

SENATE FINANCE COMMITTEE
April 15, 2010
2:04 p.m.

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CALL TO ORDER

Co-Chair Stedman called the Senate Finance Committee meeting to order at 2:04 p.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

Representative Bill Stoltze; Deven Mitchell, Executive Director, Alaska Municipal Bond Bank Authority, Department of Revenue; Representative Mike Chenault; Senator Lesil McGuire; Tom Wright, Staff, Mike Chenault; Barbara Tuckness, Director of Governor and Legislative Affairs, Teamsters Union; Harold Heinze, CEO, Alaska Natural Gas Authority; Dan Fauske, Alaska Housing Finance Corporation; John Binkly, Chairman, Alaska Railroad Association; Representative Joule, Sponsor; Liz Clement, Staff, Representative Bob Herron; Pat Davidson, Legislative Auditor, Legislative Audit Division, Legislative Affairs Agency; Representative Mark Neuman; Representative Tammie Wilson.

PRESENT VIA TELECONFERENCE

Mead Treadwell, U.S. Arctic Research Commission.

SUMMARY

HB 294-USE, REGULATION, AND OPERATION OF BOATS

HB 294 was HEARD and HELD in Committee for further consideration.

HB 342-EXTEND BOARD OF REAL ESTATE APPRAISERS

HB 342 was HEARD and HELD in Committee for further consideration.

HB 369-IN-STATE PIPELINE/ MANAGER/TEAM

HB 369 was HEARD and HELD in Committee for further consideration.

HB 376-EXTEND BD OF PSYCHOLOGIST & PSYCH. ASSOC.

HB 376 was HEARD and HELD in Committee for further consideration.

HB 424-G.O. BONDS:EDUC./LIBRARY/RESEARCH FACIL.

HB 424 was HEARD and HELD in Committee for further consideration.

HCR 22-ALASKA NORTHERN WATERS TASK FORCE

HCR 22 was heard and HELD in Committee for further consideration.

#hb424

CS FOR HOUSE BILL NO. 424(FIN) am

"An Act providing for and relating to the issuance of general obligation bonds for the purpose of paying the cost of design and construction of library, education, and educational research facilities; and providing for an effective date."

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Co-Chair Stedman introduced HB 424.

REPRESENTATIVE BILL STOLTZE explained that HB 424 allows for Alaskans to vote on a General Obligation (GO) Bond package totaling \$397,200,000 for statewide education and

educational research facilities. He stated that HB 424 is similar to other bond options presented for rural schools and school debt reimbursement. The proposed plan will utilize Build America Bonds. This approach will address the state's essential education needs. He commented on the Kasayulie school litigation and the moral imperative to fund rural schools.

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Representative Stoltze commented that Devin Mitchell was available from the Department of Revenue (DOR).

Co-Chair Stedman asked about the fall election and its influence on the legislation. Co-Chair Stoltze replied that the constitution directs that bond proposals appear in the general election. He believed that pledging the faith and credit of Alaskans warranted a general election vote.

Senator Thomas agreed that a general election brings the greatest number of voters, yet wondered if a special election might qualify.

Co-Chair Stedman requested a general overview of the bonding mechanism.

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DEVEN MITCHELL, EXECUTIVE DIRECTOR, ALASKA MUNICIPAL BOND BANK AUTHORITY, DEPARTMENT OF REVENUE explained that the state compiled a series of legal documents that obligate Alaska's full faith in taxing authority subject to approval of the legislation in concurrence from Alaskan voters. He noted that the current market is best received for GO bond propositions as the timing is good. He informed that the state normally sells bonds through a less flexible competitive process whereby an underwriter is selected upon the date of sale. The common practice limits the ability to structure debt service.

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Representative Stoltze clarified that his previous assumption regarding bond proposals and the general election may be incorrect.

Senator Huggins expressed appreciation for Representative Stoltze.

Senator Olson echoed the comments of Senator Huggins. He asked if another bond package with the same agenda existed.

Representative Stoltze responded that the excellent bond rates of seven percent will reduce the overall cost for Alaskans. He stated that the bill may provide the mechanism with optimal timing. He stated that the approach was appropriate for the current market.

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Mr. Mitchell clarified that an allocation of qualified school construction bonds to the state in 2009 and 2010 can now be issued as direct subsidy bonds.

Co-Chair Stedman understood that the three schools would be exempt from interest cost. Mr. Mitchell agreed that up to \$57 million in bond debt is exempt from interest.

