

HOUSE/SENATE FINANCE COMMITTEE MINUTES - 1967-1982 2714

last part deals with limited entry, he stated, and all it does is change the requirement that all documents have to be maintained "in my name". It would allow them to be in the bank's name, he said.

[Vice Chairman Freeman left at this time, and Representative Duncan conducted the meeting.]

Representative Rogers moved the following amendments to HB 961:

AMENDMENTS

page 3, line 20 - After "FISH" insert "AND AGRICULTURAL PRODUCTS";

page 3, line 26 - After "processing" insert "or agricultural product precessing";

page 4, line 11 - After "plants" insert "or agricultural product processing plants";

page 4, At the end of line 12 - Insert "or agricultural product processing".

There being no objection, the amendments were adopted. Representative Rogers also pointed out a typographical error on page 1, line 10, that "AS 44." should also be underlined. Referring to construction of new plants, Representative Rogers stated he feels the State would want to help them more and try to encourage some resident ownership. He indicated he would draft language and make this in a House Floor amendment.

ADOPTED

Representative Rogers moved to report out Finance Committee Substitute for HB 961 as amended. There being no objection, it was so ordered. Finance CS for HB 961 was reported out with individual recommendation, pending the return of the Vice Chairman.

FINANCE CS
FOR HB 961
REPORTED OUT

HB 969 and HB were brought up for consideration:

HB 969 - "An Act relating to salmon fisheries enhancement."

HB 969

HB 970 - "An Act making a special appropriation for regional aquaculture associations; and providing for an effective date."

HB 970

John Sund provided the overview on HB 969 and distributed handouts: Attorney General's opinion regarding constitutionality of HB 969 (Attachment 3) and amendments suggested by the Attorney General's Office (Attachment 4). Mr. Sund briefed the Committee on the amendments.

During discussion on fiscal notes, Representative Rogers asked if there was one from the Department of Commerce and Economic Development reflecting the election, and Mr. Sund indicated no, but that he would get one. Referring to the fiscal note from the Department of Revenue for \$92.7, Representative Rogers stated this does not involve any new general funds, and Mr. Sund indicated that is correct, except for the first year, which is covered in HB 970.

Representative Haugen stated, if limited entry permit holders are the only ones who can vote, seiners would have no say in the assessment, which is unfair. He said that's what was wrong with the original bill, too. In response, Mr. Sund acknowledged the problem, but added that limited entry permit holders are the only ones authorized to sell fish commercially under current law, and the language in this bill is consistent with the present statute. He stated he feels the amendments presented conform to the Attorney General's opinion on constitutionality.

Discussing the fiscal note on HB 970, Mr. Sund advised the numbers were arrived at by calculations based on 3%, with the exception of Cook Inlet Regional Aquaculture Association which was calculated at 2%. According to Mr. Heimbach, director, Cook Inlet's figure should be \$437,000 to be consistent with the Southern and Northern Southeast Aquaculture Associations, he said. Mr. Sund recommended the Cook Inlet figure be increased from \$275,000 to "\$437,000".

Testifying at this time was David Nanney from Haines. He questioned the constitutionality of this new assessment and offered his observations. He advised the organizations he represents have basic philosophical objections to the way the whole thing works in that it takes a large percentage of the fishermen's income and puts it into something specific--"enhancement". As far as it stands right now, he stated, historically, this is not their number one priority; and in fact, it is probably the last priority as far as the fishing industry is concerned. He listed those priorities they consider more important, such as quality, wildstock enhancement, stabilization of limited entry, habitat protection, development of new fisheries, international agreements on fisheries. He stated their main objection to this whole effort is that the 3% is going into hatcheries-type enhancement projects, which is the least of the fishing industry problems, yet it seems to be getting "very heavy weighting" as far as the amount of money involved, etc.

[There was a brief at ease at this time, while Representative Duncan recapped for Vice Chairman Freeman, who had just returned to the meeting. The Committee Report for HB 961 was signed at this time.]

AT EASE

Representative Duncan moved to incorporate the Attorney General's suggested amendments into a Finance Committee Substitute for HB 969. There being no objection, it was so ordered.

AMENDMENTS

ADOPTED

Representative Schaeffer moved to report out Finance Committee Substitute for HB 969 as amended. Representative Smith objected. The question was called for, and the motion carried (5 in favor; Smith & Duncan opposed). There being no further objection, CSHB 969 (Finance) was reported out with individual recommendation.

CSHB 969
(FINANCE)
REPORTED OUT

Representative Duncan moved to increase the amount for Cook Inlet Regional Aquaculture Association to \$437,000 in HB 970, making total appropriation \$1,628,000. There being no objection, it was so ordered.

AMENDMENTS

ADOPTED

Representative Schaeffer moved to report out Finance Committee Substitute for HB 970 as amended. Representative Smith objected. The question was called for, and the motion carried (5 in favor; Smith & Duncan opposed). There being no further objection, CSHB 970 (Finance) was reported out with individual recommendation.

CSHB 970
(FINANCE)
REPORTED OUT

The meeting adjourned at 3:15 p.m.

ADJOURN

Tape HFC 80-49 Side 1 #209 - End
 Side 2 #001 - End
 80-50 Side 1 #001 - #005

Berdine

Proposed Amendments to HB 962

Page 2, line 12: (8) permits the Commissioner of Revenue or his designee and the legislative Division of Budget and Audit to inspect its offices and its accounts to determine whether it meets the criteria described in this subsection.

Page 2, line 14: (9) has its main offices in the State of Alaska and provides that the annual meeting of the membership and all meetings of the full board of directors shall be held in the state.

Page 2, line 14:
insert: (10) is not organized for the purpose of promoting and does not promote species of seafood products by geographic origin other than from the State of Alaska.

Page 2, line 14(11) Provides the board of directors shall have three ex officio non-voting members, one appointed by the Governor, one appointed by the President of the Senate and one appointed by the Speaker of the House.
(** of Representatives*)

** Rogers am*

Sec. 2 AS 43.75.130 is amended by adding a new subsection to read:

(b) The amount of tax revenue collected for purposes of this section is the amount that would have been collected without deduction of the credits allowed in AS 43.75.035.

* Sec. 43.75.036

Sec. 3. FISHERIES BUSINESS TAX DONATIONS FUND. (a) There is created in the Department of Revenue the fisheries business tax donations fund. The fisheries business tax donations fund may be financed only by appropriations from the legislature. The commissioner of revenue shall administer the fisheries business tax donations fund.

(b) A person who paid a tax under AS 43.75.015 or 43.75.100 for the 1979 tax year may make a written request to the commissioner of revenue before January 1, 1981, that

(1) up to 15 percent of the tax paid by the person be paid to a corporation described AS 43.75.035(b);

(c) Within 60 days after receipt of a request described in (b) of this section, the commissioner of revenue shall pay the amount to the corporation indicated in the request from the fisheries business tax donations fund.

Sec. 4 This Act is retroactive to January 1, 1980, and applies to tax years beginning after December 31, 1979.

ALASKA SEAFOOD FOUNDATION

1980 IMPLEMENTATION PLAN

ORGANIZATIONAL ACTIVITIES

The Alaska Seafood Foundation (ASF) implementation plan for 1980 will draw upon the experience of existing seafood promotion efforts and the momentum generated at the Alaska Seafood Promotion Conference. This opportunity to utilize existing resources in an expanded format should provide for the most effective and timely realization of ASF goals and objectives.

The initial task of the ASF organizing board will be to establish procedures for selection of the initial seventeen member board of directors. Upon completion of this task, the board can hire an executive staff and begin the everyday functions of the foundation. The board will also begin the process of review and selection of national public relations and advertising firms to carry out the generic marketing programs of ASF.

The board of directors, in conjunction with the executive staff, will appoint the various promotion and technical committees on a species-by-species basis. The board will direct these committees to develop guidelines for specific promotional and technical programs to be undertaken in 1980. Due to the imminence of this year's salmon season,

every effort will be made to expedite the work of the salmon promotion and technical committees.

LONG-TERM PROMOTIONAL OBJECTIVES

The long-term objective of the ASF promotional program is to increase market demand for all species of Alaska seafoods, both nationally and internationally, through generic promotion, emphasizing the variety and superior quality of Alaska products. An important aspect of this program will be to position Alaska seafoods favorably in relation to seafoods from other producing areas. For instance, a positive image will be developed for Alaska salmon versus Canadian salmon and Alaska whitefish versus North Atlantic whitefish.

The programs which would accomplish this long-term objective are many-faceted, encompassing a broad range of market development techniques. First, detailed market research is necessary both in the U.S. and abroad to determine which domestic and foreign markets have the greatest potential for expansion. The next step would be the development of specific product forms and recipes determined through market research to be most acceptable to consumers. At this point, a public relations and advertising campaign can be specifically designed for each species to introduce products to the target market areas. Particular promotional techniques may include advertising in food service periodicals, national television advertising, participation in international trade shows, sponsoring an Alaska tour for food editors of magazines and

newspapers, and developing retail promotion material such as point-of-sale recipes.

Another important facet of the ASF promotion program will be cooperative advertising with other trade associations such as the Alaska Visitors Association. Such cooperative advertising programs have been well developed in other industries and have proved to be a very effective manner of obtaining multiple benefits from advertising expenditures.

1980 PROMOTIONAL OBJECTIVES

The initial promotional efforts of the ASF will focus on those species currently faced with depressed markets, including salmon, snow crab and sablefish. The ASF will draw upon the experience and expertise of existing groups such as the Canned Salmon Institute and King Crab Marketing and Quality Control Board. These programs, though currently limited in scope, will serve as the foundation for the broader programs of ASF. In this manner the best elements of existing generic promotion efforts will be retained and new programs developed around this base.

In particular, the 1980 ASF promotional campaign will begin with an initial emphasis on both canned and frozen salmon. This special salmon program is due to the large anticipated production in 1980 and cur-

rent weak markets for fresh/frozen sockeye. Such a program will include a dual approach:

- (1) A portion of ASF funding will be used to expand existing canned salmon generic marketing programs. Though the current market for canned salmon is strong, the 1980 production is projected to be large enough that a marketing program will be required to maintain current price levels.
- (2) Due to the fact that there is no existing generic promotion program for frozen salmon, ASF will begin a market research and product development program immediately, targeted on this year's large anticipated production. Since the consumption of frozen salmon in the U.S. is currently very low, due in part to its high retail price, the 1980 campaign may emphasize that large volumes of product will be available this year to retail buyers.

In addition to development of the programs mentioned above, ASF will work in conjunction with the governor's staff towards the implementation of a National Salmon Week. This special promotion will most likely fall in the month of August, when the first stocks of Bristol Bay salmon products become available for distribution to U.S. markets.

Other products for which marketing programs will be developed and/or expanded upon in 1980 are snow crab and sablefish. Currently, these products are marketed primarily in Japan and U.S. consumers are

relatively unfamiliar with the product forms or methods of preparation. Materials emphasizing the high quality and economical value of these products will be developed and disseminated to members of the food service industry as part of the ASF promotion program.

All 1980 promotional efforts of ASF will also contain a special emphasis on October as Fish and Seafood Month. This existing promotion, sponsored by the National Marine Fisheries Service and the National Fisheries Institute (NFI), has proven very effective in the past. Through a cooperative effort with the NFI, ASF can maximize the effectiveness of its advertising expenditures on this fall promotion campaign.

1980 QUALITY ASSURANCE PROGRAM

The quality of seafood products marketed by ASF members must remain high if existing markets are to be maintained or new markets successfully developed. In this regard, the ASF 1980 program may include working with the legislative committee on salmon quality to identify those areas in which the most significant quality improvements can be made by both fishermen and processors. It is anticipated that the results of this year's program in Prince William Sound will be closely monitored by the ASF board as the initial step in designing ASF quality assurance guidelines.

FUNDING REQUIREMENTS FOR 1980

In order to accomplish the objectives outlined above, the ASF promotion campaign must be carefully designed and implemented by professionals with experience in market research, public relations and advertising. ASF plans to contract with a national public relations and advertising firm with extensive expertise in consumer and institutional food promotion and advertising. The minimum annual level of funding necessary to conduct this comprehensive campaign is approximately \$3 million. Since revenue derived from the proposed tax credit legislation will not be available until April 1981, a direct appropriation is necessary to fund the 1980 programs of ASF. It is estimated that a total appropriation of \$3.5 million is required to establish the ASF and to design and implement a 1980 campaign which addresses the current short-term problems of the industry, yet provides a foundation for developing future long-term programs.

