

HOUSE FINANCE COMMITTEE
April 6, 2008
4:41 p.m.

CALL TO ORDER

Co-Chair Chenault called the House Finance Committee meeting to order at [4:41:59 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

Frank Homan, Commissioner, Commercial Fisheries Entry Commission; Pete Ecklund, Staff, Representative Kevin Meyer; Frank Richards, Deputy Commissioner of Highways & Public Facilities, Department of Transportation and Public Facilities; Representative Bryce Edgmon; Adam Berg, Staff, Representative Bryce Edgmon; Representative Kyle Johansen; Jerry Burnett, Director, Division of Administrative Services, Department of Revenue; Nancy Slagle, Director, Division of Administrative Services, Department of Transportation and Public Facilities

PRESENT VIA TELECONFERENCE

Johanna Bales, Deputy Director, Tax Division, Department of Revenue

SUMMARY

SB 254 "An Act extending the termination date of the Alaska regional economic assistance program; and providing for an effective date."

HCS SB 254(FIN) was REPORTED out of Committee with a "do pass" recommendation, a title change

resolution, a new zero fiscal note by the Department of Fish and Game, and with two previously published fiscal notes by the Department of Commerce, Community and Economic Development.

HB 314 "An Act providing for and relating to the issuance of general obligation bonds for the purpose of paying the cost of state transportation projects; and providing for an effective date."

CSHB 314(FIN) was REPORTED out of Committee with a "do pass" recommendation and with fiscal note #1 by the Office of the Governor and a new fiscal note by the Department of Revenue.

HB 106 "An Act repealing fees imposed on the sale of new tires, the sale of certain studded tires, and the installation of certain metal studs on tires; and providing for an effective date."

CSHB 10 106(FIN) was REPORTED out of Committee with a "do pass" recommendation and with previously published fiscal note #2 by the Department of Revenue.

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SENATE BILL NO. 254

"An Act extending the termination date of the Alaska regional economic assistance program; and providing for an effective date."

Vice-Chair Stoltze MOVED to ADOPT HCS SB 254(FIN), labeled 25-LS1367\E, as the work draft before the Committee. There being NO OBJECTION, it was so ordered.

Representative Nelson informed the Committee that there was a change in the bill to include hair crab fisheries.

FRANK HOMAN, COMMISSIONER, COMMERCIAL FISHERIES ENTRY COMMISSION, offered to provide additional information about the bill.

Representative Nelson reported that the addition to the bill would extend the life of the hair crab fisheries along the west coast of Alaska. Mr. Homan said that was correct. In addition, it extends the scallop fisheries. The two fisheries are unique in that they are vessel based license systems.

Representative Nelson said her understanding is that those two fisheries alone have 4 out of 18 permit holders that are owned by Community Development Quota (CDQ) groups. Mr. Homen thought that was correct.

Representative Nelson asked how many permit holders from Alaska are in the limited entry system. Mr. Homen responded that there are about 15,000 limited entry permits and 78 percent are from Alaska. Representative Nelson asked if there were about 10,000. Mr. Homan thought it was more like 11,000.

Representative Nelson estimated that from the two CDQ's that are owners in the hair crab and scallops fisheries, the Coastal Village Region Fund has about 20 villages and about 9,000 people, and Norton Sound has fewer villages but about 8,500 people. Just in those 4 permit holders, the owners of the permits total about 17,000 residents of Alaska. She stated that the CDQ's are not Native programs. She saw the CDQ's with their community shareholders as positive for communities.

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Representative Thomas asked how corporations can hold permits when it is prohibited throughout the whole limited entry permit system. Mr. Homan clarified that the vessel-based program is unique. In 2002, the legislature passed a bill allowing the two fisheries to have different systems. The limited entry system was designed around the salmon fisheries with an individual owner. Vessel-based limited entry fisheries are managed differently. They are large boats with multiple crews and skippers. The traditional method could not be used. Sometimes the vessels are owned by corporations made up by two or three individuals, due to the expense of getting into these two fisheries. They require a different financial structure. There is no intention of moving the vessel-based system to any other fishery.

