

HOUSE FINANCE COMMITTEE  
February 17, 2009  
1:39 p.m.

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CALL TO ORDER

Representative Stoltze called the House Finance Committee meeting to order at 1:39 p.m.

MEMBERS PRESENT

Representative Bill Stoltze, Co-Chair  
Representative Bill Thomas Jr., Vice-Chair  
Representative Allan Austerman  
Representative Harry Crawford  
Representative Anna Fairclough  
Representative Richard Foster  
Representative Les Gara  
Representative Reggie Joule  
Representative Mike Kelly

MEMBERS ABSENT

Representative Mike Hawker, Co-Chair  
Representative Woodie Salmon

ALSO PRESENT

Jane Pierson, Staff, Representative Jay Ramras; Anne Carpeneti, Assistant Attorney General, Legal Services Section-Juneau, Criminal Division, Department of Law; Representative Bob Lynn; Dirk Moffat, Staff, Representative Lynn; Kevin Brooks, Deputy Commissioner, Department of Administration; Representative Bryce Edgmon; Greg Winegar, Director, Alaska Division of Investments, Department of Commerce

PRESENT VIA TELECONFERENCE

Quinlan Steiner, Director, Public Defender Agency, Department of Administration; Whitney Brewster, Director, Division of Motor Vehicles, Department of Administration; Robin Bronen, Executive Director, Alaska Immigration Justice Project; Matthew Kerr, computer programmer, Anchorage; Kay Gajewski, Anchorage; Bill Scannell, Anchorage; Krista Stearns, Assistant Attorney General, Department of Motor Vehicles

SUMMARY

HB 3 "An Act relating to issuance of identification cards and to issuance of driver's licenses; and providing for an effective date."

HB 3 was HEARD and HELD in Committee for further consideration.

CSHB 20 (FSH)

"An Act relating to commercial fishing loans for energy efficiency upgrades and increasing the maximum amount for certain loans under the Commercial Fishing Loan Act; and providing for an effective date."

CSHB 20 (FSH) was HEARD and HELD in Committee for further consideration.

HB 98 "An Act relating to minor consuming and repeat minor consuming; and providing for an effective date."

HB 98 was HEARD and HELD in Committee for further consideration.

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#hb98

HOUSE BILL NO. 98

"An Act relating to minor consuming and repeat minor consuming; and providing for an effective date."

JANE PIERSON, STAFF, REPRESENTATIVE JAY RAMRAS, presented the sponsor statement explaining three fixes in the bill.

HB 98 fixes a problem that occurred with the enactment of HB 359, a bill that passed the House unanimously in the 25th Legislative Session. HB 359 originated due to the desire of Alaskan youths to join the military and not being able to due to probation restrictions from a minor consuming charge that may have occurred 5 years previously. Unfortunately, when the bill was drafted, it left a loop-hole in the repeat minor consuming law.

HB 98 fixes this loop-hole by amending the language of AS 04.16.050(c) to include in the list of predicate offenses for repeat minor consuming "previously granted suspended imposition of sentence", and "a prior conviction under AS 04.16.050 (b)(2)."

This new language will now cover all repeat offenders, no matter how their previous minor consuming charges were adjudicated.

Co-Chair Stoltze requested a summary of the ultimate goal in passing House Bill 98. Ms. Pierson referred to HB 359 that states a minor convicted of minor consuming could be taken off probation in order to join the military, play sports, or

cross into Canada, so their lives would not be placed on hold because of a mistake. House Bill 98 is a technical fix to that bill.

Representative Gara questioned what would happen if this bill passed. He wondered if it was correct that a young person, with a first time arrest for having a beer, the law now states they are convicted. Ms. Pierson stated that the minor may be convicted two ways; first under AS 04.16.050 (b)(1) which grants a suspension of sentence and places the minor on probation or AS 04.16.050 (b)(2) which imposes a fine of at least \$200 but not more than \$600, requires the minor to attend alcohol information school or be on probation for up to one year. It further states that the court may suspend a portion of the fine if the minor is required to pay for education or treatment.

