

ALASKA STATE LEGISLATURE
SENATE COMMUNITY AND REGIONAL AFFAIRS STANDING COMMITTEE

February 2, 2017

3:39 p.m.

MEMBERS PRESENT

Senator Click Bishop, Chair
Senator Anna MacKinnon
Senator Berta Gardner

MEMBERS ABSENT

Senator Lyman Hoffman
Senator Bert Stedman

COMMITTEE CALENDAR

SENATE BILL NO. 9

"An Act relating to military facility zones."

- MOVED CSSB 9(CRA) OUT OF COMMITTEE

SENATE BILL NO. 39

"An Act adopting the Municipal Property Assessed Clean Energy Act; authorizing municipalities to establish programs to impose assessments for energy improvements in regions designated by municipalities; imposing fees; and providing for an effective date."

- MOVED CSSB 39(CRA) OUT OF COMMITTEE

SENATE BILL NO. 28

"An Act relating to the general grant land entitlement for the Petersburg Borough; and providing for an effective date."

- HEARD & HELD

PREVIOUS COMMITTEE ACTION

BILL: SB 9

SHORT TITLE: MILITARY FACILITY ZONES

SPONSOR(S): SENATOR(S) COGHILL

01/09/17 (S) PREFILE RELEASED 1/9/17

01/18/17 (S) READ THE FIRST TIME - REFERRALS
01/18/17 (S) CRA, FIN
01/31/17 (S) CRA AT 3:30 PM BELTZ 105 (TSBldg)
01/31/17 (S) Heard & Held
01/31/17 (S) MINUTE(CRA)
02/02/17 (S) CRA AT 3:30 PM BELTZ 105 (TSBldg)

BILL: SB 39

SHORT TITLE: MUNI ENERGY IMPROVEMNT ASSESSMNTS/BONDS

SPONSOR(s): SENATOR(s) COGHILL

01/25/17 (S) READ THE FIRST TIME - REFERRALS
01/25/17 (S) CRA
01/31/17 (S) CRA AT 3:30 PM BELTZ 105 (TSBldg)
01/31/17 (S) Heard & Held
01/31/17 (S) MINUTE(CRA)
02/01/17 (S) FIN REFERRAL ADDED AFTER CRA
02/02/17 (S) CRA AT 3:30 PM BELTZ 105 (TSBldg)

BILL: SB 28

SHORT TITLE: MUNICIPAL LAND SELECTIONS: PETERSBURG

SPONSOR(s): SENATOR(s) STEDMAN

01/20/17 (S) READ THE FIRST TIME - REFERRALS
01/20/17 (S) CRA
02/02/17 (S) CRA AT 3:30 PM BELTZ 105 (TSBldg)

WITNESS REGISTER

SENATOR COGHILL
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Sponsor of SB 9 and SB 39.

CHAD HUTCHISON, staff
Senator John Coghill
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Provided information on SB 9 on behalf of the sponsor.

RYNNIEVA MOSS, staff
Senator John Coghill
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Commented on SB 39 for the sponsor.

MELISSA KOOKESH, staff
Senator Bert Stedman
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Commented on SB 28 on behalf of the sponsor.

DAVID SCOTT, staff
Senator Bert Stedman
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Answered questions on SB 28 on behalf of the sponsor.

MARK JENSEN, Mayor
Borough of Petersburg
Petersburg, Alaska

POSITION STATEMENT: Supported SB 28.

MARTY PARSONS, Deputy Director
Division of Mining, Land and Water
Department of Natural Resources (DNR)
Anchorage, Alaska

POSITION STATEMENT: Commented on SB 28.

ACTION NARRATIVE

[3:39:34 PM](#)

CHAIR CLICK BISHOP called the Senate Community and Regional Affairs Standing Committee meeting to order at 3:39 p.m. Present at the call to order were Senators MacKinnon, Gardner, and Chair Bishop.

SB 39-MUNI ENERGY IMPROVEMNT ASSESSMNTS/BONDS

[3:40:14 PM](#)

CHAIR BISHOP announced SB 39 to be up for consideration.

SENATOR JOHN COGHILL, sponsor of SB 39, Alaska State Legislature, said the two issues before them today are important to help move the economy along. SB 39 is the Commercial Property Assessed Clean Energy Act that allows a municipality to do a bonding with the bill payments attached to municipal payments. Municipalities can contract with banks under that bonding and the debt goes with the real estate rather than the owner. It is a voluntary program that was set up for fuel change-out programs in Fairbanks, but it can be used all over Alaska. He explained that Fairbanks is under pressure for exceeding air quality

particulate matter (PM) 2.5 and getting natural gas is important for that reason.

