

SENATE FINANCE COMMITTEE
February 27, 2012
9:01 a.m.

9:01:25 AM

CALL TO ORDER

Co-Chair Stedman called the Senate Finance Committee meeting to order at 9:01 a.m.

MEMBERS PRESENT

Senator Lyman Hoffman, Co-Chair
Senator Bert Stedman, Co-Chair
Senator Lesil McGuire, Vice-Chair
Senator Johnny Ellis
Senator Dennis Egan
Senator Donny Olson
Senator Joe Thomas

MEMBERS ABSENT

None

ALSO PRESENT

Senator Cathy Giessel; Barbara Huff Tuckness, Legislative Government Relations, Teamsters Local 959; Sarah Fisher Goad, Director, Alaska Energy Authority; Peter Crimp, Deputy Director, Alaska Energy Authority; Bob Brean, Director, Research and Rural Development, Alaska Housing Finance Corporation; John Anderson, Weatherization and Project Officer, Alaska Housing and Finance Corporation

PRESENT VIA TELECONFERENCE

Suzanne Armstrong, Associated Builders and Contractors, Anchorage; Shelly Berry, Anchorage School District

SUMMARY

SB 170 VOCATIONAL ED. COUNSELING IN SCHOOLS

SB 170 was HEARD and HELD in committee for further consideration.

Overview of Energy Projects

#sb170

SENATE BILL NO. 170

"An Act requiring vocational education counseling in public schools."

9:02:49 AM

Senator Thomas introduced SB 170. He stated that one of the major functions of public education is to prepare our future workforce. During their school years young people make critical decisions which will ultimately affect their choice of a career later in life. Some young people have a clear idea of what they want to be doing after graduation, but many do not. The adolescent years in particular are filled with many changes, making it a one of the critical phases of a person's life. If childhood is like traveling down a busy street, seventh grade is the junction. Recent research has specifically targeted the early adolescent years as a crucial point in development. It is a perfect time to introduce realistic career options. Senate Bill 170 recognizes this junction in a young person's life, and provides for career counseling for every student in seventh, ninth and eleventh grades. Many schools are already offering this for all secondary students, but it should be available to every student in our state. The Department of Education and Early Development already has resources that can be directed toward this important task. This bill would not prevent schools or districts from providing a more comprehensive program. It sets the minimum standards for career counseling, starting at seventh grade and continuing in ninth and eleventh grades. Seventh grade is when students start making important life choices. Ninth grade is the beginning of high school, when they are choosing courses which will affect their readiness for the workforce. In eleventh grade they are starting to look ahead to high school graduation, and what will come after commencement.

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Co-Chair Stedman noted the previously published zero fiscal note.

SUZANNE ARMSTRONG, ASSOCIATED BUILDERS AND CONTRACTORS, ANCHORAGE (via teleconference), testified in support of SB 170. She stressed that there was a high demand in her field for skilled workers. She felt that SB 170 would benefit the construction industry. She felt that students should receive support in pursuing specific career paths.

SHELLY BERRY, ANCHORAGE SCHOOL DISTRICT (via teleconference), spoke in support of SB 170. She shared that she has extensive experience in counseling students. She shared that there was even potential for at-risk students.

BARBARA HUFF TUCKNESS, LEGISLATIVE GOVERNMENT RELATIONS, TEAMSTERS LOCAL 959, testified in support of SB 170. She stated that some new students had severely lacked the math skills required for success in the work field. She felt that SB 170 would encourage students who choose to embark on a technical career.

Senator Thomas felt the testimony was important, and stressed that many students did not have enough of a narrow focus at the middle school level. He remarked that students needed to understand as early as possible, what it took to succeed in the work force.

SB 170 was HEARD and HELD in committee for further consideration.

[9:15:45 AM](#)

AT EASE

[9:17:21 AM](#)

RECONVENED

[^Overview of Energy Projects](#)

[9:17:34 AM](#)

SARAH FISHER GOAD, DIRECTOR, ALASKA ENERGY AUTHORITY (AEA), presented the PowerPoint presentation, "Renewable Energy Fund Program Status." She discussed slide 2, "Renewables and other Projects 5-Year State Funds." She stated that the slide represented a five year state fund snapshot of the renewable energy funds of \$176.6 million, and 310 projects. She furthered that there were other state funds that had been appropriated for AEA to manage projects and grants of

\$248 million. Although the Renewable Energy Fund was a significant part of the AEA, there were several other funding sources and projects. The energy-efficiency section was represented in the slide, but most of the money for energy efficiency came from the federal government.