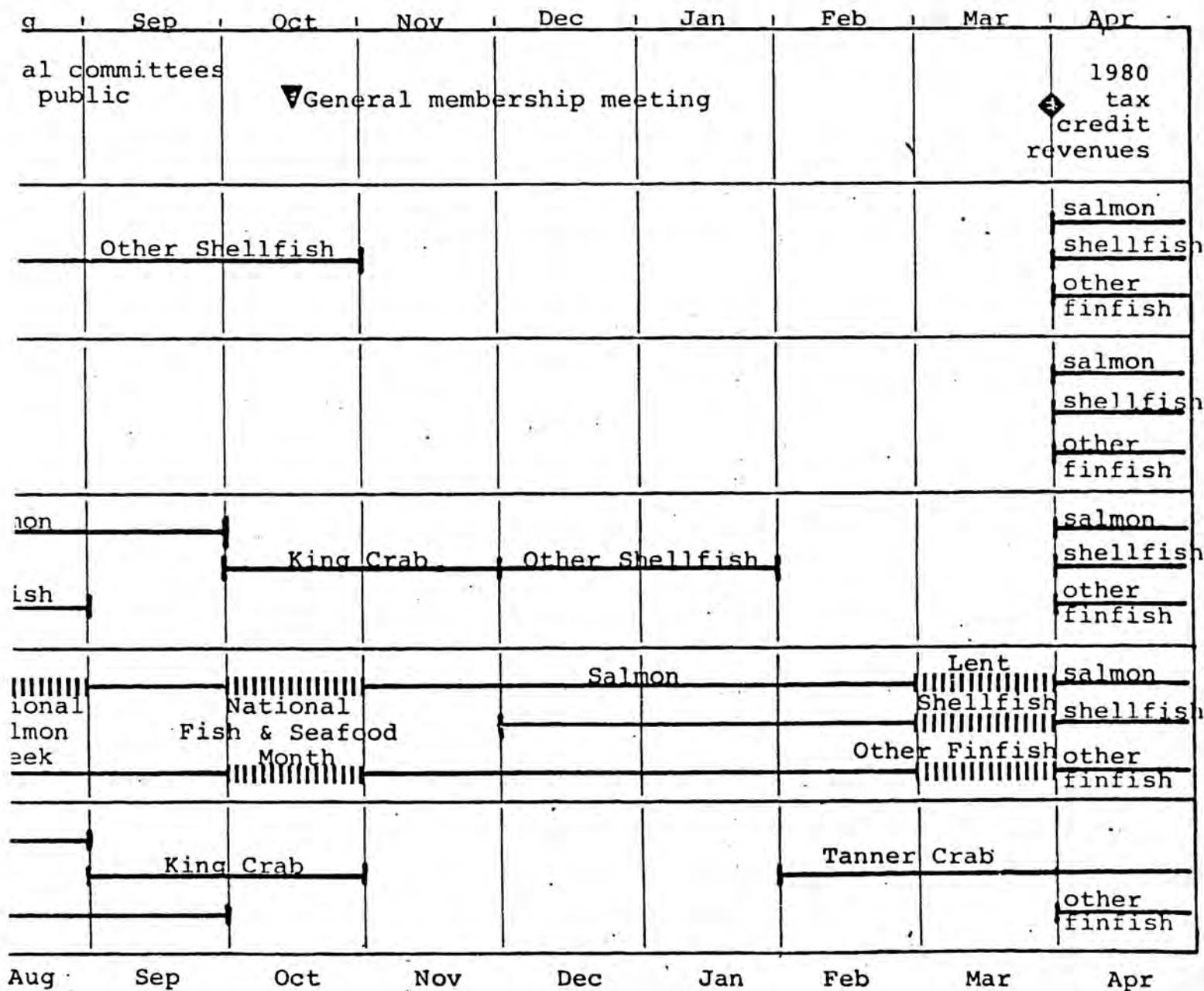
ALASKA SEAFOOD FOUNDATION

Estimated Budget Requirements, May 1, 1980 through April 30, 1981.

<u>PROGRAM ELEMENT</u>	<u>COST</u>
I. ORGANIZATION	
A. Establish office, appoint promotion and technical committees, select public relations and advertising contractors, conduct membership drive, hold annual meeting	\$200,000.00
II. 1980 SPECIAL PROGRAMS	
A. Salmon: Public relations/advertising/product development/market research	
1. Canned	
a. Foodservice	200,000.00
b. Consumer	500,000.00
2. Fresh/Frozen	
a. Foodservice	400,000.00
b. Consumer	200,000.00
B. Salmon: Technical/Quality Assurance	
1. Monitor Prince William Sound vessel inspection program; develop statewide recommendations for vessels; develop in-plant quality improvement recommendations; develop transportation, storage, and distribution quality improvement recommendations; design guidelines for ASF member participation	200,000.00
III. DEVELOPMENT OF CONTINUING PROGRAMS	
A. Consumer market survey to determine desired product forms, in U.S. and European markets for salmon, crab, shrimp, halibut, sablefish and bottomfish	150,000.00
B. Shellfish: Public relations/advertising/product development	
1. King crab	100,000.00*
2. Snow crab	300,000.00
3. Other shellfish	100,000.00
C. Other Finfish	
1. Sablefish	300,000.00
2. Halibut	50,000.00
3. Bottomfish	300,000.00
D. Reserve Fund	<u>500,000.00</u>
TOTAL ESTIMATED BUDGET	\$3,500,000.00

* The King crab budget is low due to the continued existence in 1980 of the Alaska King Crab Marketing and Quality Control Board.

AFOOD FOUNDATION
 otional Program



Aug Sep Oct Nov Dec Jan Feb Mar Apr

Attachment 2

- 825 -

4-22-80

1980 Promotional Program

[illegible]

STATE OF ALASKA

JAY S. HAMMOND, GOVERNOR

DEPARTMENT OF LAW

OFFICE OF THE ATTORNEY GENERAL

POUCH K-STATE CAPITOL
JUNEAU, ALASKA 99811

(907) 465-3685

April 16, 1980

The Honorable Terry Gardiner
Alaska State Legislature
House of Representatives
Pouch V
Juneau, Alaska 99811

Re: Constitutionality of HB 969
Salmon Assessments
Our file J-66-597-30

Dear Representative Gardiner:

You have asked for our comments on HB 969, relating to salmon fisheries enhancement. You requested our analysis both of the constitutionality of the bill as presently drafted, and in relation to Judge Compton's decision holding the old mandatory assessment program unconstitutional.

The present bill differs in every important respect from the mandatory assessment program. Judge Compton held that AS 16.05.530 is unconstitutional for the reasons that it is in fact a tax, and as a tax is improperly dedicated to a specific purpose; that the regional associations are not "service areas", and that the legislature may not delegate to either the associations or a commissioner the power to tax. As discussed in detail below, the present bill imposes a tax but does not dedicate it, makes no attempt to characterize regional aquaculture associations as service areas, and does not (with the suggestions below) improperly delegate the taxing power.

Dedication

Under the mandatory assessment program, an association voted to impose an assessment, the assessment was then collected from all the fishermen in the area by the processors, and returned directly to the regional associations. The disbursal to the associations was made without any act by the legislature. The present bill imposes a tax, to be levied on a regional basis only after certain conditions are met. One of the conditions is a vote by a majority of the limited entry permit holders in the salmon fisheries in the region. Once the tax is imposed, it is collected by the processors and forwarded to the Department of Revenue (for deposit in the general fund). This bill clearly imposes the tax for the purpose of providing a revenue source for funding the aquaculture associations; however, the language of the bill makes it clear that the legislature is making no attempt to bind future legislatures to take that action. While this legislature, if it passes the bill, is expressing an intent to return by appropriation the tax moneys collected, it also recognizes that this expression of intent does not guarantee that the funds will be treated in a like manner in the future. The tax is simply not dedicated.

Earlier drafts of this bill contained additional language under the section entitled "Collection of Tax and Disposition of Proceeds" (43.76.025) which specifically directed that the proceeds from the tax would be deposited

in the general fund. We can see no good reason for deleting this language, and recommend that it be included again.

While the bill as presently drafted certainly implies that the proceeds will be deposited in the general fund, specific language to that effect will strengthen the bill.

Delegation

The bill as drafted raises several delegation issues, none of which, in our opinion, is fatal to the bill (with the suggestions herein).

1. Tax on a condition. It might be argued that the provision allowing each association to vote on whether or not to impose the tax is an improper delegation to the association of the taxing power. However, the legislature here is doing the taxing, leaving only the imposition of the tax subject to the occurrence of some outside condition (i.e., the vote of the association). Legislation of this type is commonly upheld, and is not invalid simply because it is left to a vote of the persons affected to decide whether or not it should be imposed. The analysis of the relevant cases is that the legislature has the power to impose the tax without the consent of those affected, can impose it subject to whatever conditions it chooses, and thus can impose it subject to the condition that a majority of those affected approve it. See, Curran v. Wallace, 306 U.S. 1, 15, 16 (1938), U.S. v. Rock Royal Co-op, 307 U.S. 533, 577, 578 (1938). Similarly, the legislature has the power to limit

the duration of its legislation as it sees fit, and can likewise lift the imposition of the tax subject to a condition, here the vote of the association.

The other two conditions required before the imposition of the tax are in a sense delegated to the commissioner of fish and game: that the region be designated by him for the purpose of salmon production, and that there exist a regional association determined by him to be a qualified regional association. Delegations to executive departments are proper where sufficient standards are established, and in our opinion the standards set out in AS 16.10.375 and 16.10.380 are sufficient to make the delegation proper.

2. Reduction of tax. The bill as presently drafted provides that the tax may be reduced to a percentage less than three percent by several methods. The first two methods are discussed below, as they apply to termination; the third method is upon a majority vote by the association. This is the weakest section of the bill, for by leaving with the association the power to set the rate of the tax, a strong argument can be made that the association has been delegated the power to tax. The problem might be eliminated by including language which sets out precise standards for when an association could reduce the tax, and to what percentage,

but these standards might be difficult to draft.

It is our understanding that the objective of the reduction provision is to allow an association to set the rate at two percent, that is, that only two alternatives are contemplated: two percent or three percent. In fact, the old mandatory assessment section was amended to read that the assessment could be either two percent or three percent. As a practical matter, it is understood that the Cook Inlet Regional Association would choose to participate in a two percent tax, as that was the rate of the assessment in that region. As such, a cleaner method for removing the delegation problem would be to add another section to the bill which imposes a two percent tax, subject to the same conditions required for the three percent tax, and allow an association to elect to impose one tax or the other. Thus, an association can by election fulfill the condition of either the two percent tax or the three percent tax. The provisions for reduction of the tax should then be deleted.

3. Termination of tax. As noted briefly above, the same analysis that permits the imposition of the tax on a condition also permits the termination on a condition. The legislature has the power to enact a tax for a limited duration; it can condition that duration on the occurrence of an outside event. Thus, a vote by an association to terminate the tax is not an improper delegation.

However, the bill as presently drafted provides two additional methods for termination: upon the recommendation of the commissioner of commerce, and upon request of the association board of directors. While the second method might arguably be just as proper as a vote by the entire association, the first is probably an improper delegation to the commissioner of commerce, as there are no standards set out delineating when he should exercise that power. It is our understanding that a redraft of the bill is presently being prepared which eliminates these two provisions, and the bill will be better without them.

Service areas.

HB 969 does not designate regional aquaculture associations as service areas, and none of the problems that Judge Compton found with the mandatory assessment program in that area can arise.

Other problems.

The election procedures set out in proposed sec. 43.-76.015 of the bill call for voting at one of two public meetings or by mail. As written, the procedures are confusing, and we recommend that this section be redrafted.

Finally, * Sec. 8 of the bill has the effect of repealing the tax imposed should the mandatory assessment provision (AS 16.10.530) be held constitutional by the Alaska Supreme Court. The original bill required that the holding be "as applied before July 13, 1979". CS for HB 969 now reads

The Hon. Terry Gardiner

April 16, 1980
Page 7

that the holding be that "AS 16.10.530 does not violate the Constitution". Conceivably, the court might hold that AS 16.10.530 is constitutional, but not as previously applied. Under the committee substitute, then, the tax would be repealed but the old program could not be reinstated, and the association would be left without a source of funds.

Attached is a copy of the bill which incorporates our suggestions, with the exception of those referred to under "Other problems".

Sincerely,

AVRUM M. GROSS
ATTORNEY GENERAL

By: 

Deborah Vogt
Assistant Attorney General

DV:dlm

Attachment

AMENDMENTS TO HB 969

Page 2, line 18 Change title. THREE PERCENT SALMON
 ENHANCEMENT TAX.

Page 2, line 20 After "value of salmon" add: ",As
 defined in AS 43.75.140(7),"

Page 2, line 23 After "(b) A" add: "three percent."

Page 3, line 2 Add new section 43.76.011:

Sec. 43. 76.011 TWO PERCENT SALMON ENHANCEMENT TAX.

(a) A person holding a limited entry permit under AS 16.43.010 -
16.43.380 shall pay a salmon enhancement tax at the rate
of two percent of the value of salmon as defined in AS
43.75.140(7) the person sells to a processor licensed under
AS 43.75.011. The processor shall collect the salmon enhancement
tax at the time of the sale.

(b) A two percent salmon enhancement tax may only be
levied or collected under (a) of this section

(1) in a region designated by the commissioner of
fish and game for the purpose of salmon production under AS
16.10.375;

(2) if there exists in that region an association
determined by the commissioner of fish and game to be a
qualified regional association under AS 16.10.380; and

(3) if the qualified regional association approves
the salmon enhancement tax under AS 43.76.015.

Page 3, line 3 Delete present section, add new section
AS 43.76.015:

Sec. 43.76.015. ELECTION TO APPROVE OR TERMINATE
SALMON ENHANCEMENT TAX. (a) A qualified regional association
may conduct an election under this section after the commissioner
of commerce and economic development approves:

(1) the form of the notice to be published by
qualified regional association;

(2) the form of the ballot to be used in the
election;

(3) the registration and voting procedures fo the
approval or termination of the tax.

(b) The salmon enhancement tax is levied under AS
43.76.010 or AS 43.76.011 on the effective date stated on
the ballot when:

(1) the tax is approved by a majority of all of
the eligible interim and permanent limited entry holders
voting in one single election in each region as established
pursuant to AS 16.10.380 and;

(2) the election results are certified by the
commissioner of commerce and economic development.

(c) The qualified regional association shall adopt the
following procedures for conducting an election under this
chapter;

(1) At least one public meeting shall be held not
less than 30 days prior to the date the ballots must be
postmarked to explain the reason for the proposed tax and

the registration and voting procedure to be used for the voting. Notice of the meeting shall be given by;

(a) mailing the notice to each person eligible to vote and;

(b) posting the notice in at least three public places within the region and;

(c) publishing the notice in at least one newspaper of general circulation in the region at least once per week for two consecutive weeks prior to the meeting.

(2) mail a ballot to each individual interim and permanent limited entry permit holder eligible to vote. The ballots shall be mailed to each eligible voter twice, once not more than 45 days and the second time not less than 15 days prior to the date the ballots must be postmarked to be counted. Procedures shall be adopted so that only one ballot from each eligible voter is counted.

