

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

May 4, 2022

1:04 a.m.

MEMBERS PRESENT

Senator Mia Costello, Chair
Senator Joshua Revak, Vice Chair
Senator Peter Micciche
Senator Gary Stevens
Senator Elvi Gray-Jackson

MEMBERS ABSENT

All members present

COMMITTEE CALENDAR

HOUSE BILL NO. 227

"An Act relating to municipal energy and resilience improvement assessment programs; and providing for an effective date."

- HEARD & HELD

COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 132 (FIN)

"An Act relating to technical education and registered apprenticeships."

- HEARD & HELD

CS FOR HOUSE BILL NO. 30 (FIN)

"An Act relating to the payment of workers' compensation benefits in the case of permanent partial impairment; relating to the payment of workers' compensation death benefits; and providing for an effective date."

- SCHEDULED BUT NOT HEARD

PREVIOUS COMMITTEE ACTION

BILL: HB 227

SHORT TITLE: MUNI ENERGY IMPROVEMNT ASSESSMENT PROGRAM

SPONSOR(S): REPRESENTATIVE(S) SCHRAGE

01/18/22 (H) PREFILE RELEASED 1/7/22

01/18/22 (H) READ THE FIRST TIME - REFERRALS
01/18/22 (H) ENE, CRA
01/20/22 (H) ENE AT 10:15 AM ADAMS 519
01/20/22 (H) Heard & Held
01/20/22 (H) MINUTE(ENE)
01/27/22 (H) ENE AT 10:15 AM ADAMS 519
01/27/22 (H) Moved HB 227 Out of Committee
01/27/22 (H) MINUTE(ENE)
01/31/22 (H) ENE RPT 4DP 2NR
01/31/22 (H) DP: ZULKOSKY, CLAMAN, FIELDS, SCHRAGE
01/31/22 (H) NR: KAUFMAN, RAUSCHER
03/01/22 (H) CRA AT 8:00 AM BARNES 124
03/01/22 (H) Heard & Held
03/01/22 (H) MINUTE(CRA)
03/03/22 (H) CRA AT 8:00 AM BARNES 124
03/03/22 (H) Moved HB 227 Out of Committee
03/03/22 (H) MINUTE(CRA)
03/07/22 (H) CRA RPT 3DP 3NR 1AM
03/07/22 (H) DP: DRUMMOND, HANNAN, SCHRAGE
03/07/22 (H) NR: PATKOTAK, PRAX, MCCABE
03/07/22 (H) AM: MCCARTY
03/24/22 (H) SESSION CANCELED 3/23 - ON 3/24
CALENDAR
03/24/22 (H) TECHNICAL SESSION 3/24 - ON 3/28
CALENDAR
03/28/22 (H) ADJOURNED TO 3/29 CALENDAR
03/29/22 (S) CRA AT 3:30 PM BELTZ 105 (TSBldg)
03/29/22 (S) -- MEETING CANCELED --
03/31/22 (H) SESSION CANCELED 3/29 - ON 3/30
CALENDAR
03/31/22 (H) SESSION CANCELED 3/30 - ON 3/31
CALENDAR
03/31/22 (H) TECHNICAL SESSION 3/31 - ON 4/4
CALENDAR
04/04/22 (H) TRANSMITTED TO (S)
04/04/22 (H) VERSION: HB 227
04/05/22 (S) CRA AT 3:30 PM BELTZ 105 (TSBldg)
04/05/22 (S) -- MEETING CANCELED --
04/06/22 (S) READ THE FIRST TIME - REFERRALS
04/06/22 (S) CRA, L&C
04/07/22 (S) CRA AT 3:30 PM BELTZ 105 (TSBldg)
04/07/22 (S) -- MEETING CANCELED --
04/12/22 (S) CRA AT 3:30 PM BELTZ 105 (TSBldg)
04/12/22 (S) Heard & Held
04/12/22 (S) MINUTE(CRA)
04/19/22 (S) CRA AT 3:30 PM BELTZ 105 (TSBldg)
04/19/22 (S) Moved SCS HB 227(CRA) Out of Committee

04/19/22 (S) MINUTE (CRA)
04/20/22 (S) CRA RPT SCS (CRA) 2DP 1AM SAME TITLE
04/20/22 (S) DP: HUGHES, GRAY-JACKSON
04/20/22 (S) AM: WILSON
04/25/22 (S) L&C AT 1:30 PM BELTZ 105 (TSBldg)
04/25/22 (S) -- MEETING CANCELED --
05/04/22 (S) L&C AT 1:30 PM BELTZ 105 (TSBldg)