Representative Stoltze included the Mt. Edgecombe facility and the Juneau State Archives and Museum in the HB 424 project list.

Co-Chair Stedman pointed out one fiscal note from DOR for \$10 thousand in general funds to cover the cost of public notice requirements. The debt service of approximately \$30 million would be collected from the operating account. In the event of a deficit due to decline in oil price, the general fund would fall back on the savings.

Mr. Mitchell pointed out that an interest expense payment in FY11 would be expected. He agreed that a catch all appropriation exists in the operating budget for GO debt service, but the department would amend their fiscal note to satisfy the conservative requirements of the market.

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HB 424 was HEARD and HELD in Committee for further consideration.

#hb369

CS FOR HOUSE BILL NO. 369(FIN) am

"An Act relating to an in-state natural gas pipeline, the office of in-state gasline project manager, and

the Joint In-State Gasline Development Team; requiring the development of an in-state natural gas pipeline plan, to be delivered to the legislature by July 1, 2011, that provides for a gasline that is operational by December 31, 2015; directing the Joint In-State Gasline Development Team to assume responsibilities under sec. 19, ch. 14, SLA 2009; requiring expedited review and action by state agencies or entities relating to the in-state natural gas pipeline project; and providing for an effective date."

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REPRESENTATIVE MIKE CHENAULT explained the house bill. He explained HB 369 forms a Joint In-state Gasline Development Team (JIGDT). The team includes the chief executive officer of the Alaska Housing Finance Corporation (AHFC), the chief executive of the Alaska Railroad, the commissioner of the Department of Transportation and Public Facilities (DOT/PF), the chief executive of the Alaska Natural Gas Development Authority (ANGDA), and the in-state gasline project coordinator. The legislation describes the duties of the in-state gasline coordinator in statute and sets a deadline of July 1, 2011. The project plan specifies design and construction of the in-state gasline. The plan must include specifics to coordinate and facilitate the construction, ownership, operation, and management of the pipeline. The development team must prepare plans and designs necessary for construction. The route selected is determined by the development team and must be economical and provide gas to residents at a reasonable cost. He continued that the legislation establishes an expedited process for information access and cooperation among state entities. The bill outlines the duties of the development team yet allows for flexibility. The bill preauthorizes ANGDA to issue bonds for gas related programs and projects.

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Representative Chenault stated that the bill allows the best opportunity for access to in-state gas. He continued that the Cook Inlet gas supply has dwindled and other opportunities must be sought. The in-state use of natural gas will provide additional employment opportunities. The bill will allow Alaska to move forward and access a supply for the next 100 years.

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Co-Chair Hoffman requested a sectional analysis following questions by committee members.

Senator Thomas appreciated the intent of the legislation although it does not address all of the pertinent energy needs for Alaska. He appreciated the opportunity for additional employment for Alaskans.

Senator Olson asked the approximate amount of the bond. Representative Chenault responded \$250 million is the ANGDA portion of the bonding capacity.

Senator Olson asked how the legislation compliments the other proposed in-state gasline projects such as Denali and TransCanada. Representative Chenault responded that this bill addresses in-state gas use. He maintained that Alaska cannot wait for other projects knowing that the gas supply for the Railbelt is dwindling.

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Senator Olson asked how other in-state gas line proposals compare to that of HB 369. Representative Chenault responded that the HB 369 instate gas line's development team is given the freedom to determine the most economical project.

SENATOR LESIL MCGUIRE, echoed the comments made by the Speaker in respect to the in-state gas caucus. She explained that energy needs were the focus. The broad benefits of the in-state gas line were explored in an effort to provide economic success for Alaska. She clarified that the HB 369 project compliments the Alaska Gasline Inducement Act (AGIA). She pointed out that with shale discoveries in the lower 48, open season for AGIA may not amount to the preconceived expectations. The Denali Project and the TransCanada projects provide available options. She explained that the intent of the legislation is to create a team of Alaskans with an aggressive time line and directive. December 15th is the first timeline. She stated that the legislation requests that the team meet with buyers and sellers of gas and provide a plan on July 1, 2011. Private sector partnership is an option. She explained that the involvement of AHFC, The Alaska Railroad, and ANGDA provide unique bonding authority abilities. She stressed that the bill sponsors view the

pipeline as a "steel highway" that would provide an opportunity for Alaska to progress into the next level of economic development.

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Senator Huggins commended the partnership between Senator McGuire and Representative Chenault.