Representative Thomas thought the doors would be opened when the rules change. He voiced concern about the process. He related that he fought the limited entry program so that no corporation would ever own the permits. Mr. Homan related that the legislature in 2002 made that allowance and it would require legislation to change it. Representative Thomas reiterated his concerns. He suggested consolidating or releasing more permits. He said the usual route is through the Board of Fish.

Mr. Homan recalled that in 2002 the legislature did recognize consolidation. No vessel owner could own more than two permits.

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Vice-Chair Stoltze pointed out that the bill would extend the termination date of the Alaska Regional Economic Assistance Program.

Representative Nelson said in addition to extending the termination date, there are 18 hair crab permits and 19 scallop permits. In the 18 crab permits, there are 250 quota holders. She inquired if the fishery were abolished, if all of those quota holders would be able to come in and fish that resource. Mr. Homan confirmed that to be true for both fisheries; both would return to open access. Representative Nelson said that is of great concern because of the potential loss of revenue to Alaskan permit holders. Representative Nelson commented that the fishery is also needed to prevent over fishing. Mr. Homan added that the resource is fragile and the fishery very small. If it is opened to unlimited harvest, restrictions will need to be applied.

Representative Nelson asked if the other 14 permit holders are from across the state, in addition to the 4 CDQ's. Mr. Homan replied that it is a mixture of Alaskans and non-residents. Representative Nelson thought there were permit holders from Southeast Alaska as well as from the Interior and South Central Alaska. Mr. Homan said that was correct.

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Representative Gara asked for an explanation of the hair crab and scallop fisheries. Mr. Homan explained the history of the two fisheries. The Department of Fish and Game put restrictions on the fisheries, requiring a vessel license, in 2002.

Representative Gara asked how long the extension is for. Mr. Homan said 5 years. Representative Gara asked if, when it lapses, it becomes a permit fishery again. Mr. Homan explained that the sunset allows revisiting the issue. Representative Gara asked if the bill would limit additional vessels. Mr. Homan said that is correct. He recalled testimony by Fish and Game that regulation of the fisheries would be increased if the bill does not pass.

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Representative Thomas recalled during the time of statehood and the intent to abolish fish traps owned by non-Alaskan corporations back then. Limited entry was developed very carefully to ensure that corporations were not able to own permits.

Representative Nelson thought that if there was open and unlimited access to the fisheries, it would be more expensive to manage them. She reported that there was also a possibility that they would be managed by the federal government. One of the purposes of statehood was to ensure state management of fish and game resources. Alaska has already lost management of resources on federal land. Losing limited entry will make Alaska vulnerable to more federal management.

Mr. Homan related that the federal government also limits these fisheries in the federal fishery zone; however, the state manages both fisheries in all waters. If it goes back to open access there would be two management systems. Representative Nelson noted support for the bill from the Department of Fish and Game and from United Fishermen of Alaska. North Pacific Management Council and the Commercial Fisheries Entry Commission (CFEC) also support this legislation. Mr. Homan concurred that all prominent fisheries support the bill.

Representative Kelly asked if the sunset date was expected to be extended. Mr. Homan said it was, and he related the history of another bill that was supposed to extend the termination date, but failed. Representative Kelly asked if everyone in the area supports the bill. Mr. Homan reported that it is generally supported. A few oppose it because they think it is going to do something else. They are uneasy with consolidation. Representative Kelly asked what would happen to protect the resource if it was not extended. Mr. Homan replied that Department of Fish and Game said they would initiate more restrictive policies toward the two fisheries. He said the Commission would not be able to extend any limitation if the bill does not pass.

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Vice-Chair Stoltze wondered if a five-year sunset was long enough or if a sunset was even needed. Representative Nelson thought a sunset was not needed. She noted that it has been proven that the resources are rebounding and the fisheries are bringing dollars to Alaska's coffers. She worried that a new chairman of fisheries might change the termination date of the sunset in the future.

Mr. Homan related that the original intention of the bill was to not have a sunset date.

Representative Gara thought the conservation aspect was working.

Representative Thomas said he does not like the bill but also did not think it needed a sunset.

Vice-Chair Stoltze noted the title restrictions. He suggested a 10-year extension.

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Representative Kelly said he was uncomfortable with changing the sunset date, but liked the bill.

Representative Gara thought there was not a good option surrounding the sunset issue. He did not think that getting rid of the sunset was any worse a solution.

