

HOUSE FINANCE COMMITTEE
April 5, 2012
2:40 p.m.

2:40:46 PM

CALL TO ORDER

Co-Chair Stoltze called the House Finance Committee meeting to order at 2:40 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 Reggie Joule
Representative Tammie Wilson

MEMBERS ABSENT

Representative Mark Neuman

ALSO PRESENT

Erin Harrington, Staff, Representative Austerman;
Representative Alan Austerman, Sponsor; Joe Michel, Staff,
Representative Bill Stoltze; Representative Paul Seaton,
Sponsor; Ben Mulligan, Special Assistant, Department of
Fish and Game; Joe Michel, Staff, Representative Bill
Stoltze; John Anderson, Weatherization Project Officer,
Research and Rural Development, Alaska Housing Finance
Corporation, Department of Revenue.

SUMMARY

HB 290 ESTABLISH ENDOW ALASKA GRANT PROGRAM

CSHB 90(FIN) was REPORTED out of Committee with a
"do pass" recommendation and with one new zero

fiscal note from the Department of Commerce, Community and Economic Development.

HB 312 NATURAL GAS CONVERSION PROGRAM/FUND

CSHB 312(FIN) was REPORTED out of Committee with a "do pass" recommendation and previously published indeterminate fiscal note: FN1 (DOR).

HB 365 AQUATIC INVASIVE SPECIES

CSHB 365(FIN) was REPORTED out of committee with a "do pass" recommendation and with two new fiscal impact notes from the Department of Fish and Game and the Department of Natural Resources and previously published zero fiscal notes: FN1 (DEC), FN2 (DEC), FN3 (DHSS).

[2:42:40 PM](#)

#hb290

HOUSE BILL NO. 290

"An Act creating the endow Alaska grant program in the Department of Commerce, Community, and Economic Development to encourage community development."

Vice-chair Fairclough MOVED to ADOPT proposed committee substitute for HB 290, Work Draft 27-LS1094\R (Mischel/Kirsch, 4/3/12).

Co-Chair Stoltze OBJECTED for discussion.

ERIN HARRINGTON, STAFF, REPRESENTATIVE AUSTERMAN, explained the changes in the committee substitute (CS). She observed that alterations were made after feedback from the House Finance Committee during the 3/29/12 hearing. She noted that Representative Edgmon had raised a question regarding the possible ambiguity of the term "community development." The CS addressed the concern by replacing "development" with "philanthropy" on Page 1, lines 2, 6 and 8.

Ms. Harrington spoke to a concern by Representative Doogan and Vice-chair Fairclough that the order of the items in the legislation could be perceived as a "ranking". To address the concern, "ranking" was substituted with "evaluating" on Page 2, line 10 and 11.

Ms. Harrington recalled discussions regarding the restrictiveness of the list. Consideration was given to changing "may" to "shall" on page 2, line 11. The change was not made due to constitutional issues, which took control away from the legislature and transferred it to a third party.

Ms. Harrington observed that on Page 3, lines 8 and 9, a new subsection (3) was added to AS 44.33.180 that read: "state general funds may not be used as the matching funds for this program." The new section was added to clarify that a community could not use state funds as its match for a project.

Co-Chair Stoltze WITHDREW his OBJECTION. There being NO further OBJECTION, Work Draft 27-KS1094\R was ADOPTED.

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REPRESENTATIVE ALAN AUSTERMAN, SPONSOR, thanked the committee.

Vice-chair Fairclough reviewed the new zero fiscal note for the Department of Commerce, Community and Economic Development.

Vice-chair Fairclough MOVED to report CSHB 290 (FIN) out of Committee with individual recommendations and the accompanying fiscal note.

Co-Chair Stoltze OBJECTED for purpose of discussion. He noted philosophical hesitations regarding the legislation but allowed the bill to move from committee. He WITHDREW his OBJECTION.

There being NO further OBJECTION, CSHB 290(FIN) was REPORTED out of committee with a "do pass" recommendation and with one new zero fiscal note from the Department of Commerce, Community and Economic Development.

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AT EASE

2:50:08

RECONVENED

#hb365

HOUSE BILL NO. 365

"An Act relating to the rapid response to, and control of, aquatic invasive species."

Vice-chair Fairclough MOVED to ADOPT proposed committee substitute for HB 365, Work Draft 27-LS1439\B (Bullard, 4/5/12).

