

**ALASKA STATE LEGISLATURE**  
**HOUSE STATE AFFAIRS STANDING COMMITTEE**

February 28, 2012

8:07 a.m.

**MEMBERS PRESENT**

Representative Bob Lynn, Chair  
Representative Wes Keller, Vice Chair  
Representative Paul Seaton  
Representative Peggy Wilson  
Representative Max Gruenberg  
Representative Pete Petersen  
Representative Kyle Johansen

**MEMBERS ABSENT**

All members present

**COMMITTEE CALENDAR**

HOUSE BILL NO. 316

"An Act relating to military facility zones in the state; relating to the development of housing in military facility zones; relating to the financing of projects in military facility zones; and providing for an effective date."

- MOVED HB 316 OUT OF COMMITTEE

HOUSE BILL NO. 2

"An Act relating to certain investments of the Alaska permanent fund, the state's retirement systems, the State of Alaska Supplemental Annuity Plan, and the deferred compensation program for state employees in certain companies that do business in Iran, and restricting those investments; and providing for an effective date."

- MOVED CSHB 2(STA) OUT OF COMMITTEE

**PREVIOUS COMMITTEE ACTION**

BILL: HB 316

SHORT TITLE: MILITARY FACILITY ZONES

SPONSOR(s): REPRESENTATIVE(s) THOMPSON

02/08/12	(H)	READ THE FIRST TIME - REFERRALS
02/08/12	(H)	MLV, STA

02/16/12 (H) MLV AT 1:00 PM CAPITOL 120  
02/16/12 (H) Moved Out of Committee  
02/16/12 (H) MINUTE(MLV)  
02/17/12 (H) MLV RPT 2DP 1NR 1AM  
02/17/12 (H) DP: LYNN, THOMPSON  
02/17/12 (H) NR: MILLER  
02/17/12 (H) AM: CISSNA  
02/28/12 (H) STA AT 8:00 AM CAPITOL 106

BILL: HB 2

SHORT TITLE: DIVEST INVESTMENTS IN IRAN  
SPONSOR(S): REPRESENTATIVE(S) GATTO, LYNN

01/18/11 (H) PREFILE RELEASED 1/7/11  
01/18/11 (H) READ THE FIRST TIME - REFERRALS  
01/18/11 (H) STA, FIN  
02/28/12 (H) STA AT 8:00 AM CAPITOL 106

**WITNESS REGISTER**

REPRESENTATIVE STEVE THOMPSON  
Alaska State Legislature  
Juneau, Alaska

**POSITION STATEMENT:** Presented HB 316 as sponsor.

THOMAS STUDLER, Staff  
Representative Steve Thompson  
Alaska State Legislature  
Juneau, Alaska

**POSITION STATEMENT:** Offered information during the hearing on HB 316, on behalf of Representative Thompson, sponsor.

McHUGH PIERRE, Deputy Commissioner  
Department of Military & Veterans Affairs  
Ft. Richardson, Alaska

**POSITION STATEMENT:** Answered questions during the hearing on HB 316.

DALE NASH, Chief Executive Officer (CEO)  
Alaska Aerospace Corporation (AAC)  
Anchorage, Alaska

**POSITION STATEMENT:** Testified during the hearing on HB 316.

KAREN SAWYER, Staff  
Representative Carl Gatto  
Alaska State Legislature  
Juneau, Alaska

**POSITION STATEMENT:** Co-Presented HB 2 on behalf of Representative Gatto, joint prime sponsor.

SAM GOTTSSTEIN, Staff  
Senator Bill Wielechowski  
Alaska State Legislature  
Juneau, Alaska

**POSITION STATEMENT:** Co-Presented HB 2 on behalf of Senator Wielechowski, sponsor of SB 131, the companion bill to HB 2.

**ACTION NARRATIVE**

[8:07:30 AM](#)

**CHAIR BOB LYNN** called the House State Affairs Standing Committee meeting to order at 8:07 a.m. Representatives Keller, Seaton, Johansen, Petersen, and Lynn were present at the call to order. Representatives P. Wilson and Gruenberg arrived as the meeting was in progress.

**HB 316-MILITARY FACILITY ZONES**

[8:07:48 AM](#)

CHAIR LYNN announced that the first order of business was HOUSE BILL NO. 316, "An Act relating to military facility zones in the state; relating to the development of housing in military facility zones; relating to the financing of projects in military facility zones; and providing for an effective date."

[8:07:55 AM](#)

REPRESENTATIVE STEVE THOMPSON, Alaska State Legislature, presented HB 316 as sponsor. He read the sponsor statement, which read as follows [original punctuation provided]:

House Bill 316 gives statutory authority to the Department of Military and Veterans' Affairs to establish "military facility zones" within the State of Alaska. Military facility zones are designated areas in close proximity to a military base (facility) where industrial or economic development will directly enhance the base's ability to fulfill its mission. Military facility zones are successfully employed in other states as vehicles to obtain and administer funds for business development specifically relating to military activities. Funding for such zones in

Alaska may be available from the Alaska Industrial Development and Export Authority (AIDEA) and/or the Alaska Housing Finance Corporation (AHFC), or from federal New Market Tax Credits. Federal, state, or local public or private funding sources, credit, or guarantee programs can be made available directly to municipalities and boroughs that are working on specifically approved projects within a military facility zone.