Representative Gara reminded the committee that when this bill came before them last year some members wanted to fix the law, but were met with resistance. He contended that he disliked the "convicted" language for a 17 year old caught having a beer. He judged this offense could be settled with a fine or require education but not use "conviction" language.

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Ms. Pierson replied that under AS 94.16.050 (1) (3) the statute states that previously convicted to exclude a conviction for minor consuming, therefore there is some leeway. Representative Gara emphasized he did not want this person treated as a criminal and reiterated it should not be considered a crime. Ms. Pierson replied it would be a crime. Representative Gara believed the bill needed further examination.

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Representative Austerman expressed the same concern as Representative Gara. He believed more time was needed to investigate this bill. Co-Chair Stoltze expressed there had been intent to pass the bill, but he believed if there were still questions, the bill needed further examination.

QUINLAN STEINER, DIRECTOR, PUBLIC DEFENDER AGENCY, DEPARTMENT OF ADMINISTRATION, testified via teleconference, and affirmed the department would look into the questions expressed by Representative Gara and Representative Austerman. Representative Gara contended the statute is strange in that it is only statute on the books that talks about probation and a suspended imposition of sentence for something that does not receive a jail sentence.

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ANNE CARPENETI, ASSISTANT ATTORNEY GENERAL, LEGAL SERVICES SECTION-JUNEAU, CRIMINAL DIVISION, DEPARTMENT OF LAW agreed that a minor consuming is not a crime for the first and second time but the word "crime" is used because it is not clear what else to call it. In 2001 the law was changed for minor consuming in the state to recognize that minors try things and should not be tagged with a crime but at present there is no other label to assign to this offense. Co-Chair Stoltze asked if this was a semantic issue, calling it a crime for lack of a better definition. Ms. Carpeneti agreed it should not be a crime, but crime-related language is used. Co-Chair Stoltze asked if Ms. Pierson's testimony was in error. Ms. Carpeneti asserted that the first and second offenses are not crimes but the third would be a Class B misdemeanor. Representative Gara asked if language could be inserted into the statute that said the first two offenses are not considered crimes. Ms. Carpeneti expressed the need to look at the statute more carefully before making any final decisions.

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Representative Gara asked if this was the only statute that had probation and suspended imposition of sentences where there is no possible jail time. Ms. Carpeneti believed that was true, but needed to investigate further.

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Representative Austerman reiterated he was not trying to protect the habitual drinker, but he also did not want to penalize a minor for trying something for the first time.

Representative Joule wondered if citations, something less than crimes, could be used in this case. Ms. Carpeneti explained that a citation is a charging or ticketing document and caution would be needed in using that word, but it could be considered. Chair Stoltze interjected that this discussion would depart from Representative Ramras's intent from a technical fix to a substantive change to an exiting statute. He would want all interested parties to have a say before making such a change.

HB 98 was HEARD and HELD in Committee for further consideration.

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#hb3

HOUSE BILL NO. 3

"An Act relating to issuance of identification cards and to issuance of driver's licenses; and providing for an effective date."

DIRK MOFFAT, STAFF, REPRESENTATIVE BOB LYNN expressed that HB 3 contends that an applicant for an Alaskan driver's license or identification card be able to prove who they are combined with legal status presence in the State of Alaska and that the license expires when their legal presence expires. He stated if someone can not walk down the street legally they should not be able to drive.

