

SENATE FINANCE COMMITTEE
March 27, 2008
9:10 a.m.

CALL TO ORDER

Co-Chair Stedman called the Senate Finance Committee meeting to order at [9:10:41 AM](#).

MEMBERS PRESENT

Senator Lyman Hoffman, Co-Chair
Senator Bert Stedman, Co-Chair
Senator Charlie Huggins, Vice-Chair
Senator Kim Elton
Senator Donny Olson
Senator Joe Thomas
Senator Fred Dyson

MEMBERS ABSENT

None

ALSO PRESENT

Sarah Fisher-Goad, Deputy Director, Operations, Alaska Industrial Development and Export Authority (AIDEA) and Alaska Energy Authority (AEA), Department of Commerce, Community and Economic Development; Peter Crimp, Program Manager, Alaska Industrial Development and Export Authority and Alaska Energy Authority, Department of Commerce, Community and Economic Development; Mike Notar, IBEW Local 1547, Juneau; John Bitney, Staff, Representative John Harris; Representative Mike Hawker; Darwin Peterson, Staff, Co-Chair Stedman; Brian Andrews, Deputy Commissioner, Treasury Division, Department of Revenue; Linda Hay, Staff, LB&A Committee, Representative Ralph Samuels; Pat Davidson, Legislative Auditor, Legislative Audit Division, Legislative Affairs Agency; Paul Johnson, Chair, Big Game Commercial Services Board; Jennifer Strickler, Chief, Professional Licensing, Division of Corporations, Business, and Professional Licensing, Department of Commerce, Community and Economic Development

PRESENT VIA TELECONFERENCE

Meera Kohler, President CEO, Alaska Village Electric Cooperative; Debbie Schnebel, Senior Vice President, Scott Balice Strategies; Tamara Cook, Director, Legislative Legal Services, Legislative Affairs Agency; Robert Fithian, Executive Director, Alaska Professional Hunters Association

SUMMARY

CSHB 152(FIN)

"An Act establishing a renewable energy project account and a renewable energy fund and describing their uses and purposes."

CSHB 152(RES) was heard and HELD in Committee for further consideration.

CSHB 13(FIN)

"An Act relating to prepayments of accrued actuarial liabilities of government retirement systems; relating to the Alaska Municipal Bond Bank Authority, the Alaska Housing Finance Corporation, and the state bond committee; establishing the Alaska Pension Obligation Bond Corporation; permitting the Alaska Municipal Bond Bank Authority or a subsidiary of the authority, a subsidiary of the Alaska Housing Finance Corporation, the state bond committee, and the Alaska Pension Obligation Bond Corporation to assist state and municipal governmental employers by issuing bonds, notes, commercial paper, or other obligations to enable the governmental employers to prepay all or a portion of the governmental employers' shares of the unfunded accrued actuarial liabilities of retirement systems; authorizing a governmental employer to issue obligations to prepay all or a portion of the governmental employer's shares of the unfunded accrued actuarial liabilities of retirement systems and to enter into a lease or other contractual agreement with a trustee, the Alaska Municipal Bond Bank Authority or a subsidiary of the authority, a subsidiary of the Alaska Housing Finance Corporation, the state bond committee, or the Alaska Pension Obligation Bond Corporation in connection with the issuance of obligations for that purpose, and relating to those obligations; relating to revision of the employer contribution rate in connection with financed prepayment of unfunded accrued actuarial liabilities of government retirement systems; and providing for an effective date."

SCS CSHB 13(FIN) was REPORTED out of Committee with a "do pass" recommendation and with a new indeterminate fiscal note by the Department of Revenue and a new zero fiscal note by the Department of Administration.

HB 315

"An Act extending the termination date of the Big Game Commercial Services Board; and providing for an effective date."

HB 315 was REPORTED out of Committee with a "do pass" recommendation and with fiscal note #3 by Department of Commerce, Community and Economic Development.

CSHB 233(L&C)

"An Act relating to giving notice of unclaimed net margin distributions made by electric and telephone cooperatives."

CSHB 233(L&C) was scheduled but not heard.

[9:14:27 AM](#)

CS FOR HOUSE BILL NO. 152(FIN)

"An Act establishing a renewable energy project account and a renewable energy fund and describing their uses and purposes."

