

HOUSE FINANCE COMMITTEE

April 5, 2011

1:40 p.m.

1:40:54 PM

CALL TO ORDER

Co-Chair Stoltze called the House Finance Committee meeting to order at 1:40 p.m.

MEMBERS PRESENT

Representative Bill Stoltze, Co-Chair
Representative Bill Thomas Jr., Co-Chair
Representative Anna Fairclough, Vice-Chair
Representative Mia Costello
Representative Mike Doogan
Representative Bryce Edgmon
Representative Les Gara
Representative David Guttenberg
Representative Mike Hawker
Representative Reggie Joule
Representative Tammie Wilson

MEMBERS ABSENT

None

ALSO PRESENT

Representative Alan Austerman; Representative Lance Pruitt, Sponsor; Jeremiah Campbell, Staff, Representative Lance Pruitt; Bob Brean, Director, Research and Rural Development, Alaska Housing Finance Corporation, Department of Revenue; Dirk Craft, Staff, Representative Lance Pruitt; Representative Steve Thompson, Sponsor; Ben Mulligan, Legislative Liaison, Department of Fish and Game; Charlie Swanton, Director, Division of Sport Fish, Department of Fish and Game; Representative Peggy Wilson, Sponsor; Rebecca Rooney, Staff, Representative Peggy Wilson.

PRESENT VIA TELECONFERENCE

Ken Larson, Prince William Sound Charter Boat Association, Fairbanks; Melvin Grove, Prince William Sound Charter Boat Association, Mat-Su.

SUMMARY

HB 30 DEDICATED TRANSPORT FUND/PUB TRANSPORT

HB 30 was HEARD and HELD and referred to subcommittee that consisted of Vice-chair Fairclough, Co-Chair Thomas, Representative Costello, Co-Chair Stoltze, and Representative Doogan for further consideration.

HB 31 TRANSPORT. INFRASTRUCTURE FUND APPROP.

HB 30 was HEARD and HELD and referred to subcommittee that consisted of Vice-chair Fairclough, Co-Chair Thomas, Representative Costello, Co-Chair Stoltze, and Representative Doogan for further consideration.

HB 173 SPORT FISHING GUIDING SERVICES

HB 173 was REPORTED out of Committee with a "no recommendation" and with attached previously published fiscal note: FN2, DFG.

HB 197 HOME ENERGY RATING SYSTEM

CSHB 197(FIN) was REPORTED out of Committee with a "do pass" recommendation and with previously published fiscal note: FN1, REV.

HCR 9 STATE ENERGY PRODUCTION WORKING GROUP

HCR 9 was REPORTED out of Committee with a "do pass" recommendation and with a new zero impact note by the House Finance Committee for the Legislature.

#hb197

HOUSE BILL NO. 197

"An Act recognizing the Alaska Housing Finance Corporation as the authorizing agency to approve home

energy rating systems for the state; and providing for an effective date."

[1:41:20 PM](#)

Co-Chair Stoltze stated that after the initial presentation, HB 30 and HB 31 would be further discussed in subcommittee.

REPRESENTATIVE LANCE PRUITT, SPONSOR, introduced the legislation.

Vice-chair Fairclough MOVED to ADOPT work draft CSHB 197(FIN) as a working document before the committee.

Co-Chair Stoltze OBJECTED for further discussion.

JEREMIAH CAMPBELL, STAFF, REPRESENTATIVE LANCE PRUITT, explained that the bill recognized the Alaska Housing Finance Corporation (AHFC) as the home energy rating system authorizing agency for the purpose of approving energy home rating systems used in the state. Currently, non-governmental, third-party, for-profit party companies were attempting to become federally recognized, which would result in the parties controlling state policy on the issue of energy home rating. The bill was crafted to protect the investment of the state (via AHFC) in AkWarm; the software used for energy design, retrofit, and in determining energy ratings. The software was specifically designed for Alaska and was recognized by the Alaska building, real estate, and home loan industries. The software was directly tied to AHFC's weatherization rebate programs, interest rate reductions for home loans, and the Alaska Building Energy Efficiency Standards. The bill would enable the AHFC to insure that home energy rating systems utilized in the state were appropriate for Alaska's climates.

Co-Chair Stoltze queried the technical changes in the CS.