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Representative Gara understood that only legal Alaska residents or visitors get a driver's license, but he wondered if the Department of Motor Vehicles (DMV) will now be screening legal residents and impose hassles for everyone. Mr. Moffat replied there would be no requirement for those with an existing Alaska driver's license or identification card to show any proof; they will be grandfathered in by the system. He added only new individuals seeking an Alaska driver's license or identification card will be required to show a primary document. This would also apply to those who license or card has expired over 90 days or has been revoked. Representative Gara expressed concern that this might be a backdoor way of implementing the Real ID Act. Mr. Moffat interjected that had been a major concern of Representative Lynn. This act does not comply with the Real ID Act because there is a 90 day grace period, whereas the federal bill requires everyone to show personal documentary evidence every time they renew their license. He added that SB 202, sponsored by Senator Bill Wielechowski, passed last year, made it against the law for the State of Alaska to cooperate with the federal government in implementing the Real ID Act. Mr. Moffat added that when Senator Wielechowski was asked if HB 3 would affect HB 202, the senator replied it would not have an impact.

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Representative Gara responded that the word "solely" allows them to implement the Real ID Act. He stressed his greatest concern was an imposed hassle for Alaskans in order to catch a few others. He noted that the bill will impact those who move here and attempt to get a license and those who apply for license renewal. He offered that there needs to be a balance against individuals who have done nothing wrong and a few who may.

Mr. Moffat expressed no desire to punish anyone, but with existing identity fraud it is important to know anyone coming to this state is who they say they are. He added that some other state's requirements are stricter and some more lenient. When Alaskans get their first driver's license they must show the proper identification.

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WHITNEY BREWSTER, DIRECTOR, DIVISION OF MOTOR VEHICLES, DEPARTMENT OF ADMINISTRATION testified via teleconference and addressed three items. She noted that the DMV already requires when applying for an original driver's license various forms of identification. This bill does not change that requirement only expires the license or identification card when the documentation expires. She also noted that the DMV is aware of the legislature's stance on the Real ID Act through HJR 19 and SB 202.

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Representative Joule pointed out that in looking over the regulations on primary and secondary documents there is a reference to the Bureau of Indian Affairs card or tribal card (State of Alaska, Division of Motor Vehicles Secondary Identification documents, page 3, line 2, copy on file). He questioned if individuals from rural areas of the state who have not established any of the listed required primary documents could use the tribal card as a primary source document.

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Ms. Brewster acknowledged she is aware of the issue and is willing to look at the tribal card as a primary document. She expressed being unfamiliar how the cards are issued and what information is provided to create the card.

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Representative Joule asked if she would actively pursue discovering this information. Ms. Brewster replied she would be interested in talking with Representative Joule's contacts. Representative Joule responded he would follow up with appropriate contacts for her.

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Co-Chair Stoltze indicated that all the proposed amendments available for this bill would be faxed to her office.

Representative Gara referred to HB 3, line 14, and asked why the section that applies to 60 year olds is needed.

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Representative Lynn indicated it would be a convenience to elders and less money to the state in getting a driver's license or an identification card. Mr. Moffat indicated that presently identification cards are issued free for those 60

and older and the new card would be recognized for 8 years instead of five.

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Representative Gara supported the intent to make it easier for seniors, but he did not believe there was expiration for identification cards. Ms. Brewster reported that there is a 5 year expiration date for identification cards, but the proposed legislation would provide a courtesy to those 60 and above by extending it 8 years. Representative Gara questioned why it is necessary for a senior citizen from a rural area to renew an identification card. Ms. Brewster answered that it is the law and it was important to make sure that individuals have the most current identification.

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Mr. Moffat elaborated that cards should not last forever because identity theft could occur. Co-Chair Stoltze indicated that the committee was not sure where to go with this discussion.

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Representative Austerman asked how many people, outside the scope of this law, are already getting driver's licenses. Representative Lynn responded that he does not think anyone knows that answer. Mr. Moffat also did not know that number.

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Ms. Brewster explained that the DMV does not keep statistics of those turned away or have an expired license. Representative Lynn responded that it would be hard to keep such data.

