

ALASKA STATE LEGISLATURE
HOUSE LABOR AND COMMERCE STANDING COMMITTEE

February 11, 2002

3:20 p.m.

MEMBERS PRESENT

Representative Lisa Murkowski, Chair
Representative Andrew Halcro, Vice Chair
Representative Kevin Meyer
Representative Pete Kott
Representative Norman Rokeberg
Representative Harry Crawford
Representative Joe Hayes

MEMBERS ABSENT

All members present

COMMITTEE CALENDAR

HOUSE BILL NO. 229

"An Act imposing a tax on employment; and providing for an effective date."

- TABLED HB 229

HOUSE BILL NO. 281

"An Act relating to civil liability for providing alcoholic beverages to a person under 21 years of age; and providing for an effective date."

- MOVED HB 281 OUT OF COMMITTEE

HOUSE BILL NO. 258

"An Act converting the business license fee to a business license tax; adding, as an element of that tax, computation of the tax based on the taxpayer's gross receipts; establishing adjustments to that tax; and transferring administration of the levy to the Department of Revenue; and providing for an effective date."

- BILL HEARING POSTPONED TO 2/13/02

PREVIOUS ACTION

BILL: HB 229

SHORT TITLE: EDUCATION TAX ON EMPLOYMENT

SPONSOR(S): REPRESENTATIVE(S) STEVENS

Jrn-Date	Jrn-Page		Action
04/02/01	0810	(H)	READ THE FIRST TIME - REFERRALS
04/02/01	0810	(H)	L&C, FIN
04/27/01		(H)	L&C AT 3:15 PM CAPITOL 17
04/27/01		(H)	Heard & Held
04/27/01		(H)	MINUTE(L&C)
02/11/02		(H)	L&C AT 3:15 PM CAPITOL 17

BILL: HB 281

SHORT TITLE: CIVIL LIABILITY FOR PROVIDING ALCOHOL

SPONSOR(S): REPRESENTATIVE(S) MEYER

Jrn-Date	Jrn-Page		Action
01/14/02	1948	(H)	PREFILE RELEASED 1/4/02
01/14/02	1948	(H)	READ THE FIRST TIME - REFERRALS
01/14/02	1948	(H)	L&C, JUD
02/11/02	2209	(H)	COSPONSOR(S): DYSON
02/11/02		(H)	L&C AT 3:15 PM CAPITOL 17

WITNESS REGISTER

REPRESENTATIVE GARY STEVENS

Alaska State Legislature
Capitol Building, Room 428
Juneau, Alaska 99801

POSITION STATEMENT: Introduced HB 229 to the committee as the sponsor.

DOUGLAS A. LETCH, Staff
to Representative Gary Stevens
Alaska State Legislature
Capitol Building, Room 428
Juneau, Alaska 99801

POSITION STATEMENT: Answered questions on HB 229 on behalf of the sponsor, Representative Stevens.

SUZANNE HANCOCK, Staff
to Senator Alan Austerman
Alaska State Legislature

Capitol Building, Room 417
Juneau, Alaska 99801

POSITION STATEMENT: Answered questions related to HB 229.

NEIL SLOTNICK, Deputy Commissioner
Office of the Commissioner
Department of Revenue
PO Box 110405

Juneau, Alaska 99811-0405

POSITION STATEMENT: Answered questions related to HB 229.

SENATOR ALAN AUSTERMAN
Alaska State Legislature
Capitol Building, Room 417
Juneau, Alaska 99801

POSITION STATEMENT: As sponsor of the Senate companion bill to HB 229, SB 165, answered questions relating to the education tax on employment.

DAVE JONES, Director of Finance
Kodiak Island Borough School District
722 Mill Bay Road
Kodiak, Alaska 99615

POSITION STATEMENT: Testified in support of HB 229.

CINDY CASHEN, Member
Juneau Chapter
Mothers Against Drunk Driving (MADD)
211 4th Street, Suite 102
Juneau, Alaska 99801

POSITION STATEMENT: Testified in support of HB 281.

MARTI GREESON, Executive Director
Anchorage Chapter
Mothers Against Drunk Driving (MADD)
3600 Arctic Boulevard, Suite 3
Anchorage, Alaska 99503

POSITION STATEMENT: Testified in support of HB 281.

MATT WILLIAMS, Police Officer
Anchorage Police Department
Municipality of Anchorage
4501 South Bragaw
Anchorage, Alaska 99508

POSITION STATEMENT: Testified in support of HB 281.

CATHIE MAURO

2730 West 80th Avenue
Anchorage, Alaska 99502
POSITION STATEMENT: Testified in support of HB 281.

DONNA GARNER, Executive Director
Victims for Justice
1057 West Fireweed Lane, Suite 101
Anchorage, Alaska 99503
POSITION STATEMENT: Testified in support of HB 281.

ACTION NARRATIVE

TAPE 02-16, SIDE A
Number 001

CHAIR LISA MURKOWSKI called the House Labor and Commerce Standing Committee meeting to order at 3:20 p.m. Representatives Murkowski, Meyer, Crawford, and Hayes were present at the call to order. Representatives Halcro, Kott, and Rokeberg arrived as the meeting was in progress.

HB 229-EDUCATION TAX ON EMPLOYMENT

[Contains discussion pertaining to SB 165, the companion bill.]

Number 006

CHAIR MURKOWSKI announced that the first order of business is HOUSE BILL NO. 229, "An Act imposing a tax on employment; and providing for an effective date."

Number 021

REPRESENTATIVE GARY STEVENS, Alaska State Legislature, sponsor, introduced HB 229 to the committee. He said this bill could easily be a part of long-range fiscal plan. He mentioned that HB 229 is the House companion bill to Senator Austerman's SB 165. He addressed some of the issues that the committee might be interested in. He said, "This is a \$100-a-year-per-person head tax, and as you may recall ... in 1970 ... there was a \$10 head tax at the time, and it was an easy enough thing; it was taken out of your first paycheck." He said although HB 229 is considerably more, \$100, it can be taken out of the first two paychecks - \$50 each paycheck. He stated that it would be collected by the employer and remitted to the state on February 1. This would only apply to people who are 19 years or older, and not the high school student working part-time. He said that

mostly it would affect the people who are out of high school and working full-time.

REPRESENTATIVE STEVENS said that this would not apply to the military because he doesn't think there's any way to collect that. He stated that there would be no exemptions for income levels, nor for senior citizens or for people who are 19 years or older. Out-of-state workers certainly would be a part of this. The intention is that this would be used for educational funding, but of course it can't be dedicated. He said that the cost to collect this tax would be \$822,000. The tax itself would be estimated at \$38 million a year, and the department would hire eight people to collect the tax.

Number 063

REPRESENTATIVE STEVENS said HB 229 is supported by the school board association, the Sitka school district, and the Kodiak Island Borough, among others. He concluded his presentation and offered to answer any questions that the committee might have.

Number 069

CHAIR MURKOWSKI noted that there are two fiscal notes in the packet. One is from 2001, and the other is an updated fiscal note as of February 11, 2002. She said that the updated fiscal note indicates a lesser amount than Representative Stevens mentioned.

