

HOUSE FINANCE COMMITTEE
April 1, 2009
1:38 p.m.

1:38:27 PM

CALL TO ORDER

Co-Chair Stoltze called the House Finance Committee meeting to order at 1:38 p.m.

MEMBERS PRESENT

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

MEMBERS ABSENT

Representative Allan Austerman

ALSO PRESENT

Tyson Fick, Legislative Liaison, Department of Commerce, Community and Economic Development; Eddy Jeans, Director, School Finance, Department of Education and Early Development; Christine Hess, Staff, Representative Joule

PRESENT VIA TELECONFERENCE

Ted Leonard, Executive Director, Alaska Industrial Development and Export Authority, (AIDEA)

SUMMARY

HB 199 "An Act making supplemental appropriations and capital appropriations; amending appropriations; and providing for an effective date."

HB 199 was postponed.

HB 90 "An Act relating to bonding limitations and confidentiality of records and information of the Alaska Industrial Development and Export Authority; and providing for an effective date."

CSHB 90 (FIN) was REPORTED out of Committee with a "do pass" recommendation and with zero fiscal note #1 by the Department of Commerce, Community and Economic Development.

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#hb90

HOUSE BILL NO. 90

"An Act relating to bonding limitations and confidentiality of records and information of the Alaska Industrial Development and Export Authority; and providing for an effective date."

TED LEONARD, EXECUTIVE DIRECTOR, ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY, (AIDEA), reported that he had seen the amendments and was available for questions.

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Co-Chair Hawker MOVED to ADOPT Amendment 1:

Page 1, line 7:
Delete "and conduit revenue"

Vice-Chair Thomas OBJECTED.

Co-Chair Hawker explained that the legislation without the amendment would have completely removed both the refunding categories of bonds and new conduit revenue bonds from the \$400 million-a-year ceiling. He reported that he was comfortable excluding refunding bonds, but conduit revenues continue to put new money into the economy. Amendment 1 removes conduit revenue bonds from the exclusionary clause and keeps them under the \$400 million-a-year annual limit.

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Mr. Leonard understood Co-Chair Hawker's concerns and believed AIDEA could work with that limit.

Vice-Chair Thomas WITHDREW his objection.

There being NO OBJECTION, it was so ordered.

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Representative Joule MOVED to ADOPT Amendment 2:

Page 1, line 2, following "Authority;":
Insert "relating to municipal taxation of interests in certain property of the Alaska Industrial Development and Export Authority; providing for an effective date

by amending the effective date of sec. 3, ch. 117, SLA 2000, as amended by sec. 2, ch. 74, SLA 2003, and by sec. 3, ch. 67, SLA 2008;"

Page 3, following line 9:

Insert a new bill section to read:

"* **Sec.7.** Section 19, ch. 117, SLA 2000, as amended by sec. 2, ch. 74, SLA 2003, and by sec. 3, ch. 67, SLA 2008, is amended to read: Sec. 19. Section 3 of this Act takes effect November 30, **2012** [2009]."

Renumber the following bill section accordingly.

Co-Chair Stoltze OBJECTED.

Representative Joule related that in 1999, the state assessor, for the first time, included the AIDA-owned DeLong Mountain Transportation System (DMTS) in the assessment full value determination for Northwest Arctic Borough. The Transportation System includes a 52-mile road and port site loading facility. Up to that point, the Northwest Arctic Borough had received an exemption from the assessment of the DMTS. Over the years the sunset date was extended.

Representative Joule explained that the amendment extends the exemption until November 30, 2012. The full value determination is used to calculate the required local share for the school support. Including the DMTS increases the local contribution for the Northwest Arctic School District.

Representative Joule noted that the DMTS is owned and financed by AIDEA to encourage and enable development in this remote area. He maintained that it is publically owned and should not be included in the tax base. The Northwest Arctic Borough does not have a tax base that it levies on its property tax base. They do derive their revenues through a payment in lieu of taxes (PILT) - an agreement with the Red Dog Mine.

Representative Joule stressed that not including this amendment would increase the burden on the Borough. The PILT agreement is in effect until 2011. This amendment addresses beyond that time frame. Without the extension the Borough would have to renegotiate with the Red Dog Mine.

Representative Joule related that he has talked with the administration which has indicated support. He said he chose to go with an extension rather than a repeal so the Borough assembly could fully deal with the issue. The amendment sets the date out another 3 years beyond the time frame when the PILT agreement would be taken up again. The amendment is also supported by Teck Cominko, Ltd.

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Co-Chair Stoltze reported that it has been a long-term issue.

Representative Kelly requested information from the Department of Commerce, Community and Economic Development.

TYSON FICK, LEGISLATIVE LIAISON, DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT, offered to answer questions.

Representative Kelly asked when the amendment would have an effect on the Borough and what would happen if the amendment was not adopted. Mr. Fick did not know.

AT-EASE: [1:50:20 PM](#)

RECONVENED: [1:55:02 PM](#)

Representative Kelly inquired when the amendment might take affect. He understood that if the PILT can be renegotiated in 2011, it would take place prior to the outcome of the legislation. He read the amendment as an extension of an exemption. He questioned if that was accurate.

