

SENATE FINANCE COMMITTEE
February 23, 2009
9:04 a.m.

9:04:47 AM

CALL TO ORDER

Co-Chair Stedman called the Senate Finance Committee meeting to order at 9:04 a.m.

MEMBERS PRESENT

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

MEMBERS ABSENT

None

ALSO PRESENT

Jay Livey, Staff, Senator Lyman Hoffman, Sponsor; Senator Joe Paskvan, Sponsor.

PRESENT VIA TELECONFERENCE

Regan Mattingly, State Affairs Coordinator, Alaska Primary Care Association, Anchorage; Pat Luby, Advocacy Director, Alaska Association of Retired Persons, Anchorage; Tom Lakosh, Self, Anchorage; Melody Nibeck, Tribal Energy Program Manager, Bristol Bay Native Association, Dillingham; Norman Anderson, Economic Development Program Manager, Bristol Bay Native Association, Dillingham; Myron Naneng, President, Association of Village Council Presidents, Yukon-Kuskokwim Delta Region; James Conner, Air Quality Specialist, Fairbanks North Star Borough; Nadine Winters, Assembly Member, Fairbanks North Star Borough.

SUMMARY

SB 93 "An Act relating to a municipal property tax credit for an improvement that aids in improving air quality."

SB 93 was HEARD and HELD in Committee for further consideration.

SB 115 "An Act creating a rural community energy assistance program; and providing for an effective date."

SB 115 was HEARD and HELD in Committee for further consideration.

SB 116 "An Act making a special appropriation for energy assistance for rural communities; and providing for an effective date."

SB 116 was HEARD and HELD in Committee for further consideration.

#sb115

SENATE BILL NO. 115

"An Act creating a rural community energy assistance program; and providing for an effective date."

JAY LIVEY, STAFF, SENATOR LYMAN HOFFMAN, SPONSOR, explained that SB 115 temporarily establishes the rural community assistance program. The intent of the legislation is to provide relief to Alaskan residents who are struggling to pay heating costs this winter. Most residents of rural Alaska heat their homes with fuel oil. The price of oil has increased in rural Alaska, even though the price of a barrel of oil has decreased. Most of the oil for the coming winter was delivered prior to the decline of fuel oil prices.

Mr. Livey reported that there is not a lack of fuel in rural Alaska except in a few isolated instances. Most of the fuel stocks are adequate; however, many people do not have enough money to purchase fuel, electricity, and other necessities. He pointed to a Division of Community and Regional Affairs report, "Current Community Conditions: Fuel Prices Across Alaska, November 2008 Update" (Copy on File). Out of 100 communities surveyed, 27 pay more than \$7 per gallon for heating fuel.

[9:09:03 AM](#)

Mr. Livey explained that a person burning 800 gallons of fuel each year--a fairly conservative amount--will spend approximately \$5700 per year to heat their home. In 2007, the Institute of Social and Economic Research (ISER) reported that the average per capita income for small villages around Bethel was approximately \$16,000 ("Understanding Alaska's Remote Rural Economy, by Scott Goldsmith, UA Research Summary No. 10" Copy on File). Consequently, over 35 percent of an average individual's income can be used for heating fuel alone. In addition, the 2007 ISER report noted that Bethel fuel costs were 92

percent higher than Anchorage costs. The ISER report also covers food costs in rural Alaska.

Mr. Livey described other methods of distributing energy assistance, including the Bulk Fuel Loan Program, Bulk Fuel Bridge Loan Program, and the governor's emergency fuel program; the programs are designed primarily to help communities purchase fuel when there is a shortage. The sponsors believe SB 115 would function differently. There is enough fuel, but people cannot afford to buy it.

Mr. Livey added that the legislation is not intended to fix the income problems in rural Alaska or to address long-term fuel issues in rural Alaska. The intent is to provide people with a way of getting through the rest of the current heating season.

[9:12:40 AM](#)

Co-Chair Stedman clarified that the provision would be repealed June 30, 2010. He asked about language on line 12 of the bill referring to departmental regulations.

Co-Chair Hoffman informed the committee that his staff is looking at ways to change the legislation so it would not be necessary to go through the regulatory process. The goal is to make cash available immediately.

Co-Chair Stedman reiterated that the intent is to get immediate relief for the coming winter. He referred to an impending fiscal note by the Department of Commerce, Community and Economic Development.

Co-Chair Stedman opened public testimony.