REPRESENTATIVE HAYES asked Representative Stevens why the military is exempted, and inquired if [a member of the military is] exempted if he/she holds another job in the community outside of his/her military duties.

REPRESENTATIVE STEVENS said that they are only exempted from the military pay, so any job they may have in the community would be a part of that. He apologized for his early departure from the proceedings, but said he had to leave to chair the House Special Committee on Fisheries meeting.

Number 094

CHAIR MURKOWSKI asked a member of Representative Stevens' staff if this would be applicable to seasonal employees who come to Alaska, whether they're working in Denali Park or working on a processor. She asked if she was correct in assuming that it's whatever the first two paychecks of that employee would be;

whether it's in January or in July, the payments would be taken from the first two paychecks.

Number 105

DOUGLAS A. LETCH, Staff to Representative Gary Stevens, Alaska State Legislature, said, "That's correct. ... The way we see the bill is that it would apply to the first two paychecks, whatever time you start working during the course of ... that calendar year."

REPRESENTATIVE MEYER asked if he is correct in his interpretation that it doesn't matter how much one makes, everybody over 19 years of age pays the \$100.

MR. LETCH said that is correct. He stated that the idea is that the tax would go to any individual over the age of 19 who is employed in the state of Alaska, exclusive of the military.

REPRESENTATIVE MEYER said, "So in some ways this is a regressive tax, but in other ways it's a fair tax because everyone pays the same amount, but regressive in the sense that ... if you work at Burger King for minimum wage, the \$100 is going to impact you more than someone who works somewhere else and makes a lot more money." He asked if it would be easier to just withdraw \$100 from the permanent fund dividend (PFD) instead of hiring eight people and having almost \$1 million in costs to collect the money. He asked if that option had been discussed.

Number 130

MR. LETCH mentioned that Representative Stevens' office and Senator Austerman's office discussed the issue the other day. He said:

I don't want to put words in my boss's mouth, but it's his feeling that by adding the permanent fund dividend into this, it creates yet another level of bureaucracy. And his intention would be to keep the bill simple. However, if that is the wish of the committee, and if the Senator's office would like to comment on the PFD issue, I'm sure we'd be willing to entertain that conversation as well.

REPRESENTATIVE MEYER said he was going to suggest taking \$100 out of each permanent fund dividend, but the intention was just

to capture those age 19 and over, which would be a little more of an administrative task.

Number 145

CHAIR MURKOWSKI noted that the seasonal employees would not be affected if \$100 is deducted from the permanent fund dividend. She said, "You're getting the college kids who are coming up and working in the parks or the folks that are working in the fisheries and the canneries. This is a way that we can capture money from those who do come [to Alaska]."

MR. LETCH said, "That's exactly how Representative Stevens was looking at it."

Number 154

REPRESENTATIVE CRAWFORD brought up the issue of a person having multiple jobs. He said the record one used to get was his/her paycheck stub. He explained that one's next employer would withhold it as well because of being liable. The employee would then have to apply to get the money back that he/she had already paid before. He said that a \$100 deduction each time is a lot more substantial, and to somebody like an ironworker who might work for multiple employers during the year, that would be a fairly substantial amount to withhold throughout the year. He said, "I'd just like to see ... a good way of proving that you've already paid this tax."

Number 174

MR. LETCH said [to Representative Crawford], "I understand you were in a situation where you had 12 jobs at one time, and were paying that \$10 each time you took a job." He said that he thinks the ultimate solution may be something as simple as being able to show a paycheck stub to one's next employer. He mentioned that there is a procedure for one to apply for a refund if an employer takes an extra \$100 out of an employee's pocket. He said that someone is more likely to go after the \$100 than the \$10.

REPRESENTATIVE HALCRO said that last year the committee discussed that probably the most efficient way to collect the tax might be to tie it to the Employment Security Contribution (ESC) reports that employers are responsible for filing every quarter. He mentioned that the ESC report has the employee's name and social security number, and that it seems to him it

would be a vehicle to have some sort of a check-and-balance system. Every quarter when an employer submits the ESC, it can be reconciled who has paid and who hasn't. He asked Mr. Letch if he has talked to the Department of Revenue about "marrying" the school tax fee to the ESC report.

Number 206

MR. LETCH said that he would have to defer to somebody from Senator Austerman's staff.

Number 208

AN UNIDENTIFIED SPEAKER said, "Yes and no."

CHAIR MURKOWSKI asked, "I think more information is forthcoming, correct?"

AN UNIDENTIFIED SPEAKER said, "Sure."

Number 211

MR. LETCH said that after the hearing on [HB 229] last April, Senator Austerman's staff and Representative Stevens' staff did some brainstorming and have looked into the issue. He said that after the two offices talked on Friday, the understanding was that they were still waiting for some clarification from the legal department and the revenue department.

CHAIR MURKOWSKI told Mr. Letch that if he finds any more information to let the committee know.

Number 220

REPRESENTATIVE ROKEBERG asked Mr. Letch if he could go over the rationale for exempting those under 19 years of age.

MR. LETCH said the idea behind exempting those under the age of 19 is because the graduating age of most high school students is 18, so "we will be capturing those people who are not in the adult workforce as of yet."

REPRESENTATIVE ROKEBERG asked if a limitation on the amount of income, for example, \$500 or \$1,000, was considered.

MR. LETCH said that Representative Stevens' and Senator Austerman's offices have talked about that, and he believes the

consensus was to go with the straight-across-the-board \$100 head tax on everybody, with no exemptions.

Number 242

REPRESENTATIVE ROKEBERG stated his appreciation for allowing the tax to be taken out in the first two regular payroll periods after January 1. He said it's been his experience that in some lower-level, entry-level jobs, sometimes the employees don't return to work on the second or third day because they perhaps found out that they don't like the job or they discovered they don't like to work anymore. He said, "I hate to do this, but I'd say it's an indictment of the youth of this country and in this state right now. I don't think young people know how to work anymore."

Number 254

REPRESENTATIVE ROKEBERG spoke of his experience with his new business this last year in which many people, after a day or two of work, found out what the job actually entailed and would quit or just stop showing up to work. This caused a good deal of paperwork from the accounting standpoint. He said that he is in agreement with the point that Representative Halcro raised about tying this to the ESC or making it due later than February 1. He said, "I guess a concern I have is ... that ... you might want to consider a provision to make it the second or third payroll period for new hires or something." He said that this is going to have an impact on business activity. He asked if Representative Stevens' office or Senator Austerman's office had considered what kind of fiscal impact and burden HB 229 is going to have on private business.

Number 268

MR. LETCH offered that he has had a job for one day, saying that he was a vacuum cleaner salesman and a car salesman for a short time. He deferred Representative Rokeberg's question to Susan Hancock from Senator Austerman's office to address some of the private issues. He said that later he could get back to the question on the second or third payroll [deduction].

Number 280

SUZANNE HANCOCK, Staff to Senator Alan Austerman, Alaska State Legislature, testified on HB 229. She said Senator Austerman's office talked to several gentlemen with the Department of

Revenue last year, and they said that tying the employment tax to the ESC collection would add to the expense. She mentioned that they were trying to keep the fiscal note as low as possible by keeping things as simple as possible.

