

**ALASKA STATE LEGISLATURE  
HOUSE RULES STANDING COMMITTEE**

May 2, 2002  
9:05 a.m.

**MEMBERS PRESENT**

Representative Pete Kott, Chair  
Representative Brian Porter  
Representative Vic Kohring  
Representative Carl Morgan  
Representative Lesil McGuire  
Representative Ethan Berkowitz  
Representative Reggie Joule

**MEMBERS ABSENT**

All members present

**COMMITTEE CALENDAR**

HOUSE BILL NO. 20

"An Act relating to state aid to municipalities and certain other recipients, and for the village public safety officer program; relating to municipal dividends; relating to the public safety foundation program; and providing for an effective date."

- MOVED CSHB 20(RLS) OUT OF COMMITTEE

HOUSE BILL NO. 303

"An Act relating to the levy and collection of a sales tax; and providing for an effective date."

- MOVED CSHB 303(RLS) OUT OF COMMITTEE

HOUSE BILL NO. 304

"An Act relating to disposition of income of the permanent fund; and providing for an effective date."

- MOVED CSHB 304(2d RLS) OUT OF COMMITTEE

HOUSE BILL NO. 464

"An Act relating to statewide school district correspondence study programs."

- MOVED CSHB 464(RLS) OUT OF COMMITTEE

**PREVIOUS ACTION**

BILL: HB 20

SHORT TITLE:MUNICIPAL DIVIDEND: AID TO MUNIS & OTHERS

SPONSOR(S): REPRESENTATIVE(S)MOSES

Jrn-Date	Jrn-Page		Action
01/08/01	0029	(H)	PREFILE RELEASED 12/29/00
01/08/01	0029	(H)	READ THE FIRST TIME - REFERRALS
01/08/01	0029	(H)	CRA, STA, FIN
03/20/01		(H)	CRA AT 8:00 AM CAPITOL 124
03/20/01		(H)	Moved CSHB 20(CRA) Out of Committee
03/20/01		(H)	MINUTE(CRA)
03/20/01	0669	(H)	COSPONSOR(S): DAVIES
03/22/01	0679	(H)	CRA RPT CS(CRA) 3DP 1DNP 2NR
03/22/01	0679	(H)	DP: KERTTULA, MURKOWSKI, MORGAN;
03/22/01	0679	(H)	DNP: MEYER; NR: GUESS, SCALZI
03/22/01	0679	(H)	FN1: ZERO(CED)
03/22/01	0679	(H)	FN2: ZERO(REV)
04/05/01		(H)	STA AT 8:00 AM CAPITOL 102
04/05/01		(H)	Scheduled But Not Heard
04/10/01		(H)	STA AT 8:00 AM CAPITOL 102
04/10/01		(H)	Heard & Held
04/10/01		(H)	MINUTE(STA)
04/12/01		(H)	STA AT 8:00 AM CAPITOL 102
04/12/01		(H)	Scheduled But Not Heard
04/18/01	1052	(H)	COSPONSOR(S): FOSTER
04/26/01		(H)	STA AT 8:00 AM CAPITOL 102
04/26/01		(H)	Moved CSHB 20(CRA) Out of Committee
04/26/01		(H)	MINUTE(STA)
04/26/01	1228	(H)	STA RPT CS(CRA) 4DP 3NR
04/26/01	1228	(H)	DP: WILSON, STEVENS, JAMES, HAYES;
04/26/01	1228	(H)	NR: CRAWFORD, FATE, COGHILL
04/26/01	1228	(H)	FN1: ZERO(CED)
04/26/01	1228	(H)	FN2: ZERO(REV)
04/26/01	1256	(H)	COSPONSOR(S): WILSON
02/04/02	2152	(H)	COSPONSOR(S): HUDSON
02/08/02	2191	(H)	COSPONSOR(S): MULDER
02/11/02	2208	(H)	COSPONSOR(S): BUNDE, STEVENS