BILL: HB 132

SHORT TITLE: SCHOOL APPRENTICESHIP PROGS; TAX CREDITS
SPONSOR(s): LABOR & COMMERCE

03/10/21 (H) READ THE FIRST TIME - REFERRALS
03/10/21 (H) L&C, EDC, FIN
03/15/21 (H) L&C AT 6:30 PM BARNES 124
03/15/21 (H) Heard & Held
03/15/21 (H) MINUTE (L&C)
03/22/21 (H) L&C AT 3:15 PM DAVIS 106
03/22/21 (H) Moved CSHB 132 (L&C) Out of Committee
03/22/21 (H) MINUTE (L&C)
03/22/21 (H) L&C AT 6:30 PM DAVIS 106
03/22/21 (H) -- MEETING CANCELED --
03/25/21 (H) L&C RPT CS (L&C) NEW TITLE 5DP 1AM
03/25/21 (H) DP: SNYDER, SCHRAGE, MCCARTY,
SPOHNHOLZ, FIELDS
03/25/21 (H) AM: NELSON
04/09/21 (H) EDC AT 8:00 AM DAVIS 106
04/09/21 (H) Heard & Held
04/09/21 (H) MINUTE (EDC)
04/19/21 (H) EDC AT 8:00 AM DAVIS 106
04/19/21 (H) Heard & Held
04/19/21 (H) MINUTE (EDC)
04/23/21 (H) EDC AT 8:00 AM DAVIS 106
04/23/21 (H) Moved CSHB 132 (EDC) Out of Committee
04/23/21 (H) MINUTE (EDC)
04/28/21 (H) EDC RPT CS (EDC) NEW TITLE 3DP 3NR
04/28/21 (H) DP: ZULKOSKY, DRUMMOND, STORY
04/28/21 (H) NR: CRONK, GILLHAM, HOPKINS
05/06/21 (H) FIN AT 9:00 AM ADAMS 519
05/06/21 (H) Heard & Held
05/06/21 (H) MINUTE (FIN)
05/07/21 (H) FIN AT 1:30 PM ADAMS 519
05/07/21 (H) Heard & Held
05/07/21 (H) MINUTE (FIN)
05/14/21 (H) FIN AT 1:30 PM ADAMS 519
05/14/21 (H) Moved CSHB 132 (FIN) Out of Committee
05/14/21 (H) MINUTE (FIN)

05/18/21 (H) FIN RPT CS(FIN) NEW TITLE 7DP 1DNP 2NR
 05/18/21 (H) DP: ORTIZ, EDGMON, LEBON, THOMPSON,
 WOOL, MERRICK, FOSTER
 05/18/21 (H) DNP: CARPENTER
 05/18/21 (H) NR: JOHNSON, JOSEPHSON
 05/19/21 (H) LIMIT ALL DEBATE TO 2 MIN EACH Y23 N16
 E1
 05/19/21 (H) TRANSMITTED TO (S)
 05/19/21 (H) VERSION: CSHB 132(FIN)
 01/18/22 (S) READ THE FIRST TIME - REFERRALS
 01/18/22 (S) EDC, L&C, FIN
 03/11/22 (S) EDC AT 9:00 AM BUTROVICH 205
 03/11/22 (S) Heard & Held
 03/11/22 (S) MINUTE(EDC)
 04/11/22 (S) EDC AT 9:00 AM BUTROVICH 205
 04/11/22 (S) Heard & Held
 04/11/22 (S) MINUTE(EDC)
 04/13/22 (S) EDC AT 9:00 AM BUTROVICH 205
 04/13/22 (S) -- MEETING CANCELED --
 04/20/22 (S) EDC AT 9:00 AM BUTROVICH 205
 04/20/22 (S) Moved SCS CSHB 132(EDC) Out of
 Committee
 04/20/22 (S) MINUTE(EDC)
 04/22/22 (S) EDC RPT SCS(EDC) 3DP 1NR NEW TITLE
 04/22/22 (S) DP: HOLLAND, HUGHES, MICCICHE
 04/22/22 (S) NR: STEVENS
 04/27/22 (S) L&C AT 1:30 PM BELTZ 105 (TSBldg)
 04/27/22 (S) -- MEETING CANCELED --
 05/04/22 (S) L&C AT 1:30 PM BELTZ 105 (TSBldg)

WITNESS REGISTER

REPRESENTATIVE CALVIN SCHRAGE

Alaska State Legislature

Juneau, Alaska

POSITION STATEMENT: Sponsor of HB 227.

RYAN JOHNSTON, Staff

Representative Calvin Schrage

Alaska State Legislature

Juneau, Alaska

POSITION STATEMENT: Presented the sectional analysis for HB 227, version G.

MELANIE LUCAS-CONWELL, Manager

49th State Angel Fund

Municipality of Anchorage

Anchorage, Alaska

POSITION STATEMENT: Testified by invitation on HB 227.

SHAINA KILCOYNE, Energy & Sustainability Manager

Solid Waste Services

Municipality of Anchorage

Anchorage, Alaska

POSITION STATEMENT: Testified by invitation on HB 227.

TOM BENKERT, Business Development Manager

KI Energy

Wasilla, Alaska

POSITION STATEMENT: Testified by invitation on HB 227.

KATIE MCCALL, Staff

Senator Mia Costello

Alaska State Legislature

Juneau, Alaska

POSITION STATEMENT: Provided an explanation of changes between version G and version W of HB 227.

TOM NEUKRANZ, CEO

Global Pacific Capital

Sausalito, California

POSITION STATEMENT: Testified in support of SB 227.

REPRESENTATIVE IVY SPOHNHOLZ

Alaska State Legislature

Juneau, Alaska

POSITION STATEMENT: Co-presented HB 132 as Co-Chair of the House Labor and Commerce Committee.

