

**ALASKA STATE LEGISLATURE  
HOUSE RULES STANDING COMMITTEE**

April 9, 2010

9:04 a.m.

**MEMBERS PRESENT**

Representative Nancy Dahlstrom, Chair  
Representative Bob Herron, Vice Chair  
Representative Mark Neuman  
Representative Kurt Olson  
Representative Berta Gardner  
Representative Beth Kerttula

**MEMBERS ABSENT**

Representative Charisse Millett

**COMMITTEE CALENDAR**

HOUSE BILL NO. 363

"An Act relating to the membership of the Alaska Industrial Development and Export Authority."

- MOVED CSHB 363(FIN) OUT OF COMMITTEE

SENATE BILL NO. 163

"An Act increasing the allowances for injury, disability, or heart attack payable from the fisherman's fund; and providing for an effective date."

- MOVED HCS CSSB 163(RLS) OUT OF COMMITTEE

SENATE JOINT RESOLUTION NO. 28

Relating to the Ecumenical Patriarchate and religious rights.

- MOVED SJR 28 OUT OF COMMITTEE

**PREVIOUS COMMITTEE ACTION**

BILL: HB 363

SHORT TITLE: AIDEA MEMBERSHIP

SPONSOR(s): COMMUNITY & REGIONAL AFFAIRS

02/23/10	(H)	READ THE FIRST TIME - REFERRALS
02/23/10	(H)	L&C
03/17/10	(H)	L&C AT 3:15 PM BARNES 124

03/17/10 (H) Heard & Held  
 03/17/10 (H) MINUTE(L&C)  
 03/22/10 (H) L&C AT 3:15 PM BARNES 124  
 03/22/10 (H) Moved CSHB 363(L&C) Out of Committee  
 03/22/10 (H) MINUTE(L&C)  
 03/23/10 (H) L&C RPT CS(L&C) 5DP 1NR  
 03/23/10 (H) DP: NEUMAN, LYNN, BUCH, T.WILSON, OLSON  
 03/23/10 (H) NR: HOLMES  
 03/23/10 (H) FIN REFERRAL ADDED  
 04/07/10 (H) FIN AT 9:00 AM HOUSE FINANCE 519  
 04/07/10 (H) Heard & Held  
 04/07/10 (H) MINUTE(FIN)  
 04/07/10 (H) FIN AT 1:30 PM HOUSE FINANCE 519  
 04/07/10 (H) Moved CSHB 363(FIN) Out of Committee  
 04/07/10 (H) MINUTE(FIN)  
 04/08/10 (H) FIN RPT CS(FIN) 6DP 4NR  
 04/08/10 (H) DP: THOMAS, GARA, AUSTERMAN, KELLY,  
 N.FOSTER, JOULE  
 04/08/10 (H) NR: DOOGAN, SALMON, STOLTZE, HAWKER  
 04/09/10 (H) RLS AT 9:00 AM CAPITOL 120

BILL: SB 163

SHORT TITLE: FISHERMEN'S FUND

SPONSOR(s): PASKVAN

03/25/09 (S) READ THE FIRST TIME - REFERRALS  
 03/25/09 (S) L&C, FIN  
 04/02/09 (S) L&C AT 1:00 PM BUTROVICH 205  
 04/02/09 (S) Moved SB 163 Out of Committee  
 04/02/09 (S) MINUTE(L&C)  
 04/03/09 (S) L&C RPT 5DP  
 04/03/09 (S) DP: PASKVAN, MEYER, THOMAS, BUNDE,  
 DAVIS  
 02/08/10 (S) FIN AT 9:00 AM SENATE FINANCE 532  
 02/08/10 (S) Heard & Held  
 02/08/10 (S) MINUTE(FIN)  
 02/23/10 (S) FIN AT 2:30 PM SENATE FINANCE 532  
 02/23/10 (S) Moved SB 163 Out of Committee  
 02/23/10 (S) MINUTE(FIN)  
 02/24/10 (S) FIN RPT 5DP 1NR 1AM  
 02/24/10 (S) DP: STEDMAN, HUGGINS, THOMAS, EGAN,  
 ELLIS  
 02/24/10 (S) NR: HOFFMAN  
 02/24/10 (S) AM: OLSON  
 03/15/10 (S) TRANSMITTED TO (H)  
 03/15/10 (S) VERSION: SB 163  
 03/17/10 (H) READ THE FIRST TIME - REFERRALS

