

HOUSE FINANCE COMMITTEE
February 26, 2014
1:32 p.m.

1:32:16 PM

CALL TO ORDER

Co-Chair Stoltze called the House Finance Committee meeting to order at 1:32 p.m.

MEMBERS PRESENT

Representative Alan Austerman, Co-Chair
Representative Bill Stoltze, Co-Chair
Representative Mark Neuman, Vice-Chair
Representative Mia Costello
Representative Bryce Edgmon
Representative Les Gara
Representative David Guttenberg
Representative Lindsey Holmes
Representative Cathy Munoz
Representative Steve Thompson
Representative Tammie Wilson

MEMBERS ABSENT

None

ALSO PRESENT

Speaker Mike Chenault, Sponsor; Sharon Kelly, Staff, Speaker Chenault; Kris Curtis, Legislative Auditor, Alaska Division of Legislative Audit; Representative Mike Hawker, Sponsor; TW Patch, Chairman, Regulatory Commission of Alaska; Commissioner Norman Rokeberg, Regulatory Commission of Alaska; Daniel George, Staff, Co-Chair Stoltze.

PRESENT VIA TELECONFERENCE

Grant Lewis, Tanana Valley Sportsman Association, Fairbanks; Dan Jordan, University of Alaska Fairbanks, Coach, Nanooks Rifle Team; Mike Tinker, Tanana Valley Sportsman Association, Fairbanks; Mel Bowen, Director, Advocates of Victims of Violence, Valdez; Darrell Verfaillie, Director, Parks and Recreation and Cultural Services, Valdez; Joseph Koss, Tax Auditor, Tax Division

Department of Revenue, Anchorage; Johanna Bales, Deputy Director, Tax Division, Department of Revenue, Anchorage.

SUMMARY

HB 234 EXTEND REGULATORY COMMISSION OF ALASKA

HB 234 was REPORTED out of committee with a "do pass" recommendation and with one previously published fiscal impact note: FN1 (CED).

HB 268 BIG BULL MOOSE DERBIES

CSHB 268(FIN) was REPORTED out of committee with a no recommendation and with one new zero fiscal note from the Department of Revenue.

HB 298 CONFIDENTIALITY OF PERFORMANCE REVIEWS

HB 298 was REPORTED out of committee with a "do pass" recommendation and with one new zero fiscal note from the Alaska Legislature.

#hb298

HOUSE BILL NO. 298

"An Act relating to confidentiality of performance review records and reports of the legislature audit division."

[1:32:36 PM](#)

SPEAKER MIKE CHENAULT, SPONSOR noted the legislation was a technical fix to a previous bill.

SHARON KELLY, STAFF, SPEAKER CHENAULT, explained that HB 298 was a technical fix to AS 24.20.301(a). The fix conformed confidentiality language for performance reviews to the same language for audits. She reminded the committee that HB 30 [State Agency Performance Audits] was adopted into law in 2013 and re-established the practice of departmental performance reviews to assist in informed budget decision making. She related that Legislative Audit discovered the discrepancy while undertaking the first review.

KRIS CURTIS, LEGISLATIVE AUDITOR, ALASKA DIVISION OF LEGISLATIVE AUDIT, explained the technical request. The performance review process began last year and required the need for Legislative Audit to request a large volume of information. She discovered a statutory difference between the confidentiality requirements of audits and performance review records.

Representative Guttenberg asked how the change affected audits in progress.

Ms. Curtis noted that the fix would not impact audits, but rather performance reviews. The division treated the performance review information the same as audit records and would continue under HB 298.

Representative Guttenberg asked about ongoing access to the records. He asked if the nature of the confidentiality was changed under the law.

Ms. Curtis answered that the legislation clarified that the performance review records were confidential but Legislative Audit already treated the records as confidential.

Co-Chair Stoltze OPENED public testimony.

Co-Chair Stoltze CLOSED public testimony.

Representative Costello noted the fiscal note, FN1 (LEG) with zero fiscal impact.

Vice-Chair Neuman MOVED to REPORT HB 298 out of committee with individual recommendations and the accompanying zero fiscal note. There being NO OBJECTION, it was so ordered.

HB 298 was REPORTED out of committee with a "do pass" recommendation and with one new zero fiscal note from the Alaska Legislature.

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AT EASE

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RECONVENED

#hb234

HOUSE BILL NO. 234

"An Act extending the termination date of the Regulatory Commission of Alaska; and providing for an effective date."

