

SENATE FINANCE COMMITTEE

April 8, 2010

9:10 a.m.

[9:10:27 AM](#)

CALL TO ORDER

Co-Chair Stedman called the Senate Finance Committee meeting to order at 9:10 a.m.

MEMBERS PRESENT

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

MEMBERS ABSENT

None

ALSO PRESENT

Mike Pawlowski, Staff, Senator Lesil McGuire; Charles O. Swanton, Director, Division of Sport Fish, Department of Fish and Game; Ted Leonard, Executive Director, Alaska Industrial Development and Export Authority (AIDEA), Department of Commerce, Community, & Economic Development; Mark Davis, Alaska Industrial Development and Export Authority (AIDEA), Department of Commerce, Community, & Economic Development; Greg, Winegar, Director of Investment, Alaska Industrial Development and Export Authority (AIDEA), Department of Commerce, Community, & Economic Development; George Ascott, Staff, Senator Bill Wielechowski; Eddy Jeans, Director, School Finances and Facilities, Department of Education and Early Development

PRESENT VIA TELECONFERENCE

Melvin Grove, Big Lake; Robin Stilwell, Director, Food Bank of Alaska, Anchorage; Dean Hamburg, Alaska School Nutrition Association, Soldotna

SUMMARY

SB 213 FUNDING FOR SCHOOL MEALS

SB 213 was heard and HELD in Committee for further consideration.

SB 294 SPORT FISH GUIDE LICENSES

SB 294 was heard and HELD in Committee for further consideration.

SB 300 AIDEA LOANS

SB 300 was heard and HELD in Committee for further consideration.

[9:10:50 AM](#)

#sb294

SENATE BILL NO. 294

"An Act repealing the termination date of the licensing of sport fishing operators and sport fishing guides; and providing for an effective date."

MIKE PAWLOWSKI, STAFF, SENATOR LESIL MCGUIRE, explained that SB 294 is a repeal of the sunset for the sport fish guide licensing program. He referred to the original bill, HB 452, enacted in 2004, a copy of which is in members' packets (copy on file).

Mr. Pawlowski continued to explain that the program created basic standards for sport fish guide operators, a licensing system for sport fish guide operators and sport fish guides, and created a log book program that has proved important in the collection of data to manage the resource. The program was extended for one year last session. This bill would repeal the sunset date and allow the program to remain in place.

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Senator Olson asked for an explanation of the justification of the sunset repeal. Mr. Pawlowski clarified that the licensing program does not have an accompanying board, but is a license within the statute itself. That is the reason it was viewed differently than a traditional board or commission. Senator Olson inquired how the effectiveness of the program will be evaluated. Mr. Pawlowski said that there is regular reporting on the program and the regular budget process provides for an evaluating process. Senator Olson asked if the number of licenses has increased, decreased, or remained the same. Mr. Pawlowski offered to find out.

Co-Chair Stedman noted one fiscal note from the Department of Fish and Game reflecting the on-going cost of continuing the licensing program at \$437,600. Funding currently exists in the FY 11 budget.

[9:14:28 AM](#)

CHARLES O. SWANTON, DIRECTOR, DIVISION OF SPORT FISH, DEPARTMENT OF FISH AND GAME, thanked the committee and the sponsor. He related that the legislation sets guides, standards, and data collection for management. There have been changes to the program in the last year, such as the addition of scanning technology that will improve the timeliness of data collection. He addressed Senator Olson's question and stated that there has been a slight decrease in the last two years in the number of licenses.

Senator Thomas asked if there were any specific concerns about the reporting requirements. He wondered if the fish logs could be simplified.

Co-Chair Stedman requested information about the current structure and where the department wants to go with it. Mr. Swanton reported that in the saltwater program, the department reduced the size of the log book and simplified the data requirements. The department also implemented a scanning program for the saltwater log book and plans to do so for the freshwater log book.

[9:18:20 AM](#)

Senator Thomas asked if the same would be done for the freshwater requirements. Mr. Swanton concurred.

Senator Olson asked how the repeal of the sunset date would affect the other fisheries. Mr. Swanton believed that the collection of good quality fisheries data, regardless of the use of it, was a cornerstone of the department's mission.

Senator Olson asked if there was opposition by the other two fisheries against repealing the sunset date. Mr. Swanton said he was not aware of any opposition.

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MELVIN GROVE, BIG LAKE (via teleconference), testified in opposition to the bill, primarily due to the cost. He had no problems with the data collection, but was opposed to the \$100 fee for the reporting program. He maintained that the program was too expensive. He suggested implementing a simple scanning program in order to save money. He urged the committee to retain the sunset in the original bill.

