

ALASKA STATE LEGISLATURE
HOUSE LABOR AND COMMERCE STANDING COMMITTEE

April 5, 2010

1:11 p.m.

MEMBERS PRESENT

Representative Kurt Olson, Chair
Representative Mike Chenault
Representative Bob Lynn
Representative Tammie Wilson
Representative Robert L. "Bob" Buch
Representative Lindsey Holmes

MEMBERS ABSENT

Representative Mark Neuman, Vice Chair

COMMITTEE CALENDAR

HOUSE BILL NO. 416

"An Act adopting and relating to the Uniform Prudent Management of Institutional Funds Act; relating to the investment of money for charitable purposes by institutions, including governmental institutions; and relating to the University of Alaska."

- MOVED HB 416 OUT OF COMMITTEE

HOUSE CONCURRENT RESOLUTION NO. 21

Creating and relating to the Economic Development Planning Commission.

- HEARD & HELD

HOUSE BILL NO. 389

"An Act relating to loans made to commercial fishermen under the Commercial Fishing Loan Act for energy efficiency upgrades; and providing for an effective date."

- HEARD & HELD

COMMITTEE SUBSTITUTE FOR SENATE BILL NO. 269(FIN)

"An Act relating to the waiver of volume cap of recovery zone economic development bonds authorized by 26 U.S.C. 1400U-2 and reallocation by the Alaska Municipal Bond Bank Authority of the waived volume cap; relating to the waiver of volume cap of recovery zone facility bonds authorized by 26 U.S.C. 1400U-3 and

reallocation by the Alaska Industrial Development and Export Authority of the waived volume cap; increasing the total amount of bonds and notes that the Alaska Municipal Bond Bank Authority may have outstanding; relating to revenue bonds and to obligations secured by lease that are issued by the Alaska Municipal Bond Bank Authority; relating to allocations of tax credit and bonding limits imposed by the federal government; and providing for an effective date."

- MOVED CSSB 269(FIN) OUT OF COMMITTEE

SENATE BILL NO. 272

"An Act relating to charges for rented motor vehicles, including cost recovery fees, and making a violation of the rented motor vehicle charge provisions an unfair trade practice."

- MOVED SB 272 OUT OF COMMITTEE

PREVIOUS COMMITTEE ACTION

BILL: HB 416

SHORT TITLE: PRUDENT MANAGEMENT OF INSTITUTIONAL FUNDS

SPONSOR(s): LABOR & COMMERCE

| | | |
|----------|-----|---------------------------------|
| 03/17/10 | (H) | READ THE FIRST TIME - REFERRALS |
| 03/17/10 | (H) | L&C, FIN |
| 03/24/10 | (H) | L&C AT 3:15 PM BARNES 124 |
| 03/24/10 | (H) | Scheduled But Not Heard |
| 04/02/10 | (H) | L&C AT 3:15 PM BARNES 124 |
| 04/02/10 | (H) | -- MEETING CANCELED -- |
| 04/05/10 | (H) | L&C AT 1:00 PM BARNES 124 |

BILL: HCR 21

SHORT TITLE: ECONOMIC DEVELOPMENT PLANNING COMMISSION

SPONSOR(s): COMMUNITY & REGIONAL AFFAIRS

| | | |
|----------|-----|---|
| 02/23/10 | (H) | READ THE FIRST TIME - REFERRALS |
| 02/23/10 | (H) | EDT, L&C |
| 03/23/10 | (H) | EDT AT 5:15 PM CAPITOL 106 |
| 03/23/10 | (H) | Moved CSHCR 21(EDT) Out of Committee |
| 03/23/10 | (H) | MINUTE(EDT) |
| 03/25/10 | (H) | EDT RPT CS(EDT) 6DP |
| 03/25/10 | (H) | DP: TUCK, NEUMAN, CHENAULT, CRAWFORD, JOULE, RAMRAS |
| 03/25/10 | (H) | FIN REFERRAL ADDED AFTER L&C |
| 04/02/10 | (H) | L&C AT 3:15 PM BARNES 124 |
| 04/02/10 | (H) | -- MEETING CANCELED -- |

04/05/10 (H) L&C AT 1:00 PM BARNES 124

BILL: HB 389

SHORT TITLE: COMMERCIAL FISHING LOAN ACT

SPONSOR(s): SEATON

02/23/10 (H) READ THE FIRST TIME - REFERRALS
02/23/10 (H) FSH, RES
03/16/10 (H) FSH AT 10:15 AM BARNES 124
03/16/10 (H) Heard & Held
03/16/10 (H) MINUTE(FSH)
03/22/10 (H) FSH AT 3:00 PM CAPITOL 106
03/22/10 (H) Moved CSHB 389(FSH) Out of Committee
03/22/10 (H) MINUTE(FSH)
03/23/10 (H) FSH RPT CS(FSH) NT 3DP 2NR
03/23/10 (H) DP: MUNOZ, BUCH, EDGMON
03/23/10 (H) NR: KAWASAKI, KELLER
03/23/10 (H) RES REFERRAL REMOVED
03/23/10 (H) L&C REFERRAL ADDED
04/05/10 (H) L&C AT 1:00 PM BARNES 124

