

**ALASKA STATE LEGISLATURE**  
**HOUSE LABOR AND COMMERCE STANDING COMMITTEE**

April 13, 2012

3:44 p.m.

**MEMBERS PRESENT**

Representative Kurt Olson, Chair  
Representative Craig Johnson, Vice Chair  
Representative Dan Saddler  
Representative Steve Thompson  
Representative Lindsey Holmes  
Representative Bob Miller

**MEMBERS ABSENT**

Representative Mike Chenault

**COMMITTEE CALENDAR**

CS FOR SS FOR SENATE BILL NO. 25(FIN)

"An Act establishing the sustainable energy transmission and supply development program in the Alaska Industrial Development and Export Authority; relating to the interest rates of the Alaska Industrial Development and Export Authority; and relating to taxes paid on interests in property owned by the Alaska Industrial Development and Export Authority and to the local contribution for public education funding related to that property."

- HEARD & HELD

COMMITTEE SUBSTITUTE FOR SENATE BILL NO. 136(FIN) AM

"An Act providing a tax credit for employing a veteran that may be taken against a liability for the tax on corporation income; and providing for an effective date."

- HEARD & HELD

**PREVIOUS COMMITTEE ACTION**

BILL: SB 25

SHORT TITLE: AIDEA: SUSTAINABLE ENERGY/ INTEREST RATE

SPONSOR(S): SENATOR(S) MCGUIRE

01/19/11           (S)           PREFILE RELEASED 1/7/11  
01/19/11           (S)           READ THE FIRST TIME - REFERRALS

01/19/11 (S) L&C, FIN  
 02/08/12 (S) SPONSOR SUBSTITUTE INTRODUCED-REFERRALS  
 02/08/12 (S) L&C, FIN  
 02/16/12 (S) L&C AT 1:30 PM BELTZ 105 (TSBldg)  
 02/16/12 (S) Heard & Held  
 02/16/12 (S) MINUTE(L&C)  
 02/21/12 (S) L&C AT 1:30 PM BELTZ 105 (TSBldg)  
 02/21/12 (S) -- MEETING CANCELED --  
 02/23/12 (S) L&C AT 1:30 PM BELTZ 105 (TSBldg)  
 02/23/12 (S) Moved CSSB 25(L&C) Out of Committee  
 02/23/12 (S) MINUTE(L&C)  
 02/24/12 (S) L&C RPT CS 4DP 1NR NEW TITLE  
 02/24/12 (S) DP: EGAN, DAVIS, PASKVAN, MENARD  
 02/24/12 (S) NR: GIESSEL  
 03/29/12 (S) FIN AT 1:00 PM SENATE FINANCE 532  
 03/29/12 (S) Heard & Held  
 03/29/12 (S) MINUTE(FIN)  
 04/11/12 (S) FIN RPT CS 6DP 1NR NEW TITLE  
 04/11/12 (S) DP: HOFFMAN, STEDMAN, THOMAS, EGAN,  
 MCGUIRE, ELLIS  
 04/11/12 (S) NR: OLSON  
 04/11/12 (S) TRANSMITTED TO (H)  
 04/11/12 (S) VERSION: CSSSSB 25(FIN)  
 04/11/12 (S) FIN AT 9:00 AM SENATE FINANCE 532  
 04/11/12 (S) Scheduled But Not Heard  
 04/11/12 (S) FIN AT 1:00 PM SENATE FINANCE 532  
 04/11/12 (S) Moved CSSSSB 25(FIN) Out of Committee  
 04/11/12 (S) MINUTE(FIN)  
 04/12/12 (H) READ THE FIRST TIME - REFERRALS  
 04/12/12 (H) L&C, FIN  
 04/13/12 (H) FIN AT 9:00 AM HOUSE FINANCE 519  
 04/13/12 (H) L&C AT 3:15 PM BARNES 124

BILL: SB 136

SHORT TITLE: VETERANS DRIVERS LICENSE, TAX CREDIT

SPONSOR(s): SENATOR(s) WIELECHOWSKI

01/17/12 (S) PREFILE RELEASED 1/6/12  
 01/17/12 (S) READ THE FIRST TIME - REFERRALS  
 01/17/12 (S) STA, FIN  
 01/24/12 (S) STA AT 9:00 AM BUTROVICH 205  
 01/24/12 (S) Scheduled But Not Heard  
 01/26/12 (S) STA AT 9:00 AM BUTROVICH 205  
 01/26/12 (S) Heard & Held  
 01/26/12 (S) MINUTE(STA)  
 01/31/12 (S) STA AT 9:00 AM BUTROVICH 205  
 01/31/12 (S) Moved CSSB 136(STA) Out of Committee

01/31/12 (S) MINUTE(STA)  
 02/01/12 (S) STA RPT CS 5DP NEW TITLE  
 02/01/12 (S) DP: WIELECHOWSKI, KOOKESH, PASKVAN,  
 MEYER, GIESSEL  
 02/06/12 (S) FIN AT 9:00 AM SENATE FINANCE 532  
 02/06/12 (S) Heard & Held  
 02/06/12 (S) MINUTE(FIN)  
 02/24/12 (S) FIN RPT CS 6DP NEW TITLE  
 02/24/12 (S) DP: STEDMAN, THOMAS, EGAN, MCGUIRE,  
 OLSON, ELLIS  
 02/24/12 (S) FIN AT 9:00 AM SENATE FINANCE 532  
 02/24/12 (S) Moved CSSB 136(FIN) Out of Committee  
 02/24/12 (S) MINUTE(FIN)  
 03/05/12 (S) TRANSMITTED TO (H)  
 03/05/12 (S) VERSION: CSSB 136(FIN) AM  
 03/05/12 (H) READ THE FIRST TIME - REFERRALS  
 03/05/12 (H) L&C, FIN  
 04/13/12 (H) L&C AT 3:15 PM BARNES 124

**WITNESS REGISTER**

MICHAEL PAWLOWSKI, Staff  
 Senator Lesil McGuire  
 Alaska State Legislature  
 Juneau, Alaska

**POSITION STATEMENT:** Presented a PowerPoint presentation and answered questions on SB 25 on behalf of the sponsor, Senator Lesil McGuire.