[Representative Rokeberg asked a question that was indiscernible because of background noise.]

Number 0288

MS. HANCOCK replied, "The state."

CHAIR MURKOWSKI asked, "So did they indicate what ... the additional fiscal note would be, or did they go that far?"

MS. HANCOCK replied in the negative, saying that it was just at that point of discussion and [the state] just said that it would add to the cost of the fiscal note.

Number 292

REPRESENTATIVE ROKEBERG voiced his concern over this serious matter. Many small businesses can only use expensive professional accounting, at \$50 to \$150 an hour, to put together their quarterly statements and to make sure that they're meeting their legal obligations to both the state and federal governments. He said that from the private-sector standpoint, it seems the most opportune time to file the employment tax is to do it in conjunction with other types of filings. He said, "I don't see this as a enormous burden, but it could be, depending on the level of entry-level jobs that a business might have."

Number 305

REPRESENTATIVE ROKEBERG referred to the "\$700,000 or \$800,000" fiscal note, and said it's going to cost the private sector in Alaska, in terms of productivity and actual hard costs, maybe twice that because of the accounting time put into the collection of it. He said, "When this is designed, it needs to be designed in such a manner that it minimizes the (indisc.) and maximizes this revenue. Or you may have compliance problems."

CHAIR MURKOWSKI asked Ms. Hancock if she knows anything about a system that was instituted before that supposedly collected more than it cost.

Number 317

MS. HANCOCK recalled that as far as records are concerned, there is no collective memory except for people who actually had lived in the state at that time.

CHAIR MURKOWSKI commented that it seems hard to believe that the Department of Revenue had no numbers.

MS. HANCOCK said that as she recalled, the Department of Revenue was not forthcoming with them at the time.

CHAIR MURKOWSKI asked if there was anybody from the Department of Revenue who was prepared to answer the question.

Number 327

NEIL SLOTNICK, Deputy Commissioner, Office of the Commissioner, Department of Revenue, testified on HB 229. He said that he hasn't done research on this subject, but his understanding is that when there was a \$10 school tax in the past, all of the collection effort was tied to the income tax. He said that "it was piggy-backed with the income tax, and so we really had very little extra collection effort involved with the tax at that time."

CHAIR MURKOWSKI asked Mr. Slotnick to speculate how collection would work if an income tax were reinstated.

Number 336

MR. SLOTNICK said he thinks that there would be a very substantial reduction in the fiscal note if the structure of the tax were changed from being collected a year after the tax to being paid by the employee, assuming that it was paid through the normal withholding that the employer does with the income tax. He thinks that there would probably still be some collection and enforcement issues with the self-employed people, nonresidents, and people who leave the state, but the enforcement and data-entry costs would be "substantially less than what you're seeing here."

CHAIR MURKOWSKI asked how deductions from federal income tax were done in the past with the education head tax.

MR. SLOTNICK said he thinks back then it was deductible from federal income tax, and he's not really sure what the tax treatment would be today.

CHAIR MURKOWSKI asked, "Have you given some thought to Representative Halcro's suggestion of tying it to the ESC?"

Number 354

MR. SLOTNICK said that he recalls having discussions about that issue last spring and the reason [the department] thought there might be more cost related to remittance of the ESC. The ESC is done on a regular basis and not once a year, so as new employees are hired, there would be a big swing in the amount of work for the Department of Labor and Workforce Development or the Department of Revenue; there would be more returns filtering in through the year. More returns means more work. He said, "It's the processing of returns that ties directly to the size of our fiscal note. ... And there's big issues still out there with what do you do about the self-employed, and what do you do about refunds. ... Those issues don't go away."

REPRESENTATIVE ROKEBERG asked Mr. Slotnick if a mandatory dated receipt that was issued to an employee as proof of payment to subsequent employers would work for this relatively small amount of tax.

MR. SLOTNICK asked, "Work ... as far as trying to avoid the refund problem and subsequent collections?"

REPRESENTATIVE ROKEBERG said yes.

Number 374

MR. SLOTNICK stated that he believes there are still going to be double collections and refund requests.

REPRESENTATIVE ROKEBERG inquired whether they could be minimized by providing a proof of payment.

MR. SLOTNICK said he thinks that there could be a reduction in the number of refund requests that [the Department of Revenue] has to process. He mentioned that that would be asking for more work from the employers.

REPRESENTATIVE ROKEBERG interjected, "I think giving a receipt that that's been paid ... wouldn't be asking too much, ... just like a ... 1099 form."

Number 386

CHAIR MURKOWSKI asked, "Can we just have it generated as soon as ... [the application is] received?"

REPRESENTATIVE ROKEBERG said that it would either be in the form or report that they give to the Department of Revenue anyway. He explained that then there would be a triplicate form or something whereby the employee would get a copy, the department would get a copy for the record, and the employer would get a copy.

Number 392

REPRESENTATIVE HALCRO inquired whether the Department of Revenue has done any analysis on what revenue would be generated if it applied to all working Alaskans rather than just those age 19 and older.

MR. SLOTNICK said, "Yes. I was just shown that figure. We used a multiplier, and I'm trying to remember what that was because we took all jobs and multiplied it by ... something like 97 percent ..., and I'm not sure of that number. I can get back to you, Representative Halcro. ... Perhaps there would be 3 percent more revenue."

REPRESENTATIVE HALCRO asked, "3 percent more revenue than the \$38 million?"

MR. SLOTNICK replied in the affirmative.

Number 402

REPRESENTATIVE KOTT expressed the same concern that Representative Rokeberg voiced earlier with the number of workers who move from job to job. He said, "Somehow we've got to provide some kind of mechanism so they're not always paying \$50 every time they work a day. He used a "pool of dishwashers" as an example of a group of workers in the service industry that keep moving from restaurant to restaurant. He said that it could be an accounting nightmare because they work one day and make \$60. After paying the FICA [Federal Insurance Contributions Act] contribution, they have \$52 left, and then to

take \$50 from the remainder would leave the employee with \$2. He asked what effect this proposal would have on the active-duty military, both in and out of state.

Number 413

MR. SLOTNICK said he believed that under the Soldiers' and Sailors' Civil Relief Act [of 1940], [the Department of Revenue] cannot tax military pay.

REPRESENTATIVE KOTT mentioned that it's his understanding that some states impose an income tax on those numbers if [a member of the military] becomes a resident of the state that has that income tax.

MR. SLOTNICK said that may be correct and that he will check with his tax technicians and report back to Representative Kott. He mentioned that in the income tax legislation he has been working on, there's always a provision to exempt those who are eligible for exemptions under the Soldiers' and Sailors' Civil Relief Act. He said that may be only for nonresident military.

REPRESENTATIVE KOTT said, "That probably is correct. I seem to recall ... talking to some of my friends who had an income tax imposed upon them as they lived in a certain state that had an income tax. ... So I think there's a combination, but I'd be curious to see what effect we might have on that."