9:19:10 AM

PETER CRIMP, DEPUTY DIRECTOR, ALASKA ENERGY AUTHORITY, displayed slide 3, "RE Fund Grant Status: February 17, 2012." The table in the slide displayed the statistics for the Renewable Energy Fund to date. The grant program was currently in its fifth round; had received 558 applications; funded 208 of those applications; and had 165 grants currently in place. Round 5 of the Renewable Energy Fund was up for consideration, and AEA had recommended up to \$43.2 million. The appropriations for round 5 were not established. Approximately \$177 million was the total money that had been appropriated, and \$81 million had been dispersed. He pointed out the substantial amount of match money in the grants and other contributions. He stated that money that had not moved forward was going to be reallocated.

Co-Chair Stedman requested that a focus on cost benefit to the states and the individual communities be highlighted in the presentation. Mr. Crimp replied that there were some slides related to cost benefit for individual communities later in the presentation.

Mr. Crimp discussed slide 4, "RE Fund Drawdown Outlook." He stated that approximately \$81 million had moved forward out of the fund. The graph showed the differentiation among feasibility: reconnaissance stage work versus the final design. Generally, 70 to 80 percent of the funding would go into construction of the projects. He remarked that the slope of the curve increases during the construction season, when funds were expended more quickly.

Mr. Crimp looked at slide 5, "RE Fund Project Completion." He stated that at the end of 2011, there were 58 completed projects. He explained that the chart showed a progression of the completion of the projects.

Co-Chair Stedman wondered if the department re-examined the projects for future viability. Mr. Crimp stated that AEA

had a reliable metric to determine the financial benefit of each project.

Mr. Crimp displayed slide 6, "Pre-construction Projects (R1-4)." He stated that the slide displayed a good distribution along Southeast Alaska, with a specific focus on hydro-electric energy in Southeast and South-central Alaska. He noted the chart in the top left corner of the slide displayed the allocation of the fund: 73 percent for construction, 21 percent for feasibility, and 6 percent for the final design.

Mr. Crimp discussed slide 7, "Construction Projects (R1-4)." He was willing to discuss each project, if specifically requested.

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Mr. Crimp displayed slide 8, "Funding Allocation by: PCE vs. Non-PCE; Heat vs. Power." He explained that 72 percent of the funds had been given to PCE communities, and 28 percent went to non-PCE communities. He stated that AEA had sponsored a study related to the heat and power topic. Approximately 80 percent of the energy used in Alaska was used for heat. The Renewable Energy Fund Advisory Committee had advised AEA to emphasize heat projects.

Co-Chair Stedman requested a definition of PCE. Mr. Crimp replied that PCE stood for "Power Cost Equalization." He stated that PCE communities received PCE payments.

Co-Chair Stedman surmised that homes in communities that had diesel-generated power, were given a state subsidy in the first thousand kilowatts. Ms. Fisher-Goad replied that the definition of the eligible PCE utility began in 1985, and was determined whether or not the community was generating with diesel in 1985. She agreed that it was primarily the communities that generate from diesel, however there were still communities and utilities that were eligible for PCE, even though they may have transitioned to other resources.

Co-Chair Stedman wondered if PCE was the first thousand kilowatts. Ms. Fisher-Goad replied that PCE was the first 500 kilowatts.

Senator Thomas queried the statistic related to heat being 80 percent of the issue. Mr. Crimp replied that the value of electric energy was higher than other factors, but heat was the most important sector.

Senator Thomas stressed that there was a major issue in the interior, and felt that there needed to be a stronger emphasis on the heat problem.

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Mr. Crimp discussed slide 9, "Annual Fuel Savings - Actual and Projected." He stated that the fuel saving from 2009 to 2011 displayed the actual figures. He apologized for not providing the total of the three years combined. He shared that the value from 2009 to 2011 approximately \$11.7 million. He explained that fuel savings was used as the broadest metric for the Renewable Energy Fund. He stressed that the most important factor was saving to the rate payers and customers. However, in order to have a broad metric that was not subject to the year to year variability, the chart was very useful. He remarked that he would be discussing the savings per kilowatt hour for the projects in individual communities.