Mr. Campbell replied that the CS changed "may" to "shall" on page 1 line 9; this was to clearly define AHFC's scope of responsibility. Secondly, the word "any" was removed from page 1 line 9. There had been concern that having "any" in the bill would put homebuilders, who used a system that was not approved, in violation of the law. Thirdly, "system" was changed to "systems" on page 1 line 10 to

imply that more than one system may be approved for use in the state.

[1:45:04 PM](#)

Co-Chair Stoltze REMOVED his OBJECTION. There being NO further OBJECTION CSHB 197(FIN) was ADOPTED as a working document before the committee.

Mr. Campbell introduced his support staff available for technical questions.

BOB BREAN, DIRECTOR, RESEARCH AND RURAL DEVELOPMENT, ALASKA HOUSING FINANCE CORPORATION, DEPARTMENT OF REVENUE, testified in support of the legislation. He shared that AHFC had the authority by statute to ensure that any homes that the corporation issued home loans on met a minimum building and energy efficiency standard. The way to measure the standard was through the home energy rating software system, which the AHFC had developed, maintained, upgraded, and trained approximately 100 energy raters to utilize. The software was used for home loans, weatherization, and the energy rebate program. There were approximately 50 thousand home energy ratings in the system based on the software.

Mr. Brean stated that industry supported the legislation. The software ensured that appropriate home energy rating systems were utilized in the state. He relayed that the software recognized five different climactic regions statewide, which made the program unique to different programs used in other parts of the country. He believed that it was prudent to link AkWarm with the building industry.

Representative Edgmon questioned whether there could be a bill introduced in the future that would speak to the role of AHFC in the commercial property aspect of the energy efficiency revolving loan program.

Mr. Brean responded that the AkWarm rating system was used primarily for residential properties. However, the platform was used to build the additional libraries for the revolving loan fund; this would include calculations more relative to the commercial aspect of the system.

Representative Edgmon asked if there were any justifiable reason to remove the word "home" from Home Energy Rating

System. Mr. Brean replied that he did not think that was necessary at the present time. He added that commercial tables and libraries were being developed for the software. The corporation would clearly differentiate between the two.

[1:50:36 PM](#)

Representative Edgmon thought that there could be opportunity in the future to add clean-up language.

Representative Gara understood that the commercial revolving loan program would be available to the public regardless of which department ended up housing it. Mr. Brean replied in the affirmative. He added that AHFC was confident in the research that had gone into developing the commercial system and that other agencies would benefit from access to the system.

Representative Guttenberg understood that the AHFC rating system was not recognized by the Internal Revenue Service (IRS) for an energy efficient home tax credit.

Representative Pruitt responded that that was correct.

Representative Guttenberg asked whether people who took advantage of the program the previous year would have to apply for an updated rating to receive credits under the program.

Mr. Brean said that to receive the tax credit the rating would have to be performed by an approved agency that had been vetted by a national organization. Home energy rebates in the state were done using AkWarm; if a resident wanted to go back retroactively a rating would need to be done by nationally approved software.

Representative Guttenberg wondered if the legislation were to pass giving federal recognition to the AHFC program could residents who participated in the program in the past receive tax credits retroactively. Mr. Brean believed that the question would be referred to AHFC's legal tax counsel.

Representative Guttenberg hypothesized that if a person wanted to sell their home using a past AHFC rating and the bank required a current rating that the house would need to be rated again.

Representative Pruitt responded that the resident should not have to have their house rerated. He shared that one of the most important reasons for the legislation was that AHFC could not purchase homes that did not meet the home energy rating standards. If the house was rated using the AkWarm program the AHFC could purchase the home loan.

Representative Costello asked whether HB 197 would address federal recognition of the AkWarm program.

1:56:37 PM

Representative Pruitt replied that it would not automatically give recognition, but that it would begin the process.

Representative Costello asked what steps would be taken after passage of the bill to ensure that the AkWarm program was federally recognized. Mr. Brean said that the next step would be to approach the IRS and inform them that AHFC was the authorized state agency for a state recognized rating system. On the federal level there were two current methods of approval: one was to approve a rating system that was vetted by another organization in the Lower 48, or a state acknowledged comparable system. The IRS had been approached for the second status and had taken the software and sent it to the third party in the Lower 48 for vetting. He believed that once the legislation was passed Alaska would have equal standing with other states in the country that had in-state recognized systems. The passage of the legislation would give the state firm standing on the federal level to engage in conversations with the federal government on certification of the home energy rating software.