Co-Chair Stoltze OBJECTED for discussion.

JOE MICHEL, STAFF, REPRESENTATIVE BILL STOLTZE, explained the changes included in the CS. The word "marine" was removed from "marine aquatic invasive species" throughout the legislation.

Mr. Michel observed that the committee substitute removed the language in section (f) CSHB 365(RES):

In this section, "marine aquatic invasive species" means an organism introduced to a marine ecosystem to which it is not native and whose introduction causes, or is likely to cause, economic or environmental harm or harm to human health."

Mr. Michel explained that the above language was replaced with the original section (f) as contained in HB 365:

(f) In this section, "aquatic invasive species" means an organism introduced to a marine or freshwater ecosystem to which it is not native and whose introduction causes, or is likely to cause, economic or environmental harm or harm to human health.

Mr. Michel noted that the committee substitute also added a new section G:

In this section, "aquatic invasive species" means an organism introduced to a marine or freshwater ecosystem to which it is not native and whose introduction causes, or is likely to cause, economic or environmental harm or harm to human health.

Mr. Michel clarified that the changes were made in consultation with the Department of Fish and Game.

Co-Chair Stoltze WITHDREW his OBJECTION. There being NO further OBJECTION, Work Draft 27-LS1439\B was ADOPTED.

REPRESENTATIVE PAUL SEATON, SPONSOR, spoke in support of the legislation and observed that HB 365 provided rapid response to prevent infestations of invasive species from spreading. The bill allowed the department to aggressively target new invasive species.

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Co-Chair Stoltze expressed the committee's support for expansion of the legislation reflected in the CS.

BEN MULLIGAN, SPECIAL ASSISTANT, DEPARTMENT OF FISH AND GAME, explained that the inclusion of fresh water ecosystems would not diminish the department's ability to perform marine ecosystem mitigation.

Representative Gara asked for a letter from the Department of Fish and Game (DFG) to address his concern. He cited Page 2, Subsection (f) of the CS:

(f) In responding under (b) of this section to the occurrence of freshwater aquatic invasive species, the department shall respond in a manner determined to cause the least harm to noninvasive resident fish populations in that limited or isolated geographic area that are used for recreational, personal use, commercial, or subsistence purposes.

Representative Gara worried that the language "compelled" the department's use of chemical eradication even if the harm outweighed the benefit. Mr. Mulligan observed that the section of the bill that related to the response plan [Page 1, Subsection (b)] used the word "may." He concluded that the department was not forced into using chemicals. He indicated that Subsection (f) directed the department to consider the appropriate response. He exemplified Alexander Creek; a location DFG was currently performing Pike eradication. In an effort to rebound the resident Chinook and Coho salmon population the department employed non-chemical methods to eradicate the Pike.

Representative Gara understood the intent of the legislation but wanted assurances that the department would not feel "compelled" to employ chemical measures.

Representative Joule thought that the language allowed the department to "scale back" use.

Representative Seaton clarified that Subsection (f) related only to fresh water aquatic invasive species. He noted the language directed DFG to employ the method that caused "the least amount of harm." He cited Subsection (d):

(d) Rapid response to, and management of, an aquatic invasive species in a limited or isolated geographic area under (b) of this section shall be given priority over activities regulated by the department in that limited or isolated geographic area.

Representative Seaton further clarified that Subsection (d) granted rapid response of invasive species a priority in marine or freshwater ecosystems. He stated that establishing the priority was the intent of the CS.

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Co-Chair Thomas asked whether the use of felt waders were prohibited. Mr. Mulligan affirmed and reported that the prohibition was in response to concerns of whirling disease migrating to Alaska. He added that the department engaged in outreach to notify the public.

Co-Chair Stoltze MOVED to ADOPT Amendment 1, sponsored by all members of the House Finance Committee.

Amendment 1

Page 1 line 8 delete [in limited or isolated geographic areas.] Page 1 line 13 & 14 delete [in limited or isolated area] Page 2 line 3 & 4 delete [in a limited or isolated geographic area] Page 2 line 9 & 10 delete [in a limited or isolated geographic area] Page 2 line 17 delete [in a limited or isolated geographic area] Page 2 line 20 delete [resident]

Co-Chair Thomas OBJECTED for discussion.