Vice-Chair Stoltze said eliminating the sunset is not an option in this bill. Representative Kelly thought he could agree to the 10-year option.

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Vice-Chair Stoltze MOVED to ADOPT Conceptual Amendment 1 to extend the vessel permit portion of the bill to 2018.

Representative Hawker OBJECTED. He clarified that the amendment would apply to Section 2 of the bill.

Representative Gara requested that Representative Nelson be added as a sponsor of the bill. Representative Nelson was added as a sponsor.

Representative Hawker WITHDREW his OBJECTION to Conceptual Amendment 1. There being NO OBJECTION, it was so ordered.

Co-Chair Chenault reviewed the fiscal notes. He noted a need for a new fiscal note from the Department of Fish and Game.

Mr. Homan said a new zero fiscal note from the Commercial Fisheries Entry Commission would be forthcoming.

[5:20:19 PM](#)

Representative Foster MOVED to REPORT HCS SB 254(FIN), as amended, out of Committee with individual recommendations, a title change resolution, and the accompanying fiscal notes. There being NO OBJECTION, it was so ordered.

HCS SB 254(FIN) was REPORTED out of Committee with a "do pass" recommendation, a title change resolution, a new zero fiscal note by the Department of Fish and Game, and with two previously published fiscal notes by the Department of Commerce, Community and Economic Development.

AT-EASE: [5:21:41 PM](#)

RECONVENED: [5:37:28 PM](#)

HOUSE BILL NO. 314

"An Act providing for and relating to the issuance of general obligation bonds for the purpose of paying the cost of state transportation projects; and providing for an effective date."

Representative Thomas MOVED to ADOPT CSHB 314(FIN), labeled 25-GH2041\M, Cook, 4/5/08, as the work draft before the Committee. There being NO OBJECTION, it was so ordered.

PETE ECKLUND, STAFF, REPRESENTATIVE KEVIN MEYER, discussed the changes in the bill. He referred to a handout entitled "Project Title", which describes the changes (copy on file.) The new total for the G.O Bonds bill is \$220,600,000. Mr. Ecklund listed those projects added to the bill.

5:40:44 PM

Mr. Ecklund listed the three items removed from the bill.

Co-Chair Meyer asked if the Gravina Access was removed in the Transportation Committee meeting. Mr. Ecklund replied that was correct. Co-Chair Meyer asked if the South Denali Access Road project was removed by the Senate. Mr. Ecklund said it was in the Senate version of the capital budget. Co-Chair Meyer reported that it was agreed that the Northern Access Study should not be included in a bond package.

Representative Gara asked if the Gravina Access project was included somewhere else. Co-Chair Meyer said it was totally removed.

Representative Crawford asked about the grant to Anchorage for the Victor Road-Diamond Boulevard to 100th Avenue - upgrade and trade. Co-Chair Meyer explained that there are about 7 or 8 state roads in Anchorage that are neighborhood roads now. The City of Anchorage has agreed to take over these roads. Representative Crawford asked what the tradeoff was. Co-Chair Meyer said the state would spend \$14 million to upgrade the roads and the city would maintain them.

5:44:29 PM

Vice-Chair Stoltze added that in 1990 two roads in his area had a similar arrangement.

Representative Thomas noted \$10 million for the Port of Anchorage, which had been twice vetoed. Co-Chair Meyer explained that the Governor felt that the project should be in a road bond.

Representative Gara wondered what would happen to the Port of Anchorage if it was not funded with \$10 million in G.O. Bonds. Co-Chair Meyer thought municipal money should not go to this project because it is a state project. He requested testimony from the Department of Transportation and Public Facilities.

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FRANK RICHARDS, DEPUTY COMMISSIONER OF HIGHWAYS & PUBLIC FACILITIES, DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES, reported that in conversations with Governor Sheffield, it was noted that there were needs for state funds in order to continue with necessary expansions. The state is involved because the vast majority of cargo comes into this port.

Representative Gara said he was just questioning the need for state money; he was not criticizing the project.