02/13/02	2256	(H)	COSPONSOR(S): JOULE
02/15/02	2292	(H)	COSPONSOR(S): LANCASTER
02/20/02		(H)	FIN AT 1:30 PM HOUSE FINANCE 519
02/20/02		(H)	Heard & Held MINUTE(FIN)
02/20/02	2350	(H)	COSPONSOR(S): JAMES
02/22/02	2369	(H)	COSPONSOR(S): KAPSNER
02/25/02		(H)	FIN AT 1:30 PM HOUSE FINANCE 519
02/27/02		(H)	FIN AT 1:30 PM HOUSE FINANCE 519
02/27/02		(H)	<Bill Postponed>
03/20/02		(H)	FIN AT 1:30 PM HOUSE FINANCE 519
03/20/02		(H)	Heard & Held MINUTE(FIN)
03/22/02		(H)	FIN AT 9:00 AM HOUSE FINANCE 519
03/22/02		(H)	Moved CSHB 20(FIN) Out of Committee MINUTE(FIN)
03/25/02	2664	(H)	FIN RPT CS(FIN) NT 9DP 2AM
03/25/02	2664	(H)	DP: BUNDE, WHITAKER, HARRIS,
03/25/02	2664	(H)	LANCASTER, HUDSON, MOSES, FOSTER,
03/25/02	2664	(H)	MULDER, WILLIAMS; AM: CROFT, DAVIES
03/25/02	2665	(H)	FN(S): FORTHCOMING
03/25/02	2668	(H)	RULES TO CALENDAR 3/25/02
03/25/02	2668	(H)	RETURNED TO RLS COMMITTEE
03/26/02	2690	(H)	FN3: (COR)
03/26/02	2690	(H)	FN4: (CED); FN5: (CED); FN6: (CED)
03/27/02	2719	(H)	RETURNED TO RLS COMMITTEE
03/27/02	2719	(H)	RULES TO CALENDAR 3/27/02
05/02/02		(H)	RLS AT 9:00 AM BUTROVICH 205

BILL: HB 303

SHORT TITLE: INDIVIDUAL INCOME TAX  
SPONSOR(S): REPRESENTATIVE(S) WHITAKER

Jrn-Date	Jrn-Page		Action
01/14/02	1954	(H)	PREFILE RELEASED 1/4/02
01/14/02	1954	(H)	READ THE FIRST TIME - REFERRALS

01/14/02	1954	(H)	STA, FIN
01/16/02	1992	(H)	COSPONSOR(S): FATE
02/04/02	2152	(H)	COSPONSOR(S): LANCASTER
02/12/02		(H)	STA AT 8:00 AM BUTROVICH 205
02/12/02		(H)	Heard & Held -- Location Change --
02/12/02		(H)	MINUTE(STA)
02/26/02		(H)	STA AT 8:00 AM CAPITOL 102
02/26/02		(H)	Heard & Held
02/26/02		(H)	MINUTE(STA)
03/07/02		(H)	STA AT 8:00 AM CAPITOL 102
03/07/02		(H)	Heard & Held
03/07/02		(H)	MINUTE(STA)
03/14/02		(H)	STA AT 8:00 AM CAPITOL 102
03/14/02		(H)	Moved CSHB 303(STA) Out of Committee
03/14/02		(H)	MINUTE(STA)
03/15/02	2541	(H)	STA RPT CS(STA) NT 2DP 4DNP 1NR
03/15/02	2541	(H)	DP: STEVENS, FATE; DNP: WILSON,
03/15/02	2541	(H)	CRAWFORD, JAMES, HAYES; NR: COGHILL
03/15/02	2541	(H)	FN1: (REV)
03/20/02		(H)	FIN AT 1:30 PM HOUSE FINANCE 519
03/20/02		(H)	Heard & Held MINUTE(FIN)
03/22/02		(H)	FIN AT 9:00 AM HOUSE FINANCE 519
03/22/02		(H)	Heard & Held MINUTE(FIN)
03/25/02		(H)	FIN AT 9:00 AM HOUSE FINANCE 519
03/25/02		(H)	Moved CSHB 303(FIN) Out of Committee MINUTE(FIN)
03/26/02	2679	(H)	FIN RPT CS(FIN) NT 4DP 5DNP 2NR
03/26/02	2679	(H)	DP: BUNDE, WHITAKER, LANCASTER, MULDER;
03/26/02	2679	(H)	DNP: CROFT, DAVIES, MOSES, HUDSON,
03/26/02	2679	(H)	FOSTER; NR: HARRIS, WILLIAMS
03/26/02	2679	(H)	FN2: (REV)
03/27/02	2715	(H)	ADOPTED Y23 N13 E1
03/27/02	2713	(H)	TECH AM 1 TO AM 3 TO AM 2 AS