Military facility zones create opportunities for significant benefits to Alaska and the nation. They will enhance economic activity near military installations and thereby facilitate economic growth and development in the state, especially where local governments are working in close partnership with their military counterparts. The zones promote expansion of infrastructure to benefit both military and civilian objectives, such as civil defense, homeland security and emergency response. They will enhance the nation's military capabilities by helping bases operate more effectively and efficiently. Finally, military facility zones in Alaska will clearly demonstrate the state's continuing and substantive support for the armed services, and help defend against the negative impacts on Alaska's regional economies and military communities that might occur should Congress choose to implement the federal Base Realignment and Closure Act (BRAC).

[8:11:01 AM](#)

REPRESENTATIVE THOMPSON, in response to Chair Lynn, confirmed that the proposed legislation has not been modified since its hearing in the House Special Committee on Military and Veterans' Affairs.

[8:11:11 AM](#)

REPRESENTATIVE SEATON offered his understanding that under HB 316, a municipality could apply for an area within its boundaries. He asked if, for example, all of Anchorage would be a military zone if that municipality were to apply.

REPRESENTATIVE THOMPSON answered yes. He said, "I've read where this could be effectively used up to 500 miles from the military base ..., as long as it's affecting the base operations." He

offered his understanding that under HB 316 an unincorporated city, such as Delta Junction, could apply for a facility zone.

[8:13:10 AM](#)

REPRESENTATIVE SEATON noted that under HB 316, there could not be more than two military zones within a municipality at one time unless "it" exceeds 500 square miles.

REPRESENTATIVE THOMPSON, in response to a question from Representative Seaton, said the distances are not specified within the proposed legislation.

[8:13:54 AM](#)

REPRESENTATIVE THOMPSON, in response to Representative Seaton, again described the benefits of the zone.

REPRESENTATIVE SEATON said he is trying to figure out if HB 316 would benefit some communities over others, and whether it would institute state tax credits, tax reductions, or loans only for certain areas.

REPRESENTATIVE THOMPSON deferred to Dale Nash, the CEO of Alaska Aerospace Corporation. He reminded Representative Seaton that the proposed legislation is not just for the U.S. Army and Air Force, but would also apply to the U.S. Coast Guard bases. He expressed concern with BRAC impending. He said, "If we can do something to help the military ... to enhance the effectiveness of their base[s] and cut their cost, this is a way that we can move forward with this to where it can help prevent a lot of that type of thing [from] happen[ing]."

CHAIR LYNN asked if, under HB 316, there could be a military zone around a National Guard facility.

REPRESENTATIVE THOMPSON ventured that would be possible, but deferred to McHugh Pierre for confirmation.

[8:17:17 AM](#)

REPRESENTATIVE PETERSEN ventured that energy costs may be a reason that the idea to build a base in certain areas may be less attractive than in others. He asked if under HB 316, loans could be used to improve energy efficiency.

REPRESENTATIVE THOMPSON answered yes, and offered an example.

8:18:51 AM

REPRESENTATIVE JOHANSEN directed attention to the sponsor statement, which indicates that military facility zones are successfully employed in other states, and he asked for examples relating U.S. Coast Guard stations.

REPRESENTATIVE THOMPSON deferred to Mr. Nash.

REPRESENTATIVE JOHANSEN noted that the last paragraph of the sponsor statement refers to defending against the negative impacts of Alaska regional economy and military communities that might occur should U.S. Congress choose to implement BRAC. He asked if HB 316 is a proactive approach to ensuring against a base closure by spurring infrastructure, investment, and cost savings that will help Alaska in argument to keep its bases open in the event that BRAC is adopted.

REPRESENTATIVE THOMPSON answered that he actually started working on HB 316 early last summer, before anyone thought about BRAC or about moving the F-16s from Eielson Air Force Base to Elmendorf Air Force Base. He continued:

We were doing this in anticipation that Lockheed Martin would win the missile defense contract down in Delta Junction. They were wanting to build some subdivisions of housing and move the rocket scientists to Delta, where they would be permanently, instead of having them - two weeks in, two weeks out - flying back and forth to the states.

REPRESENTATIVE THOMPSON said that as he was working on HB 316, it was brought to his attention that other states, communities, and areas close to military bases have utilized their military bases to fight BRAC. In response to Representative Johansen, he stated, "Anything we can do that would ... expand the mission of the military base and give them additional duties and a bigger mission would lessen the effect ... of ... BRAC happening, because they've got more strategic importance."

8:22:33 AM

REPRESENTATIVE JOHANSEN referred to the analysis section on page 2 of the fiscal note from AIDEA, prepared by Mr. Leonard, which states that HB 316 will allow the Department of Military & Veterans' Affairs (DMVA) to designate up to five military

effectiveness zones. He said he could not find that language in the bill, and he asked if the base in Ketchikan would be among the five.

REPRESENTATIVE THOMPSON said he is not aware of "any particular ones that have been set out."