[5:51:12 PM](#)

Co-Chair Meyer MOVED to ADOPT Amendment 1:

Page 2, Line 31

Delete: Access Road to Evacuation Center and

Insert: Access Road, Evacuation Center and

Page 3, Line 7

Delete: Shelter Cove Road

Insert: Shelter Cove, Road Construction

Page 4, Line 21

Delete: \$220,000,000

Insert: \$220,600,000

Vice-Chair Stoltze OBJECTED.

Mr. Ecklund explained the technical changes in the amendment.

Representative Hawker MOVED to ADOPT Conceptual Amendment 1 to Amendment 1, to make the same change on line 24, as on line 21. There being NO OBJECTION, it was so ordered.

Vice-Chair Stoltze WITHDREW his OBJECTION to adopt Amendment 1. There being NO OBJECTION, Amendment 1 was adopted, as amended.

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Representative Joule MOVED to ADOPT Amendment 2:

Page 1, line 9:

Delete "\$220,600,000" and insert "234,600,000"

Page 2, line 10:

Delete "\$196,600,000" and insert "210,600,000"

Page 2, line 14, insert:

"Aleknagik Wood River Bridge \$14,000,000"

Page 4, line 21:

Delete "\$220,000,000" and replace with "\$234,000,000"

Page 4, line 24:

Delete "\$220,000,000" and replace with "\$234,000,000"

Vice-Chair Stoltze OBJECTED.

REPRESENTATIVE BRYCE EDGMON, explained that Amendment 2 is also a technical amendment. It proposes to fully fund a bridge that would connect the north and south shores of Aleknagik.

Co-Chair Meyer asked if \$14 million is the total cost. Representative Edmonds clarified that the total cost is \$22 million.

Co-Chair Chenault asked if this project is near Dillingham or Naknek. Mr. Edgmon explained that it was 30 miles away from Dillingham.

[5:55:49 PM](#)

ADAM BERG, STAFF, REPRESENTATIVE BRYCE EDGMON, explained that the bridge has \$2.2 million in funding already secured. The requested amount would complete the project. Co-Chair Meyer and Vice-Chair Stoltze recalled visiting the site.

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Representative Crawford asked for information about the bridge. Representative Edgmon said it was a vehicle bridge. He explained why it was needed to transport children to school.

Vice-Chair Stoltze asked if a mineral development controversy was involved. Mr. Edgmon replied that it was not.

Representative Nelson recalled that the request has been around for a number of years. She spoke in support of the bill for various reasons.

Representative Gara agreed that the bridge has been needed for years. Representative Edgmon related further reasons for the need for a bridge.

[6:00:48 PM](#)

Co-Chair Meyer noted the attempt to seek a balance in the G.O. Bond package. He asked the Committee not to accept the amendment. Representative Edgmon deferred to the will of the Committee.

Representative Joule WITHDREW Amendment 2.

Representative Joule MOVED to ADOPT Amendment 3:

Page 1, line 9:

Delete "\$220,600,000" and replace with "\$223,100,000"

Page 2, line 10:

Delete "\$196,600,000" and replace with "\$199,100,000"

Page 2, line 18, add:

"Port of Bristol Bay Dock Expansion/Repair \$2,500,000"

Page 4, line 21:

Delete "\$220,000,000" and replace with "\$222,500,000"

Page 4, line 24:

Delete "\$220,000,000" and replace with "\$222,500,000"

Vice-Chair Stoltze OBJECTED.

Representative Edgmon explained the amendment is for money that would be used to help fully fund the expansion of the Bristol Bay dock.

Co-Chair Meyer said there was money in the capital budget for this project. Mr. Ecklund agreed. Co-Chair Meyer preferred to not have this item in the bond package.

Representative Joule WITHDREW Amendment 3.

[6:05:28 PM](#)

Representative Thomas asked if the Dalton Highway project is in the capital budget. Co-Chair Meyer thought that it was not in the capital budget and that the Governor had requested it be in a road bond package.

Mr. Richards said there was \$4 million in the capital budget for the Dalton Highway. Co-Chair Meyer summarized that there was \$4 in the Senate capital budget and a request for \$14 million in the G.O. bond bill. Mr. Richards concurred.

Mr. Richards corrected that it was a \$5 million project and was removed from the Senate version of the budget.