(d) The ballot shall state the following;

(1) whether a tax should be levied under AS 43.76.010 or AS 43.76.011,

(2) the boundaries of the region in which the tax would be levied,

(3) the effective date for the levy of the tax,

(4) the date on which the ballots must be postmarked in order to be counted,

(e) The ballots shall be returned by mail and counted by the commissioner of commerce and economic development or

a person approved by the commissioner.

(f) The interim and permanent limited entry holders eligible to vote are those listed by the commercial fisheries entry commission as the legal owner of the permit 90 days prior to the date set that the ballots must be postmarked to be counted.

(g) An election to terminate a salmon enhancement tax shall be conducted under the same procedural requirements established under this section for an election to approve a salmon enhancement tax.

Page 5, line 13 Delete Sec. 43.76.020, replace with following:

Sec. 43.76.020. TERMINATION OF SALMON ENHANCEMENT TAX.

(a) A salmon enhancement tax levied under AS 43.76.010 or AS 43.76.011 may be terminated by the commissioner of revenue upon majority vote at an election held under Sec. 015 of this section in the region in which the tax is levied.

(b) A salmon enhancement tax shall be terminated by the commissioner of revenue under (a) of this section following an election in a region if:

(1) a petition is presented to the commissioner of commerce and economic development requesting termination of the salmon enhancement tax which is signed by at least 25 percent of the number of persons who were qualified to vote under AS 43.76.015 in the election approving the salmon enhancement tax in the region;

(2) an election is held in accordance with AS 43.76.015; the ballot shall ask the question whether the salmon enhancemtn tax for the region shall be terminated. The ballot shall be worded so that a "yes" vote is for continuation of the salmon enhancement tax and a "no" vote is for termination of the salmon enhancement tax;

(3) a majority of the people eligible to vote cast a ballot for the termination of the salmon enhancement tax;

(4) the qualified regional association provides notice of the election in accordance with AS 43.76.015 within two months after receiving notice from the commissioner of commerce and economic development that a valid petition under (1) of this subsection has been received.

Page 6, line 20 After AS 43.76.010 add "or AS 43.76.011"

Page 6, line 25 After "reflecting the" add "regional association identified pursuant to AS 16.10.375 in which the fishery resource was caught and shall report to the Department of Revenue by March 1 of each year the total value as defined in AS 43.75.140(7) of each species caught in each regional association area."

Page 6, line 25 After (.) add: "and shall report ot the Department of Revenue by March 1 of each year."

Page 6, line 26 Add new section (c):

(c) The tax collected under this chapter shall be deposited in the General Fund. The legislature may make appropriations based on this revenue to the department of commerce and

economic development for the purposes of providing funding for qualified regional associations. The legislature may base an appropriation for a region on the value of fisheries resources caught in that region rather than the value of the fisheries resources sold in that region, where those values differ.

HOUSE FINANCE COMMITTEE

April 23, 1980

2:05 p.m.

[Tape HFC 80-50, Side 1, #005.]

All Members of the Committee were present except Representatives Moss and McKinnon. Representative Guy arrived later in the meeting. Also present were: Representatives Gardiner, Phillips, Malone, Cotten and Bettisworth; Bob McBride and Rob Gambell, Alaska Builders Association; Dick Dolman, Alaska Pacific Bank; Peter Bushre, Department of Revenue; Mark Kording, Anchorage Board of Realtors; Ken Gains, American Institute of Real Estate Appraisers; Bob Sullivan, Alaska Mutual Savings Bank; Bob Berry, Matanuska Valley Board of Realtors; Bob Barbutti, Juneau Board of Realtors; Bob Baer, Totem Realty; Rodey Carrillo, Totem Realty; Brooke Meyerston, President, Commonwealth; Bill Slagle, Broker, Totem Realty; Wes Clubman, Vice President, First National Bank of Anchorage; Joe Duke and Herchel Cecil, Anchorage builders; and Gale Lohman, Interior Mortgage and Housing Association (Fairbanks).

PRESENT

Chairman Meekins called the meeting to order. He stated the purpose of the meeting was to receive testimony on mortgage lending and financing.

MORTGAGE
LENDING
AND
FINANCING

Bob McBride, President, Alaska Builders Association, said that as home builders they are aware of the risk involved in the construction business. He said they are willing to accept those risks as part of doing business; however, they do attempt to reduce those risks. He said all builders are in a precarious situation due to interest rates being 17 1/2%. He said the State is in a position to aid the industry, and he believes it is an appropriate investment for the State at this time. He advised the building industry in Anchorage has adopted three positions. The first of these relates to extending the emergency loan program currently being used. He said the original allocation of \$105 million has been fully depleted. The second position is that the starting interest rate for the program should be 9 1/2%. He said the reasoning behind that was so they could have a transit period before the rates move up. He requested that Mr. Gambell speak to this point.

Rob Gambell, Board member, Alaska Builders Association, said they support the concept that the State not be the sole secondary market supplier for Alaska. Their recommendation is for the State only to provide funding during periods of drastic fluctuation in interest rates. He said they recommend the interest rate increase should not exceed 1/4 of one percent per calendar quarter.

4/23/80

Mr. McBride said the building industry is concerned over the discrepancy in current state law relating to building contractors in the State Revolving Loan Fund. He said that right now building contractors do not meet the requirements for the State's small business program.

Mr. McBride said that when specific legislation is addressed, the building industry feels that altering the Board of Directors of the Alaska Housing Finance Corporation (AHFC) would be a drastic move. He said they feel AHFC has a good reputation with the bond market. He said they feel the Board should remain at seven members.

Mr. McBride said they feel the funding should be used statewide and serviced by private lending institutions. He said they recommend single family and duplexes be allowed, and that eligibility include VA, FHA and conventional programs, with VA interest rates being 1% less.

Representative Rogers asked, given the fact there is a limited amount of money in the State treasury, if there is not enough to have 9 1/2% money, would they prefer loans be handled on a first come/first serve basis, or raising the interest rate. Mr. McBride said it has always been their position that the interest rate need not be fixed. There was further discussion on the interest rate. Mr. Gambell said they don't want to create a panic situation, and the feeling in their industry is that raising the interest rate by 1/4 percentage point per quarter could be tolerated.

In answer to several questions from Representative Cotten, Mr. Gambell replied the implementation of the loan program will not cause any new homes to be built. He said they have a tremendous inventory of homes they had previously thought were sold, but now find out haven't sold because there was not enough money available in the emergency loan program. He said the builders definitely need the loan program. There was further discussion.

Mr. Dick Dolman, Alaska Pacific Bank commented on interest rates. He explained that on a \$90,000 loan, a 1/4% interest rate increase is about \$18 per month per application, and a 1/2% increase would be \$36 per month. He commented his experience has been that the public can accommodate a 1/4% increase, particularly in a competitive market place. He said the public can't adjust to 1% increases per month like that have been experiencing in past months.

Mr. Dolman said the number one problem is that the \$105 million loan program has been over-subscribed by \$90 million statewide. He said they would hope the State could at least find the money

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to take care of those people for whom they already have loan applications. He said problem number two is to establish an ongoing program, and problem number three is to find some sort of transition between the emergency program and the implementation of a long term program.

Mr. Dolman recommended that AHFC be used as the vehicle for whatever program is developed. He commented on the benefits of keeping AHFC. He recommended the Board of Directors of AHFC be retained in its present form with the addition of the Commissioner of Revenue. He commented further.

Chairman Meekins requested that Mr. Peter Bushre, Deputy Commissioner of Treasury, Department of Revenue explain what has happened to the emergency loan program. Mr. Bushre said they have been following the conditions of HCR 33, and they will continue to do so. He said they have received an inventory of loan applications in the Department of Revenue that not only takes care of the April allocation, but also May and June. He said that in addition, they have learned there is an additional \$75 million in applications "in the pipeline" which the Department had no prior knowledge of. He said they now have a backlog of applications that will more than exceed the provisions of HCR 33 for the rest of the year.

Mr. Bushre explained the money was allocated on a regional basis, and within each geological allocation the banks were informed that all applications received by the cut-off date would be considered as having been received at the same time. He explained that within each region they then took one application from each of the participating banks, and did this again and again, until the \$35 million was used up. There was discussion.

[Tape change, HFC 80-50, side 2.]

Representative Rogers asked if there was money available for a housing loan program. Mr. Bushre said he was afraid his answer would have to be the same as it was for fishing loans. The money is available if the Legislature wants to allocate to this program a higher priority than to other projects. He said at this point there is enough legislation being considered that FY 81 revenue is committed to other items.

Mark Kording, Anchorage Board of Realtors, commented that when the emergency loan program was instituted, they had four/five months of unsatisfied demand.

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Chairman Meekins said his understanding is that when people heard an emergency loan program was about to start, they held back on buying a homes in anticipation of cheaper money coming into the market. Mr. Kording said this was correct. He commented briefly.

(Representative Guy arrived at this time.)

Mr. Kording commented on problems in the bond market. He said at this particular time the bond market is not the place to look for a reasonable rate to solve the issue. He suggested the Permanent Fund be looked at as a vehicle for solving or helping to solve the problem they are looking at. He commented further. Chairman Meekins commented on the amount of money available in the treasury, and how it has been committed. He commented that 94% of the State's money comes from Prudhoe Bay, and if anything happens to the pipeline, the State could lose millions of dollars a day. He commented on the inaccuracy of the State's revenue projections in past years.

Mr. Kording suggested the \$900 million in the Permanent Fund could be a source for \$500 million for housing loans, and could be looked at as an investment. He commented further.

Mr. Kording advised the Anchorage Board is asking for a three-fold approach: (1) immediately address the problem of the shortfall they have right now; (2) establishment of an emergency program until they can work out the problems; (3) solve the stop/start problems in the loan program.

Ken Gaines, real estate broker and appraiser, American Institute of Real Estate Appraisers, said they are in favor of a 9 1/2% rate and they favor a permant solution at reasonable rates. He said they support loans for single, duplex, triplex and four-plexes that are owner occupied. He commented that everyone's projections were off as to how much money was needed for the emergency loan program. He said he thinks they overlooked the poor market in the last six months of 1979 due to high interest rates. He said the demand was there but the ability to buy was not.

Chairman Meekins suggested one of the problems was that when they considered the loan program they were looking at 12% interest rates, and then the rate went up. Mr. Gaines said this was correct. He said it created a panic. He said he feels the demand will drop once a permanent solution is found.

Mr. Gaines said most of the proposals they have seen provide for a corporation that would have the authority to issue bonds. He agreed they need an entity with that authority. He said AHFC will still be able to meet part of the market. He said bonding is not a viable market today. He suggested the best approach would be a direct appropriation of about \$500 million. He said tying the appropriation to the Permanent Fund would be a source of providing funds. He commented that during the year they expect rates to drop in the national market. Also, he said, there is already \$500 million out in State loans; and if that \$500 million were put together with the additional \$500 million they are requesting, it would equal assets of \$1 billion at the end of the year. He said they would then have a very marketable security. He said long term cost factors will start dropping as time goes on, and the interest rate can be turned over. He said a loan program will not be a continuing expense to the state; it would be an asset. There was discussion on using the Permanent Fund as a source for the loans. Chairman Meekins suggested it would be extremely difficult to do anything with the Permanent Fund in this regard.

[Tape change, HFC 80-51, Side 1.]

There was further discussion between Mr. Gaines and Chairman Meekins on a loan program.

A recess was called at 3:45 p.m. Chairman Meekins recalled the meeting to order at 4:15 p.m.

Bob Sullivan, Alaska Mutual Savings Bank, said they are really dealing with two fundamental issues: (1) an emergency program, and (2) a long term solution to the situation. He commented on Mr. Bushre's testimony, the intent behind HCR 33, and how the emergency loan program worked. He said that under the method used, the banks had no way of knowing how close the State was to using up the \$35 million. There was discussion on how the \$75 million overage resulted.

In answer to a question from Chairman Meekins, Mr. Sullivan said he thinks there was at least a one month short fall in the loan program. Chairman Meekins commented that was an Administration decision, not the Legislature's. There was further discussion on the emergency loan program.

Concerning a long term program, Mr. Sullivan said it is imperative a program be in place as soon as possible. He said they will not be able to have an orderly transition period. He commented further on a long term program, and suggested the interest rate be an "affordable rate". He urged the Committee to not set a fixed interest rate by statute. He urged a sliding rate. He commented the interest rate has been at double digits since May, 1978 and 9 1/2% is far below normal. He commented further on the interest rate.

Bob Berry, Matanuska Valley Board of Realtors, agreed with Ken Gaines' comments and said there is another market besides the Anchorage market -- the rural areas. He said at this point they are almost totally dependent on AHFC, and without it there would be no building industry in rural areas. He said the criteria AHFC is using should be continued on any loan program the State adopts. Chairman Meekin commented the Committee is aware of the problems with non conforming loans.

Bob Barbutti, Juneau Board of Realtors, said that Juneau has the same problems with loans. He said the problem is not solely in the Anchorage area.

Bob Baer said their prime concern is to get "squared away" the additional \$75 million in applications from the emergency loan program. He said his understanding is the figure may be as high as \$130 million. He commented that one banker has indicated 35% of the applications he has in process are from new residents. Mr. Baer said he has clients who have indicated they will not move to Alaska unless they can get a reasonable interest rate on their home loan. He said presently people cannot afford to qualify for loans. He commented on the emergency loan program.

Mr. Baer said the Alaska housing industry has been in a recession for two years. He said that this, plus new federal policies, has created a disaster in their economy. He commented that 65%/70% of the builders he knows are close to being bankrupt.

Mr. Baer commented they thought that with the emergency program and the promise of a permanent program that some of their problems were over, but they are not. He said they are even worse than they were. There was further discussion. Mr. Baer commented that last September-November the banks were doing fairly well using "creative financing" -- assumptions, etc. -- but when the Administration and press started talking about 7%-10% interest rates, people stopped buying anything. He said this had a disastrous effect on their business.