REPRESENTATIVE ZACK FIELDS

Alaska State Legislature

Juneau, Alaska

POSITION STATEMENT: Co-presented HB 132 as Co-Chair of the House Labor and Commerce Committee.

REPRESENTATIVE KEN MCCARTY

Alaska State Legislature

Juneau, Alaska

POSITION STATEMENT: Provided supporting testimony on HB 132.

ANNE VELARDI, Statewide Apprenticeship Coordinator

Department of Labor and Workforce Development (DOLWD)

Anchorage, Alaska

POSITION STATEMENT: Answered questions during the hearing on HB 132.

JARED KOSIN, President and CEO
Alaska State Hospital and Nursing Home Association
Anchorage, Alaska

POSITION STATEMENT: Testified by invitation on HB 132.

MISSY FRAZE, Director
Career and Technical Education
Anchorage School District
Anchorage, Alaska

POSITION STATEMENT: Testified by invitation on HB 132.

ACTION NARRATIVE

[1:04:23 PM](#)

CHAIR MIA COSTELLO called the Senate Labor and Commerce Standing Committee meeting to order at 1:04 a.m. Present at the call to order were Senators Gray-Jackson, Micciche, Revak, Stevens, and Chair Costello.

HB 227-MUNI ENERGY IMPROVEMNT ASSESSMENT PROGRAM

[1:04:52 PM](#)

CHAIR COSTELLO announced the consideration of HOUSE BILL NO. 227 "An Act relating to municipal energy and resilience improvement assessment programs; and providing for an effective date."

She noted there was a committee substitute for the committee to consider.

[SCS HB 227(CRA), version G, was before the committee.]

[1:05:25 PM](#)

REPRESENTATIVE CALVIN SCHRAGE, Alaska State Legislature, Juneau, Alaska, sponsor of HB 227, introduced the bill speaking to the following sponsor statement:

[Original punctuation provided.]

Property Assessed Clean Energy (PACE) is an innovative financing mechanism that enables owners of commercial and industrial properties to obtain fixed rate, long-term financing through private lenders for energy efficiency and renewable energy projects and

pay the costs back over time through a voluntary assessment on the property tax. PACE attaches the loan to the property, rather than the borrower. If the property is sold, the loan transfers to the new owner. With lower energy costs, building owners unlock positive cash flow for their businesses and increase their buildings' value from day 1.

Passed in 2017, the statute allows local governments to create and manage C-PACE programs. The Municipality of Anchorage launched the state's first program in April 2021. Other regions are interested in launching a program and are reviewing administration options. While program administration is offset by administrative fees, staff capacity is still required to maintain the program and review applications. Alaska's statute is based on Texas's C-PACE statute. Based on the growing success of C-PACE, lawmakers around the country are adding new eligible uses of C-PACE. Several statutory clean-ups will ensure efficient statewide promulgation and will greatly facilitate investment in our building stock, especially at a time when economic development is needed most.

House Bill 227 aims to expand C-PACE in Alaska by:

1. Allowing new construction financing
2. Allowing Resiliency projects
3. Allowing C-PACE refinancing
4. Considering Market Values rather than assessed values
5. Eliminating the Savings-to-Investment Ratio (SIR)

HB 227 changes serve the common goal of creating a large, thriving and active C-PACE market, which in turn will benefit Alaskans. These amendments were developed in coordination with the Municipality of Anchorage and the Alaska Energy Authority using the best practices & lessons learned in the Lower 48. In all cases, C-PACE assists property owners in dealing with the up-front cost of property upgrades that create a public benefit.

HB 227 will help municipalities and boroughs statewide achieve the greatest overall environmental and economic development benefits at no cost to state or local governments.

REPRESENTATIVE SCHRAGE directed attention to the letters of support in the packets, most notably the Municipality of Anchorage (MOA) and the MatSu Assembly.

[1:08:29 PM](#)

SENATOR GRAY-JACKSON asked for confirmation that the note is included in the property tax payments.

[1:08:51 PM](#)

REPRESENTATIVE SCHRAGE replied that is correct. The developer applies for the financing through the program and once it's approved, the voluntary property tax assessment is paid in addition to the existing property tax. The additional amount, less fees and costs of the program borne by the municipality, is remitted to the financial institution.

[1:09:23 PM](#)

SENATOR GRAY-JACKSON asked if the additional property tax payment is truly voluntary, so a borrower could opt out.

[1:09:38 PM](#)

REPRESENTATIVE SCHRAGE replied that is correct. HB 227 creates a new financing mechanism for a developer to choose from when looking at how to finance a project. A conventional loan is also on the menu.

[1:09:59 PM](#)

SENATOR GRAY-JACKSON asked what the interest rates would be for this program.

[1:10:06 PM](#)

REPRESENTATIVE SCHRAGE said he couldn't quote specific rates, but it is often lower than the market standard at the time. Financial institutions and users find it attractive because the financing term is longer and it's de-risked for the financial institution.

CHAIR COSTELLO asked Ryan Johnston to walk through the sectional analysis.

[1:10:48 PM](#)

RYAN JOHNSTON, Staff, Representative Calvin Schrage, Alaska State Legislature, Juneau, Alaska, presented the sectional analysis for HB 227, version G, that read as follows:

Section 1: Adds "resilience" language to AS 29.10.200(64) to conform with the addition of resilience projects in AS 29.55.100(a).