[9:24:10 AM](#)

Co-Chair Stedman set the bill aside.

SB 294 was heard and HELD in Committee for further consideration.

#sb300

SENATE BILL NO. 300

"An Act relating to loan participations and development finance projects of the Alaska Industrial Development and Export Authority; and relating to loans from the rural development initiative fund."

[9:25:02 AM](#)

TED LEONARD, EXECUTIVE DIRECTOR, ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY (AIDEA), DEPARTMENT OF COMMERCE, COMMUNITY, & ECONOMIC DEVELOPMENT, thanked the committee for hearing the bill. He reported that AIDEA has been going through a strategic process for the last year to improve and increase its effectiveness and add new tools to the organization that can help promote economic development. The changes requested in this statute are the first steps for AIDEA to improve its programs and add another assisting tool for economic development.

Mr. Leonard reported that the first section of the bill is intended to modernize the way that AIDEA sets rates for loans that are funded through internal funds. One of the main ways that AIDEA promotes economic development is providing Alaska businesses long-term capital at affordable rates for commercial development expansion. Current rates are set by analyzing the current market environment. He related that the bond market has been unstable over the last two years, resulting in a fluctuation of AIDEA's rates between 6 percent and 10 percent. Banks have been fairly stable. This mechanism has taken AIDEA out of the market several times when it should have been helping Alaskan businesses.

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Mr. Leonard explained that the second section of the bill adds an interest rebate program, which would allow for a rebate on certain loan participations based on specific criteria set through regulations. It would allow businesses that are investing in difficult environments a chance to have some relief on their cash flow for the first five years.

Mr. Leonard reported that the third section clarifies in statute that AIDEA has the ability to own a part of an infrastructure investment instead of the whole. Clarifying the statute will help AIDEA in the development of larger infrastructure projects such as a port addition.

Mr. Leonard explained that Sections 4 and 5 relate to the rural development initiative fund and are to encourage better use of the program in rural areas.

[9:29:34 AM](#)

MARK DAVIS, ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY (AIDEA), DEPARTMENT OF COMMERCE, COMMUNITY, & ECONOMIC DEVELOPMENT, explained that the first section of the bill would change the way in which AIDEA sets its minimum interest rate under the commercial finance program, which in previous years was tied to the bond market. In 2008 the market changed and AIDEA's rates began to rise, making it non-competitive. The bill proposes to use a comparable financial security. The minimum rate for the program would be set by looking at transparent public

indexes that track the cost of money. Those would include indexes such as the Federal Home Loan Bank of Seattle, the Federal Farm Credit Banks Funding Corporation Funding Cost Index, London Interbank Offered Rate (LIBOR), and Fanny May. He emphasized that the bond market is not where the state wants to be.

[9:31:55 AM](#)

Co-Chair Stedman requested a clarification of terms. Mr. Davis elaborated on the definition of "points"; one point is one percent. Co-Chair Stedman asked what LIBOR was. Mr. Davis said it was the London Interbank Offered Rate, the cost of funds used by the European markets. Currently, the yield on treasury T bills is being tracked against the LIBOR to get a feel for the economy. Mr. Davis continued to say that the first section proposes to allow AIDEA to be more competitive. He emphasized the good qualities of the program and the numerous commercial loans and jobs funded.

[9:33:11 AM](#)

Mr. Davis explained the second part of the bill, which is a rebate program under the same loan participation. Incentive programs at other institutions were examined and it was determined that incentive programs worked to further economic development. The bill proposes an up-to-one percent rebate for the first five years of the loan with a cap of 5 percent of the portfolio, which is very safe lending. The rebate could be given if it would create jobs, for rural development, or to achieve other economic criteria set forth in regulation. Examples would be for development in distressed areas or the creation of new technologies or for alternative energy. He predicted that the rebates would bring in new and novel types of lending.

Mr. Davis turned to the third part of the bill which deals with the development finance program under which AIDEA builds large projects. Currently, the statutes are at odds. One part, AS 44.88.05, says the authority has the power to "acquire an interest in a project as necessary or appropriate". Another part of the same statute, AS 44.88.010a says AIDEA can "incur debt to own and operate facilities". The decision had been made by means of Department of Law interpretations, that AIDEA could only own a complete portion of a project. He used the Red Dog Mine as an example, where AIDEA only owns the

transportation system, but not the mine. In current markets, most development corporations like AIDEA are investing in percentages of projects and looking for private partnerships. The proposal would clarify the statute and allow AIDEA to acquire an interest and become a partner with other investors and partners.