[9:14:15 AM](#)

REGAN MATTINGLY, STATE AFFAIRS COORDINATOR, ALASKA PRIMARY CARE ASSOCIATION (APCA), ANCHORAGE (testified via teleconference), testified in support of SB 115. The association represents 26 community health center organizations operating 141 clinics across the state. Clinic directors have increasingly reported that revenues intended for patient services are being crowded out and redirected to cover high energy costs in facilities. Patient access could be affected; APCA is requesting that non-profit community health center organizations and other primary care safety net providers as well as local tribal community health center organizations be considered eligible for assistance under the program.

PAT LUBY, ADVOCACY DIRECTOR, ALASKA ASSOCIATION OF RETIRED PERSONS, ANCHORAGE (AARP) (testified via teleconference), reported that AARP strongly supports SB 115. Many of the

younger people have had to leave rural communities, leaving communities dominated by older people and children, the people most susceptible to hypothermia.

TOM LAKOSH, SELF, ANCHORAGE (testified via teleconference), had concerns about the bill supplying energy subsidies for communities rather than individuals in need. He asked that the bill be specifically amended to provide subsidy for individuals and/or organizations in direct need rather than a wholesale subsidy of communities. He thought the state had indebted itself through the resource rebate the previous year.

[9:19:19 AM](#)

Senator Thomas pointed out that the legislation is waiting for language to assure dispersion of funds to individuals in communities.

MELODY NIBECK, TRIBAL ENERGY PROGRAM MANAGER, BRISTOL BAY NATIVE ASSOCIATION (BBNA), DILLINGHAM (testified via teleconference), testified in support of the legislation. She said the communities of Bristol Bay are facing high fuel prices that impact electric, gas, and food bills. People often have to choose between paying for fuel and other basic necessities. She stressed that Dillingham heating fuel costs \$6.10 per gallon and food is 220 percent of Anchorage prices. Small villages pay more. The association is committed to being part of finding a long-term solution to energy challenges in rural Alaska and recognized that the bill was providing one-time assistance.

Ms. Nibeck informed the committee that the Bristol Bay Region has one first-class city, 12 second-class cities, and 18 unincorporated communities. Since all communities equally face high prices, BBNA hopes the bill will clearly define "rural community."

NORMAN ANDERSON, ECONOMIC DEVELOPMENT PROGRAM MANAGER, BRISTOL BAY NATIVE ASSOCIATION, DILLINGHAM (testified via teleconference), spoke in support of the legislation. He reported that increased assistance has been needed because of economic challenges, including low salmon prices. He explained that the people in the region are proud and rarely ask for assistance. The people have done everything they possibly could to be able to sustain themselves, but the increasing price of fuel has made it more and more difficult to make ends meet. He spoke for the more remote villages in the region where people cannot find jobs and the necessary income.

[9:24:51 AM](#)

MYRON NANENG, PRESIDENT, ASSOCIATION OF VILLAGE COUNCIL PRESIDENTS, YUKON-KUSKOKWIM DELTA REGION (testified via teleconference), spoke in strong support of SB 115. He reported that fuel costs range from \$6 to \$11 per gallon, a high amount for people in the village with limited resources. The fuel is needed for gathering subsistence resources. In the villages a gallon of milk can cost up to \$13 a gallon. People have to choose between fuel and food. He emphasized the hardships in the region and the real need for the energy assistance. The association has provided many with low-income energy assistance, but it is not enough to buy the necessary fuel.

Mr. Naneng added that people in the region have lost their economic base due to poor management of fisheries. He stated that if the fisheries had been managed well, some people would have been able to manage through the winter. The people are bearing the burden of conservation as well as providing for their families.

Co-Chair Stedman closed public testimony.

[9:29:28 AM](#)

Co-Chair Stedman raised the issue of fuel delivery in Western Alaska.

Co-Chair Hoffman noted that SB 115 was designed only to get Alaskans through the following winter. He stressed that there is need for a long-term solution. He referred to legislation from the previous year for capping fuel prices. He acknowledged that price capping might not be an ideal solution. He thought SB 115 could be fine-tuned and implemented. He reiterated his intent that the legislation be as broad as possible to include all people in Alaska, and his desire to avoid the time-consuming regulations process.

Co-Chair Stedman asked about the status of ports in the region. Co-Chair Hoffman answered that ice-free ports begin below Naknek. He added that the delivery schedule is the problem as many communities did not get their fuel and had to have it flown in.

[9:32:03 AM](#)

Senator Ellis stated support for the legislation. He asked whether clinics were considered for fuel relief. Co-Chair Hoffman hoped to have the issue addressed. Senator Ellis emphasized need in rural health clinics.

SB 115 was HEARD and HELD in Committee for further consideration.

#sb116

SENATE BILL NO. 116

"An Act making a special appropriation for energy assistance for rural communities; and providing for an effective date."