[8:23:34 AM](#)

THOMAS STUDLER, Staff, Representative Steve Thompson, Alaska State Legislature, on behalf of Representative Thompson, sponsor, said the decision would be left to the adjutant general, and that is addressed in Section 1 of the bill. He said, "I think the idea is there would probably be five, but ... the bill is much more broad than that."

[8:24:28 AM](#)

REPRESENTATIVE JOHANSEN ventured there must be a "list of five" somewhere for Mr. Leonard to have referenced it. He said he supports HB 316, but does not want the fiscal note to say there are going to be five, because that could result in another zone being left out.

[8:25:26 AM](#)

REPRESENTATIVE GRUENBERG pointed to a reference to "rural areas" in the same fiscal note, and said he does not see any mention of "rural areas" in the bill, except for language regarding infrastructure. He said his district is adjacent to Elmendorf, is not a rural area, and he would like it to be covered.

REPRESENTATIVE THOMPSON said he does not know why the term "rural areas" is referenced.

REPRESENTATIVE GRUENBERG echoed Representative Johansen's concern that the information must have come from somewhere, and he said he would like to know where.

[8:27:09 AM](#)

REPRESENTATIVE GRUENBERG mentioned a new law from Kansas, under which a liaison committee can and shall be set up for areas adjacent to military bases.

REPRESENTATIVE THOMPSON said that sounds like it is related to HB 316.

REPRESENTATIVE GRUENBERG noted that the issue was one that was a high priority for the U.S. Department of Defense (DoD).

[8:28:53 AM](#)

REPRESENTATIVE JOHANSEN requested a letter regarding the fiscal analysis.

REPRESENTATIVE THOMPSON said he can understand Representative Johansen's concern, and said he would get something in writing to accompany the bill.

[8:30:23 AM](#)

REPRESENTATIVE SEATON directed attention to page 5, line 17, regarding benefits to a municipality. He said subsection (a) would allow financing for projects and subsection (b), on line 26, would allow a business entity located in a zone to receive priority consideration for financial assistance for projects. He asked if that would mean that AIDEA and AHFC has to give priority to those projects within the zone over competing projects from other communities within the state that are not in a designated zone.

[8:31:51 AM](#)

REPRESENTATIVE THOMPSON said that is a good question. He ventured that if the striker brigades are going to be able to deploy off of the docks in Seward, they would have to be transported there, and the docks would have to be rebuilt to accommodate heavy equipment and military tanks. He said Seward would have to go to AHFC or AIDEA to get money for those renovations. He said that could be considered part of the military mission and necessary for the military to do their job.

CHAIR LYNN stated his assumption that the 500 miles could be in one direction.

REPRESENTATIVE THOMPSON said that is how he looks at it.

[8:33:02 AM](#)

REPRESENTATIVE SEATON reiterated that he would like to figure out whether AHFC or AIDEA would have designated priorities. He then directed attention to page 4, line 29, which states that the adjutant general would be given 60 days after an application

is submitted to make a determination. He said, "I don't see a process where the adjutant general does anything other than say yes." He said he is trying to figure out if that is enough time for the adjutant general.

[8:34:09 AM](#)

REPRESENTATIVE P. WILSON offered her understanding that under HB 316, most of the areas are going to be excluded. She directed attention to subsection (a) on page 2, beginning on line 31, through page 3, line 1, which states that "The adjutant general may designate an area as a military facility zone" only under certain conditions, including paragraph (4), on page 3, lines 6-7, which read: "(4) is in area with inadequate infrastructure to support the continued or expanded operations of the facility."

REPRESENTATIVE P. WILSON directed attention to subsection (c), [on page 3, lines 11-12], which states that "The adjutant general shall consider the following factors before designating an area as a military zone", and she pointed to one factor, which is shown in paragraph (4), on lines 20-22, as follows: "the relationship between the area and a military facility subject to realignment or closure under 10 U.S. C. 2687, as amended, or a successor statute or the effect of the realignment or closure on the area". She highlighted another factor, shown in paragraph (6), on lines 25-27, which read:

(6) the difference between the median annual income of residents of the area and the median annual income of the residents of the state and region, and the 27 number of residents who receive public assistance".

REPRESENTATIVE P. WILSON offered her understanding that of the areas that could be closed, there would be an attempt to boost the ones that are worse off economically. She ventured that changes could be made to boost other areas across the state.

[8:36:36 AM](#)

REPRESENTATIVE THOMPSON responded, "I think that that's either/or." He directed attention to the language beginning on page 2, line 31 [text provided previously], and then directed attention to the language in subsections (b) and (c), on page 3, lines 8-12, which read as follows:

(b) The adjutant general may give priority consideration to an area for designation as a military facility zone if the area is of strategic importance to the economic development interests of the municipality.

(c) The adjutant general shall consider the following factors before designating an area as a military facility zone:

REPRESENTATIVE THOMPSON concluded, "So, I believe it covers both sides of that coin is the way that it's set up."