Section 2: Adds "resilience" language to AS 29.35.200 (b) to conform with the addition of resilience projects in AS 29.55.100(a).

Section 3: Adds "resilience" language to AS 29.35.210(a) to conform with the addition of resilience projects in AS 29.55.100(a).

Section 4: Adds "resilience" language to AS 29.35.210(b) to conform with the addition of resilience projects in AS 29.55.100(a).

Section 5: Adds new construction and resiliency projects to the possible projects for a municipal program. Adds definition of resilience projects.

Section 6: Adds "resilience" language to AS 29.55.100(b) to conform with the addition of resilience projects in AS 29.55.100(a).

Section 7: Clarifies language allowing for the municipality to collect fees for the administration of the program.

[1:11:44 PM](#)

Section 8: Adds "resilience" language to AS 29.55.105(a) to conform with the addition of resilience projects in AS 29.55.100(a).

Section 9: Adds "resilience" language to AS 29.55.105(c) to confirm with the addition of resilience projects in AS 29.55.100(a). Adds capitalized interest, interest reserves, escrow for prepaid property tax or insurance and capitalized extended manufacturer's warranty or maintenance agreement costs during the period of the assessment, to the list of costs that could be repaid by the assessment.

Section 10: Amends the assessment maximum period from 20 years to 30 years.

Section 11: Amends the total financing for a project from 20% of the assessed value of the property to 25% of the market value of the property.

Section 12: Adds language so that an assessment may repay financing for costs of a project completed within the past two years.

Section 13: Adds "resilience" language to AS 29.55.110(a) to confirm with the addition of resilience projects in AS 29.55.100(a). Amends the ratio between the amount of the assessment and the value of the property, to use the "Market Value" of the property instead of the "Assessed Value".

Section 14: Adds "resilience" language to AS 29.55.115 to confirm with the addition of resilience projects in AS 29.55.100(a). Makes a technical change for the correction of "days' "

Section 15: Adds "resilience" language to AS 29.55.120 to confirm with the addition of resilience projects in AS 29.55.100(a).

Section 16: Adds "resilience" language to AS 29.55.125 to confirm with the addition of resilience projects in AS 29.55.100(a).

Section 17: Adds "or a lien for an assessment" to ensure that a lien on an assessment is not removed from a property in the case of foreclosure.

[1:13:34 PM](#)

Section 18: Adds "resilience" language to AS 29.55.140 (a) to confirm with the addition of resilience projects in AS 29.55.100(a).

Section 19: Adds "resilience" language to AS 29.55.140(d) to confirm with the addition of resilience projects in AS 29.55.100(a).

Section 20: Adds "resilience" language to AS 29.55.150 to confirm with the addition of resilience projects in AS 29.55.100(a).

Section 21: Adds to the Definitions section, AS 29.55.160, that "finance" and "financing" includes refinancing of an existing project.

Section 22: Adds "resilience" language to AS 29.55.165 to confirm with the addition of resilience projects in AS 29.55.100(a).

1:14:03 PM

Section 23: Repeals AS 29.55.105(d)(1) and AS 29.55.105(h).

Section 24: Repeals all statutes and references to CPACE

Section 25: Adds a new section to the uncodified law of Alaska. The new section would require any loan enabled under CPACE statutes before June 30, 2052, to continue past the repealed date of June 30, 2052. The new section also allows for a lender and property owner to convert a lien on a property to a conventional loan.

Section 26: Gives sections 24 and 25 an effective date of June 30, 2052.

Section 27: Gives the bill, except for sections 24 and 25, an immediate effective date.

1:15:44 PM

SENATOR COSTELLO asked for examples of projects that have used the C-PACE program; if there was any opposition to the bill; and if the property owner who uses the program would be required to disclose the market value of the property.

REPRESENTATIVE SCHRAGE replied that no projects to date have utilized this financing. A number of developers have gone through the application process, but the cumbersome requirements prevented them from moving forward. Passage of HB 227 will increase the likelihood of developers using the program. Regarding the types of projects, he said one proposal was for a parking garage that had electric vehicle charging stations. He deferred to Mr. Johnston to describe additional examples of projects.

MR. JOHNSTON provided context for the Anchorage C-PACE program, explaining that the statute passed in 2017, the regulations were

adopted in 2019, and the municipality didn't implement the program until 2020, [about the time that the World Health Organization (WHO) declared the COVID-19 outbreak a pandemic]. He said the municipality received three applications the first year and is confident it will be able to grow the program if the constraints are removed, as outlined in HB 227.

MR. JOHNSTON described putting solar panels on a commercial building and installing a system to better regulate electrical output as additional examples of how the program could be used.

[1:18:38 PM](#)

REPRESENTATIVE SCHRAGE stated that he was not aware of any opposition to the bill. Regarding the question about reporting the market value of a property, he explained that a developer who applies for financing through the municipality for the C-PACE program would be required to report the market value of the property just the same as for conventional financing from a financial institution. However, a developer who gets an appraisal of the property to help in the decision of whether or not to move forward is not required to automatically report that to the municipality. Disclosure is only required if the developer decides to move forward on the project through the municipality.

[1:20:00 PM](#)

SENATOR COSTELLO opened invited testimony on HB 227.

