

SENATE FINANCE COMMITTEE

May 11, 2023

9:03 a.m.

9:03:26 AM

CALL TO ORDER

Co-Chair Olson called the Senate Finance Committee meeting to order at 9:03 a.m.

MEMBERS PRESENT

Senator Lyman Hoffman, Co-Chair  
Senator Donny Olson, Co-Chair  
Senator Bert Stedman, Co-Chair  
Senator Click Bishop  
Senator Jesse Kiehl  
Senator Kelly Merrick  
Senator David Wilson

MEMBERS ABSENT

None

ALSO PRESENT

Ken Alper, Staff, Senator Donny Olson; Senator Gary Stevens, Sponsor; Tim Lamkin, Staff, Senator Gary Stevens; Stuart Cohen, Self, Juneau.

PRESENT VIA TELECONFERENCE

Akis Gialopsos, Deputy Executive Director, Alaska Housing Finance Corporation; Curtis Thayer, Executive Director, Alaska Energy Authority.

SUMMARY

SB 89      AGE FOR TOBACCO/NICOTINE/E-CIG; TAX E-CIG

CSSB 89(FIN) was REPORTED out of committee with three "do pass" recommendations, two "no recommendation" recommendations, and one "amend" recommendation and with one new zero fiscal note from the Judiciary, one new fiscal impact note from the Department of Revenue, and six

previously published zero fiscal notes: FN1 (CED), FN2 (ADM), FN3 (ADM), FN4 (DOH), FN6 (DPS), and FN7 (LAW).

SB 125 AK HOUSING FINANCE CORP: SUSTAIN ENERGY

SB 25 was HEARD and HELD in committee for further consideration.

Co-Chair Olson recognized former Representative Chuck Degnan from Unalakleet in the gallery.

#sb125

SENATE BILL NO. 125

"An Act relating to subsidiary corporations of the Alaska Housing Finance Corporation; and establishing the Alaska energy independence fund."

[9:04:16 AM](#)

Co-Chair Olson relayed that it was the first hearing for SB 125.

[9:04:41 AM](#)

AT EASE

[9:20:18 AM](#)

RECONVENED

#sb89

SENATE BILL NO. 89

"An Act relating to tobacco, tobacco products, electronic smoking products, nicotine, and products containing nicotine; raising the minimum age to purchase, sell, exchange, or possess tobacco, a product containing nicotine, or an electronic smoking product; relating to the taxation of electronic smoking products and vapor products; and providing for an effective date."

[9:20:24 AM](#)

Co-Chair Olson informed the committee that due to technical difficulties SB 89 would be taken up before SB 125.

9:20:43 AM

Senator Kiehl MOVED to ADOPT proposed committee substitute for SB 89, Work Draft 33-LS0247\R (Nauman, 5/10/23).

Co-Chair Olson OBJECTED for discussion.

9:21:08 AM

KEN ALPER, STAFF, SENATOR DONNY OLSON, confirmed that all members had the summary of changes for the committee substitute as well as the most current version of the bill.

Mr. Alper referenced a summary of changes document (copy on file):

CS for Senate Bill 89: Age for Tobacco / E-Cigarette Tax Changes from Labor & Commerce Committee Version ("U" to "R")

Change #1: Page 1, line 4. Adds reference in the title to the tobacco use and cessation fund.

Change #2: Page 3, lines 24 to 26. Requires a mandatory court appearance with a parent or guardian for minors (under 18) caught possessing tobacco or e-cig products.

Change #3: Deletes former Section 5, the internet sales ban for cigarettes and Other Tobacco Products (OTP) to private individuals.

Change #4: Page 4, line 12. Increases the age for online sales of e-cig products to persons aged 21 and over. It also maintains online sales of e-cig products to private individuals, provided there is an age verification process, and the tax is paid.

Change #5: Page 6, lines 6 to 15. Adds new Section 11, moving the Tobacco Use Education and Cessation Fund (AS 37.05.580) to a separate fund within the state treasury, instead of being a special account within the general fund.