1:41:12 PM

REPRESENTATIVE MIKE HAWKER, SPONSOR, presented HB 234, which extended the termination date of the Regulatory Commission of Alaska (RCA). He explained that the bill extended the Regulatory Commission of Alaska for a period of eight years, which was allowable under statute. The request was consistent with recommendations made by the state auditor. He noted that the auditor's requirements were to determine a public need for the continued existence of the commission and whether it operated in an efficient and effective manner. The auditors found that the commission met all of the requirements of the extension. He pointed out that issues existed in the past but were resolved. He stressed the difference between the public disagreeing with a ruling from the RCA versus the functionality of the commission. He reiterated that the audit demonstrated that the commission was functioning well and in accordance with statute.

Representative Hawker pointed to the appendices of the audit (copy on file) on pages 23 to 30. He detailed that the audit appendices were a survey of the users of the agencies. The surveys showed how the agencies were serving its stake holders and were an integral part of the reauthorization audits. He understood that the Regulatory Commission of Alaska was often disliked because individuals disagreed with its rulings. He noted that the appendices and details in the summary on page 18 of the audit reported favorable comments and statistics in their ratings. As many as 70 percent of the respondents gave a good or very good rating for the RCA, with only 8 percent issuing unfavorable ratings. He thought that the 70 percent rating was remarkable considering that the RCA dealt with controversial issues. He referenced Appendix C, page 31 of the audit, which indicated that "the current structure of regulatory cost charges were sufficient and adequate for the organization to function." He emphasized that the commission was operating "in the black" in addition to meeting its statutory obligations for quality regulation and protection of the public welfare.

Representative Hawker discussed the two issues noted in the audit. Item one was a perennial issue that indicated that the commission needed to undertake better documentation of its review process. He pointed out that the documentation process was an internal process within the agency and was different than issues about the outcome of the commission's regulatory process. The issue was a matter of "improving its paperwork handling." He read the recommendation, "RCA's chair should improve and enforce written procedures to ensure case management." He summarized that the recommendation was not a criticism of the commission's work performance or regulatory activities.

Representative Hawker discussed the second recommendations which dealt with regulatory dockets. He defined regulatory dockets as "having a question asked and answered" as part of the regulatory process. He read from the Second recommendation: "The legislature should consider clarifying AS 42.05.175(e) to ensure RCA fulfills legislative intent when processing regulatory dockets." He maintained that the RCA believed it was in compliance with the statute and thought the issue was "a management debate." He alluded to the historical problems which lead to the creation of the Regulatory Commission of Alaska and described its beginnings as a "bumpy road."

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Representative Hawker acknowledged it was a long road to develop the commission into what it was today. He asked the committee to consider the commission as it operated currently and asked the committee to help the RCA improve and address the issues identified in the audit. He argued that the agency had matured and merited the eight year extension. He believed that the extension enhanced the stability of the agency instead of operating under the burden of uncertainty under one year extensions. He strongly advocated for setting the agency free to function with trust for the next eight years.

Vice-Chair Neuman asked about the smaller independent companies that operated in the Cook Inlet region gaining access to gaslines and with contractual obligations with utility companies. He wondered whether some of the issues were resolved.

Representative Hawker directed the question to the RCA. He asked the committee members to consider the operations and functioning of the commission whether or not individuals agreed or disagreed with a ruling of the commission. He added that the approval of long term gas supply contracts in Cook Inlet had been problematic for him in his role as a legislator. He reminded the committee that the Cook Inlet Recovery Act [HB 280 Natural Gas: Storage/ Tax Credits Adopted 2010] removed the block that prevented the commission from approving long term gas supply contracts. The provision mandated that the RCA not only consider the least expensive option, but examine how its decision impacted the community. The cited statute was included in many contract approvals published by the RCA since the law was enacted. He believed that the commission played a large role in the recent success of resource development and gas supply in Cook Inlet.

Representative Gara viewed the bill as a non-controversial agency extension issue.