[1:20:16 PM](#)

MELANIE LUCAS-CONWELL, Manager, 49th State Angel Fund, Municipality of Anchorage (MOA), Anchorage, Alaska, stated that she had co-managed the C-PACE program for MOA for the last year. She voiced support for the amendments to the program proposed in HB 227 with the exception of the sunset clause that might negatively affect the program.

[1:21:10 PM](#)

SHAINA KILCOYNE, Energy & Sustainability Manager, Solid Waste Services, Municipality of Anchorage, Anchorage, Alaska, stated that she and Ms. Lucas-Conwell co-administer the C-PACE program for MOA. She asked if it was appropriate to present a slide show that describes the C-PACE.

[1:21:48 PM](#)

At ease.

[1:22:32 PM](#)

CHAIR COSTELLO reconvened the meeting and asked Ms. Kilcoyne to proceed with the slide show.

MS. KILCOYNE stated her intention to describe Alaska's existing C-PACE program, C-PACE on the national scale, and what HB 227 means for the program.

She explained that C-PACE is a financing tool that allows owners of commercial and industrial properties to obtain low cost and long term financing for efficiency and renewable energy projects. The loan is paid back over time through a voluntary assessment on the property tax.

MS. KILCOYNE highlighted important features of the C-PACE program:

- Businesses pay an administrative fee to participate, which is meant to offset the cost of operating and administering the program. There is no cost to taxpayers.
- The program is voluntary. Cities and boroughs that assess taxes may opt in and businesses may choose to participate.
- This financing tool is not a subsidy, tax credit, or tax incentive. The financing is private; the municipality serves as a middleman to help de-risk the project.
- The intention is to activate projects and investment. The tax assessment provide security that strengthens the case for businesses to invest in longer payback and deeper building retrofits than is seen with conventional financing.

MS. KILCOYNE reported that MOA is aware of property owners that are interested in applying to finance large projects, primarily for new construction, if HB 227 were to pass.

[1:24:35 PM](#)

MS. KILCOYNE turned to slide 3 to discuss the history of C-PACE in Alaska. She explained Alaska C-Pace embodies government policy that commercial, clean energy projects are a public benefit similar to a sewer or public road extension. She noted that the MatSu Borough uses the program for a natural gas changeover. When initially passed in 2017, the Alaska Energy Authority coordinated a PACE advisory committee to get the program started. With a grant from the U.S. Department of Energy, the committee was able to hire McKinley Research Group and PACE Financial Servicing to design and implement the program and work on administration. She said MOA worked with the PACE advisory committee and other communities throughout the process.

They developed a handbook and supporting documents to set the stage for one statewide program.

[1:25:26 PM](#)

KILCOYNE displayed the matrix on slide 4 that lays out the "what and why" of C-Pace. She recounted the benefits of C-PACE in reducing risk.

- Priority Lien: Existing lienholders must consent in writing to the additional assessment because they are taking a subordinated lien position. She acknowledged that mortgage holders are generally reluctant to accept this subordinate position.
- Transferable: The lien is tied to the property and not the owner. The loan goes with the building if it is sold. This reduces risk for both the lender and borrower.
- No Upfront Project Cost: A property owner can invest with no out-of-pocket money; they can roll in hard and soft costs, including the required energy audit and energy and permitting.
- Requires Project to Pencil Out: Per the statute, projects must have a savings to investment ratio (SIR) of at least one. The investment must pay for itself through the savings on the energy bills. The projects are expected to be cashflow positive from the start and they are structured so the savings are greater than the loan payment.
- Increases Property Value: Installing advanced technology mechanisms improves operation and thus value.
- Long Term, Fixed-rate Nonrecourse Financing: Better interest rates are generally available when the loan is longer term. This helps a project pencil out and reduces risk for lenders. The term of the project currently may extend 20 years. The loan is nonrecourse so the assessment is tied to the asset, not the property owner and their other assets. The rates are typically better than conventional financing or mezzanine debt.

[1:27:53 PM](#)

MS. KILCOYNE reported that as of 2020, 37 states and the District of Columbia had enabled C-PACE legislation. Nationwide, just over \$2 billion was invested in 2,560 commercial projects, creating 24,000 jobs. This has made it possible for MOA to look at a lot of examples throughout the development process. She noted that Alaska statutes governing C-PACE are among the most restrictive of any state.

She advised that MOA implemented C-PACE in 2021 and she understands that both the Kenai Borough and MatSu Borough are waiting to see if HB 227 passes before moving forward to implement a program. MOA has also been in contact with Juneau, Sitka, and Fairbanks with the intention of creating a single statewide program.

1:29:30 PM

MS. KILCOYNE moved to slide 7 and explained that the role of the administrator is to determine whether the property owner, the property, and the project are eligible. She clarified that once eligibility has been determined, the property owner and lender will still go through the underwriting process to determine the ability to pay. She relayed that in the near term the projects likely would be over \$300,000 and those currently under review were multi-million dollar projects.

MS. KILCOYNE highlighted that MOA hopes to improve some of the project eligibility provisions in HB 227. This includes the requirement that the projected savings over the life of the assessment must be more than the financed project, and that the maximum financing may not exceed 20 percent of the assessed value of the property at the time of the application.

