fund within the Department of Commerce, Community and Economic Development.

Mr. Richards commented that the purpose of the bill is to increase safety of aviation transportation within the State of Alaska by providing low interest loans for purchase and installation of the Capstone Avionic equipment. Capstone is the next generation of technology to improve flight safety and community access in Alaska. The technology is called "Automatic Dependent Surveillance-Broadcast (ADS-B)", which allows aircraft equipped with the avionics to interact with ground infrastructure and satellite stations to provide pilots their exact location, airspeed, rate of ascent and descent, surrounding terrain, other aircraft and real time weather. An entire package of data for a safe flight.

Mr. Richards continued, the Federal Aviation Administration (FAA) sponsored the technology and used rural Alaska as a test bed. The results for those aircraft equipped with the new avionics had 47% reduction in accidents and a 33% reduction in fatalities. The FAA would like to expand the technology statewide and has funding to build out the infrastructure. The concern is that they have determined

the need for 4,000+ aircraft to be equipped. SB 249 creates a low interest loan program within Department of Commerce, Community and Economic Development to provide aircraft owners unable to shoulder the initial purchase cost out of pocket with a reasonable loan to use.

Mr. Richards concluded the Department of Transportation and Public Facilities support passage of the bill.

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GREG WINEGAR, DIRECTOR, DIVISION OF INVESTMENTS, DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT, described the loan program. The purpose of the bill is to make loans to aircraft owners that have a substantial number of flight hours in Alaska. The program would be established as a revolving loan fund. Additionally, all of the operating budget costs for the program would be paid for out of the fund itself.

Mr. Winegar noted that the bill stipulates that the Department can loan up to 80% of the cost of purchasing and installing the avionics. The anticipated interest rate is 4% for a maximum of ten years. The goal is to provide loan terms and payment plan that is manageable while providing sufficient cash flow for the expenses and then returns the money back to the General Fund.

Mr. Winegar pointed out that Department's fiscal note, which proposes to capitalize the fund with \$4.8 million dollars, allowing for about 400 loans during the first year and about 60 per year after that. At the end of the estimated date, all funds both principle and earnings, would return to the General Fund. The note requests two positions to handle the increased work load.

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Representative Joule referred to Global Positioning System (GPS) problems in cars and wondered if similar glitches could occur in the aircraft Capstone. Mr. Richards understood that the associated ground based computers provide for a better triangulation. He directed testimony to someone from the FAA.

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WILFRED RYAN, FEDERAL AVIATION ADMINISTRATION (FAA) (Testified via teleconference), replied that the GPS systems installed in cars do not have the same standards as proposed in the aircraft and that the tolerances for that aviation equipment is much tighter and more efficient.

Co-Chair Chenault asked if there would be a remaining balanced when the program ends in 2020. He questioned how long the Capstone technology could last. [Inaudible]

Mr. Richards replied that the Capstone satellite based technology coupled with ground-based FAA monitoring for the aircraft will likely last many years. Today, the radar technology used was designed in the 1940's. The goal is to install the technology into commercial aircraft. Alaska has been used as the test bed for the technology.

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Co-Chair Chenault assumed that the program would be open to commercial as well as private air carriers. He asked if there would be a difference in how it would be administered. Mr. Winegar answered there would be no difference.

Mr. Richards added that the loan would be on a "first come, first serve" bases. The technology is currently used in the Southwest and Southeast Alaska for commercial carriers.

Co-Chair Chenault inquired if the State Troopers and the Department of Fish and Game qualify. Mr. Richards understood that the Department of Fish and Game had put forth a budget amendment seeking the funding for their aircraft.

Representative Kelly commented on the strengths associated with the Capstone avionics. The technology has taken dramatic steps forward and that the safety improvements are significant. He said it is critical that the State support the legislation and those recommendations put forward by the FAA.

WILFRED RYAN, FEDERAL AVIATION ADMINISTRATION (FAA) (Testified via teleconference), spoke in support of the legislation. [Inaudible]

KAREN CASANOVAS, DIRECTOR, ALASKA AIR CARRIERS ASSOCIATION (Testified via teleconference), spoke in support of the bill, which will move the State forward in improving aviation concerns.

JOE PEARSON, ALASKA AIRMEN'S ASSOCIATION (Testified via teleconference), reiterated previous comments in support of the legislation. He added that most of Alaska is under-serviced & unsupported in their coverage. He urged that the State participate in the proposal. The current cost of the equipment is very high, so a loan program would encourage utilization of greater safety devices in air travel. He hoped to work with the manufacturers to bring the cost of the equipment down. He urged support of the bill.

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JERE HAYSLETT, FEDERAL AVIATION ADMINISTRATION (Testified via teleconference), spoke in support of the bill.

PUBLIC TESTIMONY CLOSED.

SB 249 was HELD in Committee for further consideration.

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ADJOURNMENT

The meeting was adjourned at 4:06 P.M.