Co-Chair Stedman requested further examination of a way for the state to obtain the savings. Mr. Crimp replied that there was a slide later in the presentation that would highlight that request.

Senator Thomas looked at years 2014 to 2017, and he wondered what accounted for the flattening out of biomass, geothermal, and heat recovery. Mr. Crimp replied that the projects were built out, so there were no new projects. The fuel would be displaced at an annual basis, and the graph displayed the diesel displacement per gallon per year.

Senator Thomas surmised that only the projects listed on slide 2 were represented in slide 9. Mr. Crimp agreed.

Mr. Crimp looked at slide 10, "Cost of Scheduled Construction Projects, Rounds 1-4." He stated that there was a significant non-state and local match, compared to the Renewable Energy Fund dollars.

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Mr. Crimp discussed slide 11, "Energy production and diesel cost savings-2011." He stated that the slide displayed the projects that had been in operation, at least before January 1 2011. The table displayed the energy production and cost savings in 2011, for the projects for which there was a full year's worth of data. There were no projections or major assumptions, and the table was simply a representation of the products of the projects.

Co-Chair Stedman wondered if the goal was to save diesel fuel. Mr. Crimp replied that the goal was to bring down the cost to the communities.

Co-Chair Stedman wondered if that was represented in the presentation. Mr. Crimp referenced a report from November 2011, and agreed to update the report and provide it to the committee.

Co-Chair Stedman felt that the cost benefit to the State was more complex than saving diesel fuel. Mr. Crimp replied that Wrangell paid \$.08 per kilowatt hour. He stated that the spread was approximately \$61,000 to Wrangell. He stressed that there was a diminishing amount of hydro power in Southeast Alaska. He pointed out that the project in Wrangell was recommended for funding in 2009.

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Co-Chair Stedman would like to see an analysis before a net savings could be determined. Mr. Crimp felt that the Wrangell boilers would be looked at, and AEA would provide the net savings after the cost of electricity had been analyzed.

Co-Chair Stedman was very familiar with the process in determining the benefit of hydroelectricity. He stressed that there needed to be an examination of alternatives in order to complete the goals of the goals. He understood the concern of the communities, especially when the cost of oil reached \$100 a barrel. He felt that the State needed to maintain focus on the net savings.

Ms. Crimp stressed that the projects displayed only reflected one year of data. She added that there were issues that required attention, and agreed that there was an issue of heat requirements across the state

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Co-Chair Stedman noted that the cost of hydroelectricity was not necessarily lower than other power source costs, specifically oil.

Co-Chair Stedman looked at the geo-thermal project at the Juneau Airport. He would like to see a detailed report on that project and also the new swimming pool in Juneau. He felt that there could be a benefit, if the projects actually work and had a positive cost benefit. Mr. Crimp replied that Juneau had released a report stated that the geo thermal airport project were highly successful and released more energy than was expected. He agreed to provide that report to the committee. He added that there was no report yet on the new swimming pool in Juneau.

Co-Chair Stedman requested data on the heat pump. He noted that there could be different objectives between the City of Juneau and the State. He felt that there needed to be an examination of the financial success, rather than the mechanical success. Mr. Crimp agreed to provide that information.

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Mr. Crimp highlighted each project displayed on slide 11. He stated that the economic performance was poor, but that there would be more typical numbers by the end of the year. He looked at the wood processor in Cordova, and remarked that project was highly successful. He stated that the Gulkana Central Wood Heating was poor. The North Pole heating recovering project was going excellent and had very low operation and maintenance costs.

Co-Chair Stedman stated that every project was a "good project with someone else's money. He stressed that there needed to be a more appropriate analysis from AEA. Mr. Crimp agreed.

Senator Olson wondered how much of the private venture affected the project. Mr. Crimp replied that it was too difficult to assess the project in terms of the benefit of the public dollars versus private dollars.

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Senator Olson stressed felt that there was no savings to the State in the Nome Utilities project on the list. Co-Chair Stedman would like Mr. Crimp to provide the information that Senator Olson had requested. Mr. Crimp agreed to provide that information.