Co-Chair Stoltze OPENED public testimony.

Co-Chair Stoltze CLOSED public testimony.

Vice-chair Fairclough MOVED to report CSHB 197(FIN) out of Committee with individual recommendations and the accompanying fiscal note. There being NO OBJECTION, it was so ordered.

CSHB 197(FIN) was REPORTED out of Committee with a "do pass" recommendation and with previously published fiscal note: FN1, REV.

2:00:05 PM

AT EASE

2:00:24 PM

RECONVENED

#hcr9

HOUSE CONCURRENT RESOLUTION NO. 9

Establishing in the Alaska State Legislature the Alaska Working Group on Interstate Energy Production.

2:00:32 PM

REPRESENTATIVE LANCE PRUITT, SPONSOR, explained that the resolution would establish a working group within the legislature to discuss inter-state energy production.

DIRK CRAFT, STAFF, REPRESENTATIVE LANCE PRUITT, explained that the resolution was crafted in response to legislation proposed by other states that produce energy or energy resources. Alaska along with other states continued to experience negative consequences from the delay or cancellation of economically viable energy related projects because federal law too often overreached the federal government's constitutional authority to make and enforce laws. The working group would develop a proposal for an inter-legislature agreement that would facilitate collaboration between the Alaska State Legislature and other state legislatures in an effort to influence federal energy-related law and policy, and to discourage delay or cancellation of economically viable energy related projects in the state. He referred to the language on page 2:

FURTHER RESOLVED that the Alaska Working Group on Interstate Energy Production shall consist of four members, with two senators appointed by the President of the Senate and two representatives appointed by the Speaker of the House of Representatives; and be it

FURTHER RESOLVED that the Alaska Working Group on Interstate Energy Production may meet during and between regular sessions of the Alaska State Legislature, and, subject to approval by the President of the Senate or the Speaker of the House of Representatives, as appropriate, a member of the

Alaska Working Group on Interstate Energy Production may travel in the state or to other states as necessary to accomplish the purposes of the Alaska Working Group on Interstate Energy Production; and be it

FURTHER RESOLVED that the Alaska Working Group on Interstate Energy Production shall terminate January 18, 2013; and be it

FURTHER RESOLVED that the Alaska Working Group on Interstate Energy Production shall submit a report of its findings and proposed legislative changes to the Alaska State Legislature on or before January 17, 2012, and may make additional reports that the Alaska Working Group on Interstate Energy Production considers advisable.

Vice-chair Fairclough asked if the working group would be working with the National Conference of State Legislatures (NCSL) or other organizations in order to draw on expertise. Mr. Craft replied that collaboration could be possible once the group was established. The purpose of HCR 9 was to establish the working group among energy producing states.

[2:04:18 PM](#)

Vice-chair Fairclough encouraged the group to assess work that had already been done around the country in regard to the issue. She voiced support for the resolution.

Representative Costello spoke in support of the resolution. She asked what specific results were expected from the introduction of the legislation. Mr. Craft replied that the main goal was to link up with other states to discuss similar energy problems in order to create a more unified voice when presenting the energy issues before Congress.

Representative Costello asked what other states had passed, or were in the process of passing, similar legislation. Mr. Craft said that Utah and Wyoming had passed legislation. He understood that Texas had legislation in production.

Representative Wilson perceived that there would be no fiscal impact to the operating budget because the funds

were expected to come from another revenue source. Mr. Craft responded that the Legislative Affairs Agency would be absorbing the travel cost.

Co-Chair Stoltze interjected that the differing interpretations of the fiscal note would be discussed later in the meeting.

Representative Guttenberg assumed that although Wyoming and Utah had passed similar resolutions there was no established organizational structure; the hope was to simply get as many states involved as possible. Mr. Craft specified that the intent was to lay the groundwork for what would become an organization.

Representative Guttenberg asked whether a vote from an interstate working group could bind the state to a losing proposition that only benefitted other states. Mr. Craft replied that the issue had been discussed with the Legislative Legal Division. No binding language had been written into the resolution.

