

HOUSE FINANCE COMMITTEE  
March 14, 2012  
1:38 p.m.

1:38:37 PM

CALL TO ORDER

Co-Chair Stoltze called the House Finance Committee meeting to order at 1:38 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 Reggie Joule  
Representative Mark Neuman  
Representative Tammie Wilson

MEMBERS ABSENT

None

ALSO PRESENT

Michael Paschall, Staff, Representative Eric Feige; Sarah Fisher-Goad, Executive, Alaska Energy Authority, Department of Commerce, Community and Economic Development; Christine Hess, Staff, Representative Reggie Joule; Chris Hladick, City Manager, City of Unalaska; Representative Alan Austerman; Representative Bob Herron.

SUMMARY

HCR 23 ALASKA ARCTIC POLICY COMMISSION

CSHCR 23(FIN) was REPORTED out of committee with a "do pass" recommendation and with one new fiscal note by the House Finance Committee for the Legislature.

HCR 24 STATE FOOD RESOURCE DEVELOPMENT GROUP

CSHCR 24(FIN) was REPORTED out of committee with a "do pass" recommendation and with one new zero fiscal note from the Legislature.

HB 170 MUNI TAX EXEMPTION FOR CERTAIN VOLUNTEERS

CSHB 170(FIN) was REPORTED out of committee with "no recommendation" and with a new zero impact fiscal note from the Department of Commerce, Community and Economic Development.

HB 250 EXTEND RENEWABLE ENERGY GRANT FUND

CSHB 250(ENE) was REPORTED out of committee with a "do pass" recommendation and with one new fiscal impact note from the Department of Commerce, Community and Economic Development.

Representative Edgmon introduced individuals from his district.

Representative Doogan pointed to a communication from a constituent from Sitka who was a young girl in support of education.

[1:42:10 PM](#)

Representative Doogan read the letter into the record (copy on file):

Dear Representative Doogan,

My name is Virginia Pearson. I am six years old. I live with my parents in Sitka. I go to Baranof Elementary. I am in kindergarten with Mrs. Hendrick. She is a good teacher. I love music class, and I am a good singer. Please help my school.

#hcr24

HOUSE CONCURRENT RESOLUTION NO. 24

Relating to the establishment and operation of a state food resource development working group.

REPRESENTATIVE BILL STOLTZE, SPONSOR, discussed the resolution. The passage of House Concurrent Resolution 24 calls of the governor to establish a state food resource development working group with the primary goal of producing more locally grown and harvested food items to be consumed in Alaska, by Alaskans. In addition the resolution calls on the governor to requests multiple departments of his administration to work closely with the working group and the independent Food Policy Council to increase the production and consumption of local food items in Alaska. Whether it is agriculture products, seafood or locally produced meat, increased local food products will lead to a healthier Alaska and enhance the economy of the entire state. The importance and value of creating and maintaining a robust supply of Alaskan food is why the resolution is asking the governor to establish a state food resource development working group to work with the Alaska Food Policy Council to identify resources and set policies to build a strong, sustainable healthy food system in the state. In addition to creating the working group, this resolution calls on the governor to request the departments of his administration to work closely with the farmer's, fisherman, cattle ranchers and shellfish growers to produce more locally grown food products to consumption in Alaska, by Alaskans.

Vice-chair Fairclough MOVED to ADOPT proposed committee substitute for HCR 24, Work Draft 27-LS1383\B (Bannister, 3/12/12). There being NO OBJECTION, it was so ordered.

Representative Gara MOVED to report CSHCR 24(FIN) out of committee with individual recommendations and the accompanying fiscal note. There being NO OBJECTION, it was so ordered.

CSHCR 24(FIN) was REPORTED out of committee with a "do pass" recommendation and with one new zero fiscal note from the Legislature.

#hb170

HOUSE BILL NO. 170

"An Act relating to municipal property tax exemptions on residences of certain volunteer emergency services personnel and the widows and widowers of volunteer emergency services personnel; and providing for an effective date."

