

**ALASKA STATE LEGISLATURE**  
**HOUSE COMMUNITY AND REGIONAL AFFAIRS STANDING COMMITTEE**

March 29, 2012

8:05 a.m.

**MEMBERS PRESENT**

Representative Cathy Engstrom Munoz, Chair  
Representative Neal Foster, Vice Chair  
Representative Alan Austerman  
Representative Alan Dick  
Representative Dan Saddler  
Representative Sharon Cissna  
Representative Berta Gardner

**MEMBERS ABSENT**

All members present

**COMMITTEE CALENDAR**

HOUSE BILL NO. 366

"An Act establishing an Alaska intrastate mutual aid system and relating to the duties of the Alaska division of homeland security and emergency management and the duties of the Alaska State Emergency Response Commission."

- MOVED OUT OF COMMITTEE

HOUSE BILL NO. 364

"An Act relating to a credit against the net income tax for a contribution made by a taxpayer to a nonprofit organization that provides an emergency shelter for the homeless or a facility for alcohol or drug detoxification."

- MOVED CSHB 364(CRA) OUT OF COMMITTEE

**PREVIOUS COMMITTEE ACTION**

BILL: HB 366

SHORT TITLE: DISASTER PLANNING AND SERVICES

SPONSOR(S): COMMUNITY & REGIONAL AFFAIRS

03/15/12	(H)	READ THE FIRST TIME - REFERRALS
03/15/12	(H)	MLV, CRA
03/27/12	(H)	MLV AT 1:00 PM CAPITOL 120
03/27/12	(H)	Moved Out of Committee

03/27/12 (H) MINUTE(MLV)  
03/28/12 (H) MLV RPT 6DP  
03/28/12 (H) DP: MILLER, AUSTERMAN, CISSNA, LYNN,  
THOMPSON, SADDLER  
03/29/12 (H) CRA AT 8:00 AM BARNES 124

BILL: HB 364

SHORT TITLE: TAX CRED: CONTR. TO HOMELESS SHELTER/DETOX  
SPONSOR(S): COMMUNITY & REGIONAL AFFAIRS

03/12/12 (H) READ THE FIRST TIME - REFERRALS  
03/12/12 (H) CRA, FIN  
03/22/12 (H) CRA AT 8:00 AM BARNES 124  
03/22/12 (H) Heard & Held  
03/22/12 (H) MINUTE(CRA)  
03/29/12 (H) CRA AT 8:00 AM BARNES 124

**WITNESS REGISTER**

REPRESENTATIVE ERIC FEIGE  
Alaska State Legislature  
Juneau, Alaska

**POSITION STATEMENT:** Spoke as the sponsor of HB 366.

MICHAEL PASCHALL, Staff  
Representative Eric Feige  
Alaska State Legislature  
Juneau, Alaska

**POSITION STATEMENT:** Presented HB 366.

RICHARD ETHERIDGE, Chief  
Capital City Fire/Rescue;  
Second Vice President, Alaska Fire Chiefs Association  
Juneau, Alaska

**POSITION STATEMENT:** Testified in support of HB 366.

JIM BULTER, Attorney  
Baldwin & Butler  
Kenai, Alaska

**POSITION STATEMENT:** Urged the committee to forward HB 366.

DAVID GIBBS, Director  
Emergency Operations  
Fairbanks North Star Borough  
Fairbanks, Alaska

**POSITION STATEMENT:** Testified in support of HB 366.

DENNIS BRODIGAN, Director  
Department of Emergency Services  
Matanuska-Susitna Borough  
Wasilla, Alaska

**POSITION STATEMENT:** Testified in support of HB 366.

BRYAN FISHER, Chief of Operations  
Division of Homeland Security/Emergency Management  
Department of Military & Veterans Affairs (DMVA)  
Fort Richardson, Alaska

**POSITION STATEMENT:** Testified in support of HB 366.

TERRY HARVEY, Staff  
Representative Munoz  
Alaska State Legislature  
Juneau, Alaska

**POSITION STATEMENT:** Provided the committee with additional information on HB 366.

JOHANNA BALES, Deputy Director  
Tax Division  
Department of Revenue  
Anchorage, Alaska

**POSITION STATEMENT:** During hearing of HB 364, answered questions.

DAN AUSTIN, General Manager  
St. Vincent de Paul Society of Juneau  
Juneau, Alaska

**POSITION STATEMENT:** Urged the committee to forward HB 364.

LAUREN RICE, Director  
Public Advocacy  
Covenant House Alaska  
Anchorage, Alaska

**POSITION STATEMENT:** Testified in support of HB 364 and its intent.

## **ACTION NARRATIVE**

[8:05:21 AM](#)

**CHAIR CATHY ENGSTROM MUNOZ** called the House Community and Regional Affairs Standing Committee meeting to order at 8:05 a.m. Representatives Austerman, Dick, Saddler, Gardner, and

Munoz were present at the call to order. Representatives Foster and Cissna arrived as the meeting was in progress.