[2:08:33 PM](#)

Representative Guttenberg queried the number of other states with similar pending legislation. Mr. Craft reiterated that Texas had similar pending legislation.

Representative Edgmon recalled an energy symposium in Wyoming which had included all 13 of the Western states; it had not taken long for the producer states (Alaska, Montana, North Dakota) to cluster together, and the consumer states (California, Oregon, Washington etc.) to create another group. The producing states felt as if they were being surpassed, particularly by California in terms of resource development and extraction. He believed the resolution was accurately worded but thought that most of the interaction would occur between the Western states.

Co-Chair Stoltze OPENED public testimony.

Co-Chair Stoltze CLOSED public testimony.

Co-Chair Stoltze believed that the fiscal note should be zeroed out.

Co-Chair Thomas MOVED to zero out the fiscal note for FY12 and FY13. There being no OBJECTION it was so ordered.

2:12:17 PM

Representative Gara ascertained that the states could unite to influence energy-related federal law and policy.

Vice-chair Fairclough MOVED to REPORT HCR 9 out of committee with individual recommendations and the amended accompanying fiscal note. There being NO OBJECTION, it was so ordered.

HCR 9 was REPORTED out of Committee with a "do pass" recommendation and with a new zero impact note by the House Finance Committee for the Legislature.

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AT EASE

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RECONVENED

#hb173

HOUSE BILL NO. 173

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

REPRESENTATIVE STEVE THOMPSON, SPONSOR, introduced the legislation. He explained that the bill had been crafted by the House Special Committee on Fisheries and would extend for one year the sport fishing guide and operator licensing log book program. The program provided economic data on the sport fish industry sector and harvest data for resource managers. He stated that HB 173 was supported by the Alaska Department of Fish and Game (ADF&G).

Co-Chair Thomas noted that similar legislation amending the termination date of the licensing program had been introduced every year over the past several years. He wondered if the extension should be for more than one year. Representative Thompson responded that the other body was working to craft a more comprehensive bill that would extend the program for four to six years.

Co-Chair Stoltze clarified that the passage of HB 173 was not an endorsement of legislation crafted by the other body.

Co-Chair Stoltze OPENED public testimony.

KEN LARSON, PRINCE WILLIAM SOUND CHARTER BOAT ASSOCIATION, FAIRBANKS (via teleconference), testified that the guide licensing bill had been worked on since 2004. He said that historically 85 percent of the licensees had opposed the legislation. He wondered why a more expensive and unnecessary oversight program was again being considered by the other body under SB 24. He stated that the existing program worked well by all accounts. He encouraged and extension of the sunset date under HB 173. He stressed that the current program should be made permanent, and that SB 24 should be abandoned.

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MELVIN GROVE, PRESIDENT, PRINCE WILLIAM SOUND CHARTER BOAT ASSOCIATION, MAT-SU (via teleconference), spoke in opposition to the bill. He understood that the extension under HB 173 was meant to help with the eventual passage of SB 24. He did not believe a one year extension offered enough time for all parties involved to craft comprehensive legislation on the subject. He believed that the bill would cost too much. He felt that the current log book program was too expensive and did nothing but create state jobs in data processing.

Co-Chair Stoltze pointed out that passage of HB 173 would not stop the advancement of SB 24. He thought that a sunset extension of one year would inspire more productive debate on the issue than a permanent extension.

Co-Chair Stoltze CLOSED public testimony.

Representative Edgmon requested that the department provide justification for the one year extension.

BEN MULLIGAN, LEGISLATIVE LIAISON, DEPARTMENT OF FISH AND GAME, explained that the one year extension would allow for additional work on the program over the interim.

CHARLIE SWANTON, DIRECTOR, DIVISION OF SPORT FISH, DEPARTMENT OF FISH AND GAME, added that the program

provided a minimum professional standard and the ability for the department to collect vital statistics with regard to the recreational charter boat industry within the state.