SARAH FISHER-GOAD, DEPUTY DIRECTOR, OPERATIONS, ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY (AIDEA) AND ALASKA ENERGY AUTHORITY (AEA), DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT, reported that the Administration does support the establishment of the fund; Governor Palin stated support for a \$250 million appropriation. Ms. Fisher-Goad said that Steve Haagenson, Executive Director of the Alaska Energy Authority, is in the process of working on developing the state energy plan, which would emphasize regional planning for rural areas.

Ms. Fisher-Goad noted that several recommendations for changes from the Senate Resources Committee's version of the bill have been submitted. She reported some concern regarding the appropriation process as the projects move forward.

She referred to a handout in the members' packets entitled "Alternative Energy RFP - Eligible and Complete Applications Preconstruction." She reported that AEA, with the Denali Commission, solicited alternative energy projects. The list of the projects is unranked. There was \$4 million from the Denali Commission and \$1 million in state funds for this RFP. There are more projects than funding available at this time.

[9:17:37 AM](#)

PETER CRIMP, PROGRAM MANAGER, ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY AND ALASKA ENERGY AUTHORITY, DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT, observed that there is a lot of demand for alternative energy projects.

Senator Huggins thought it was important for the state to have goals regarding alternative energy. Ms. Fisher-Goad commented on projects that address the goals of the state energy plan.

Senator Thomas suggested that there were already a number of projects in place in the state, and he thought there should be coordination between existing and new projects.

Ms. Fisher-Goad thought it was an excellent point. AEA provides consultation and technical assistance regarding effective projects.

[9:22:18 AM](#)

Senator Elton referred to Section 2, the responsibilities of the authority. He concluded that the only involvement the legislature has, according to Section 2, is to set up the account. He opined that the legislature cedes authority to make a loan or grant. Ms. Fisher-Goad reported that Section 2 was an amendment to the AEA Existing Power Project Fund. It emphasizes the grant portion of the program. The section that deals with the legislature's role is on page 4, paragraph (i). She pointed out that it where it says "fiscal year may be used for grants" should say "fiscal year may be appropriated for grants."

Co-Chair Stedman asked why the projects are not ranked and do not use annual appropriations. Ms. Fisher-Goad thought it was a timing issue. It depends on how the legislature wants the structure.

[9:26:57 AM](#)

Co-Chair Hoffman reported that fuel costs are adjusted after the barge gets to Bethel and will soon be \$7 per gallon. He thought the passage of this bill assumes that it addresses the high cost of energy. He thought the state should be looking at viable, renewable projects that provide immediate effects. He referred to the list of \$1.2 billion potential projects. He thought there was a need for a more aggressive approach in order to bring rural costs down. He requested a plan from ASA to address that issue.

Ms. Fisher-Goad related the number one concern, the cost of energy in rural communities. She reported that Mr. Haagenson was in Bethel to meet about with a housing group in order to find rural solutions to energy issues. Co-Chair Hoffman asked when a concrete plan might be in place. Ms. Fisher-Goad thought by December 2008. She termed it a very aggressive approach.

[9:31:45 AM](#)

Senator Dyson identified with Co-Chair Hoffman's comments. He thought that on page 2, line 20, coal should be added along with natural gas. He noted that on page 3, line 27, the list should also include clean coal.

Ms. Fisher-Goad responded that it is a matter of renewal energy vs. alternative energy development and what the fund should be used for. The focus of the fund is on renewable energy. Senator Dyson maintained that if natural gas is considered, only after the renewables are considered, coal should likewise be considered. Ms. Fisher-Goad reiterated that the fund is for renewable sources. She questioned if natural gas should be in the bill. She said AEA is not taking a position on that.

[9:35:42 AM](#)

Senator Dyson referred to page 2. He repeated his argument that if clean coal is available, it should be included. Ms. Fisher-Goad thought the policymakers should look at that issue. The bill emphasizes a clean fuel, a renewable resource.

Senator Dyson asked about page 4, line 15. He questioned why a community the size of Juneau could not be included. He wondered if the Administration is in favor of the 10,000 population cut off. Ms. Fisher-Goad said Juneau has renewable resources. Senator Dyson wondered if any larger communities should be included.