			AM UC
03/27/02	2713	(H)	TECH AM 2 TO AM 3 TO AM 2 AS AM
03/27/02	2715	(H)	TECH AM 1 TO AM 4 TO AM 2 AS AM
03/27/02	2716	(H)	TECH AM 2 TO AM 4 TO AM 2 AS AM
03/27/02	2703	(H)	RULES TO CALENDAR 3/27/02
03/27/02	2703	(H)	READ THE SECOND TIME
03/27/02	2703	(H)	FIN CS ADOPTED UNAN CONSENT
03/27/02	2703	(H)	AM NO 1 FAILED Y7 N32 E1
03/27/02	2705	(H)	AM NO 2 OFFERED
03/27/02	2711	(H)	AM 2 TO AM 2 AS AM FAILED Y17 N22 E1
03/27/02	2712	(H)	AM 3 TO AM 2 AS AM OFFERED
03/27/02	2713	(H)	FAILED Y17 N22 E1
03/27/02	2714	(H)	AM 3 TO AM 2 AS AM FLD Y15 N24 E1
03/27/02	2714	(H)	AM 4 TO AM 2 AS AM OFFERED
03/27/02	2716	(H)	RULED OUT OF ORDER
03/27/02	2717	(H)	AM NO 3 FAILED Y7 N31 E1 A1
03/27/02	2716	(H)	AM 4 TO AM 2 AS AM FAILED Y15 N23 E1 A1
03/27/02	2717	(H)	AM 2 AS AM FAILED Y17 N22 E1
03/27/02	2719	(H)	HELD IN SECOND READING
03/27/02	2719	(H)	RETURNED TO RLS COMMITTEE
03/27/02	2711	(H)	AM 1 TO AM 2 ADOPTED UNAN CONSENT
05/02/02		(H)	RLS AT 9:00 AM BUTROVICH 205

BILL: HB 304

SHORT TITLE: PERM. FUND INCOME/ DIVIDENDS/ FUNDS  
 SPONSOR(S): REPRESENTATIVE(S) WHITAKER

Jrn-Date	Jrn-Page		Action
01/14/02	1954	(H)	PREFILE RELEASED 1/4/02
01/14/02	1954	(H)	READ THE FIRST TIME - REFERRALS
01/14/02	1954	(H)	STA, FIN
01/16/02	1992	(H)	COSPONSOR(S): FATE
02/16/02		(H)	STA AT 10:00 AM BUTROVICH 205
02/16/02		(H)	-- Meeting Postponed to 2/23/02 --
02/23/02		(H)	STA AT 10:00 AM HOUSE FINANCE 519
02/23/02		(H)	Heard & Held

02/23/02		(H)	MINUTE(STA)
03/19/02		(H)	STA AT 8:00 AM CAPITOL 102
03/19/02		(H)	Moved Out of Committee
03/19/02		(H)	MINUTE(STA)
03/19/02	2600	(H)	STA RPT 3DP 1DNP 2NR 1AM
03/19/02	2600	(H)	DP: FATE, WILSON, STEVENS; DNP: JAMES;
03/19/02	2600	(H)	NR: HAYES, COGHILL; AM: CRAWFORD
03/19/02	2600	(H)	FN1: ZERO(REV)
03/21/02		(H)	FIN AT 9:00 AM HOUSE FINANCE 519
03/22/02		(H)	FIN AT 9:00 AM HOUSE FINANCE 519
03/22/02	2654	(H)	COSPONSOR(S): MULDER
03/25/02		(H)	FIN AT 9:00 AM HOUSE FINANCE 519
03/25/02		(H)	Moved CSHB 304(FIN) Out of Committee MINUTE(FIN)
03/26/02	2679	(H)	FIN RPT CS(FIN) NT 5DP 1DNP 2NR 3AM
03/26/02	2679	(H)	DP: BUNDE, WHITAKER, LANCASTER, HUDSON,
03/26/02	2679	(H)	MULDER; DNP: FOSTER; NR: HARRIS,
03/26/02	2679	(H)	MOSES; AM: CROFT, DAVIES, WILLIAMS
03/26/02	2680	(H)	FN(S): FORTHCOMING
03/27/02	2719	(H)	FN2: (REV)
03/27/02	2719	(H)	RULES TO CALENDAR 3/27/02
03/27/02	2719	(H)	RETURNED TO RLS COMMITTEE
04/15/02		(H)	RLS AT 9:00 AM BUTROVICH 205
04/15/02		(H)	Failed To Move Out Of Committee -- Recessed to a call of the Chair --
04/15/02		(H)	MINUTE(RLS)
04/17/02		(H)	RLS AT 5:30 PM BUTROVICH 205

BILL: HB 464

SHORT TITLE:CORRESPONDENCE STUDY PROGRAMS

SPONSOR(S): REPRESENTATIVE(S)JAMES

Jrn-Date	Jrn-Page		Action
02/19/02	2313	(H)	READ THE FIRST TIME - REFERRALS
02/19/02	2313	(H)	EDU, HES