Change #6: Page 8, lines 7 to 12. Adds new Section 16, relating to the Tobacco Use Education and Cessation

Fund, reflecting three revenue sources going into the fund:

- (1) 20% of the annual payment under the Tobacco Master Settlement Agreement;
- (2) 8.9% of the general portion of the cigarette tax; and
- (3) the proceeds from the new tax on electronic smoking products (ESPs).

Change #7: Page 10, lines 17-20. Requires an online vender with 200 or more transactions in the state to register with DOR, and collect and remit the tax.

Change #8: Page 11, lines 2 to 3. Further clarifies that marijuana and hemp products are exempted from the tax under this bill if those products do not also contain nicotine.

Change #9: Page 12, line 30 to page 13, line 3. The new tax revenues are deposited into the Tobacco Use Education and Cessation Fund, and may be used by the tobacco control program managed by the Department of Health for efforts to prevent tobacco and ESP use in schools.

Change #10: Page 15, line 7. Lowers the maximum nicotine concentration of ESPs from 60 to 50mg/ml.

[9:25:02 AM](#)

SENATOR GARY STEVENS, SPONSOR, asserted that the bill protected children from becoming addicted to nicotine. He appreciated the work that had been done on the legislation and approved of the changes in the CS.

[9:25:35 AM](#)

Senator Wilson asked whether there was a timeline for the state to move to a T-21 in order to receive federal funds or settlements.

[9:25:58 AM](#)

TIM LAMKIN, STAFF, SENATOR GARY STEVENS, informed that the timeframe had passed in December 2022, which meant that the

state could lose out on federal funds if the bill did not pass.

Senator Wilson wondered if there should be a quick T-21 bill to ensure that the state did not lose federal funding opportunities.

Mr. Lamkin thought that Senator Wilson's idea would be a policy decision. He argued that taxing the products was the single best way to keep people from smoking.

[9:27:16 AM](#)

Co-Chair Olson WITHDREW his objection. There being NO further OBJECTION, it was so ordered. The CS for SB 89 was ADOPTED.

[9:27:27 AM](#)

Senator Kiehl MOVED to report CSSB 89(FIN) out of Committee with individual recommendations and the accompanying fiscal notes. There being NO OBJECTION, it was so ordered.

CSSB 89(FIN) was REPORTED out of committee with three "do pass" recommendations, two "no recommendation" recommendations, and one "amend" recommendation and with one new zero fiscal note from the Judiciary, one new fiscal impact note from the Department of Revenue, and six previously published zero fiscal notes: FN1 (CED), FN2 (ADM), FN3 (ADM), FN4 (DOH), FN6 (DPS), and FN7 (LAW).

[9:27:42 AM](#)

AT EASE

[9:32:23 AM](#)

RECONVENED

#sb125

SENATE BILL NO. 125

"An Act relating to subsidiary corporations of the Alaska Housing Finance Corporation; and establishing the Alaska energy independence fund."

[9:32:28 AM](#)

Co-Chair Olson reiterated that it was the first hearing for SB 125.

[9:32:48 AM](#)

AKIS GIALOPSOS, DEPUTY EXECUTIVE DIRECTOR, ALASKA HOUSING FINANCE CORPORATION (via teleconference), introduced his fellow presenter.

[9:33:20 AM](#)

CURTIS THAYER, EXECUTIVE DIRECTOR, ALASKA ENERGY AUTHORITY (via teleconference), introduced himself for the record.

Mr. Gialopsos addressed a PowerPoint presentation entitled "Senate Bill 125: Alaska's Energy Independence Fund," (copy on file). He showed slide 2, which introduced himself and Mr. Thayer.