03/17/10 (H) FIN  
03/17/10 (H) FIN REFERRAL REMOVED  
03/17/10 (H) (HB 207 COMPANION BILL)  
04/09/10 (H) RLS AT 9:00 AM CAPITOL 120

BILL: SJR 28

SHORT TITLE: ECUMENICAL PATRIARCHATE OF TURKEY

SPONSOR(S): MEYER

02/18/10 (S) READ THE FIRST TIME - REFERRALS  
02/18/10 (S) JUD  
03/26/10 (S) JUD AT 1:30 PM BELTZ 105 (TSBldg)  
03/26/10 (S) -- MEETING CANCELED --  
03/29/10 (S) JUD AT 1:30 PM BELTZ 105 (TSBldg)  
03/29/10 (S) Heard & Held  
03/29/10 (S) MINUTE(JUD)  
03/31/10 (S) JUD AT 1:30 PM BELTZ 105 (TSBldg)  
03/31/10 (S) Moved SJR 28 Out of Committee  
03/31/10 (S) MINUTE(JUD)  
04/01/10 (S) JUD RPT 3DP  
04/01/10 (S) DP: FRENCH, COGHILL, WIELECHOWSKI  
04/05/10 (S) TRANSMITTED TO (H)  
04/05/10 (S) VERSION: SJR 28  
04/06/10 (H) READ THE FIRST TIME - REFERRALS  
04/06/10 (H) RLS  
04/09/10 (H) RLS AT 9:00 AM CAPITOL 120

**WITNESS REGISTER**

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

**POSITION STATEMENT:** As staff for the House Community and Regional Affairs Standing Committee, which Representative Herron co-chairs, explained the changes embodied in CSHB 363, Version 26-LS1503\C, Cook, 4/8/10.

JAN SIEBERTS, Director  
Real Estate  
Washington Capital Management  
Anchorage, Alaska

**POSITION STATEMENT:** Discussed the changes embodied in CSHB 363, Version C.

TED LEONARD, Executive Director  
Alaska Industrial Development & Export Authority (AIDEA)

Department of Commerce, Community, & Economic Development  
Anchorage, Alaska

**POSITION STATEMENT:** Expressed concern with CSHB 363, Version C.

SENATOR JOE PASKVAN  
Alaska State Legislature  
Juneau, Alaska

**POSITION STATEMENT:** Spoke as the sponsor of SB 163.

JAKE HAMBURG, Staff  
Senator Joe Paskvan  
Alaska State Legislature  
Juneau, Alaska

**POSITION STATEMENT:** On behalf of the sponsor, Senator Paskvan, reviewed the changes embodied in HCS CSSB 163, Version R.

SENATOR MEYER  
Alaska State Legislature  
Juneau, Alaska

**POSITION STATEMENT:** Spoke as the sponsor of SJR 28.

CHRISTINE MARASIGAN, Staff  
Senator Kevin Meyer  
Alaska State Legislature  
Juneau, Alaska

**POSITION STATEMENT:** During hearing of SJR 28, answered questions.

#### **ACTION NARRATIVE**

[9:04:30 AM](#)

**CHAIR NANCY DAHLSTROM** called the House Rules Standing Committee meeting to order at 9:04 a.m. Representatives Dahlstrom, Olson, Neuman, Kerttula, and Gardner were present at the call to order. Representative Herron arrived as the meeting was in progress.

[9:05:04 AM](#)

CHAIR DAHLSTROM mentioned that at the last meeting she allowed legislators quite a bit of leeway in terms of discussion of the legislation. She reminded members that the purpose of the committee is to consider technical changes to ensure legislation is in its proper form for the entire body to consider.