MARK DAVIS, Deputy Director  
 Investment Finance & Analysis  
 Alaska Industrial Development and Export Authority (AIDEA)  
 Department of Commerce, Community & Economic Development (DCCED)  
 Anchorage, Alaska

**POSITION STATEMENT:** Testified during the discussion of SB 25.

TED LEONARD, Executive Director  
 Alaska Industrial Development and Export Authority (AIDEA)  
 Department of Commerce, Community & Economic Development (DCCED)  
 Anchorage, Alaska

**POSITION STATEMENT:** Testified during the discussion of SB 25.

DAN BOCKHORST, General Manager  
 Ketchikan Gateway Borough (KGB)  
 Ketchikan, Alaska

**POSITION STATEMENT:** Testified in support of SB 25.

SENATOR BILL WIELECHOWSKI

Alaska State Legislature  
Juneau, Alaska

**POSITION STATEMENT:** Testified as sponsor of SB 136.

KENDRA KLOSTER, Staff  
Senator Bill Wielechowski  
Alaska State Legislature  
Juneau, Alaska

**POSITION STATEMENT:** Presented SB 136 on behalf of the sponsor,  
Senator Bill Wielechowski.

ALBERT HOWARD, Mayor  
City of Angoon  
Angoon, Alaska

**POSITION STATEMENT:** Testified in support of SB 136.

#### **ACTION NARRATIVE**

[3:44:56 PM](#)

**CHAIR KURT OLSON** called the House Labor and Commerce Standing Committee meeting to order at 3:44 p.m. Representatives Thompson, Holmes, Miller, Johnson, Saddler, and Olson were present at the call to order.

#### **SB 25-AIDEA: SUSTAINABLE ENERGY/ INTEREST RATE**

[3:45:15 PM](#)

CHAIR OLSON announced that the first order of business would be CS FOR SPONSOR SUBSTITUTE FOR SENATE BILL NO. 25(FIN), "An Act establishing the sustainable energy transmission and supply development program in the Alaska Industrial Development and Export Authority; relating to the interest rates of the Alaska Industrial Development and Export Authority; and relating to taxes paid on interests in property owned by the Alaska Industrial Development and Export Authority and to the local contribution for public education funding related to that property."

[3:45:18 PM](#)

MICHAEL PAWLOWSKI, Staff, Senator Lesil McGuire, Alaska State Legislature, on behalf of Senator Lesil McGuire, presented a PowerPoint presentation on Alaska's Sustainable Strategy for Energy Transmission and Supply (ASSETS). He stated that this bill has a companion bill, HB 327, and some members may have

previously heard the companion bill at a House Energy Committee meeting. He referred to the disclaimer on slide 1 of the PowerPoint, which reflects that the bill is not designed for specific projects since the bill is designed to address the breadth of energy projects in Alaska.

[3:46:17 PM](#)

MR. PAWLOWSKI explained the agenda. He stated that his PowerPoint presentation on ASSETS will focus on highlights from selected reports on capital financing, the sectional analysis of the bill, powers and limitations of the fund the bill purports to establish, and the decision and policy decisions necessary to select AIDEA as the vehicle [slide 1].

MR. PAWLOWSKI identified the problem, which is that significant capital investment will be required to develop the energy infrastructure Alaska needs [slide 3].

MR. PAWLOWSKI reviewed the Alaska energy pathway toward energy independence [slide 4]. He stated that Alaska Energy Authority (AEA) prepared a report in July 2010 that broke out capital needs statewide based on Alaska Native Regional Corporation areas. He pointed out the immediate needs for the first zero to 10 years totaled approximately \$2 billion.

MR. PAWLOWSKI referred to the Railbelt integrated resource plan (RIRP), prepared by the AEA in February 2010, which projected capital spending estimates will range from \$13.625 to \$21.109 billion [slide 5].

[3:47:33 PM](#)

MR. PAWLOWSKI referred to the Southeast integrated resource plan (SEIRP), which has generated substantial controversy, but identifies the needs for infrastructure projects in Southeast Alaska [slide 6].

MR. PAWLOWSKI provided a summary of capital estimates noting there are billions of dollars of infrastructure that needs to be built within Alaska in the next zero to 10 years [slide 7].

[3:48:10 PM](#)

MR. PAWLOWSKI explained that last year the energy section of the capital budget included legislative intent [slide 8]. The intent language read, "It is the intent of the legislature that the

state's capital investment into energy generation projects not exceed 50 % of the total investment required to fully complete those projects." He highlighted that this language isn't binding, but it is an attempt to recognize that the legislature would like to see some private sector funds involved when building projects so the funding for 100 percent of the cost of the project is not entirely the legislature's responsibility to fund. Senator McGuire has heard from many utilities throughout the state that the problem facing many utilities is the access to capital.

MR. PAWLOWSKI related that financing Alaska Energy Pathway: AEA July 2010 shows the dilemma the utilities and the Railbelt face. He pointed out the projected capital expenditures as compared to the high debt capacity that cannot meet the capital expenditures [slide 9].

MR. PAWLOWSKI referred to the right hand of the slide that illustrates the importance of financing debt service as a percent of Revenue [slide 10]. The project illustrated is for a stylized hydroelectric project from the SEIRP. He indicated that a significant portion of the rates that Alaskans pay are paid through the utility to pay for debt service to the bondholders or investors in the power project.

MR. PAWLOWSKI stated that the challenge that SB 25 is intended to address is the state's large capital needs and the limited budgets as oil production continues to decline, The state needs something sustainable where investments in projects are repaid and return money to the treasury. He explained that SB 25 is designed to create a new sustainable and supply program within the AIDEA [slide 11].

[3:50:00 PM](#)

MR. PAWLOWSKI provided a sectional analysis of SB 25 by addressing the significant sections first. He stated that Sections 16-17 would create a new sustainable energy transmission and Supply (SETS) development program and fund within the Alaska Industrial Development and Export Authority (AIDEA [slide 12]. He related that he uses this reverse sectional approach since the material portions of the bill are near the end of the bill. He referred to page 11, line 5, which adds new sections defining a program within AIDEA, creating a fund, and specifying how AIDEA can use the fund balances. The purpose of the fund is specifically limited to energy projects to give focus and clarity to the program. He referred to page

12, line 3, to the powers and duties of the proposed authority. He then referred to page 12, lines 13-14, which would provide a new power to AIDEA to defer principal payments or capitalize interest on qualified energy developments.

[3:51:35 PM](#)

MR. PAWLOWSKI referred again to page 12, line 3, to the powers and duties of the authority for funding qualified energy development. He stated that the purpose of this section is to delineate the powers that AIDEA has as it relates to the new fund. He pointed out that the fund has powers in addition to what AIDEA currently has due to the specific economics as they relate to energy projects. He explained that the additional powers are found on page 12, lines 13-14, which provides AIDEA with the power to defer principal payments. He further explained that an energy project may not have revenues during the construction phase, so this would allow AIDEA to make interest-only payments, while AIDEA earns the interest on the investment it has made, but that is passed on to the ratepayers. This would allow the drawing out of that initial phase during the construction to try to lower the cost of power ultimately to consumers.