[9:34:10 AM](#)

Mr. Gialopsos advanced to slide 3, "PRESENTATION OUTLINE":

- Senate Bill 125 overview & implementation
- Policy objectives
- Role of Alaska Housing Finance Corporation
- Role of Alaska Energy Authority

[9:35:00 AM](#)

Mr. Gialopsos showed slide 4, "SENATE BILL 125: OVERVIEW":

Senate Bill 125 (and House Bill 154) proposes two actions for the

Legislature's consideration:

1. Empowers AHFC to work with AEA on developing sustainable energy development through several tools, including establishing non-profit subsidiary corporations.

2. Establishes the Alaska Energy Independence Fund (AEIF) with the intent to be managed by AHFC's non-profit subsidiary corporation. The fund is capitalized with General Funds initially and federal receipt authority.

[9:36:32 AM](#)

Mr. Gialopsos spoke to slide 5, "SENATE BILL 125: PROPOSED POLICY IMPLEMENTATION PROCESS":

1. Legislation creating the Alaska Energy Independence Fund & empowering AHFC to create a non-profit subsidiary passes and is enacted
2. The AHFC Board of Directors, in consultation with legal counsel, creates a non-profit subsidiary corporation to manage the AEIF. That creation includes bylaws and initial regulations by AHFC for the non-profit subsidiary
3. The created non-profit subsidiary acquires relevant staff, and works with the Alaska Energy Authority and AHFC on crafting the sustainable energy development programs articulated in Senate Bill 125
4. The created non-profit subsidiary pursues federal funding opportunities and establishes relationships with financial institutions to begin capital aggregation

Mr. Gialopsos summarized that the end result of the subsidiary and the fund being implemented would be the establishment of a "green bank"; a lending institution that would aid in sustainable development programs that faced capital restraints.

[9:39:32 AM](#)

Co-Chair Stedman wondered why the proposed project would not be under the Alaska Energy Authority.

Mr. Gialopsos answered that AHFC had a unique history in being able to create subsidiary corporations. He considered that AHFC had the ability to create the corporate architecture necessary to derive a special purpose vehicle.

[9:41:53 AM](#)

Mr. Thayer asked Co-Chair Stedman to repeat the question.

Co-Chair Stedman asked about the concept behind putting the proposed program under AHFC instead of AEA.

Mr. Thayer relayed that AHFC had been the best economical choice for housing the program.

[9:43:35 AM](#)

Senator Wilson followed up on Co-Chair Stedman's question. He thought AEA had similar programs, and queried whether the program would be redundant. He wondered about the level of expertise of the staff running the programs.

Mr. Thayer said that he could not hear the questions due to technical difficulties.

[9:44:49 AM](#)

AT EASE

[9:47:04 AM](#)

RECONVENED

Co-Chair Olson informed the committee that because of technical difficulties the meeting would stand at recess.

[9:47:25 AM](#)

RECESSED

[10:42:26 AM](#)

RECONVENED

Co-Chair Olson explained that the technical issues had been dealt with and the hearing on SB 125 would continue where it left off on slide 5.

[10:43:26 AM](#)

Mr. Gialopsos addressed an earlier question from Co-Chair Stedman related to the implementation of the bill and housing a subsidiary corporation as a green bank within AHFC. He noted that the answer was two-fold. He recounted that the AHFC had a history of dealing with developing financial instrumentation and collaborating with institutional investors to ensure that capital could be delivered appropriately to serve Alaskans. He explained that additionally, AHFC had a history of collaborating with AEA to stand up subsidiary corporations that would allow for the requisite structure of corporate governance. He noted that a green bank, while not taking direct deposits, would be involved in implementing and regulating financial instrumentation, which would result in a degree of liability.