KRIS CURTIS, LEGISLATIVE AUDITOR, ALASKA DIVISION OF LEGISLATIVE AUDIT discussed the RCA sunset audit, dated July 2013. She concurred that Legislative Audit concluded that the RCA served the public's interest and recommended the maximum 8 year extension allowed in statute. She restated the two audit recommendations. The auditor discovered high error rates in the commission's data and recommended improvement. Secondly, Legislative Audit made a recommendation to the legislature concerning clarification regarding regulatory dockets. She delineated that RCA recorded its activity in dockets. Statutes required the RCA to issue final orders in a rule making docket within 730 days plus one 90 day extension. Statutes prohibited the commission from "terminating a proceeding in a docket and opening a proceeding in another docket on substantially the same matter." The audit discovered instances where the RCA split the rulemaking proceedings into two dockets:

- One docket considered the need for regulations. Once public testimony was completed the docket was closed
- The second docket considered the adoption of regulations. This process allowed the Regulatory Commission of Alaska to take up to four and one half years to complete proceedings.

Ms. Curtis added that "RCA management believes that including clear intent language in a regulatory docket's initiating order makes the process transparent and complies with Alaska Statutes." Legislative Audit acknowledged that the commissions dockets included clear intent language and was transparent in that regard. She felt that the practice evaded the statutory timelines and it appeared not to serve the regulatory community or public's interest. The legislature should consider clarifying the statute to ensure RCA fulfills legislative intent when processing regulatory dockets.

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TW PATCH, CHAIRMAN, REGULATORY COMMISSION OF ALASKA, thanked the sponsors for advancing HB 234. He reported that he was elected Chairman of the commission for 3 terms. He felt that the agency had earned the legislator's trust and requested the extension of the 8 year statutory maximum. He appreciated the auditor and believed the audit was "rigorous and thorough." He believed the commission earned the entire 8 year extension. He understood the reason for the previously shorter extensions. He relayed that the legislature requested a report by the commission on how to improve its process. The RCA filed the report on January 16, 2012 which included its goals and had complied with all of them. In addition, the RCA filed a report on January 21, 2014. The report detailed the commission's completion of four regulations dockets and how it worked cooperatively with parties to early identify the complex issues in order to achieve a shorter timeline for the rulings. The commission continued to design and develop regulatory practices that enabled generally shorter timelines but still allowed "compilation of a sound statistical record."

Mr. Patch continued that the initial report demonstrated that the utility dockets were managed according to the statutorily prescribed timelines and completed within approximately 450 days. He reported that over the last three years the process was greatly improved and the current year's utility dockets were completed in 311 days; a reduction of nearly six months.

Co-Chair Stoltze asked if utility dockets were rate adjustment dockets.

Mr. Patch replied that the utility docket was when "a revenue requirement was established or a rate design was established." Utility dockets created the most anxiety among the commissions "constituency." He related that the regulated utility companies acknowledged that the process was greatly improved and appreciated. The company's credit ratings were enhanced by the shorter timeframe, which created faster "regulatory and rate of return certainty." The RCA improved its process without requested additional funding or staff, enabling legislation, and without adverse impacts to industry or companies.

Mr. Patch stated that the improvements were aided in part by the Regulatory Affairs and Public Advocacy Sections of the Department of Law and the utility companies. He applauded the administration's commissioners and the RCA staff for the majority of the effort. In addition the RCA routinely assisted the legislature and other state agencies on a number of important policy matters. Legislators regularly consulted with the RCA on legislation related to regulatory issues without addressing the "substance" of the bills. He indicated that the commission had consulted on HB 280 [Natural Gas: Storage/ Tax Credits Adopted 2010], HB 4 [Alaska Gasline Development Corp; Regulatory Commission of Alaska Adopted 2013], HB 9 [In-State Gasline Development Corp 2012], and was currently consulting on SB 196/HB 340 RCA: Railbelt Electric Utility Report.

Mr. Patch listed the agencies the Regulatory Commission of Alaska routinely assisted: The Alaska Oil and Gas Conservation Commission, Department of Environmental Conservation (DEC) on capacity development and public health issues and procured funding from the rural utility service; Department of Natural Resources (DNR), Oil and Gas Division, and oversaw the state's pipelines regarding safety conditions. The RCA assisted the AGDC with the development of its tariff.

Mr. Patch strongly disagreed with the second recommendation of the audit that the legislature should clarify the timeline statute. He referenced a letter he wrote dated September 4, 2013 stating the reasons he disagreed with the finding.