**HB 366-DISASTER PLANNING AND SERVICES**

8:05:39 AM

CHAIR MUNOZ announced that the first order of business would be HOUSE BILL NO. 366, "An Act establishing an Alaska intrastate mutual aid system and relating to the duties of the Alaska division of homeland security and emergency management and the duties of the Alaska State Emergency Response Commission."

8:06:18 AM

REPRESENTATIVE ERIC FEIGE, Alaska State Legislature, informed the committee that HB 366 proposes to establish a statewide mutual aid framework. He explained that mutual aid is a system used by emergency service organizations to provide backup to one another. It's fairly common for neighboring communities to respond to a request from a local fire department for additional equipment.

8:07:24 AM

MICHAEL PASCHALL, Staff, Representative Eric Feige, Alaska State Legislature, presented HB 366 by paraphrasing from the following written remarks [original punctuation provided]:

For disclosure purposes, I am an assistant chief and board member of a fire department that may fall under this agreement and I chair the Delta Greely Local Emergency Planning Committee, which may be asked to participate in planning activities under this agreement, and am a member of the State of Alaska Interoperable Communications Committee under the State Emergency Response Commission.

Representative Feige is the chief of the Chickaloon Volunteer Fire Department and may participate in activities under this agreement.

According to the Federal Emergency Management Agency: "Mutual aid agreements and assistance agreements are agreements between agencies, organizations, and jurisdictions that provide a mechanism to quickly obtain emergency assistance in the form of personnel, equipment, materials, and other associated services. The primary objective is to facilitate rapid, short-

term deployment of emergency support prior to, during, and after an incident."

Through the EMAC (Emergency Management Assistance Compact), all 50 states, the District of Columbia, Puerto Rico, Guam, and the U.S. Virgin Islands all have agreed and established guidelines to provide aid across state borders.

Across Alaska, local organizations adjacent to each other sometimes have agreements to provide assistance in the event of an emergency, often within the same political subdivision. When an incident commander needs additional resources, such as an additional ambulance, established procedures work to make the aid available.

Unlike the EMAC that allows response across state borders, and local agreements that provide assistance for isolated incidents - Alaska has no unified agreement in place allowing one political subdivision to assist another.

Although assistance can be obtained, all of the details concerning cost, responsibility, liability, and other details have to be negotiated on a situation by situation basis.

When an event occurs, people work to continue the operation or the reestablishment of these services. Time is not available to negotiate items such as: Who will pay the transportation costs to the area? Who is responsible for maintenance? Who can terminate an employee? Etc.

HB 366 and its companion in the other body, SB 208, will put in place a tool that will make assisting those in need easier for us here in Alaska. This process is not just about typical emergency services such as fire, police, and emergency medical services. It also includes everything from water and sewer treatment facilities, electricity and other utilities, care of pets and livestock, debris removal, shelter management, transportation, fuel delivery etc. All services individuals expect to be available to them before, during and after an emergency.

The National Emergency Management Association (NEMA), Federal Emergency Management Agency (FEMA), and interested emergency response organizations developed model legislation for an intrastate mutual aid system (IMAS). A copy of the model legislation has been provided to you.

The bill you have before you is Alaska's adaptation of the IMAS. It was developed by the Division of Homeland Security and Emergency Management in conjunction with several organizations including the Alaska Fire Chiefs Association, Alaska Municipal League, and the Fairbanks North Star Borough.

Section 1 of this bill requires the Division of Homeland Security and Emergency Management to play an integral part in developing and implementing the Intrastate Mutual Aid System established by this bill. Section 2 requires the division to coordinate the operation of the IMAS.

Section 3 addresses the State Emergency Response Commission and requires the commission to make recommendations about IMAS and adopt regulations necessary to carry out the agreement.

Section 4 requires the commission to review and make recommendations about the mutual aid system.

Section 5 establishes the mutual aid system between participating political subdivisions. Provides that every political subdivision is a participating member unless the subdivision withdraws. Provides what assistance a political subdivision may request. Addresses qualifications and employment of, and workers' compensation for, emergency responders. Establishes reimbursement procedures, tort liability for participating political subdivisions. Provides definitions for the provisions establishing the mutual aid system.

[8:12:25 AM](#)

REPRESENTATIVE SADDLER asked if the mutual aid system envisions assistance only for disasters as defined or for responses to routine situations.

MR. PASCHALL explained that under this agreement, the requesting political subdivision must declare a local disaster in order for the mutual aid agreement to come into effect. This agreement, he clarified is not the type of agreement that's utilized for a house fire or a wreck. The purpose of this agreement is so that say Fairbanks could provide services to Eagle. In further response to Representative Saddler, Mr. Paschall said he didn't believe the term "disaster" is defined in [HB 366], and therefore he offered to review how it's defined in statute. Mr. Paschall related that the requesting subdivision would declare

that it has a disaster in that it has exceeded its available resources and needs help.

8:14:07 AM

REPRESENTATIVE DICK observed that HB 366 has been heard in the House Special Committee on Military and Veterans' Affairs and was reported out from it with no changes.