Speaker Gardiner asked what is being done in other states. Mr. Baer commented Alaska has been in a recession for two years, where in other parts of the nation they are just beginning to feel the effects. He commented further.

[Tape change, HFC 80-51, Side 2.]

Rodey Carrillo, Totem Realty, commented the housing industry is one of the biggest contributors to the economy in the State. She commented on the number of people involved in the housing industry. There was discussion.

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Mr. Baer commented they have people coming to Alaska from out of state, and they don't have adequate housing for them right now. He said the price of the average home in Alaska is \$102,000. He said there are very few homes for sale in established subdivisions. He commented on the number of people coming into and leaving the State. He suggested a large number of the people leaving the state in 1979 were not homeowners.

Speaker Gardiner commented there is a serious problem if housing costs \$100,000. He said if that is the market, maybe 75% of the State's residents can't qualify for homes. He said he didn't want to set up a loan program where only people making over \$50,000 a year could qualify. He said he would like to see the demographics on who the loans are going to. There was discussion.

Brooke Meyerston, President, Commonwealth, said they are in a crisis situation. He commented that buying a home is not just a financial consideration, but also a human consideration. He commented on the emergency loan program and the number of people who felt they had a commitment that the money would be available to them.

Bill Slagle, Broker, Totem Realty, said the immediate problem concerns the loans that are already in the process; then they have to address an intermediate program. He said after that they should address a long term program until the industry can get back into commercial programs. He said the housing market is going to come back, but they need help now. He commented further.

There was discussion on the amount of money available for a loan program. Speaker Gardiner commented on the various numbers that he has heard concerning population, number of rentals available, number of homes for sale, etc., and said further information was needed. There was discussion. Speaker Gardiner said the Legislature needs a better understanding of what the problem is, especially since the emergency loan program did not effectively solve the problem.

Wes Clubman, Vice-President, First National Bank of Anchorage, said when the emergency loan program started they took 177 applications in their Anchorage office and of those, 65 loans were approved. He said that in Juneau they took 106 applications, and of those 63 loans were approved.

[Tape change, HFC 80-52, side 1.]

Mr. Clubman suggested that if something is not done there is going to be a serious housing shortage in the State a year from now.

Representative Freeman asked what would happen in Anchorage if the State did not have enough money to help. Mr. Clubman said that going back to the time the State said they were going to do something with loans, everything ceased. He said he couldn't say what would happen if the State doesn't help; but the problem would get worse. Representative Freeman commented it seems strange in this year when the State is purported to have extra money, we suddenly have all these emergencies coming up. There was further discussion. Mr. Baer commented that over 90% of the financing of single family dwellings has been done by either state or federal government.

Joe Duke, Anchorage builder, explained what had happened with a house he has built. He said one home buyer's loan got approved, so the owner moved out, and then the owner's loan didn't get approved. He commented that person is living in the Anchorage Westward Hotel right now. He commented further.

Hershal Cecil, Anchorage home builder, commented that he does business with Alaska Mutual and, because they are a bigger bank and because of the way the emergency loan program was handled, he was penalized because his loan application "was in a much bigger stack". Concerning the price of homes, Mr. Cecil said all the appraisals he has are below the replacement cost of a home. There was discussion on the cost of housing.

Gale Lohman, Interior Mortgage and Housing Association, Fairbanks, said legislators have indicated the industry is asking the State to get involved in a fluctuating economy; he said what they asking is that the State get involved and offset what the Federal government was doing. He said the Fairbanks situation is different than the Anchorage situation in that they have no backlog. He commented there were only about four homes built last year in Fairbanks that have not sold. He said they have people who have money and want to buy homes, but they don't have any housing. He commented on the problems they have in getting homes in the Fairbanks area to qualify for loans.

Mr. Lohman commented that in the past loan programs did not allow refinancing. He said the Legislature should look at allowing some type of refinancing.

Mr. Lohman said they have seen the legislation that proposed that all loans be incorporated into one organization, and that it have a board of directors consisting of three commissioners. He said they violently oppose that because it doesn't allow industry or public input. He said his Association feels AHFC should be used to handle any program the State comes out with.

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Representative Rogers requested that Mr. Lohman provide him with any suggestions he might have concerning special standards that should be set for a loan program.

Chairman Meekins thanked those present for coming down to testify before the Committee. Mr. Baer asked what they should tell people back in Anchorage who are hoping their loans will be approved. Chairman Meekins suggested he tell them it is touch and go, that there are people working on it, but it is very difficult. He suggested he tell people to write their legislators and make them aware of the problem.

The meeting adjourned at 6:30 p.m.

ADJOURN

Tape HFC 80-50, Side 1 #005 to end
 Side 2 #001 to end
 HFC 80-51, Side 1 #001 to end
 Side 2 #001 to end
 HFC 80-52, Side 1 #001 to 809

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HOUSE FINANCE COMMITTEE

April 24, 1980

1:40 p.m.

All members of the Committee were in attendance, except Representatives Duncan, Meekins, Montgomery and Moss. Representatives Smith and Guy arrived later in the meeting. Also present: Speaker Terry Gardiner and Representative Hugh Malone; Bill Liddey, Alaska Solar Advisory Group; Judy Crondahl, Director, Administrative Services, and Paul Arnoldt, Director, Division of Retirement and Benefits, Department of Administration; Dick Ballard, Chairman, Thomas Bay Power Commission, Wrangell; Eric Yould, Executive Director, Alaska Power Authority, Anchorage; Joseph Gelhoff, Alaska Conservation Society, Fairbanks Environmental Center of Alaska; Bill Corbus, Manager of Alaska Electric Light & Power Company; Jay Hogan, Director, Division of Legislative Finance; Mike Doogan, Administrative Assistant to Chairman Meekins.

PRESENT

Vice Chairman Freeman called the meeting to order and noted the Committee was short a quorum. He advised HB 957 would be the first bill up for consideration:

HB 957 - "An Act relating to the capital improvement program and budget recommendations under the Executive Budget Act."

HB 957

Jay Hogan commented this was introduced by a member of the Finance Committee, and if passed, would amend the Executive Budget Act to require capital projects for major facilities to have a degree of site planning, sound cost estimates, etc. In next year's capital budget, he stated, any proposal by the Governor would contain this required information and any appropriate backup--not just bare concepts.

[Representative Smith arrived at this time.]

Representative Schaeffer asked if this dealt with the Legislature, and Mr. Hogan responded this particular bill deals only with the Governor's budget. Representative Haugen commented this is long overdue and he strongly supports this concept.

Representative Haugen moved and asked unanimous consent that HB 957 be reported out. There being no objection, it was so ordered. HB 957 was reported out with a "do pass recommendation."

HB 957
REPORTED OUT

The next bill to come before the Committee was HB 687:

HB 687 - "An Act establishing the Alaska Energy Center; and providing for an effective date."

HB 687

Speaker Gardiner stated he feels Alaskans should have some responsibility in helping the nation solve its energy problems. The idea, he explained, is to create a development center based on both renewable and non-renewable resource energies to help the United States develop long-term energy technology. He added this concept is based on energy centers located in Montana and New York, and provides that the center become self-supportive and self-sufficient. He commented the bill should be viewed in terms of technology and the creation of jobs.

[Representative Guy arrived at this time.]

Speaker Gardiner indicated a lot of the research for the energy center could be coordinated with the University, as it would be inter-related, but that it should be an independent entity to allow it to become financially self-sufficient. He commented he personally feels Fairbanks is the most logical location for the energy center. He added that next year a lot of projects can be moved out from the various agencies and housed or consolidated under one center.

Answering questions from Representative Guy regarding qualifications of board members, Speaker Gardiner responded that, with the establishment of this energy center, they are trying to create something that will have national significance, not just for Alaska and that it would be to the State's advantage to have some outside expertise in this field on the board. He also noted there will be budgetary control in that this does provide it will come under the Executive Budget Act. Representative Rogers added seven members are voting members, and six of the nine-member board are residents. Speaker Gardiner advised Representative Guy the powers of the board are the same general powers extended to the other agencies, such as Alaska Power Authority. Representative Guy then asked if the center would have the power of condemnation, and Speaker Gardiner indicated no.

There was discussion on the March 28, 1980 fiscal note prepared by Speaker Gardiner. Representative Rogers sat in the witness chair and explained the fiscal note. He stated FY 81 is the startup year, and FY 82 is the

first year of full operation. He noted there will be a gradual phasing down of State support as the center becomes self-reliant through funds that come from any royalties on inventions or patents, private contracts, etc.

Referring to the fiscal note prepared by the Department of Administration, dated April 18, 1980, Representative Rogers advised this was not requested, and that it is his understanding that the functions talked about there are included in the Gardiner fiscal note.

Representative Guy called attention to the \$130.0 for biomass fuels research on page 3 of the Gardiner fiscal note and stated he recalls that some funds were appropriated by the Finance Committee for this purpose last year. Speaker Gardiner indicated that is correct, that last year some funds went to the Alaska Power Authority for biomass conversion. He provided an update, stating that a biomass converter is being shipped up from California and will be tested in Anchorage and then moved on to Nulato.

Referring to the intent of self-reliance, Representative Guy asked about a possible amendment to put in a definite time. Representative Rogers advised, originally, the bill had an eight-year sunset clause, but the Resources Committee felt it was better to have a general time and to express intent that it become self-sufficient. He added after two years they might have a more definite idea of an appropriate time limit. Representative Rogers also noted the \$100.0 in FY 80 contractual was for work by the Office of the Governor to determine what the best organizational setup would be and can be deleted for two reasons; that that part of the fiscal note will not take effect until July 1, and the current version of HB 60 contains those funds.

Bill Liddey of Juneau advised he represents the State's Solar Advisory Group, consisting of 13 members, and which has been in existence for 2-1/2 years. He explained their funding comes from the Department of Energy via the Western Solar Utilization (inaudible) or Western Sun, and their purpose is to advise the State's Division of Energy and Power Development about alternative energy at a minimum. Commenting on HB 687, he stated members of the group feel strong reservation that the energy center might be duplicating what is already being done through the Division or Alaska Renewable Resources Corporation. He discussed the U.S. DOE appropriate technology small grant program, noting it is probably in its last year. He stated the group feels it might be appropriate to suggest to the Legislature that, out of the first year of the Alaska Energy Center, the same

amount of money as in the federal grant program might be earmarked as a State contribution to the pool that would allow about another 40 of these grants to be funded. Representative Rogers advised there is a comparable State program, which the Finance Committee has approved additional funds for.

Referring to the Department of Administration fiscal note she prepared, Judy Crondahl advised, in terms of impact on the Department, the energy center would come under the umbrella of central Administrative Services, the same as ARRC. She noted it is also subject to the Executive Budget Act, although legislation is silent under the Fiscal Procedures Act. This would require that it come under the program budgeting and accounting system of the State, she advised. She discussed the points brought out in the fiscal note and added she feels the impact on Administrative Services will be heaviest when starting up. Representative Smith asked why the succeeding years show higher, if this is the case. Ms. Crondahl replied it is based on the assumption that this will be on-going. Representative Rogers again commented it is their intent the energy center be self-contained, but conceded that perhaps some support could be used.

Representative Smith moved to report out the Resources Committee Substitute for HB 687. Referring to the fiscal notes, Representative Rogers moved to delete the \$100.0 in FY 80 contractual in the Gardiner fiscal note; and in the Department's fiscal note, to accept positions 1 and 2 as temporary 1-year positions and that equipment be zeroed and the other line items reduced to correspond and that FY 82, 83 and 84 show zero. There being no objection, it was so ordered. Resources CS for HB 687 was reported out with a "do pass" recommendation and the two revised fiscal notes attached.

RESOURCES
CS FOR HB 687
REPORTED OUT

HB 754 was the next bill to be discussed by the Committee:

HB 754 - "An Act relating to the power project revolving fund; and providing for an effective date."

HB 754

Representative Hugh Malone advised he would be addressing his comments to the Resources CS for HB 754 and distributed a handout (Attachment 1) containing a sectional analysis. He advised the bill tries to streamline and provide appropriate reviews and to make the whole process more accountable to the Legislature and the public. He discussed the bill on a section-by-section basis.

Vice Chairman Freeman asked for further explanation re-Section 5, noting that municipally-owned utilities would be ineligible under this. Explaining the rationale behind regulation by Alaska Public Utilities Commission, Representative Malone stated this is because APUC has a good track record regarding decisions on financing.

There was discussion on Section 4(B), dealing with limiting to fossil fuel. Representative Rogers added it would be better to add "biomass" to cover wood and others. Representative Schaeffer indicated he agrees with Representative Rogers but stated he prefers the original language rather than specifying. Representative Malone advised this refers to small scale--25 megawatts or less--and nuclear power is pre-empted by this definition.

In his concluding comments, Representative Malone stated he feels it is important this be adopted by the Legislature this year, because it would provide useful information to the Legislature in making decisions on funding the power projects. He added he feels evaluation by other than the Alaska Power Authority would be valuable.

Testifying at this time was Dick Ballard, who explained the Thomas Bay Power Commission is a joint commission established between the Cities of Wrangell and Petersburg charged with the responsibilities of developing power for the area. He stated he has serious reservations about this bill. He provided background on the origination of the water resources revolving loan fund and its purposes and is concerned this legislation will revoke it. He stated he fears this will recind what is already on the books that they have been working on for the last five years. He referred to this as a "legislative shell game". During discussion, Vice Chairman Freeman, Representatives Rogers, Malone and Haugen tried to reassure him these loans would not be affected. Representative Haugen advised Mr. Ballard HB 754 is a vehicle for how the projects will come to the Legislature and does not affect current projects on the books; that it is basic legislation for any project and provides that information will follow in logical sequence and proper order.

