

HOUSE FINANCE COMMITTEE
April 3, 2008
1:52 p.m.

CALL TO ORDER

Co-Chair Meyer called the House Finance Committee meeting to order at [1:52:18 PM](#).

MEMBERS PRESENT

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

MEMBERS ABSENT

None

ALSO PRESENT

Representative Bob Buch; Senator Lyda Green; Dan Fauske, CEO/Executive Director, Alaska Housing Finance Corporation, Department of Revenue; Bryan Butcher, Legislative Liaison, Alaska Housing Finance Corporation; Ginger Blaisdell, Staff, Senator Lyda Green; John Combs, Mayor, City of Palmer; Bill Allen, City Manager, Palmer; Bill Griffith, Facility Programs Inspector, Department of Environmental Conservation; Jerry Burnett, Director, Division of Administrative Services, Department of Revenue; Dwayne Peoples, Deputy Commissioner, Department of Corrections; Jody Simpson, Staff, Senator Charlie Huggins; Kristen Wright, Finance/Licensing Supervisor, Division of Administrative Services, Department of Fish and Game; McHugh Pierre, Liaison, Department of Military and Veterans Affairs; Senator Kim Elton.

PRESENT VIA TELECONFERENCE

Bob Brean, Alaska Housing Finance Corporation, Department of Revenue.

SUMMARY

HB 366 An Act relating to an exemption from public disclosure of certain appropriations from the

dividend fund; and providing for an effective date.

HB 366 was REPORTED out of Committee with no recommendation and zero fiscal note by Department of Corrections and zero fiscal note by the Department of Revenue.

CS SB 214(FIN)

An Act relating to hunting licenses and tags for nonresident members of the military service or the United States Coast Guard and their dependents; and providing for an effective date.

HCS CSSB 214(FIN) was REPORTED out of Committee with a "do pass" recommendation and with new fiscal note by Department of Fish and Game.

SB 255 An Act relating to refunding of certain outstanding bonds issued by the Alaska Industrial Development and Export Authority concerning the Snettisham hydroelectric project and related assets; and providing for an effective date.

SB 255 was REPORTED out of Committee with a "do pass" recommendation and with zero fiscal note by Department of Commerce, Community and Economic Development.

SB 289 An Act relating to home energy conservation and weatherization for purposes of certain programs of the Alaska Housing and Finance Corporation.

SB 289 was HEARD and HELD by the Committee for further consideration.

SB 303 An Act relating to certain grants awarded by the Department of Environmental Conservation.

SB 303 was HEARD and HELD in Committee for further consideration.

SENATE BILL NO. 289

An Act relating to home energy conservation and weatherization for purposes of certain programs of the Alaska Housing and Finance Corporation.

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Representative Kelly asked how the \$300 million would be spent in the first years of the project.

DAN FAUSKE, CEO/EXECUTIVE DIRECTOR, ALASKA HOUSING FINANCE CORPORATION, DEPARTMENT OF REVENUE, thought \$20-40 million

would be spent the first year. He said the goal is to get people involved as soon as possible.

BOB BREAN, ALASKA HOUSING FINANCE CORPORATION, DEPARTMENT OF REVENUE (testified via teleconference), emphasized that there would be a ramping up period. The Alaska Housing Finance Corporation (AHFC) was looking at twenty contractors. Mr. Fauske added that he had spoken to vendors and wanted to take into consideration the barge schedule to remote areas.

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Representative Thomas asked if there was a cap on the grant. Mr. Fauske responded that the loan amount would be \$30,000. People would borrow money and there would be a rebate at the \$5,000 level. Representative Thomas asked about the grant portion.

BRYAN BUTCHER, LEGISLATIVE LIAISON, ALASKA HOUSING FINANCE CORPORATION, said the rebate program would be capped at the number that would give incentives to Alaskans to use the program. The \$5,000 amount is flexible. In terms of the weatherization, AHFC is looking at an average amount. Funds are limited, so the average would around \$4,000. With more funding, the program could do more in individual homes, but the average would still only be around \$8,000.