BILL: SB 269

SHORT TITLE: ECON. STIMULUS BONDS: REALLOCATION/WAIVER

SPONSOR(s): RULES BY REQUEST OF THE GOVERNOR

02/10/10 (S) READ THE FIRST TIME - REFERRALS
02/10/10 (S) FIN
02/15/10 (S) FIN AT 9:00 AM SENATE FINANCE 532
02/15/10 (S) Heard & Held
02/15/10 (S) MINUTE(FIN)
03/08/10 (S) FIN AT 9:00 AM SENATE FINANCE 532
03/08/10 (S) Scheduled But Not Heard
03/10/10 (S) FIN RPT CS 6DP NEW TITLE
03/10/10 (S) DP: HOFFMAN, STEDMAN, HUGGINS, THOMAS,
EGAN, ELLIS
03/10/10 (S) FIN AT 9:00 AM SENATE FINANCE 532
03/10/10 (S) Moved CSSB 269(FIN) Out of Committee
03/10/10 (S) MINUTE(FIN)
03/17/10 (S) TRANSMITTED TO (H)
03/17/10 (S) VERSION: CSSB 269(FIN)
03/19/10 (H) READ THE FIRST TIME - REFERRALS
03/19/10 (H) L&C, FIN
04/02/10 (H) L&C AT 3:15 PM BARNES 124
04/02/10 (H) -- MEETING CANCELED --
04/05/10 (H) L&C AT 1:00 PM BARNES 124

BILL: SB 272

SHORT TITLE: RENTAL CAR CHARGES
SPONSOR(s): HUGGINS

02/10/10 (S) READ THE FIRST TIME - REFERRALS
02/10/10 (S) TRA, L&C
02/23/10 (S) TRA AT 1:00 PM BUTROVICH 205
02/23/10 (S) Moved SB 272 Out of Committee
02/23/10 (S) MINUTE(TRA)
02/24/10 (S) TRA RPT 4DP
02/24/10 (S) DP: MENARD, MEYER, PASKVAN, DAVIS
03/11/10 (S) L&C AT 1:30 PM BELTZ 105 (TSBldg)
03/11/10 (S) Moved SB 272 Out of Committee
03/11/10 (S) MINUTE(L&C)
03/12/10 (S) L&C RPT 5DP
03/12/10 (S) DP: PASKVAN, MEYER, THOMAS, BUNDE,
DAVIS
03/15/10 (S) TRANSMITTED TO (H)
03/15/10 (S) VERSION: SB 272
03/17/10 (H) READ THE FIRST TIME - REFERRALS
03/17/10 (H) TRA, L&C
03/23/10 (H) TRA AT 1:00 PM CAPITOL 17
03/23/10 (H) Moved Out of Committee
03/23/10 (H) MINUTE(TRA)
03/24/10 (H) TRA RPT 2DP 1NR 1AM
03/24/10 (H) DP: T.WILSON, PETERSEN
03/24/10 (H) NR: MUNOZ
03/24/10 (H) AM: GRUENBERG
04/02/10 (H) L&C AT 3:15 PM BARNES 124
04/02/10 (H) -- MEETING CANCELED --
04/05/10 (H) L&C AT 1:00 PM BARNES 124

WITNESS REGISTER

KONRAD JACKSON, Staff
Representative Kurt Olson
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Presented HB 416 on behalf of the sponsor,
Representative Kurt Olson, Chair, House Labor & Commerce
Committee.

JIM LYNCH, Treasurer
University of Alaska Foundation
Anchorage, Alaska

POSITION STATEMENT: Testified during the discussion of HB 416.

GRANT CALLOW, Member

Alaska Uniform Law Commissioner
National Conference of Commissioners on Uniform State Laws
(NCCUSL)
Anchorage, Alaska

POSITION STATEMENT: Testified during the discussion of HB 416.

ERIC WOHLFORTH, Attorney
Wohlforth, Johnson, Brecht, Cartledge, & Brooking A Professional
Corporation (PC)
Anchorage, Alaska

POSITION STATEMENT: Testified during the discussion of HB 416.

ROB EARL, Staff
Representative Bob Herron
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Presented a PowerPoint on behalf of the
prime sponsor of HCR 21.