MR. PASCHALL confirmed that was the case. He noted that the legislation was drafted mutually with the House and the Senate, introduced by the House Community and Regional Affairs Standing Committee in order to move through the House and catch up with the Senate legislation.

8:15:11 AM

RICHARD ETHERIDGE, Chief, Capital City Fire/Rescue, Juneau, Alaska; related support for HB 366, which creates the framework for a mutual aid agreement within the state. Currently, each department has to negotiate with neighboring departments to develop a mutual aid agreement. In Southeast Alaska the aforementioned is difficult because there are multiple small communities that aren't connected by a road system. Furthermore, there are small mining and logging camps with emergency responders who can be overrun and experience major disasters. Since one emergency responder organization doesn't know which agency it'll be working with, it isn't practical for one department to make agreements with each separate municipality or local government. However, it does make sense for an emergency responder organization to work with neighboring departments with which they work on a regular basis. This legislation is a collaborative effort between the state, local, and federal agencies to establish a uniform framework so that everyone is on the same page and has the same expectations when there is a disaster. Furthermore, the legislation creates common definitions. Mr. Etheridge highlighted that no department in Alaska has the ability to handle a major disaster on its own, particularly since smaller local governments would have a different definition of "disaster" than the larger municipalities. This legislation provides a framework for agencies to lend assistance during a disaster and avoids negotiations for payments and coverage during the disaster, and therefore quickens the ability to lend assistance. Although state law allows for mutual aid agreements with neighboring departments, it isn't practical. Therefore, HB 366 will eliminate the aforementioned administrative process. Mr.

Etheridge informed the committee that in the last few years Juneau has been called more often to help neighboring communities. He opined that with declining budgets and the difficulty faced with the recruitment and retention of volunteers, [establishing an Alaska intrastate mutual aid system] is more important than ever. For example, the town of Hoonah is down to eight firefighters, and therefore a simple structure fire could overwhelm Hoonah and result in a request to Juneau for assistance. In such an event, time is critical and having this all in place beforehand makes it easier to lend aid quickly. He then told the committee that just last month Juneau Fire/Rescue was called to Thorne Bay for a hazardous materials call. He characterized HB 366 as common sense legislation that has all the chiefs and emergency managers working on the same page. In conclusion, Mr. Etheridge related the support of the Alaska Fire Chiefs Association and Capital City Fire/Rescue for HB 366, which he encouraged the committee to move forward.

[8:19:49 AM](#)

REPRESENTATIVE GARDNER recalled Mr. Paschall's earlier testimony that a community would have to declare a disaster in order to invoke the mutual aid system. She asked if the situation in which Hoonah needed help holding a class would require it to declare a disaster.

MR. ETHERIDGE clarified that HB 366 wouldn't impact typical things like that rather he highlighted it in order to illustrate the shrinkage departments are experiencing. He informed the committee that the National Fire Protection Association (NFPA) requests 18 people as a standard response to a structure fire.

REPRESENTATIVE GARDNER surmised then that effectively [emergency responders will continue] working with neighboring communities in those ways. She further surmised that HB 366 wouldn't cover the issue of liability in a situation in which [a responder] is injured, for instance, when the Juneau Fire/Rescue went to Thorne Bay to respond to the hazardous material call. She asked if the liability would be borne by the community that requested assistance or by the entity responding.

MR. ETHERIDGE explained that currently they have to negotiate with each community when aid is sent. He noted that Juneau Fire/Rescue does assist prior to the declaration of a disaster in hopes of keeping the situation scaled down. Therefore, HB 366 would create the framework so that [the details] are

specified and each individual municipality could model their agreements after that proposed in HB 366.

[8:22:07 AM](#)

REPRESENTATIVE SADDLER related his understanding then that the definition of disaster is more a function of the capability of a community/department to the situation rather than an absolute definition.

MR. ETHERIDGE replied yes, adding that it's based on the capabilities of the community either through the size of its emergency responders or the capabilities of its department. For instance, Juneau Fire/Rescue responded to the situation in Hoonah when two of its police officers were shot because it effectively shut down Hoonah's emergency medical services. Although Juneau Fire/Rescue was able to provide assistance, the logistics and details took quite a bit of time to work through. This legislation would allow the details to be worked out prior to the need for assistance.

[8:23:22 AM](#)

REPRESENTATIVE SADDLER asked if there are many logging camps left in Southeast Alaska. He then inquired as to the capabilities of the logging camps in terms of autonomous fire protection or disaster response.

MR. ETHERIDGE answered that some logging camps will have their own small fire brigades that would be volunteers. He said that there are some small logging camps. The mining camps in [Southeast Alaska] tend to have more structured medical and fire services.

[8:24:02 AM](#)

REPRESENTATIVE SADDLER inquired as to how this [intrastate mutual aid system] would work in terms of Anchorage that has paid firefighters versus Eagle River that has volunteer firefighters. He further inquired as to whether Anchorage and Eagle River would be considered one political subdivision for the purpose of requesting mutual aid or would there be sidebars between the volunteer force and the professionals.

MR. ETHERIDGE responded that he wasn't sure how such close neighboring communities would work, but he imagined it would be

up to political leaders in the communities to make the decisions.