Representative Thomas asked if there were restrictions since the value of the house would be increased. Mr. Butcher answered that the goal of the program is to make houses more energy efficient. If the person sold the home, it would still be more energy efficient. Representative Thomas reiterated concerns about people taking advantage of the program to increase the re-sale value of homes. He suggested a restriction such as not being able to sell the home for two years.

Mr. Brean said that in the early days, there were no restrictions and people took advantage of loopholes to install solariums and hot tubs. A lot was learned. The uses of the money have been reconfigured to focus more accurately on energy efficiency. There are no restrictions on the sale of the home. The value is the return on investment to the State. Energy efficient homes benefit the State as a whole. This could be adjusted if there were strong concerns.

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Representative Thomas wanted the issue to be looked at so that people could not take advantage of the program. Mr. Fauske thought a pre-payment penalty on a loan could be built into the regulations.

Representative Kelly thought that it would help to have a list of all the programs that provide assistance for heating, listing the number of people impacted. He was concerned about fraud.

PUBLIC TESTIMONY CLOSED.

SB 289 was HEARD and HELD by the Committee for further consideration.

SENATE BILL NO. 303

An Act relating to certain grants awarded by the Department of Environmental Conservation.

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GINGER BLAISDELL, STAFF, SENATOR LYDA GREEN, explained that the bill changes the population requirements for certain match rates from 5,000 to 10,000 for a grant that would receive 70% state funding with a 30% municipal match. She referred to a community population list (Copy on File), that shows Anchorage, Fairbanks, and Juneau at over 30,000; eight communities between 10,000 and 5,000; the remainder of Alaskan communities are under five thousand. Current match rates are: communities 5,000 and higher pay a 50/50 match; \$1,000 to 5,000 pay 70/30; and below 1,000 pay 85/15. The main reason to change the population criteria is to bring in the eight communities just above 5,000 to give them more state participation for water and sewer projects. Rapidly escalating prices in steel and construction costs means smaller communities cannot make the 50/50 match.

Representative Thomas pointed out that Haines was not on the list. Ms. Blaisdell assured him that Haines and Skagway are still eligible.

Co-Chair Meyer OPENED PUBLIC TESTIMONY.

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JOHN COMBS, MAYOR, CITY OF PALMER, spoke in support of the legislation. He represented not only Palmer but Wasilla, Kenai, Homer, Ketchikan, Sitka, Kodiak, Bethel, Haines, and Skagway. Palmer has 3200, and cannot absorb the expenses of water and sewer projects. Local projects are on the shelf due to an inadequate economic base. He asserted that the issue is public safety.

BILL ALLEN, CITY MANAGER, PALMER, spoke in support of the bill. He referenced a letter from Alaska Municipal League Executive Director Kathie Wasserman (Copy on File). Communities that are growing find themselves supporting infrastructure and utilities that supply more and more people, yet are eligible for less grant money. He added the

cities of Barrow, Unalaska and Valdez would soon be impacted as well. Palmer has 50-year-old, thin-wall pipes that are failing. Pressure tests have revealed a 40% leakage rate in the water supply. They have also been notified that they are out of compliance with the Environmental Protection Agency for water safety. The cost of coming into compliance is over \$1 million. There is not a large enough tax-paying base to raise that much money.

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PUBLIC TESTIMONY CLOSED.

Vice-Chair Stoltze commented on the difficulty of explaining why other parts of the state get grants when large neighborhoods attached to larger cities have many similar problems. He voiced his frustration and listed problems in the city of Anchorage.

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Representative Thomas asked if the program was capped.

BILL GRIFFITH, FACILITY PROGRAMS INSPECTOR, DEPARTMENT OF ENVIRONMENTAL CONSERVATION, answered that the program was not capped but limited by the amount of money made available each year for capital projects.

Representative Thomas asserted that water and sewer were a priority and thought more money should be put into the program.

SB 303 was HEARD and HELD in Committee for further consideration.

HOUSE BILL NO. 366

An Act relating to an exemption from public disclosure of certain appropriations from the dividend fund; and providing for an effective date.