Mr. Crimp addressed the coal vs. renewable resources question. He related that there are many ways, in addition to renewable energy, to get to the goal of displacing the use of diesel fuel. He listed several methods of energy conservation. The emphasis of the bill is renewable energy. Senator Dyson inferred that the fund could not be used to develop a non-renewable energy like fish waste or logging slashings.

[9:40:57 AM](#)

Co-Chair Stedman related that on the list of submitted projects there is only one geothermal project. He wondered why there seems to be a lack of interest in this area. He also thought communities that could not get natural gas should be given priority. Mr. Crimp replied that AEA is reacting to the proposals that have been submitted. He said there is another group that looks at helping communities develop projects and there should be more in the future.

Co-Chair Hoffman reported that Naknek Cooperative has been trying to drill for a geothermal source. He said that AEA has not been supportive of this endeavor because of a fear that no thermal energies would be found. He argued that the

attempt should be made. He questioned AEA's decision. Mr. Crimp replied that AEA has not responded to any funding request from Naknek. Co-Chair Hoffman argued that the process needs to go forward and should be supported by AEA.

[9:46:03 AM](#)

Senator Elton summarized that any waste from a resource that is managed on a sustained yield basis would be eligible for this loan fund. Mr. Crimp said that interpretation is correct. He listed the energy sources that the bill would address such as logging slash, sawmill waste, paper from municipal waste, and other biomass resources. Senator Elton added fish oil to the list.

MIKE NOTAR, IBEW LOCAL 1547, JUNEAU, spoke in support of HB 152 because it helps to address lower energy costs by utilizing renewable energy sources and provides opportunities for training and work opportunities for Alaskan electrical workers.

[9:48:57 AM](#)

MEERA KOHLER, PRESIDENT, CEO, ALASKA VILLAGE ELECTRIC COOPERATIVE, testified in support of HB 152. She discussed pioneer wind projects and the difference they are making in rural Alaska. She explained the potential for wind energy in rural Alaska and the need for additional funds.

Co-Chair Hoffman said it seems as though, with the continued escalation in fuel costs, there needs to be a more active role in trying to address energy problems. The wind projects are a significant advancement in reducing dependence on fossil fuels, especially in rural areas. He wondered how much the wind projects cost. Ms. Kohler said about \$3 million. The \$20 million could be used to leverage other federal dollars. She explained that there is a practical limit to how many wind turbans can be constructed each year. She campaigned for a reliable funding program. Co-Chair Hoffman said that the solution will have to be stretched out for many years at \$20 million funding. He maintained that more effort and funding must be provided now in order to solve high energy costs problems. He thought AEA and the Administration should take the lead.

JOHN BITNEY, STAFF, REPRESENTATIVE JOHN HARRIS, pointed out that there could be some modifications to the bill that would address some of the questions posed today, such as clarifying that the funds are subject to appropriation. He addressed Senator Dyson's concerns about the exclusion of coal. He said he would check into expanding the options to include coal. The intent of the bill is not to try to limit access to energy, but to try to expand it.

[9:56:16 AM](#)

Senator Dyson suggested other types of fuel that should not be excluded: logging slashing, fish oil, fish waste, and farm waste.

Senator Thomas asked if the sponsor would be moving forward quickly on this legislation. Mr. Bitney commented that the bill should be viewed as long term. He spoke positively about trying to address energy cost needs in a timely manner.

Senator Elton voiced concern about the Administration's reimbursable services agreement for funding of AEA's executive director's salary, since the Governor appoints every member of the authority. He worried that it would become a political actor's fund. Mr. Bitney said the sponsor was trying to identify a process of getting previously evaluated projects to the legislature. He assured that the legislature would be included in the appropriation process.

Senator Huggins noted that the Railbelt Energy Fund is a political animal. He wanted assurance that this bill would not become the same. Mr. Bitney thought there were several ways to address energy needs in Alaska. He pointed out that this bill deals with smaller renewable energy projects, unlike the Railbelt Fund, which is at a larger, more expensive level.

Senator Huggins compared this fund to the Railbelt Energy Fund and the potential for abuse. He wished to see a viable, functional, long-term, time-tested approach that will not fall victim to "how we see the Railbelt Energy Fund".