#### **HB 363-AIDEA MEMBERSHIP**

9:05:32 AM

CHAIR DAHLSTROM then turned the committee's attention to the first order of business, HOUSE BILL NO. 363, "An Act relating to the membership of the Alaska Industrial Development and Export Authority." [Before the committee is CSHB 363(FIN).]

9:05:52 AM

REPRESENTATIVE OLSON moved to adopt CSHB 363, Version 26-LS1503\C, Cook, 4/8/10, as the working document.

REPRESENTATIVE KERTTULA objected for discussion.

9:06:43 AM

ROB EARL, Staff, Representative Bob Herron, Alaska State Legislature, reviewed the changes incorporated in Version C. He paraphrased from the following written remarks [original punctuation provided]:

The only change is the addition of Section 5 (p.2, line 20). This Section deals with [Alaska Industrial Development & Export Authority] AIDEA's Loan Participation Program.

AIDEA is not a direct lender, but through this Program, AIDEA purchases a portion of a loan that is sponsored and originated by an eligible financial institution. (This allows AIDEA to offer, on its portion of the loan, a lower interest rate and a longer term.)

Section 5 expands the definition of "eligible financial institutions" that are eligible for AIDEA's loan participation program as loan "originators."

Currently who is eligible is not addressed in statute, but in regulation. And currently (1) and (2) (p.2, lines 25 & 26) (CFAB [Commercial Fishing and Agriculture Bank] and commercial banks, etc.) - those are already in the list of who is eligible in regulation, but (on p.3, line 3, subsection (3)) these entities are not:

- An investment manager regulated by the [U.S. Securities and Exchange Commission] SEC

(including managers to pensions and other retirement funds)

So it would seem the salient points to consider in adopting the RULES CS would be:

1. Whether to elevate from regs into statute who is eligible for AIDEA's loan participation program (which would obviously reduce AIDEA's flexibility on changing in the future who is eligible); and
2. Whether investment management entities described in subsection (3) should be eligible at all

[9:08:58 AM](#)

REPRESENTATIVE KERTTULA surmised that Version C would allow a loan to be made to an individual with an income of \$200,000 annually and \$1 million in the bank. She inquired as to who would be eligible for the loans.

MR. EARL deferred to AIDEA.

[9:09:30 AM](#)

REPRESENTATIVE GARDNER asked if the change on page 3, line 3, was discussed in committee.

MR. EARL answered that today would be the first time it's discussed.

[9:09:45 AM](#)

CHAIR DAHLSTROM noted that she had agreed to hear this amendment in this committee. In response to Representative Neuman, Chair Dahlstrom confirmed that Version C includes an amendment to Version A that he had seen prior.

[9:10:28 AM](#)

REPRESENTATIVE GARDNER asked if the change establishing eligibility in statute rather than regulation was done to include Section 3, which expands the eligibility.

MR. EARL answered that he believes that is correct.

[9:11:23 AM](#)

JAN SIEBERTS, Director, Real Estate, Washington Capital Management, began by informing the committee that Washington Capital Management is an investment advisor to pension funds. He further informed the committee that he has been in the finance industry for 42 years, and thus has considerable knowledge of the AIDEA programs. He clarified that although his comments reflect Washington Capital Management, the discussion is about a class of potential participants in the AIDEA program being all pension funds. The aforementioned could expand AIDEA's capacity to create economic development in the state. Mr. Sieberts then provided the following comments:

Our interest in becoming a participant with AIDEA and creating economic development in the State of Alaska, we believe our experience, knowledge of [the] Alaska market and technical systems meet the qualifications to become an AIDEA originator. As an investment advisor, we currently manage approximately \$1.7 billion in real estate investments for our pension fund clients. Many of these beneficiaries of these funds are residents of the State of Alaska and we've made numerous real estate investments within the state. Our income fund would likely be a participant with AIDEA. Question Capital is an investment advisor to the fund. Bank of New York Mellon is the trustee of these funds. A mortgage income fund is an open-ended co-mingled fund with 40 investors, all of which are pension funds. The income fund is funded by cash; there is no leverage. To my knowledge, there is no bank headquartered in Alaska that has this large of a capital account. And by nature, the banks are heavily leveraged.