8:25:08 AM

JIM BULTER, Attorney, Baldwin & Butler, began by informing the committee that he's been involved in the incident management community for a little over 20 years and remains fairly active with both the public and private sector corporate incident management teams that work on the state, regional, and national levels. He related that about 60-70 percent of his practice deals with issues surrounding incident management and disaster related issues for a variety of clients. Over the years the disaster system has been put together principally by a plan, but it's often forgotten that the plan is the bone of the system. This legislation, he opined, provides the muscle and the connective tissue in that it provides a mechanism for participating entities to pre-organize the system that's necessary to ensure resources move between different jurisdictions, particularly in the area of nontraditional resources. Because fire and hazardous materials incidents are more frequent, there are clearer lines of authority between state and local agencies, especially in the area of fire, to move resources for wild land fires. The situation becomes more complex when there is the need to move public works/utilities/specialist resources. This legislation allows pre-development of a standardized system for the administrative matters and helps develop a system that qualifies and types those resources. Mr. Butler expressed hope that HB 366 will provide another tool for policymakers who are in office during a disaster in their community, such that there is a plan as well as administrative issues in place. In conclusion, he urged the committee to forward HB 366.

8:28:42 AM

REPRESENTATIVE GARDNER asked if Mr. Butler had any role in bringing HB 366 forward.

MR. BUTLER said he participated collaterally as he has encouraged those involved to move along the process. He noted that he is the sole public member of the State Emergency Response Commission and although he isn't speaking on behalf of the commission, supporting the type of initiative in HB 366 has been an issue it has discussed for some time. Mr. Butler saluted those involved in taking the initiative for making HB 366 happen.

8:29:38 AM

REPRESENTATIVE DICK inquired as to why the statute is necessary for something that makes so much sense.

MR. BUTLER offered that in many cases, municipalities view the authorities/responsibilities granted to them through their charter documents or Title 29 work within the borders of their particular jurisdiction. The concept of moving resources across the line is sometimes different than what is planned for as they typically plan for situations within their jurisdiction. Furthermore, while one municipality may work with its neighbor with a mutual aide agreement, this legislation attempts to create a standardized framework that's recognized on a statewide level and would allow issues with insurance and risk management to be addressed so that everyone has "skin in the game" when resources are moved between jurisdictions.

8:31:28 AM

DAVID GIBBS, Director, Emergency Operations, Fairbanks North Star Borough, related the support of the Fairbanks North Star Borough (FNSB) for HB 366. The FNSB believes HB 366 is good public policy and provides a framework for a consistent and integrated mutual aid system to ensure effective response in disaster situations. He informed the committee that the 2009 ice jam flooding provided real world experience with this matter and was part of the impetus for the legislation. The FNSB was asked to provide fire service to the City of Eagle since its volunteer fire department was inundated with flood waters. The FNSB emergency management staff also assisted with sheltering a plane load of evacuees from another Yukon River village. He noted that there was an additional request for assistance for animal care and control, which couldn't be provided because of the lack of an agreement to do so. These communities were geographically isolated from the borough, and therefore the borough never contemplated the need for mutual aid agreements with them. The myriad of issues that arose impacted the FNSB's ability to provide timely assistance to these communities, and thus clearly demonstrated the need to have procedures and agreements in place long before a disaster occurs. Mr. Gibbs opined that the establishment of an integrated and structured intrastate mutual aid system as proposed by HB 366 will substantially close the gap.

8:34:06 AM

DENNIS BRODIGAN, Director, Department of Emergency Services, Matanuska-Susitna Borough, related support for HB 366 for all the reasons stated by his colleagues. This legislation will assist those [communities] with finite resources in times of disaster as it will provide a clearing house to gain additional resources in a timelier manner.

[8:35:07 AM](#)

BRYAN FISHER, Chief of Operations, Division of Homeland Security/Emergency Management, Department of Military & Veterans Affairs (DMVA), related support for HB 366. He informed the committee that DMVA has worked with local jurisdictions over the last few years to put together the language encompassed in HB 366. The legislation directs the Division of Homeland Security/Emergency Management to work primarily as the administrative management piece in order to ensure that all the policies, procedures, necessary documentation on reimbursement, et cetera are in place. The legislation further directs the State Emergency Response Commission to oversee the implementation of IMAS. Statutorily the division is responsible for review of interjurisdictional disaster response plans and to work with local governments to ensure that the division is prepared to meet any size disaster in the state. Currently, division staff is the primary support to the State Emergency Response Commission. Therefore, the legislation has a zero fiscal note because it's already part of the division's routine business to ensure that the plans are in place, coordinated, and appropriate records maintained. With regard to an earlier question, Mr. Fisher informed the committee that the term "disaster" is defined in the Alaska Disaster Act, AS 26.23.900. Furthermore, the language in AS 26.23.140 enables principle executive officers of a political subdivision to declare a local disaster. Mr. Fisher concluded by stating that the division is fully prepared to support HB 366.