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Representative Crawford indicated that he was not familiar with the matricula consular card (HB 3, page 2, line 25). Representative Lynn explained that matricula consular cards are issued by the Mexican government declaring their citizens have a right to be in the United States. Ms. Brewster remarked that the card is issued by a consulate without any backup information to verify identity. Representative Gara mentioned on page 3, line 20, those who are allowed to be in the country and wondered if this targeted all permitted people or if there were other classifications being missed.

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Representative Lynn answered legal presence includes those with unexpired visas, unexpired work permits, green cards, or amnesty certificates. Ms. Brewster indicated that she had nothing to add.

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ROBIN BRONEN, EXECUTIVE DIRECTOR, ALASKA IMMIGRATION JUSTICE PROJECT, testified via teleconference, identified her organization as an Anchorage non-profit group that provides legal services throughout Alaska for immigrants and refugees. She expounded that this issue is complex and DMV was making identity decisions on who can get a driver's license or an identity card. She noted that most of her organization's work concerned domestic violence and human trafficking victims. Since July 2008, her group has worked with over 150 immigrants who are victims of crimes. They are often married to US citizens whose responsibility it is to make sure their immigrant spouse gets the proper immigration documentation to live and work in the United States. Many of the women live in remote areas and their inability to get driver's licenses puts another barrier in their search for safety and protection. The legislation as it is now written excludes these immigrants from getting a driver's license or identity document. Ms. Bronen provided a recent case of a woman who went to renew her driver's license, was reported to homeland security by the DMV, and is now caught in deportation proceedings. Ms. Bronen suggested that the fiscal note underestimates the true cost. She gave examples of much higher costs in other states.

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Ms. Bronen explained that the matricula consular card is issued by the Mexican government and does nothing to verify a person's legal immigration status in the United States. She added another area of concern is the First Nations people of Canada who are allowed to enter the United States pursuant to the Jay Treaty without needing immigration documents. Under the proposed HB 3 legislation, the First Nations people would not be allowed to get a driver's license even though they are legally allowed to be in the United States.

Co-Chair Stoltze asked Ms. Bronen if she knew how many illegal immigrants were in Alaska. Ms. Bronen indicated her organization does not keep track of that information because her group works with immigrants that are in the process of getting their legal documentation. The organization is presently working with 700 immigrants in the process of getting their legal documentation.

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Representative Lynn asked if the people Ms. Bronen is working with have legal status. Ms. Bronen replied they are working to get their legal status documentation. The organization has had 100% success in getting the documentation.

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Representative Gara asked Ms. Bronen about the list on page 3 of people legally allowed to be in the United States and asked if that covered everyone or if other categories should be added. Ms. Bronen indicated that many people would be excluded under this bill. Immigration laws constantly change and the list would need to be continually modified. Representative Gara asked if someone could be legally in the United States, applying for legal status, but not yet obtained it. Ms. Bronen answered from an immigration legal perspective, according to the Immigration Nationality Act; a person who is in the process of acquiring any immigration documents does not have legal status until the documents have been approved.

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MATTHEW KERR, COMPUTER PROGRAMMER, ANCHORAGE, testified via teleconference, informed that he is not against the basic idea of the bill, but the bill does not account for how the United States immigration law works or the added consequences of overburdening the DMV. Alaska already has legal presence requirements implemented requiring proper immigration documents for foreign license applicants. He disagreed with the section of the bill that ties the expiration date of the driver's license or identification card with the last date of legal presence; people legally or temporarily in the United States for a long duration frequently change immigration status. Mr. Kerr noted that because the legal processing rate for immigrants can be 12 months or longer an applicant should not be punished by being unable to renew or get a license because of the legal delay. Mr. Kerr listed some common sense methods to preserve the full intent of this bill yet streamline the implementation.

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Representative Gara requested Mr. Kerr send some language and suggestions to the committee.

KAY GAJEWSKI, ANCHORAGE, testified via teleconference, believed HB 3 puts public safety at risk. She opposed the bill, stressing her belief that immigration issues should be handled on the federal level.