Eric Yould, Alaska Power Authority, stated he feels this bill will have no affect on Mr. Ballard's concerns regarding the water resources revolving loan fund and that, basically, it is a housekeeping bill. He conceded he does have some ambivalent feelings about the bill, but feels APA can work within its framework. He noted APA, too, wants statute changes. Referring to Section 3, he commented, currently, APA administers this as a trust fund and that he feels it is a philosophical question on policy

decision. He added they have no problem with the changes recommended here. He stated it is with Section 8 and beyond that they have questions on. APA, he advised, envisions a four-step process; study, review, engineering and design, construction; while the bill indicates only a three-step process. He called attention to page 5, line 12, and stated they have no problem with giving Budget and Management oversight and would only caution that it should stick to technical and environmental issues and not become involved with the viable project. He also questioned why Budget and Management and suggested perhaps the Division of Energy and Power Development might be more appropriate. Referring to subsection (c), page 6, line 18, he indicated he feels this is extremely premature because no one knows what the market situation will be at the time of construction two years down the road. Discussion followed, with Mr. Yould indicating it becomes a question of whether the APA is to be the financing authority for the State power projects and the Legislature's intent regarding how this is to be administered.

Vice Chairman Freeman stated he is not prepared to move the bill out at this time. He requested Mr. Yould prepare and submit to the Committee formal recommendations to HB 754, which would be considered at a later date. Mr. Yould indicated he could have the information ready by Monday.

HB 754
HELD OVER

Joseph Gelhoff noted he has previously testified before the Resources Committee and had input as to recommended changes in the bill. He urged the Finance Committee support this legislation and pass it out as soon as possible.

Noting he is also a member of the Alaska Municipal League Energy Committee, Alaska Electric Light & Power Company Manager Bill Corbus advised he supports HB 754 in general. He stated the two factors that make it most attractive are that you still have a loan fund and will possibly be able to take advantage of the State's financial strength to issue bonds, and yet legislative control is maintained to support various local projects. He addressed Section 5 and said it is his company that this was primarily put in for. He explained AEL&P is an investor-owned utility and operates under a different set of financial structures than most other utilities in the State. He commented it was not the intent to leave a utility out just because it is not under the jurisdiction of APUC. He added the long-term loans are left to the discretion of APA.

Vice Chairman Freeman asked Mr. Yould to respond to Section 5 regarding Ketchikan Public Utilities. Mr. Yould indicated he feels it would mean very little to them, that this section would not preclude them from obtaining a loan.

The next item to come before the Committee was HCR 35:

HCR 35 - Relating to a study of a rail line from Fairbanks to the Ladue Valley.

HCR 35

Representative Rogers advised this concerns the proposed rail line from Fairbanks to Delta and on to the Ladue Valley. He indicated he had a telephone conversation with Representative Moss who expressed some concern with right-of-way alignment along the route and that there isn't definite funding for a House Research Agency study. He noted Representative Moss had suggested \$100.0, but he feels \$30.0 would be sufficient.

Representative Rogers moved to report out the State Affairs Committee Substitute for HCR 35 with a fiscal note for \$30.0 under contractual for Legislative Council. There being no objection, it was so ordered. State Affairs CS for HCR 35 was reported out with a "do pass" recommendation and fiscal note attached. CS FOR HCR 35
REPORTED OUT

The last bill to be addressed by the Committee was HB 880:

HB 880 - "An Act relating to post-retirement pension adjustments in the teachers' retirement system; and providing for an effective date."

HB 880

Paul Arnoldt advised this bill provides that any of the ad hoc increases that were granted to an individual receiving disability benefits will carry over when this is converted to retirement. He distributed to Committee members a draft (Attachment 2) that incorporates his recommended changes to the bill and explained.

Representative Rogers moved to report out a Finance Committee Substitute for HB 880 incorporating Mr. Arnoldt's recommendations and to attach the three-page fiscal note dated April 3, 1980, for \$54.7. There being no objection, it was so ordered. CS for HB 880 (Finance) was reported out, fiscal note attached, with a "do pass" recommendation.

CS FOR HB 880
(FINANCE)
REPORTED OUT

The meeting adjourned at 4:45 p.m.

ADJOURN

Tape HFC 80-52 Side 1 #809 - End
 Side 2 #001 - End
 80-53 Side 1 #001 - End
 Side 2 #001 - End
 80-54 Side 1 #001 - #691

SECTIONAL ANALYSIS FOR CS FOR HOUSE BILL 754

Section 1: Adds the power to perform feasibility studies and engineering and design with respect to power projects.

Section 2: Gives the Authority the power to recommend to the legislature:

- a) Issuance of G.O. Bonds.
- b) Pledges of credit to guarantee repayment of all or a portion of revenue bonds.
- c) Appropriation from the General Fund for debt service on bonds or other project purposes or to reduce the amount of debt financing for the project.
- d) An appropriation to the power project fund.
- e) An appropriation of the part of the income from the renewable resource investment fund.
- f) Leverage leasing financing arrangements.

Section 3: The Revolving Loan Fund no longer revolves:

- a) Trust Funds status eliminated.
- b) Fund only can be composed of money appropriated by the legislature; interest and loan repayments go to the General Fund.
- c) See also Section 7.

Section 4: Essentially a restatement of existing law but adds the following powers: The Authority may make loans:

- a) for reconnaissance studies and license and permit applications.
- b) to construct, equip, modify, approve or expand bulk fuel storage facilities and transmission and distribution facilities.
- c) for leverage leasing financing arrangements.

Section 5: The Authority may make unsecured loans to borrowers regulated by the APUC if the borrower has a "substantial history of repaying long loans and the capacity to repay the loan". The legislature (formerly the authority) may forgive repayments of loans made for reconnaissance studies if the project is not feasible.

Section 6: Loans for hydroelectric projects shall be granted for a term not to exceed 50 years at an interest rate of 3%.

Section 7: See Section 3 - Interest and loan repayments are deposited in the General Fund.

Section 8: Rewrite of existing 44.56.180.

Applicability - These provisions apply only to proposed projects 1) generate more than 1.5 megawatts; 2) require an appropriation of more than a \$1,000,000; 3) involve G.O. Bonds or other pledges of the credit of the State.

Reconnaissance Study - To identify power project alternatives for a community, the Authority shall complete a reconnaissance study for each proposed new project. Reconnaissance studies must: 1) survey all potential power sources; 2) assess effects on the environment; 3) include public comment from residents of the community. The Authority is required to adopt regulations which define techniques and standards criteria for the reconnaissance studies.

Review of Reconnaissance Study - Division of Budget and Management must review reconnaissance studies to determine compliance with the requirements listed above. If the study does not meet the requirements above, Budget and Management must disapprove the study and send it back to the Authority with its reasons for disapproval. The Authority may amend the reconnaissance study to correct the deficiencies. The study may be resubmitted for reconsideration. If the project is not disapproved within 30 days it is approved. If the study is approved, the Authority must complete a feasibility study and plan a finance for each proposed project.

Feasibility Study and Plan a Finance - Feasibility studies must include 1) information about a proposed project (project construction costs, operating costs, amount of anticipated returns, benefit to cost ratios, environmental impacts, availability of government financing, etc.); 2) a statement of all assumptions which affect the economic feasibility of the project; 3) the comparative analysis of all reasonable alternatives to the project.

A financial plan must include recommendations of the most appropriate means to finance a project.

Review of Feasibility Studies - Feasibility studies must be reviewed by the Division of Budget and Management for compliance with the requirements listed above. The Division may obtain independent evaluation of the feasibility studies. When the Division has completed its analysis it must submit a report to the Governor which examines the feasibility study for compliance. The report may include a recommendation for approval or disapproval. The report shall be prepared and submitted not later than 60 days after the feasibility study and plan of finance has been received by the Division of Budget and Management.

Submission to the Legislature - Notwithstanding the recommendations of Budget and Management, the Authority must submit the feasibility study and plan of finance to the legislature. This information shall be accompanied by the report of the Division of Budget and Management. If legislative approval is required, the Authority may not proceed with engineering or design until the legislature enacts legislation authorizing that project.

Project Construction - Essentially a restatement of existing law but note a new requirement that the Authority has to give the Governor and the legislature 60 days notice before issuing bonds.

Operation of Power Projects - Net revenues of projects operated by the Authority return to the General Fund.

Section 9: Definition of reconnaissance study.

Section 10: Definition of feasibility study and small scale power production facility (less than 25 megawatts).

Section 11: Repeals 45.56.180 and 45.86 (water resources revolving loan fund).

Section 12: Transition: Current projects of the Authority - unless a project is exempt from the requirements of this Act as noted above:

1. Reconnaissance studies completed by the effective date of this Act are not subject to the new reconnaissance study standards or Budget and Management review and approval requirements set out in this act. The Authority may proceed with the feasibility study and plan of finance as now defined above.
2. If the Authority has completed a reconnaissance study under the old law and a statement under the old law (45.56.180(c), and the statement has been approved by the legislature, the Authority may proceed in accordance with the requirements of this Act. If the completed statement under the old law has not been approved, the statement constitutes a feasibility study under the new law and Division of Budget and Management may not review the statement for compliance with the requirements of the new law. The statement may then be submitted to the legislature for its consideration.

Section 13: The balance of the water resources revolving loan fund lapses into the general fund on the effective date of this Act. The principle and interest due on obligations created by loans under this loan fund shall be deposited in the general fund.

Section 14: This Act takes effect on July 1, 1980.

Finance CS FOR CS FOR HOUSE BILL NO. 880

IN THE LEGISLATURE OF THE STATE OF ALASKA

ELEVENTH LEGISLATURE - SECOND SESSION

A BILL

For an Act entitled: "An Act relating to post-retirement pension adjustments in the teachers' and public employees' retirement systems; and providing for an effective date."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

*Section 1. AS 14.25.143(a) is repealed and reenacted to read:

AS. 14.25.143. POST-RETIREMENT PENSION ADJUSTMENT. (a) When the administrator determines that the cost of living has increased and the financial condition of the retirement fund permits, he shall increase benefit payments to persons receiving benefits under this system to reflect this increase in the cost of living. The amount of the increase may not exceed the increase in the cost of living or four percent compounded for each year of retirement. If at the time of first receiving a retirement benefit a member was receiving a disability benefit under this system, the administrator shall include the time during which the member received the disability benefit in determining the number of years of retirement under this subsection. Increases shall be effective July 1 of the year for which the increase was granted. The administrator shall implement this subsection by regulation.

*Sec. 2. AS 39.35.475 is repealed and reenacted to read:

Sec. 39.35.475. POST-RETIREMENT PENSION ADJUSTMENT. When the administrator determines that the cost of living has increased and the financial condition of the retirement fund permits, he shall increase benefit payments to persons receiving benefits under this system to reflect this increase in the cost of living. The amount of the increase may not exceed the increase in the cost of living or four percent compounded for each year of retirement. If at the time of first receiving a retirement benefit a member was receiving a disability benefit under this system, the administrator shall include the time during which the member received the disability benefit in determining the number of years of retirement under this section. Increases shall be effective July 1 of the year for which the increase was granted. The administrator shall implement this section by regulation.

*Sec. AS 14.25.143 (b) and (c) are repealed.

*Sec. 4. The retirement benefits payable to a member of the teachers' retirement system who is receiving a normal retirement benefit under AS 14.25.110 on the effective date of this Act, and who at the time of his retirement was receiving a disability benefit under this system, shall be increased by a percentage equal to the percentage of all post-retirement pension adjustments payable under AS 14.25.143 during the period that the member was receiving a disability benefit.

*Sec. 5. The retirement benefit payable to a member of the public employees' retirement system who is receiving a normal retirement benefit under AS 39.35.370 on the effective date of this Act, and who at the time of his retirement was receiving a disability pension under under this system, shall be increased by a percentage equal to the percentage of all post-retirement pension adjustments payable under AS 39.35.475 during the period that the member was receiving a disability benefit.

*Sec. 5. This Act takes effect July 1, 1980.

HOUSE FINANCE COMMITTEE

April 25, 1980

1:50 p.m.

[Tape HFC 80-54, Side 1 #691.]

All Members of the Committee were present except Representatives Moss, Meekins, Montgomery and Duncan. Representatives Haugen, McKinnon, Schaeffer and Guy arrived later in the meeting. Also present were: Representative Hurlbert; Christopher Noah, Executive Director, Council on Science and Technology; and Linda Lockridge, Fish and Game Licensing, Department of Revenue.

PRESENT

Vice-Chairman Freeman called the meeting to order. He advised a quorum was not present at this time. He said the Committee would receive testimony on HB 413.

HB 413

"An Act relating to establishment of the Alaska State Climate Program and Alaska State Climate Center."

Christopher Noah, Executive Director, Council on Science and technology advised the Council endorses the establishment of a state weather and climate program. He advised there is going to be a drastic cut back in federal government support. He said National Weather Service is limiting Alaska to only three full time weather stations. Mr. Noah said the new state programs necessitate the need for collection, storage and interpretation of programs.

[Representatives McKinnon and Haugen arrived at this time.]

Mr. Noah commented that Alaskans depend on weather data gathering and predictions. He commented further.

Vice-Chairman Freeman asked what this bill will do that the weather bureau is doing right now. Mr. Noah said the weather bureau is not doing what it should be doing in Alaska. He said the fact is that funds are being cut. He said they would be coordinating the data the weather bureau should probably be doing. He said it establishes three full time people to archive.

Representative Rogers commented the weather bureau concentrates their efforts on certain areas. He said there are two fiscal notes for the bill -- one for a 1/2 time position and the other for 3 1/2 positions. There was brief discussion.

Vice-Chairman Freeman said this bill would be held for further consideration when a quorum was present.

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The next bill to be considered was HB 927.

HB 927

"An Act designating programs and activities for review and termination under AS 44.66; and providing for an effective date."

[Representative Schaeffer arrived. A quorum was present.]

Representative Rogers said there isn't a fiscal note with this bill. He said he would assume the costs for doing Sunset audits would be included in Budget and Audit's budget, so there wouldn't be any additional fiscal impact.