1:30:50 PM

MS. KILCOYNE turned to slide 8 that provides examples of improvements that would be eligible For C-PACE financing. For a project to be eligible, it means the installation or modification of permanent improvements intend to reduce energy consumption or demand, energy costs or emissions affecting local air quality.

MS. KILCOYNE provided the following explanation of the delinquency or default provisions.

C-PACE liens are prior and paramount to all liens except municipal tax liens and other special assessments. Like other special assessments, a lien for a delinquent C-PACE assessment is on par with property taxes. The municipality is responsible for recording the benefit assessment once the application is complete and accepted. We would bill per the repayment schedule, much like a tax bill, and then we would process those payments from the borrower and remit the correct funds to the lender, keeping an administrative fee.

Municipalities are not at any point guaranteeing the collection of those funds. So that means that in the event of a delinquency, the municipality follows its existing proceedings and we're not required to pay the capital if the owner is delinquent. So then once that property is sold, the loan is sold with it and the new owner would make any payments, pay any penalties and interest, or payments in arrears.

I'll note again that this is non-accelerating so if there is a default, only the past due part of the financing is senior to a mortgage lender's claim. And I'll add that there've been no foreclosures as a result of a delinquent C-PACE assessment nationally.

[1:32:37 PM](#)

MS. KILCOYNE highlighted that HB 227 is based on best practices and the changes to the C-PACE program in the last five to ten years. MOA believes that the amendments in HB 227 will bring the program in line with how it's used nationally. Slide 10 lists these best practice changes:

1. Include New Construction
2. Allow Resiliency Projects
3. Allow Refinancing
4. Refer to 25 % of Market Value
5. Max 30 year, Eliminate the Savings-to-Investment Ratio (SIR)

MS. KILCOYNE described the addition of new construction as the largest change to the C-PACE program. This is allowed in 25 state programs and the District of Columbia. These comprise about half of the C-PACE transactions in the last two years. It offers developers more opportunity for financing beyond mezzanine debt and it facilitates more energy efficient buildings. She said she sees C-PACE as a standard part of the capital stack for new construction. This means better quality and more efficient buildings, which aligns with the intent of the legislation.

MS. KILCOYNE advised that the market trend is for greater use of C-PACE financing for resiliency projects. HB 227 authorizes resiliency projects that support the following:

- seismic improvements
- fire hardening, fire or wind resistance

- stormwater management, flood mitigation and protection
- erosion management
- water or wastewater efficiency including reuse and energy recovery
- microgrids for energy storage and backup power generation
- electric vehicle charging infrastructure
- retrofitting that improves the envelope, structure, or systems of the building, and any other improvement project approved by a municipality as a resilience improvement project

She highlighted that the state will receive about \$50 million for EV charging infrastructure in the next five years.

[1:36:36 PM](#)

MS. KILCOYNE reviewed the provisions on slide 13 for refinancing C-PACE projects:

AS 29.5.160 defines "finance" and "financing" to include "refinancing" throughout AS 29.55.100 - 29.55.165.

- Explicitly allows traditional refinancing of loans
- Allows refinancing of completed eligible projects

MS. KILCOYNE displayed slide 14 and noted that the sponsor clearly explained that moving from assessment to a market value makes sense.

MS. KILCOYNE briefly reviewed slide 15, 30 Year Max and No SIR:

- Extends the current requirement that the loan does not exceed 20 years
- If new construction and resiliency are allowed, SIR requirements are not relevant
- Capital Providers decide what they will and won't finance

[1:37:56 PM](#)

CHAIR COSTELLO asked what the acronym C-PACE stands for.

MR. JOHNSTON answered that it stands for Commercial Property Assessed Clean Energy assessments.

[1:38:30 PM](#)

TOM BENKERT, Business Development Manager, KI Energy, Wasilla, Alaska, stated that many KI customers are interested in taking advantage of C-PACE as it appears in HB 227. The bill clarifies, improves, and expands eligible use of C-PACE and provides flexibility for financing to improve the performance of commercial buildings through alternative energy, energy efficiency, and energy storage, all of which will reduce operating costs over the long term. The bill also supports microgrid development, which is important because of the number of microgrids in Alaska. The resiliency measures also greatly improve the bill. He said it's important for his clients that the bill authorizes new construction projects for C-PACE financing.

[1:41:37 PM](#)

MR. BENKERT continued to recount the additions in HB 227 that improve the existing law for the benefit of commercial property owners and developers. The energy improvements represent a long-term reduction in utility costs for commercial building owners which will increase net operating income. Lenders like C-PACE because it reduces risk.

MR. BENKERT stated that the improvements to C-PACE by passage of SB 227 will: create jobs; put energy contractors to work; benefit businesses and local governments by increasing economic activity; and reduce the cost and risk of building projects.

CHAIR COSTELLO thanked him for the thorough review of the bill.

[1:45:31 PM](#)

CHAIR COSTELLO moved the Senate committee substitute (SCS) for HB 227, work order 32-LS1028\W, as the working document.

[1:45:46 PM](#)

SENATOR REVAK objected for purposes of discussion.

[1:45:59 PM](#)

At ease.