ERIN HARRINGTON, Staff
Representative Alan Austerman
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Presented a PowerPoint during the
discussion of HCR 21.

KATIE KOESTER, Staff
Representative Paul Seaton
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Presented HB 389 on behalf of the prime
sponsor.

GREG WINEGAR, Director
Division of Investments
Department of Commerce, Community, & Economic Development
(DCCED)
Juneau, Alaska

POSITION STATEMENT: Testified and answered questions during the
discussion of HB 389.

DEVEN MITCHELL
Alaska Municipal Bond Bank Authority
Department of Revenue (DOR)
Anchorage, Alaska

POSITION STATEMENT: Testified and answered questions during the
discussion of SB 269.

KATHERINE DODGE
Fairbanks North Star Borough
Fairbanks, Alaska

POSITION STATEMENT: Testified in support of SB 269.

EDRA MORLEDGE, Staff
Senator Charlie Huggins
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Presented SB 272 on behalf of the prime sponsor.

SHANE SKINNER, Controller/Business Manager
Enterprise Rental Cars
Renton, Washington

POSITION STATEMENT: Testified and answered questions during the discussion of SB 272.

ACTION NARRATIVE

[1:11:49 PM](#)

CHAIR KURT OLSON called the House Labor and Commerce Standing Committee meeting to order at 1:11 p.m.

[1:11:51 PM](#)

Representatives Lynn, Buch, Holmes, T. Wilson, and Olson were present at the call to order. Representative Chenault arrived as the meeting was in progress.

[1:11:59 PM](#)

HB 416-PRUDENT MANAGEMENT OF INSTITUTIONAL FUNDS

[1:12:14 PM](#)

CHAIR OLSON announced that the first order of business would be HOUSE BILL NO. 416, "An Act adopting and relating to the Uniform Prudent Management of Institutional Funds Act; relating to the investment of money for charitable purposes by institutions, including governmental institutions; and relating to the University of Alaska."

[1:12:18 PM](#)

KONRAD JACKSON, Staff, Representative Kurt Olson, Alaska State Legislature, paraphrased from the sponsor statement, which read [original punctuation provided]:

HB 416 would allow the State of Alaska to adopt the Uniform Prudent Management of Institutional Funds Act (UPMIFA).

UPMIFA replaces obsolete rules and concepts of investment and management of endowments and charitable funds currently in use. It provides current, industry best practices guidelines, essential to proper management.

HB 416 is will help administrators fulfill their fiduciary responsibilities to the funds they manage. Clear definitions on prudent practices and applicable standards are laid out for administrators of charitable funds and endowments.

The UPMIFA will assist nonprofits and volunteer trustees to minimize exposure to disputes and legal challenges over issues related to currently unclear administrative rules and practices.

Traditional trust principles regarding the distribution of what might otherwise be considered the corpus differ from the UPMIFA. In conjunction with Financial Accounting Standards Board requirements, UPMIFA allows advances against future earnings to the extent such advances are prudent and consistent with the mission and purpose of the endowment.

At present, only 3 other states have not adopted or introduced UPMIFA legislation.

[1:15:23 PM](#)

JIM LYNCH, Treasurer, University of Alaska Foundation, stated that he has managed the endowments for the University of Alaska for the past 25 years. He related that he worked with Senator Paskvan on the companion bill. This bill sets out responsible practices for management of charitable funds, consistent with what the legislature has previously adopted for trusts. He explained that this legislation has already been adopted by 43 states, including the District of Columbia and the U.S. Virgin

Islands. It essentially incorporates requirements and considerations that provide for accountability and a determination of prudent actions. It allows administrators the flexibility needed to manage endowments during the volatile market conditions. It is difficult to manage endowments when income is "jumping up and down" every year. He stated he cannot tell students who applied for and were awarded scholarships that they are no longer available due to market fluctuations.

MR. LYNCH related the bill would clarify outdated provisions, although most of the updates affect East Coast colleges that have been operating for several hundred years, often containing some peculiar provisions. This bill would reduce the exposure for non-profit entities and their trustees that may not be familiar with nuances. In Alaska, without any laws that apply, it is difficult to sort out responsibilities. He referred to two sections that directly address the UA Board of Regents, to indicate how the Board of Regents will follow the provisions of HB 416. The bill corrects unintended consequence of 2005 statutory changes on retirement bills. The Board of Regents authority for investment of funds and the endowments came from a cross reference that allowed the Board of Regents the same authority for the endowments as the state pension committee has for the pension funds. These represent the fiduciary responsibilities, but when the Alaska Retirement Management Board was created, the new statute references changed. Instead, this bill would directly address the responsibilities that apply to the Board of Regents endowment administration and non-profit funds.