Mr. Crimp looked at the Toksook Wind Farm. He stated that he did not have the detailed information, because that information was not available in 2011. He stated that Unalakleet Wind Farm was generating approximately slightly below the goal. Whether or not the dollars were paid back, the savings was 3.4 cents per kilowatt hour before PCE.

Senator Thomas requested an overall analysis of the maintenance and savings. He would like energy efficiency to be a part of the discussion and analysis. Mr. Crimp agreed that energy efficiency should be the priority, and would provide the requested information.

Co-Chair Stedman understood that there was a profound workload on AEA, and stressed that the committee was aggressively addressing the situation.

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Ms. Fisher-Goad displayed slide 12, "Challenges/Opportunities."

- Focus on the entire energy system
- Reliable, efficient diesel systems first
- Reduce demand through EE

- Deliverables
- Reduce and stabilize costs to residents
- Displace diesel
- Assist in project development

- Monitor technical and economic performance

Ms. Fisher-Goad stated that there was a significant pressure to move the projects forward. She stressed that there was an analysis to determine which projects should go forward, there were few projects that had obtained data to determine viability. There needed to be a focus on the entire energy system, in order make energy efficiency a priority. She stated that there were some issues related to addressing small communities to update the energy systems.

She appreciated the comments related to diesel displacement and cost feasibility, and remarked that long term data was essential, so projects needed to continually be evaluated. She added that technical performance monitoring and technical assistance was essential to the success of AEA.

Co-Chair Stedman requested information related to the Emerging Technology Fund. Ms. Goad stated that AEA was currently soliciting applications for the Emerging Technology Fund.

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Co-Chair Stedman welcomed the presenters.

BOB BREAN, DIRECTOR, RESEARCH AND RURAL DEVELOPMENT, ALASKA HOUSING FINANCE CORPORATION, discussed the presentation, "Alaska Housing Finance Corporation (AHFC) Energy Programs Update,"

Mr. Brean displayed slide 2, "Weatherization Program."

- Assisting homeowners for 30 years
- Income based
- Homeowners and renters may apply
- Services provided at no cost by 17 providers
- Strong history of performance

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Mr. Brean looked at slide 2, "Weatherization Program." He explained that the slide represented the funding level prior to and after FY 08 appropriation. The average expense per unit for the road and marine highway had grown from \$7,000 to \$11,000; for air only, the average expense per unit had risen from \$18,000 to \$30,000.

Senator Egan felt that weatherization in Angoon was much different than other parts of the state. He did not understand why the road and marine highways were combined. Mr. Brean looked at the cost of freight in the Alaska Marine Highway system, and felt that the amount worked well in Southeast Alaska. He added that the contractors were

comfortable with the freight reduction costs on the marine highway system.

Senator Egan surmised that there was freight reduction on the marine highway system. Mr. Brean stated that the cost was less for those communities on the marine highway system, than for communities on the road system.

Mr. Brean discussed slide 4, "FY 2012 100 percent of Median Income Limits for Alaska." He stated that the graph displayed a snapshot of a policy decision that was made after receiving an infusion of funds. The median income level was moved from 80 percent to 100 percent.

Co-Chair Stedman requested a definition of "DOE." Mr. Brean replied that DOE stood for the United States Department of Energy.

Mr. Brean looked at slide 5, "Weatherization Program." The slide showed the number of communities that received weatherization service. In 2008 to 2010, AHFC conducted residential weatherization training. The contractors were instructed to bring in individuals from the league, and then hire local people. He stressed that the weatherization program provided jobs in communities where there may be limited employment. He felt that the weatherization program had the same value as a jobs program.

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Co-Chair Stedman asked for a description of the wait times that people encountered when they were placed on the weatherization waiting list. Mr. Brean replied that someone would address that issue later in the presentation. He furthered that the individual contractors conducted the intake surveys in the spring. Typically, there was no problem filling the waiting list or finding people who were eligible for the program. Because the program was income-based, there was no difficulty in getting people on the wait-list. He stressed that income-eligible families were out-pacing the rate at which AHFC could conduct weatherization around the state. In 2008, when funds had been infused in the program, only ten percent of the current need and eligible homes would be weatherized.