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Mr. Patch cited docket R-10-002 from a regulatory proceeding, and recounted that the subject matter considered the need for regulations involving discovery. In a subsequent docket, the subject matter was a proposal of specific discovery regulations. He stressed that the RCA and Department of Law (DOL) considered the subject matter "two distinctly different questions." He assured the committee that the commission had not evaded the legislature's requirements. Both dockets were resolved in a timely manner. He explained that the RCA had not developed a process to gather preliminary information in order to make a decision. The commission changed the process before the audit and instituted a new docket called an "I docket" or "information docket." The information dockets were now regularly employed for preliminary scoping and decisions and subsequently preceded to a regulations docket for the adoption of regulations. He concluded that he disagreed there was a need for legislative action.

NORMAN ROKEBERG, COMMISSIONER, REGULATORY COMMISSION OF ALASKA, echoed the testimony of the Chairman Patch and the sponsor. He believed that the operational progress under the leadership of the chairman earned the legislature's confidence in the ability of the commission to carry out its work. He offered that the commission was able to carry out its statutory mandates and the policy calls of the legislature. He urged for adoption of the audits recommendation to grant the 8 year extension.

Co-Chair Stoltze asserted that he did not always agree with every decision the RCA made but had much confidence in the commission's competence and decision making process.

Vice-Chair Neuman noted the mission of the RCA was to oversee regulation of public utilities and pipeline carriers. He questioned whether the commission addressed issues of pipeline access by smaller utility companies.

Mr. Patch replied that access to pipelines was carried out in a non-discriminatory manner. He assured the committee that there was no difficulty in terms of accessing pipelines. He shared that the commission was considering a matter regarding the consolidation of the ownership, management, and rate structure of Cook Inlet pipelines. He did not know of any difficulty with small exploratory companies accessing pipelines for the use of transporting its product. He thought that the question asked was about

small producer's access to markets, which was different than pipeline access. He shared that the RCA received comments from small producers regarding the access to markets. In addition, the commission was considering another open docket in a preliminary stage, with the same companies that expressed dissatisfaction with lack of market access. He suggested that the legislators examine "texts", pronouncements by commissioners on their view of market access in RCA rulings. He offered to provide a link for the open docket case to examine public materials. He was unable to comment further on the open docket cases.

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Vice-Chair Neuman asked about the relationship with the Division of Oil and Gas and small companies in Cook Inlet. He had heard of unfair treatment and wondered whether the commission was familiar with the issue.

Mr. Patch clarified that he was unaware of complaints against the RCA or the Division of Oil and Gas.

Mr. Rokeberg followed up on the question related to gas supply contracts in Cook Inlet. He expounded that the RCA role was to approve or disapprove of the contracts. The commission was prohibited to comment on issues related to an active docket. He offered to provide members with copies of his concurrence on issues related to tariff filings on sales of gas by Hilcorp to Enstar, and Chugach Electric, and a recent docket filing related to the issues of independent exploration, development, and sales of gas in Cook Inlet. The concurrence included a 20 year history of the legislature's involvement to incent Cook Inlet gas development. He noted the concurrence included multiple comments regarding open access to the gasline between one carrier and another. He informed the committee that Chairman Patch alluded to the outstanding docket on an Enstar tariff filing that concerned smaller independents access. He expressed concern over the lack of opportunity for small gas producers to sell into the market place. He expressed additional concern about a "floor" for gas prices to rate payers in Cook Inlet that was part of a recent contract between a number of utilities and Hilcorp.

Representative Gara wondered whether the commission's shorter time period for final rulings harmed the interest of the consumer.

Mr. Patch responded that the primary mandate of the RCA was rate regulation. The commission considered consumer interests when determining rates. He explained that a primary consumer interest was low rates and the other was dependable, quality utility delivery. He understood that most people would prefer lower utility bills. He sought a balance between "a just and reasonable rate." He measured the needs of the utility company and the needs and quality of service for the consumer. He thought that the RCA did a good job with rate regulation.

Representative Gara thanked the RCA commissioners for their hard work.

[2:30:09 PM](#)

Mr. Patch returned the compliment and thanked the members for their hard work.

Co-Chair Stoltze asked about oversight of water utility regulation. He remarked that often mayors of municipalities tried to force individual's participation in municipal water systems. He viewed the RCA as a force for consumer protection to avoid "being force fed utility participation." He asked for the commissioner's view on the issue as a former legislator.