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Vice-chair Fairclough MOVED to ADOPT proposed committee substitute for HB 170, Work Draft 27-LS0562\T (Bullard, 3/12/12). There being NO OBJECTION, it was so ordered.

MICHAEL PASCHALL, STAFF, REPRESENTATIVE ERIC FEIGE, disclosed the Representative Feige was the Chief of the Chickaloon Fire Department, and that Mr. Paschall was Assistant Chief of the Rural Deltana Fire Department. He discussed HB 170. He stated that the bill provided incentives for recruitment and retention of volunteer firefighters and emergency services volunteers.

Co-Chair Stoltze asked Mr. Paschall to discuss his interaction with Representative Wilson.

Mr. Paschall explained that there were two significant issues that were addressed in the last hearing on the bill. He looked at page 1, lines 12 and 13. There was an exemption added for taxes for service areas. Also, it was unclear whether or not the exemption, if it was enacted by a municipality, could be for less than \$150,000. Therefore, the language "up to \$150,000" was added.

Co-Chair Stoltze noted there had been questions about policy, but that significant technical issues were addressed in the work draft.

Representative Gara wondered where the municipal option was located in the work draft. Mr. Paschall pointed to page 1, line 12, "may by ordinance be exempted."

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Representative Gara wondered why the municipalities were not given the opportunity grant exemptions to firefighters who were not volunteers. Mr. Paschall responded that the purpose of the bill was to provide an incentive that might entice someone to become a volunteer firefighter, emergency services worker, or to retain an individual in either one of those positions.

Representative Gara wondered whether there was a shortage of volunteer firefighters. Mr. Paschall responded in the affirmative. He elaborated that almost any fire chief in

the state would agree with him. He stated that there may be situations and locations where there was not a shortage of volunteer emergency workers. He pointed out that his department's volunteer membership was at the highest it had ever been, but when his department responds to a large fire, they were short-handed.

Representative Gara felt that municipalities should also be given the opportunity to incentivize paid firefighters. Mr. Paschall replied that the intention of the bill was to recruit volunteer firefighters, and did not object to the option of including paid firefighters. Although, many paid departments utilized a recall system in order to recall paid firefighters in the event of a large fire.

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Vice-chair Fairclough noted that she had two sons that were volunteer firefighters. She queried the estimated number of volunteer firefighters in the state. Mr. Paschall responded that the total number of volunteer firefighters in the state was 4,000, which included volunteer emergency medical services (EMS) providers that were part of a fire department. He stressed that the records that were kept for the fire departments included EMS volunteers. There were approximately 250 fire departments, and 78 of those departments were in municipalities that levy a property tax.

Vice-chair Fairclough asked how many departments were in the municipalities. Mr. Paschall answered that there were 78 municipal departments.

Vice-chair Fairclough queried the cost that would be subtracted from the tax rolls. Mr. Paschall replied that that information was not calculated for every department in the state, because of the time associated with that research. He stated that Legislative Research was contacted for some information. However, the process to determine the cost subtracted from the tax rolls would require examining membership of each department and then digging through the tax rolls for each municipality for every individual. Even with that kind of research, the accuracy was not trusted because of the name that the property ownership is often listed under is often a spouse or other family member. He stated that there was an analysis run in Girdwood, and offered to provide that information.

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AT EASE

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RECONVENED

Vice-chair Fairclough queried the tax consequence of the bill. She remarked that many middle class and middle aged people were caught in the "crossfire" related to tax exemptions, because that set of people were often dealt a new tax burden of tax exemptions. She pointed out that 300,000 people in Anchorage may pick up the tax burden of this proposed property tax exemption. She agreed that there needed to be more volunteer firefighters in the state, but remarked that the tax burden placed on municipalities seemed heavy.