Representative Rogers moved that the State Affairs CS for HB 927 be reported out. There being no objection, it was so ordered.

ST. AFFAIRS
CSHB 927
REPORTED OUT

The next bill to be considered was HB 962.

HB 962

"An Act allowing credits against fisheries taxes; and providing for an effective date."

Vice-Chairman Freeman stated the Committee has received testimony on this bill at earlier meetings. Representative Rogers said the proposed Finance CS takes care of the concerns he had. He moved to report out the Finance CS for HB 962 with two fiscal notes [\$47.8 and (\$2,000.0)]. There being no objection, it was so ordered.

FIN. CS
HB 962
w/2 FIS.NOTES
REPORTED OUT

The next bill to be considered was HB 1002.

HB 1002

"An Act making a special appropriation to the fisheries business tax donation fund in the Department of Revenue; and providing for an effective date."

Representative Rogers moved to report out a Finance CS in the amount of \$3,000,000. He explained this would cut out the reserve fund. He said there was no back-up information provided on the need for the reserve fund. There was brief discussion. There being no objection, Finance CS for HB 1002 was reported out.

FINANCE
CSHB 1002
REPORTED OUT

HB 413 was brought up for further discussion.

HB 413

"An Act relating to establishment of the Alaska State Climate Program and Alaska State Climate Center."

There was discussion on the fiscal notes. Representative Rogers moved to report out the Resources CS with the \$27.0 fiscal note. Representative Schaeffer objected. Representative Rogers withdrew his motion. He commented on a news clipping he just received which states the federal government is proposing eliminating all but three of Alaska's weather

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service stations. He said 23 stations will be shut down. Representative Smith said her understanding is these stations are to be phased out through 1987. There was discussion.

Representative Rogers moved to report out the Resources CS with the \$95.8 fiscal note. Representative Smith objected. She recommended holding the bill until they have the correct information on when the weather service stations will close. There was brief discussion. Representative Smith moved to amend the motion to report out a fiscal note in the amount of \$60.0 (a blanket cut from the \$95.8 fiscal note). Representative Schaeffer objected. He said he would like to go along with the larger fiscal note. He said he would like to provide them with enough money to allow them to get the 50% federal monies mentioned in the Governor's letter accompanying the bill. There was further discussion. The motions were withdrawn.

Representative Rogers moved to report out the Resources CS with a fiscal note in the amount of \$120.0. He said the \$120.0 would be in the miscellaneous line item, and the funding sources would be \$60.0 general fund, and \$60.0 federal fund. There being no objection, it was so ordered.

RESOURCES
CSHB 413
W/NEW FIS.
NOTE REPORTED
OUT

The next bill to be considered was HB 835.

HB 835

"An Act relating to nonresident big game tag fees; and providing for an effective date."

Representative Hurlbert said the bill will create trophy fees for successful hunters. He said it retains the same tag fees and creates a new trophy fee. He explained that for any successful nonresident hunter to export a trophy, he must pay a fee. Representative Smith asked if this means the nonresident will be taxed if he bags an animal and not taxed if he doesn't. Representative Hurlbert said this was correct. He said if the nonresident is successful in bagging an animal and wants to export the trophy, he has to buy a tag. He commented that a lot of nonresidents come into the State and "knock off" the first animal they see. He said he hopes this legislation will make them stop and think whether or not it is worthwhile. Representative Smith suggested the person who comes up to trophy hunt will not be affected by this. She said it seems the people who can't afford it, who come to Alaska for the trip of their lifetime, will be the ones who are hurt by the additional tax. There was further discussion.

[Representative Guy arrived.]

Linda Lockridge, Fish and Game Licensing Supervisor, Department of Revenue, said they are requesting that the effective date of the bill be changed to January 1, 1981. She said

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that licenses are issued on a calendar year basis, and the licenses have already gone out to the venders. She said the current effective date would cause them administrative problems in getting the trophy tag fee set up and functioning. She commented there is also some concern that hunters already planning to come to Alaska this summer will not be aware of the tag fee. She suggested that public relations-wise it would be better to make it effective in 1981 so they could get some publicity out on the tag fee before it becomes effective. There was discussion.

Representative Guy moved that the bill be amended to raise the fee for black bear to \$250. There was discussion. The question was called for. Five opposed. The motion failed.

Representative Schaeffer moved to report out a finance CS for HB 835 making the effective date January 1, 1981, with a new fiscal note in the amount of \$2.5 for FY 81 (zero for FY 80). There being no objection, it was so ordered.

Mr. Doogan advised the Committee has received fiscal notes for HB 529, HB 983 and HB 118, but the bills have not been referred to the Finance Committee. Representative Scaheffer said he would be reluctant to pass out a fiscal note without knowing the ramifications of a bill. Vice-Chairman Freeman agreed. The general consensus of the Committee was to not address the fiscal notes.

The meeting adjourned at 2:35 p.m.

Fin. CS
HB 835
w/NEW
FISC. NOTE
REPORTED
HB 529
HB 983
HB 118

ADJOURN

Tape HFC 80-54 Side 1 #691 to end
Side 2 #001 to 663

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HOUSE FINANCE COMMITTEE

April 28, 1980

1:40 p.m.

[Tape HFC 80-54, Side 2 #663.]

All members of the Committee were present except Representatives PRESENT McKinnon, Meekins, Montgomery, Duncan and Schaeffer. Present to testify: Representatives Anderson and Buchholdt; Eric Yould, Executive Director, Alaska Power Authority; Clark Jones, Supervisor, Adult Basic Education; Joe McGill, Supervisor, Community Schools Program; and Dun McKinnon, Supervisor, Juneau Schools.

Vice-Chairman Freeman called the meeting to order and brought HB 754 up for consideration.

HB 754

An Act relating to the power project revolving fund; and providing for an effective date."

Eric Yould, Executive Director, Alaska Power Authority, presented a list of proposed amendments to HB 754 (see attachment #1). He said his basic concern is that those projects that do not require any type of state assistance do not have to go through the long and involved process set up in the bill. He said his other concern is that with certain studies presently being conducted by the federal government, APA could pick up the project and determine if they have fulfilled the requirements, and if they have, bring the projects forward without having to go back to "square one".

Mr. Yould explained the proposed amendments:

Mr. Yould said amendment #1 is a technical change.

Mr. Yould said amendment #2 says if projects are going to require state assistance, they should be in accordance with state criteria.

Representative Moss suggested the procedure is being made more and more complicated. There was brief discussion.

Mr. Yould said amendment #3 stipulates that given Budget and Management overview, they could conduct the necessary field work sufficient to get the license for construction.

Mr. Yould said amendment #4 outlines the applicability of the process that has been set up. There was brief discussion.

[Tape change, HFC 8055, Side 1.]

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Mr. Yould said amendment #5 clarifies the fact that they cannot go into advance engineering and design without legislative authority.

Mr. Yould explained amendments #6 and #7 break the section out into sections (a) and (b), adding a new section (b).

Mr. Yould explained amendment #8 expands the main title.

Mr. Yould said the present language in this section is extremely limited. He said he is recommending the language in amendment #9 be included instead.

Mr. Yould said amendment #10/^{augments}the design and feasibility section.

Representative Rogers said Representative Malone recommended several amendments to the Bill. He asked if Mr. Yould had seen them. Mr. Yould said he reviewed them this morning and he thinks they are items the Committee is going to have to debate because they present a change in philosophy.

Vice-Chairman Freeman announced Representative Malone would explain his amendments to the Committee tomorrow morning. HB 754 was held until that time.

HB 754
HELD

The next bill to be considered was HB 672.

HB 672

"An Act making an appropriation to the Department of Education for the adult basic education program; and providing for an effective date."

Representative Anderson presented a proposal concerning adult basic education "funds necessary to implement new regions" (see attachment #2). Vice-Chairman Freeman asked what criteria was used for selecting these communities. Representative Anderson said they used a report by Robert Nathan and Associates. He said this is a federal study which indicates Alaska native people only attend school up to grade 7.4 as a whole, and in the Bristol Bay area it was only 3.5 years. He said there is a strong need for an Adult Basic Education program in that area. He commented further on the need for the program.

Representative Anderson said reports indicate that in the Matanuska-Susitna area 4600 people have less than a high school education. He said a lot of people in the unemployed category have a minimum secondary education.

Vice-Chairman Freeman asked why there were no Southeast Alaskan communities on the list. Representative Anderson said the information he received did not include Southeast.

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He said he didn't know why this was. Representative Rogers commented his understanding was that some work had been done to cover the Interior and Southeastern regions. Representative Anderson said he introduced the legislation with the information he had, which was on his particular area.

Clark Jones, Supervisor, Adult Basic Education, said the proposal was developed by them. He explained how Adult Basic Education is organized, and said they found that if they come up with \$75,000-\$80,000 for a community program, the community is able to develop a program, work with other agencies, and generate additional funds from the community. He said the regions in the proposal don't have a basic program going. He commented on various Adult Basic Education programs and said that last year they generated approximately 3300 GED's in the State through the program. There was discussion.

Representative Rogers moved to report out a finance CS for HB 672 in the amount of \$767,500, adding \$75,000 each for the Interior and Southeast Regions. There being no objection, it was so ordered.

FINANCE
CSHB 672
REPORTED
OUT

The next bill to be considered was HB 629.

HB 629

"An Act relating to community schools; and providing for an effective date."

Representative Buchholdt said there are now 21 schools that are threatened with being dropped off the community school program in 1980 (see attachment #3).

Vice-Chairman Freeman asked what the difference is between the original bill and the HESS committee substitute. Representative Buchholdt said the original bill called for the extension of the program. She said the committee substitute makes a percentage increase.

Representative Rogers asked if they wanted the program to continue at the existing level, would it be better to go back to the original version of the bill. Representative Buchholdt commented on various funding levels (see attachment #4). She said full funding would cost \$4,616,654.

Joe McGill, Supervisor, Community Schools Program, said the Legislature will be receiving an annual report as they monitor and evaluate the various programs throughout the State.

Dave Scott, Legislative Finance Division asked if the fiscal note in the amount of \$5.3 million was in addition to the Governor's budget, or did it include the Governor's budget. Mr. McGill explained it included the Governor's \$1.2 million

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budget. There was discussion. Representative Rogers commented the bill and fiscal note don't necessarily go together. He said they could pro rate the funding. He said before moving the bill the Committee has to determine whether they want to fully fund the bill, or set a pro ration figure. There was further discussion.

[Tape change, HFC 80-55, side 2.]

Don McKinnon, Superintendent, Juneau Schools, said they are in favor of the bill. He said the community schools program enables them to make school facilities available to the local community. He said a tremendous number of adults are involved in the community school program.

Representative Rogers requested that staff prepare figures showing pro ration funding at from 60% to 90%. Mr. Scott said he would prepare the figures. He commented the problem is the assumption of a local match.

HB 629 was held pending receipt of the additional information.

HB 629
HELD

The meeting adjourned at 3:00 p.m.

ADJOURN

Tape HFC 80-54, Side 2 #663 to end
80-55, Side 1 #001 to end
Side 2 #001 to 171

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1. Page 3, Line 17. Should read AS 42.05
2. Page 4, between Lines 20 & 21 add "(i) Funds may not be loaned for reconnaissance or feasibility studies of power projects under this section unless the loan recipient agrees to perform the studies to satisfy the requirements of AS 44.56.177(b) and (c) or AS 44.56.181(b)."
3. Page 6, between Lines 17 & 18 add "Engineering and design work necessary for submission of a Federal Energy Regulatory Commission license application for the project."
(ce)
4. Page 8, between Lines 5 & 6 add "For new projects for which a reconnaissance or feasibility study has been accomplished by a federal entity other than the Authority, and for which the Authority intends to finance and construct as a public work of the state, the reviews by the Division of Budget & Management required by AS 44.56.179 and AS 44.56.183 are not required. The Division of Budget and Management will perform a report on the feasibility of the project examining the studies for general compliance with the requirements of AS 44.56.181(b) within 60 days after the studies and plan of finance for the proposed project have been received by the Division of Budget and Management. The approval of the Legislature in AS 44.56.185 is required."
5. Page 8, Line 12 -- Reword first sentence to read: "The Authority may not begin work on engineering and design beyond that required under AS 44.56.183 until the Legislature approves the proposed new project, if the proposed project is one requiring legislative approval."
6. Page 8, Line 17 add "(a)" after "SECTIONS."
7. Page 8, between lines 25 and 26 add "(b) The provision of AS 44.56.177 through AS 44.56.189 do not apply to any new project which the Authority will finance only and for which there will be no form of State financial assistance other than revenue bonds issued by the Authority."
8. Page 8, Line 26 add "AND FINANCING" after "construction."
9. Page 9, Line 14, delete the clause beginning with "revenues" and ending with "them" on line 17. Insert instead: it shall enter into contracts for the sale of the electrical power from the project in accordance with AS 44.56.090. In the event that such contracts provide to the Authority revenues which exceed costs specified in AS 44.56.090, then excess revenue
10. Page 9, Line 27, after "AS 44.56.181" add "along with Engineering and Design as required for any Federal Energy Regulatory Commission license application;"

Eric P. Yould
Executive Director
Alaska Power Authority

Attachment #1

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FUNDS NECESSARY TO IMPLEMENT NEW REGIONS

North Slope	\$80,000
Northwest Arctic	80,000
Bristol Bay	75,000
Aleutian/Pribilof Islands	85,000
Kenai Peninsula	75,000
Rural Anchorage (Mat-Su)	75,000
Valdez/Copper River	75,000
Total Program	<u>\$545,000</u>
 Staff Development @ 10%	 54,500
Support Services - 1 clerk typist III @ 18,000 including fringe, etc.	18,000
Total Cost	<u>\$617,500</u>

Justification:

Regional Allotments

North Slope, Northwest Arctic and Aleutian/Pribilof Islands Regions are suggested at a higher level of support due to unusual travel costs. Although travel will be much cheaper in the Kenai and Rural Anchorage regions extra funds are justified due to the population density they must serve.