[10:03:36 AM](#)

Senator Olson asked Ms. Kohler about the expense of energy in rural Alaska and how to facilitate the cooperation between the renewable energy fund, AEA, and power producers. Ms. Kohler responded that that could be achieved through this legislation with the impartial advisory board mechanism. She thought that was the difference between the Railbelt Energy Fund and this fund. Senator Olson commented on the frustrations in Naknek possibly being alleviated by such a process.

AT-EASE: [10:05:56 AM](#)

RECONVENED: [10:12:29 AM](#)

HB 152 was heard and HELD in Committee for further consideration.

AT-EASE: [10:13:24 AM](#)

RECONVENE: [10:13:54 AM](#)

CS FOR HOUSE BILL NO. 13(FIN)

"An Act relating to prepayments of accrued actuarial liabilities of government retirement systems; relating to the Alaska Municipal Bond Bank Authority, the Alaska Housing Finance Corporation, and the state bond committee; establishing the Alaska Pension Obligation Bond Corporation; permitting the Alaska Municipal Bond Bank Authority or a subsidiary of the authority, a subsidiary of the Alaska Housing Finance Corporation, the state bond committee, and the Alaska Pension Obligation Bond Corporation to assist state and municipal governmental employers by issuing bonds, notes, commercial paper, or other obligations to enable the governmental employers to prepay all or a portion of the governmental employers' shares of the unfunded accrued actuarial liabilities of retirement systems; authorizing a governmental employer to issue obligations to prepay all or a portion of the governmental employer's shares of the unfunded accrued actuarial liabilities of retirement systems and to enter into a lease or other contractual agreement with a trustee, the Alaska Municipal Bond Bank Authority or a subsidiary of the authority, a subsidiary of the Alaska Housing Finance Corporation, the state bond committee, or the Alaska Pension Obligation Bond Corporation in connection with the issuance of obligations for that purpose, and relating to those obligations; relating to revision of the employer contribution rate in connection with financed prepayment of unfunded accrued actuarial liabilities of government retirement systems; and providing for an effective date."

REPRESENTATIVE MIKE HAWKER, sponsor, related that HB 13 would empower the state to issue pension obligation bonds (POB's) in order to finance part of the unfunded liability of the state's pension systems. Alaska faces billions of dollars in unfunded liability and has contractual and constitutional obligations to make up that liability. This bill allows the state to pursue a proven financial technique and approach the international capital markets to borrow money at a lower cost to pay off the pension liability and save the state significant amounts of money.

Co-Chair Stedman asked for clarification of soft and hard liabilities. Representative Hawker explained that the obligation to the pension system is a soft liability,

because it does not have a document behind it other than a moral and contractual obligation to the pension fund. A hard liability is when you go to the capital markets and sign a loan document with specific repayment terms. He explained that this bill would involve a hard debt obligation substituting for a soft debt obligation. The payment of the hard obligation is subject to a recurring legislative appropriation.

[10:17:40 AM](#)

Co-Chair Stedman MOVED to ADOPT Amendment 1:

Page 3, line 20, following ".":

Insert "**However, a subsidiary created for the purpose of financing or facilitating the financing of prepayment of a governmental employer's share of unfunded accrued actuarial liability of retirement systems may only borrow money and issue bonds if the state bond rating is AA- or better.**"

Page 5, line 26, following "37.15.955":

Insert ", but only if the state bond rating is AA- or better"

Page 8, line 26, following "if":

Insert "the state bond rating is AA- or better and if"

Page 11, line 2, following "37.16.900":

Insert ", but only if the state bond rating is AA- or better"

Page 15, line 14, following "if":

Insert "the state bond rating is AA- or better and if"

Page 19, line 12, following "**AS 44.85.085**":

Insert "**, but only if the state bond rating is AA- or better**"

Page 23, line 7, following "may":

Insert ", if the state bond rating is AA- or better,"

Page 23, line 27, following "appropriate":

Insert ", but only if the state bond rating is AA- or better"

Page 25, line 1, following "**reasonable**":

Insert "**; however, to carry out this paragraph, bonds and other obligations may only be issued if the state bond rating is AA- or better**"

Co-Chair Stedman OBJECTED for discussion purposes.