Number 427

CHAIR MURKOWSKI stated that the fiscal note from the department does provide that the bill as it is written would appear to apply to U.S. military personnel on active duty in the state, but who retain a legal residence in another state.

REPRESENTATIVE KOTT asked if it would be imposed.

CHAIR MURKOWSKI said it appears to apply [to those] who retain a legal residence in another state. So those who claim residence [in Alaska] would have to pay.

Number 433

REPRESENTATIVE HALCRO pointed out that the department notes in its analysis that "the Soldiers' and Sailors' Civil Relief Act may preclude us from doing that." He asked if this was correct.

MR. SLOTNICK answered, "From charging nonresidents ... who have income here in this state. ... There is no provision in the Act to provide for that."

Number 438

REPRESENTATIVE KOTT asked if this in any way affects Alaska residents who are currently employed in another state.

MR. SLOTNICK replied that he doesn't think so, as he reads the bill.

REPRESENTATIVE KOTT asked if there is any way to catch them because there are a large number of Alaska residents who work in other states. He referred to the large number of military members who are out of state; both they and their spouses are residents of the state. He said, "So the spouse is working, non-allowable absence; they're eligible for the PFD and not able to get anything from the spouse's working in another state, but is in fact an Alaskan resident." He mentioned that there are also members in the airline industry who reside out of the state but are not eligible for a PFD because they're not on an allowable absence.

Number 453

MR. SLOTNICK explained that the state can impose an income tax on its residents, which would include income earned outside of the state. He said that when a state does that, it has to give a credit to the individual for any tax that individual might have to pay in the state where the income was earned. He said he's not sure how that would work with a head tax because it's not comparable to income taxes in other states where the income was earned.

REPRESENTATIVE KOTT thought that it would be problematic. He said, "Absent some other mechanism that there could be a deduction from, there's no way to sweep in these folks that are out of state, ... not to mention the number of college students who live out of state ... working part-time." He asked if there has been any kind of review of what effect this would have on the short-term positions that generally don't pay very much, such as election workers who work one day and are paid \$100. He voiced his concern about deducting \$50 right off their pay because it's a paid volunteer position and it may be the only thing they do.

Number 474

MR. LETCH said that discussion has not been brought up.

CHAIR MURKOWSKI asked Senator Austerman if he wished to address this issue.

SENATOR ALAN AUSTERMAN, Alaska State Legislature, said, "No. He's correct. We have not had that discussion."

Number 479

REPRESENTATIVE ROKEBERG asked Mr. Slotnick if there are head taxes in other states that [the state] might look at [to] collect the federal taxation on the assessments to other citizens in other states.

MR. SLOTNICK said although that research has not been done yet, he would offer to look into the subject.

REPRESENTATIVE ROKEBERG said that might give [the state] some clue about how the imposition of such a tax would relate to private tax issues. He mentioned that Alabama still has a poll tax.

MR. SLOTNICK said he would get back to Representative Rokeberg on that subject.

Number 489

REPRESENTATIVE HALCRO suggested there needs to be a change to incorporate those workers under the age of 19 also. He argued that even a working minor is still responsible for paying union dues and monthly fees, with no exemptions. He said, "I think that this tax is something justifiable to take out of their paycheck, especially given the fact that education is the biggest expense we have in this state."

Number 501

REPRESENTATIVE KOTT asked Representative Halcro if he wishes to sweep in the seven-year-old who delivers newspapers also.

REPRESENTATIVE HALCRO said, "If they get a check from an employer, I would say yes."

CHAIR MURKOWSKI said, "You're tough."

REPRESENTATIVE HALCRO mentioned that he delivered newspapers as a boy too.

REPRESENTATIVE ROKEBERG offered that his first job was sweeping out the Boy Scout headquarters when he was 13 years old and got nailed with the school tax. He said he wasn't happy about that.

Number 509

SENATOR AUSTERMAN said that this tax was introduced based upon the premise that it would be part of a package in the end. Obviously, this type of a tax on a stand-alone basis is probably more expensive to tax and more expensive for the business owner than [the state would] want to bear. He offered that this type of a tax works well with an income tax. He said:

When we had it before, that's how you handled it. You went back to your income tax at the end of the year when you filed your state income tax, or you submitted a copy of all your receipts if you paid four or five different times because you had four or five different jobs. You were able to deduct that off of your income tax. That was a part of the process ... [The] same ... applied, then, at the same time with your federal tax. It just became part of ... the tax structure that you were able to deduct off your federal income tax. So I think the overpayment issue ... really might hit you hard while you're doing it, but you end up in the end being able to use that to come back.

SENATOR AUSTERMAN addressed the issue of exemptions, and said that the permanent fund dividend is a prime example of why there shouldn't be any exemptions within this program. He continued:

We didn't want Pandora's box opened. We didn't want to get in the same situation we [are in] with the permanent fund. ... There's a page and a half to two pages of exemptions within the permanent fund process as you go through. We didn't think that ... on a \$100 tax it was necessary to have those type of exemptions.

In reference to Representative Rokeberg's concerns about the one-day worker, ... that's a very good question. I think ... we need an answer to that and how you address that, whether it comes out of their second paycheck or whether, however you do it so that

they actually are hired for more than ... the day. 18- or 19-year-olds - ... that was an arbitrary number that we picked. We thought about the newspaper carriers, we thought about the babysitters, and the rest of this stuff - how you got to a position where you actually ... were hitting people you really didn't want to hit. So we actually set it at ... 19. Originally we had talked about ... 18, but we moved it to 19. And with that, I would hope you would move this on to [the House Finance Standing Committee] at some point in time so that it is actually part of the overall package that is there for discussion.

Number 537

REPRESENTATIVE KOTT offered conceptual Amendment 1, relating to the effective date on page 2, line 16. He said that he thinks a big part of the problem with this stand-alone piece of legislation is that this Act takes effect on passage of a state income tax, but no sooner than January 1, 2003. He said that without an income tax, it becomes somewhat problematic in applying it or reducing the tax burden. He said:

I'm not sure sales tax would generate the income tax form that you would need. Paying a sales tax, ... I don't think there's any reporting to the state government.

Number 551

REPRESENTATIVE ROKEBERG objected to Amendment 1, and said that it presupposes that there will be state income tax before a sales tax. He said, "We don't know at this time what type of taxation and the general nature will be [of] the (indisc.) introduced in the state effectively."

REPRESENTATIVE ROKEBERG withdrew his objection.

Number 558

CHAIR MURKOWSKI noted that without any objection, Amendment 1 was adopted.

REPRESENTATIVE ROKEBERG mentioned that Representative Halcro "wanted to do the 'under 19' one."

REPRESENTATIVE HALCRO stated that he doesn't know how that's possible now because if it's based on the passage of an income tax, there's no 7-year-old paperboy who's going to be filing an income tax return. He mentioned that it kind of defeats the purpose because those under 18 don't have to file an income tax return.

Number 564

REPRESENTATIVE ROKEBERG mentioned the PFD.

REPRESENTATIVE HALCRO said, "Certainly Senator Austerman's comment about the babysitter is one that I hadn't thought about, and I think he has some merit to that."