Senator Ellis asked about ANGDA's role in HB 369. Senator McGuire responded that ANGDA is a member of the in-state gas caucus along with the Alaska Railroad, DOT/PF and an in-state gas coordinator. She pointed out a merger drafted in the last few pages of the bill formerly known as HB 44, which expands ANGDA's authority to more closely reflect the activities conducted today. The latter portion of the bill gives ANGDA \$250 million worth of bonding authority. The legislature would review any issued bonds.

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TOM WRIGHT, STAFF, MIKE CHANAULT, presented a sectional analysis.

COMMITTEE SUBSTITUTE FOR HOUSE BILL 369 (FIN)

"An Act relating to an in-state natural gas pipeline, the office of in-state gasline project manager, the Joint In-State Gasline Development Team; requiring the development of an in-state natural gas pipeline plan, to be delivered to the legislature by July 1, 2011, that provides for a gasline that is operational by December 31, 2015; directing the Joint In-State Gasline Development Team to assume responsibilities under sec. 19, ch. 14, SLA 2009; requiring expedited review and action by state agencies or entities relating to the in-state natural gas pipeline project; and providing for an effective date."

(Changes in the House Finance version from the Resources Committee Substitute are highlighted and underlined.)

Section 1: Adds a new chapter, Chapter 34: In-State natural Gas Pipeline, to AS 38, Public Land.

Sec. 38.34.010. In-state gasline project manager. (a) Creates the position of in-state gasline project

manager within the governor's Office. This position will continue until one year after commercial operation of the in-state natural gas pipeline begins. (b) The Governor appoints an individual to the position of an in-state gasline manager and may be removed at the Governor's discretion. (c) Describes the duties of the in-state gasline project manager.

Sec. 38.34.020. Expedited review and action by state agencies or entities. (a) States that any state agency or entity conducting and taking action relating to the in-state gasline shall be expedited. (b) A state agency or entity may not include in any project certificate, right of way, permit or other authorization issued to a licensee a term or condition that is not required by law if the in-state project manager determines the term or condition would prevent or impair the expeditious construction and operation or expansion of the in-state gasline. (c) A state agency or entity may not, unless required by law, amend or abrogate any certificate, right of way, permit or other authorization issued to a licensee if the project manager determines the action would prevent or impair the expeditious construction and operation or expansion of the in-state gasline.

Sec. 38.34.030. Joint In-state Gasline Development Team. (a) Establishes the Joint In-State Gasline Development Team in the Governor's Office. The team consists of the commissioner of the Department of Transportation and Public Facilities or designee, the chief executive officer of the Alaska Railroad Corporation or designee, the chief executive officer of the Alaska Natural Gas Development Authority, the in-state gasline project manager and the chief executive officer of the Alaska Housing Finance Corporation. (b) Names the Alaska Housing Finance Corporation's chief executive officer as chair. (c) Allows the development team to hire staff, enter into contracts and exercise other powers to carry out its functions.

Sec. 38.34.040. Duties of the Development Team. (a) Ensure a project plan for the development of an in-state gasline is completed and delivered to the legislature by July 1, 2011. The project plan must specify and document how an in-state gasline can be

designed, financed, constructed and made operational by December 31, 2015. (b) The Joint In-State Gasline Development Team is to assume all executive authority over and managerial responsibility for all activities enumerated under sec. 19, ch. 14, SLA 2009, including work previously completed, work in process, and work for which money has been encumbered but that is not completed on the effective date of this subsection. (c) Describes specific plans that are to be included within the project plan for an in-state gasline that will serve Fairbanks, the southcentral region of the state, and other communities whenever practicable, connecting with or enhancing the existing gas pipeline system, and reaching to tidewater. (d) The development team's work product is to include an analysis of alternative possible routes and select a route that is consistent with the following requirements: (1) is the most economical, (2) will provide gas to residents at a reasonable cost, (3) allows for connecting lines to serve industrial, residential and utility customers along the entire route and in other regions of the state that can be served at commercially feasible rates, (4) uses state land and existing state highway and railroad rights of way to the maximum extent feasible, (5) uses existing highway and railroad bridges, gravel pits equipment yards and maintenance facilities and other existing facilities and resources to the maximum extent feasible. (e) With the intent that any project-related assets acquired or developed be available for transfer or sale to the entity best able to complete the project, the development team is to: (1) prepare plans and designs necessary for the construction of the in-state gasline; (2) coordinate with entities qualified to build, own and operate the gasline; (3) identify, apply for and obtain rights-of-way and other permits for the project route; (4) work with other entities to promote gas supply and purchase contracts required for the project to be commercially viable; (5) prepare cost estimates for project design, construction and operation to determine the project's feasibility and the projected cost of natural gas to consumers; (6) coordinate with and use, to the fullest extent, possible existing work by other state agencies and entities before contracting for new reports and research and analysis; (7) determine regulatory authority over the pipeline project and perform any