Many of the beneficiaries of our funds are Alaska residents. It is clear to us that the intent of the founding AIDEA legislation anticipated the inclusion of pension and retirement funds. Under section 44.88 it states: "Stimulating commercial and industrial growth and expansion by encouraging an increase of private investment by banks, investment houses, insurance companies, and other financial institutions, including pension and retirement funds, to help satisfy the need for economic expansion.

I do not find any language in this chapter that leads me to believe there is any intent to limit pension fund participation in AIDEA programs. On the other

hand, in AIDEA regulations financial institutions mean a federally or state chartered institutions authorized to perform banking functions within the State of Alaska.

It limits the participation in the programs to banks. This seems in conflict with the intention of the original law. We would recommend changes to the law so that participants could include financial institutions, including pension and retirement funds. The underwriting expertise, historical performance, knowledge of the market to underwrite loans, and license to do business within the state, and in our case, we have an office in the state. AIDEA has become an important secondary source of long-term financing for businesses in Alaska. And in the late '80s and early '90s precipitated the economic recovery from an era when half the banks in the state (indisc.). It seems that in these uncertain times, it would be desirable for AIDEA to have partners that are structured differently than the commercial banking system that has struggled nationwide.

[9:15:58 AM](#)

MR. SIEBERT, in response to Representative Neuman, explained that Washington Capital is an investment advisor, such as those to the permanent fund and the state retirement system. For many of its clients, Washington Capital pools together real estate investments. The two primary funds of Washington Capital are the real estate investment fund and the real estate loan fund. The loan funds would be the participant with AIDEA. He pointed out that Washington Capital put up over \$30 million, which facilitated building the JL Towers in Midtown Anchorage. Washington Capital is the largest owner of that building and is a 90 percent owner of St. Elias Long-term Acute Care Hospital. Washington Capital, he noted, has loans on numerous projects.

[9:17:17 AM](#)

REPRESENTATIVE NEUMAN surmised then that Washington Capital is a broker of banking opportunities. He questioned whether Washington Capital is an investment capital group.

MR. SIEBERT specified that under the US SEC rules, Washington Capital is an investment advisor. He explained that as an investment advisor, Washington Capital put together real estate

investments for pension funds. The assets of the fund are held by the Bank of New York in a trust.

[9:18:02 AM](#)

CHAIR DAHLSTROM acknowledged that Version C embodies very substantive changes, and therefore she would like to continue to hear testimony.

[9:18:48 AM](#)

REPRESENTATIVE OLSON asked if the amendment incorporated in HB 363 is something he has considered for some time.

MR. SIEBERT replied yes, adding that he began speaking with the AIDEA board in 2006.

REPRESENTATIVE OLSON inquired then why this amendment is being presented so late in the process rather than at the beginning of the process when it could've been vetted by the committees to which the legislation was referred.

MR. SIEBERT said that he hadn't anticipated legislation. However, he related that when he talked to a number of legislators regarding the problem and trying to get AIDEA to change its regulations to include the participants originally anticipated in the underlying legislation. Ultimately, it was suggested that an amendment be made to the legislation. Mr. Siebert ensured the committee that this isn't a devious attempt to propose this at the last moment.

[9:19:57 AM](#)

REPRESENTATIVE OLSON pointed out that first reading of HB 363 was March 2nd, which is over a month ago. Therefore, bringing this amendment forward the day before the legislation is scheduled for the floor seems suspect. He opined that it's not the proper way to go about this.

MR. SIEBERT interjected that he isn't a lobbyist or part of the legislative process. He then related that he has been involved in this process and stone-walled for four years, and then members of the legislature suggested he offer an amendment. Mr. Siebert specified that what the amendment proposes isn't any more than what was the original underlying intent of the law.

[9:21:12 AM](#)

REPRESENTATIVE OLSON asked if Mr. Siebert discussed the amendment with the sponsor.

MR. SIEBERT said he isn't sure who all the sponsors are.