Number 567

REPRESENTATIVE ROKEBERG moved to adopt conceptual Amendment 2, on page 1, line 9, to delete 'February 1' and add 'March 31'. He said he thinks that is the deadline date for the ESC.

CHAIR MURKOWSKI asked Mr. Slotnick if he knew the deadline date.

MR. SLOTNICK said no.

Number 573

REPRESENTATIVE ROKEBERG said, "It closes out on the 31st."

CHAIR MURKOWSKI asked if it is due then.

REPRESENTATIVE ROKEBERG said, "No, I don't want to make them do the same day as...."

Number 576

REPRESENTATIVE HALCRO objected for the purpose of discussion. He said he would read this bill to say the tax shall be paid before March 31 of the calendar year following the year for which it is imposed. If an employer hires somebody on March 1, 2002, the taxes do not need to be submitted until March 31, 2003. He said, "So you're going to allow an employer to hold on to this tax revenue for 13 months before you submit it to the state. I think you set yourself up for some...."

REPRESENTATIVE ROKEBERG said, "That's the way they have it written. Don't blame me for that. Actually, I'm extending it out, and ... the date's got to be [on] April 15."

REPRESENTATIVE HALCRO said he thinks that's "too much ... time."

CHAIR MURKOWSKI asked for some clarification from the sponsor on this issue. She said, "As I read it, as well, you can't have your employer holding on to these funds for 13 months."

Number 584

SENATOR AUSTERMAN mentioned that last year in the Senate Finance Committee there was a lot of discussion about changing to quarterly payments to the state. Part of those discussions dealt with when quarterly payments were due on a normal business basis, and whether that fits. He stated that he hasn't had the chance to research the topic because he hasn't been able to get another hearing [in the Senate Finance Committee].

REPRESENTATIVE ROKEBERG explained that normally the ESC tax would be 30 days after the end of the quarter.

SENATOR AUSTERMAN said, "Yes."

TAPE 02-16, SIDE B
Number 590

REPRESENTATIVE ROKEBERG amended conceptual Amendment 2 to include, "shall be paid quarterly on the dates now currently ... following 30 days after the due date of ESC taxes". He explained that the taxes will be collected and paid quarterly.

SENATOR AUSTERMAN said, "Our discussion was to make it as simple as possible ... so that we don't have duplication of any of the..."

REPRESENTATIVE ROKEBERG said, "Right, so they would be paid quarterly."

Number 583

REPRESENTATIVE HALCRO said, "So, basically, what you're looking for is ... 'shall be paid ... the first quarter'..."

REPRESENTATIVE ROKEBERG interjected, "No. 'Should be paid quarterly'." He mentioned that he doesn't know what the dates are but is referring to the dates that the ESC taxes are due.

REPRESENTATIVE HALCRO offered that maybe the language should read something like, "Shall be paid quarterly following the quarter for which it ... is imposed, shall be paid every quarter."

CHAIR MURKOWSKI asked if that means the employers will be paying in quarterly.

REPRESENTATIVE HALCRO replied that they would, along the same timeline as they file the ESC.

REPRESENTATIVE ROKEBERG offered that this is a conceptual amendment and the drafter can figure out the specific language.

Number 574

SENATOR AUSTERMAN said that since "you've tied the income tax to it, ... maybe you could tie a payment for your income tax why the business is..."

REPRESENTATIVE ROKEBERG interjected, "No income tax, buddy."

CHAIR MURKOWSKI mentioned that she isn't sure what conceptual Amendment 2 is yet.

REPRESENTATIVE ROKEBERG explained that conceptual Amendment 2 is, "Shall be paid quarterly at the same date due that the ESC taxes are due." He said that 30 days after every quarter, [an employer] submits to the state the amount collected during that quarter.

REPRESENTATIVE HALCRO mentioned that he thinks the language should just be adopted.

Number 564

CHAIR MURKOWSKI confirmed what conceptual Amendment 2 states.

REPRESENTATIVE ROKEBERG interjected and said, "Or we could make it April 30. We could go through the whole litany here."

Number 559

CHAIR MURKOWSKI asked if there was any objection to conceptual Amendment 2.

REPRESENTATIVE KOTT asked if this would increase the fiscal note because the department will have to account for this money four times a year versus once.

REPRESENTATIVE HALCRO said, "That's why you have ESC on such a short leash - 30 days past the quarter - is because we don't want business out there holding on to tax revenues for a year." He asked what would happen if a business went bankrupt. He offered that it just hurts the system further down the line and there is certainly a good reason why some businesses and corporations are on a short leash. He said that depending on how big a business or corporation's payroll is, some deposits for the ESC or federal income tax need to be deposited within 72 hours of paying the employees. He said that he thinks it's better to keep [HB 229] on a short leash.

Number 548

REPRESENTATIVE CRAWFORD said that in the iron-working industry there are a lot of contractors who come up from out of state and hire 50 to 60 ironworkers through the summer, and then leave the state and never come back. He mentioned that there are also lots of fly-by-night contractors that come into the market and then leave and never come back under that name again. He stated his support for a short lease, instead of having employers holding the tax funds for up to 13 months.

Number 540

REPRESENTATIVE HALCRO offered an example of an employer who has already takes \$100 out of an employee's paycheck and the company then leaves the state. The employee therefore has no proof that he/she has paid the \$100 tax because the employer has taken it without submitting it.

Number 534

CHAIR MURKOWSKI, hearing no objection to conceptual Amendment 2, announced that it had been adopted with "very conceptual" language at this point.

Number 530

REPRESENTATIVE ROKEBERG moved to adopt conceptual Amendment 3, page 1, line 13, to add "and \$650 of income" after "of each calendar year." He explained that the idea is that the employee would also have to have earned at least \$650 before the payment is due.

CHAIR MURKOWSKI objected for the purpose of discussion. She asked, "What happens if you have a dish-washer who never does earn \$650?"

Number 518

REPRESENTATIVE ROKEBERG answered, "He skated. It would be a cumulative effect."

CHAIR MURKOWSKI verified that it would be the first two paychecks and after the employee has earned \$650.

SENATOR AUSTERMAN offered that this would increase the workload on the businesses. He said:

If it's just an automatic thing and then at the end of the year, if they haven't made 'x' amount of dollars, maybe you want to put a level on the tail end, or if you have to file an income tax. ... Once you try to make the employer make the determination whether the gentleman has made \$650 cumulatively over ... a series of jobs -- I assume that all employees must receive stub; it should state right on there. ... If [an employee] can provide that employer with a paycheck stub showing \$100 worth, then it ... shouldn't have to withdraw it anymore.

Number 506

REPRESENTATIVE ROKEBERG explained that the reason why he offered conceptual Amendment 3 is to have a minimum impact on business. He said, "So I would disagree with the Senator's assessment." The intention is to avoid having to make any withdrawal and payment for that worker who doesn't meet the first week's payroll. He offered that until an employee has shown that he/she is going to be there for a while, then the deduction could be made. He said that the \$650 is derived from calculating the presumed minimum wage, which would be \$300 a week. He said, "And then adding a small, \$25-a-week surcharge on to that, which one might take to be half of the CPI." He explained that this would mean that an employee would have to

stick to a job at least a week or two before he/she would be subject to the withholding. He offered that he thinks this will save businesses money.