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Mr. Rokeberg replied that his former district as well as Representative Costello's had 3,000 to 5,000 residents served by water wells or small water systems that were not part of the municipal utility. The situation was common throughout the state. He related the difficulty for the RCA to assist small utilities. He felt that further policy was needed related to rate regulation of smaller utilities. Rate regulation by the RCA was burdensome and could be expensive for a small group. He suggested that the legislature may want to address the issue and to give the commission the ability to create a tier system. He detailed that many small water utilities wanted to qualify for the federal Safe Drinking Water Act funding, which mandated regulation by the commission to qualify. The desire to

provide safe drinking water drove the utility into regulation that they may not want or could afford. He thought that many of the legislators were familiar with the situation.

Co-Chair Stoltze asked whether the commission could address the issue within the commission structure and was not seeking an "outside solution."

Mr. Patch answered that the commission had adopted some measures to address smaller water utilities water and wastewater concerns. The RCA offered a provisional certification that was available for rural areas. There were certain things the commission could do, but the commission lacked the statutory authority to "revise the state drinking water act or to federal funding." He vowed to discuss the issue with members of the rural utility service Division of the United States Department of Agriculture and DEC.

Co-Chair Stoltze reiterated his belief that the RCA played a major role in the consumer protection against consolidation of municipal water utilities.

Representative Guttenberg asked how the RCA came to the IGU [Interior Gas Utility] ruling.

Mr. Patch suggested that the discussion take place at a later time in a different forum after both parties read the RCA's final order.

Vice-Chair Neuman discussed that Talkeetna received federal funds for safe water and sewer, but struggled with continued financing for the water and sewer utility. He wondered what role the commission played in assisting communities with similar issues.

Mr. Patch restated that consumer protection was one of the commission's major concern. He was not prepared to address the issue at present but would respond by letter shortly.

[2:43:52 PM](#)

Co-Chair Stoltze OPENED public testimony.

Co-Chair Stoltze CLOSED public testimony.

Representative Costello discussed the fiscal note, FN1 (CED) for the extension of the agency. In FY 15 the expenditure was \$9.430.8 million for 58 full time positions and 4 temporary positions. In FY 16 the expenditure was \$9294.5 million for 58 full time positions and 3 temporary positions. The fiscal impact repeated itself for the fiscal years through 2020.

In response to a question by Representative Gara, Mr. Patch indicated that the RCA was funded by a regulatory cost charge, and not by the general fund. He explained that a small component charge was added to each utility bill collected by the utilities and forwarded to the Department of Revenue for the commission's expenditures. In addition, the commission may charge uncertificated utilities for the commission's actual time. He stated that the charge was not placed on the rate payers.

Representative Costello noted that the commission had a surplus. She questioned whether the surplus funds were expended by the RCA.

Mr. Patch replied that the surplus was rebated to ratepayers as part of the RCC calculation for the subsequent year.

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Vice-Chair Neuman MOVED to REPORT HB 234 out of committee with individual recommendations and the accompanying fiscal note. There being NO OBJECTION, it was so ordered.

HB 234 was REPORTED out of committee with a "do pass" recommendation and with one previously published fiscal impact note: FN1 (CED).

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AT EASE

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#hb268

HOUSE BILL NO. 268

"An Act relating to big bull moose derbies."

2:53:46 PM

Representative Tammy Wilson discussed the bill. She read from the Sponsor Statement (copy on file).

House Bill 268 would allow the Tanana Valley Sportsmen Association to raise funds for their organization and the University of Fairbanks Nanooks Rifle team equally. The big bull moose derby would be operated much like other contests already allowed under statute. This will take place during the annual moose season, by individuals that have acquired all the proper documentation already implemented by the State of Alaska to stay within the legal boundaries of the moose season. Participants must purchase a derby ticket prior to the open day of the season...

The Tanana Valley Sportsmen's Association (TVSA) is a nonprofit organization that hosts training and completion events for the nationally ranked University of Alaska Nanooks Rifle Team as well as the local high schools...

House Bill 268 would allow the raising of funds to further the use of the TVSA club house and support the efforts of the nationally ranked UAF Nanooks Rifle team...

Representative Wilson explained that the rifle team had a fire in its facility several years ago and was trying to recover. Most of the team's funding was provided through community support. She wished to provide opportunities for the team to raise money without having to ask for state assistance. She noted that HB 268 was changed from the original version to include the Snow Town Ice Classic, operated by the Advocates for Victims of Violence (AVV).