[3:52:33 PM](#)

MR. PAWLOWSKI explained that under existing statutes AS 44.88.090, AIDEA has the power to borrow money and issue bonds. He explained that a revolving loan fund is one in which the legislature appropriates to a fund and the money is loaned out, but once the money is loaned out more money is not available to fund projects until the fund is repaid. He pointed out that under the bill, AIDEA has an ability to go to the capital markets and leverage the proceeds it has from loans to raise additional capital to refresh the fund. He emphasized that the reason this program is sustainable is partly related to the existing power AIDEA has to borrow money. He explained that specific language is included in this section to make it clear that AIDEA has the ability to use proceeds and returns on its investments to borrow money against those proceeds, governed by credit rating limits and leverage limits, and accrue funds to invest in infrastructure. The capitalization that goes into AIDEA is not necessarily the limit for the capitalization of the money that can go out on the street.

[3:53:56 PM](#)

MR. PAWLOWSKI referred to page 12, lines 6-9, to paragraph (1), which allows AIDEA to use the fund to finance qualified energy development projects, insure project obligations, guarantee loans or bond, and establish reserves. He explained that this language gives AIDEA a suite of powers to work with the private sector to create financing environments that will facilitate the development of a project. He pointed out that often private capital might come in looking for a credit backstop from the state. He related that previous bills that attempted to transfer power created the situation in which the credit backstop came back to the state; however, AIEDA is not an obligation of the state since it is a distinct and separate entity. He reiterated the reason to establish a separate fund and to allow AIDEA loan guarantee power is to allow AIDEA to support the economics of projects and work with the private sector. He related this is another way in which this program differs from a revolving loan fund.

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MR. PAWLOWSKI said that it was important to the sponsor to place limits on AIDEA. He referred to Section 16, to page 13, line 5, of proposed AS 44.88.740. This requires AIDEA to come back to the legislature for approval if the project financing exceeds more than one-third of the capital cost of a qualified energy development or loan guarantee that exceeds \$20 million. He referred to page 13, lines 13-14, to subsection (b) (1) & (2), which would allow AIDEA to extend financing to 30 years for a general project and 50 years for a transmission line or hydroelectric project. He emphasized that hydroelectric projects are long life investments so the longer financing can be extended the lower the cost to ratepayers. The bill originally envisioned a much broader range of qualified energy developments. He referred to page 13, lines 16-25, of proposed Section 17, which provides a definition for "development fund" and also a definition for "qualified energy development" in proposed AS 44.88.900 (16) as follows:

(A) transmission, generation, conservation, storage, or distribution of heat or electricity;

(B) liquefaction, regasification, distribution, storage, or use of natural gas;

(C) distribution or storage of refined petroleum products.

MR. PAWLOWSKI stated the sponsor's intent is to provide basic energy infrastructure, such as local gas distribution, bulk tank farm for generation, power line, or hydroelectric project, and energy efficiency projects. He highlighted that this authority is granted to AIDEA specifically within this section of the bill as a new and distinct mission for AIDEA. He concluded that these are the substantive sections of the bill. He related he would now like to point out several conforming sections of the bill.

[3:57:32 PM](#)

REPRESENTATIVE HOLMES asked whether "qualified energy development" could be owned by anyone, such as a nonprofit, a for profit business, a utility, or local government without any ownership limitations.

MR. PAWLOWSKI answered yes. He elaborated that the point of AIDEA is to work with the private sector and to bring the state as the support for the private sector, but put the community or cooperative in the leadership role and provide access to capital to make their projects feasible. In further response to Representative Holmes, he explained that the purpose of AIDEA is to assist with statewide regional projects. Thus the bill is not limited to specific areas of the state and is intended to provide financing to any communities that can make it work.

[3:58:46 PM](#)

MR. PAWLOWSKI referred to Section 6, on page 4, beginning on line 21. He explained that this statute defines AIDEA's mission by the addition of the word "energy" to the legislative determination. The bill contains conforming language and technical changes, such as on page 5, line 11 to reflect the name change to Export-Import Bank of the United States. He recapped that the mission is changed to add "energy" to match the fund created in Sections 16-17 for energy projects.

[3:59:51 PM](#)

MR. PAWLOWSKI referred to Sections 10-14 beginning on page 8, line 22. He related that under SB 25, the state will invest some of its capital through AIDEA in infrastructure. The principal and interest payments will come back through AIDEA to the state in the form a dividend. He emphasized that fundamental to this concept is that AIDEA must earn a rate of return on the loans or investments that it makes. He referred

again to Section 10, beginning on line 22, through Section 14, on page 10 to line 15, which represents conforming changes to allow the Sustainable Energy Transmission Supply (SETS) Fund to comport to the same interest requirements. He characterized this as the cost of capital and not free or low interest loans, but loans. Currently, utilities in Alaska are borrowing money outside Alaska so the interest and principal payments leave the state. He emphasized that these changes will circulate the interest and principal payments in the state by allowing AIDEA to work with the local entity to obtain financing.

[4:01:28 PM](#)

REPRESENTATIVE HOLMES wondered about the interplay between this and the 30 to 50-year rate. She inquired as to the amount of the interest rates.

MR. PAWLOWSKI deferred to AIDEA since it would be tied to the cost of funds in the market rate. He referred to page 9, line 18, to the definition of the "cost of funds" which read, "means the earnings, expressed as an annual interest rate, the authority would receive on a comparable financial security, and, for a loan participation..." He continued, "... with a fixed interest rate, the cost of funds must equal or exceed the minimum interest rate." Thus a floor on the interest rate AIDEA can offer; however, there is an exception under which AIDEA is able to offer a lower interest rate. He referred to page 10, lines 16-31, of Section 15, which allows AIDEA to reduce the rate of interest to up to one percent under current statutes to meet sufficient job creation, rural development, or other economic development incentive criteria. This bill adds [on page 10, line 20] "renewable energy development" to express the state's policy to move towards renewable energy and hydroelectric by allowing a lower interest rate - of up to one percent - to finance those projects. He concluded this comports with the policy the legislature has put into place.

[4:03:30 PM](#)

REPRESENTATIVE HOLMES asked to clarify that "renewable energy" refers to the Alaska definition, which includes hydroelectric.

MR. PAWLOWSKI answered yes.

[4:03:47 PM](#)

MR. PAWLOWSKI stated that the purpose of the bill is to establish a new program within AIDEA. He related that AIDEA works very closely with commercial lending institutions in the state. He referred to proposed Section 8 on page 6, beginning on line 23, which makes conforming changes to AIDEA's current loan participation program. He explained that commercial lending institutions, such as Wells Fargo or First National Bank, make loans and AIDEA provides the credit backstop and buys loans up to 90 percent. He referred to page 7, lines 4-6, in proposed Section 6, which requires AIDEA to retain at least 10 percent of the principal amount of the loan retained by the loan originator. He further explained that inserting "qualified energy development and energy efficiency allows the private sector to continue to make loans and work with AIDEA through the normal system so AIDEA does not crowd out the private sector in its work to provide credit backstops, loan guarantees, or direct loans. This provision was added to the bill to keep this consistent, he stated. He recapped that the state agency would have increased finance powers to finance energy infrastructure, but it is important for the private sector to be able to compete and work with AIDEA yet not have AIDEA push them out of the market.