necessary compliance requirements; (8) identify and apply for, or support extension of, existing permits for export of Alaska natural gas if that export improves project economics and will reduce the price of natural gas to in-state consumers. (f) Any rights to a gasline corridor obtained by a state agency under eminent domain may be transferred to a private entity. (g) Describes the various aspects of the in-state gasline project the development team may consider.

Sec. 38.34.050. Cooperation and access to information. (a) States the development team may have access to a state entity's information to include confidential information that may relate to the in-state gasline or prove useful in planning, design, construction or operation of the gasline. Confidential information received by the Development Team shall be kept confidential. (b) All state agencies are to cooperate and give priority to requests for information from the Development Team. The Development Team is to avoid duplicating studies, plans, and designs that have already been produced or otherwise obtained by state entities.

Sec. 38.34.060. Conflicts of interest. (a) If a member of the Development Team acquires, owns or controls a direct or indirect interest in property, an organization or business that might be affected by the in-state gasline project or other matters under consideration by the Development Team shall immediately disclose the interest to the Development Team. This disclosure is part of the public record and shall be included in the minutes of the first meeting of the Development Team held after the disclosure. (b) Members of the development team are subject to AS 39.50 (Public Official Disclosure) and AS 39.52 (Alaska Executive Branch Ethics Act).

Sec. 38.34.099. Definitions. Defines the in-state natural gas pipeline and the North Slope.

Section 2: Amends AS 39.25.110, Exempt service. Adds the in-state gasline project manager to the exempt service list.

Section 3: Immediate effective date.

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Senator Thomas asked about confidential information and the team's administration of public notice where meetings are concerned.

Mr. Wright responded that the team is not exempt from the Open Meetings Act. The team is allowed executive session to discuss finances or operations that might have a potential effect on the state or during the discussion of confidential information.

Co-Chair Hoffman mentioned three fiscal notes, one from the governor's office for \$350,700 in general funds to hire an in-state gasline coordinator, one from DOT/PF for \$1,451,100 in general funds for right of way permitting, and one from the DOR for \$21,340,600 in general funds for AHFC.

Mr. Wright pointed out that the fiscal note from DOT/PF does not apply as the AHFC fiscal note incorporates all state agencies.

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BARBARA TUCKNESS, DIRECTOR OF GOVERNOR AND LEGISLATIVE AFFAIRS, TEAMSTERS UNION testified in support of HB 369. She pointed out that the bill lacks a provision guaranteeing that Alaskan citizens will be employed for this project. She noted that the bill makes no mention of training. She appreciated consideration of Alaskan workers for the project.

Senator Ellis asked for a statement from Mr. Heinze regarding his role in the project.

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HAROLD HEINZE, CEO, ALASKA NATURAL GAS AUTHORITY responded that ANGDA supports the legislature's direction in HB 369. He opined that the bill provides the guidance required by the team. He emphasized that ANGDA is amenable to team participation. He stated that he feels comfortable working under the leadership of Dan Fauske.

Co-Chair Hoffman requested that Dan Fauske be allowed the same opportunity to explain his role. He asked how the position would affect his primary position with AHFC.

DAN FAUSKE, ALASKA HOUSING FINANCE CORPORATION, expressed excitement about the project opportunity. He noted that arrangements will be made to carry out his duties at AHFC. He spoke to the capability of his staff at AHFC. He stated that he looked forward to the partnerships and team atmosphere.

Co-Chair Hoffman asked if the job will deter from his weatherization and energy efficiency duties at AHFC. Mr. Fauske stated no.

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JOHN BINKLY, CHAIRMAN, ALASKA RAILROAD ASSOCIATION echoed the sentiments of Mr. Heinze and Mr. Fauske. He expressed excitement regarding participation in the project and the team.

Co-Chair Hoffman asked if he missed his work as a legislator and chair of the Senate Finance Committee. Mr. Binkly responded that he preferred the view from the other side of the table.

HB 369 was HEARD and HELD in Committee for further consideration.