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Mr. Swanton continued that the department's primary focus had been with the guide log book program. Both fresh and saltwater guides were issued a log book in order to record the harvest and catch statistics for the anglers taken out who had been charged a fee. The information was brought back to the department. He explained that the department had in the past taken a key-punch approach to the data. On average the department logged 111 thousand trips (saltwater and freshwater combined) and that there could be 112 thousand sheets containing data for four to six anglers each. The department had instituted a scanning approach that would scan each sheet and plug all the data into a database. The automated system was still being perfected.

Representative Edgmon observed the issue was politically charged. He voiced support for extending the program longer than one year for the purpose of further discussion.

Representative Gara questioned the usefulness of log book data that only counted the number of fish caught by guided fishermen and not those without guides.

[2:30:09 PM](#)

Mr. Swanton replied that the log book was only one of three data collection tools used throughout the state. He stated that creel surveys were conducted but that the primary data collection tool used by the department was the statewide harvest survey, which had been used since 1977. All licensed anglers were entered into a pool from which 40,000 licensees were selected to receive a survey. Different data collection tools were used in different areas for deeper comprehension.

Representative Gara asked if the creel survey was the one that was sent out in the mail. Mr. Swanton replied that the survey received in the mail was the statewide harvest survey. The creel surveys involve technicians checking various ports and recording the harvest, which provided more timely information to biologists.

Representative Gara asked whether the log was applied to both fresh and saltwater. Mr. Swanton replied that the log book program recorded both fresh and saltwater.

Representative Gara questioned the accuracy of the survey. He reported that he was rarely surveyed when fishing. He thought that the log book might work for commercial fishermen, but expressed concern with the accuracy of the non-commercial numbers.

Mr. Swanton replied that the department had had all of the survey instruments tested against one another with independent estimates, and all had been found to be of high statistical precision and scientific value. The statewide harvest survey was now being looked at by other states as a primary means by which to collect recreational harvest data. He agreed that the survey was not a complete census, but asserted that it was legitimate scientific data.

Representative Costello inquired whether it was possible that the department could develop an iPhone application or web-based system that guides could upload their information to electronically.

Mr. Swanton stated that anything was possible, but that the department needed to study which applications were practical. He said that smaller states had applied similar technology, but did not think Alaska was ready to move in that direction.

Co-Chair Stoltze asked if optional electronic filing would be a problem for the department. He pointed out that other departments encouraged online activity.

Mr. Swanton felt that online filing should be a goal for the department but he did not see it happening in the immediate future.

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Vice-chair Fairclough requested clarification on the updated fiscal note. Mr. Mulligan replied that the fiscal note dated March 29, 2011 was the updated fiscal note. The note had been updated to better reflect the sunset date. The note illustrated a full year in FY 12, and the first half of FY 13.

Vice-chair Fairclough MOVED to report HB 173 out of Committee with individual recommendations and the accompanying fiscal note: FN 2 ADF&G. There being NO OBJECTION, it was so ordered.

HB 173 was REPORTED out of Committee with individual recommendations and the previously published fiscal note: FN 2 ADF&G

[2:37:07 PM](#)

AT EASE

[2:40:49 PM](#)

RECONVENED

#hb30

#hb31

HOUSE BILL NO. 30

"An Act relating to the transportation infrastructure fund, to local public transportation, to the municipal harbor facility grant fund, to motor fuel taxes, to the motor vehicle registration fee, to driver's license fees, to identification card fees, to the studded tire tax, and to the vehicle rental tax; and providing for an effective date."

HOUSE BILL NO. 31

"An Act making a special appropriation to the transportation infrastructure fund; and providing for an effective date."

[2:40:52 PM](#)

REPRESENTATIVE PEGGY WILSON, SPONSOR, addressed HB 30. She offered her sponsor statement:

HB 30 will define the Alaska Transportation Infrastructure Fund (ATIF), how it will be funded and where the funds will be spent.

The roads, bridges, airports, ferries and other transit systems that make up our state's transportation system are essential to mobility,

commerce and economic development. These systems increase safety, enhance economic competitiveness, and lead to a better quality of life. To ensure Alaska has the infrastructure necessary to develop our resources as well as improve the living conditions for our citizens we must commit to funding transportation. Having a dependable revenue stream from year to year will allow Alaska to manage current congestion and maintenance projects as well as develop access to needed resources and energy.