[9:36:12 AM](#)

Senator Huggins voiced concern about the governments owning a part of a project. He asked how the state would limit its liability if it was only a part owner. Mr. Davis opined that legal documentation would have to provide AIDEA with an exit strategy in all cases.

Senator Thomas asked if the clarification of participation, ownership, and management of the economic development account was found on page 3, lines 10-17. Mr. Davis said that was correct.

[9:38:03 AM](#)

Co-Chair Stedman referred to page 3, lines 25-27, and asked why it was important that a person could not get a second loan until a previous loan was paid off. Mr. Davis suggested Mr. Winegar answer.

GREG, WINEGAR, DIRECTOR OF INVESTMENT, ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY (AIDEA), DEPARTMENT OF COMMERCE, COMMUNITY, & ECONOMIC DEVELOPMENT, explained that AIDEA is attempting to tie the maximum to a dollar amount, as opposed to the number of loans because some businesses will take out a small loan to get started and then may need an additional loan. The current statute allows for only one loan. The intention is to provide the flexibility to loan up to the full dollar amount.

[9:39:31 AM](#)

Senator Olson asked why people in rural areas could not spread the risk, as well as the benefits, under this program. Mr. Davis explained that is the intention of the section to allow for more partnerships and allow everyone to have "skin in the game". Senator Olson assumed the transportation system in the Red Dog area would have some input from the borough or from the local entity. He asked if AIDEA would support that idea. Mr. Davis said he would

have to see the amendment first. If it is a good business decision, AIDEA would tend to support it.

SB 300 was heard and HELD in Committee for further consideration.

[9:42:58 AM](#)

#sb213

SENATE BILL NO. 213

"An Act providing for funding for school lunch and breakfast."

GEORGE ESCOTT, STAFF, SENATOR BILL WIELECHOWSKI, thanked the committee and the sponsors for bringing the legislation to Senator Wielechowski's attention. He explained that SB 213 will provide a state match for schools participating in the federal Free and Reduced Price School Breakfast and Lunch Program. It will encourage more schools to provide nutritious meals for underprivileged children and allow schools that already do so to improve their programs. For every free and reduced-price breakfast the federal program funds, the state will provide a match of 35 cents. For every free and reduced-price lunch the federal program funds, the state will provide a match of 15 cents.

Mr. Escott reported that a large majority of states make some contribution to school lunches and breakfasts. Alaska is one of the few that does not. Under this legislation most schools will receive some assistance through a funding formula based on the applicable school district cost factor. Numerous studies have documented that eliminating hunger in children increases school performance, increases school attendance, decreases school violence, and combats obesity. By dealing with these programs now, the state will prevent more costly future problems. Mr. Escott added that there were numerous letters of support for this legislation.

[9:45:41 AM](#)

Co-Chair Stedman noted one fiscal note from the Department of Education and Early Development reflecting the cost of establishing the program for \$1,671,30 in general funds for FY 11.

[9:46:07 AM](#)

ROBIN STILWELL, DIRECTOR, FOOD BANK OF ALASKA, ANCHORAGE (via teleconference), spoke of the advantages of funding breakfasts and lunches at school. She related the cuts in federal funds and how some schools are run under a fund deficit. She used Haines as an example of a school that does provide meals, but that does not participate in the National School Lunch Program. In some communities the schools do not receive a federal match because they don't have the staff to administer the federal program. She estimated that over 10,000 meals are missed each day by Alaskan students that eligible for reduced meal programs. She testified in support of SB 213.

[9:48:42 AM](#)

DEAN HAMBURG, ALASKA SCHOOL NUTRITION ASSOCIATION, SOLDOTNA (via teleconference), spoke in favor of SB 213. He related facts about USDA support to schools for meals. He said that 40 percent of Alaskan families qualify for school meals. He called SB 213 a meaningful and effective support to assist with school meal programs.

[9:50:57 AM](#)

Senator Huggins noted that he and others support quality nutrition programs in the schools. He voiced concern whether the increase in funding would increase the quality of the meals. He referred to an example of a meal he thought was unhealthy. He wondered what controls were used to ensure quality meals.

Mr. Hamburg reported that USDA school meal programs are current with nutrition requirements and are closely aligned with standards. He stated that his program is an example of good nutrition.

[9:55:28 AM](#)

Co-Chair Stedman questioned the inequities in the fiscal note.

EDDY JEANS, DIRECTOR, SCHOOL FINANCES AND FACILITIES, DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT, could not answer why there was a wide discrepancy in the number of school lunches from each district. Co-Chair Stedman commented on how important school meals are. He noted a higher incidence of meals served in rural areas.

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ADJOURNMENT

The meeting was adjourned at 9:58 AM.