[4:05:33 PM](#)

MR. PAWLOWSKI referred to page 2, lines 3-31 through page 4, line 20, to proposed Sections 3-5, which were added in the Senate Finance Committee. He referred to proposed Section 3, which would allow AIDEA, when building a facility or when there is an interest in an AIDEA facility in a community - that is exempt from state or borough taxes - to deduct the value from the full determined taxable value as it relates to the base student allocation and funding in the education program. He referred to page 3, lines 22-26 for the specific language. He pointed out that the education statutes have a local mill requirement and required local match for the state contribution. He clarified that this bill would exempt property owned by the AIDEA from the city or borough tax rate upon which the 4 mills is calculated.

[4:06:51 PM](#)

REPRESENTATIVE JOHNSON asked whether this relates to new properties or is retroactive.

MR. PAWLOWSKI answered that the bill is retroactive in that it does not ask for additional monies; however moving forward if infrastructure is in the community - and the community has

decided to exempt from taxes - the state will not deduct education funding by requiring a higher local match. He explained that if the bill works as intended and energy infrastructure is built in communities and the community decides to exempt the project from city or borough taxes, that the community could potentially lose education funding.

CHAIR OLSON asked whether there is a formal opinion on the effect on education funding.

MR. PAWLOWSKI offered to provide it. He explained that he has not asked for a specific legal opinion, but it has been defined within the fiscal note just received. He elaborated that initially an earlier exemption in SB 25 created problems for the Municipality of Anchorage since it was not an elective. This new language was drafted in consultation with the municipalities that were affected.

[4:08:42 PM](#)

REPRESENTATIVE JOHNSON asked whether this provision is voluntary so if communities do not want to exempt the projects they don't have to do so.

MR. PAWLOWSKI answered yes. He related that the MOA has the FedEx terminal owned by AIDEA and the tax value to the MOA is substantial so they would not necessarily choose to exempt it.

[4:09:09 PM](#)

REPRESENTATIVE JOHNSON asked whether the MOA could pick and choose if a municipality only wants to exempt a project, such as the FedEx terminal or if it is all or nothing.

MR. PAWLOWSKI answered that it would be up to the municipality to pick and choose, which is the reason for the phrasing, "excluding property owned by the Alaska Industrial Development and Export Authority that is exempt from city or borough tax," so the exemption of city and borough tax is up to them. He pointed out that the AIDEA property is not exempt in the regular tax statute and the original language created problems. He offered to provide the information that led to the changes.

CHAIR OLSON asked him to provide it to the committee and Mr. Pawlowski offered to do so.

MR. PAWLOWSKI related that AIDEA returns a dividend, must collect interest, and is the commercial lending institution, which is why AIDEA was chosen.

[4:09:58 PM](#)

MR. PAWLOWSKI referred to a flowchart that outlines how the money would move through the proposed capitalization [slide 19]. He explained that the state of Alaska establishes the Sustainable Energy Transmission and Supply (SETS) fund, capitalizes the fund through \$125 million as per the fiscal note. He explained the AIDEA would use the proceeds through financing mechanisms to support energy projects. The return from the investments would come back to the fund. He highlighted that AIDEA has the ability to the borrow money, can use the capital markets to refresh the capital fund, and return a dividend back to the state. He pointed out that last fiscal year that return was \$29 million. He referred members to the most recent credit report from Standard and Poor's for details, although he deferred to AIDEA to explain the due diligence processes and the mechanics of AIDEA.

[4:12:37 PM](#)

MARK DAVIS, Deputy Director, Investment Finance & Analysis, Alaska Industrial Development and Export Authority (AIDEA), Department of Commerce, Community & Economic Development (DCCED), explained that SB 25 will provide AIDEA with several tools to finance qualified energy projects. First, it would create a direct loan program. Currently, the banks or credit union bring a package to AIDEA - the loan arm - and AIDEA can take up to 90 percent, but AIDEA works with the banks and does not directly deal with the customer. Under the bill, AIDEA would provide loan participations or direct loans for energy. Thus if a utility needed a loan, AIDEA could conceivably make that loan. He responded to an earlier question from Representative Holmes, noting it could be any type of utility, including a rural electrical cooperative, a nonprofit or a for profit company.

[4:13:37 PM](#)

CHAIR OLSON asked how this would affect existing loans an entity may have with AIDEA.

MR. DAVIS answered that SB 25 limits the capital from AIDEA to one-third of the capital. In further response to Chair Olson, he interpreted that to mean the aggregate.

[4:14:00 PM](#)

REPRESENTATIVE HOLMES recalled he mentioned any utility and asked for further clarification.

MR. DAVIS clarified that he meant other projects, not just limited to utilities.

[4:14:10 PM](#)

MR. DAVIS said the next thing would be to establish reserves and ensure loan or bond guarantees. Currently, AIDEA does not have power to create a backstop or loan guarantee. He related a scenario in which Golden Valley Electric Association (GVEA) could borrow via the capital markets, which can be expensive. The GVEA could issue bonds, but may have limitations on its bonding capabilities. This bill would allow the GVEA to issue a bond and seek a bond guarantee from AIDEA. He related that AIDEA would use its AA rating bond issue as a backstop, which could substantially reduce the cost of the bonding to the utility. He pointed out this is ultimately beneficial to ratepayers. Additionally, SB 25 would allow AIDEA to work with outside capital. Currently, given the economy, pension funds or insurance funds want to invest and used to invest in real estate, the stock market, or bonds and Treasury bills. He pointed out that Treasury bills are at two percent so no one is currently investing in them. He predicted that if this bill were to pass, that several of these firms could put up 100 percent of the funds for energy projects so long as the firms had AIDEA's credit backstop. Thus SB 25 could provide the risk adversity these firms need. Again, the reserve fund could be used to leverage other funds to attract outside capital to Alaska for energy projects.

[4:16:08 PM](#)

REPRESENTATIVE SADDLER asked whether the tools proposed to be given to the SETS fund for loan participation be useful tools for other AIDEA business units.

MR. DAVIS answered that AIDEA already has the capacity of loan participation with limitations on debt to equity ratios for various projects, including commercial real estate and other

projects; however, AIDEA currently does not have any guarantee or credit backstop for any of AIDEA's programs.

REPRESENTATIVE SADDLER asked whether those tools would be helpful.

MR. DAVIS responded that it could be useful, hypothetically, speaking, given the current market.