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BILL SCANNELL, ANCHORAGE, testified via teleconference, expressed his opposition to the Real ID Act since its enactment and does not like HB 3. He believed HB 3 had been dealt with last year with SB 202 when the state rejected the Real ID Act. He described HB 3 as an immigration bill, not best practices for Alaska driver's licenses.

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KRISTA STEARNS, ASSISTANT ATTORNEY GENERAL, DEPARTMENT OF MOTOR VEHICLES testified via teleconference, indicated she was available for questions.

Representative Gara suggested that help was needed in the language of the proposed amendments. Ms. Stearns indicated she would look at the language. She believed it was problematic for the DMV to upgrade computers and funding could be interpreted as Real ID.

Co-Chair Stoltze indicated that Amendments 1 and 2 will be sent to Ms. Stearns to examine.

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KEVIN BROOKS, DEPUTY COMMISSIONER, DEPARTMENT OF ADMINISTRATION commented that SB 202, passed last year, was a compromise. He stressed that the Real ID Act is very thick and contains some common sense good business practices for the DMV but this bill does not plan to make the state compliant with Real ID. He approved of HB 3 as good business sense of Alaska.

Co-Chair Stoltze asked if the administration had taken a position on illegal immigrants getting driver's licenses. Mr. Brooks replied that the administration believes people should have a legal presence to get a license. Representative Gara asserted that he had a problem with the work "solely." He acknowledged that most in the department would not cross the line but keeping the word "solely" gives the DMV the right to implement the Real ID Act. He challenged that when criminal statutes are not written with certainty, the discretion to interpret is left to law enforcement with potential negative results. A law should be written that does not allow future directors or employees of the DMV to go down the road of implementing the Real ID Act.

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Deputy Brooks appreciated the comments, but reminded the committee that the department is subject every year to the appropriation act and legislative audit that provides checks and balances. Representative Gara remarked that the best check is to write the statute the correct way. Mr. Moffat

emphasized that Senator Wielechowski, sponsor of SB 202, said HB 3 would have no impact on legal presence or good practices of the DMV.

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Representative Gara repeated that the Senator Wielechowski did not put the word "solely" into the bill and the legislature has the obligation to write it correctly. Co-Chair Stoltze stated that he thought the concept was simple and leaned toward Representative Lynn's bill. Representative Lynn reminded the committee that the judiciary heard the identical bill last year. Co-Chair Stoltze interjected that last year's decisions were not relevant this year.

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Co-Chair Stoltze announced that public testimony was now closed.

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Representative Fairclough mentioned her familiarity with the Alaska Justice project from her work at a victim's crisis center. She related her personal experiences dealing with immigrants brought into the country under false pretenses. She wondered if there was consideration for those inside the U.S. system trying to find freedom and justice. Representative Lynn expressed his concern for people with problems getting their legal documentation, but he maintained that was outside the scope of this bill; the issue was the correct qualifications for a driver's license. Representative Lynn stressed that the entire immigration situation was difficult and involved, but he felt that if someone was in the country illegally they should not be able to get a driver's license. Mr. Moffat stressed that this bill was not trying to punish anyone, but hopefully encourage non-United States citizens to keep their legal immigration status current.

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Representative Fairclough contended that in her work with domestic crisis victims, individuals may have their immigration papers kept from them in order to control their lives and movements. She maintained her concern for women and children in these difficulties.

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Representative Fairclough asked Ms. Bronen if the people she handled were seeking driver's licenses in order to stay in the country. Ms. Bronen answered that most people were not particularly seeking licenses, but it is a document most

will need eventually to get safety and protection. Representative Fairclough asked if there was a place immigrants could ask for help to protect their rights inside of the process. Ms. Bronen answered that processing documentation moves slowly and there is no process to get earlier or waived documentation. Representative Fairclough stated that if the police are responding to a domestic violence or rape situation, the victim's lack of documentation can not be used against them. Ms. Sterns replied that she was not an authority in criminal law, but believed that lack of documentation is not used against a victim.