9:33:34 AM

Co-Chair Hoffman explained SB 116 as the appropriation bill to fund SB 115. The appropriation is for \$5 million at present. He did not want the program to be underfunded; whatever is not utilized will be returned to the general fund.

Co-Chair Stedman queried fund source identification. Co-Chair Hoffman answered that at this point the only fund being considered is the general fund.

9:35:04 AM AT EASE
9:35:45 AM RECONVENED

Co-Chair Stedman opened public testimony.

MELODY NIBECK, TRIBAL ENERGY PROGRAM MANAGER, BRISTOL BAY NATIVE ASSOCIATION (BBNA), DILLINGHAM (testified via teleconference), testified in support of the legislation.

9:36:48 AM

NORMAN ANDERSON, ECONOMIC DEVELOPMENT PROGRAM MANAGER, BRISTOL BAY NATIVE ASSOCIATION, DILLINGHAM (testified via teleconference) spoke in support of the legislation. He emphasized how the bill would impact villages.

REGAN MATTINGLY, STATE AFFAIRS COORDINATOR, ALASKA PRIMARY CARE ASSOCIATION (APCA), ANCHORAGE (testified via teleconference), testified in support of SB 116. He urged the committee to consider health clinics when formulating the energy assistance program.

PAT LUBY, ADVOCACY DIRECTOR, ALASKA ASSOCIATION OF RETIRED PERSONS, ANCHORAGE (AARP) (testified via teleconference), testified in support of SB 116.

Co-Chair Stedman closed public testimony.

SB 116 was HEARD and HELD in Committee for further consideration.

#sb93
SENATE BILL NO. 93

"An Act relating to a municipal property tax credit for an improvement that aids in improving air quality."

9:38:56 AM

SENATOR JOE PASKVAN, SPONSOR, explained SB 93, the Municipal Air Quality Property Tax Credit (from Sponsor Statement, Copy on File):

Some communities in Alaska have been designated as non-attainment areas for PM 2.5 by the EPA [Environmental Protection Agency]. Based on the requirements of the Clean Air Act, the state and those impacted local governments have three years to develop attainment plans designed to bring air quality into compliance with federal air standards.

Senator Paskvan reported that interior Alaska has an air inversion, which creates a problem in cold weather when heating requirements are at the highest. Trapped particles results in the violation of the 2.5 air standards. He continued:

SB 93 is needed as a first step to allow local municipalities the latitude in developing tax credit programs to address the important public health and community compliance issues that result from poor air quality.

Senate Bill 93 is designed to provide optional tools to municipalities that can be used to create incentives for individuals to take actions that will improve local air quality and reduce fuel consumption.

SB 93 expands the discretion of municipalities in a manner that allows, by ordinance, the creation of programs that will offer property tax credits for actions that the local governing body determines will improve air quality. This bill requires that eligibility, conditions and other criteria for the tax credits be established by ordinance.

Examples of how this proposed legislation might be used by a municipality include:

- Incentives to residents to exchange old-style wood stoves for EPA certified wood stoves. Data show that EPA certified wood stoves significantly reduce fine particulate emissions over non-EPA stoves. It is in the interest of any community with air quality nonattainment issues to have citizens who choose to heat with wood do so in the most environmentally friendly way.

- Incentives to residences or commercial businesses to improve the energy efficiency of their property. Reduced fuel consumption would lead to reduced emissions from area heating or electricity generation. Incentives could be based on calculated BTU savings, MW reductions, etc.
- Incentives to convert from carbon based energy consumption to alternative energy generation. This could involve tax credits for construction and use of a solar array or wind turbine to power/heat residential or commercial facilities.

The proposed legislation would create a full range of options for a local municipality to address air quality issues, rather than just restriction and enforcement based options.

Senator Paskvan referenced the attached zero fiscal note.

[9:43:17 AM](#)

Co-Chair Stedman asked if the borough would incur EPA penalties without air quality clean-up. Senator Paskvan replied that the federal government can impose sanctions if nonattainment continues. One immediate effect was that Fort Wainwright failed consideration for a brigade of 5,000 striker members because of nonattainment of 2.5 standards. He thought that kind of sanction would continue until compliance was reached.

Senator Thomas asked if transportation funding would be affected as well by nonattainment. Senator Paskvan replied that the region not only lost the troops, but could lose military bases altogether. Moving the legislation forward would demonstrate intent to come into compliance.

[9:46:07 AM](#)

Senator Elton added that as energy costs have gone up, home owners are being forced out of less expensive energy sources such as wood stoves because of compliance issues.