Additionally the use of state funds for construction means we will have greater control and funding will go towards completing projects as opposed to the expensive and lengthy federal process. Anchorage has benefited from the use of state funds and has seen projects such as the McGraw Intersection and Dowling Street Extension get done faster and cheaper than they would have using the federal guidelines.

In FY10, 87 percent of our transportation budget came from the federal government. There have been several major deposits to the Federal Highway Fund to keep the expired federal transportation reauthorization program going. After 2 years we are still operating under the old reauthorization guidelines. All indicators show that the new reauthorization bill will be unfavorable for states with small populations due to an emphasis on mass transit and green transportation. It favors toll roads and bridges and other transportation that pays for itself or that can be supported with a public private partnership. Our own DC delegation have told the legislature that Alaska needs to rely less on the federal government and start shouldering some of the burden of improving our transportation infrastructure.

HJR 4 will put an initiative before the voters to change the Alaska State Constitution to allow a dedicated fund for Transportation Projects. With passage of the initiative, HB 30 will define the fund. It will outline how the fund will be managed, how the earnings will be spent and who will decide which projects will be funded each year.

The fund will be seeded with a \$1B endowment. In addition to the endowment ATIF will receive the revenue generated from fuel taxes, vehicle

registrations, driver's license and identification card fees, studded tire tax, and vehicle rental taxes. One half of these revenues will be available each year for appropriation. The other half will be deposited into the fund to both grow the fund and inflation proof it. In addition, six percent of the market value (POMV) of the fund will be available for appropriation. The Department of Revenue will be charged with administering the fund. The Legislature should be able to appropriate approximately ~\$100M the first year and then grow the appropriation about \$1.5-2M per year after that.

HB 30 will create an advisory council to evaluate the project submissions. The council is comprised of 17 voting members, 1 Department of Transportation /Public Facilities employee, 11 from transportation affiliated associations and 1 from native organization and 4 public members and 2 non-voting members of the legislature. The four members of the public will be appointed by the governor. The members representing organizations will be appointed by their respective organizations.

Alaska DOT/PF will be required to create a set of criteria to rank the projects. The panel will use these criteria to give each project a numeric score to be used in prioritizing the projects. These prioritized projects will go through the normal budgetary cycle each year for final authorization.

The bill defines how the funds shall be appropriated.
Not more than

1. 80 percent of the funds may be used for roads and surface transportation both state and municipal,
2. 25 percent may be used for aviation,
3. 25 percent may be used for the Alaska Marine Highway,
4. 20 percent may be used for harbor facilities, state owned marine facilities and for deposit into the municipal harbor facility grant fund,
5. 20 percent may be used for local community transportation and transit.
6. 15 percent may be used for trails and bike-paths.

These percentages will provide the flexibility needed to focus on one mode one year and switch to another the following year as needs dictate.

Besides the above appropriations, the fund will pay for all fund administration costs and for the operations of the Department of Motor Vehicles.

Alaska is geographically the largest state in the country, and the future of the economic and social well being of its citizens is critically dependent on a reliable transportation system. This fund is one of the tools needed to create a modern, reliable transportation system.

The CS from House Transportation reduced the size of the Advisory Council by 5 members and removed the revenue stream from airport leases and airspace leases. It also made all the provisions of HB 30 contingent upon the voters passage of the initiative to change the constitution to allow this dedicated fund.

Representative Peggy Wilson offered to provide any further details to the committee. She stated that public testimony had not been solicited out the desire for brevity.

Vice-chair Fairclough asked if the October 1st report date listed on page 3 of the bill was meant to coincide with the end of the federal fiscal year.

REBECCA ROONEY, STAFF, REPRESENTATIVE PEGGY WILSON, explained that October 1st had been selected to allow for the governor to examine the report before it passed to the legislature.

Vice-chair Fairclough pointed out that on October 1st local municipalities had to obligate all funds for spending. She expressed concern that the project line up could be affected.

Vice-chair Fairclough thought that the 6 percent payout was aggressive and that 5 percent was a more conservative number. She wondered why 6 percent had been chosen. Ms. Rooney replied that 6 percent had been chosen because it was the going rate at the time. She shared that the payout

number was to be chosen by the finance committees and that a payout table could be found in the committee member files that evaluated the payout from 4.5 percent up to 6 percent.