[8:37:22 AM](#)

REPRESENTATIVE JOHANSEN noted that under subsection (c), there are 15 factors for the adjutant general to consider, and one of them is BRAC. Regarding the previous comments of Representative Seaton, he directed attention to language on page 5, lines 25-29, which read as follows:

(b) A municipality in which a military facility zone is located, a military facility zone authority for a military facility zone, or a business entity located in a zone may receive priority consideration for financial assistance for projects or operations in the zone from the Department of Military and Veterans' Affairs and from any other appropriate state program, if available under the law establishing the program.

REPRESENTATIVE JOHANSEN said "from any other appropriate state program" causes him concern. He said, "It does make me wonder if we're going to be choosing whether we're going to help save Eielson or put up a jack-up rig in the Cook Inlet."

[8:39:32 AM](#)

REPRESENTATIVE THOMPSON replied that he did not intend to set up a competitive fight.

[8:39:58 AM](#)

REPRESENTATIVE PETERSEN said he thinks the term, "inadequate infrastructure", on page 3, line 6, is broad enough. He noted that all the military agencies that would be included under HB 316 are listed, starting on page 6, line 10, and the list includes the U.S. Coast Guard.

8:41:08 AM

McHUGH PIERRE, Deputy Commissioner, Department of Military & Veterans Affairs, noted that he was currently at a conference in Florida, at which the top focus was cost sharing to support efficiency at military installations, which involves the establishment of either a public/public or public/private partnership in working on installations to make it feasible for the military to keep what it has in the midst of numerous budget cuts. He said, "This bill is certainly right along that path."

MR. PIERRE said the fiscal note by AIDEA was based on a previous version of bill; there is no maximum number of zones. He relayed that [under HB 316], if there is a military installation in a community, a zone could be created by the community to help establish business directly related to that installation. He explained that a payday lender would not qualify for benefits of the zone; only an entity with a direct business link to the military organization, such Lockheed Martin, would qualify. Mr. Pierre said he does not consider the bill as a financing issue for the state, but rather as a way to leverage funding to encourage development around military bases, in areas that the communities deem appropriate. Many communities in need, which are near military zones, could benefit under the proposed legislation. He said there are 42 military installations across the state, which means it would be possible for 42 communities to establish a zone. He stated that he does not see why the commissioner of DMVA would say no to a community asking to establish a zone, and he opined that 60 days is adequate time in which to consider a proposal.

8:44:43 AM

REPRESENTATIVE SEATON directed attention to the language on page 3, line 20, [text provided previously], and said he thinks that has been alluded to as positive. He said his understanding of the language is that if a zone was to be established next to a base that probably will close, then the community would be leveraging financing for housing and other things that would become useless after the closure of the base. He asked Mr. Pierre if he sees the establishment of zones as a means to prevent closures or if "you would consider the effects of a closure on the projects that you are trying to advantage through this priority financing."

8:46:07 AM

MR. PIERRE replied that every military facility in Alaska is under threat of closure and to think otherwise would be naïve. He indicated that [the purpose of HB 316] is to ensure that everything is done to lower the risk of each facility in order to keep it functioning.

8:47:00 AM

REPRESENTATIVE JOHANSEN noted that Ketchikan has a U.S. Coast Guard base, a U.S. National Guard Armory, and a U.S. Navy acoustic testing base, all within the Borough of Ketchikan. Further, he related that there are two cities within the borough: Ketchikan and Saxman. He asked if the whole area could be a military zone to qualify for the preference.

MR. PIERRE offered his understanding that that is correct. He offered further details.

8:48:41 AM

REPRESENTATIVE JOHANSEN noted that Ketchikan's former pulp mill is the northern-most, ice-free, deep-water port, as well as a shipyard owned by the state and operated by Alaska Ship and Dry Dock and Vigor Industrial. He said there is dovetailing happening regarding "assets that may come on line later." He offered his understanding that "all of that should be able to fit under this umbrella," and asked Mr. Pierre if that is correct.

MR. PIERRE answered, "Only if they are direct contractors with the military." He said if the pulp mill owners or the ship yard were to secure a contract with DoD to specifically work on some type of long-term ship development or repair, then they would be eligible to "receive consideration under the zone."

REPRESENTATIVE JOHANSEN asked, "So, if ... some entity of the [U.S.] Department of Defense ..., for example, decided to home port a vessel in Ward Cove, then basically that would ... qualify for folks supporting that home porting effort?"

MR. PIERRE answered, "Absolutely, especially if they're home ported and they're working directly out of the facilities there at Ward Cove that used to be the pulp mill."

8:50:34 AM

REPRESENTATIVE SEATON asked where language in the bill is that "limits to directly contracting with the military."

MR. PIERRE responded that he does not have a copy of the bill with him, but remembers going over this issue with the bill sponsor. He said [the department's] number one issue was regarding eligibility "to receive selection through the zone." He said he knows the zone would have to "put up recommendations as to who would get financing in support of that activity in the zone." He said, "The way the discussion took place was that only businesses working directly with military in the zone would receive consideration."

REPRESENTATIVE SEATON stated:

I don't see anything in the bill that would limit AHFC or AIDEA from participating with people in the military facility zone, only to those who are directly contracting with the military, and if that's the intent of the bill, I think we need to see that in the bill; if it's not the intent of the bill, I think we need to know it.