[1:46:11 PM](#)

CHAIR COSTELLO reconvened the meeting and asked Ms. McCall to go through the changes between version G and version W of HB 227.

[1:46:15 PM](#)

KATIE MCCALL, Staff, Senator Mia Costello, Alaska State Legislature, Juneau, Alaska, advised that version W of HB 227 removes some sunset provisions that were added in the previous committee of referral. The sponsor requested the committee remove the sunsets because they potentially jeopardize the loan program.

Version W removes Sections 24-26 that appear in version G.

[1:47:00 PM](#)

SENATOR REVAK removed his objection.

CHAIR COSTELLO found no further objection and version W was adopted. She asked Representative Schrage to provide his view of the Senate committee substitute, version W.

[1:47:16 PM](#)

REPRESENTATIVE SCHRAGE stated that he supports version W of HB 227.

[1:47:41 PM](#)

CHAIR COSTELLO opened public testimony on HB 227.

[1:47:59 PM](#)

TOM NEUKRANZ, CEO, Global Pacific Capital (GPC), Sausalito, California, stated that GPC has experience with businesses in other states using C-PACE, and they have been working closely with the sponsor's staff. He related that GPC's clients primarily use C-PACE for new construction, so he is very pleased to see this is included in HB 227. It accounts for about 90 percent of the demand today. He reported that their clients are spending 100 percent of the capital GPC can provide to finance energy reduction, to build renewable energy, to reduce the use of water, and to seismically harden buildings. He noted that GPC currently is engaged in several projects in Anchorage and they look forward to passage of the bill.

[1:49:42 PM](#)

CHAIR COSTELLO closed public testimony on HB 227 and solicited a motion.

[1:49:52 PM](#)

SENATOR MICCICHE stated he had an amendment.

[1:49:56 PM](#)

At ease.

[1:50:11 PM](#)

CHAIR COSTELLO reconvened the meeting and stated she would hold HB 227 for further consideration.

HB 132-SCHOOL APPRENTICESHIP PROGS; TAX CREDITS

[1:50:21 PM](#)

CHAIR COSTELLO announced the consideration of CS FOR HOUSE BILL NO. 132(FIN) "An Act relating to technical education and registered apprenticeships."

She noted that this was a House Labor and Commerce committee bill. She asked the co-chairs of that committee to provide the introduction.

[1:51:48 PM](#)

REPRESENTATIVE IVY SPOHNHOLZ, Alaska State Legislature, Juneau, Alaska, Co-Chair House Labor and Commerce Committee, thanked the chair for hearing HB 132 that is also known as the Alaska Apprenticeship Expansion Act. The bill strengthens collaboration between the Department of Labor and Workforce Development (DOLWD) and the Department of Education and Early Development (DEED), which is intended to ensure maximum opportunities for Alaskans in secondary school and college to receive dual credit learning. The bill positions Alaska to be able to expand access to the apprenticeship model of learning. In particular, this "learn while you earn" model is being used more frequently in the health care industry. She deferred to her co-chair to provide a more in-depth review of the bill.

[1:53:13 PM](#)

REPRESENTATIVE ZACK FIELDS, Alaska State Legislature, Juneau, Alaska, Co-Chair House Labor and Commerce Committee introduced HB 132 with the PowerPoint: Apprenticeship and CTE Expansion Act.

REPRESENTATIVE FIELDS reviewed slide 2:

- Alaska has high-performing apprenticeship programs in traditional trades, and recent innovation with apprenticeship in new industries
- School districts want to expand CTE and school-to-apprenticeship but need support to meet demand
- Other states and nations have shown potential to expand apprenticeship & CTE

- Expansion of apprenticeship and CTE helps people pull themselves up by their bootstraps without student debt
- Good state policy positions us to capture and capitalize on federal apprenticeship grants
- Youth participation in work-based learning helps young people enter good careers and contributes to meeting education policy objectives

[1:54:49 PM](#)

REPRESENTATIVE FIELDS discussed what the bill does, the first of which is to provide statutory support for the departments of labor and education to coordinate. He reviewed slide 3:

- Directs DOLWD and DEED to collaborate in provision of technical and financial support for:
 - School to apprenticeship programs
 - Science, Math, and Engineering CTE programs
- Lowers the age at which youth can participate in workplace learning

He noted that language about lowering the age for youth participation came from Representative McCarty's HB 108, and he would talk about this strengthening measure later in the presentation.

REPRESENTATIVE FIELDS discussed the provisions on slide 4 for High School and College Credit for CTE and Apprenticeship:

- Directs University to explore ways to expand dual credit for CTE courses and college credit for participants in apprenticeship
- Directs school districts to offer and support concurrent vocational education, training, and on-the-job trade experience programs

He highlighted that the Primary Care Association has apprenticeship programs where students can earn college credit, which opens a college path for people who cannot afford to attend full time. He also noted that language from HB 108 was incorporated that supports school districts that offer concurrent vocational education and on-the-job training programs.

[1:56:43 PM](#)

REPRESENTATIVE FIELDS displayed slide 5 that shows the logos of some of the organizations that support HB 132. He noted the wide range of sectors that are represented.

REPRESENTATIVE FIELDS reported that the Senate Education Committee removed the tax credit for apprenticeship programs that was in the original bill, which brought the cost of the bill to zero.

