

HOUSE FINANCE COMMITTEE
February 06, 2002
1:43 P.M.

TAPE HFC 02 - 19, Side A

CALL TO ORDER

Co-Chair Williams called the House Finance Committee meeting to order at 1:43 P.M.

MEMBERS PRESENT

Representative Bill Williams, Co-Chair
Representative Eldon Mulder, Co-Chair
Representative Con Bunde, Vice-Chair
Representative Eric Croft
Representative John Davies
Representative Richard Foster
Representative John Harris
Representative Bill Hudson
Representative Ken Lancaster
Representative Carl Moses
Representative Jim Whitaker

ALSO PRESENT

Representative Lisa Murkowski; Representative Gary Stevens.

#HB225

SUMMARY

HB 225 An Act relating to municipal taxation of alcoholic beverages and increasing the alcoholic beverage tax rates.

HB 225 was HEARD and HELD in Committee for further consideration.

HOUSE BILL NO. 225

An Act relating to municipal taxation of alcoholic beverages and increasing the alcoholic beverage tax rates.

Co-Chair Williams stated that public testimony was closed on HB 225.

Representative Hudson asked if it was the intent of the Committee Chair to move the bill from Committee.

Co-Chair Williams stated that it was his intent to take testimony only from the sponsor of the bill.

REPRESENTATIVE LISA MURKOWSKI voiced her appreciation to the Chair for his willingness to take HB 225 back before the Committee. She explained that she intended to honor the commitment and hard work of all those involved in getting the increase on the alcohol excise tax. She implored the Committee to move HB 225.

Representative Murkowski concurred that there should not be any additional testimony taken at this time in regard to all the input from last session and during the interim. She understood that members on the Committee had already made individual decisions regarding the bill, but she stressed that alcohol has costly and negative effects on Alaskans.

Currently, \$12 million dollars a year is brought into the State coffers with the current excise tax. That money is used to offset the cost that alcohol incurs to the general fund in the amount of \$250 million dollars per year. There is a huge cost associated with the use of alcohol in Alaska. She pointed out that Alaska has the highest rate of alcohol related deaths of any state in the Union. Representative Murkowski continued, in the Bush Alaska communities, there is 7 times the national average of deaths related to alcohol.

She stressed that there is public recognition that the alcohol excise tax should be increased. On any given day, there are 300 people waiting to get into any type of treatment and alcohol recovery program. Representative Murkowski acknowledged that there are good laws on the books in the State of Alaska, however, if there is no funding, the best laws simply do not work.

An increase of the alcohol excise tax would benefit the State. She advised that HB 225 could be viewed in two different categories. First, it could be viewed as an opportunity to further fund treatment programs or with the State in its current fiscal situation; it could be incorporated into a long-range fiscal plan, however. She added that a fiscal plan could help but also complicates the movement of this bill.

Representative Murkowski discussed that HB 225 could stand on its own or it could work as part of a fiscal plan. She maintained that the bill should not be held up in Committee because there is not a fiscal plan on the table at this time. She pointed out that when speaking with those that are actively working on developing a plan, the alcohol excise tax increase always factors into the scheme. Representative Murkowski noted that the Long Range Fiscal Policy Caucus includes it as part of their plan; the Governor, in the State-of-the-State address included it in part of his plan. In the Senate, where they have been reluctant to come forward with any plan, Senator Donley

indicated that it should be part of that plan. She urged that HB 225 not be bogged down in the game and name of politics.

Representative Murkowski voiced her concern that an alcohol tax based plan could be left out of a long-range fiscal plan. Presently, only one revenue bill, House Bill #3, has passed out of the House. She hoped that HB 225 could be the second revenue measure that passes. In order for that to occur, it must be moved from the House Finance Committee.

Representative Murkowski advised that the public overwhelmingly supports an increase to the alcohol excise tax. If the House cannot demonstrate their commitment to moving through an alcohol excise tax, how could a full revenue package ever be moved. She encouraged that the legislation be taken on the merits of its own value. Representative Murkowski requested that members consider the legislation and provide the opportunity to move it through the process.

Vice-Chair Bunde MOVED to ADOPT Amendment #1. [Copy on file.] He interjected that the bill would not stop the problems arising with drinkers. He stressed that the bill is a tax bill and that it would raise revenues. He stated that the entire State is affected by alcohol abuse and that everyone in the State should pay to treat alcohol abuse.

The amendment would include an income tax, sales tax and corporate income tax to help raise revenues. He advised that a piece-meal plan singling out one industry over another cannot be happen. He recommended that the State adopt a broader scope.

Vice-Chair Bunde hesitated in submitting the amendment as he felt that there needs to be other mechanisms limiting State spending. He reiterated that there should be other opportunities within the State. He believed that the State will need to use the excess earnings from the Permanent Fund. He agreed with using the alcohol excise tax to help with the revenue source and supported a larger revenue package.

Co-Chair Williams OBJECTED to Amendment 1.

Representative Whitaker spoke in support of the amendment. He commented that the issue of public taxes has not been significantly debated in the context of a public forum. Content in the conclusion in passing the amendment would provide time to revisit this issue. He stressed that it is time to get the issues on the table. He emphasized, "It is show time."

Representative Hudson agreed with the intent of the amendment. He reiterated that the State is attempting to address the fiscal gap. That final effort must include personal income taxes and/or some kind of broad State income tax from either sales and/or personal income. He added that the gap should include some earning from the Permanent Fund. The scope of the problem is evidenced by the amendment; however, he advised that he opposed the amendment. He pointed out that he has a personal income tax bill in the legislative body at this time and that by incorporating the amendment into this bill could kill it. He agreed that through the subcommittee process, the various elements of the amendment should be pursued. He recommended that the concerns be addressed through a public hearing process.

