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Nauman
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CS FOR HOUSE BILL NO. 306(FIN)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-EIGHTH LEGISLATURE - SECOND SESSION

BY THE HOUSE FINANCE COMMITTEE

Offered:
Referred:

Sponsor(s): REPRESENTATIVES THOMPSON, Stoltze, Saddler, Millett, Chenault, LeDoux, Hawker, Keller,
Tammie Wilson, Isaacson

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to the review and administration of tax credit programs; requiring the
2 Department of Revenue to report indirect expenditures; relating to the duties of state
3 agencies; requiring the legislative finance division to analyze certain indirect
4 expenditures; relating to lapse dates for appropriations for capital projects; repealing
5 the insurance tax education credit, the income tax education credit, the veteran
6 employment tax credit, the oil or gas producer education credit, the property tax
7 education credit, the mining business education credit, the fisheries business education
8 credit, the fisheries business tax credit for scholarship contributions, the fisheries
9 business salmon product development tax credit, the fisheries business salmon
10 utilization tax credit, the fisheries business landing tax credit for scholarship
11 contributions, the fisheries resource landing tax credit for the fisheries resource
12 harvested under the community development quota, the fisheries resource landing tax

education credit, the film production tax credit; and providing for an effective date."

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

* **Section 1.** AS 21.06.110 is amended to read:

Sec. 21.06.110. Director's annual report. As early in each calendar year as is reasonably possible, the director shall prepare and deliver an annual report to the commissioner, who shall notify the legislature that the report is available, showing, with respect to the preceding calendar year,

(1) a list of the authorized insurers transacting insurance in this state, with a summary of their financial statement as the director considers appropriate;

(2) the name of each insurer whose certificate of authority was surrendered, suspended, or revoked during the year and the cause of surrender, suspension, or revocation;

(3) the name of each insurer authorized to do business in this state against which delinquency or similar proceedings were instituted and, if against an insurer domiciled in this state, a concise statement of the facts with respect to each proceeding and its present status;

(4) a statement in regard to examination of rating organizations, advisory organizations, joint underwriters, and joint reinsurers as required by AS 21.39.120;

(5) the receipt and expenses of the division for the year;

(6) recommendations of the director as to amendments or supplementation of laws affecting insurance or the office of director;

(7) statistical information regarding health insurance, including the number of individual and group policies sold or terminated in the state; this paragraph does not authorize the director to require an insurer to release proprietary information;

(8) the annual percentage of health claims paid in the state that meets the requirements of AS 21.36.495(a) and (d);

(9) the total amount of contributions reported and the total amount of credit claimed under AS 21.96.075 [AS 21.96.070 AND 21.96.075]; and

(10) other pertinent information and matters the director considers

proper.

* **Sec. 2.** AS 21.09.210(j) is amended to read:

(j) The provisions of **AS 21.96.075** [AS 21.96.070 AND 21.96.075] apply to a taxpayer who is required to pay a tax due under this section.

* **Sec. 3.** AS 24.20.231 is amended to read:

Sec. 24.20.231. Duties. The legislative finance division shall

(1) analyze the budget and appropriation requests of each department, institution, bureau, board, commission, or other agency of state government;

(2) analyze the revenue requirements of the state;

(3) provide the finance committees of the legislature with comprehensive budget review and fiscal analysis services;

(4) cooperate with the office of management and budget in establishing a comprehensive system for state budgeting and financial management as set out in AS 37.07 (Executive Budget Act);

(5) complete studies and prepare reports, memoranda, or other materials as directed by the Legislative Budget and Audit Committee;

(6) with the governor's permission, designate the legislative fiscal analyst to serve ex officio on the governor's budget review committee; [AND]

(7) identify the actual reduction in state expenditures in the first fiscal year following a review under AS 44.66.040 resulting from that review and inform the Legislative Budget and Audit Committee of the amount of the reduction; **and**

(8) not later than the first legislative day of each first regular session of each legislature, conduct a review in accordance with AS 24.20.235 of the report provided to the division under AS 43.05.095.

* **Sec. 4.** AS 24.20 is amended by adding a new section to read:

Sec. 24.20.235. Indirect expenditure report. (a) Every two years, the legislative finance division shall deliver to the chair of the finance committee in each house of the legislature a report analyzing the indirect expenditure report created under AS 43.05.095 for the appropriate agencies listed in this subsection. The first review shall occur in the calendar year set out after each agency's name, as follows, and subsequent reviews of each agency shall occur every six years:

(1) Department of Commerce, Community, and Economic Development, 2015;

(2) Department of Fish and Game, 2015;

(3) Department of Health and Social Services, 2015;

(4) Department of Labor and Workforce Development, 2015;

(5) Department of Revenue, 2015;

(6) Alaska Court System, 2017;

(7) Department of Administration, 2017;

(8) Department of Education and Early Development, 2017;

(9) Department of Environmental Conservation, 2017;

(10) Department of Natural Resources, 2017;

(11) Department of Transportation and Public Facilities, 2017;

(12) all remaining agencies, 2019.