He said that right now the fuels cost about the same, but the penalties for not complying combined with the health advantages of natural gas will make change-outs to natural gas a necessity. This issue was brought to him by the Alaska Energy Authority and it is not a new idea. It went through the legislature last session but just didn't get through.

CHAIR BISHOP set SB 39 aside until later in the meeting.

SB 9-MILITARY FACILITY ZONES

CHAIR BISHOP announced the consideration of SB 9.

[3:41:12 PM](#)

CHAD HUTCHISON, staff to Senator Coghill, Alaska State Legislature, sponsor of SB 9, said the Department of Military & Veterans Affairs (DMVA) proposed an amendment to SB 9. The sponsor coordinated with the interested parties and found no opposition.

[3:41:31 PM](#)

At ease

[3:41:41 PM](#)

SENATOR MACKINNON moved to adopt Amendment 1.

30-LS0183\A.2
Shutts
2/1/17

AMENDMENT 1

OFFERED IN THE SENATE

TO: SB 9

Page 2, following line 25:

Insert a new bill section to read:

"* **Sec. 2.** AS 26.30.020 is amended by adding a new subsection to read:

(d) In considering the factors under (c) of this section, the Department of Military and Veterans' Affairs may rely on the information provided by a municipality and may not be held liable for civil damages resulting from a military facility zone designation that is based on inaccurate or incomplete information provided by a municipality."

CHAIR BISHOP objected for an explanation.

MR. HUTCHISON said this language adds a second layer of protection against civil liability for the DMVA if there is incomplete or incorrect information provided in the application as they make these military facility zone designations. He said that the state and the department both already enjoy a certain degree of civil liability [protection] right now under sovereign immunity, which occurs whenever there is any discretionary decision made by a state department.

[3:43:42 PM](#)

SENATOR GARDNER said she didn't have a good idea about what kind of damages might occur, but she had reached out to the municipal attorney in the City of Anchorage and he had no problem with this amendment, nor did she.

CHAIR BISHOP removed his objection.

SENATOR MACKINNON moved to report SB 9, as amended, from committee with individual recommendations and attached zero fiscal note.

CHAIR BISHOP found no objection, and CSSB 9(CRA) moved from the Senate Community and Regional Affairs Standing Committee.

SB 39-MUNI ENERGY IMPROVEMNT ASSESSMNTS/BONDS

[3:46:06 PM](#)

CHAIR BISHOP announced SB 39 to be back up for consideration.

[3:46:38 PM](#)

RYNNIEVA MOSS, staff to Senator Coghill, Alaska State Legislature, sponsor of SB 39, explained that SB 39 has an amendment that was prepared after consulting with the Alaska Energy Authority (AEA) and the Fairbanks North Star Borough.

SENATOR MACKINNON moved Amendment 1.

30-LS0330\D.1
Shutts
1/31/17

AMENDMENT 1

OFFERED IN THE SENATE
TO: SB 39

Page 7, lines 25 - 30:

Delete all material and insert:

"**Sec. 29.55.120. Review required.** The record owner of eligible property shall obtain from an independent third party the following:

- (1) for each proposed qualified project,
 - (A) a review of the energy or emissions baseline conditions, as appropriate; and
 - (B) the projected reduction in energy costs, energy consumption or demand, or emissions affecting local air quality, as appropriate; and
- (2) for each completed qualified project, verification that the qualified project was properly completed and is operating as intended."

Page 9, following line 22:

Insert a new paragraph to read:

"(4) reduction of emissions affecting local air quality;"

Renumber the following paragraphs accordingly.

Page 10, line 16:

Delete "decrease energy consumption or demand, including"

Insert "reduce energy consumption or demand, energy costs, or emissions affecting local air quality, and includes"

CHAIR BISHOP objected for explanation purposes.

MS. MOSS explained that the amendment has two purposes. The first is to clarify on page 7, line 25, that the third party doing an independent assessment does an evaluation at the end of the project, too. The other half of this amendment and the other two amendments are just adds to the list of qualifications that a project will result in the reduction of emissions affecting local air quality. This is because at the current price of oil it's quite possible that converting from oil to natural gas at this time could result in little or no savings, but it would improve the air quality.

CHAIR BISHOP removed his objection.

SENATOR MACKINNON moved to report SB 39, as amended, from committee with individual recommendations and attached zero fiscal note.

CHAIR BISHOP found no objection, and CSSB 39(CRA) moved from the Senate Community and Regional Affairs Standing Committee.