Representative Costello MOVED to ADOPT the proposed committee substitute for HB 268 (FIN), Work Draft 28-LS085\P (Martin 2/25/14). Representative Guttenberg OBJECTED for discussion.

DANIEL GEORGE, STAFF, CO-CHAIR STOLTZE, discussed the committee substitute (CS). He explained that the CS contained changes to Section 4 and Section 6, which resulted in a title change. He read the addition to the title on page 1, lines 1 to 2:

"...and relating to permits for games of chance and contests of skill."

The title change was generated by the changes to Section 4, page 3, lines 20 through 26:

... (big) bull moose derbies, and king salmon classics, a permit may not be issued for an activity [MAY NOT BE LICENSED] under this chapter unless it existed in the state in substantially the same form and was conducted in substantially the same manner before January 1, 1959. A permit may not be issued for a snow machine classic [MAY NOT BE LICENSED] under this chapter unless it has been in existence for at least five years before the permit is issued [LICENSING]. A permit may not be issued for an [AN] animal classic [MAY NOT BE LICENSED] under this chapter.

Mr. George furthered that references to "permits" replaced preferences to "licensed." The Department of Revenue (DOR) advised that the language was more consistent with existing statute. He noted that in Section 6, page 4, line 16 the words "for harvesting bull moose" were removed and the word "moose" prior to the word "antlers" was added.

Co-Chair Stoltze OPENED public testimony.

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GRANT LEWIS, TANANA VALLEY SPORTSMAN ASSOCIATION, FAIRBANKS (via teleconference), spoke in favor of the legislation. He recounted that the club was founded in 1911. The association was incorporated as a non-profit in 1937. The association hosted the local high school team practices and competitions and had its own youth shooting club with 100 members. The association taught gun safety and marksmanship. In addition, three other high school and two middle school shooting clubs used the facility. The money earned from the derby would be split between the club and the University to help maintain the facility and to support the youth programs.

DAN JORDAN, UNIVERSITY OF ALASKA FAIRBANKS, COACH, NANOOKS RIFLE TEAM (via teleconference), testified in favor of the legislation. He stated that the club won multiple national championships. He stated that over the years seven team members had participated in the Olympics. Team members won

medals in the last Olympic Games. He noted that he was always searching for new ways to find funding for the program and was working on the derby concept for 9 years. He thought teaming up with TVSA and the youth in the community was a "win-win" situation.

Representative Guttenberg expressed congratulations for the team's national qualification. He asked how the team planned to operate the derby.

Mr. Jordan replied that team would work in conjunction with TVSA and use its gaming permit. He hoped to develop a website and organize the derby in a similar fashion as the halibut derby in Valdez.

MIKE TINKER, TANANA VALLEY SPORTSMAN ASSOCIATION, FAIRBANKS (via teleconference), testified in favor of the legislation. He was a supporter of the university team. He noted that TVSA had other gaming permits in the past. The association diligently prepared for the legislation's gaming permit. The association enthusiastically supported the event and was looking forward to the next step. He appreciated the committee's consideration of HB 268.

Co-Chair Stoltze commended the association's process to ensure the legislation was properly vetted.

MEL BOWEN, DIRECTOR, ADVOCATES FOR VICTIMS OF VIOLENCE, VALDEZ (via teleconference), supported the legislation. She described the program. The Advocates for Victims of Violence (AVV) was one of twenty programs that provided services for victims of domestic violence and sexual assault for 18 communities from Glennallen to Valdez. The programs costs had risen over \$20 thousand within the last year. State funding was divided between 20 programs in the state. The program would need an additional \$25 thousand over the current state funding level. She hoped to meet the projected shortfall with eligibility to receive funding from the snow classic. She wanted to avoid cuts to program services or turning away victims.

DARRELL VERFAILLIE, DIRECTOR, PARKS, RECREATION, AND CULTURAL SERVICES, VALDEZ (via teleconference), voiced that the City of Valdez would not receive any revenues from the event. The department would coordinate and assist with the event on behalf of AVV. The classic would help generate AVV revenues and bolster the department's winter offerings.

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Co-Chair Stoltze CLOSED public testimony.