DARWIN PETERSON, STAFF, CO-CHAIR STEDMAN, offered a Conceptual Amendment to Amendment 1, on behalf of Representative Hawker, to add "the equivalent of" before "AA-" throughout the bill. Co-Chair Stedman explained that the AA- rating is Standard and Poor's and the intent is to include equivalent ratings from other rating agencies such as Moody's.

Mr. Peterson explained the intent of Amendment 1 is to prohibit the state from issuing POB's if the state's credit rating is not the equivalent of AA- or better. Co-Chair Stedman pointed out that the state is currently AA, although the bonds would be issued at AA-. Mr. Peterson continued to explain that the intent of the amendment would ensure that if the state's credit rating falls below an acceptable level, the state would cease issuing any new POB's until the debt is paid off or the credit rating improves.

Representative Hawker testified in support of the amendment.

BRIAN ANDREWS, DEPUTY COMMISSIONER, TREASURY DIVISION, DEPARTMENT OF REVENUE, reported that the Department has no problem with the amendment. He reported that the state is now rated at AA+ by Standard and Poor.

Senator Elton asked for clarification about the issuance of bonds. Mr. Peterson replied that the state can not issue bonds unless its rating is AA- or better, regardless of the individual ratings of the bonds. Senator Elton asked why that approach was taken, rather than stipulating the rating of the POB's. Mr. Andrews explained that POB's carry a credit rating one notch below the state's credit rating. The amendment tightens up the bill.

[10:23:05 AM](#)

Senator Elton shared an approach which would prohibit the issuance of a low-rated bond. Representative Hawker thought that was a viable approach, but the amendment would work as well. Senator Elton said he was just asking for clarification. Representative Hawker thought the amendment would be preferable because it refers to the state's overall rating when a transaction is entered.

Senator Thomas asked if a significant event such as a downward price of oil would have an effect on the state's credit rating. Mr. Andrews explained that credit rating agencies look at several factors.

Co-Chair Stedman WITHDREW his OBJECTION to Amendment 1.

Amendment 1, as amended, was ADOPTED.

[10:27:17 AM](#)

Co-Chair Stedman MOVED to ADOPT Amendment 2:

Page 3, line 19, following "may":
Insert ", subject to AS 37.15.903,"

Page 6, line 2:
Delete "may not exceed \$5,000,000,000"
Insert "is limited as provided in AS 37.15.903"

Page 6, following line 10:
Insert a new section to read:
"Sec. 37.15.903. Pension obligation bond limit. The total unpaid principal amount of bonds, including refunding bonds, but excluding refunded bonds, issued by all state entities added together, for the purposes of financing prepayment of all or a portion of a governmental employer's share of unfunded accrued liability of retirement systems, may not exceed \$5,000,000,000."

Page 11, line 9:
Delete "may not exceed \$5,000,000,000"
Insert "is limited as provided in AS 37.15.903"

Page 19, line 12, following "AS 44.85.085":
Insert "; this assistance is limited as provided in AS 37.15.903"

Page 23, line 7, following "may":
Insert ", subject to AS 37.15.903,"

Page 23, line 25, following "debt":
Insert ", subject to AS 37.15.903,"

Page 25, line 1, following "reasonable"
Insert "; bonds issued under this paragraph are subject to AS 37.15.903"

Co-Chair Stedman OBJECTED for discussion purposes.

Mr. Peterson explained that the amendment restricts the state's ability to issue bonds in excess of \$5 billion. Representative Hawker approved of the amendment. Mr. Andrews agreed.

Co-Chair Hoffman asked if other states have limitations. Mr. Andrews did not know.

[10:28:27 AM](#)

DEBBIE SCHNEBEL, SENIOR VICE PRESIDENT, SCOTT BALICE STRATEGIES, explained that it varies state by state. States

where the legislature is in session for longer periods have the ability to approve the exact amount being issued.

Co-Chair Stedman related that the idea to limit the amount was so that the legislature could come back and request an increase if necessary. The \$5 billion would be issued over a few years, which would give the Administration an opportunity to review the process and consider an extension.

Senator Thomas referenced lines 10-14 and asked if they were specifically addressing the retirement unfunded liability. Mr. Peterson said yes.

Co-Chair Stedman WITHDREW his objection. There being NO OBJECTION, Amendment 2 was adopted.