[1:20:23 PM](#)

REPRESENTATIVE HOLMES referred to page 6, line 19, to the definition of "endowment fund ." She read, "...which does not include assets of an institution designated by an institution as an endowment fund for its own use;."

MR. LYNCH answered that the definition of an endowment fund is fairly broad and this definition would exclude those funds which are designated by the board as endowments. He referred to them as quasi-endowments, which are treated like endowments but are available to creditors and are unrestricted. The designation was set up by the administrative board and can be changed by the board. That is the distinction between the "true endowments: and "quasi-endowments." This definition would clarify that endowments created by a board are not controlled by this statute. They are unrestricted funds and the board will make

the determinations. The other endowments are restricted by donors and the institution cannot change the restrictions. Thus, when a donor donates unrestricted funds, the board can use the funds for anything it chooses, but if the donor designated funds to be used for the math department, the UA would need to abide by the restriction.

[1:23:33 PM](#)

REPRESENTATIVE HOLMES referred to page 4, to line 7 to gifts that "create an endowment fund of permanent duration." She asked for clarification.

MR. LYNCH explained that means "in perpetuity." Thus, if the UA receives an endowment for a specific purposed then the restrictions apply. If the funds are be used for the math department. Otherwise, if the need over time becomes illegal or improper, the UA must go back to the court to make a determination on what happens to the money. This bill would also create a provision for small endowments of less than \$50,000 for an expedited procedure since going back to court is expensive. Thus, the UA would go through the Department of Law and this provision would allow the endowment to use the funds for a purpose as closely related to the purposed intent. If the donor states it is an "endowment" then the funds are permanent.

REPRESENTATIVE HOLMES related her understanding that the provisions that would apply are those on page 5 under AS 13.70.040.

MR. LYNCH agreed that either the UA would go back to court or use the expedited procedure in instances of a small endowment.

[1:26:18 PM](#)

MR. LYNCH pointed out the default nature of the bill. He explained that essentially if other laws affect endowments, then the other provisions would apply first, followed by the the UPMIFA. Thus, a formal trust would take precedence over UPMIFA. The statute provides the rules absent a donor agreement. He restated that all of the agreements take precedent over the statute.

[1:27:38 PM](#)

GRANT CALLOW, Member, Alaska Uniform Law Commissioner, National Conference of Commissioners on Uniform State Laws (NCCUSL),

explained that he could answer questions on how the bill came about and could answer any drafting questions. He offered that Kentucky just enacted UPMIFA, so Alaska is one of five jurisdictions that still not enacted UPMIFA. This bill would provide much more flexibility to persons managing institutional funds, but also provides some controls on the delegation of the management of the funds. This bill encourages gift-giving and charity since it provides confidence and assurances to donors that their charitable contributions wishes will be followed.

MR. CALLOW offered that many institutional advisors were in. Some reference to the attorney general's office. Deborah Behr, Assistant Attorney General is also a Uniform Law Commissioner. The Attorney General's (AG) office has reviewed the bill and does not have any issue with the AG's role. He offered his belief that in Alaska, it is preferable to have the institutional funds managed here rather than elsewhere. Enacting UPMIFA will help ensure that goal is met and will minimize the conflict in instances in which funds are managed outside the state, but benefit persons in the state. Thus, an issue of conflicts of law could arise. This is one reason that this law is designated as a uniform law and to provide for consistency among the states. In addition to being adopted unanimously by the states at the Commission on Uniform Laws, it was sent to American Bar Association House of Delegates where it was approved. This bill has been a very popular bill, he stated.

[1:31:58 PM](#)

ERIC WOHLFORTH, Attorney, Wohlforth, Johnson, Brecht, Cartledge, & Brooking, A Professional Corporation (PC), asked to add to the comments already made and thanked members.

[1:32:37 PM](#)

CHAIR OLSON, after first determining no one else wished to testify, closed public testimony on HB 416.

[1:32:51 PM](#)

REPRESENTATIVE HOLMES moved to report HB 416 out of committee with individual recommendations and the accompanying fiscal notes. There being no objection, HB 416 was reported from the House Labor and Commerce Standing Committee.

[1:33:20 PM](#)

The committee took an at-ease from 1:33 p.m. to 1:35 p.m.

HCR 21-ECONOMIC DEVELOPMENT PLANNING COMMISSION

1:35:00 PM

CHAIR OLSON announced that the next order of business would be HOUSE CONCURRENT RESOLUTION NO. 21, Creating and relating to the Economic Development Planning Commission. [Before the Committee was the CSHCR 21(EDT).]