Representative Neuman looked at page 3, line 8. He expressed concern regarding the payment of the fire response pertaining to a fire that may take place over multiple municipalities or boroughs. He specifically wondered if the cost would be covered by the municipality at a local controlled level. Mr. Paschall asked for a restating of Representative Neuman's question.

Co-Chair Stoltze clarified that the question was related to where the fire would be assessed: the fire service area, the road service area, or the general taxation.

Mr. Paschall responded that the assessment would be on the general taxation of the municipality.

Co-Chair Stoltze remarked that a municipality could, if it had a fire service area, make it a policy that a volunteer firefighter not be assessed up to \$20,000 of the evaluation of the fire service cost.

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Representative Wilson communicated that Fairbanks had a \$10,000 exemption for volunteer firefighters. That definition of "volunteer firefighter" was provided by the department fire chief. The fire chief that she spoke to expressed discomfort, because he was made to determine the difference between a "true volunteer" and "just volunteer." Mr. Paschall responded that one standard across the state

might make it more difficult for rural areas to meet the same standards as urban areas.

Representative Gara surmised, from Representative Wilson's comments, that there must be an allowance in state law that already granted an exemption. He wondered how the bill changed the current law.

Vice-chair Fairclough read from state statute 18.15.250 "volunteer means that a person is an active volunteer of a first responder service, a rescue service, an ambulance service of a fire department that provides emergency medical or rescue services as part of its duties." There was no time requirement or additional requirement; the person only had to be an active member.

Mr. Paschall responded to a question from Representative Gara. He stated that there was a provision to allow municipalities to exempt property tax up to either \$10,000 or \$20,000 under certain broad criteria.

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Vice-chair Fairclough remarked that the proposal was "stackable" on other exemptions.

Representative Doogan felt that the problem with the bill was the disallowance of inclusion of paid firefighters. He remarked that once certain people were given financial exemptions, the question was skewed regarding who would be considered "volunteer." He stressed that once one person applied for the exemption; everyone would want to apply for the exemption. He felt that a determination of the full cost of the proposal should be made. He was uncomfortable with the bill as it was currently written.

Co-Chair Stoltze did not believe the cost could be determined, because of the unknown pertaining to options of the local governments.

Representative Wilson moved to amend the bill, page 1, line 13 insert the word "road" before the words "service areas."

Co-Chair Stoltze OBJECTED for the purpose discussion. He explained that there were some areas in the state that were considered unified road service areas.

Co-chair Stoltze removed his objection. There being NO further OBJECTION, it was so ordered. Conceptual amendment 1 was ADOPTED.

Co-Chair Thomas told a personal story. He stated that he spent four years on the borough assembly at a time when the state was not paying the unfunded mandate. The borough assemble sued the State of Alaska for not funding the mandate. He furthered that during his first year in the legislature, he proposed a bill that allowed the municipalities to opt out in five years. He liked the idea of exempting volunteers. He wondered if the volunteers received any workers compensation if they were injured during an emergency response.

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Mr. Paschall explained that workman's compensation in most cases was provided by the volunteer departments.

Co-Chair Thomas had spoken to people from Unalaska, who expressed concern regarding the tax burden placed on them.

Representative Neuman discussed complaints related to lack of insurance. He hoped that the bill included the ability for local control related to how benefits were dispersed. He believed that the term "volunteer" was too broad. He supported the legislation, but hoped for some expansion regarding insurance and how a volunteer was defined.

Vice-chair Fairclough clarified that one of her boys was in college and one was a volunteer firefighter. She pointed out that volunteers were currently part of the training ground for joining the firefighter's union setting. She wondered if there would be less benefit by becoming a unionized firefighter.

Co-Chair Stoltze WITHDREW objection to. There being NO further OBJECTION, Work Draft 27-LS0562\T was ADOPTED as amended.

Co-Chair Stoltze discussed the zero fiscal note from the Department of Commerce, Community and Economic Development.