[3:48:59 PM](#)

At ease

SB 28-MUNICIPAL LAND SELECTIONS: PETERSBURG

[3:50:34 PM](#)

CHAIR BISHOP announced SB 28 to be up for consideration.

MELISSA KOOKESH, staff to Senator Bert Stedman, Alaska State Legislature, sponsor of SB 28, testified that this measure would give the Petersburg Borough an opportunity to grow, generate revenue, and increase economic development from nearby lands. For several months Senator Stedman's office and representatives from the Petersburg Borough have reviewed the bill with the Alaska Department of Natural Resources (DNR), and discussed where the borough selections would occur, and they have no objection to the bill.

She reviewed the bill: Section 1 adds subparagraph (16) to AS 29.65.010(a) that sets the general land grant entitlement for the Petersburg Borough at 14,666 acres. This is an increase of 12,770 acres from its current level of entitlement.

Section 2 of the bill is a conforming amendment to allow the borough time to make its new additional selections. Section 3 is also a conforming amendment to allow the land selection process at DNR to apply to the new Petersburg land selection.

[3:52:43 PM](#)

Section 4 is an immediate effective date.

[3:53:12 PM](#)

SENATOR GARDNER asked how the original allocation is calculated and where the 14,666 acre figure comes from.

[3:53:32 PM](#)

DAVID SCOTT, staff to Senator Bert Stedman, sponsor of SB 28, Alaska State Legislature, answered that DNR and the Borough of Petersburg came up with the number.

SENATOR GARDNER added that she was thinking if Petersburg gets to increase their allocation, will the other 15 beneficiaries say they weren't treated fairly and need to increase theirs, too.

[3:54:36 PM](#)

MARK JENSEN, Mayor, Borough of Petersburg, Petersburg, Alaska, supported SB 28. He explained the way they arrived at this number is that it is an equal percentage of land that the other 15 boroughs that have already formed ahead of them have received. So Petersburg is just trying to get up to par with the other boroughs that have received additional land.

He explained that when the borough was formed in 2013, they were allowed to select 10 percent of their area, which was 18-plus thousand acres. Since they already had 400 and some acres in the city limits they were allowed to select 1440 more acres. They are now asking for the other 14,666 acres just to get up to par with the volume as the other boroughs did.

SENATOR MACKINNON asked DNR why she didn't see a fiscal note, because she assumed the land is coming from the State of Alaska selections. Where was the value determination of what would be moving as far as gravel rights, use of public facilities or whatever the borough would like to use the land for?

[3:57:07 PM](#)

MARTY PARSONS, Deputy Director, Division of Mining, Land and Water, Department of Natural Resources (DNR), Anchorage, Alaska, said the department submitted a zero fiscal note.

SENATOR MACKINNON asked if he was telling her that land is valued at zero.

MR. PARSONS answered no; the land is not valued at zero. He was saying the fiscal note is what it would cost the division to process the additional land.

SENATOR MACKINNON said the fiscal note has a spot for listing the capital value of the property. She understands there is a zero fiscal note for operations for the state, but considering the \$3 billion deficit, there should be a value associated with the acreage in that transfer.

MR. PARSONS said that is correct, but the state does not necessarily inventory its land on an acre by acre basis. The

value is indeterminate, although there is gravel and timber on it.

[3:59:34 PM](#)

SENATOR MACKINNON said she knows that Petersburg needs resources and assets at their disposal to help their community, but saying the value of the land is indeterminate is not a satisfactory answer. A value needs to be established on the property. If they haven't done it before, it needs to be done now.

[4:00:26 PM](#)

MR. PARSONS said he could pull those numbers together.

[4:00:52 PM](#)

CHAIR BISHOP asked if the DNR maintains an overriding royalty on top of what the borough can charge a contractor for using sand and gravel.

MR. PARSONS answered no. Once those lands are conveyed, the municipality is given management authority and it's theirs to sell the material and land and reap the benefits.

[4:01:46 PM](#)

At ease

[4:02:04 PM](#)

CHAIR BISHOP said that request was in to DNR and he opened public testimony.

[4:02:40 PM](#)

MR. JENSEN added that they worked with the DNR after borough formation on the original 1,400 acres and they have been working with them on the additional parcels and he has not heard any opposition.

[4:03:43 PM](#)

CHAIR BISHOP closed public testimony on SB 28 and held the bill in committee.

[4:03:59 PM](#)

CHAIR BISHOP adjourned the Senate Community and Regional Affairs Committee meeting at 4:03 p.m.