Senator Olson wondered if the map on the slide was all inclusive. Mr. Brean said it was not all inclusive, and

furthered that the map's intent was mostly for visual effect.

Mr. Brean discussed slide 6, "Weatherization Program." He stated that in FY 2008 the program received \$200 million, and in FY 2011 the program received \$64 million, totaling \$264 million.

Mr. Brean displayed slide 7, "Weatherization Program: Update." He stated that \$144.6 million had been expended, and 5,649 units were complete. The project totals as of March 31, 2012 was \$164.2 million expended, with 7,681 units complete; and as of Mar 31 2013 \$245 would be expended with 10,500 units complete.

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Mr. Brean looked at slide 8, "Weatherization Program: Benefits." He stated that the benefits included resident health and safety; fire safety' improves building stock; job creation; invests in local communities; and energy savings. He stated that the program created jobs, and the program allowed for workers to apply their trades and continue working. He stated that utility bills were more manageable and consumption of fuel was lowered, because of the weatherization program. He stressed that there was reduced carbon dioxide emissions, and pointed out that there was an average of about 30-33 percent savings to the consumer. He used an example of the Aleutian Island Housing Authority, and noted that there was data collected in 2008, 2009, and 2011, and had recorded 43 percent energy usage reduction.

Mr. Brean emphasized that there was a reduction of energy costs of 30 percent due to the weatherization and home energy rebate programs.

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Senator Thomas wondered if the focus was net savings, and was simplified. Mr. Brean stated that based on utilities and overall performance, that number was consistent.

Senator McGuire surmised that the weatherization program was 100 percent rebate, and income-based. Mr. Brean affirmed.

Senator McGuire noted that there were some proposals, and she recommended adding money to this program. She noted that there was no backlog, and wondered if there was a way to enhance the program. Mr. Brean replied that there as currently a ramp up to distribute \$100 billion annually. He stated that the program should focus on residential benefit based on the individual home.

Senator McGuire looked at point 3 of slide 2, and wondered there were some renters who were not the beneficiaries of the program. Mr. Brean stated that renters were eligible to apply based on income, and was required to agree with the landlords.

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JOHN ANDERSON, WEATHERIZATION AND PROJECT OFFICER, ALASKA HOUSING AND FINANCE CORPORATION, discussed slide 9, "Home Energy Rebate Program."

- Open to all Alaskans not participating in the Weatherization program
- No income requirements
- Owner-occupied, year-round residences
- Homeowners pay upfront and are then rebated
- “As-Is & Post” energy ratings

Mr. Anderson looked at slide 10, "Home Energy Rebate Program: State Funding Levels." In FY 02, the funding was \$100 million; in FY 09, it was \$60 million; in FY 11 in was 37.5 million; with a total of \$197.5 million.

Mr. Anderson discussed slide 11, "Home Energy Rebate Program: Results." To date, the rebate program distributed 16,098 rebates, which totaled \$102.6 million. He stated that 28,365 rebates were distributed as of January 30 2012, totaling \$9.2 million; 16,158 post-rebates, totaling \$2.8 million; and 1,317 five star plus rebates, totaling \$9.9 million. The total money expended for the program was \$130.5 million.

Senator Ellis wondered how the five star components compared with the Alaska Craftsman Home Standards Program. Mr. Anderson stated that the standards for both programs were AHFC standards.

Co-Chair Stedman requested further information regarding how standards were determined. Mr. Anderson reiterated that all of the standard, were AHFC standards. Mr. Brean added that the determination software was developed with the help from the Alaska Craftsman.

Senator Ellis surmised the five star program met or exceeds the Alaska Craftsman Home Standards Program. Mr. Brean indicated to the affirmative.

Mr. Anderson displayed slide 12, "Home Energy Rebate Program." Currently, there were 1,746 homes on the waitlist, and 500 homes were dispatched a month.

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Mr. Anderson looked at slide 13, "Home Energy Rebate Program: Program Snapshot." He stated that the average income costs of 15,906 homeowners were displayed. He stated that the homeowner average investment was \$4,134.

Mr. Anderson displayed slide 14, "Home Energy Rebate Program: Savings." He stated that the Alaska Retrofit Information System was used to determine the savings. He stated that the average home energy savings was 33 percent, and the average home cost savings was \$1,297 per year.