[10:30:53 AM](#)

Co-Chair Stedman MOVED to ADOPT Amendment 3:

Page 6, lines 15 - 17:

Delete "The committee, on behalf of the state, may obligate and bind the state to set aside and pay into the bond redemption fund, on a monthly or other periodic basis."

Co-Chair Stedman OBJECTED.

Mr. Peterson explained that the amendment is in response to a legal memorandum dated March 26 from Tamara Cook. She expressed some hesitation and concern with regards to the state's constitutional limits on what debt the state can issue. In the second paragraph of the memorandum, she specifically suggested looking at a sentence in Section 3 of the bill as a potential problem. She suggested deleting the sentence, which would allow the bond committee to obligate and bind the state to pay bond debt.

TAMARA COOK, DIRECTOR, LEGISLATIVE LEGAL SERVICES, LEGISLATIVE AFFAIRS AGENCY, agreed with Mr. Peterson's description of the concern regarding the problematic sentence. She understood that the pension obligation bonds will not be secured by the full faith and credit of the state. She voiced concern about the notion that the state bond committee would be able to obligate the state.

Representative Hawker concurred with the amendment.

Mr. Andrews also concurred with Ms. Cook's interpretation. The intent of the bill was "to use this as appropriation-type debt."

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

[10:34:07 AM](#)

Co-Chair Stedman MOVED to ADOPT Amendment 4:

Page 1, lines 10 - 12:

Delete **"to issue obligations to prepay all or a portion of the governmental employer's shares of the unfunded accrued actuarial liabilities of retirement systems and"**

Page 2, line 4:

Delete **"for that purpose"**

Insert **"by a state entity for the purpose of prepaying all or a portion of the governmental employee's share of the unfunded accrued actuarial liabilities of retirement systems"**

Page 4, lines 15 - 18:

Delete **"A municipality, or two or more municipalities jointly, may issue obligations to prepay all or a portion of each participating municipality's share of the accrued actuarial liabilities of retirement systems."**

Page 4, line 22, following "obligations":

Insert **"by a state entity"**

Page 4, line 29, following "issued":

Insert **"by a state entity"**

Co-Chair Stedman OBJECTED.

Mr. Peterson related that Senator Elton's staff noted a drafting error on page 1, line 9, of Amendment 4. The word "employee's" should be "employer's".

Ms. Cook agreed that it should be changed to "employer's" on line 9 of the amendment.

Mr. Peterson explained that Amendment 4 restricts the bonding ability to the state and prohibits municipalities from issuing debt. It does not prohibit the state from issuing debt on behalf of the municipality.

[10:36:00 AM](#)

Representative Hawker agreed with Amendment 4, in light of passage of SB 125. The bill does not expand any authorities of municipalities beyond what they may or may not already have.

Mr. Andrews concurred with Representative Hawker's comments.

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

[10:37:57 AM](#)

Mr. Andrews addressed the fiscal notes. He said that the Department of Revenue has an indeterminate note because potential cost savings to the state are not known at this time. He provided information about potential savings to the state. He referred to a handout on PERS and TERS cash contribution and pension obligation bond analysis (copy on file.)

Co-Chair Stedman requested that information.

Mr. Andrews noted that the matrixes were developed in conjunction with the actuary for the state, Buck Consultants. He turned to the first page, which shows an interest rate of 5.25 percent. He reported that last week the state of Wisconsin did a \$900 million POB restructure at 5 percent. He highlighted the percentage of growth of 4 percent and explained the methodology. The actuarial required rate of return was 8.25 percent.

Mr. Andrews turned to the second page to show the average annual contribution rate that the employer needs to make into the PERS system. He further explained reductions in annual contributions rates based on the amount of POB.

Mr. Andrews explained the various savings matrixes.

[10:42:51 AM](#)

Mr. Andrews explained what would happen with a combination of POB's and cash. He turned back to the first matrix and used \$1 billion cash and \$1 billion POB as an example. The annual contribution rate goes from 35.22 percent down to 30.28 percent, which leads to a reduction in the annual dollar requirement and a net present value savings of \$2.1 billion.

If the investments from the proceeds of the POB are greater than 8.25 percent, there would be further savings. On average, the pension plan for the last 15-16 years has earned 9.6 percent each year.