[4:17:10 PM](#)

MR. DAVIS pointed out another tool is that SB 25 would allow AIDEA to defer payments to capitalize interest, which essentially is the term of patient capital. He related that sometimes taking interest only on a loan can lower the up-front costs and capitalize interest on the back end of the loan. He explained that can be useful with large energy projects that tend to have high initial costs which flatten out over time. He characterized this as very typical of these types of project so it makes sense for an energy fund to have that ability. Additionally, another tool, which hasn't been discussed thus far, is that the bill will allow AIDEA to work with public-private partnerships (PPP). He referred to page 12, lines 15-17, to paragraph (4), which allows AIDEA to enter into operate-transfer agreements. He suggested that a utility could use outside capital to finance a project, obtain a construction loan with other financing, provide a credit backstop using AIDEA, then transfer the ownership of the project by lease to the utility for operation, while retaining security interest in the project as security for financing. He characterized these types of agreements as very typical in commercial financing, but not usually done by a state entity. He summarized that these types of tools are useful, particularly given the current market, since lots of investment money exists - lighter financing - but no one want to take that much risk.

[4:19:00 PM](#)

MR. DAVIS explained that SB 25 would allow AIDEA to go out to the market to raise money or lend at the current rates. He stated the current fixed interest rate is 6.10 percent - whether it is for a five or 25 year loan - and the variable interest rate is currently 5.07 percent, regardless of the term. He said these are market indexes to the Federal Home Loan Bank Board (FHLBB) of Seattle, which is the entity that tends to lend money to banks in Alaska. Thus, the AIDEA tracks its interest with the Federal Home Loan Bank of Seattle. He concluded that these

rates would be competitive and AIDEA would not undercut local institutions.

[4:19:54 PM](#)

REPRESENTATIVE THOMPSON related his understanding that Golden Valley Electric Association (GVEA) is not interested in working with AIDEA since they would pay 6 percent interest since GVEA can still currently borrow at 3 to 3.5 percent. He inquired as to whether SB 25 would make AIDEA more competitive or if it will still be the standard.

MR. DAVIS answered that if AIDEA went into the bond market to raise funds it would be below market index from FHLBB; however, if the capital energy fund or the RUS funds, which both are available to GVEA and could range between 2-3.3 percent, which would be below market rates. He acknowledged that AIDEA does not compete with those rates, which he characterized as good rates; however one might see a utility attempt to use those rates for the maximum amount, but fall short. Thus this bill would provide a means to finance the rest of the project. He said that as cost of projects increase financing tends to become tighter, for example, he pointed out that the RUS currently has a lot of demand. He characterized the bill as another way to finalize a project.

[4:21:27 PM](#)

REPRESENTATIVE THOMPSON related his understanding that AIDEA would offer a 6 percent interest rate, but GVEA is likely looking at approximately 2.8-3.2 percent interest rate. He stated he had hoped this might be more competitive to allow utilities like GVEA to use Alaska funds for Alaska energy projects.

MR. DAVIS responded that it would depend on how the financing was structured. He suggested that one local utility filing to build a plant is in excess of 7 percent interest. He predicted that if this utility had used a bond with an AIDEA guarantee that AIDEA's AA rate would have made it considerably below that for financing. He concluded that it also depends on whether the utility building the structure has access to the federal rates. He said that some do and some don't. He offered his belief that GVEA does have ability to use the two funds previously mentioned.

[4:22:34 PM](#)

REPRESENTATIVE HOLMES asked for the type of risk exposure the state would have.

MR. DAVIS answered that AIDEA would need to maintain good underwriting standards, which AIDEA has done. The current loan participation has a default rate of less than one percent and AIDEA's rating is over AA. He offered his belief that the debt-coverage ratio is in the range of 1.25 to 1.34 on the loans and the net present value would be in the range of 1.1 to 1.3.

[4:23:22 PM](#)

REPRESENTATIVE JOHNSON related his understanding that the program would guarantee up to 25 percent of the loan. He asked whether AIDEA could backstop the whole loan or just the 25 percent. He further asked how this would affect the state's bond rating.

MR. DAVIS responded that SB 25 establishes a brand new fund within AIDEA, which is totally separate from AIDEA's Development Enterprise Fund, which is the basis for the loan participation and development project funds. He related his understanding that one of AIDEA's first tasks will be to seek a rating from the rating agencies after explaining the limitations on financing - listed on page 13 of the bill under proposed AS 44.88.740. He offered his belief that the bill was designed to not affect AIDEA's current rating for its Development Enterprise Fund.

[4:24:51 PM](#)

REPRESENTATIVE JOHNSON remarked that AIDEA does not know whether the SETS fund would be rated AA based on the \$125 million in initial funding.

MR. DAVIS answered that is correct; but AIDEA also relies on the underwriting and the internal controls for projects and project approval. He elaborated that the AIDEA has a project review commission and credit commission so those processes will be considered as well as past performance of AIDEA's portfolio during the rating process. He concluded that AIDEA will ask Standard & Poor's (S&P), Fitch Ratings, and Moody's Investor Service for a rating.

[4:25:36 PM](#)

REPRESENTATIVE JOHNSON asked whether anyone else has done this previously. He noted lots of people have good standards and practices, but it doesn't mean they don't make bad loans.

MR. DAVIS said he aware of similar programs, including that Michigan has one in process and AIDEA has been observing them. He commented that Michigan's program is broader and is not limited to energy projects, but the concept is the same. He added that a program is also being developed in New York. He offered his belief that AIDEA's overall rating would probably apply to the new fund if the same underwriting standards apply. This bill will help develop energy projects, but he cautioned it is not a lockdown system. He predicted the rates will be competitive and the underwriting will be very tight, but it should provide a good rating.

[4:26:51 PM](#)

REPRESENTATIVE JOHNSON asked for the difference in the interest rating between the AA and A bond rating.

MR. DAVIS answered that currently there is not much difference and the spread is less than several hundred basis points since there are not currently many entities with a A or AA rating. He advised that many states have been denigrated to junk bond status or quadruple fees such as have California and Washington.

REPRESENTATIVE JOHNSON asked whether California has a B rating.

MR. DAVIS answered that California has a BBBB rating, which he characterized as a "polite rating." In response to a further question, he said AIDEA would contact the rating agencies and have arranged to hire several consultants to work with if the bill passes. He said he has held some conversations to lay out a program to get a rating.

[4:28:06 PM](#)

REPRESENTATIVE JOHNSON asked whether AIDEA could obtain pre-approval.

MR. DAVIS answered that SB 25 will need to be in place. He related the consultants' views are that the bonds should be at least A-rated bonds.

REPRESENTATIVE JOHNSON related his understanding the bond rating would be at least A.

MR. DAVIS commented that relatively few states in the market have that rating, but Alaska does. He advised that the raters look to management and the underwriting standards of the entity. He pointed out that AIDEA already has that in place and the raters will be advised that the new money will be handled in the same fashion.