Vice-Chair Stoltze asked about the language "bikeway" on page 2, line 30. Co-Chair Meyer asked if it could be changed. Mr. Richards said the intent is that improvements outside of the paved roadway be included. Representative Hawker offered "multi-modal pedestrian facilities".

Representative Gara thought that bikeway was appropriate as a tourist attraction.

[6:10:50 PM](#)

Representative Gara asked about the Ketchikan project for \$10 million: Harriet Hunt Lake to Shelter Cove Road.

REPRESENTATIVE KYLE JOHANSEN, explained that the road is part of the Ketchikan Coastal Management Plan. It has been approved by the Forest Legacy Program, the Department of Natural Resources, the Ketchikan City Council, Tongass Land Management Plan, and the Department of Transportation and Public Facilities. It is part of the Ketchikan Borough's 20-20 plan and has a multi-use purpose. It Connects Cape Fox with 10 miles of road that will tie into 100 miles of logging roads.

Co-Chair Meyer asked if it is a state road. Representative Johansen reported that it is a borough road and accesses Mental Health Trust lands.

AT-EASE: [6:15:38 PM](#)

RECONVENED: [6:27:58 PM](#)

Representative Hawker noted that the project was on the Roads to Resources Initiative.

Co-Chair Meyer asked about the Department of Revenue fiscal note.

JERRY BURNETT, DIRECTOR, DIVISION OF ADMINISTRATIVE SERVICES, DEPARTMENT OF REVENUE, said the department would provide the Committee with a debt service fiscal note with annual payments of about \$17, 254, 046.30.

Representative Foster MOVED to REPORT CSHB 314(FIN) out of Committee, as amended, with individual recommendations and the accompanying fiscal notes. There being NO OBJECTION, it was so ordered.

CSHB 314(FIN) was REPORTED out of Committee with a "do pass" recommendation and with fiscal note #1 by the Office of the Governor and a new fiscal note by the Department of Revenue.

[6:32:38 PM](#)

HOUSE BILL NO. 106

"An Act repealing fees imposed on the sale of new tires, the sale of certain studded tires, and the installation of certain metal studs on tires; and providing for an effective date."

JOHANNA BALES, DEPUTY DIRECTOR, TAX DIVISION, DEPARTMENT OF REVENUE, explained the bill repeals the fees imposed on the sale of new and studded tires. She said it is a deterrent to those who would not replace old, worn tires. The Administration does not believe that the tire fee is an efficient way to raise money and acts as a deterrent to those who should replace old or worn tires.

Ms. Bales pointed out that the fiscal note should address the repeal this year instead of last year. Co-Chair Meyer said that change would be made by amendment.

Vice-Chair Stoltze commented on needing to replace money in the budget for the Glenn Highway.

[6:36:01 PM](#)

Co-Chair Chenault asked what the annual income has been for this legislation since 2003. Ms. Bales reported that approximately \$1.5 million has been collected each year. Co-Chair Chenault related that in FY 08 the fees were expected to bring in \$3.3 million to \$5 million, when actually it was \$1.184 million. He asked why that might have been. Ms. Bales said it was a combination of over-estimating the number of tires sold and a change in what kind of tires were purchased.

Co-Chair Chenault noted in 2003 the fiscal note estimated that it would cost \$53,000 a year to implement the program. The current fiscal note shows a greater cost.

[6:39:56 PM](#)

Co-Chair Meyer MOVED to ADOPT Amendment 1 to change the date on page 1, line 1, from July 1, 2007, to July 1, 2008.

Co-Chair Chenault OBJECTED.

Co-Chair Chenault asked if the amendment fixes the department's concern. Ms. Bales said it did.

Co-Chair Chenault WITHDREW his OBJECTION. There being NO OBJECTION, it was so ordered.

[6:41:14 PM](#)

Representative Foster MOVED to REPORT CSHB 106(FIN) out of Committee with individual recommendations and the accompanying fiscal note. There being NO OBJECTION, it was so ordered.

CSHB 10 106(FIN) was REPORTED out of Committee with a "do pass" recommendation and with previously published fiscal note #2 by the Department of Revenue.

Representative Thomas thought that arbitrage should be halted. No one should be able to borrow state money and profit from it.

ADJOURNMENT

The meeting was adjourned at 6:42 PM.