REPRESENTATIVE SEATON, in response to Representative Gruenberg, said he was referring to language on page 5, lines 25-29.

[8:53:23 AM](#)

MR. PIERRE stated:

This doesn't preclude any state agency from working with anybody else inside the zone. So, if ... the zone overlaps in area and other ... business activity's taking place there, the zone doesn't preclude that from taking place. So, if ... AHFC wanted to conduct another business project in the zone that had nothing to do with the military, it wouldn't be impacted; it would be processed like each ... agency normally conducts business. This would just specifically solicit companies working with the military to develop in that area, to encourage development with low interest loans and possible access to federal tax credits if the area meets the requirements for federal tax credit.

[8:54:16 AM](#)

DALE NASH, CEO, Alaska Aerospace Corporation (AAC), stated that the intent of the proposed legislation is to benefit the military. Each zone as it's created will have a liaison office that will meet regularly with the base commanders and major contractors to offer help. He said in reality few corporations have a direct contract with DoD, most have a sub-tier contract in the event of building housing so the base does not have to do so. He said the intent of HB 316 is not only to help get more missions in place and help against BRAC, but also to help underutilized areas. He said AAC continues to look at what missions it might be able to bring into Kulis Air National Guard Base through Alaska Aerospace and other aerospace companies. He said, "It is very broad in nature." Regarding the previously mentioned limit of five, he ventured that limit was brought over from another bill. He said, "We do not want to have it limited to five; we want to have it open to any area in the state where it makes sense."

MR. NASH talked about a new community center near Ft. Greely, which is nice, and he talked about the cost to the military in having to build all facilities instead of having the use of those in the adjacent communities. He said, "I have only been five years here in Alaska, but I was surprised at how strong the military is and how little we had outside the base in the form of aerospace companies, because most everywhere else you go, you will have ... supply chain customers right outside the base." He stated:

We asked for the legislation, clearly looking at if we were able to win the Ft. Greely bid in Delta Junction, how to take the cost of infrastructure and support off the contract and utilize federal tax credits, and there are a lot of federal tax credits out there, and any other capability we can to compete basically as Alaska incorporated to build things up.

[8:59:16 AM](#)

MR. NASH said everyone is looking at costs and considering ways to identify missions not done that could be done to protect military bases and bring additional work. He said [HB 316] is legislation that would set up authority for each community to work with military bases. He talked about setting up a "maintenance depot" inside the base or Outside. He said the bill is similar to legislation in Texas and Virginia. He related that Virginia's legislation set the limit to 50 miles, but Alaska is so much bigger and spread out that the limit is

set at 500 miles. He told Representative Johansen that the U.S. Coast Guard was in mind "as we put it together."

9:02:09 AM

MR. NASH said states and communities have been successful under similar plans. He offered the example of Huntsville, Alabama, which now has more flag officers than any other place, except the Pentagon. He said Redstone Arsenal was slated for closure, but now has every major aerospace company in the world building there. He said the mayor of Huntsville looks forward to BRAC, because he believes he can argue that he takes missions away from other places, brings them to Huntsville, thereby improving efficiency and saving money. He concluded, "We're trying to get this legislation to allow us to go do battle - BRAC or otherwise - to improve our partnership with DoD and those aerospace companies or other companies that will do business to support DoD."

9:03:22 AM

REPRESENTATIVE PETERSEN directed attention to the term, "educational facilities", in subsection (c), paragraph (5), on page 3, lines 23-24, and asked if that would be facilities of children of military members or facilities where military personnel take classes.

MR. NASH answered that that definition was left open, because [AAC] envisioned "all of the above." He offered examples.

9:05:08 AM

REPRESENTATIVE GRUENBERG noted that Mr. Nash had mentioned that each zone would have a liaison committee. He asked him where that appears in HB 316.

MR. NASH answered:

We have left it open that the zone itself will meet with the military and the contractors. So, I cannot point you to a specific place in here, but I can tell you specifically in practice you have someone who is designated as the head of that zone, and they have a financial analyst, and many times are also employed through the borough ..., but they will go meet with the base commanders.

[9:07:49 AM](#)

MR. NASH, in response to Representative Gruenberg, named the following states that have similar legislation: Virginia, Texas, Maryland, and Arizona. He said both Virginia and Texas proposed their legislation prior to "the BRAC process." Maryland and Arizona enacted legislation after the BRAC process. He said there are other areas in the country that have put this into practice, but not on a statewide level - Huntsville, for example.

[9:09:33 AM](#)

REPRESENTATIVE GRUENBERG said he had been given the name of the Kansas law, which is: "An Act Concerning Land Use Relating to Military Installations and Adjacent Areas".

[9:10:00 AM](#)

REPRESENTATIVE SEATON directed attention to language on page 6, beginning on line 21, which read as follows:

(5) "military facility zone authority" means a public corporation established by one or more municipalities to administer a military facility zone located in the municipalities in the state;

REPRESENTATIVE SEATON asked if, under HB 316, it would be a requirement that a military facility zone authority administer a military facility zone.