[8:37:33 AM](#)

REPRESENTATIVE GARDNER stated she was puzzled with the zero fiscal note because on page 1, line 9, the language says, "To this end, it may employ or otherwise secure the services of professional and technical personnel ...."

MR. FISHER explained that there are times when a political subdivision has contracted response personnel for day-to-day response, such as to run public works facilities. Therefore,

the intent of the language was to ensure that those folks would be covered so that contracted public works personnel from one municipality could be used in another municipality.

[8:38:50 AM](#)

MR. PASCHALL, in response to earlier questions, explained that in terms of Anchorage and Eagle River the Municipality of Anchorage is one political subdivision and has agreements with the two volunteer fire departments within it. The Fairbanks North Star Borough has numerous fire departments within the municipality as well as in the City of North Pole and the City of Fairbanks, which are separate subdivisions. The intent with HB 366 is to address situations such as Valdez requesting equipment from Deltana, which would be anticipated. With regard to training, Mr. Paschall directed attention to the language on page 5, line 28, and on page 6, lines 5 and 7, which is a response guideline as well as a preparation guideline.

[8:40:53 AM](#)

REPRESENTATIVE GARDNER related that she was disappointed that no one from Anchorage is testifying on HB 366, which she assumes means Anchorage isn't troubled by the legislation. She then posed a scenario in which HB 366 becomes law and Anchorage has existing agreements with other subdivisions, which would take precedent.

MR. PASCHALL clarified that this doesn't override existing or future agreements between political subdivisions.

[8:41:55 AM](#)

REPRESENTATIVE SADDLER surmised then that HB 366 speaks more to the relationship for mutual aid between the Municipality of Anchorage and the Matanuska-Susitna Borough, for instance, rather than the Anchorage Fire Department and the Chugiak Volunteer Fire Department.

MR. PASCHALL responded that's correct.

[8:42:17 AM](#)

REPRESENTATIVE SADDLER referred to the definition of "disaster" in AS 26.23.900, which doesn't include the component of the ability to respond to the capacity as mentioned by Mr.

Etheridge. Therefore, he expressed interest in reconciling the different definitions of "disaster".

MR. PASCHALL explained that responders provide assistance when the receiving/requesting entity has exceeded its capacity, otherwise they wouldn't ask for assistance. The definition speaks to who can declare a disaster. For example, an unincorporated village, which is defined as a community of greater than 25 people, can declare a disaster. Upon further clarification from Legislative Legal Services, he said he understood that any unique or cohesive area could be considered a community, a political subdivision, and thus request assistance under this agreement. In further response to Representative Saddler, Mr. Paschall stated that he hadn't seen any language that addressed the number of times a disaster could be declared. However, an executive officer can declare a disaster for up to seven days. Following the initial period, the municipal body has to provide a formal statement of the declaration of a disaster. He reminded the committee that this is in reference to a local disaster because a larger disaster would be declared by the governor and the disaster cabinet. Mr. Paschall emphasized that [the details/agreements for a larger disaster] are already in place, this legislation addresses how small communities declare disasters or emergencies and ask for assistance from others.

[8:44:55 AM](#)

REPRESENTATIVE SADDLER characterized [HB 366] as smart planning; however, he asked if there are any areas of the legislation that could be improved.

MR. PASCHALL noted that he didn't participate actively in drafting HB 366, but believes it was well done and addresses the unique aspects of Alaska.

[8:46:15 AM](#)

CHAIR MUNOZ closed public testimony.

[8:46:43 AM](#)

REPRESENTATIVE SADDLER moved to report HB 366 out of committee with individual recommendations and the accompanying zero fiscal note. There being no objection, it was so ordered.

[8:47:18 AM](#)

The committee took an at-ease from 8:47 a.m. to 8:49 a.m.

**HB 364-TAX CRED: CONTR. TO HOMELESS SHELTER/DETOX**

[8:49:57 AM](#)

CHAIR MUNOZ announced that the final order of business would be HOUSE BILL NO. 364, "An Act relating to a credit against the net income tax for a contribution made by a taxpayer to a nonprofit organization that provides an emergency shelter for the homeless or a facility for alcohol or drug detoxification."

[8:50:15 AM](#)

TERRY HARVEY, Staff, Representative Munoz, Alaska State Legislature, pointed out that the committee should have a Legislative Research Services' document that identifies the nonprofit emergency and drug and alcohol detoxification facilities in Alaska. The document does note that there is the possibility that they may have overlooked other existing facilities. He told the committee that information regarding categorizing the facilities that offer only housing versus those that offer housing and additional services for the homeless is forthcoming.

[8:51:51 AM](#)

REPRESENTATIVE GARDNER recalled that the Salvation Army has a facility that offers housing for fathers and children, which isn't on the list.

MR. HARVEY offered to research that facility. In further response to Representative Gardner, Mr. Harvey acknowledged that facilities could face erratic funding if there aren't repeat donors to these organizations, which could result in holes in their budget for which they approach the legislature to fill. The proposed committee substitute incorporates changes to address the aforementioned.