Number 493

CHAIR MURKOWSKI offered that she understands where Representative Rokeberg is and doesn't know that she necessarily disagrees. She stated her concern with how this would fit with the wording as it is now, because "we're stating that we're going to make the deductions on each of the first two regular payrolls period, and now if you never get to that ... point...."

REPRESENTATIVE ROKEBERG said it should be on the first \$650.

CHAIR MURKOWSKI mentioned that it sounds as though Representative Rokeberg is saying it shouldn't make any difference whether it's the first paycheck or the fifth; he just wants to make sure the employee [will stay at the job].

REPRESENTATIVE ROKEBERG said it should be the first paycheck after the first \$650 is made, to make sure it's collected. He said, "If we could make a conceptual amendment there, again, I think that the \$650 as a minimum amount before an employer has the obligation to make the deduction -- leave it to the drafter on how we really want to fit it in there."

CHAIR MURKOWSKI asked, "So you wouldn't have it split up, then?"

Number 480

REPRESENTATIVE ROKEBERG said:

I think you could have it split up, too, ... because you could have a minimum wage earner, or [an] even less than 40-hour-week earner, with a pretty small paycheck. I wouldn't change that. And after the first of January, I would just make another criterion. All things being equal there, that \$650 ... [must be] earned before the rest of those provisions kick in. ... It's for that purpose to avoid ... having to assess or deduct from the person that works a day or two and then doesn't show up: ... the six-hour used-car salesman.

Number 472

REPRESENTATIVE HALCRO offered that maybe this needs to be talked through a little more, because Senator Austerman raised a concern about the impact on business. He said:

Let's face it, if somebody shows up for work one day, Monday, they come and work eight hours and make 60 bucks and then don't show up the next day, ... you'd basically deduct the 50 bucks from the 60. And there's got to be some way to reconcile that because obviously if he quits, either he's got to come back three days later and get a paycheck, as state law allows him to, or the person's not going to show back up and collect his day's wages. Regardless, you still have the ability to deduct that \$50 from ... the day's pay. ... There's got to be some kind of separate accounting method where you'd have to -- I don't know ... if you'd prorate that.

Number 458

REPRESENTATIVE ROKEBERG offered that it is a judgment call because it would cause some more accounting problems. He stated that it's the lesser of the evils. He said that "it has the beauty of allowing you to go back to your under-18. ... So all the other casual laborers, small jobs for baby-sitters and the lawn-mowers basically are exempt and.."

Number 453

CHAIR MURKOWSKI said that they're not exempt. She offered that as a baby-sitter she'd certainly earned more than \$650 over a summer. She said, "In terms of keeping track of that \$650 amount, by the end of the year your 16-year-old granddaughter could be making that."

REPRESENTATIVE ROKEBERG said, "No, she's fired before that. ... No more trips to Tasty Freeze."

Number 438

CHAIR MURKOWSKI said that the committee is getting too bogged down with it and that she was going to maintain her objection. She then called for a roll call vote on conceptual Amendment 3, which is, "You're going to have two deductions from your paycheck, but you have to have established that you have earned a minimum of \$650."

A roll call vote was taken. Representatives Rokeberg and Halcro voted for conceptual Amendment 3. Representatives Crawford, Meyer, Kott, and Murkowski voted against it. [Representative Hayes was absent.] Therefore, conceptual Amendment 3 failed by a vote of 2-4.

Number 427

REPRESENTATIVE ROKEBERG said, "I do think we need in page 2, [lines 5-8] ... [a] record-of-withholding provision." He explained that if the employee can furnish a subsequent employer with a proof of payment, then that employer is relieved from making the deduction.

REPRESENTATIVE HALCRO asked Representative Rokeberg to restate his concern.

REPRESENTATIVE ROKEBERG restated the aforementioned.

Number 417

CHAIR MURKOWSKI said, "There is reference ... under collection of tax, [beginning on] page 1, line 15, 'A deduction of the tax may not be made in the salary or other compensation of a person who provides proof to the employer that the tax imposed under AS 43.45.011 has been paid.'"

REPRESENTATIVE ROKEBERG said, "Well, then, it's already there."

Number 410

CHAIR MURKOWSKI asked if Representative Rokeberg was then withdrawing his amendment.

REPRESENTATIVE ROKEBERG said yes.

Number 405

DAVE JONES, Director of Finance, Kodiak Island Borough School District, testified via teleconference in support of HB 229. He mentioned that he was testifying mostly as a non-taxpaying father of three students in Kodiak, and a little as the Director of Finance for the Kodiak Island Borough School District. He explained that he is a non-taxpayer because although there is property tax and sales tax in Kodiak, after his family receives their PFDs in October, those checks more than make up for the taxes paid. He said, "I get paid to live in Alaska." He said

that he is frustrated because he can see the needs in his children's schools, and there's no system in place for him to pay for his fair share of their education. He offered that it's difficult for him when he deposits money in the bank from the PFD that was originally intended to pay for the services they are lacking. He said that he supports HB 229 because "it hits the seasonal fishermen from Oregon that goes back to Oregon and pays an income tax in Oregon on the wages he earned in Alaska."

Number 386

MR. JONES offered that this tax should be collected on November 1 after people have received their PFDs to eliminate the hardship argument. He said that if the committee doesn't like that mechanism, then there should be an income tax or a sales tax because both hit the seasonal employees previously mentioned. He said, "You don't like either of those, take my permanent fund." He said that the vast majority of states [have] income tax and sales tax, and it's the cost of doing business in those states. He said there has not been a cost of doing business in Alaska for years, and "the individuals [need to] start paying for the cost of doing business in Alaska. It's been a nice vacation, 20 years, but it's time people start paying."

Number 383

MR. JONES said that he would "put a little of my finance hat on now." He told members:

It's essential that we ... tackle [a] long-term fiscal plan now. ... We must multiply and diversify the revenue streams as soon as possible. I feel strongly that if we wait and use the CBR [Constitutional Budget Reserve] ... we're just putting off something that needs to be done. Instead, let's capture the CBR and use it as a revenue source. ... In the long term, it's more of a funding solution, as opposed to one year of not having to face the problem again. ...

The state fiscal plan right now: if we were a private enterprise and we walked into a bank to ask for a loan, how long do you think that we would be able to sit in that chair before they opened the door and asked us to politely leave? It's time that we get our house in order, and we need to do that this session. I've heard people talk about ... the State of Alaska

is a ... train engine that's headed for the ... edge of the cliff. ... I think that's a wrong analogy. I think that ... through the lack of our fiscal plan ... the infrastructure (indisc.) reduced to the point where that engine no longer speeding toward the edge of that cliff. In fact, we're breaking down. It's about ready to stop at the edge of the cliff, and if we don't do something on a long-term fiscal plan, the engineer is going to climb out of that train, and he's going to look around. And the only choice he's going to have is to jump off the edge of that cliff.