Co-Chair Thomas MOVED to report CSHB 170(FIN) out of committee with individual recommendations and the

accompanying fiscal note. There being NO OBJECTION, it was so ordered.

CSHB 170(FIN) was REPORTED out of committee with "no recommendation" and with a new zero impact fiscal note from the Department of Commerce, Community and Economic Development.

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AT EASE

[2:26:38 PM](#)

RECONVENED

#hb250

HOUSE BILL NO. 250

"An Act relating to the renewable energy grant fund and recommendation program; and providing for an effective date."

SARAH FISHER-GOAD, EXECUTIVE, ALASKA ENERGY AUTHORITY (AEA), DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT, referenced the new fiscal note dated 3/14/12. She stated that there was no adjustment with respect to the funding that was required by AEA to manage the program. The fiscal note reflected a general fund fiscal note, when the program first passed under HB 152 in 2008. Subsequently, AEA had received funding from the last and current fiscal years to spend up to \$2 million of miscellaneous earnings from the fund to manage the program. The fiscal note had been adjusted in order to have the funding source be the Renewable Energy Fund, which was represented in the first column. She remarked that both the general fund and general fund miscellaneous earnings were reduced, so the Renewable Energy Fund funding source was used in place. The remainder of the fiscal note was for informational purposes only.

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Co-Chair Stoltze believed the program was effective and did not want to involve too many bureaucrats.

Representative Edgmon wondered if the original intent of HB 152 was to take the administrative costs from the funds of the program. Co-Chair Thomas responded in the negative,

because the goal amount of the program had not yet been achieved.

Representative Edgmon wondered if \$2 million would come from the governor's budget for the program. Co-Chair Thomas replied in the negative.

Ms. Fisher-Goad added that there were interest earnings that had been credited to the fund. She noted that there had been \$8.3 million in earnings on the fund, and \$3.2 million had been used through FY 12.

Representative Edgmon wondered if the administrative costs would increase over time. Ms. Fisher-Goad replied that AEA was currently content with the staffing levels to manage the projects and program.

Representative Edgmon supported the legislation. He expressed frustration related to processing and administration of the program.

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Ms. Fisher-Goad replied that the agency had been sensitive to the issue. She noted there was a certain amount of discussion with grantees in the beginning of the process. There had been about 70 projects in the past year and there had been no delays related to staffing. She would be happy to discuss any concerns for and from specific grantees.

Representative Edgmon was concerned that there would not be enough staff for the program.

Co-Chair Thomas did not believe anyone had taken any money out of the program.

Ms. Fisher-Goad replied that the agency had reallocated work, and there was a new project manager to deal with new projects in the railbelt. The agency was sensitive to the issue and would like be conservative, but did not want to be overstaffed coming in.

Representative Doogan had been an opponent of the program since it had started, but was a supporter now.

Representative Gara asked for a comparison of the number of employees at the start of the program and present day.

Ms. Fisher-Goad did not have the specifics on hand. She explained that there had been a lot of new activity when the program had started, and recently staffed up in areas evaluating reimbursement requests to ensure that a thorough job was done.

Representative Gara noted that inadequate staff could create a time lag, but a larger staff could strongly evaluate proposals in order to make calculated decisions. Ms. Fisher-Goad replied that she was confident in the technical staff, and felt that intense effort was made in order to get grants out by August.

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Representative Gara spoke about a disappointment in the past. He wondered whether the agency had sufficient staff to support \$50 million in projects properly. Ms. Fisher-Goad replied that the first round, \$453 million worth of requests. She stressed that there were still many active grants, so past money had not necessarily "disappeared."

Representative Gara remarked that the original \$100 million was not intended to be spent in one year, but used as projects were evaluated. He furthered that \$50 million a year became \$25 million a year. He felt that the funding had disappeared, but the projects had not disappeared. Ms. Fisher-Goad stated that when the \$100 million was provided, AEA went through an application process. Therefore, there was no ability to only solicit for \$50 million. The agency only solicited funds based on the statutory program. She pointed out that there were over \$400 million worth of requests. She did not feel there was a proper way to set the money aside.