Representative Austerman wondered if he left the state for 90 days and received a license in another state what documents would he need to present in order to reestablish his Alaska license.

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Ms. Brewster replied that he would need to provide one of the listed primary documents. Representative Austerman asked how is showing the primary documentation different from the presented change in the law in BH 3. Ms. Brewster replied that the DMV was looking for the license to expire when the documentation expires.

Representative Gara expressed the need for more time to discuss and rewrite this bill before passing. Co-Chair Stoltze agreed that many questions still required acceptable answers. Representative Austerman mentioned that he does not see in HB 3 where it mentions the length of time for a license. Representative Lynn said the basic premise of the bill is that the driver's license would expire when legal status expires. Ms. Brewster agreed that was the understanding of the bill.

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Representative Austerman hypothesized if he left the state for a few years, his license would expire. Representative Lynn agreed that legal documentation would need to be shown before receiving a new Alaska driver's license. Representative Austerman asked why new language was being added to identify the documentation if it was already required. Ms. Brewster answered that the language is for clarification in statute and to identify that those currently in the state with a legal license do not have to go through the process again.

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Representative Fairclough asked, in response to Representative Austerman's question, if there were criteria

or a booklet listing the acceptable documentation for a driver's license in other states. Ms. Brewster responded that an out-of-state driver's license is not an accepted primary form of identification.

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Representative Crawford noted in the proposed Amendment #1 that if the word "solely" was deleted this would help where they were going with Amendment #2. Mr. Brooks commented that Amendment #1 is very similar to the language found in SB 202 specifying that nothing would be done to comply with the Real ID Act, while recognizing there was many worthwhile things in the act. Amendment #2 is more specific in being opposed to the Real ID Act. Co-Chair Stoltze indicated that no vote would be taken today as more discussion was needed. Representative Crawford noted that if the word "solely" was struck this may help lessen the impression that there was compliance to the Real ID Act.

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Co-Chair Stoltze indicated that his staff member, Mr. Mulligan, would work with several legislators and the sponsor of the bill to reach a consensus. Representative Austerman expressed that he just needed to understand the bill better.

HB 3 was HEARD and HELD in Committee for further consideration.

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#hb20

CS FOR HOUSE BILL NO. 20(FSH)

"An Act relating to commercial fishing loans for energy efficiency upgrades and increasing the maximum amount for certain loans under the Commercial Fishing Loan Act; and providing for an effective date."

REPRESENTATIVE BRYCE EDGMON presented HB 20 which amends a commercial fishing loan act to allow for a greater number of fishermen to participate in an energy efficiency loan program. This bill would allow for a fixed rate loan for up to 15 years at prime minus 2 percent. Representative Edgmon specified that the bill allows for Section A loan participants to participate in a loan program currently confined to Section B participants. He elaborated that to be a Section B participant, the fisherman must have been turned down by a bank, demonstrated that one-third of their gross income derives from commercial fishing, and they are in the low income or poverty level. He differentiated that Section A is a loan program, up to \$300,000, for commercial

fishermen who can demonstrate they have been in Alaska for several years and fished the last 2 out of 5 years. Representative Edgon noted that HB 20 also raises the overall cap from Section A and Section B participants from \$300,000 to \$400,000 and makes the new energy efficiency program retroactive to September 1, 2008 with an immediate effective date.

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Representative Kelly questioned the delinquency rate of the loan fund and who the bill misses. Representative Edgmon responded that the loan portfolio is performing very well which is why they are able to bring this forward. Representative Kelly requested some numbers for further information. Co-Chair Stoltze asked for clarification if this was income based or by credit record.