#hcr22

CS FOR HOUSE CONCURRENT RESOLUTION NO. 22(FIN)

Establishing and relating to the Alaska Northern Waters Task Force.

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REPRESENTATIVE JOULE, SPONSOR, provided a broad overview of the bill. Due to the Arctic's unique needs regarding melting ice on the polar cap and the travel of freight traffic ships. Many opportunities for discussion exist regarding cruise ship travel and new fisheries in the arctic region. The Alaska Northern Waters Task Force created by this legislation would gather information about Arctic waters. He explained the formation of the task force and its potential members.

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Co-Chair Stedman noted one fiscal note from the legislature for \$150 thousand in general funds to cover the cost of travel and expert witnesses on the task force.

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MEAD TREADWELL, CHAIR, U.S. ARCTIC RESEARCH COMMISSION (via teleconference) enthusiastically offered to work with the task force. He stated that multiple activities to structure arctic shipping are underway. As the ocean becomes more accessible, ports and harbors must be considered.

Representative Joule looked forward to the bill passing out of committee.

HCR 22 was heard and HELD in Committee for further consideration.

#hb376

HOUSE BILL NO. 376

"An Act extending the termination date of the Board of Psychologist and Psychological Associate Examiners; and providing for an effective date."

[3:12:12 PM](#)

LIZ CLEMENT, STAFF, REPRESENTATIVE BOB HERRON, She explained that the bill extends the sunset date of the board of psychologists and psychological associate examiners from its current expiration date of June 30, 2010 to a new sunset on June 30, 2018. She described the board's responsibilities. She noted that the representatives from Legislative Budget and Audit (LB&A) were available for questions.

Co-Chair Stedman pointed out one fiscal note from the Department of Commerce, Community and Economic Development for \$78,500 in receipt supported services to continue board funding included in the FY11 operating budget.

PAT DAVIDSON, LEGISLATIVE AUDITOR, LEGISLATIVE AUDIT DIVISION, LEGISLATIVE AFFAIRS AGENCY, recommended an extension to June 30, 2018. She explained that the extension was typical.

HB 376 was HEARD and HELD in Committee for further consideration.

#hb294

CS FOR HOUSE BILL NO. 294(FIN)

"An Act amending the termination date of certain statutes relating to the use, operation, and regulation of boats, a uniform state waterway marking system, and civil liability for boat owners by extending the termination date by two years; providing for an effective date by amending the effective date of secs. 3, 5, 7, 9, 11, 14, 16, 18, 20, 23, 26, and 27, ch. 28, SLA 2000, as amended; and providing for an effective date."

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REPRESENTATIVE MARK NEUMAN introduced the Alaska Boating Safety Program and discussed the components of the legislation. He noted that components of the program include the Alaska Water Wise boating safety course, and the Kids Don't Float program.

Senator Egan appreciated the legislation and wondered why the extension date was not longer.

Representative Neuman explained that the sunset date was established in the finance committee. The original version had a sunset of 4 years.

Representative Neuman expressed appreciation for the hearing.

Co-Chair Stedman noted one fiscal note from the Department of Natural Resources (DNR) for \$200 thousand in general funds included in the FY 11 budget.

HB 294 was HEARD and HELD in Committee for further consideration.

#hb342

HOUSE BILL NO. 342

"An Act extending the termination date of the Board of Certified Real Estate Appraisers; and providing for an effective date."

[3:21:08 PM](#)

REPRESENTATIVE TAMMIE WILSON discussed the legislation and the recommendation to extend the bill of real estate appraisers to June 30, 2014. She explained the composition of the board and their duties.

Co-Chair Stedman asked about the recommendation. Ms. Davidson replied that concerning administrative issues were discovered during the board review. The board was created in an effort to increase the professional requirements associated with real estate appraisers. If the board ceases to operate in accordance with federal guidelines, significant negative impacts in regard to participation in federal programs might occur. The issues identified were not significant individually, but the board's lack of response led to concern leading to the decision of a four rather than an eight year extension.

Senator Olson asked if the administrative shortcomings and the other errors found in the federal investigation affected the licensees' ability to conduct business. Ms. Davidson responded no.

Co-Chair Stedman mentioned one fiscal note for \$99,700 in receipt supported services included in the FY 11 budget.

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Representative Wilson expressed appreciation for the hearing of HB 342.

HB 342 was HEARD and HELD in Committee for further consideration.

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ADJOURNMENT

The meeting was adjourned at 3:25 PM.