REPRESENTATIVE HARRY CRAWFORD, SPONSOR, explained that the bill pertained to people without a voice. The Permanent Fund Dividend (PFD) was taken away from children of certain people in prison who had lost their PFD. The bill makes it possible to use the PFD money for child support. It does not take away the liability of the responsible person, but would make sure the Dividend would get to the young instead of to the Department of Corrections.

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Co-Chair Chenault asked for clarification regarding how the bill would affect the parent's child support debt.

Representative Crawford answered the PFD money does not go to the debt.

Representative Kelly queried as to the order of priority of the distribution. Representative Crawford responded that in all other cases, the Child Support Services Division is first in line. The legislation puts them back into the list. There is a system in place that the legislation does not otherwise affect.

Representative Gara asked if the bill was trying to solve the problem of those who owe legal child support or for all parents.

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Representative Crawford answered some people are hard to find. They might have to apply for the money. He thought the change would not capture everyone but many.

Vice-Chair Stoltze noted that the Department of Public Safety seemed unaware of the bill.

Co-Chair Chenault expressed questions regarding the zero fiscal note.

JERRY BURNETT, DIRECTOR, DIVISION OF ADMINISTRATIVE SERVICES, DEPARTMENT OF REVENUE (DOR), responded that while there are 5,000 incarcerated people with active child support cases, between 2000 and 3000 children not under state foster care or public assistance would benefit from the legislation. Currently when DOR garnishes the PFD, the money goes to the State and is shared between the state and the federal government. The Department does not want to displace a shared state/federal program with an all-state program. He said a lot of work needed to be done to calculate the amount needed. Co-Chair Chenault did not want a surprise in the next year. He asked the total number of children involved.

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Mr. Burnett clarified that there are approximately 5,000 obligore parents involved. Generally, there are 1.6 children per person who is obligated to pay. However, children can be up to 40, because of back money owed. There are approximately 2,000-3,000 children between 0 and 18 who are not currently receiving public benefits.

Co-Chair Chenault asked how Department of Revenue would address that if there was no General Fund increase in their budget.

DWAYNE PEOPLES, DEPUTY COMMISSIONER, DEPARTMENT OF CORRECTIONS, responded that the House version of the Operating Budget has all of the PFD money allocated to inmate health care. If that component comes up short, the Legislature will have to address it.

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Representative Nelson thought the emphasis should be on the children and not on the prisoners. She did not want the children to go without. Co-Chair Chenault agreed and clarified that he wanted people to see the cost associated with the change.

Representative Hawker addressed the fiscal notes. He wondered if the legislation would require the departments to change the way they are currently budgeting the funds. Mr. Burnett answered there is no requirement besides the Legislature's intent. Mr. Peoples agreed there was no obligation on his department.

Representative Hawker asked if the individual dividend would have to show how much it was reduced as a result of the budgetary change. Mr. Burnett said that was correct. Because of the way the statute is constructed, the Department would be limited to the amount calculated from the number of people times the dividend paid.

Representative Hawker asked if the statutory authority was broad enough. Mr. Burnett thought there was sufficient authorization to provide for the grant program.

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Representative Hawker asked if DOR was accustomed to grant programs paying money out. Mr. Burnett said the Department does not have grant programs, but they do pay the money to parents of custodial children. There is a disbursement mechanism.

Representative Hawker asked if DOR wanted to create a grant program with eligibility and compliance responsibilities. Mr. Burnett stated that he had discussed the issue with the Child Support Director and other staff. DOR was able and willing to do that.

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There was a discussion about the requirements for the program.

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PUBLIC TESTIMONY CLOSED.

[2:46:14 PM](#)

Vice-Chair Stoltze MOVED to REPORT HB 366 out of Committee with individual recommendations and the accompanying fiscal note by Department of Corrections and Department of Revenue. There being NO OBJECTION, it was so ordered.

HB 366 was REPORTED out of Committee with no recommendation and zero fiscal note by Department of Corrections and zero fiscal note by the Department of Revenue.

CS FOR SENATE BILL NO. 214(FIN)

An Act relating to hunting licenses and tags for nonresident members of the military service or the United States Coast Guard and their dependents; and providing for an effective date.