[4:29:04 PM](#)

REPRESENTATIVE MILLER asked who does the rating for bonds.

MR. DAVIS answered that rating for bonds for general obligation (GO) bonds of the agency are derived from the agency rating or the funds rating within the agency. He explained it would be a matter of agencies performing the review and rating. A revenue bond or conduit bond is rated by the credit snapshot of the project which is funded by the revenue bond rather than the issuing agency. He provided an example, such that AIDEA recently issued revenue bonds for Providence [Alaska Medical Center] (Providence Hospital). Those bonds were based on the ability of Providence Hospital to repay the bonds at that rate. He suggested that the raters looked more at Providence Hospital and not at AIDEA since AIDEA is not involved. He highlighted that AIDEA can issue revenue bonds for energy projects if the project has a strong revenue stream. Thus AIDEA will use that tool.

[4:30:18 PM](#)

REPRESENTATIVE SADDLER referred to page 12 to the proposed AS 44.88.730, which lists the powers and duties of the authority. He prefaced that he is not an expert in financial matters. He asked whether the financing capabilities offered through this fund will be sufficient or appropriate for development projects such as the proposed Susitna-Watana Hydroelectric project. He inquired as to which of these funds might be applicable. He further asked whether the proposed capitalization would be sufficient for a huge project and how much leverage the fund would provide.

MR. DAVIS answered that the SETS fund could be used, not to fund the whole project, but perhaps to build a transmission line to the dam. He pointed out that AIDEA's bond rating would be used to build the transmission line, which might be a lower cost than AEA's ability to finance that same transmission line. Further, an access road might be needed and since AIDEA is authorized to

build industrial roads in AIDEA's energy projects, a PPP could be formed to build the access road. In response to the question on leverage, he related that he contacted two of AIDEA's consultants, who indicated the ratio should be about 5 to 1.

[4:32:16 PM](#)

REPRESENTATIVE SADDLER asked whether there is a "sweet spot" for the project or if it would depend on the tool used.

MR. DAVIS answered that the larger the amount of capitalization, the more leverage and the better the ability to perform projects, but the purpose of this is to have \$125 million this year. He anticipated the legislature would fund the SETS with another \$125 million next year. He suggested that would provide a conservative estimate of three to one ratio. He offered his belief that amount of capital could finance quite a few significant projects. He further anticipated the fund would be used for segments of projects, especially for parts of projects that are difficult to finance. He reiterated that the fund would not cover the whole project, but perhaps the transmission line.

[4:33:04 PM](#)

REPRESENTATIVE JOHNSON related that the project would be limited to using 25 percent of the funding from the AIDEA SETS fund. He asked, with respect to the Susitna-Watana dam project, whether the dam and infrastructure would be considered one project or if the transmission lines would be a separate project. He clarified that he is interested in how AIDEA would determine what would encompass the 25 percent.

MR. DAVIS offered his belief that the transmission line project would be a stand-alone project, and would fall under the one-third limitation of the bill. He suggested that each portion of the develop project would be discrete. He related his understanding that the fund could be used for the overall project. He offered his belief that the market would determine this since investors would be willing to invest and define and determine the investment. He concluded that working with the private sector will overcome the pressure to attempt to do more than what is feasible to do.

[4:34:16 PM](#)

REPRESENTATIVE JOHNSON asked where the roads would fall in, noting that he is not jumping to the conclusion that transmission lines would be state-owned since it could be a private project. He asked whether a road project would be considered part of the overall project since the transmission line project can't be built without a road. Further, a dam could not be built without a road. He asked whether roads would be separate from this and or if it could be rolled into the 25 percent limitation.

MR. DAVIS agreed that an access road for a utility project and the transmission lines could be financed through the structure of SB 25, but the state would not build it. The way SB 25 is worded, AIDEA would have one-third of the project and would look for private sector partners, such as utilities or consortiums or banking institutions to invest. He said he did not envision these projects would involve direct state funding.

[4:35:23 PM](#)

REPRESENTATIVE JOHNSON related a scenario in which the steam generation project across Cook Inlet needed funding for a road. He inquired as to whether this project would be eligible.

MR. DAVIS answered it would depend on whether it met this definition to qualify as energy development. He offered his belief that the Department of Law (DOL) would determine this and AIDEA routinely confers with the DOL to ensure the financing proposal fits within AIDEA's statutory definition.

[4:36:20 PM](#)

CHAIR OLSON predicted it probably would be a good project since the project would need 30 miles of road or transmission lines.

REPRESENTATIVE JOHNSON related his understanding that the proposed dam would have about 60 miles of road, but not much transmission line. He stated he is interested in understanding how this would work since it would be problematic to have a project financed and then fall short on funding for a road.

[4:36:42 PM](#)

MR. DAVIS characterized this bill as providing the bits and pieces of a project once the larger portion of the project funding is underway. He envisioned that the PPP is directed at

those parts of a project. He referred to the Red Dog Mine, which could generate a revenue stream and pay off bonds.

[4:37:17 PM](#)

REPRESENTATIVE JOHNSON inquired as to whether the tidal generators in the footing for the proposed Knik Arm Bridge and Toll Authority (KABATA) could be funded.

MR. DAVIS again suggested that the project would definitely need to go to the DOL for legal determination.

[4:37:40 PM](#)

TED LEONARD, Executive Director, Alaska Industrial Development and Export Authority (AIDEA), Department of Commerce, Community & Economic Development (DCCED), stated that AIDEA's management has looked at these types of tools previously as it has considered other infrastructure projects and their consultants have indicated these tools would be very valuable for AIDEA. He offered his belief that these tools provided in SB 25 would be helpful to state in filling gap to finance energy projects.

[4:38:51 PM](#)

MR. LEONARD explained the interest rate process, such that if AIDEA funds a project or a loan out of its internal funds it would go to the rates Mr. Davis discussed as 5 percent for variable rates and 6.1 percent for fixed interest. Currently, the fixed rates are based on AIDEA's floor or the interest earnings over a five-year period. He related that during the past 10-15 years, AIDEA has not gone out to the market to fund loan participations. He elaborated that for very big projects AIDEA would go out to market and issue a bond, and in that instance it would be the bond rate less about 25 basis points for cost of funds management. He related a scenario in which in a tax exempt bond for utilities for 30 years would be approximately 3.3 percent which would add 150 basis points and result in about the 4.5 percent range.

[4:40:12 PM](#)

MR. LEONARD explained that tools can help a utility obtain very cheap money is to add the credit backstop that would allow the Rural Utilities Service (RUS) to look at them more favorably. He offered his belief that most of the Independent Power Producers (IPPs) could not get those types of ratings for their

projects, only the cooperatives and municipalities could tie into that type of very less expensive type of capital.