Staff development is a vital component to ABE. Rural teachers are taken from the indigenous population and trained as ABE instructors. This training is a rich source of leaders in the rural areas. Attached find statements of what have happened to many of the ex-instructors once the role of ABE instructor gave them responsibility in the political/social process.

Furthermore, staff development is inherent in quality instruction, particularly when dealing with people who have never taught before or even experienced teachers dealing for the first time with adult students.

Support services are necessary if reasonable service is to be available to the new regions. Although ABE is funded over three times as high as four years ago and is offering many more services to field programs, the present administrative staff need not be expanded but the present 1/2 time secretarial clerical arrangement simply cannot keep up with present volume let alone be expected to handle nearly double the number of contracts currently served.

Matching funds are available from many sources including C.E.T.A., B.I.A., Indian Education, Labor, Social Services, boroughs, etc., once a knowledgeable organization services and negotiate contracts. It is anticipated that the first fiscal year funds at least equal the initial grant will be generated by and the third year they would be generating as much as three dollars per state dollar.

The money being generated tends to be dollars that previously created overlap programs or furnish ancillary services which, though useful, were not coordinated with ABE, therefore seldom used.

MEMORANDUM

TO: [The Honorable Thelma Bucholdt
The House of Representatives
Alaska State Legislature

DATE: January 28, 1980

FILE NO:

THRU: Commissioner Lind *M. J. 2.*
Department of Education

TELEPHONE NO:

FROM: Joe Miguel, Supervisor
Community Education
Department of Education *[Signature]*

SUBJECT: List of currently funded Operational
Community School Districts which will
not be funded in FY'80

At your request, I am supplying your office with a list of school districts which are currently receiving grants from the State, but will be dropping off as of June 30, 1980, due to the formula in the Community School Act of 1975.

<u>District</u>	<u>Funding Level</u>	<u>Year of Operation</u>
Anchorage	256,646	5
Bristol Bay	8,465	4
Dillingham City	12,169	4
Fairbanks	96,803	4
Haines	11,958	5
Hoonah	7,020	4
Juneau	58,884	4
Kenai	106,570	5
King Cove	5,251	4
Klawock	5,200	4
Kodiak	50,823	4
Matanuska-Susitna	57,168	4
Nome	25,338	4
North Slope	50,533	4
Sitka	29,677	4
Valdez	21,848	4
Yakutat	5,472	4
Adak	16,850	4
Bering Straits	28,690	4
Delta/Greely	25,531	4
Southwest Region	33,670	4

District/REAAFY 80
Actual .43FY80
FullFY81
Gov. App. 266+FY81
Full 2%District

Anchorage	\$256,646	\$458,530	\$328,264	\$1,232,199
Bristol Bay	10,246	22,336	5,427	20,370
Cordova	6,487	14,141	7,927	29,756
Craig	4,014	8,749	3,104	11,651
Dillingham	12,169	20,885	8,883	33,345
Fairbanks	96,803	74,909	102,106	383,274
Galena	0	0	4,731	17,760
Haines	11,958	25,384	6,958	26,117
Hoonah	8,497	18,523	4,174	15,668
Hydaburg	0	0	2,198	8,250
Juneau	71,274	155,367	46,641	175,077
Kake	4,861	10,834	3,849	14,446
Kenai	106,570	106,242	67,484	253,312
Ketchikan	0	0	28,454	106,809
King Cove	5,251	13,301	3,294	12,364
Klawok	5,200	5,502	1,466	5,502
Kodiak	61,517	134,097	36,885	138,455
Mat-Su	69,197	150,839	53,062	199,177
Nenana	0	0	4,475	16,796
Nome	30,670	66,856	17,026	63,911
North Slope	0	0	35,776	134,293
Pelican	0	0	1,125	4,221
Petersburg	10,602	23,112	7,708	28,932
Sand Point	0	0	3,569	13,398
Sitka	35,922	78,303	20,690	77,664
Skagway	6,322	13,781	3,234	12,141
St. Mary's	1,811	3,948	4,206	15,788
Unalaska	0	0	3,756	14,099
Valdez	26,445	57,647	13,651	51,242
Wrangell	0	0	6,814	25,576
Yakutat	6,623	14,438	3,641	13,669

REAA

Adak	20,396	44,460	12,112	45,466
Alaska Gateway	0	0	13,660	51,276
Aleutian	0	0	9,141	34,313
Annette	8,576	18,695	6,954	26,103
Bering Strait	34,727	75,698	20,659	77,548
Chatham	5,567	4,988	5,613	21,068
Chugach	0	0	1,844	6,920
Copper River	19,361	42,204	14,675	55,084
Delta/Greely	30,903	67,365	17,942	67,349
Iditarod	20,564	44,825	15,071	56,572
Kuspuk	0	0	18,173	68,217
Lake and Peninsula	0	0	20,605	77,344
Lower Kuskokwim	72,982	159,091	58,819	220,789
Lower Yukon	35,758	77,946	34,686	130,200
Northwest Arctic	63,916	139,327	47,732	179,169
Pribilof	8,380	18,266	6,226	23,369
Railbelt	0	0	10,302	38,671
Southeast Island	0	0	13,958	52,393
Southwest Region	40,755	88,838	20,306	76,224
Yukon Flats	18,930	41,265	16,204	60,826
Yukon Koyukuk	0	0	24,640	92,491

Totals \$1,229,900

\$2,300,692

\$1,229,900

\$4,616,654

Attachment #4

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4/28/80

HOUSE FINANCE COMMITTEE

April 29, 1980

8:40 a.m.

[Tape HFC 80-55, Side 27 #171.]

All Members of the Committee were present except Representatives Meekins, Duncan, Montgomery, Schaeffer and Smith. Arriving later in the meeting were Representatives McKinnon and Moss. Also present were Representative Malone and Eric Yould, Executive Director, Alaska Power Authority.

PRESENT

Vice-Chairman Freeman called the meeting to order and said the Committee would hear from Representative Malone on his proposed amendments to HB 754.

HB 754

"An Act relating to the power project revolving fund; and providing for an effective date."

Representative Malone said that concerning Mr. Yould's proposed amendment #7 (discussed at yesterday's meeting) which deals with the applicability of the sections to new projects, he is not sure it is a good idea to make that language that exclusive. He suggested the Committee might want to add "if the project meets the criteria established by the Alaska Power Authority under sections 177 and 181"; in other words, the Authority should be able to require that the projects meet certain minimum standards. There was discussion.

Representative Haugen asked how this effects projects that have already come forward to the point that they are waiting for the FERC license. Representative Malone said it would depend on the status of the project as of the effective date of the Act.

There was discussion on the question of passing a resolution or a bill for power projects. Representative Rogers said he thinks it is important to pass both a resolution and a bill. He said there is some question on whether or not the resolution itself is sufficient.

Representative Malone presented and explained his proposed amendments (see attachment). He said that amendment #1 is a rewrite of existing law, adding (5) and (6). He said (5) applies to loans from the fund, and the idea behind this amendment is expressed in the next three amendments.

Representative Malone said amendment #2 deals with sections on loans for hydro-projects and suggests the interest rate on loans is a sliding rate. He explained further.

4/29/80

Representative Malone said that amendment #3 makes it clear that if, after feasibility studies are done on a project, it is determined the project is not feasible, the loan may be forgiven.

Representative Malone said the objective behind amendment #4 is that the plan of finance include an estimate of the amount of state assistance necessary, so the legislature will have an idea of how much of a commitment is necessary to make the project feasible.

[Representative McKinnon arrived at this time.]

Representative Haugen commented one of the problems with hydro-electrics is that the front end costs are very heavy. He said if a project is put to work, it stabilizes costs to the consumer. There was discussion between Representatives Haugen and Malone. Representative Malone said the idea is to develop in the plan of finance what is a financially feasible project. He said that would indicate the amount of state financial assistance required to bring the project into line. He said the idea is to put all projects on the same footing. He said the State is always going to have a limited amount of money to spend, and if we put more than the amount of money required into Project X, Project Y might be shut out.

[Tape change, HFC 80-56, side 1.]

Representative Malone suggested using a criteria for state assistance; he said it would be assumed the State would provide as much assistance as necessary, and would appropriate enough to make the project feasible.

[Representative Moss arrived at this time.]

Representative Malone said the amendment on page 4 after line 20 would be subject to the standards set up in the next legislature. Representative Rogers commented this looks substantially the same as Mr. Yould's amendment #2. Representative Malone said they have the same aim but are written differently. He said Yould's amendment may provide more flexibility.

Representative Malone said his amendment on page 8, line 12 is substantially the same as Mr. Yould's amendment #5.

Representative Malone explained his amendment on page 9, lines 15-19. He said he doesn't think it should be required, after the debt is paid off, that excess revenues go back to the general fund. He suggested the excess revenues should go back to the project itself. He said Mr. Yould's amendment #9 deals with this same thing.

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Representative Malone explained his proposed amendment on page 10, which recommends the prohibition be removed on the review by the Division of Budget and Management.

Vice-Chairman Freeman appointed a Subcommittee of Representatives Haugen and Rogers to work on HB 754 and the proposed amendments, and determine if in their opinion the bill requires further consideration by the full Committee; if so, he directed that they prepare a Finance CS draft bill on which they both can agree, and bring it back to the full Committee. Representative Rogers announced the Subcommittee will meet at 8:30 a.m. tomorrow morning.

HB 754
SUBCOMMITTEE
APPOINTED

The meeting adjourned at 9:50 a.m.

ADJOURN

Tape HFC 80-55, Side 2, #171 to end
HFC 80-56, Side 1, #001 to 558

4/29/80

Malone

4/29 a.m.

PROPOSED AMENDMENTS

HB 754

#1 page 3, after line 11, insert a new section amending 44.56.170(c):
(c) Before making any loan from the fund, the authority shall by regulation specify the standards for those loans with respect to the following:

- (1) criteria regarding the eligibility of borrowers and of types of projects
 - (2) standards regarding the technical and economic viability and revenue self-sufficiency of eligible projects
 - (3) collateral or other security required for loans
 - (4) terms and conditions of loans
 - (5) criteria to establish financial feasibility and the amount of state subsidy necessary for individual projects
 - (6) compliance with the requirements of AS 44.56.177-185
 - (7) other relevant criteria, standards, or procedures
- (This is a rewrite of existing law, adding (5) and (6).)

#2 page 3, line 24, amend (f) to read:
(f) The interest rate on loans for power projects shall be equal to the average rate of earnings of the Alaska Permanent Fund for the last fiscal year ending before the loan commitment is made. The legislature may appropriate a subsidy [of the interest rate] as needed to make the project financially feasible. Projects for which loans are outstanding from the water resources revolving loan fund (AS 45.86) on July 13, 1978, may receive additional financing from the power project fund.

Attachment

4/29/80

4/29 a.m

#3 page 4, line 18, amend (h) to read:

(h) The legislature may forgive the repayment of loans made for reconnaissance and feasibility studies when the authority finds that a project is not feasible.

#4 page 7, after line 9, insert a new section (d) and reletter:

(d) If state financial assistance is required to make the project financially feasible, the plan of finance shall include an estimate of the minimum amount of state financial assistance required.

RATIONALE

There are a number of reasons for not establishing a set low rate of interest for the loan fund. It makes better sense to consider the projects on a project-by-project basis, for the plan of finance to identify the exact need for state assistance, and for the legislature to provide financial assistance as needed. Problems with the existing (f) on page 3 of the bill include:

- 1) A bias for hydroelectric projects would be created, since only hydro projects could receive the 3% interest rates. Thus, there would be a built-in disincentive for the development of all other power sources, however appropriate.
- 2) There are a number of methods of financing available, and a low-interest fund would virtually preclude consideration of all other methods. All projects would come to the fund regardless of their ability to receive financing through the bond market or other means.
- 3) State dollars would be misallocated. If money is provided through low-interest rates to a project which may not need it (or may not need that much), that money will not be available for those projects which truly need the financial assistance.

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4) Since the legislature will only appropriate so much money to the fund, only those projects which are first in line (or which have powerful legislators behind them) will receive the low-interest benefits, whether or not they need the assistance, and other projects will face delays while waiting for funding.

These amendments, combined, would ensure that state financial assistance would be provided as needed, but only where needed and to the extent needed. There would be no cost to communities for the studies to determine feasibility if the project was not found to be feasible.

4/29/80

PROPOSED AMENDMENT

page 8, line 12 -- amend (b) to read:

The authority may not begin work on engineering and design beyond what is necessary to establish feasibility until the legislature approves a proposed new project, if the proposed project is one requiring legislative approval. The legislature may approve a proposed new project only by enacting legislation authorizing that project.

4/29
PROPOSED AMENDMENT

page 10

Delete line 20 beginning with "the statement" through line 22, "44.56.181"

On line 23, change "may not" to "shall"

Rationale:

Feasibility studies which have not yet been approved should be reviewed by Budget and Management for compliance. The point of the review is for the legislature to have the best information available on which to make a decision. We would expect the completed feasibility studies, if they are sufficiently thorough, to be in compliance; if not, it is in the state's best interest to know what information is lacking.

The number of projects affected by this amendment would probably be just two.

According to Budget and Management, of 22 identified projects, under this section only 4 would have to have B&M approval of reconnaissance. 14 or, with the amendment, 16 would require B&M review for feasibility.

4/29

PROPOSED AMENDMENT

page 9, lines 15 - 19

Delete "the interest" through "general fund" and insert in its place "the debt service requirements for the project, and reserves for them, shall be returned to the consumers of that project's power in the forms of lowered rates and improved services."

PROPOSED AMENDMENT

malone 4/3/80 am

page 4, after line 20

Insert a paragraph (i) to read:

A project for which a loan is received from the fund, unless
~~it~~ is exempt under AS 44.56.187, is subject to the provisions
of AS 44.56.177 - 44.56.185.