[10:45:06 AM](#)

Mr. Gialopsos advanced to slide 6, "POLICY OBJECTIVES":

Creating and capitalizing Alaska Energy Independence Fund may help Alaska compete for federal funding opportunities to improve the energy profile for homes and businesses:

- U.S. Environmental Protection Agency's Greenhouse Gas Reduction Fund grant opportunity from a pool of \$27 billion in available funding (no Notice of Funding Opportunity yet; application period estimated summer 2023)
- Waivers from the Department of Energy for loan guarantees if funded through a State Energy Finance Institute (e.g. AEIF)
- Stacked with energy tax credits for businesses

Mr. Gialopsos recounted the passage of the Infrastructure Investment and Jobs Act (IIJA) and the Inflation Reduction Act, which had allowed for multifaceted forms of funding to come through federal funding agencies to pursue several goals. He pointed out that Alaska used the funds for infrastructure and energy development. He noted that Alaska was the only state in the union, besides Hawaii, that did not have a connection to the rest of the united states. He said that by being able to pursue federal funding through the Greenhouse Gas Reduction Fund the AHFC, with conjunction with AEA, would make it competitive to import capital and develop meaningful financial products to assist with the cost of energy in the state. He said that the stacked credits were limited to 2032.

[10:48:18 AM](#)

Senator Bishop asked if AHFC had enough people on staff, and whether going after grant funds would be a joint venture between AHFC and AEA.

Mr. Gialopsos relayed that the subsidiary corporation had a request of 2 initial PCNs. The positions would be a Project Coordinator and an assistant who would work directly with AHFC, AEA, and the governor's office to make sure the state had the resources to pursue the federal funds.

[10:50:16 AM](#)

Senator Bishop pointed out the timeline of the federal funds and stressed that time was of the essence for capturing the federal funds.

[10:50:42 AM](#)

Senator Wilson considered slide 6 and considered funding that might be needed to achieve the proposed policy.

Mr. Gialopsos relayed that AHFC believed that the venture could be competitively placed to interact and achieve a significant portion of the funds. He said that there were quantifiable aspects to the funding, particularly a \$6 million tranche that was specifically directed to community development that Alaska had a very good chance of being awarded, which if achieved would help the subsidiary achieve one-quarter of the federal authority.

[10:52:41 AM](#)

Mr. Gialopsos reviewed slide 7, "ROLE OF AHFC":

AHFC has a 50-year tradition of meeting needs of Alaskans.

- Standing up programs to help Alaskans in need
  - Emergency Rental Assistance and Homeowner Assistance
  - Home Energy Rebate
- Standing up subsidiaries to meet policy needs of Alaskans
  - Alaska Corporation on Affordable Housing
  - Alaska Gasline Development Corporation (originally a subsidiary of AHFC)

Mr. Gialopsos referred to an earlier question about why the project would be housed under AHFC and whether it would create redundancies. He stressed that AHFC had a half century of work meeting Alaskan's needs. He referenced Senator Bishop's question about time sensitivity and mentioned the successful energy efficiency projects implemented by the agency. He expounded on the successes of AHFC in the realms of rental and housing assistance and energy efficiency. He discussed the various subsidiaries housed within AHFC.

[10:56:51 AM](#)

Mr. Gialopsos showed slide 8, "ABOUT AEA," which offered an overview of AEA. He said that AEA was designed to manage the Power Cost Equalization program. The slide listed the various work done by AEA in the state. He concluded that that AEA had a significant bench of technical expertise for identifying sustainable projects.

[10:58:53 AM](#)

Senator Wilson wanted to understand the purpose of the proposed new loan program. He queried the size of the loans and how the loans differed from funds available from other programs.

Mr. Gialopsos agreed to provide the response to Senator Wilson's question in writing.

[11:00:07 AM](#)

STUART COHEN, SELF, JUNEAU, spoke in support of the bill. He thought that a successful and well administered green bank program would protect public money and have a real work impact. He shared that he was working with a heat pump program in Juneau that would provide loans for residents. The loans allowed for financing of heat pumps; the income from the program helped finance the program. He said to offer the loans, a source of low-cost capital was needed.

SB 125 was HEARD and HELD in committee for further consideration.

Co-Chair Olson discussed housekeeping.

#

ADJOURNMENT

[11:02:58 AM](#)

The meeting was adjourned at 11:02 a.m.