1:35:31 PM

ROB EARL, Staff, Representative Bob Herron, Alaska State Legislature, introduced himself. He explained that the bill's prime sponsors are Representative Herron and Munoz, but commented that Representative Austerman's office has also been instrumental in bringing this issue forward.

1:36:00 PM

MR. EARL referred to his PowerPoint. The bill would create a 10 member Economic Development Planning Commission (EDPC) in the legislative branch [slide 2]. The EDPC would act as a bridge to synthesize ideas and make policy recommendations and any draft legislation necessary for the legislature to consider. The EDPC would report to the Legislative Budget and Audit Committee, the Governor, and Legislative Council. The bill would sunset on June 30, 2012.

1:36:49 PM

ERIN HARRINGTON, Staff, Representative Alan Austerman, Alaska State Legislature, reiterated that the purpose of HCR 21 is to integrate the legislature into some of the ongoing economic development planning processes. She referred to a report by Alaska Forward, which was sent to legislators.

MS. HARRINGTON explained that this effort has been led by the Alaska Partnership for Economic Development, which is an umbrella organization representing the Alaska Regional Development Organizations (ARDORs) [slide 3]. Many organizations have been involved in the process, including the Alaska State Chamber of Commerce. Alaska Forward received a \$500,000 grant from the Denali Commission for its Phase I effort. Alaska Forward is currently working on funding for its

Phase II tasks, which will likely result in substantive recommendations in the spring. Another ongoing process is the Governor's Legacy initiative, which was established by an administrative order from the Palin Administration. This project is "morphing" under the current governor to align with the Alaska Forward efforts as well as working in a "work group" effort that has resulted in significant work products.

MS. HARRINGTON related that numerous entities are involved in effort directed at long-term, strategic planning included in "Alaska's Economic Development 'System'" [slide 4]. This slide identified some of the different organizations involved in economic development efforts at the state, regional, borough, and municipal levels. Not all organizations have the opportunity to work with the legislature, she stated

[1:39:01 PM](#)

MS. HARRINGTON asked the question, "Is there a need for an Economic Development Planning Commission? [slide 5]." The ongoing economic development efforts represent a significant investment of effort and financial resources by Alaskans. This commission gives the legislature the opportunity to be engaged throughout the process, which ensures legislative action is informed by private sector participation. The EDPC responds to identified shortcomings in previous economic development efforts. In reviewing and researching economic development in Alaska, it was found that in some cases when legislature action was needed, the legislature had not had an opportunity to proactively participate in some of the processes.

[1:40:57 PM](#)

MS. HARRINGTON listed the kinds of opportunities the commission may identify such as: financial tools that need to be set in place by statutory action; targeting industry "clusters"; preparing the legislature in advance of the session to address the needs of economic development organizations; restructuring of departments that relate to economic development [slide 6].

[1:41:25 PM](#)

MR. EARL presented slide 7, which displayed the appointment authority for the membership of the commission. He pointed out that eight legislators would appoint six public members, which he hoped would lead to a diversity of geographical representation, experience, and industry representation. The

commissioners of the Department of Commerce, Community, & Economic Development (DCCED) and the Department of Labor & Workforce Development (DLWD) are appointed automatically, and are ex officio, non-voting members.

[1:41:56 PM](#)

CHAIR OLSON asked whether the House Labor and Commerce Committee chair has appointment authority.

MR. EARL answered no.

[1:42:02 PM](#)

REPRESENTATIVE T. WILSON asked which appointment would represent Interior Alaska.

MS. HARRINGTON responded that the EDPC does not currently have geographic definitions for the appointments. She explained that with the Finance Co-Chairs of both bodies, the Senate President, the House Speaker, and the House and Senate Minority Leaders making appointments; the hope is to achieve diversity. As it currently stands, there is not any geographic definition of the membership.

[1:42:48 PM](#)

MR. EARL continued. He discussed a timeline for HCR 21 as follows: March, 2010, Alaska Forward Phase I Report; April 30, 2010, or when members are appointed, whichever is earlier, commission begins work; January 30, 2011, first legislative report deadline; 2011 (tentative), Alaska Forward Phase II report; December 15, 2011, second report deadline; June 30, 2012, sunset [slide 8].

[1:43:48 PM](#)

MR. EARL observed there is a consensus in the business community that there is a "lack of cohesive thinking on economic development in Alaska" [slide 9]. The Alaska Industrial Development & Export Authority (AIDEA)'s Strategic Plan was released this spring, the Alaska Forward's Phase I Executive Summary, and the Alaska State Chamber of Commerce 2010 Position Paper all mention the lack of statewide planning.