[9:10:49 AM](#)

MR. STUDLER directed attention to page 5, line 11, which states that military facility zone authorities may create the zones. He directed attention to further permissive language on page 5, [line 14-16], which read as follows:

(b) If a military facility zone includes areas within the boundaries of more than one municipality, the municipalities may, by agreement, create a military facility zone authority for the zone.

[9:11:35 AM](#)

REPRESENTATIVE THOMPSON, in response to Representative Gruenberg, offered his understanding that HB 316 had not been vetted through the Alaska Municipal League (AML).

[9:12:05 AM](#)

REPRESENTATIVE JOHANSEN asked if a business would need a contract or if the business would have to be in support of some sort of defense project. He asked, for example, if someone who fixes refrigeration in a fish processing plant could also fix refrigeration in a military installation.

[9:13:04 AM](#)

MR. STUDLER emphasized the broad nature of the language in Section 3, paragraph (9), subparagraphs (A) through (H), beginning on page 7, line 23, through page 8, line 19, and he offered his understanding that it would cover the type of projects that would create a military facility zone and be supported. He added that there is no language in HB 316 that specifies "it's solely for contractors."

REPRESENTATIVE JOHANSEN said he wants to ensure that a company that tries to get a loan to build up the faction of its business that supports the military is not excluded because another faction has nothing to do with the military.

[9:14:32 AM](#)

MR. PIERRE offered his understanding that the company would just need to work with the military; having another part of business unrelated to the military would not be a deterrent.

[9:15:02 AM](#)

REPRESENTATIVE SEATON said he thinks the committee has heard testimony on two conflicting points: one was from Mr. Pierre regarding the requirement that [businesses] have a direct relationship with the military; and the other was regarding the example of Ft. Greely, where the community center provided services, which meant that the military would not have to build those services. He said he does not see any language in the bill that says a business within a zone would be restricted and could not get funding without having direct contract with the military. He said he thinks this is crucial to what Representative Johansen is saying, and he emphasized that he would like this point clarified before the next bill hearing.

9:16:02 AM

REPRESENTATIVE THOMPSON estimated that last July, the bill used the term, "military enhancement zone", but that was changed to "military facility zone". He said the attractiveness of the military base is important, because the friendliness of the community toward the base has an influence on the military's choice of whether to keep a base open. He stated, "So, everything that can be done to enhance that military base would probably be able to be *considered* [emphasis added]." He said there is a process through which approval is attained, which includes the base commander and the state's Department of Military & Veterans Affairs.

9:18:00 AM

REPRESENTATIVE GRUENBERG expressed appreciation of the direction of the conversation. He said he would like to see "these kinds of concepts incorporated into the bill" - to look at the entire situation. He said in East Anchorage there have been problems with noise from the artillery range and the affect that has on civilians. Conversely, he said in his district there are Little League fields that are technically on a military base but are used by children "from all over." He expressed his hope that the proposed legislation would forge a better relationship between and a better life for people on both sides of the fence.

9:19:50 AM

REPRESENTATIVE THOMPSON concurred with Representative Gruenberg. He said sometimes the spouses of military personnel do not adjust to life in Alaska, and anything that can be done to make the community more attractive would help a military family be a cohesive unit.

REPRESENTATIVE GRUENBERG commented that there is a huge list of considerations. He said, "I'm afraid if we're not really careful the list will be used to exclude people as they compete with these funds."

REPRESENTATIVE THOMPSON responded that that is why the bill is so broad. He said, "The adjutant general is ... wanting the military to enhance themselves here, and I think they would even read it even more broad[ly] than what we wrote. So, I ... really am encouraged by this."

[9:21:32 AM](#)

REPRESENTATIVE KELLER requested that committee consider moving the bill out of committee. He said the broad nature of the bill is what makes it attractive.

[9:22:10 AM](#)

REPRESENTATIVE THOMPSON, in response to the chair, said he would like to see the proposed bill moved out of committee today.

[9:22:19 AM](#)

CHAIR LYNN closed public testimony.

[9:22:28 AM](#)

REPRESENTATIVE PETERSEN said he believes the proposed legislation is well-intended. He ventured that HB 316 may make necessary improvements on bases and economic improvements in areas surrounding the bases less costly. He stated his support of the bill.

[9:23:18 AM](#)

REPRESENTATIVE SEATON said he thinks the bill is a good idea; however, he said he thinks as the last committee of referral, the House State Affairs Standing Committee needs more answers before sending the proposed legislation to the House floor. He said the committee heard testimony that the projects must be approved by the adjutant general, but he offered his understanding that under HB 316, the adjutant general would approve a zone, but the city or authority would approve the project.

[9:24:46 AM](#)

REPRESENTATIVE GRUENBERG reiterated that he supports HB 316; however, he echoed Representative Seaton's concern that there are a number of questions that have not been answered.

[9:25:26 AM](#)

REPRESENTATIVE JOHANSEN said he can think of varied possibilities for his community under HB 316, because the entire Borough of Ketchikan could be a zone. He said he agrees there are pending questions, but said he does not have any problem

moving the proposed legislation out of committee. He ventured that if something of importance comes up, HB 316 could be heard by the House Rules Standing Committee.