Co-Chair Stoltze asked if there was opposition to the bill.

Co-Chair Stoltze discussed the individuals available for testimony. He CLOSED public testimony.

Co-Chair Thomas MOVED to report CSHB 250(ENE) out of committee with individual recommendations and the accompanying fiscal note. There being NO OBJECTION, it was so ordered.

CSHB 250(ENE) was REPORTED out of committee with a "do pass" recommendation and with one new fiscal impact note from the Department of Commerce, Community and Economic Development.

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AT EASE

[2:47:56 PM](#)

RECONVENED

#hcr23

HOUSE CONCURRENT RESOLUTION NO. 23

Establishing and relating to the Alaska Arctic Policy Commission.

[2:48:10 PM](#)

REPRESENTATIVE REGGIE JOULE, SPONSOR, explained HCR 23. The Alaska Northern Waters Task Force (ANWTF) was established in 2010 to identify the opportunities and challenges of a changing Arctic. Arctic Nations are anticipating the development of northern shipping routes, mineral extraction, oil and gas exploration, commercial fisheries, and tourism. Some of this change has already started to occur. The ANWT completed its final report on January 30, 2012. The report includes recommendations in six Arctic policy areas: Governance, Oil & Gas Development, Marine Transportation, Fisheries, Infrastructure, and Research. The report is by far the broadest and most detailed statement of Alaska's Arctic policy to date, yet much work remains to fully expound upon all the diverse issues that the Task Force brought forward. While the United States has an official written Arctic Policy (National Security Presidential Directive (NSPD)-66), Alaska does not. Most of the other Arctic Nations and the Northwest Territories already have established Arctic policies. As the jurisdiction that makes the United States an Arctic nation and as the only U.S. state that is home to Arctic residents, Alaska needs an Arctic policy of its own. Alaska needs to position itself now regarding the nation's Arctic policy - Alaska cannot take that leadership role without understanding what its own priorities should be. This is especially critical considering the United States will be chairing the Arctic Council from 2015-2017. The Arctic Policy Commission will provide the legislature an

opportunity to remain engaged in the ongoing Arctic dialogue and to help shape future Alaskan Arctic policy.

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Representative Costello appreciated the work that had been done on the issue, and believed it would become more important as time went on. She asked about the makeup of the commission. Representative Joule responded that the Northern Waters Task Force had 11 members. He stated that municipalities, regional corporations, and conservancies were represented. He explained that there was some discovery, over time, which some representation was missing from the commission. He remarked that industry; university and research; and native tribes were missing from the commission. Currently, the membership was at 16 members. He stated that there was some trouble keeping the membership small, because of the desire to have all interests represented.

Co-Chair Stoltze pointed to page 3, lines 14 and 15. He wondered whether it would be more appropriate to broaden the language to "university" instead of the "University of Alaska."

CHRISTINE HESS, STAFF, REPRESENTATIVE REGGIE JOULE, would be open to the idea.

Representative Joule felt that language should be broad enough to include not only the University of Alaska, but be open enough to find people who would meet the proper level of qualification.

Representative Guttenberg felt it was important for the state to lead the charge in the nation, because Alaska was on the forefront of Arctic waters management. He recommended inserting language stating that the commission can meet as soon as the majority members are appointed. He remarked that sometimes full membership was not present, so the commission would not meet.

Representative Joule thought it might be helpful to leave the language open enough to meet the level of qualification.

Co-Chair Thomas did not see an environmental person on the commission. He asked whether the language "or designee"

could be included in the legislation in the event that a member would not be present.

3:00:46 PM

AT EASE

3:07:03 PM

RECONVENED

Co-Chair Stoltze MOVED Amendment 1:

Page 3, delete language on lines 14-15.