[1:44:25 PM](#)

MR. EARL reviewed the documents provided in the committee packet [slide 10]. He referred to a Legislative Research Report: Alaska Economic Development Organizations that Representative Herron's office recently ordered. Additionally, Representative Austerman has developed a website with an Economic Development Library that he characterized as worthwhile.

[1:44:54 PM](#)

MR. EARL discussed a breakdown of the fiscal note: \$130,000 total; \$108,000 for commission staff; \$11,000 for travel; \$11,000 for per diem [slide 11]. The fiscal note was written under the following assumptions: three meetings require travel; one Anchorage meeting and two Fairbanks meetings; per diem for two days per travel meeting; three Anchorage-based members, one Fairbanks-based member.

[1:45:23 PM](#)

REPRESENTATIVE T. WILSON asked for the bill's purpose. She related her understanding that Alaska already has ARDORs working together on economic development.

[1:45:47 PM](#)

MS. HARRINGTON responded that this organization does not have any membership from the ARDORs. This proposed commission would be comprised of legislators and private sector membership. The goal of the proposed commission will be to develop the legislative actions that result from recommendations of a number of processes. This would allow the legislature to engage in these processes proactively and make recommendations that could be implemented through the legislative process, including department restructuring if that would be deemed to be appropriate.

[1:46:34 PM](#)

REPRESENTATIVE T. WILSON asked who in the administration is in charge of economic development.

MS. HARRINGTON answered the Department of Commerce, Community, & Economic Development (DCCED) works on economic development. She provided some background information. Representative Austerman chairs the DCCED Finance Subcommittee. During the course of reviewing the department through his subcommittee's work, it came to his attention that inadequate resources were being

applied to economic development, with only about a dozen people dedicated to economic development. During the interim he worked with the Department of Labor & Workforce Development CRA to increase that effort. Thus, the EDPC is one recommendation to proactively assist with economic development in the state.

[1:47:55 PM](#)

REPRESENTATIVE T. WILSON agreed 100 percent with knowledge of economic development in the state. She related her concern with the political aspect. She shared an additional concern that the ARDORS, such as the one in Fairbanks, are not being utilized instead of looking for other recommendations.

[1:48:42 PM](#)

MS. HARRINGTON explained that the 12 ARDORS in the state receive less than \$60,000 annually from the state. Ones that are located in larger communities have been able to draw on other resources, she stated. However, a number of them only employ part-time staff to cover significant geographical areas. She explained that the ARDORS work with different resources and are not equipped to draft legislation to implement the ideas. This commission would be able to draw on the legislator resources to work to implement the recommendations made by the volunteer organization.

[1:50:10 PM](#)

REPRESENTATIVE LYNN offered that all legislative members support economic development. He thought it seems like just another organization. He said he can already speak to anyone who wants to work on economic development issues and many group representatives currently approach him with ideas. He related that the legislature already has a House Special Committee on Economic Development, Trade, and Tourism. He asked if this is actually the EDT committee's role and wondered about the necessity of a commission sharing the same goal as other committees.

REPRESENTATIVE LYNN asked whether it is necessary to enhance the stage for economic development. He related that the fiscal note is \$130,000 for two years, which is a lot of money for something that is already being done.

REPRESENTATIVE HOLMES agreed. She offered that this bill would create a group, with one staff, comprised of unpaid people and

the volunteers that would meet three times a year. The volunteers would have outside jobs. She stated that she appreciates the idea of legislature's involvement and thinks the concept is great. However, she is worried this bill would create one more group that would "talk a little bit" but she offered that she was not convinced the commission's efforts would result in a product.

[1:53:53 PM](#)

CHAIR OLSON related that he did not intend to move the bill today.

[1:54:02 PM](#)

REPRESENTATIVE HOLMES made a motion to adopt Amendment 1, labeled 26-LS1446\P.1, Cook, 3/30/10, which read, as follows:

Page 2, line 30, following "designee":

Insert ";

(11) the president of the Alaska Partnership for Economic Development, or the president's designee"

CHAIR OLSON objected for purpose of discussion.

[1:54:29 PM](#)

MR. EARL offered his belief that president of the Alaska Partnership for Economic Development would serve the proposed commission well.

REPRESENTATIVE T. WILSON asked for clarification that this is to add another person instead of the Commissioner of the Department of Labor & Workforce Development.

MR. EARL answered this would be another person that would automatically be added to serve on the proposed commission.

REPRESENTATIVE HOLMES assumed the goal was to further integrate ongoing efforts.

MR. EARL agreed. He stated that this addition would integrate the work performed by Alaska Forward with the proposed commission.

[1:55:56 PM](#)

REPRESENTATIVE T. WILSON asked whether the Alaska Partnership for Economic Development is a public or private group.