Co-Chair Stoltze pointed out that the administration would like to find a solution before the end of its term. Mr. Fick agreed.

Representative Kelly concluded that it was truly an extension.

Representative Joule reported that there was an offer to repeal, but after consultation with the Borough, he thought an extension would be better. The mine was recently assessed and negotiation with the Borough took place at that time. The state assessor and others involved support the amendment.

Co-Chair Stoltze asked if the administration could be made available to answer questions on the House Floor. Mr. Fick reported that they could.

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Representative Kelly summarized his understanding of the bill. The date of the extension takes place before the meetings on the PILT between the Borough and the Red Dog Mine.

EDDY JEANS, DIRECTOR, SCHOOL FINANCE, DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT, clarified that the way the full value determinations works is that there is a two-year

delay before it impacts the foundation program. For example, the full values that were issued in October of 2008 were the full values used to determine the FY10 budget request.

Representative Kelly summarized that if this extension is not put into place, extra costs to the Borough could not be recovered through the PILT negotiations in November of 2011.

Mr. Jeans summarized that based on the dates discussed, the required local effort would be established before the PILT is reopened for negotiation. Representative Kelly asked if it has a real affect before negotiations. Mr. Jeans did not know. Representative Kelly restated his question. He asked if the Borough has to come up with some money because they couldn't get it covered through the PILT negotiations without the extension. Mr. Jeans explained that the required local effort would increase in FY12.

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Representative Kelly concluded that it needs to be done in order to give the administration a chance to work this out so that the Borough has enough time to negotiate the PILT payments with Teck Cominko. He surmised that it wouldn't have to be extended another time.

Representative Joule thought that part of the negotiation has to do with the price of the commodity.

CHRISTINE HESS, STAFF, REPRESENTATIVE JOULE, explained that price would be a part of the negotiation process, but it would not be guaranteed. If commodity prices did not recover and Red Dog was not doing very well, there is a real possibility that the Northwest Arctic Borough's PILT could decrease.

Representative Kelly wondered if, under the aforementioned scenario, it would fall on the Borough to pay the education piece or to convince the state to pay it. Ms. Hess added that there is an argument that it is a publicly owned road. She commented on the substantial increase of the fair value determination on the Red Dog Mine recently.

Representative Kelly understood that the administration was comfortable with the amendment as long as there was a discussion of it.

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Co-Chair Hawker referred to a letter from the governor dated April 12, 2008, which deals with the first extension. He quoted, "It is long past time to assemble the various parties and resolve this situation on a permanent basis."

The governor voiced concern about the impact on the Northwest Borough School District. He quoted the letter, "As such, I am willing to support a short extension of time on the previous law so that the question will be resolved during my term in office. You have my assurance that the administration will not defer this question."

Co-Chair Hawker voiced concern about the date on the amendment. It goes beyond the term of the current administration and acts as a safety valve. He wanted Mr. Fick's assurance that the matter would be resolved before the governor leaves office. Mr. Fick gave his assurance.

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Ms. Hess reported that the original request was for a longer extension.

Representative Kelly suggested changing 2012 to 2011.

Ms. Hess emphasized that 2012 is preferred so that negotiations could be concluded. Representative Kelly commented that his concern is that the actual impact of the amendment would take place in 2013. He asked Mr. Jeans if a date of 2012 would have an actual effect in 2013.

Mr. Jeans clarified that if the extension is made through 2011, it will show up on the 2012 full value, which would be the 2014 budget request.

[2:11:32 PM](#)

Representative Kelly MOVED to ADOPT an amendment to Amendment 2:

On line 11
Change 2012 to 2011

Co-Chair Stoltze OBJECTED.

Representative Kelly said the purpose would be to enter into a debate and get it settled.

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Representative Joule preferred to keep 2012.

A roll call vote was taken on the motion.

IN FAVOR: Kelly, Salmon
OPPOSED: Thomas, Crawford, Fairclough, Foster, Gara, Joule, Hawker, Stoltze

Representative Austerman was absent from the vote.

The MOTION FAILED (2-8).

Co-Chair Stoltze MAINTAINED his objection to Amendment 2.

A roll call vote was taken on the motion to adopt Amendment 2.

IN FAVOR: Salmon, Thomas, Crawford, Fairclough, Gara, Joule,
Stoltze, Hawker

OPPOSED: Foster, Kelly

Representative Austerman was absent from the vote.

The MOTION PASSED (8-2). Amendment 2 was adopted.

Co-Chair Stoltze noted a zero fiscal note by the Department of Commerce, Community and Economic Development.

[2:15:23 PM](#)

Co-Chair Hawker MOVED to REPORT HB 90, as amended, out of committee with individual recommendations and the accompanying fiscal note. There being NO OBJECTION, it was so ordered.

CSHB 90 (FIN) was REPORTED out of Committee with a "do pass" recommendation and with zero fiscal note #1 by the Department of Commerce, Community and Economic Development.

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ADJOURNMENT

The meeting was adjourned at 2:16 PM.