02/22/02	2370	(H)	COSPONSOR(S): DYSON
02/27/02	2416	(H)	REFERRALS CHANGED TO HES, EDU
03/07/02		(H)	HES AT 3:00 PM CAPITOL 106
03/07/02		(H)	Heard & Held
03/07/02		(H)	MINUTE(HES)
03/13/02	2530	(H)	COSPONSOR(S): COGHILL, KOHRING, GREEN,
03/13/02	2530	(H)	FOSTER
03/14/02		(H)	HES AT 3:00 PM CAPITOL 106
03/14/02		(H)	Heard & Held
03/14/02		(H)	MINUTE(HES)
03/19/02		(H)	HES AT 3:00 PM CAPITOL 106
03/19/02		(H)	-- Meeting Canceled --
03/21/02		(H)	HES AT 3:00 PM CAPITOL 106
03/21/02		(H)	-- Meeting Canceled --
03/22/02	2655	(H)	COSPONSOR(S): FATE
03/26/02		(H)	HES AT 3:00 PM CAPITOL 106
03/26/02		(H)	Heard & Held
03/26/02		(H)	MINUTE(HES)
04/02/02		(H)	HES AT 3:00 PM CAPITOL 106
04/02/02		(H)	<Bill Canceled>
04/11/02		(H)	HES AT 3:00 PM CAPITOL 106
04/11/02		(H)	Moved CSHB 464(HES) Out of Committee
04/11/02		(H)	MINUTE(HES)
04/15/02	2924	(H)	HES RPT CS(HES) NT 5DP
04/15/02	2924	(H)	DP: COGHILL, KOHRING, WILSON, STEVENS, DYSON
04/15/02	2924	(H)	FN1: ZERO(H.HES/EED)
04/17/02		(H)	EDU AT 8:00 AM HOUSE FINANCE 519
04/17/02		(H)	Heard & Held MINUTE(EDU)
04/24/02		(H)	EDU AT 8:00 AM HOUSE FINANCE 519
04/24/02		(H)	Moved CSHB 464(EDU) Out of Committee MINUTE(EDU)
04/24/02	3117	(H)	COSPONSOR(S): WILSON
04/25/02	3132	(H)	EDU RPT CS(EDU) NT 3DP 3NR
04/25/02	3132	(H)	DP: WILSON, STEVENS, GREEN; NR: JOULE, GUESS, BUNDE
04/25/02	3132	(H)	FN2: (EED)
04/25/02	3150	(H)	FIN REFERRAL ADDED AFTER HES
04/29/02		(H)	FIN AT 1:30 PM HOUSE FINANCE 519
04/29/02		(H)	Scheduled But Not Heard

04/29/02		(S)	HES AT 1:30 PM BUTROVICH 205
04/29/02		(S)	Scheduled But Not Heard
04/30/02		(H)	FIN AT 1:30 PM HOUSE FINANCE 519
04/30/02		(H)	Moved CSHB 464(EDU) Out of Committee MINUTE(FIN)
05/01/02	3255	(H)	FIN RPT CS(EDU) NT 7DP 3NR
05/01/02	3255	(H)	DP: WHITAKER, HARRIS, DAVIES,
05/01/02	3255	(H)	LANCASTER, FOSTER, MULDER, WILLIAMS;
05/01/02	3255	(H)	NR: BUNDE, MOSES, HUDSON
05/01/02	3255	(H)	FN2: (EED)
05/01/02	3266	(H)	COSPONSOR(S): MEYER
05/02/02	3335	(H)	COSPONSOR(S): MASEK, MORGAN
05/02/02		(H)	RLS AT 9:00 AM BUTROVICH 205

**WITNESS REGISTER**

TIM BENINTENDI, Staff  
to Representative Carl Moses  
Alaska State Legislature  
Capitol Building, Room 500  
Juneau, Alaska 99801

POSITION STATEMENT: Testified on behalf of the sponsor of HB 20.

SALLY SADDLER, Business Development  
Specialist/Legislative Liaison  
Division of Community and Business Development  
Department of Community & Economic Development  
PO Box 110801  
Juneau, Alaska 99811-0801

POSITION STATEMENT: Testified on HB 20, Version P.

BILL ROLFZEN, State Revenue Sharing Municipal Assistance,  
National Forest Receipts, Fish Tax  
Division of Community and Business Development  
Department of Community & Economic Development  
PO Box 110801  
Juneau, Alaska 99811-0801

POSITION STATEMENT: Testified on HB 20, Version P.

REPRESENTATIVE JOHN DAVIES  
Alaska State Legislature  
Capitol Building, Room 415  
Juneau, Alaska 99801

POSITION STATEMENT: Presented CSHB 303, Version I.