[9:28:10 AM](#)

REPRESENTATIVE P. WILSON said she also sees possibilities under HB 316. Notwithstanding that, she questioned whether AIDEA and AHFC might need broadened authority because the proposed legislation. She ventured there are possibilities for every military installation in Alaska under HB 316.

[9:31:15 AM](#)

REPRESENTATIVE JOHANSEN moved to report HB 316 out of committee with individual recommendations and the accompanying fiscal notes. There being no objection, HB 316 was reported out of the House State Affairs Standing Committee.

CHAIR LYNN asked the sponsor to consider the concerns that had been raised by the committee.

[9:32:08 AM](#)

The committee took an at-ease from 9:32 a.m. to 9:34 a.m.

## **HB 2-DIVEST INVESTMENTS IN IRAN**

[Contains mention of SB 131.]

[9:34:12 AM](#)

CHAIR LYNN announced that the final order of business was HB 2, "An Act relating to certain investments of the Alaska permanent fund, the state's retirement systems, the State of Alaska Supplemental Annuity Plan, and the deferred compensation program for state employees in certain companies that do business in Iran, and restricting those investments; and providing for an effective date."

[9:34:34 AM](#)

KAREN SAWYER, Staff, Representative Carl Gatto, Alaska State Legislature, co-presented HB 2 on behalf of Representative Gatto, joint prime sponsor. She noted that Senator Wielechowski has a companion bill, SB 131, in the Senate. She said there is

a committee substitute, Version M, which makes changes to match HB 2 with SB 131; it adds "or gas" after "oil" in certain places. She relayed that Sam Gottstein would present a PowerPoint presentation. She said because of scheduling conflicts, there would not be a representative from the Permanent Fund Corporation available to testify.

[9:36:11 AM](#)

REPRESENTATIVE KELLER moved to adopt the proposed committee substitute (CS) for HB 2, Version LS0007\M, Wayne, 2/8/12, as a work draft.

CHAIR LYNN objected for the purpose of discussion.

[9:36:29 AM](#)

SAM GOTTSTEIN, Staff, Senator Bill Wielechowski, Alaska State Legislature, co-presented HB 2 on behalf of Senator Wielechowski, sponsor of SB 131, the companion bill to HB 2. He said HB 2 is the same bill as House Bill 241 of the previous legislature and is identical to SB 131 of the current legislature.

[9:37:21 AM](#)

MR. GOTTSTEIN gave a PowerPoint presentation. He stated that the Iranian regime is a threat to national security, and not having a divestment policy in place is financing America's enemies. He stated that since 1984, the U.S. has listed Iran as a state sponsor of terrorism, and Iran has known ties with Hamas, Hezbollah, and the Taliban - groups that work against the interests of the U.S. at home and abroad. He said Iran's military has, in recent weeks, threatened to close the Strait of Hormuz, which would disrupt worldwide oil supplies.

MR. GOTTSTEIN said the Iranian regime is under strong international sanctions. Most recently, the U.S. Treasury announced sanctions against Iran's national bank, and the European Union has banned the purchase of Iranian oil and gas. He said these unprecedented sanctions are forcing companies to decide whether they will do business with the Western World or with Iran. He stated that Iran continues to work toward developing nuclear weapon capabilities; a recent International Atomic Energy Agency Report stated that "information indicates that Iran has carried out activities relevant to the development of a nuclear explosion devise." He stated that the Iranian

regime has a long history of human rights violations; today Amnesty International issued a statement that there are widespread and persistent human rights violations occurring in Iran.

MR. GOTTSTEIN stated that for all these reasons, divestment and sanctioning policies have greater bi-partisan support today than ever before, which he said is illustrated by a recent 100-0 vote in the U.S. Senate to increase sanctions. He related that Alaska Governor Sean Parnell has come out in support of Iran divestment in a recent Anchorage Daily News "Compass" piece. He said large companies still invest in Iran, which helps the Iranian regime bring its oil and gas reserves to market. He reported that Iran produces approximately 3.6 million barrels of oil a day and is known to use its oil profits to advance the regime's agenda. Mr. Gottstein read a quote by Timothy Geithner, U.S. Secretary of the Treasury, as follows:

Iran's greatest economic resource is its oil exports. Sales of crude oil line the ... regime's pockets, sustain its human rights abuses, and feed its nuclear ambitions like no other sector of the Iranian economy.

[9:40:14 AM](#)

MR. GOTTSTEIN opined that HB 2 is what the State of Alaska can and should do to weaken the Iranian regime by cutting off investment to Iran. The intent of the proposed legislation, he said, is "to bring Alaska in line with America's foreign policy" by slowing down Iran's nuclear program, weakening its ability to support terrorism, and putting pressure on the regime for political change.

[9:40:37 AM](#)

MR. GOTTSTEIN said under HB 2, the Department of Revenue (DOR) would be directed to compile a list of companies that have invested an aggregate of \$20 million or more in Iranian oil and gas development. The department would have some flexibility in determining which companies would be on the scrutinized list and could obtain a list from companies around the country that specialize in Iran divestment policies. Once the list is compiled, he explained, companies on the list will have 90 days to justify this investment. If the company fails to do so within 90 days, the department will ask the state's fund managers, including the Permanent Fund [Corporation] to

liquidate assets of that company within 90 days. He said many lists already exist for other states.