(b) The report prepared under this section must provide

(1) an estimate of the revenue foregone by the state because of the indirect expenditure;

(2) an estimate of the monetary benefit of the indirect expenditure to the recipients of the benefit of the indirect expenditure;

(3) a determination of whether the legislative intent of the indirect expenditure is being met and, if necessary, a determination of why the legislative intent of the indirect expenditure is not being met;

(4) a recommendation as to whether each indirect expenditure should be continued, modified, or terminated, a basis for the recommendation, and the expected effect on the economy of the state if the recommendation is executed; and

(5) an explanation of the methodology and assumptions used in preparing the report.

*** Sec. 5.** AS 37.05.316 is amended by adding a new subsection to read:

(c) An appropriation or allocation for a grant to a named recipient that is not a municipality lapses if substantial, ongoing work on the project has not begun within five years after the effective date of the appropriation or allocation.

*** Sec. 6.** AS 37.05.317 is amended by adding a new subsection to read:

(c) An appropriation or allocation for a grant to an unincorporated community lapses if substantial, ongoing work on the project has not begun within five years after the effective date of the appropriation or allocation.

* **Sec. 7.** AS 37.25.020 is amended to read:

Sec. 37.25.020. Unexpended balances of appropriation for capital projects.

An appropriation made for a capital project is valid for the life of the project and the unexpended balance shall be carried forward to subsequent fiscal years **if substantial, ongoing work on the project has begun within five years after the effective date of the appropriation.** Between July 1 and August 31 of each fiscal year, a statement supporting the amount of the unexpended balance required to complete the projects for which the initial appropriation was made and the amount that may be lapsed shall be recorded with the Department of Administration.

* **Sec. 8.** AS 43.05 is amended by adding a new section to read:

Sec. 43.05.095. Indirect expenditure report. (a) The commissioner shall, not

later than July 1 before the first regular session of each legislature, submit a report to the chair of the finance committee of each house of the legislature and to the legislative finance division that states, for each indirect expenditure made by the state,

- (1) the name of the indirect expenditure;
- (2) a brief description of the indirect expenditure;
- (3) the statutory authority for the indirect expenditure;
- (4) the date the statute authorizing the indirect expenditure is to be repealed, if applicable;
- (5) the intent of the legislature in enacting the statute authorizing the indirect expenditure;
- (6) the public purpose served by the indirect expenditure;
- (7) the estimated annual effect on revenue of the indirect expenditure for the previous five fiscal years, excluding the fiscal year immediately preceding the date the report is due;
- (8) the estimated cost to administer the indirect expenditure, if applicable;
- (9) the number of beneficiaries of the indirect expenditure.

(b) For purposes of (a) of this section, federal tax credits adopted under AS 43.20.021 shall be reported in the aggregate.

(c) A department, agency, or public corporation of the state shall, upon the request of the commissioner, provide the records, reports, data analysis, or other information necessary for the commissioner to complete the report required by this section. The commissioner may enter into a confidentiality agreement if necessary to obtain information or a record required to prepare the report under this section.

(d) In this section, "indirect expenditure" means an express provision of state law that results in foregone revenue for the state by providing

(1) a tax credit or other credit;

(2) an exemption, but does not include federal tax exemptions adopted by reference in AS 43.20.021;

(3) a discount;

(4) a deduction, but does not include a deduction incurred in the ordinary course of business used in the calculation of net income for a tax or a royalty levied under AS 38 or this title;

(5) a differential allowance.

*** Sec. 9.** AS 43.77.050(b) is amended to read:

(b) The tax collected under this chapter shall be paid into a separate account in the general fund. The annual balance in the account may be appropriated by the legislature for revenue sharing under AS 43.77.060. [THE AMOUNT OF ALL TAX CREDITS APPROVED BY THE COMMISSIONER UNDER AS 43.77.040(b) SHALL BE DEDUCTED FROM AMOUNTS PAID TO MUNICIPALITIES UNDER AS 43.77.060(a) - (c).]

*** Sec. 10.** AS 21.66.110(b); AS 21.96.070, 21.96.075(c)(2); AS 24.20.271(12); AS 43.05.010(15); AS 43.20.014, 43.20.048; AS 43.55.019; AS 43.56.018; AS 43.65.018; AS 43.75.018, 43.75.032, 43.75.035, 43.75.036, 43.75.130(b), 43.75.130(f), 43.75.130(g); AS 43.77.035, 43.77.040, 43.77.045; 43.77.060(e); AS 43.98.030; AS 44.25.100, 44.25.105, 44.25.110, 44.25.115, 44.25.120, 44.25.125, 44.25.130, 44.25.135, 44.25.140, 44.25.145, 44.25.150, and 44.25.190 are repealed.

*** Sec. 11.** The uncodified law of the State of Alaska is amended by adding a new section to

1 read:

2 TRANSITION. A taxpayer that accrues a credit authorized by a statute repealed by
3 sec. 10 of this Act before the effective date of sec. 10 of this Act, but whose tax year ends on
4 or after the effective date of sec. 10 of this Act, may take the tax credit in the tax year the
5 taxpayer accrues the credit, or, if the credit may be carried forward, the credit may be carried
6 forward in accordance with the statute under which it was accrued.

7 * **Sec. 12.** Sections 1, 2, 9, and 10 of this Act take effect on the day after the last day of the
8 Second Regular Session of the Twenty-Ninth Alaska State Legislature.