[9:22:08 AM](#)

TED LEONARD, Executive Director, Alaska Industrial Development & Export Authority (AIDEA), Department of Commerce, Community, & Economic Development, expressed concern with putting provisions in statute that need the flexibility of being in regulation, [particularly] in light of the fact that financial markets change. As mentioned earlier, there are several different entities identified in [AS 44.88], including insurance companies, investment houses. Mr. Leonard opined that all of the aforementioned entities should be reviewed by ADIEA if they approached AIDEA requesting to be loan originators. He further opined that the proper vehicle would be through regulation. Mr. Leonard noted that AIDEA has met with Mr. Sieberts and AIDEA is willing to discuss this matter. He further noted that Mr. Sieberts has been reviewing this matter for many years. However, AIDEA is in the process of changing and recognizing the investment of pension funds would be a valuable source. He then highlighted that AS 44.88.010 goes throughout the program. Mr. Leonard opined that he isn't sure that loan participation is the best program or whether statute should include a new program that could better address those types of companies. The goal of AIDEA is to bring new investment into the state. In conclusion, Mr. Leonard reiterated that his main concern is with placing in statute a provision that would limit AIDEA's ability, through regulation, to bring in new capital. Therefore, he said he was worried that the result of the amended language would be the opposite of what is intended.

[9:24:58 AM](#)

CHAIR DAHLSTROM remarked that CSHB 363, Version C, needs more vetting than this committee has the authority to do. Therefore, she indicated the need to consider CSHB 363(FIN), which she requested Mr. Earl address.

[9:25:38 AM](#)

MR. EARL explained that CSHB 363(FIN) merely added language specifying that members of the AIDEA board would serve at the

governor's pleasure in order to ensure that the governor has the ability to appoint and remove public members.

[9:26:36 AM](#)

REPRESENTATIVE GARDNER asked if the language regarding serving at the pleasure of the governor is found elsewhere for other authorities, commissions, or boards.

MR. EARL answered that the language is found elsewhere in statute.

[9:27:15 AM](#)

REPRESENTATIVE OLSON withdrew his motion to adopt CSHB 363, Version 26-LS1503\C, Cook, 4/8/10, as the working document. There being no objection, the motion was withdrawn.

[9:27:47 AM](#)

REPRESENTATIVE OLSON moved to report CSHB 363(FIN) out of committee with individual recommendations and the accompanying fiscal notes. There being no objection, CSHB 363(FIN) was reported from the House Rules Standing Committee.

[9:28:05 AM](#)

The committee took an at-ease from 9:28 a.m. to 9:30 a.m.

**SB 163- FISHERMEN'S FUND**

[9:30:17 AM](#)

CHAIR DAHLSTROM announced that the next order of business would be SENATE BILL NO. 163, "An Act increasing the allowances for injury, disability, or heart attack payable from the fisherman's fund; and providing for an effective date."

[9:30:30 AM](#)

REPRESENTATIVE OLSON moved to adopt HCS CSSB 163, Version 26-LS0781\R, Bailey, 4/7/10, as the working document. There being no objection, Version R was before the committee.

[9:30:47 AM](#)

SENATOR JOE PASKVAN, Alaska State Legislature, explained that SB 163 updates the Alaska Fishermen's Fund benefit limit to \$10,000, which would result in the program providing a meaningful level of assistance. He characterized the fund as a payer of last resort for commercial fishermen and crew who sustain injuries or illness while fishing.

[9:31:41 AM](#)

JAKE HAMBURG, Staff, Senator Joe Paskvan, Alaska State Legislature, speaking on behalf of the sponsor, reviewed the changes embodied in HCS CSSB 163, Version R. He explained that although under current statute the commissioner is to make decisions on claims and appeals, the practice has been for the council to make those decisions. Therefore, one of the two changes in Version R would allow the Fishermen's Fund Advisory and Appeals Council to continue the aforementioned practice. The other change embodied in Version R would allow vessel owners with indemnity insurance with a deductible of \$10,000 or more to seek a 50 percent reimbursement for the deductible of an injured crewmember's claim against that insurance. He explained that 50 percent was chosen in order to provide an incentive for the vessel owner to maintain a safe vessel.

[9:32:56 AM](#)

REPRESENTATIVE GARDNER inquired as to whom would pay the vessel owner for the claim. If the claim was paid by the insurance company, would it reduce the amount of the claim awarded to the injured worker, she asked.