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Representative Edgmon replied that there is no income levels in terms of earning potential, but limits as to how much can be borrowed under Section A and Section B. Section A has a limit of \$300,000 and Section B with a lower \$100,000 cap contains the additional requirements that the fisherman must have been turned down by a bank and that one third of the gross income comes from commercial fishing. Co-Chair Stoltze asked if there is any delineation for size of the operation. Representative Edgmon responded that the ceiling would be \$400,000 in combination with the two loan subsections. He clarified that a fisherman would have to prove the ability to repay the loan over a 15 year period.

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Co-Chair Stoltze asked how the department evaluates a good business risk. Vice-Chair Thomas interjected that as a 40 year commercial fisherman, he never qualified for this loan because he has never been turned down by a bank. He believed this loan could help his son obtain a down payment for his own operation. Representative Edgmon repeated there were two different loan sections. He noted that the change would allow Section A participants to cross over to Section B in order to obtain more energy efficiency loans. He reminded that in Section B the fisherman has to be turned down by a bank, but Section A does not have that requirement. The energy efficiency loan only resides in Section B; this bill is trying to broaden the loan to include those only eligible for Section A.

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Co-Chair Stoltze illustrated that Vice-Chair Thomas could not get this energy efficiency loan because of his good past

behavior practices. Vice-Chair Thomas favored this bill for providing the means to acquire more fuel efficient vessels especially since fishermen were traveling further offshore to obtain more wild stocks. He added this would help in marketing wild stock salmon and in emission controls.

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Representative Edgmon agreed the bill would enable someone like Vice-Chair Thomas, a Section A participant, to participate in the energy efficiency program residing in Section B. Representative Austerman contended that the bill's original purpose is for fishermen to acquire more energy efficient engines to help offset the high cost of fuels and reduce the carbon footprint in the ocean. He added this would also allow boats to be geared with other energy efficiency means, such as adding a small wind generator or solar panel while in the harbor.

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Vice-Chair Thomas remarked that 5 to 10 percent of fuel can be saved by changing the bow design on some larger boats.

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Co-Chair Stoltze asked if this bill also applies to the health of the fisheries in rivers. Representative Edgmon replied that many fishermen travel a long way to the harvest grounds; therefore more efficient engines would improve the health of fisheries everywhere. He added that in this low interest environment fishermen could change to more fuel efficient vessels.

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Co-Chair Stoltze asked if the bill could help modernize boats in the big river systems. Representative Edgmon replied that HB 20 addresses the commercial fishing loan program, but within the portfolio there are smaller loan programs available to help smaller vessels. Co-Chair Stoltze wondered if off shore charter boats could be helped to burn oil in a more efficient manner and if this was consistent with the bill's idea to promote fuel efficiency.

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Representative Austerman interjected that there was discussion on the charter boat issue, especially on larger river systems, but it was outside the commercial loan program. He added that an attempt to classify sports charter fishing as commercial fishing had been rejected by the charter fishing boat operators. Vice-Chair Thomas reported that many sport charter operators are not residents of the

state. Representative Austerman mentioned that charter boats from his region asked if they would be covered under this bill, but indicated they were not willing to be classified as commercial fishermen.

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Representative Edgmon replied the bill's intent was confined to commercial fishermen.

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Representative Fairclough supported the concept of the bill, but not the fiscal note attached. She noticed that departments request new full time employees (FTE) every time a new program is started. She asked Representative Edgmon how much money was currently in the fund. Representative Edgmon responded that the position in the fiscal note is for an anticipated need that will be based on how many participants come into the program. He added the funds derive from the portfolio itself with no general funds. Representative Fairclough asked how many loans, managed by the Department of Commerce, Community and Economic development, were applied for in FY08 and FY09, the value of the loans, and how many FTE's presently manage it.

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GREG WINEGAR, DIRECTOR, ALASKA DIVISION OF INVESTMENTS, DEPARTMENT OF COMMERCE presented an overview on the history of the program. Sixty million dollars were originally put into the program and over \$400 million has been distributed in loans; it pays its own way with no expenses to the general fund. The fiscal note was added for the position because of an anticipated rise in demand once this bill is implemented. The department anticipates \$4.8 million in loans for the first year, but the position will not be filled unless needed. Co-Chair Stoltze asked if commercial charters would be eligible for this loan. Mr. Winegar replied that this program, dating from the early 70s, is for commercial fishermen not the charter boats as these are totally different industries. A major change in the program would be needed to incorporate the charter boat industry.