[8:54:43 AM](#)

REPRESENTATIVE GARDNER moved to adopt CSHB 364, Version 27-LS1425\I, Nauman, 3/27/12, as the working document. There being no objection, Version I was before the committee.

[8:54:58 AM](#)

MR. HARVEY offered to review the changes encompassed in Version I. He related that he heard from several of the shelters regarding the requirement for individual organizations to report to the state the donations received, the amount, and the use of it. There was concern with regard to the paperwork involved and the ability to track the donations, particularly for small organizations that receive small dollar donations. There was also concern with regard to how this would impact state agencies involved with providing operational dollars to these organizations, specifically there was concern that reports indicating a certain amount of incoming dollars could impact what the organization annually expects from the state. Those concerns were addressed by deleting the reporting requirement and on page 2, line 10, inserting paragraph (d), as follows:

(d) The commissioner shall, by January 1 of each year, provide to the legislature a list of recipients of contributions, the total amount of contributions reported, and the total amount of credit claimed under this section during the previous calendar year.

[8:58:24 AM](#)

CHAIR MUNOZ clarified that in HB 364 the organization had to report to the legislature, but the change encompassed in Version I requires the commissioner of DOR to provide a report to the legislature regarding those organizations that had utilized the tax credit.

MR. HARVEY replied yes, adding that it's still important for the legislature to know how this tax credit is being implemented and how effective it is. He reminded the committee that the legislation includes a sunset provision. He then opined that he doesn't believe the information would be used against an organization requesting grants and state funding.

[8:59:49 AM](#)

REPRESENTATIVE FOSTER related that his district and region are supportive of this legislation. Upon review of the list of organizations, it seems to offer good regional balance.

[9:00:51 AM](#)

REPRESENTATIVE GARDNER maintained concern regarding whether these funds [receiving the tax credit] would potentially

supplant state funds and create a lack of sustainability for these organizations.

[9:01:52 AM](#)

MR. HARVEY, returning to his review of the changes in Version I, directed attention to page 2, line 3, subsection (c). The impetus for subsection (c) was from Representative Austerman who expressed the desire for organizations that want to make a donation to be able to obtain a predetermination regarding whether their donation would receive the tax credit.

[9:03:25 AM](#)

REPRESENTATIVE GARDNER expressed concern that there is no plan to have DOR confirm that an agency actually received a donation for which the taxpayer filed a claim. Therefore, she questioned whether there should be a confirmation process to confirm those reported as receiving the donation actually did receive it.

MR. HARVEY deferred to DOR.

[9:04:58 AM](#)

JOHANNA BALES, Deputy Director, Tax Division, Department of Revenue, explained that this proposed tax credit would work as the existing tax credits. Therefore, when the division performs its audit, it would confirm that the recipient received the funds. With new tax credits, the division often performs a compliance project, which reviews every taxpayer who claimed the tax credit and reaches out to the recipients to ensure receipt of the funds. The aforementioned are common processes for which the division doesn't need additional statutory authority.

[9:06:08 AM](#)

REPRESENTATIVE GARDNER posed a scenario in which a contribution is for a building fund. She asked if that information would be easily included in the report so that having a building fund with assets in it wouldn't adversely impact the organization when it approached the legislature for operating funds.

MS. BALES answered that more than likely, the division wouldn't know specifically for what the funds were used. The division would merely track the contribution to ensure that a qualified organization received it. Therefore, at the time the agency requests additional funds, it would be up to it to let the

legislature know how the funds were used. The division would provide the data to confirm that the agency did receive the contribution.

9:07:30 AM

DAN AUSTIN, General Manager, St. Vincent de Paul Society of Juneau, began by highlighting that Juneau is Alaska's most homeless city. On a per capita basis, Alaska has one-and-a-half times the homeless rate in Anchorage, four times that of Fairbanks, and three times that of Los Angeles County to which some refer to as the homeless capital of America. Over the last two decades, homelessness has grown throughout the nation but the resources to operate shelters have not kept pace. For instance, after more than 10 years of operating a childcare facility for low income families St. Vincent de Paul had to close it last year because it had to decide whether to utilize its resources for maintenance and operation of its homeless facility or to subsidize its childcare facility. On top of that, just last month heating oil increased to over \$4.00 per gallon. Furthermore, St. Vincent de Paul had to suspend the purchase of food vouchers. Mr. Austin emphasized that it's important to know that many shelters such as St. Vincent de Paul provide housing as well as other services to those who are homeless and poor, including food vouchers, travel assistance, medical assistance, and emergency family aid. Therefore, as the operating expense of the shelter and the demand on the shelter increase, something has to be eliminated. Normally, the discretionary services that help keep the safety net together for the poor in the state is the first to be eliminated. Mr. Austin informed the committee that St. Vincent de Paul doesn't rely on state and federal grants for the shelter's operation rather it relies on the thrift store revenues, which supply about 51 percent of the actual operating expense of the shelter, and the other 49 percent is provided by the residents themselves. In conclusion, Mr. Austin urged the committee to move HB 366 forward so that shelters in Alaska can sustain operations while working on the critical issue of homelessness.