Replace with new language

"One member representing an accredited university or college in Alaska, who has a background in Arctic science;"

Co-Chair Thomas OBJECTED for discussion.

Co-Chair Stoltze read the amendment aloud.

Co-Chair Thomas WITHDREW his objection. There being NO further OBJECTION, Amendment 1 was ADOPTED.

Ms. Hess explained Amendment 2:

Page 3, line 20 add

(J) one member representing a statewide environmental organization

(K) 4 alternates will be appointed

Co-Chair Stoltze asked whether it would be more appropriate to say a member from the conservation community.

Ms. Hess adjusted Amendment 2 to read:

Page 3, line 20 add

(J) one member representing a statewide conservation organization

(K) 4 alternates will be appointed

Representative Edgmon wondered if it would be more appropriate to use the language "conservation community."

Representative Edgmon MOVED to AMEND Amendment 2. He explained that the amendment would change the wording in subsection (J) to read:

"one member representing the conservation community."

There being NO OBJECTION Amendment 2 was ADOPTED as AMENDED.

CHRIS HLADICK, CITY MANAGER, CITY OF UNALASKA, testified in support of HCR 23. He stated that there had been a great reception at the Coast Guard briefing on the Northern Waters Task Force. He believed the commission would work well with the governor's office and the federal government. He expressed that all Alaskans would be impacted by events in the future related to shipping over the North Pole and other Arctic areas. He believed the policy commission could help work through the mountain of information regarding the Arctic waters, and he appreciated the opportunity to testify.

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Representative Edgmon explained that when he was chair of the Fisheries Committee in 2009 built around Mr. Hladick's contributions about this subject. He stated that there was not a central point of contact for Arctic issues, and was grateful that there was a continuation of multi-disciplinary information.

Co-Chair Thomas CLOSED public testimony.

Representative Neuman supported the legislation. He had been involved in two caucuses regarding Arctic issues. He stated that there had been a move by President Obama to create council that would have oversight or management on all federal waters, and he believed it would subvert the current public process. He declared that the ability for Alaska to have a say would be critical to the state. He stated that Commissioner Cora Campbell had sent two letters to the federal government on the issue. The legislation would give Alaska a voice in a big way. He felt that former Attorney General Burns was correct in that the issue was one of the largest that would impact Alaska in the upcoming 10 years.

Representative Doogan communicated that what was happening in the Arctic was a very significant issue. He thanked Representative Joule for his work.

Co-Chair Stoltze believed the process had been very inclusive. He recognized the hard work that went into the legislation.

Representative Gara commended Representative Joule for his patience on the issue. He agreed that the issue was one of the most important unaddressed issues. He could not say that he agreed with various republican and democratic presidents over the years.

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Vice-chair Fairclough stated that she and Representative Joule met with individuals who had been assigned to start implementing the Federal Ocean Counsel Policy. She stressed that the Ocean Policy Counsel was a much different, and critical issue in Alaska.

Representative Joule stated that the policy commission was timely because the U.S. and Canada would be working very closely over the upcoming four years. He opined that it was amazing what outside people did not know about Alaska, and the way that budget decisions were made. The legislature was engaged and should remain engaged in the process.

Co-Chair Thomas noted that Southeast was part of Alaska.

Vice-chair Fairclough discussed the fiscal note 1 was changed to make the committee a 17 member commission instead of a 16 member commission.

Vice-chair Fairclough MOVED to report CSHCR 23(FIN) out of committee with individual recommendations and the accompanying fiscal note. There being NO OBJECTION, it was so ordered.

CSHCR 23(FIN) was REPORTED out of committee with a "do pass" recommendation and with one new fiscal note by the House Finance Committee for the Legislature.

Co-Chair Stoltze discussed the schedule for the following day.

#

ADJOURNMENT

3:32:54 PM

The meeting was adjourned at 3:32 PM.