Mr. Mulligan spoke to the amendment. He explained that the amendment granted the department more leeway for future planning. After discussions with DFG staff it was determined that the language "in a limited or isolated geographic area" was limiting. Sometimes invasive species

such as Pike, resided in drainages or other types of water bodies. In developing a mitigation plan elimination of the language allowed the department to broaden the scope to include areas such as drainages. Planning would still occur in geographically isolated areas, e.g., lakes.

Co-Chair Stoltze interjected that the deletion of the language kept the possibilities open for future private foundation funding, federal receipts, and money from other sources that the department might qualify for with the broader definition. Mr. Mulligan affirmed. In addition, he confirmed with the attorney general that DFG and the Department of Natural Resources (DNR) were held harmless for rapid response occurrences in mariculture sites with regard to the elimination of the language.

Mr. Mulligan related that the deletion of the word, "resident" in Subsection (f), in amendment 1, left the phrase "noninvasive fish population." The phrase included the anadromous fish population e.g., salmon and steelhead and broadened the provision.

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

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Representative Seaton reiterated his support for the amendment and the CS version of the legislation.

Vice-chair Fairclough discussed the fiscal notes. She observed that there were two indeterminate fiscal notes. Co-Chair Stoltze expressed support for supplemental funding if necessary. He wanted the department to have the ability to react to a crisis or avert a problem.

Representative Guttenberg compared the funding to forest fire fighting and felt that indeterminate fiscal notes were appropriate.

Mr. Mulligan noted that existing funds were used along with outreach to the federal government (United States Fish and Wildlife Service, \$90,000) for mitigation of a previous outbreak of Dvex [tunicate *Didemnum vexillum*]. Additionally, the department requested \$500,000 in the capital budget to complete the Dvex eradication.

Vice-chair Fairclough noted that there were five fiscal notes: three previously published zero fiscal notes: FN1 (DEC), FN2 (DEC), FN3 (DHSS) and two new fiscal impact notes from the Department of Fish and Game in the amount of \$489.2 thousand for FY 2013 and \$341.6 thousand in FY 2014 and the Department of Natural Resources in the amount of \$84.2 thousand for FY 2013 and indeterminate through 2018.

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Mr. Mulligan observed that the new DFG fiscal note total of \$830,800 saved the state money compared to the original fiscal note costing \$1.2 million.

Representative Doogan asked why the new DFG sport fisheries fiscal note was indeterminate in the out years beginning in FY 2015. Mr. Mulligan explained that the out years expenditures were indeterminate due to the fact that it was impossible to predict future occurrences and the costs to mitigate them.

Representative Doogan surmised that the fiscal note funding set up the development of the plan [Invasive Species Action Plan] and did not fund a response to an outbreak. Mr. Mulligan affirmed the statement.

Co-Chair Thomas MOVED to report CSHB 365(FIN) out of Committee with individual recommendations and the accompanying fiscal notes. There being NO OBJECTION, it was so ordered.

CSHB 365(FIN) was REPORTED out of committee with a "do pass" recommendation and with two new fiscal impact notes from the Department of Fish and Game and the Department of Natural Resources and previously published zero fiscal notes: FN1 (DEC), FN2 (DEC), FN3 (DHSS).

[3:10:13 PM](#)

AT EASE

[3:11:36 PM](#)

RECONVENED

#hb312

HOUSE BILL NO. 312

"An Act creating a low-interest loan program for homeowners who convert their homes to natural gas-fired heating; and creating the natural gas home heating conversion loan fund."

Vice-chair Fairclough MOVED to ADOPT proposed committee substitute for HB 312, Work Draft 27-LS1301\E (Nauman, 4/4/12).

Co-Chair Stoltze OBJECTED for discussion.

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JOE MICHEL, STAFF, REPRESENTATIVE BILL STOLTZE, explained the changes included in the CS. He remarked that the CS was "structurally different" from the original legislation. Additional sections were rolled into Section 1. The word, "inspection" replaced "energy audit" throughout the bill. A registered mechanical contractor was authorized, along with energy raters to perform inspections. All references to "loan fund" were replaced with "loan program." On Page 3, lines 3-4 were added: "...shall be deposited in the general fund and may be appropriated for the loan program under this section or for any other public purpose."

Representative Wilson introduced the legislation by reading the following:

HB 312 will create a low-interest loan program, administered by the Alaska Housing Finance Corporation for homeowners who use oil, coal, or wood to heat their homes so they can convert to a natural gas, propane, electric, biomass, or district heat heating appliance.