REPRESENTATIVE FIELDS summarized that HB 132: incentivizes employer participation, encourages cross-departmental collaboration, supports school districts, and expands dual credit and post-secondary pathways

CHAIR COSTELLO commented on the benefits and her support of CTE and the concept in the bill. She asked if other states have this program and where the idea for the legislation come from.

REPRESENTATIVE FIELDS replied part of the idea for the legislation stemmed from conversations with Representative McCarty about supporting CTE and apprenticeships when he was serving on the Mental Health Trust Authority Board. He also credited CTE coordinators at the school district level and the Alaska Primary Care Association for some of the concepts in the bill. Furthermore, the bill is informed by research in support of apprenticeships and CTE from Switzerland, Germany, and South Carolina.

CHAIR COSTELLO asked Representative McCarty to explain his participation in the bill.

[2:00:19 PM](#)

REPRESENTATIVE KEN MCCARTY, Alaska State Legislature, Juneau, Alaska, confirmed that he and Representative Fields discussed some of the concepts in HB 132 many years ago. Ideas also came from sixth grade students who were already thinking about good jobs in their future. He noted that his support for these students was represented by the Bill Bear sign he was holding, and that it would be returned once the bill was signed into law.

He pointed out that the concepts in the bill were already partially realized. For example, there is concurrent enrollment in college but not in high school. Certification credit needs to be recognized by the industry, not just a piece of paper from a high school. People in the community are industry masters and the bill allows those individuals to receive "M" certification so they can go into schools or schools can send students to the

facilities that are in the community. This eliminates the need for the state to purchase appropriate training equipment for each school.

REPRESENTATIVE MCCARTY stated that other provisions in the bill allow a 14-year-old student to start the training process with book learning and proceed to hands-on training at age 16. The bill also adds an hour to the number of hours a student can work and it extends OSHA guidelines to relatives working in a family business. The bill is about eliminating barriers to CTE training so people can get to work and stay over the long term.

[2:05:34 PM](#)

CHAIR COSTELLO turned to invited testimony on HB 132.

[2:05:50 PM](#)

ANNE VELARDI, Statewide Apprenticeship Coordinator, Department of Labor and Workforce Development (DOLWD), Anchorage, Alaska, stated she had no prepared comments but was available to answer questions.

CHAIR COSTELLO asked if she was currently working with programs like this and how this would change if HB 132 were to become law.

[2:06:20 PM](#)

MS. VELARDI stated that her team was currently working on school to apprenticeship and pre-apprenticeship programs with private employers and school districts, as well Alaska Works Partnership. They have reached out to various school districts to ascertain interest in these programs. She opined that an important component is for school districts to find employers who are interested in working with students in the district.

[2:07:35 PM](#)

CHAIR COSTELLO asked where parents and students can find information about existing programs.

MS. VERLARDI offered her belief that they only exist in the Fairbanks North Star Borough School District.

[2:08:02 PM](#)

JARED KOSIN, President and CEO, Alaska State Hospital and Nursing Home Association (ASHNHA), Anchorage, Alaska, stated that the shortage of workers in the health care field is a long-standing problem that came to a head with burnout associated with the COVID-19 pandemic. The expectation is that this will be

an issue for years. National statistics show that 18 percent of the national workforce have quit their jobs since 2020. Reliance on temporary health care staff has grown 33 percent since 2019, and Alaska is experiencing these same shortages. Over 6,300 health care openings must be filled each year to keep up with demand and worker exits. Adding to the problem, the health care industry in Alaska is projected to need to add more than 5,000 new health care jobs in the next 10 years. This is more than any other sector in the state.

MR. KOSIN posited that growing our own workforce is the only way to meet this challenge. Efforts to create and expand career and technical education programs, including pre-apprenticeship and school apprenticeship programs, is what is needed to prepare Alaskans for professions in the health care field. Exposing younger Alaskans to the real opportunity in health care is vital and HB 132 will help advance that effort.

[2:10:08 PM](#)

MISSY FRAZE, Director, Career and Technical Education, Anchorage School District, Anchorage, Alaska, stated that career and technical education is vital to the economic prosperity of the state. She expressed appreciation that HB 132 supports innovation and access to quality CTE programs. It establishes a framework for school districts to develop pathways for students to enter high skilled jobs.

[2:11:55 PM](#)

CHAIR COSTELLO asked her to comment on the change in age and the effective date and whether school districts would provide opportunities for students over 14 years of age to participate concurrently in vocational education, training, and on-the-job trade experience programs.

MS. FRAZE replied that her school district already has CTE opportunities for students beginning in middle school for job shadowing and guest speaking. The high school programs have internships for students on a career path and those are turning into jobs. These opportunities connect students to the community. She offered her belief that the age change didn't have a negative effect. Students in fifth grade are already deciding what they don't want to do in life so lowering the age requirement could be seen as a benefit for students.

[2:13:35 PM](#)

CHAIR COSTELLO opened public testimony on HB 132; finding none, she closed public testimony.

2:13:52 PM

CHAIR COSTELLO held HB 132 in committee awaiting an amendment.

2:14:07 PM

There being no further business to come before the committee, Chair Costello adjourned the Senate Labor and Commerce Standing Committee meeting at 2:14 p.m.