I'm urging you, this is one of the ways that we ... diversify the revenue stream, and it's one of the ways that we start paving the way that we need to, in the State of Alaska, so we don't get up against the wall and not have solutions that we need to deal with. You guys are the leaders of the State of Alaska. I'm asking you that you take that leadership role and you pass this ... and you provide the funding that we need to educate the kids in Alaska in an adequate manner. Thank you for the opportunity to speak today.

Number 354

REPRESENTATIVE ROKEBERG said that Mr. Jones had an excellent comment regarding the "out-of-state fishermen that come up here and rape, pillage, and loot our resources." He said that one tax the fiscal policy caucus didn't pick up was a tax on the square footage of nets. So every boat fishing in the state had to pay a tax on the square footage of its net. He said, "Those guys are making a killing up here and we're not getting a bloody nickel out of them."

Number 343

REPRESENTATIVE ROKEBERG alluded to page 2, lines 9-15, and said he thinks this bill is unconstitutional to dedicate funds. He asked, "Why does it say education? That's a fraud." He mentioned the general fund (GF), [in which the tax collected by the bill is to be deposited.]

Number 331

REPRESENTATIVE HALCRO referred to the Department of Labor and Workforce Development's annual report that shows in 2001 that Alaska is down to about 17.5 and a half percent of out-of-state

workers, the lowest percentage of out-of-state workers in the workforce since 1988. He said the state has been doing a good job with Alaska-hire, and there has been a radical shift in out-of-state workers. They are no longer oil field workers making \$100,000 a year. They are college kids serving burgers and brews. He mentioned that "when we talk about tapping the income generated by out-of-state workers, we need to remember those are (a) college kids, and (b) they're not making a whole heck of a lot of money." He said he thinks the [wages are] a little under \$13,000 per year. He offered that they are not going to fund state government on the [out-of-state workers'] paychecks.

Number 320

CHAIR MURKOWSKI stated that she had seen the same report, and although those numbers are good for now, Alaska is going to have some major construction projects in the future. She said, "If you believe what the AGC [Associated General Contractors] and the folks in the trades are telling us, we are not going to have the skilled workers to do what has to be done on some of these projects." She offered that if the economy in the Lower 48 remains in the slump that it's in, Alaska may be seeing another influx of out-of-state workers. She said that she thinks HB 229 is one way to get some small contribution from them.

Number 309

REPRESENTATIVE KOTT moved to table HB 229.

[An objection was stated.]

A roll call vote was taken. Representatives Meyer, Kott, and Rokeberg voted to table HB 229. Representatives Halcro and Murkowski voted against it. [Representatives Crawford and Hayes were absent.] Therefore, HB 229 was tabled by a vote of 3-2.

Number 296

CHAIR MURKOWSKI called a brief at-ease at 4:36 p.m. The committee came back to order at 4:37 p.m.

HB 281-CIVIL LIABILITY FOR PROVIDING ALCOHOL

Number 291

CHAIR MURKOWSKI announced that the next order of business would be HOUSE BILL NO. 281, "An Act relating to civil liability for

providing alcoholic beverages to a person under 21 years of age; and providing for an effective date."

REPRESENTATIVE MEYER, sponsor, introduced HB 281. He said that underage drinking is a significant problem nationwide. The tragedy that occurred in Anchorage in July 2001, which took the lives of three teenagers and one police officer, has highlighted the problem of underage drinking. He said that under HB 281, an adult who knowingly furnishes alcohol to a person under age 21 can be held civilly liable for the resulting damages. Representative Meyer stated that under the current statute, licensees who knowingly sell alcohol to a minor can be held civilly liable for damages if it is determined that alcohol was a substantial factor in causing injury or damage. Representative Meyer said that HB 281 simply holds the general public to the same high standard that liquor stores and bars have. It will only impact those adults who knowingly furnish alcohol to a minor.

REPRESENTATIVE MEYER added that currently 30 states have liability laws similar to HB 281. He said that liability laws alone will not eliminate underage access to alcohol, but that hopefully they will deter adults from furnishing alcohol to minors. He commented that HB 281 will not bring back the lives of the three teenagers and the officer who died; however, it will provide a source of recourse for the victims' families and send a strong message to adults that "we are serious about reducing underage access to alcohol."

Number 264

CHAIR MURKOWSKI asked if the liability only comes about if the minor who receives the alcoholic beverage engages in activity that results in some kind of damage.

REPRESENTATIVE MEYER said that is correct, and added that this is the same standard that is already in place on licensees. He said that the key word is "knowingly". He said a person who unknowingly gives a minor champagne at a wedding reception would not be held liable. In the incident in Anchorage, the furnisher of the alcohol was 31 years old and knew that the kids were teenagers, and therefore was convicted on a criminal offense. House Bill 281 would allow families of the victims to pursue a civil case against the person who furnished the alcohol.

Number 247

REPRESENTATIVE ROKEBERG noted that the House Judiciary Standing Committee [which he chairs] had introduced [HB 330], which "raises it to a C felony." The basis of the criminal act under [HB 330] has to result in serious injury or death. He added that with a strict liability standard, "all you have to do is prove that they sold them the alcohol and presumably it is a jury issue as to the level of the amount of damages."

Number 234

REPRESENTATIVE HALCRO thanked Representative Meyer for bringing HB 281 forward and added that one of his constituents is the mother of one of the girls killed in the car crash. He said that after talking to Mike Ford in [Legislative Legal and Research Services] "it was his impression and opinion that our existing penalties for providing alcohol are some of the toughest in the country." He said that without bumping it up to a felony for a first time offense, the only way to get to these people is through their wallets. Civil liability is the only way to go.

Number 224

REPRESENTATIVE MEYER said that he'd heard Representative Halcro on a radio talk show talking in support of HB 281. He said that he has looked into bumping the penalty to a class C felony and initially was talked out of this idea because a lot of adults who are providing minors with alcohol are big brothers or big sisters providing their younger brother with a six-pack. He said that there was compelling testimony in the House Judiciary Standing Committee to cause him to vote to make the penalty a class C felony because it is a serious problem. He stated that "we need to get people's attention about having a high standard on the civil side as well as on the criminal side. It will get people's attention and make them think twice before buying a six-pack or a bottle of Jack Daniels for an underage person."

Number 212

REPRESENTATIVE ROKEBERG alluded to [HB 330] and said, "What this does is move forward on the criminal side, criminalizing the activity to a greater degree than it already is." He stated that now, in the instance of criminal activity, it's either a class A misdemeanor for furnishing [alcohol] for the first time or there needs to be serious injury or death to be able to reach the level of a felony. What [HB 281] does is takes care of

civil action that would be lower than that. He stated that he is supportive of HB 281.

CHAIR MURKOWSKI said that "it's not just purchasing [the alcohol] for [the minors], if you're giving them a six-pack."

REPRESENTATIVE MEYER finished Representative Murkowski's sentence and said that she was correct in her statement.

CHAIR MURKOWSKI inquired about the topic of agents and employees being strictly liable.

REPRESENTATIVE ROKEBERG said that an agent or an employee of a licensed person is already strictly liable. House Bill 281 makes the general public strictly liable also.