4/29/80

HOUSE FINANCE COMMITTEE

April 29, 1980

1:40 p.m.

All Committee members were in attendance, except, Representatives Duncan, Meekins and Montgomery. Representatives Haugen, Smith and Moss arrived later in the meeting. Also in attendance: Speaker Terry Gardiner and Representative Nels Anderson; John Sund, Administrative Aide to Speaker Gardiner, and Dave Gray, Administrative Aide to Representative Anderson; John Martin, Environmental Services Limited; Robert Barton, Manager of the Thlingit-Haida Regional Electrical Authority and Chairman of the Alaska Regional Energy Association; Dave Hutchins, Executive Director, Alaska Rural Cooperative Association; Mike Doogan, Administrative Assistant to Chairman Meekins; Milt Barker and Bob Grogan, Fiscal Analysts, Legislative Finance.

PRESENT

Vice Chairman Freeman called the meeting to order and advised the first order of business is CSSB 140 and CSSB 222:

CSSB 140 - "An Act extending the authority of the Alaska Housing Finance Corporation in making rural loans; and providing for an effective date."

CSSB 140

CSSB 222 - "An Act appropriating from the general fund to the Department of Education and the Department of Transportation and Public Facilities for school construction and for public school transportation and transferring certain general fund appropriations for schools and school construction; and providing for an effective date."

CSSB 222

[Representative Haugen arrived at this time.]

Speaker Terry Gardiner distributed to Committee members work drafts of HCS for CSSB 140 and HCS for CSSB 222, together with a proposed letter of intent for the two bills (see Attachments). He provided a brief over of the bills and explained his reasons for the letter of intent.

[Representative Smith arrived at this time.]

Speaker Gardiner stated, basically, this is proposing a financing system, and he feels it is not the interest rate that is the problem--it is that the fishing industry cannot get the credit. Representative Haugen asked if this applies only to salmon and if it will be handled

expeditiously. Speaker Gardiner responded this will include other species, that there is no prohibition for line of credit for other species, and that with Alaska Renewable Resources Corporation and Alaska Commercial Fishing and Agriculture Bank working together, it should help expedite matters.

Representative Rogers moved to report out House Finance Committee Substitute for CSSB 140 and House Finance Committee Substitute for CSSB 222 with the letter of intent attached to both bills. There being no objection, it was so ordered. Finance HCS for CSSB 140 and Finance HCS for CSSB 222 were reported out with individual recommendation.

The next bill up for consideration was SSHB 758:

SSHB 758 - "An Act relating to power production cost assistance for electric utilities; and providing for an effective date."

SSHB 758

Representative Nels Anderson testified in favor of the bill, stating it is a subsidy "designed to take the sting out of the rising cost of energy in rural Alaska." He noted that, during the interim, he had a report prepared by Arthur Young & Company on energy and power costs in Alaska and distributed copies to the Committee. Dave Gray, Administrative Aide to Representative Anderson, referred to page 26 of the study and discussed the graph dealing with data obtained from the various utilities around the State. He then referred to page 43 and discussed those eligible for assistance for the program and estimated cost to the State. Representative Rogers asked if there would be any problem with requiring those areas receiving this assistance to seek alternative energy conservation, and Representative Anderson indicated no. Mr. Gray commented that, decidedly, energy waste and better energy management could be implemented.

Next to testify was Robert Barton, manager of the Tlingit-Haida Regional Association, and chairman of the Alaska Regional Energy Association (AREA), which is composed of delegates appointed by the 14 non-profit Native corporations. He spoke in favor of HB 758 and said he would like to point out the affect of the subsidy on revenue requirements for utilities.

[Representative Moss arrived at this time.]

Mr. Barton discussed the study done on the Tlingit-Haida REA by the Alaska Public Utilities Commission. He noted reducing revenue requirements does not give a true picture because of the rising cost of electricity and the fact that when people use less energy, the REA costs do not decrease. He advised APUC, to date, has agreed with every rate increase the REA has requested. He stated the way to break

the spiraling energy costs is through alternative energy sources, such as tidal energy in Angoon and wood wastes in Hoonah and Kake. He added this bill is one way to keep the utilities costs viable until the alternatives can come on line.

Dave Hutchins, Executive Director, Alaska Rural Cooperative Association (ARCA), testified in favor of HB 758. He discussed the language contained in the bill on page 2, (b), regarding provision for purchased power and transmission facilities. There was discussion on eligibility. Mr. Hutchins pointed out the fiscal note does allow for a 20% leeway for new utilities to come into the program. Vice Chairman Freeman noted Craig was on the list, but not Klawock. There was discussion on the rate of taxation and private utilities versus those under APUC jurisdiction. Representative Anderson advised they looked only at the cost producing problem and not at a residential rate or how rich the area is. There was further discussion on the Valdez tax base.

Representative McKinnon stated he feels there should be some kind of floating rate threshold. He said his concern is that several communities who have not requested assistance will come in for a subsidy after this bill passes. Representative Moss expressed concern the subsidy would not be passed on to the consumer. Representative Rogers commented it could be put on an individual basis, that "the more energy they use, the less expensive it is." He added it might be better to set a certain basic amount of electricity used before the State will subsidize. Mr. Hutchins stated he feels this bill will be more readily acceptable if it is regulated by APUC and offered to provide a list of those communities that are eligible. Vice Chairman Freeman requested he do this.

Representative Haugen asked if there were any calculations made on availability of fuel, such as the use of fuel coupons. Mr. Hutchins indicated this was rejected as being too expensive to administer.

Vice Chairman Freeman advised HB 758 would be held until Representative McKinnon can present his amendments and until the requested eligibility list from Mr. Hutchins is received. There was no objection.

HB 758
HELD OVER

CSSB 438 was the next bill to be addressed:

CSSB 438 - "An Act exempting certain sales exchanges or gifts of energy from regulation by the Alaska Public Utilities Commission; and providing for an effective date."

CSSB 438

Representative Rogers took the witness chair and stated he would address his remarks to HCS for CSSB 438 by the Resources Committee. In his overview of the bill, Representative Rogers advised Section 1 is a declaration of policy, and Section 2 involves the University of Alaska and carries a \$130.0 fiscal note. Section 3 grants exceptions to buildings, and Sections 4 and 5 amend language, he said. Section 6, he advised, deals with municipal codes, and Sections 7 and 8 concern municipal property tax exemptions for alternative energy systems. Section 9 deals with solar easements, and Section 10 allows boroughs tax credits of 35%, to a maximum of \$5.0, he said. According to the Department of Revenue, he noted, the fiscal impact is negligible because of federal credit to be adopted next year. Section 11, he said, exempts "gasahol", which would help the economy, and Section 12 deals with the energy audit. He advised Sections 13, 14 and 15 deal with the Department of Transportation and Public Facilities, requiring them to adopt energy performance standards in public buildings and requiring they do an energy audit every seven years. He indicated they do this now, and there would be no additional cost for this. Section 16, he advised, states the Department of Community and Regional Affairs may provide planning assistance.

Representative Rogers stated Section 17 provides that the Department of Commerce and Economic Development, Division of Energy and Power Development, revise the long-term energy plan annually; and the fiscal note here is for \$100.0 in contractual for one year. Section 18, he said, changes the name of the loan fund, and Sections 19, 20 and 22 note the same change. Section 21 changes the loan funding from 50% to 100%, and Section 23 deals with the interest rate, which provides additional incentive for changing to alternative energy systems sooner, rather than later, he advised. He indicated Section 24 defines "alternative energy system".

Representative Rogers advised Section 25 establishes a new fund for grants and loans for energy improvements and is the main focus for this legislation. Vice Chairman Freeman asked the cost, and Representative Rogers stated Sec. 45.-89.010 has a \$2.6 million fiscal note. There was discussion on the grant and loan program. Representative Rogers commented he feels this will pay off in future State subsidies. Answering questions, Representative Rogers indicated there would be no interest on these loans, and the duration of payments is 10 years. He advised Vice Chairman Freeman that the \$25 fee for the energy audit entitles that person access to the grant and access to the loan fund and encourages action on alternative energy systems now rather than later.

Representative Rogers advised Section 27 provides for an education program to inform the public, and Section 28 states the DOT/PF shall submit the results of the first energy audit by January 31, 1982. He noted the remaining Sections 29 - 36 are effective date clauses and repeal certain sections. "Waste heat", contained in the original CSSB 438, Representative Rogers advised, was gutted by the House Resources Committee. He added the Finance Committee may wish to include this.

Representative Rogers noted the section dealing with REAAs and school districts has not yet been drafted. Therefore, he requested HCS for CSSB 438 be held over. There was no objection. Representative Moss asked if the REAA section would deal with modifications, and Representative Rogers indicated no.

HCS for
CSSB 438
HELD OVER

The next item to come before the Committee was SSHCR 45:

SSHCR 45 - Relating to the senior citizen tax exemption.

SSHCR 45

Vice Chairman Freeman presented a brief overview of the bill and recommended the Committee report it out. He indicated it carries a \$67.0 fiscal note.

Representative Smith moved to report out SSHCR 45. There being no objection, it was so ordered. SSHCR 45 was reported out with a "do pa s" recommendation.

SSHCR 45
REPORTED OUT

Representative Moss moved to report out the \$67.0 fiscal note attached to the bill. There being no objection, it was so ordered.

FISCAL NOTE
ATTACHED

The fiscal notes for HB 118 (maintenance of stream flows and levels of water) were discussed briefly. Vice Chairman Freeman noted HB 118 was not referred to the Finance Committee, and he feels it is not good policy to consider fiscal notes without having the bills before the Committee. He stated he feels bills having fiscal impact should be referred to the Finance Committee and recommended HB 118 be requested. After brief discussion, it was the consensus of the Committee that HB 118 be referred to Finance. There was no objection.

FISCAL NOTES
HB 118

The meeting adjourned at 3:30 p.m.

ADJOURN

Tape HFC 80-56 Side 1 #558 - End
 Side 2 #001 - End
 80-57 Side 1 #001 - End
 Side 2 #001 - #058

DRAFT LETTER OF INTENT CSSB 140/222

An emergency situation exists for the entire Alaskan fish processing industry. The world market for salmon is sagging, and the massive run predicted for Bristol Bay may further depress an already weak marketplace. Further complicating factors are high interest rates and the shortage of capital for pack financing loans. Alaskan owned and smaller processors are most severely impacted by this deepening crisis. One major and several smaller processors have filed bankruptcy reducing the processing capacity in Alaska and threatening to leave many Alaskan fishermen on the beach with no markets.

CSSB 140/222 provide emergency operating loans for Alaskan-owned salmon processors. The Commercial Fisheries and Agriculture Bank (CFAB) will act as the lead agency for the state in providing pack loans for processors this year. The legislation is based on the understanding the Commissioner of Revenue will provide a \$12 million short term loan to CFAB. The legislation provides a state guarantee of up to \$40 million to expedite the ability of CFAB to utilize its leveraging capability with the Federal Farm Credit system and commercial banks. This will make a minimum of \$60 million in pack loans available for this season. The state guarantee and the conditional appropriation of \$40 million is intended solely for existing companies for operating loans for the 1980 seasons only, and not as a "bail out" for any failing company, nor any previous debts.

The \$15 million appropriation to the Alaska Renewable Resource Corporation (ARRC) is intended to provide capital to be used for situations other than just operating loans that will support the industry for the 1980 season. The ARRC has the flexibility to provide long term financing and other capital needs for Alaskan industry to allow them to operate and take advantage of the situation that exists in the fishing industry this year.

It is the intention of the legislature that ARRC and CFAB work together with commercial banks to the maximum extent possible. Where commercial banks have traditionally served as lead lenders for processors, ARRC and CFAB should participate utilizing the banks as lead lenders to package and service the pack financing. Financing arrangements should be arranged to maximize the amount of commercial bank financing for each processor.

This \$27 million appropriation will provide a minimum of \$75 million of operating capital to processors this season, and will provide pack financing capability to only the Alaskan owned processing industry. The entire financing needs of the industry is estimated to be over \$300 million.

The authorization of \$3.5 million to the Ball Brothers, Inc. is to provide legislative approval of a request from ARRC of an investment of their current funding according to the ARRC statutes (AS 37.12.080(b)(1)) for what is a timely and responsible loan by the ARRC.

WO 6420
Vassar
04-29-80

Original sponsors: Ray and Stimson

1 IN THE SENATE

BY THE FINANCE COMMITTEE

2 HOUSE CS FOR CS FOR SENATE BILL NO. 140

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 ELEVENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to financial assistance for commercial
7 purchasers of salmon; and providing for an effective
8 date."

9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

10 * Section 1. COMMERCIAL FISH PURCHASERS ASSISTANCE FUND. (a) There is
11 created in the Alaska Renewable Resources Corporation (AS 37.12.010) the
12 commercial fish purchasers assistance fund. The commercial fish purchasers
13 assistance fund shall be administered by the Board of Trustees of the Alaska
14 Renewable Resources Corporation and may only be financed by appropriations by
15 the legislature.

16 (b) The Board of Trustees of the Alaska Renewable Resources Corporation
17 may use money in the commercial fish purchasers assistance fund to provide
18 financial assistance to commercial purchasers of the 1980 salmon harvest.
19 Financial assistance under this subsection may be provided in accordance with
20 AS 37.12.080, except that in providing financial assistance under this sub-
21 section the Board of Trustees of the Alaska Renewable Resources Corporation

(1) is not required to comply with the provisions of AS 37.12.-
23 080(b)(1); and

24 (2) is required to comply with the provisions of AS 37.12.-
25 080(a)(1) only to the extent the Board of Trustees determines is possible
26 considering the limited time available to provide financial assistance to
27 commercial purchasers of the 1980 salmon harvest.

28 * Sec. 2. LOAN GUARANTEES FOR COMMERCIAL FISH PURCHASERS. (a) The
29 Commercial Fishing and Agriculture Bank (AS 44.54.010) may enter into agree-