Senator Olson asked if the rate of 9.6 would continue. Mr. Andrews said past history is a good indicator. Currently, asset allocations are set up so that the state is looking at a return of 8.5 percent for the next five years.

[10:45:49 AM](#)

Co-Chair Hoffman MOVED to REPORT SCS CSHB 13(FIN) out of Committee with individual recommendations and the accompanying fiscal notes. There being NO OBJECTION, it was so ordered.

SCS CSHB 13(FIN) was REPORTED out of Committee with a "do pass" recommendation and a new indeterminate fiscal note by the Department of Revenue and a new zero fiscal note by the Department of Administration.

Representative Hawker pointed out an error on page 2, line 11. It should say "may" instead of "any". He thanked the Committee for their hard work.

Co-Chair Stedman commented that it is the first step in addressing unfunded liability.

[10:48:31 AM](#)

HOUSE BILL NO. 315

"An Act extending the termination date of the Big Game Commercial Services Board; and providing for an effective date."

LINDA HAY, STAFF, LB&A COMMITTEE, REPRESENTATIVE RALPH SAMUELS, said the bill extends the sunset date of the Big Game Commercial Services Board. It complies with the recommendation of the Division of Legislative Audit, which recently reviewed the activities of the Board.

PAT DAVIDSON, LEGISLATIVE AUDITOR, LEGISLATIVE AUDIT DIVISION, LEGISLATIVE AFFAIRS AGENCY, explained the recommendation to increase the Board for four years based on the fact that the Board has only been in operation for two years after being restarted. There were also administrative difficulties that could be improved.

Co-Chair Stedman asked if any complaints had been received from hunters. Ms. Davidson spoke of the sunset review, which looked at investigations. The Board is dealing with the issues that come before it.

Co-Chair Stedman asked if the oversight of guides is the same on federal lands as it is on state lands. Ms. Davidson explained that the Board licenses individuals who are licensed guides. The differing landowners have differing requirements of the people that operate on their land.

[10:52:31 AM](#)

Senator Thomas asked if it was possible for someone to come back and work in the industry after having their license

removed. Ms. Davidson replied that there is a range of sanctions with any disciplinary action.

PAUL JOHNSON, CHAIR, BIG GAME COMMERCIAL SERVICES BOARD, said if a person has had their license pulled, they may not return as a transporter until their restitution is done. He commented on how permits were issued on various lands.

JENNIFER STRICKLER, CHIEF, PROFESSIONAL LICENSING, DIVISION OF CORPORATIONS, BUSINESS, AND PROFESSIONAL LICENSING, DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT, testified in support the bill and the continuation of the Board. She noted that the Board has made an effort to strengthen the licensing laws for guides.

Ms. Strickler described projects the Board has been involved with. She pointed out that the fiscal note is not a request for new funds. It is based on an annual average of costs because licenses are based on a biannual period. She listed expensed covered in the fiscal note.

[10:57:50 AM](#)

ROBERT FITHIAN, EXECUTIVE DIRECTOR, ALASKA PROFESSIONAL HUNTERS ASSOCIATION, spoke in favor of HB 315. The professional guide industry is very important to rural Alaska. It is dependant on three stewardship factors: industry stewardship, prudent wildlife stewardship, and public land access opportunity. The Board provides oversight and accountability in these areas.

Co-Chair Hoffman commented about the composition of the Board of Fish. He inquired if there has been discussion or issues regarding the composition of the Board of Game.

Mr. Johnson replied positively about the composition of the Board. He said there was a recent private landholder appointment. Co-Chair Hoffman commented on the largest private landholders, Native Corporations. He asked if they were represented as one of the two private landholders on the Board. Mr. Johnson said that was correct.

[11:00:21 AM](#)

Co-Chair Hoffman MOVED to REPORT HB 315 out of Committee with individual recommendations and the accompanying fiscal note. There being NO OBJECTION, it was so ordered.

HB 315 was REPORTED out of Committee with a "do pass" recommendation and with fiscal note #3 by Department of Commerce, Community and Economic Development.

CS FOR HOUSE BILL NO. 233(L&C)

"An Act relating to giving notice of unclaimed net margin distributions made by electric and telephone cooperatives."

CSHB 233(L&C) was scheduled but not heard.

ADJOURNMENT

The meeting was adjourned at 11:00 AM.