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Representative Fairclough reiterated that she supports the bill, but believed there is a consequence to the general fund by withdrawing out additional operating dollars. She understood the interest that is earned off the fund is dropped into the general fund, so there will be less interest if reducing the capital asset. Mr. Winegar replied that the interest goes into the fund, not the general fund. It is a revolving fund so all the payments, interest, and

earnings on investments, roll into the fund itself and all the expenses are paid out of the fund. Representative Fairclough referred to page 2, second paragraph of the fiscal note:

Currently, cash in the CFRLF is managed by the Department of Revenue and is invested in short term instruments that are yielding minimal returns in this interest rate environment. These earning are retained by the General Fund.

Representative Fairclough asked if this referred to the general fund in CFRLF or the state of Alaska general fund. Mr. Winegar replied that basically the cash going into the general fund right now is minimal. He noted that the fiscal note refers to an indeterminate change in the interest rate charged by the loans, the 2 or 3 percent range, with expenses and losses coming out that may have an impact depending on earnings.

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Representative Fairclough asked how much is in the current fund. Mr. Winegar projected that at the end of FY09, the fund is around \$30 million. The portfolio with interest and principle is around \$72 million; the total around \$100 million. Representative Fairclough asked how many loans are managed in this division and how many loans this new FTE position would manage. Mr. Winegar estimated that the new position would be working on \$4.8 million in loans over and beyond the current amount. Representative Fairclough asked again from the department's perspective the utilization of grant dollars generated from the state versus federal money.

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Winegar answered that the fund manages \$204 million in assets and loans with over 2600 accounts, in addition, there is cash managed by Department of Revenue. Representative Fairclough asked how many FTE's are now managing the 2600 accounts. Mr. Winegar had percentages but not numbers. Representative Fairclough replied she needs the numbers. Mr. Winegar referred to a January 12, 2009 report that the total delinquency accounts were 2.8 percent, .1 percent in foreclosure, 7.5 percent delinquent in commercial fishing, and .3 percent in foreclosure.

[3:50:11 PM](#)

Representative Austerman addressed the willingness to discuss the charter sport operators. Co-Chair Stoltze expressed his sympathy for helping the charter boat industry as a statewide responsibility. Vice-Chair Thomas added that his district has about 2300 commercial fishermen. He

remarked that commercial fishermen are punished by the excessive overfishing by charter boats. He declared he has no problem helping the small charter vessel with fuel efficiency programs, but not the large out-of-state operators.

[3:56:34 PM](#)

Co-Chair Stoltze indicated this bill would require another hearing to refine some of the questions asked.

Representative Fairclough wondered with the \$72 million in the fund, with the expected \$4.2 million increase in requested loans, would the money come out of the \$72 million or the \$30 million cash flow. She requested clarification that in the \$204 million in outstanding loans, if the monthly payments return to the fund to create the cash flow. Mr. Winegar agreed that was correct; it is a revolving process. Representative Fairclough asked if the \$4.2 million will reduce the earning ability of the assets just sitting, or increase because it is getting paid a fixed interest rate from the funds being loaned against. Mr. Winegar agreed that was correct. He pointed out that of the \$60 million originally put into the fund over \$100 million had come out and a large amount has reverted into the general fund or to support other organizations, such as the Department of Fish and Game. Representative Fairclough asked if she could be provided information on what was contributed to the general fund in FY08 and FY09.

[4:00:03 PM](#)

HB 20 was HEARD and HELD in Committee for further consideration.

#

ADJOURNMENT

The meeting was adjourned at 4:00 PM.