[4:40:48 PM](#)

REPRESENTATIVE SADDLER asked him to elaborate on the term "credit backstop."

MR. LEONARD responded that the AIDEA would provide the fund as the credit backstop, which in essence is that AIDEA would guarantee a certain portion of the payment if the entity fell through. He pointed out that if everything goes well the credit backstop is not used. He said that typically a portion of fund would be reserved to guarantee the credit backstop and charge a certain amount of basis points to give that assurance. He characterized it as insurance.

REPRESENTATIVE JOHNSON compared it to cosigning a car loan.

[4:41:51 PM](#)

REPRESENTATIVE SADDLER asked whether the backstop would be considered collateral or if the loan would be considered as collateral. He asked for clarification on whether it is directly the fund or would be one step removed from the fund.

MR. LEONARD answered that it would be one step through. He related a scenario in which AIDEA had to step in, that in essence, the AIDEA would pay and would have the project as collateral for AIDEA's backstop. He recapped that having the credit backstop would remove the worry away from the creditor. He reiterated what Mr. Davis stated, that as AIDEA has considered infrastructure projects - such as roads or major port infrastructure - that many consortiums are willing to provide very low rates - in the five to seven percent range - so long as they have some type of backstop such as insurance or pension funds. He said lenders are willing to receive a low rate over a period of time as long as it is safe bet and AIDEA would provide that backstop for assurance.

[4:43:17 PM](#)

REPRESENTATIVE SADDLER inquired as to any risk to AIDEA with respect to the SETS fund.

MR. LEONARD answered that the risk to the SETS fund projects would be the risk AIDEA takes in essence for every project that

AIDEA invests in since AIDEA provides the credit backstop. He stated that instead of investing all the money, which is at risk, AIDEA would back money being paid so the risk is the same as if AIDEA invested the money directly. He characterized it as the ability to leverage monies, which is managed through reserves and through the investments.

[4:44:18 PM](#)

REPRESENTATIVE SADDLER asked whether SB 25 would help AIDEA to diversify.

MR. LEONARD answered that he was unsure this bill would help AIDEA in its current mission since SB 25 does not affect AIDEA's current mission. He explained that by putting the funds into a separate fund that if something did go wrong it would not affect the rating for the AIDEA Development Project Fund since there is a firewall between the two funds. He reiterated that AIDEA would go out and obtain new bond covenants for the new SETS fund that would be different from the covenants in its development fund. He pointed out that is the reason for the separate fund so the ratings in the one would not affect the other. He said that AIDEA's underwriting and general assets would be examined, but raters will concentrate on the new SET fund and the capitalization for it.

[4:45:42 PM](#)

CHAIR OLSON, with respect to underwriting asked for clarification on whether the project is underwritten for the amount of AIDEA participation and then adds in the backstop.

MR. LEONARD answered yes; depending on the type of layered financing. He related as Representative Johnson discussed, one thing AIDEA's development fund could provide is to consider an industrial road as a separate project from the transmission lines project, if it made financial sense to invest using the development fund. He related his understanding if AIDEA considered a project to be very good for the state, AIDEA could come to the legislature to request authorization to invest more than 30 percent; however, this would be at the will of the legislature.

[4:46:58 PM](#)

CHAIR OLSON asked whether AIDEA has an idea of which projects would be more likely to come in on budget. He surmised that

docks do not have a good history, but roads or dams might have a different likelihood of success.

MR. LEONARD offered his belief that the SETS fund would be a safer fund than AIDEA's development fund. He pointed out that a utility, such as GVEA, who is initiating a project, would be given a rate by the RCA at the same time. Thus the GVEA would have AIDEA backstop, but the rate payers are also backing AIDEA. He stated that most of the projects would have the RCA involved so it will help them obtain better rates with AIDEA's involvement.

CHAIR OLSON related his understanding that AIDEA would be working with regulated utilities since they would be able to pay.

MR. LEONARD answered yes, in the event the utilities would need the capital. He pointed out, with respect to the Prince of Wales Island, that several mining interests would be considered viable if hydroelectric power was available.

[4:49:07 PM](#)

DAN BOCKHORST, General Manager, Ketchikan Gateway Borough, on behalf of the Ketchikan Gateway Borough (KGB) stated that SB 25 provides a common sense solution to a glaring public policy concern of the KGB. He reminded members that the state owns the Ketchikan shipyard since it is an AIDEA owned facility. The state has a multi-million dollar investment in the shipyard. In order to help secure the financial viability of the state's investment, the KGB has exempted shipyard operations from the KGB's property tax; however, under current law, the KGB's required contribution to its school district is not adjusted to reflect this investment. In other words, the KGB helps ensure the state's investment in the shipyard, but the state fails to recognize that effort and penalizes the borough by reducing education funding to the Ketchikan Borough School District (KBSD). He suggested it was ironic that the more money the state and federal government invests in the shipyard the greater the penalty imposed on the KGB, in fact, if SB 25 is not enacted over the next three years the penalty the borough will receive is triple the current penalty amount. He stated that proposed Sections 3, 4, and 5 of the bill correct this problem. He stated that the KGB urges support for SB 25.

[4:50:59 PM](#)

CHAIR OLSON, after first determining no one else wished to testify, closed public testimony on SB 25.

[SB 25 was held over.]

**SB 136-VETERANS DRIVERS LICENSE, TAX CREDIT**

[4:51:24 PM](#)

CHAIR OLSON announced that the final order of business would be CS FOR SENATE BILL NO. 136(FIN) am, "An Act providing a tax credit for employing a veteran that may be taken against a liability for the tax on corporation income; and providing for an effective date."

[4:51:40 PM](#)

SENATOR BILL WIELECHOWSKI, Alaska State Legislature, introduced himself. He thanked members for taking time to hear SB 136. He introduced his staff.

[4:52:10 PM](#)

KENDRA KLOSTER, Staff, Senator Bill Wielechowski, Alaska State Legislature, on behalf of the sponsor, Senator Bill Wielechowski, stated that as of June 2011, one million veterans were unemployed and the jobless rate for post 9/11 veterans was at 13.3 percent. She reported that young male veterans ages 18-24 have an unemployment rate of 21.9 percent. She pointed out that some Google searches are showing unemployment figures closer to 30 percent unemployment for veterans. She offered to confirm the figures with the U.S. Department of Defense.

[4:53:30 PM](#)

MS. KLOSTER related that the sponsor held a town hall meeting and veterans expressed concern about finding jobs. This bill would create \$2,000 corporate income tax credit for a business who hires a veteran and a \$3,000 credit for hiring a disabled veteran. The veteran must be employed for 12 months, or 1,560 hours, which is about 30-hours a week. This bill would also set up a \$1,000 tax credit for seasonal employment, which was a provision requested by the hotel industry. She reported a number of organizations support this bill, including Vets Helping Vets, Vietnam Veterans of America, and numerous businesses.