MS. HARRINGTON answered that the Alaska Partnership for Economic Development is the umbrella organization formed by ARDORs. Up until the formation of this group, the ARDORs did not have any opportunity to meet and discuss work. This bill would provide that ability. The Alaska Partnership for Economic Development funds the Alaska Forward project.

CHAIR OLSON removed his objection.

There being no further objection, Amendment 1 was adopted

[1:56:48 PM](#)

REPRESENTATIVE HOLMES made a motion to adopt Amendment 2, labeled 26-LS1446\P.2, Cook, 3/30/10, which read as follows:

Page 3, line 16:

Delete "and to the legislative budget and audit committee"

Insert ", the Legislative Budget and Audit Committee, the House Labor and Commerce Committee, and the Senate Labor and Commerce Committee"

CHAIR OLSON objected.

MR. EARL related this was suggested by a member in the other body. The suggestion was that the proposed commission report to both of the Labor and Commerce Committees in addition to the Legislative Budget and Audit Committee.

There being no objection, Amendment 2 was adopted.

[HCR 21 was held over.]

HB 389-COMMERCIAL FISHING LOAN ACT

[1:57:49 PM](#)

CHAIR OLSON announced that the next order of business would be HOUSE BILL NO. 389, "An Act relating to loans made to commercial fishermen under the Commercial Fishing Loan Act for energy efficiency upgrades; and providing for an effective date."

[1:58:45 PM](#)

KATIE KOESTER, Staff, Representative Paul Seaton, Alaska State Legislature, explained that this bill encourages the use of Alaska manufactured products in Alaska's commercial fishing vessel fleets. She paraphrased from the sponsor statement, which read as follows [original punctuation provided]:

HB 389 allows the Department of Commerce Community and Economic Development to give Commercial Fishing Loan Fund borrowers a reduction in the interest rate on their loan if 50% of their loan is spent on a product produced or manufactured in the State of Alaska. The Commercial Fishing Loan Fund was created by the State of Alaska to aid commercial fishermen in securing new equipment, quota shares and upgrades to their vessels. The Department already allows reductions in interest rates for borrowers who pay on time, make engine and fuel efficiency upgrades or product quality improvements.

The Department needs to have the discretion to institute this rate reduction program when the market allows it, which is why HB 389 does not make the reduction mandatory. For example, in today's market the interest rates are so low, if the Department were required to issue the loan it would jeopardize the solvency of the fund.

To be eligible for the rate reduction under HB 389 at least 50% of borrower's purchases with the loan fund have to be manufactured in the State of Alaska. The definition of manufacture is "processing, developing, or making an item into a new item with a distinct character and use."

HB 389 promotes economic development in Alaska by encouraging Alaska fisherman to purchase equipment manufactured in the State of Alaska when using Commercial Fishing Loan Fund dollars.

MS. KOESTER explained that a two percent reduction would be offered. This would apply to two or the seven or eight programs in the Commercial Fishing Loan Fund: the Product Quality and Engine Efficiency Replacement Programs. The product quality program is for purchasing items that improve the quality of the catch, such as "slush bags" or refrigeration units. The Engine Efficiency Replacement Program allows for engine replacement for

fuel efficiency. She emphasized this is a voluntary program. When the market improves the reductions would be allowed since currently reducing the interest rate would jeopardize the fund.

[2:02:17 PM](#)

GREG WINEGAR, Director, Division of Investments, Department of Commerce, Community, & Economic Development (DCCED), offered that the DCCED supports the concept. This would not "kick in" right away, but anticipates that at some point interest rates will go up. This bill will allow the department time to develop regulations and provide lower rates for products manufactured in the state.

[2:03:02 PM](#)

REPRESENTATIVE T. WILSON asked whether the two percent reduction in interest rates would apply each year or if it only would apply to new loans.

MR. WINEGAR explained that basically the rate is established at the time the initial loan is taken out. If the loan met the criteria at that point, the rate would stay in effect for the life of the loan. Additionally, the division offers a "Pay on Time Program, which allows for a one percent interest rate reduction.

[2:03:55 PM](#)

MR. WINEGAR, in response to Representative Holmes, answered that the one percent interest rate for the "Pay on Time Program" and the two percent proposed reduction for purchasing the state manufactured products would be cumulative.

[2:04:20 PM](#)

CHAIR OLSON, after first determining no one else wished to testify, closed public testimony on HB 389.

[HB 389 was held over.]