Vice-Chair Stoltze MOVED to ADOPT Work Draft 25-LS1261\V, Kane, 4/1/08. There being NO OBJECTION, it was so ordered.

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JODY SIMPSON, STAFF, SENATOR CHARLIE HUGGINS, explained the bill as providing newly stationed military members and their dependents with hunting and fishing privileges, including big game licenses and tags, at the equivalent of resident rates. She described the requirements in other states compared to Alaska's. The requirement to hire a guide is retained to hunt dangerous game: brown and grizzly bears, sheep and mountain goats. The bill does not affect eligibility for PFD or jury pools. It also does not affect personal use or subsistence requirements for the usual twelve-month waiting period. The CS includes a new section rolling in language previously contained in HB 62 providing for free hunting and fishing licenses for active duty members of the Alaska National Guard and Military Reserves. (Sponsor Statement, Copy on File).

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Representative Hawker asked if the Sponsor was supportive of the changes reflected in the CS. Ms. Simpson confirmed that he was.

Co-Chair Chenault asked how sheep and goats got classified as dangerous animals. Ms. Simpson replied that it has to do with terrain.

Representative Thomas related the history of the bill. He emphasized that it is not a recruitment tool. He shared a personal story.

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Co-Chair Chenault asked if the license is different than a regular license.

KRISTEN WRIGHT, FINANCE/LICENSING SUPERVISOR, DIVISION OF ADMINISTRATIVE SERVICES, DEPARTMENT OF FISH AND GAME, described the difference in the licenses. Co-Chair Chenault asked if there is an annual requirement. Ms. Wright said there was.

Representative Joule inquired how many would be receiving the license. Ms. Wright reported that there are 4,800 active-duty military in Alaska, which relates to the second part of the bill. Regarding the first part of the bill, in 2006, approximately 500 licenses were sold. Representative Joule asked if that number would increase. Ms. Wright replied that was hard to predict.

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MCHUGH PIERRE, LIAISON, DEPARTMENT OF MILITARY AND VETERANS AFFAIRS, described the bill as a tribute to active-duty and Coast Guard personnel. Co-Chair Chenault agreed.

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Co-Chair Chenault drew attention to the fiscal note. Ms. Wright acknowledged that a new fiscal note would be needed for the amount of \$19,500 in replacement General Funds with the acceptance of the CS.

Representative Foster moved to report HCS CSSB 214(FIN) with individual recommendations and the accompanying fiscal notes. There being NO OBJECTION, it was so ordered.

HCS CSSB 214(FIN) was REPORTED out of Committee with a "do pass" recommendation and with new fiscal note by Department of Fish and Game.

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SENATE BILL NO. 255

An Act relating to refunding of certain outstanding bonds issued by the Alaska Industrial Development and Export Authority concerning the Snettisham hydroelectric project and related assets; and providing for an effective date.

SENATOR KIM ELTON, SPONSOR, explained that the bill was at the request of Alaska Industrial Development and Export Authority, (AIDEA), to help out Alaska Electric Light and Power (AEL&P). It is specific only to the Snettisham

hydroelectric project. AEL&P operates, maintains, and pays the debt service on Snettisham, which was transferred to the State in 1988. Legal counsel for AIDEA needs additional authority in order to roll costs of a new issuance in premiums for early retirement of existing higher cost bonds into new, lower cost bonds. There is no new project in the bill and the bond market must be favorable before AIDEA and AEL&P move forward. The savings, around \$400,000 annually, will go to the rate-payers.

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Representative Hawker asked if DOR is supportive of the bill. Senator Elton thought so.

PUBLIC TESTIMONY CLOSED.

Co-Chair Chenault mentioned the fiscal note.

[3:09:10 PM](#)

Representative Foster moved to report SB 255 out of Committee with individual recommendations and the accompanying fiscal notes. There being NO OBJECTION, it was so ordered.

SB 255 was REPORTED out of Committee with a "do pass" recommendation and with zero fiscal note by Department of Commerce, Community and Economic Development.

ADJOURNMENT

The meeting was adjourned at 3:09 PM.