MR. GOTTSTEIN stated that Iran poses any even greater threat today to the security of the U.S. than it did a few years ago. The country is closer to obtaining nuclear weapons and "continues to threaten to destabilize the region." He said Alaska has a better understanding about the impacts of divestment policies and what it would mean to the production on the North Slope and rates of return for the permanent fund and other accounts. Furthermore, he said, recent federal legislation provides greater cover for state and local governments to divest from Iran. Mr. Gottstein said federal legislation alone cannot be relied upon for divestment, and the federal government cannot dictate to states where they can and cannot make investments. He said the federal legislation of 2010, urging states to divest from Iran, is as far as the federal government can go.

[9:42:34 AM](#)

MR. GOTTSTEIN reported that over 20 states already have Iran divestment policies in place, including: California, Florida, Minnesota, Nevada, Colorado, Texas, and Washington. He said New York recently passed Iran divestment legislation this year. He reiterated that the European Union has banned the purchase of Iranian oil and gas.

[9:43:05 AM](#)

MR. GOTTSTEIN offered some points targeted at common misconceptions regarding HB 2, as follows:

First, no North Slope operators should be considered for investment; this includes new entrants like ENI, who have committed to pulling out of Iran. A great legislative research report is included in your committee packet to explain this, and I highly recommend that committee members take the time to read it.

Second, even if there were a North Slope operator that did business with Iran, there will be no changes to Alaska's oil and gas incentives on the North Slope for any company through HB 2.

Third, because the United States does not allow any domestic companies to invest in Iran, only foreign companies would be subject to divestment. A good list can be found in the legislative research report, and you will see that under this legislation, we would likely divest from companies based in China, Russia, India, Malaysia, and Thailand.

Fourth, the legislative research report estimates that about one-tenth of one percent of the state's holdings would likely be subject to divestment, which was valued at approximately \$79 million as of September 30, 2011. ... There are three fiscal notes for this bill, including two from the Permanent Fund Corporation.

MR. GOTTSTEIN said Alaska is "behind the curve on this issue"; the state's inaction works against its own foreign policy objectives. He quoted the late Martin Luther King, Jr., as having said, "He who passively accepts evil is as much involved in it as he who helps to perpetuate it." Mr. Gottstein opined that Alaska should not passively stand by and accept the Iranian regime's aggression. The proposed legislation would direct the state to divest from companies that do business in Iranian oil and gas to "ensure that our funds do not support our enemies."

[9:45:11 AM](#)

CHAIR LYNN posited that the state should not invest a single penny in Iran. He relayed a story he had read about man who was being executed in Iran for refusing to renounce his faith.

[9:46:13 AM](#)

REPRESENTATIVE KELLER indicated that he had read an article in The Economist, which said the occurrence of a "strike" was a matter of "when" not "if." He supported the movement of HB 2 as timely.

[9:46:36 AM](#)

REPRESENTATIVE JOHANSEN noted that in a prior legislative session there had been a bill to divest from Sudan, and Worksilla was one of the companies on the list. He said that at the same time, the state was writing checks from its capital budget directly to Worksilla, to buy generators for rural communities. He said this was not investing, but was direct

capital spending, and he asked if there has been any thought given to "that."

[9:48:21 AM](#)

MR. GOTTSTEIN responded that as written, HB 2 would affect only the Permanent Dividend Corporation and the Department of Revenue; it would not affect purchases made by the state from specific companies.

REPRESENTATIVE JOHANSEN said he thinks it is probably just as egregious to buy products from a company on the list using capital funds as it is to invest in a company on the list, and he encouraged Representative Gatto and Senator Wielechowski to find a way to let legislators know when the money they appropriate is going to support Iran.

[9:49:43 AM](#)

CHAIR LYNN, after ascertaining that there was no one who wished to testify, closed public testimony.

[9:50:02 AM](#)

REPRESENTATIVE JOHANSEN remarked upon the short time spent on a complicated bill. He said, "Sometimes we mistake activity for achievement."

[9:50:32 AM](#)

REPRESENTATIVE SEATON said social considerations in investing have been made by Alaska for a while now, the countries in question changing with time. He said he is happy to see repeal language in HB 2 that would make it unnecessary for the legislature to pass new legislation if, for example, Iran was taken off the list in the future.

[9:52:07 AM](#)

CHAIR LYNN said there are social aspects of bill, but the primary focus of HB 2 is national security.

[9:52:46 AM](#)

CHAIR LYNN removed his objection to the motion to adopt the proposed committee substitute (CS) for HB 2, Version LS0007\M,

Wayne, 2/8/12, as a work draft. There being no further objection, Version M was before the committee.

9:52:49 AM

REPRESENTATIVE KELLER moved to report CSHB 2, Version LS0007\M, Wayne, 2/8/12, out of committee with individual recommendations and the accompanying fiscal notes. There being no objection, CSHB 2(STA) was reported out of the House State Affairs Standing Committee.

9:54:04 AM

**ADJOURNMENT**

There being no further business before the committee, the House State Affairs Standing Committee meeting was adjourned at 9:54 a.m.