Number 186

REPRESENTATIVE KOTT said that right now in current law a parent can provide alcoholic beverages to a son or daughter if they consume the alcohol at home. He asked, "If those sons or daughters go out and cause mischief in which there was civil liability, would they be covered under this?"

REPRESENTATIVE ROKEBERG said that he thinks so because they are strictly liable under HB 281.

Number 166

REPRESENTATIVE HALCRO asked if state law allows for a parent to provide alcohol to a [son or daughter].

REPRESENTATIVE ROKEBERG said yes.

CHAIR MURKOWSKI asked if it refers strictly to consumption in the home.

REPRESENTATIVE ROKEBERG said it refers to not being on a licensed premise.

Number 158

CINDY CASHEN, Member, Juneau Chapter, Mothers Against Drunk Driving (MADD), testified as a representative of the Alaska MADD chapters. She thanked Representative Meyer for sponsoring HB 281. She stated that MADD feels that HB 281, by increasing the charges against those who furnish alcohol to minor, serves as a

deterrent and as a consequence. She said that studies often don't show the deterrents, but what is seen is more people living because of the action of the deterrents, as well as the consequences. All it takes is a deterrent or a consequence for the person standing by the liquor store to say, "No, I'm not going to do it." She said, "It's impossible to have that come up in studies."

MS. CASHEN said MADD feels that HB 281 [will be] effective as a deterrent and as a consequence, and has been proven to be in other states. She explained that the state constitution of Alaska allows a lot of freedom, which is wonderful; however, unfortunately many have abused those freedoms to the point that [Alaska] now is a state of victims. She said, "I think that it's important that we now protect ourselves from ourselves. Both the Juneau and Anchorage MADD chapters support HB 281."

Number 102

MARTI GREESON, Executive Director, Anchorage chapter of Mothers Against Drunk Driving (MADD), testified via teleconference. She stated that MADD does support HB 281. She said, "Persons who are providing alcohol to individuals under the legal age of 21 must be held to a higher standard of responsibility ... for damages to persons, property, or even community." She commented that HB 281 will go a long way toward causing that to happen.

Number 085

MATT WILLIAMS, Police officer, Anchorage Police Department, testified via teleconference. He stated that the Anchorage Police Department does support HB 281. He said:

We all lost a friend and a colleague when Officer Wollam was killed. This should have never happened. I respectfully request that language outlining when the payment for covering the cost of prosecution will be paid, as well as a provision for community work service in the event that the defendant cannot pay the court costs.

CHAIR MURKOWSKI asked Officer Williams if there really are people hanging outside of package stores waiting for minors to come up so that they can go in, buy them something, and get a little money for themselves.

MR. WILLIAMS responded that yes, it does happen, but usually someone isn't waiting in the parking lot for people to come to them. It is usually the other way around, where a carload of teenagers come into the parking lot looking for somebody who's going into the package store and ask, "Hey, can you buy me some beer?" When a person goes to a party where people are drinking beer, somebody knows somebody who can go out and make the necessary alcohol purchases for everybody else. That is usually how it works.

CHAIR MURKOWSKI said she would like to think that if this legislation passes, one of the first things that will happen is some kind of outreach to newly turned 21-year-old people to inform them that this is the consequence if they go out and buy their buddies cases of beer.

Number 029

REPRESENTATIVE MEYER thanked Officer Williams for his testimony. He said all he can go by regarding the accident is what he read in the paper, but he said that it sounded as if it was easy for these teenagers to get the two gentlemen - ages 30 and 31 - to run down to the corner Mapco and get the alcoholic beverages.

TAPE 02-17, SIDE A
Number 014

REPRESENTATIVE MEYER stated, "When you sue someone for civil damages, the 21-year-old is probably not going to have a whole lot to go after. Certainly in this case last summer, somebody who is 30 and 31 ... could have been sued for quite a bit, assuming they had assets." He asked Officer Williams if it is pretty easy for kids to get somebody to buy alcohol for them.

Number 028

OFFICER WILLIAMS responded that it is very easy. He explained that the kids will go to the liquor store parking lot, wait for somebody to go in, and ask that person to buy some alcohol for them.

REPRESENTATIVE MEYER said that [the House Judiciary Standing Committee] had passed [HB 330], "making it a class C felony." He added that "hopefully between the criminal side and now the civil side, that the word will get out."

Number 049

CATHIE MAURO testified via teleconference and said that she is the mother of Heidi Weilbacher, who died in the car crash of July 9, 2001. She stated her support for HB 281 and thanked Representative Meyer for sponsoring it.

REPRESENTATIVE MEYER thanked Ms. Mauro for her testimony acknowledged how difficult this must be for her.

Number 061

DONNA GARNER, Executive Director, Victims for Justice, testified via teleconference in support of HB 281. She said that the message to the kids needs to be that alcohol consumption is not a rite of passage, and it's not all right. She addressed the issue of compensation of victims' families. She said she is afraid, as a mother of a 16-year-old daughter, that "one night when she's not within my reach that she would make the wrong decision. I think anybody who has a child has to realize that no matter how perfect they are, as teens they make wrong decisions."

Number 104

REPRESENTATIVE KOTT asked, "How does this relate to the 31-year-old who provides alcoholic beverages to the 19-year-old, and then the 19-year-old gives it to his friend, and the friend that he gave it to is the one who's involved in the accident that causes some civil liability?"

REPRESENTATIVE ROKEBERG said that there was testimony earlier in the [House Judiciary Standing Committee] about "the causation and the connection, and it will be a matter of evidence because there could be a commingling of various sources of alcohol at a party." He said he suspects that it would cause the same kind of problem in a civil action where the chain of causation has to be mapped to find the approximate cause of the injury, and therefore it could be problematic as to the success of the criminal or civil action.

Number 134

CHAIR MURKOWSKI voiced that she hopes the House Judiciary Standing Committee will address the issue of being "judgment-proof" when looking for civil damages. She said, "You could have the scenario that the parents that live in the huge, beautiful home and have provided a six-pack of beer for three

kids and they each have two, and then an hour later they go out and get it from somebody else - the next-door neighbor who happens to live in a lousy house - and in terms of being judgment-proof you need to get into that aspect of [HB 281]." She mentioned that this is not something that would cause her to withhold her support for [HB 281], but it's something that needs to be aired in the House Judiciary Standing Committee.

Number 152

REPRESENTATIVE KOTT addressed the issue of posting signs in establishments where alcohol is sold so that people know the consequence for furnishing alcohol to minors. He said, "It's not that we want to put people in jail under a different degree of felony or that we want people to receive civil damages. We're trying to prevent an activity from occurring. A posted sign may make a purchaser have a second thought before buying the alcohol."

REPRESENTATIVE HALCRO moved to report HB 281 out of committee with individual recommendations and the accompanying fiscal notes. There being no objection, HB 281 was moved from the House Labor and Commerce Standing Committee.

ADJOURNMENT

There being no further business before the committee, the House Labor and Commerce Standing Committee meeting was adjourned at 5:00 p.m.