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Representative Peggy Wilson added that the constitutional budget amendment read "up to 6 percent." She explained that the payout percentage could be adjusted by statute as needed by the legislature.

Co-Chair Stoltze wondered if writing an assured payout into the constitutional amendment could be helpful in persuading the public.

Representative Doogan recalled that previous testifiers from the financial community had expressed comfort in calculating percent of market value at 4.5 percent. He agreed that 6 percent was an aggressive number to try to maintain year after year without diminishing the value of the fund.

Vice-chair Fairclough added that a 6 percent payout could be acceptable provided that it did not diminish from the corpus of the fund.

Representative Gara noted that \$1 billion was a lot of money. He believed that there would be less money appropriated for transportation at 4.5 percent. He recommended deducing the average appropriation to department over the last five years. He suggested that if the state was going to invest in a transportation fund it would be prudent to investigate the amount of political will available to push for enough spending to meet the desired infrastructure needs.

[2:56:14 PM](#)

Representative Peggy Wilson explained that the bill was not meant to replace what transportation was currently doing. The department had a back log of over \$1 million in maintenance projects across the state. She stressed that the fund was meant to enhance current operations.

Representative Hawker shared that there was recorded testimony of the discussion concerning the prohibition of dedicated funds during the constitutional debates. He asked

how the legislature was expected to respond to testifiers in the recording who referred to the dedication of funds as an "inherent evil" and that each budget year every competing need in the state should be able to compete on equal standing for the scarce amount available revenue.

Representative Peggy Wilson responded that drafters of the constitution had grandfathered in three different funds. Two of the funds were dedicated transportation funds; one for land and one for water. The legislation would be reinstating a fund that had already existed during the time that the Alaska State Constitution was put in place.

Co-Chair Stoltze queried why the dedicated funds should be for transportation and not education.

Representative Peggy Wilson answered that the third dedicated fund was related to education. She assumed that through the years past legislators had decided the dedicated funds were unnecessary. She stated that she chose the issue of transportation because that was where she believed the state had the greatest need.

Co-Chair Stoltze noted that the closest the legislature had come to establishing a dedicated that fund for education was in 1989; Governor Cowper had pushed for the legislation, which failed in the Senate.

[2:59:52 PM](#)

Representative Peggy Wilson explained that the bill would help with economic development in the state.

Representative Guttenberg though that the argument for dedicated funds for education was still compelling. He wondered whether the yearly analysis suggested by Representative Gara would be beneficial. He understood that a steady source of income for transportation projects was necessary, but opined that the issue was perpetual.

Ms. Rooney responded that the department was currently funded at 6 percent of market value, at \$100 million per year. She asserted that the numbers were close to what had been seen historically.

Representative Guttenberg surmised that the legislature should continue to fund the department just as it had been

doing. He thought that dedicating funds would be confusing to the public.

Representative Peggy Wilson remarked that the state needed to be looking at the future and not just the present. She said that there was no guarantee that the oil pipeline was not going to shut down next year. She stressed the importance that the state determine what would be done in the event of declining revenue.

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Representative Doogan believed that the legislation was much more sophisticated than it had been in its past form. He felt that the problem with the proposal was related to the cost and had been compounded by the decisions of the House of Representatives concerning taxes for oil companies. He explained that the legislation was in a suite of bills that had been introduced that would take a significant amount of money from the state. He expressed concern that state funding would be distributed on a first come-first served basis. He wondered why the proposed legislation should be the first choice in terms of allocating funds for a single purpose.

Representative Peggy Wilson reiterated that the state needed to plan for the future. She said that the state had \$8 billion in projects that were not being addresses. She believed that because the state was currently experiencing a time of a slight financial surplus; this would be the best time to dedicate the funds.

Co-Chair Stoltze stated that the vetting of HB 30 and HB 31 would be done in a subcommittee consisting of Vice-Chair Fairclough, Co-Chair Thomas, Representative Costello, Co-Chair Stoltze, and Representative Doogan.

HB 30 was HEARD and HELD and referred to subcommittee that consisted of Vice-chair Fairclough, Co-Chair Thomas, Representative Costello, Co-Chair Stoltze, and Representative Doogan for further consideration.

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ADJOURNMENT

The meeting was adjourned at 3:09 PM.

3:08:10 PM