SENATOR PASKVAN explained that the fund is funded by a portion of the license fees that are collected. If the deductible is \$10,000, the fund would only pay up to \$5,000 to the injured crewmember. He echoed earlier testimony that the fund is the payer of last resort.

REPRESENTATIVE GARDNER surmised then that the payment wouldn't impact a crew member.

MR. HAMBURG related that the vessel owner is required to pay the deductible. The vessel owner would be reimbursed by the fishermen's fund in the amount of up to 50 percent of the deductible [or \$5,000, whichever is less]. Therefore, the only impact would be to the fund.

[9:34:41 AM](#)

CHAIR DAHLSTROM related her understanding then that the second change being discussed was strictly to the dollar amount.

SENATOR PASKVAN replied yes.

[9:35:06 AM](#)

REPRESENTATIVE KERTTULA requested an explanation of Section 3. She related her understanding that the legislation doesn't control what the insurance company gives to the vessel owner, but rather how much the fund pays the vessel owner.

SENATOR PASKVAN answered that is correct.

[9:36:32 AM](#)

REPRESENTATIVE OLSON moved to report HCS CSSB 163, Version 26-LS0781\R, Bailey, 4/7/10, out of committee with individual recommendations and the accompanying fiscal notes. There being no objection, HCS CSSB 163(RLS) was reported from the House Rules Standing Committee.

[9:36:50 AM](#)

The committee took an at-ease from 9:36 a.m. to 9:39 a.m.

[9:39:45 AM](#)

**SJR 28-ECUMENICAL PATRIARCHATE OF TURKEY**

[9:39:51 AM](#)

CHAIR DAHLSTROM turned the committee's attention to the final order of business SENATE JOINT RESOLUTION NO. 28, Relating to the Ecumenical Patriarchate and religious rights.

[9:39:55 AM](#)

REPRESENTATIVE OLSOM moved to adopt SJR 28 as the working document. There being no objection, it was so ordered.

[9:40:19 AM](#)

SENATOR MEYER, Alaska State Legislature, related that SJR 28 has helped him to learn about the religious challenges in Turkey. He informed the committee that 25 state legislatures have

adopted resolutions similar to SJR 28. This resolution urges the U.S., the European Union, and the United Nations to encourage the government of Turkey to end its discrimination and pledge to uphold and safeguard religious rights without compromise. The State of Alaska has a substantial Orthodox Christian community. This fall the US State Department will deliver copies of these resolutions that have been adopted throughout the state to the Turkish Foreign Minister.

[9:42:45 AM](#)

REPRESENTATIVE HERRON mentioned that there are several communities in his district in which Orthodox Christianity is the dominant faith. He asked if the prejudice against [the Ecumenical Patriarchate] is a recent phenomenon or a long time phenomenon.

[9:43:30 AM](#)

CHRISTINE MARASIGAN, Staff, Senator Kevin Meyer, Alaska State Legislature, speaking on behalf of the sponsor, answered that this prejudice has been going on for quite some time. In fact, every president since President Carter has sent envoys and messages to the government of Turkey regarding this matter. There has been progress in the last five years and thus there is the desire to continue pressure on the matter.

[9:44:24 AM](#)

REPRESENTATIVE GARDNER, drawing upon her experience in Turkey last year, related that this prejudice started before the Crusades.

[9:44:44 AM](#)

REPRESENTATIVE KERTTULA asked if the Secretary of State, since she will deliver these resolutions, should be included in the list to which the resolutions are sent.

MS. MARASIGAN related her understanding that the resolution will be provided to the ambassador of the area.

[9:45:38 AM](#)

CHAIR DAHLSTROM commented that she has many constituents and a church of this faith in her district.

9:45:53 AM

REPRESENTATIVE OLSON moved to report SJR 28 out of committee with individual recommendations and the accompanying fiscal notes. There being no objection, SJR 28 was reported from the House Rules Standing Committee.

9:46:06 AM

**ADJOURNMENT**

There being no further business before the committee, the House Rules Standing Committee meeting was adjourned at 9:46 a.m.