Representative Hudson stressed that HB 225 is definitely a piece of the puzzle. He noted that he was a co-sponsor to HB 225 and also of the tobacco tax bill, which, he pointed out, did pass. He reiterated that the amendment would cloud the legislation before the Committee.

Representative Harris stated that the amendment would pull the bill out of Committee. He noted that he opposed the alcohol excise tax bill and asked to be placed on record as opposing Amendment 1.

Representative Whitaker noted that if the intention is a comprehensive fiscal package, the amendment does contain significant components to cover that intent. If the intention was to move those components by other bills, he asked if the purpose could be defeated by not adopting the proposed amendment. He stressed that the amendment provides the basis for a comprehensive package.

Representative Whitaker suggested that perhaps the Committee should table the bill and the amendment in order to consider the amendment as part of a comprehensive package. He feared that if a tax were passed on the alcohol industry, the State would run the risk of putting in jeopardy a comprehensive package. He observed that would not be good. If the opportunity is not taken, then the credibility for a needed comprehensive package will be diminished.

Representative Croft and Representative Davies requested to hear from the sponsor, Representative Murkowski.

Representative Davies questioned if there had been an analysis done regarding revenue. Additionally, he inquired from the Chairs what the procedure would be that if the amendment was adopted and when the issues would be addressed.

Co-Chair Mulder noted that there have been requests from other committees to have a full Finance Committee hearing on

these measures. He stipulated that it was his intent to take considerable time in the next month in order to explore the options and the implications of each option. He reiterated that the plan is intended for future discussion regarding revenue measures.

Vice-Chair Bunde explained that the amendment would provide:

- * State income tax of 3% = \$270 million dollars
- * Sales tax of 3% = \$270 million dollars
- * Increase corporate income tax
for non oil entities = \$6 million dollars
- * For oil entities = \$26 million dollars
- * Alcohol tax = \$31 million

Representative Lancaster spoke to Amendment 1. He stated that the amendment lacks some major government efficiencies and in order to go forward with a package, those concerns do need to be addressed. He added that he did approve of the amendment and that he would support it.

Vice-Chair Bunde responded that under the bill title, only so much could be included. He acknowledged the need for the reduction in State spending.

Co-Chair Williams commented that the amendment goes against all public involvement and hearings. The public needs to be informed about how much of a fiscal gap currently exists. He stated that the amendment would pull the bill out of Committee. He reiterated that the public needs more information.

Representative Davies reiterated his request that Representative Murkowski respond.

Representative Murkowski advised that the amendment does include the full picture. She agreed that a meaningful discussion is important. She acknowledged that there is a general reluctance to give approval to HB 225. She indicated that if the amendment is what the State is left with, it will need to be okay.

Co-Chair Mulder interjected that he appreciated the spirit and intent with which the amendment was put forward and added that he does support the concept of the "bigger package". He added that his problem with the amendment is that he does not support an income or sales tax. He advised that if the amendment utilized the earning of the Permanent Fund, it would have his full support. He reiterated that the Committee should take the approach and give consideration to the bigger picture.

Representative Whitaker requested a short recess to discuss the issue.

Vice-Chair Bunde observed that he had accomplished part of his purpose in proposing the amendment by beginning discussion. He believed that was a small part of the need. He noted that should HB 225 make it to the floor and without limiting State spending, he would be forced to vote against it.

Representative Hudson advised that following discussion, he intended to withdraw his objection to the amendment. He acknowledged that every element in the amendment is a potential part for resolving the \$1 billion dollar annual fiscal gap. He believed that the need to put the issue on the "front burner" would be evidenced through passage of the amendment. He did not expect that all elements of Amendment 1 would be supported. By adopting the amendment, the Committee would be putting a fairly comprehensive tax initiative plan forward and would be able to take full public hearings and testimony. He reiterated his support of the amendment pointing out that it is an essential part of a fiscal plan.

Co-Chair Williams stressed his objection to the amendment and the process that the Committee was going through. He stated that meaningful public input is essential. He argued that the proposed process would short-change the public process. He observed that other legislative members of the full body were not being included in the process. He stressed that this is not the right thing to do and that he strongly objected to it.

Representative Davies disagreed that it would be shortchanging the public to adopt the amendment. If the amendment were adopted, the Committee would not have to move the bill. He suggested one answer would be to adopt the amendment and then hold the bill in Committee for further public testimony on other aspects of the legislation.

Co-Chair Williams interjected that there are others in this building that need to be included in this action. He elaborated that they might not support the bill. He stressed that there must be ownership in any fiscal plan proposed in the Legislature.

A roll call vote was taken on the MOTION.

IN FAVOR: Lancaster, Moses, Whitaker, Bunde, Croft,
Davies, Hudson
OPPOSED: Foster, Harris, Williams, Mulder

The MOTION PASSED (7-4) to adopt Amendment 1.

Representative Moses acknowledged that passage of the amendment had created a "monster". He MOVED to TABLE HB 225 as amended.

A roll call vote was taken on the motion.

IN FAVOR: Lancaster, Moses, Whitaker, Bunde, Croft,
Davies, Foster, Harris, Mulder, Williams
OPPOSED: Hudson

The MOTION PASSED (10-1).

HB 225 was HELD in Committee for further consideration.
#HB225

ADJOURNMENT

The meeting was adjourned at 2:28 P.M.