[4:54:32 PM](#)

REPRESENTATIVE JOHNSON asked whether this is per employee.

MS. KLOSTER answered yes, the tax credit is per veteran hired. She explained that for seasonal employment it is limited to the first season.

[4:55:07 PM](#)

REPRESENTATIVE JOHNSON asked whether the credit for fulltime is per year or one time.

MS. KLOSTER agreed it is a one-time tax credit.

[4:55:41 PM](#)

REPRESENTATIVE SADDLER referred to page 2, line 29, to the requirement that the veteran be honorably discharged. He asked whether the sponsor has considered extending this to general discharge.

MS. KLOSTER answered that the sponsor is specific that the discharge should be an honorable discharge. She indicated the sponsor has worked with other senators in the body who have served in the military before deciding on the honorable discharge.

REPRESENTATIVE SADDLER related some state benefits are extended to those honorably discharged and those who received general discharge, as well. He characterized this bill as having a high threshold.

[4:56:32 PM](#)

CHAIR OLSON inquired as to whether there is a mechanism that prevents stacking of veterans, such as hiring a veteran then firing him/her and hiring another veteran.

MS. KLOSTER pointed out the bill requires hiring the veteran for at least 12 months prior to tax credit, per veteran, and the veteran must work a minimum of 1,560 hours.

[4:57:15 PM](#)

REPRESENTATIVE SADDLER commented that hiring veterans can be good business sense. He strongly suspected that the business

will not only obtain the credit, but will double their money due to productivity. He offered his belief that these men and women work hard and have a good work ethic.

[4:57:47 PM](#)

ALBERT HOWARD, Mayor, City of Angoon, stated that he is a veteran and approximately 20 percent of the 480 people in Angoon are veterans. He expressed appreciation for the work the men and women have given. He said that in many ways the state says welcome home and SB 136 does just that since it ensures that community, state, and nation shows appreciation for the military personnel who have protected our country. Most veterans do not want handouts, but giving them a better than equal opportunity will allow them to continue the American dream that men and women joining the armed forces believe will be there when they come home. He offered his belief that a person joining the military gives up some rights while serving in the armed forces. He offered his belief that SB 136 is positive on their behalf. He offered his support for SB 136. He encouraged members to keep in mind that our men and women are in harm's way and trust that the legislature is doing what is right for all. He suggested that supporting SB 136 will protect and maintain the same or better quality of life for veterans that have given time, sweat, blood, and at times, tears with their "get it done attitude" so everyone can continue the day-to-day business.

CHAIR OLSON remarked that a third of the committee qualify as veterans.

[5:02:02 PM](#)

CHAIR OLSON, after first determining no one else wished to testify, closed public testimony on SB 136.

[5:02:28 PM](#)

REPRESENTATIVE JOHNSON asked whether anything in the bill limits a corporation in Alaska from employing a veteran outside the state.

MS. KLOSTER referred to page 1, line 6, which specifies veterans must be hired and working in the state.

REPRESENTATIVE JOHNSON pointed out that being hired in Alaska does not necessarily mean they are working in Alaska.

5:03:00 PM

CHAIR OLSON suggested they might be hired in Alaska, but are working in North Dakota.

MS. KLOSTER explained she held a conversation with the bill drafter to ensure the language meant the veteran would be hired and working in the state. She offered to confirm this with the bill drafter and get back to the committee.

5:03:58 PM

REPRESENTATIVE JOHNSON related his understanding that a person would be hired in Alaska, but he was unsure that the veteran would need to work in Alaska. He further asked whether the business would be eligible for credit if the business hired a person who is not an Alaska resident who comes to Alaska and is hired.

MS. KLOSTER responded that the distinction does not require the veteran to be an Alaska veteran due to some constitutional issues. Some of the language was revised to reflect "in the state" with the intention that the veteran would be in Alaska and would be working in Alaska; however, constitutional issues arose with language that specified the person had to be an Alaska veteran or to use that type of terminology.

5:05:11 PM

REPRESENTATIVE JOHNSON asserted that he would love to go to court defending Alaskans hiring Alaskans to fight for the rights of Alaskans. He welcomed the challenge.

MS. KLOSTER, in response to Chair Olson, stated that she did not have any legal documents, but offered to address it. She remarked that Senator Wielechowski is very dedicated and his intention is also to ensure Alaska veterans are hired. He is committed to Alaskans getting the jobs.

5:06:44 PM

REPRESENTATIVE SADDLER related his understanding the Alaska Office of Veterans Affairs wants to be sure veterans in Alaska are signed up to obtain the U.S. Department of Veterans Affairs (VA) benefits. He recalled that veterans have been offered the opportunity to register. He asked whether the sponsor would be amenable to an amendment to require employers who receive this

credit must have their employees who are veterans apply for VA benefits. He suggested such an amendment would help the employer by possibly reducing medical costs and help the veterans maintain closer contact with the VA to obtain information.

MS. KLOSTER offered to discuss this with Senator Wielechowski.

[5:07:54 PM](#)

MS. KLOSTER reported that Mr. Bullock, the bill drafter, indicates that the employer receives the credit when the employer hires a military veteran in Alaska.

REPRESENTATIVE HOLMES referred to page 1, lines 5-6, which reads, "a taxpayer that hires a veteran and employs the veteran in the state..."; which she interpreted to mean the veteran must be hired in the state and working in the state. She interpreted that to mean the bill drafter wanted it to be as clear as possible that the military veteran must be working in Alaska.

[5:09:12 PM](#)

REPRESENTATIVE THOMPSON referred to page 1, line 10, which requires the veteran be unemployed in Alaska for more than four weeks. He suggested that if the veteran has been unemployed in Alaska for more than four weeks implies residency since Alaska has a residency requirement of 30 days.

REPRESENTATIVE MILLER was unsure whether the language fixes the problem.

REPRESENTATIVE SADDLER suggested one solution to address residency. He referred to page 2, line 5 to insert, "for a veteran employed in Alaska for 1,560 hours ... and on line 9, to add, "for a veteran employed in Alaska for 600 hours ... which would ensure the veteran would be hired and working in Alaska.

[5:10:52 PM](#)

MS. KLOSTER concluded by sharing a soldier's statement that conveyed a conversation he had held with a governor. She read, "He didn't say he was the most worried about facing the enemy in the night. He looked at me in the eyes and said, 'Governor, I'm worried about whether there will be a job for me when I get home.'" She said she thought that was really telling and the reason the legislature is doing a variety of things to support

Alaska's veterans when they are coming home. She appreciated the committee hearing the bill today.

[SB 136 was held over.]

[5:11:56 PM](#)

**ADJOURNMENT**

There being no further business before the committee, the House Labor and Commerce Standing Committee meeting was adjourned at 5:11 p.m.