Originally, HB 312 would only provide loans for the conversion to a natural gas-fired heating appliance. However, through the committee process, HB 312 was expanded to include propane, biomass, electric heat, and district heat. The committee substitute for HB 312 now provides for a statewide approach for homeowners to convert to a more affordable and efficient heating method. Propane can be utilized in Alaska's rural communities. Biomass heat in the form of pellets is growing in popularity and could be implemented in the Rural Interior and Southeast portions of the State. Electric heat has now become

more affordable in Kodiak and the Southeast regions of Alaska. Finally, district heat is available in communities that have combined heat and power plants, such as in Fairbanks' downtown coal plant where the by-product steam and hot water are pumped through a pipe system providing affordable and emission-free heat to customers.

My office has worked carefully with AHFC to create a statewide program offering loans up to \$7,500, at a 1% interest rate for a term of 10 years. The loans would only cover the cost of the heating appliance, and not the cost of materials and installation. Loans will be offered to qualified applicants who use either heating oil, coal, or wood as their primary heat source. The heat sources which the homeowner wishes to convert to must be readily accessible for use. HB 312 requires an inspection by either an AHFC certified energy rater or a registered mechanical contractor, who will confirm the heating method the homeowner uses, and provide an explanation of the potential energy savings the homeowner could see if they converted to one of the options available through the program.

HB 312 will have additional benefits to communities who have been designated by the EPA to have unacceptable air quality levels. Currently, the Fairbanks North Star Borough has been designated by the EPA as a PM 2.5 nonattainment area. The low-interest loan program created by HB 312 would allow for residents of the FNSB to afford conversions to cleaner, more efficient heating methods to help abate the high levels of particulates in our air.

Representative Wilson spoke to the energy rebate program. She noted that the energy rebate program could be used to recoup costs for a new gas fired appliance but reimbursement was dependent on a weatherization rating. Replacing doors, windows, and enhancing insulation recouped more costs on the rating system than a new heating source. She pointed out that the program provided loans and was not a giveaway.

Co-Chair Thomas wondered whether the appliance loan must be paid before the house title could be transferred in the case of a sale.

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Representative Wilson assumed that the loan applicant would repay the loan before the sale.

JOHN ANDERSON, WEATHERIZATION PROJECT OFFICER, RESEARCH AND RURAL DEVELOPMENT, ALASKA HOUSING FINANCE CORPORATION, DEPARTMENT OF REVENUE, agreed that the loan would be the responsibility of the applicant.

Representative Guttenberg noted that the legislation expanded inspectors to include mechanical contractors. He questioned whether there were sufficient contractors capable to do the work. Mr. Anderson affirmed and clarified that the department would follow the same regulatory process that already qualify the inspectors and follow the regulations in place that qualified the state mechanical administrator's license.

Vice-chair Fairclough noted the indeterminate FN 1 (DOR) fiscal note. She wondered if the loan program was funded or if the legislation developed the structure. Representative Wilson affirmed that money for the loan fund was not appropriated. The legislation set up a mechanism for the loan fund.

Vice-chair Fairclough asked whether one percent of the fund amount would adequately cover the administrative costs. Mr. Anderson thought that one percent was an appropriate estimate.

Vice-chair Fairclough wondered how many homes were in Fairbanks and North Pole. Representative Wilson replied that approximately 21,000 homes qualified as a single family home.

Co-Chair Stoltze noted the need in the Mat-Su as well.

Representative Doogan discerned that the program provided zero interest loans. Mr. Anderson affirmed and added that the one percent interest would go back into the general fund.

Co-Chair Stoltze WITHDREW his OBJECTION. There being NO further OBJECTION, Work Draft 27-LS1301\E was ADOPTED.

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Co-Chair Stoltze OPENED public testimony.

Co-Chair Stoltze CLOSED public testimony.

Vice-chair Fairclough MOVED to report CSHB 312(FIN) out of Committee with individual recommendations and the accompanying fiscal note. There being NO OBJECTION, it was so ordered.

CSHB 312(FIN) was REPORTED out of Committee with a "do pass" recommendation and previously published indeterminate fiscal note: FN1 (DOR).

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ADJOURNMENT

3:25:35 PM

The meeting was adjourned at 3:25 PM.