Co-Chair Stedman wondered if there was a difference between the hydro and non-hydro areas. Mr. Anderson replied that the investment average was the same across the state, but Southeast Alaska showed more cost savings than other regions in the state.

Senator Egan surmised that climate was also a factor. Mr. Brean agreed with that assumption. Co-Chair Stedman stressed that there was a significant difference between Southeast and the rest of Alaska. Mr. Brean agreed. Senator Egan assumed that the same formula was used for the entire state when determining the average numbers. Mr. Brean affirmed that assumption.

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Mr. Anderson discussed slide 15, "Home Energy Rebate Program Statewide Annual Outcome Estimates as of 9/30/11." He explained that there was an estimation of savings of \$1.649 million BTUs, with a net reduction of carbon dioxide of over 100,000 tons. There was an average of 33 percent of energy savings. The as is rating in the increase of a home, was rising from a below standard rating of 2 star to a minimum standard of a 4 star rating.

Mr. Brean hoped to add more numbers with the weatherization program as well. He hoped to provide numbers for both programs.

Co-Chair Stedman requested information from the fuel distributors and the fuel savings. Mr. Brean agreed to provide that information.

Senator Egan queried the benefit for older homes. Mr. Brean stressed that the older homes had the opportunity for gain and fixes. He added that the rebate was predicated on the differences between the before and after conditions.

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Mr. Anderson stated that fuel vendors were not a regulated entity, so it was difficult to obtain their numbers.

Co-Chair Stedman pointed out that he thought it was normal in Southeast Alaska to have ice on the inside of windows, and was relieved to know that it was not normal for ice to form indoors.

Mr. Anderson looked at slide 16, "Five State Plus New Home Rebate."

AHFC provides a \$7,500 rebate for new 5 Star Plus homes.

- Not more than one year old
- For original owner
- Must meet all AHFC property financing requirements
- 5 Star Plus energy rating

Rebates: 1,317

Total Expended: \$9.9 million

Mr. Anderson discussed slide 17, "Second Mortgage or Energy Conservation."

- Second mortgage up to \$30,000
- 15 Year Loan at the Taxable Rate
- Active Loans: 77
- Loans Paid Off: 59

Mr. Braun noted that there were some inquiries pertaining to additional interest in the program. He explained that there were some conversations regarding a possible adjustment to the program.

Mr. Anderson presented slide 18, "Alaska Energy Efficiency Revolving Loan Fund (AEERLF)." He stated that this program was a new program. He explained that the program would be available for schools, state facilities, the University of Alaska, and municipal facilities. He stated that there was \$8 million available to benchmark as many facilities as they could. There were 350 investment grade audits currently occurring.

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Mr. Braun explained that a key element of performance contract was essential to the AEERLF program. He stressed that if the repairs were made, then the auditors and assessors could be held accountable.

Senator McGuire felt that the program was pertinent, but she was frustrated because schools often were not aware of the program. She wondered if there were plans to provide more information to the schools and municipalities. Mr. Anderson stressed that it was a new program, and felt that there was an aggressive campaign to inform the potential participants.

Mr. Brean stated that the municipalities were involved in the audits, and that was a major positive step towards gaining participants in the program.

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Senator Egan felt that there needed to be more outreach than what had been discussed. He stressed a focus on each individual school districts and municipalities. Mr. Brean agreed with Senator Egan. He added that the cost of fuel

was high, and many municipalities were struggling just to meet their fuel costs.

Mr. Anderson displayed slide 20, "Energy Efficiency Benefits." The energy efficiency benefits included a reduction in energy costs and usage; an increase in economic activity; an increase in quality of life and safety; and enhancement of durability and value of the home; and other environmental, social, and economic benefits.

Co-Chair Stedman wondered if any money was requested for this new program. Mr. Anderson stressed that there needed to be money for the outreach, but there was no money requested for outreach.

Co-Chair Hoffman wondered if there was a completion of the headquarters. Mr. Anderson commented that their heating and ventilation was currently being updated.

Senator McGuire wondered what barriers AHFC faced in integrating this new program. Mr. Anderson replied that there were not many barriers.

Co-Chair Stedman discussed the following day's agenda.

ADJOURNMENT
1:33:35 PM

The meeting was adjourned at 1:33 PM.