SB 269-ECON. STIMULUS BONDS: REALLOCATION/WAIVER

[2:04:57 PM](#)

CHAIR OLSON announced that the next order of business would be

CS FOR SENATE BILL NO. 269(FIN), "An Act relating to the waiver of volume cap of recovery zone economic development bonds authorized by 26 U.S.C. 1400U-2 and reallocation by the Alaska Municipal Bond Bank Authority of the waived volume cap; relating to the waiver of volume cap of recovery zone facility bonds authorized by 26 U.S.C. 1400U-3 and reallocation by the Alaska Industrial Development and Export Authority of the waived volume cap; increasing the total amount of bonds and notes that the Alaska Municipal Bond Bank Authority may have outstanding; relating to revenue bonds and to obligations secured by lease that are issued by the Alaska Municipal Bond Bank Authority; relating to allocations of tax credit and bonding limits imposed by the federal government; and providing for an effective date." [Before the Committee was CSSB 269(FIN)]

[2:05:29 PM](#)

DEVEN MITCHELL, Alaska Municipal Bond Bank Authority, Department of Revenue (DOR), related that this bill contains the same language as the bill the committee previously heard last week.

[2:05:56 PM](#)

KATHERINE DODGE, Fairbanks North Star Borough (FNSB), stated that the FNSB supports the bill as amended.

[2:06:40 PM](#)

CHAIR OLSON, after first determining no one else wished to testify, closed public testimony on SB 269.

REPRESENTATIVE T. WILSON moved to report CSSB 269(FIN) out of committee with individual recommendations and the accompanying fiscal notes. There being no objection, CSSB 269(FIN) was reported from House Labor and Commerce Standing Committee.

[2:07:27 PM](#)

The committee took an at-ease from 2:07 p.m. to 2:10 p.m.

SB 272-RENTAL CAR CHARGES

[2:10:24 PM](#)

CHAIR OLSON announced that the final order of business would be SENATE BILL NO. 272, "An Act relating to charges for rented motor vehicles, including cost recovery fees, and making a

violation of the rented motor vehicle charge provisions an unfair trade practice."

[2:10:32 PM](#)

EDRA MORLEDGE, Staff, Senator Charlie Huggins, Alaska State Legislature, paraphrased from the sponsor statement, as follows [original punctuation provided]:

SB 272 is a technical bill that would allow rental car companies to do in Alaska what they already do in thirty other states. Alaska law is currently silent on the issue of separately-listed charges on rental car statements for the recovery of fees. This bill would require those fees to be listed separately and clearly identified on the rental car agreement.

The industry standard is to turn over the rental car fleet every twelve months and to associate the costs of licensing the vehicles, concessions, and airport or facility-related costs with the vehicles themselves. In addition to government taxes and surcharges, rental car companies assess additional "cost recovery fees" to offset those costs. Consumers should be made aware, and be able to see the fees they are charged, on both the rental bill and in an online quote. This bill would provide full disclosure and transparency of "cost recovery fees" included in rental car agreements. In addition, this legislation would make violating the provision an unfair trade practice.

MS. MORLEDGE stated that this bill is a consumer protection bill modeled on car rental legislation that has passed in 30 other states, 10 of which have passed similar legislation in past three years. The bill previously passed the Alaska Senate unanimously and has industry support and is supported by the Department of Law. She encouraged the committee to support SB 272.

[2:12:19 PM](#)

REPRESENTATIVE BUCH recalled a disclosure bill that applied to documentation fees by car dealers on sales of vehicle documentation fee. It seemed to him that car dealers were able to charge a fee for basically "not doing anything."

CHAIR OLSON pointed out the referenced bill applied to car dealers and not car rental agencies.

REPRESENTATIVE BUCH suggested this bill requires similar disclosure which would only apply to car rental agencies.

MS. MORLEDGE referred to page 2, line 19 to the definition of car which read, "(1) "car" means motor vehicle." She related that the bill drafter indicated this would apply to all motor vehicle rentals.

[2:13:46 PM](#)

SHANE SKINNER, Controller/Business Manager, Enterprise Rental Cars, clarified the car rental charges. He stated that currently there is "nothing on the books" in Alaska on car rental charges. This bill would clarify the allowable charges plus it would limit the charges to those remitted to the state for car rental taxes, airport taxes and fees, which are remitted to airports to run the facilities, and vehicle registration fees. This bill would cap the amount that is allowable to be collected to the state or airport authority.

[2:14:33 PM](#)

CHAIR OLSON, after first determining no one else wished to testify, closed public testimony on SB 272.

[2:14:50 PM](#)

REPRESENTATIVE T. WILSON moved to report SB 272 out of committee with individual recommendations and the accompanying fiscal notes. There being no objection, SB 272 was reported from the House Labor and Commerce Standing Committee.

[2:15:19 PM](#)

ADJOURNMENT

There being no further business before the committee, the House Labor and Commerce Standing Committee meeting was adjourned at 2:15 p.m.