Senator Huggins asked if Fairbanks, Anchorage, and Juneau were under the EPA standards. Senator Paskvan did not know which communities were in nonattainment. The statute's language is broad enough to allow a local government to provide tax credits for the increased energy efficiency of existing structures as well as for conversion from a carbon-based source to an alternative energy source. The legislation is not only for communities in nonattainment; it provides good social policy.

Senator Huggins asked if someone who owned multiple rental properties could take advantage of the program. Senator Paskvan answered that the legislation covers residences and commercial businesses. The local community has the discretion to decide who they want to benefit, the amount of the tax credit, and the period of time covered.

[9:49:41 AM](#)

Senator Huggins asked if military communities were exempted out of the calculation. Senator Paskvan replied that Fort Wainwright was specifically not exempted.

Senator Olson asked the cost to the municipalities of the tax credit. Senator Paskvan reported that those calculations had not been done on the local level. The legislation is the first step to promote implementation of the standard. The intent is to leave local municipalities free to decide how they want to approach the issue.

Co-Chair Stedman opened public testimony.

JAMES CONNER, AIR QUALITY SPECIALIST, FAIRBANKS NORTH STAR BOROUGH (testified via teleconference), spoke in support of the legislation. He read from a statement:

Within the greater Fairbanks area, the fine particulate pollution fails to meet the EPA's National Ambient Air Quality Standard 20 to 30 times each winter. This health-based standard was changed in September 2006 based on the EPA's Science Advisory Board recommendations, lowering the allowable concentration of fine particulates from 65 to 35 micrograms per cubic meter (ug/m3) for a 24-hour average. There is also an annual standard that was left at 15 ug/m3. These recommendations were based on many extensive health studies over a five-year period. These studies indicated that even short term exposure to fine particulates can result in new cases of respiratory and heart disease. This is truly a public health issue, in addition to being an economic issue.

The fine particulate pollution is exacerbated in the winter because the surrounding hills, the stagnant air flow, and temperature inversions trap the particulates produced locally. These are coming mostly from transportation and space heating.

During the summer, space heating demands are reduced and the pollution produced is cleared out with wind and rain before it can accumulate to dangerous levels, except when we experience wildland fires. We have experienced concentrations above 1000 ug/m3 in the summer due to wildland fires, but we are permitted to

exclude these natural emissions from our 24-hour and annual averages, because they are not man-made, unless we start the fires as a resource management strategy.

In Fairbanks, we depend on the clean summer air to average with the polluted air in the winter to stay below the annual limit of 15 ug/m3. This is one reason it is important to reduce the number and severity of the winter emissions. If we violate the winter average, we need to extend those winter controls into the summer.

[9:54:48 AM](#)

The timeline associated with the EPA action proceeds 90 days from the publication of the nonattainment designation in the federal register. That starts the clock, and then we have three years to submit to the EPA an air quality control plan demonstrating how we will attain the standard within five years. Once that federal register designation is published, all new construction projects in the designated nonattainment area are then required to demonstrate conformity with an approved air quality control plan, the plan we have three years to submit, and requires EPA approval. Since this plan takes time to create, there will likely be a period when conformity cannot be met, and economic development of the area can be affected. However, there is a one-year grace period that starts with that federal register designation date where new projects do not have to demonstrate conformity. If the state fails to submit a plan or show progress in cleaning up the air, the EPA can begin to withhold federal funds, first in the designated area and eventually to the entire state.

An area or a county is allowed one exceedance of this health standard per year. The second exceedance is considered a violation that can bring a nonattainment designation to the area. The number and severity of the exceedances after that simply further jeopardizes public health and the economic environment for development, and the difficulty to eventually meet the standard.

SB 93 gives the Fairbanks North Star Borough a means to provide a voluntary incentive program to borough residences and businesses to improve the efficiency of their homes and businesses in a manner that will improve air quality and efficiency. As the high cost of energy has driven residents to lower costing fuels such as wood and coal, this bill help further reduce this cost and higher emissions.

[9:57:13 AM](#)

NADINE WINTERS, ASSEMBLY MEMBER, FAIRBANKS NORTH STAR BOROUGH (testified via teleconference), spoke in support of SB 93. Fairbanks has an air quality issue and is looking for a way to protect the health of residents and as well as long-term economic viability. The bill provides a tool to meet both needs.

Co-Chair Stedman closed public testimony.

Co-Chair Stedman asked if there would be a federal penalty against the state if the legislature did not act on the bill. Senator Paskvan answered that the penalty would be on communities that are in nonattainment. There could be various consequences, including withdrawal of federal funds for highways. He thought the best alternative was to establish policy to get local municipalities to move towards attainment.

SB 93 was HEARD and HELD in Committee for further consideration.

[10:00:16 AM](#)

ADJOURNMENT

The meeting was adjourned at 10:00 AM.