9:11:30 AM

LAUREN RICE, Director, Public Advocacy, Covenant House Alaska, explained that Covenant House is a shelter for homeless and at-risk youth in Anchorage. Although the facility is located in Anchorage, it truly serves the entire state. Last year, Covenant House Alaska served over 4,000 individual youth of which about 48 percent of the youth served are Alaska Native.

Covenant House Alaska provides a spectrum of services including emergency services as the facility is open all day every day and programs through which youth can stay with Covenant House for up to a year-and-a-half and live in transitional housing and gain life skills. Covenant House Alaska offers everything from food and showers to long-term educational support. She characterized Covenant House Alaska as almost serving as the family for these youth well into their late teens and early twenties. Ms. Rice related support for HB 364 and the intent behind it; private investment in the nonprofit community is essential not only so that nonprofits can provide services but also for the health of the entire community. The majority of the Covenant House Alaska budget consists of private funds and its work is to share with individual corporations and businesses in the community stories of the youth and the mission of Covenant House Alaska to meet the needs of the youth. The aforementioned is vital to Covenant House Alaska's operating budget and to its advocacy and communication efforts because the youth at Covenant House Alaska are some of the most invisible youth in the state. Homeless youth become invisible as a means of survival, she stated. The corporate employees to which Covenant House Alaska reaches out become mentors, instructors of life skills classes and provide service work and special events. The benefits youth receive from corporate volunteers go well beyond the monetary amount invested. This legislation incentivizes the efforts of Covenant House Alaska even more as it provides an incentive for companies to learn and invest in nonprofits serving their neighbors. Furthermore, HB 364 facilitates private investment in human services from which all involved parties benefit. Ms. Rice noted her appreciation for the changes in Version I. In conclusion, Ms. Rice stressed that Covenant House Alaska's support of HB 364 is to encourage and incentivize private investment in nonprofits, not to diminish or impact the state's role in caring for the state's most vulnerable population. She related her view that HB 364 is a way to increase private investment and community support of Covenant House Alaska's work, not replace state funding or grants.

[9:15:15 AM](#)

REPRESENTATIVE GARDNER asked then if Ms. Rice has no concern that corporate donations might supplant state funding.

MS. RICE answered that wouldn't say that she has no fear of that and acknowledged that tax incentives and tax breaks have replaced some federal funding. However, nothing in HB 364 indicates to Covenant House Alaska that the aforementioned is a

process the state will go through. This legislation is viewed as another tool in the tool box. If organizations find that [the tax credit] impacts gaining state support for their services, they could choose not to participate. Ms. Rice opined that the onus is on the organization to do the strategic planning and maximize resources and services provided when there is extra revenue while not putting into place systems that are unsustainable. Organizations such as Covenant House Alaska, which has been providing services for over 20 years, that have a long history of building sustainable budgets understand that every year they have to build their operating budget and they are prepared to make responsible decisions.

[9:17:18 AM](#)

REPRESENTATIVE GARDNER inquired as to the purpose for including the requirement that DOR provide a list of donation recipients to the legislature if it's not to possibly supplant state funding.

MR. HARVEY related that he worked with DOR on that language. He further related that the success of this program depends upon donations and what kind of tax credit is acted upon. The annual report to the legislature was felt to be beneficial and provide insight into how the program develops.

[9:18:47 AM](#)

CHAIR MUNOZ asked whether this requirement is similar to that of the education tax credit and other tax credit programs.

MR. BALES informed the committee that in other tax credit programs DOR provides the aggregate number of contributions, not a list of who receives the contribution.

CHAIR MUNOZ asked then if Ms. Bales believed it would be best to make the language consistent with what is done with other [tax credit programs].

MS. BALES responded that it would depend upon the legislature's intent in terms of analyzing this credit. She recalled the hearings on the film credit, during which she understood the legislature wanted to know the recipients of the tax credit in order to determine whether the tax credit is working. Ms. Bales said she wasn't sure the list of recipients of the tax credit would really tell the legislature [whether it's working] rather it provides knowledge as to how many contributions were made.

Therefore, she opined that it's up to the legislature to determine.

[9:20:16 AM](#)

CHAIR MUNOZ announced that she is amenable to a language change regarding the list.

[9:20:33 AM](#)

REPRESENTATIVE GARDNER moved Amendment 1, as follows:

Page 2, line 11,  
Delete "a list of recipients of contributions,"

[9:21:06 AM](#)

REPRESENTATIVE SADDLER objected, and added that the legislation proposes some generous incentives. Therefore, it might be useful to know who is receiving the [tax credit]. He opined that who is receiving the benefits might be useful for the state to know how effective the organizations are.

[9:21:42 AM](#)

REPRESENTATIVE CISSNA said she could see real value in knowing the categories of totals there are. However, listing specific names is problematic, she indicated. She asked whether there is an easy way to provide an aggregate of different groups, such as those dealing with homelessness, substance abuse, and child welfare.

[9:23:08 AM](#)

CHAIR MUNOZ pointed out that the legislation already speaks to emergency shelters for the homeless and facilities for alcohol and drug detoxification. She asked whether it would be possible to provide aggregate totals in those two broad categories.