JOSEPH KOSS, TAX AUDITOR, TAX DIVISION, DEPARTMENT OF REVENUE, ANCHORAGE (via teleconference), discussed the changes in the CS. He explained that the gaming statute contained three sections and all three were contained in HB 268, which listed the legal gaming activities in the state. The first two sections concerned permitting gaming activities and the third section dealt with licensing. He delineated that DOR licensed operators who conduct activities on behalf of permittees and granted permits to organizations to conduct the gaming activities. The changes allowed consistency between Section 3 and Sections 1 and 2.

Co-Chair Stoltze stated that a description of the gaming activity was typically described in statute. He asked whether the description was contained in the bill.

Mr. Koss replied that the Snow Town Ice Classic was included in the basic ice classic definition in Section 5 of the legislation.

Representative Guttenberg referred to the many different classics events in the state. He indicated that the moose derby involved hunting big game. He asked if the Department of Fish and Game (DFG) was consulted.

Representative Wilson clarified that DFG was consulted. The derby would take place during the regular moose hunting season. Participants could guess the spread of the antlers without hunting. The event was taking advantage of hunting that was already going on. She mentioned extensive discussion in the House Resources Committee. The event could merely be a game of chance based on the data from hunters after they documented their moose and did not add additional work for the department.

Representative Guttenberg clarified that his concern was whether hunting behavior would be changed.

Representative Wilson understood that the hunting patterns were currently tracked by the department and much discussion regarding the issue took place in the previous committee. She surmised that if a hunter was trophy hunting

instead of hunting for food the hunter already was engaged in that type of behavior. She thought that the event would not alter hunting behavior.

Representative Guttenberg asked whether guided trophy hunters would be eligible.

Representative Wilson relayed that only employees of DFG were ineligible to participate. The operator of the gaming event had the prerogative to exclude any group.

Co-Chair Stoltze commented that the legislature conventionally included the rules of conduct in statute. He wished to see a description of the activities in the legislation. He thought that Alaskans were hesitant about gaming expansions although non-profit games of chance were generally accepted.

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Representative Gara asked whether DFG would discuss the potential game population impacts.

Co-Chair Stoltze answered that the premise of the bill was a function of DOR concerning gaming and games of chance. He wondered why the legislation was referred to the House Resources Committee since it did not pertain to resource management issues.

Representative Wilson addressed the ice classic portion of the legislation. She pointed out that the event was described on page 3 of the legislation. She read the following:

"...ice classic" means a game of chance where a prize of money is awarded for the closest guess of the time the ice moves in a body of water or watercourse in the state and is limited to the Nenana and Chena Ice Pools in the same..."

Representative Wilson added that the event was very similar to the Nenana Ice Classic.

Representative Wilson addressed Representative Gara's question. She detailed that DFG examined the bill due to the title and found the legislation acceptable. She restated that the bill would not affect any changes in the

way the department carried out moose hunts nor would it add any additional permits. She reiterated that most people hunt for meat and a few might hunt for trophy but she didn't believe the bill would change any hunting behavior. She relayed that DFG had not raised any objections.

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Representative Gara wondered whether DFG would have authority to cancel the derby to protect the moose population in a time of shortage.

Co-Chair Stoltze deduced that DFG managed game and not the gaming regulation portion of the derby.

Representative Wilson stated that the moose population would determine the number of permits. The department routinely provided permits based on the moose population. She stated that DFG historically had closed areas. She emphasized that the derby could not increase the amount of hunters or effort due to the limited number of moose hunting permits. The department would act in the best interest of the resource for the state regardless of a derby.

Vice-Chair Neuman remarked that the Board of Game set the allowable harvest within certain regions of the state. The bill merely allowed community members to enter the derby, support the organizations, engage in family activities, and enjoy the outdoors.

Representative Wilson concurred.

JOHANNA BALES, DEPUTY DIRECTOR, TAX DIVISION, DEPARTMENT OF REVENUE, ANCHORAGE (via teleconference), clarified that Representative Wilson explained exactly how the legislation would work. She concurred that the definition of ice classic was included in the bill and that the derby did not affect the permitting process with DFG.

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Representative Costello noted that the new Department of Revenue fiscal note showed no fiscal impact.

Vice-Chair Neuman MOVED to REPORT CSHB 268(FIN) out of committee with individual recommendations and the accompanying zero fiscal note.

CSHB 268(FIN) was REPORTED out of committee with a no recommendation and with one new zero fiscal note from the Department of Revenue.

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ADJOURNMENT

3:30:39 PM

The meeting was adjourned at 3:30 p.m.