MS. BALES answered that the division could do that, but asked if the committee is interested in the size or other details of the shelters.

CHAIR MUNOZ asked whether the aforementioned can be accomplished with Amendment 1.

MS. BALES said the division would need more specific language, such as "and the types of facilities". She related that when the division writes regulations it listens to the appropriate legislative meetings to determine the intent.

[9:25:05 AM](#)

REPRESENTATIVE GARDNER withdrew Amendment 1.

[9:25:19 AM](#)

REPRESENTATIVE GARDNER moved Conceptual Amendment 2, which would insert language requiring a list of total [contributions] by category of recipients. Representative Gardner specified the language to be inserted [in place of the language on page 2, line 11, "a list of recipients of contributions,"] would be: "the amount of the contributions subtotaled by category of recipient for" and the categories would match those listed on page 1, lines 11-13 of Version I.

There being no objection, Conceptual Amendment 2 adopted.

[9:27:25 AM](#)

REPRESENTATIVE GARDNER asked whether it would be the intention of DOR to make the list of eligible entities available on its website.

MS. BALES answered that DOR would do that. Because of the 501(c)(3) requirement the IRS has a list of those and the division would work with the sponsor and the organizations in the state to compile such a list.

[9:28:09 AM](#)

CHAIR MUNOZ recalled that there was an Anchorage facility missing from the list of [nonprofit emergency shelters and drug and alcohol detoxification facilities in Alaska]. She expressed the need to include any organizations that may have been inadvertently missed.

REPRESENTATIVE GARDNER informed the committee that the facility, the McKinnell House in Anchorage, is actually listed.

MS. BALES told the committee that the statutory language would trump the list, and therefore those entities that are properly designated would be on the list.

9:29:22 AM

REPRESENTATIVE SADDLER maintained his belief that it would be beneficial for the state to have more specific information regarding who is using the tax credits and how they are applied. Therefore, he expressed interest in obtaining a clear definition of the various types of facilities so that as much information as possible could be obtained in order to determine how effective the tax credit program is. He also expressed the need to know which entities would fall under HB 364 and which wouldn't because there is a list from Legislative Research Services and another list of homeless shelters and they don't necessarily overlap. For example, Beans Cafe and Alley Chalet aren't on the Legislative Research Services list.

REPRESENTATIVE GARDNER clarified that those entities not on the Legislative Research Services list aren't shelters.

9:31:04 AM

CHAIR MUNOZ asked if Ms. Bales could further refine those categories as the legislation moves forward.

MS. BALES agreed to do so.

9:31:30 AM

REPRESENTATIVE CISSNA expressed concern with regard to lists of taxpayers who donate as there would seem to be privacy issues.

CHAIR MUNOZ clarified that it would be an aggregate list by broad category of recipients. Therefore, the individual donor information wouldn't be reported.

REPRESENTATIVE CISSNA acknowledged that, but expressed suspicion that [the individual donor information] may be linked. Moreover, she didn't want people to unknowingly jeopardize [an entity] and expressed concern with donations taking over the role of state funding.

CHAIR MUNOZ related her understanding that this tax credit is for companies that make donations and receive a corporate tax credit or other tax credit per the IRS code.

MS. BALES confirmed Chair Munoz's understanding and then directed attention to the language on page 2, line 1, which

specifies that the amount of the credit is 50 percent of the contribution up to \$200,000. Therefore, for a corporation that makes a \$400,000 donation, \$200,000 will come from the corporation and \$200,000 from state's general fund in the form of a tax credit. The tax credit proposed in HB 364 is structured such that for every dollar a donor gives, the state matches.

CHAIR MUNOZ related her understanding that this doesn't refer to small individual donations rather it refers to corporate donations.

MS. BALES agreed, and added that the only tax type for which this contribution can be taken against is the corporate income tax.

[9:36:31 AM](#)

REPRESENTATIVE SADDLER offered his understanding that there are 26 different pieces of tax credit legislation. The legislature should be concerned with regard to the cumulative impact of those tax credits to the state treasury even though much of the information indicates the cost to the state treasury is indeterminate. While this is a generous credit and it's good to review creative efforts to support worthy causes, there has to be concern with regard to the possibility of supplanting federal funds and the need for more state funds later for these causes/charities.

[9:37:31 AM](#)

REPRESENTATIVE GARDNER related her agreement, but hesitated to draw the line for the most indigent and needy group. Furthermore, the cumulative issue is for the House Finance Committee to address.

[9:38:11 AM](#)

REPRESENTATIVE GARDNER moved to report CSHB 364, Version 27-LS1425\I, Nauman, 3/27/12, as amended, out of committee with individual recommendations and the accompanying fiscal notes. There being no objection, CSHB 364(CRA) was reported from the House Community and Regional Affairs Standing Committee.

[9:38:41 AM](#)

## **ADJOURNMENT**

There being no further business before the committee, the House Community and Regional Affairs Standing Committee meeting was adjourned at 9:38 a.m.