REPRESENTATIVE BILL HUDSON

Alaska State Legislature  
Capitol Building, Room  
Juneau, Alaska 99801

POSITION STATEMENT: Presented CSHB 304, Version G.

RICHARD SCHMITZ, Staff

to Representative Jeannette James  
Alaska State Legislature  
Capitol Building, Room 214  
Juneau, Alaska 99801

POSITION STATEMENT: Testified on behalf of the sponsor of HB 464.

### **ACTION NARRATIVE**

TAPE 02-8, SIDE A  
Number 0001

CHAIR PETE KOTT called the House Rules Standing Committee meeting to order at 9:05 a.m. Representatives Kott, Porter, Kohring, Morgan, McGuire, Berkowitz, and Joule were present at the call to order. Representatives Croft and Guess were also in attendance.

### HB 20-MUNICIPAL DIVIDEND: AID TO MUNIS & OTHERS

CHAIR KOTT announced that the first order of business would be HOUSE BILL NO. 20, "An Act relating to state aid to municipalities and certain other recipients, and for the village public safety officer program; relating to municipal dividends; relating to the public safety foundation program; and providing for an effective date."

Number 0072

REPRESENTATIVE McGUIRE moved to adopt Version 22-LS0008\P, Cook, 5/1/02, as the working document. There being no objection, Version P was before the committee.

Number 0058

TIM BENINTENDI, Staff to Representative Carl Moses, Alaska State Legislature, testified on behalf of the sponsor. Mr. Benintendi explained that Version P merely addresses a concern that the

Department of Community & Economic Development (DCED) had regarding the provision for aide to unincorporated communities within boroughs. Basically, the qualification criteria was tightened so that nonmunicipal and nongovernmental entities couldn't access the program. He directed attention to page 3, Section 4, which specifies a list of services from which any three must be provided in order to access the funding programs. The services of fire protection, emergency, and medical services were merged into one category. Therefore, an unincorporated community would have to provide more of those services in order to access capital matching grants and revenue sharing. Mr. Benintendi pointed out that the other change is in Section 3 where the language was tightened in order to ensure that the service areas are more tightly identified for funding through either the borough or directly from the program. Mr. Benintendi related his belief that the committee should have a letter from [DCED] in acceptance of these changes.

Number 0276

REPRESENTATIVE JOULE related his understanding that search and rescue services are [now] included in the emergency services category.

MR. BENINTENDI agreed with Representative Joule's understanding.

REPRESENTATIVE BERKOWITZ inquired as to how many communities would be impacted by changing the list.

MR. BENINTENDI deferred to Sally Saddler, DCED. He estimated that the number of communities impacted [under this new list] is probably around 70-80 communities.

Number 0372

SALLY SADDLER, Business Development, Specialist/Legislative Liaison, Division of Community and Business Development, Department of Community & Economic Development, emphasized that there is no clear list of the number of communities that would or would not qualify. However, the best estimate is probably about 30 communities would qualify [under Version P].

REPRESENTATIVE JOULE asked whether those 30 communities that would not be able to participate currently participate in safe communities and revenue sharing.

MS. SADDLER deferred to Bill Rolfzen, DCED.

Number 0435

BILL ROLFZEN, State Revenue Sharing Municipal Assistance, National Forest Receipts, Fish Tax; Division of Community and Business Development; Department of Community & Economic Development; explained that [Version P] expands the program to include unincorporated communities within organized boroughs that currently don't participate in revenue sharing or capital matching grants. Therefore, there would be 30 new communities within organized boroughs that would be able to [utilize the program].

REPRESENTATIVE JOULE clarified that he had misheard.

MR. ROLFZEN noted that the first year those communities would qualify would be 2004, and therefore the department would put out the applications in the next application cycle and review the applications in order to make a determination.

MR. BENINTENDI, in response to Representative Berkowitz, answered that he believes [HB 20] is over and above the provisions of HB 304.

CHAIR KOTT informed the committee that the effective date of HB 20 had to be changed in order to conform with HB 304.

Number 0559

TAMARA COOK, Director, Legal and Research Services Division, Legislative Affairs Agency, pointed out that HB 20 and HB 304 have been evolving on separate paths. In HB 304, there was a decision made to make distributions from the permanent fund at the beginning of the fiscal year, while HB 20 has been drafted to [make distributions], per existing statutes, from the earnings reserve account on the last day of the fiscal year. If HB 304 were to pass, Ms. Cook said that she wanted to make sure that HB 20 wouldn't conflict with the change in the way the money would flow. Therefore, on page 3, line 29, of Version P the language "On or after July 1 and after all other transfers under this section" was inserted. That language was inserted because there is no knowledge as to what transfers will exist under the section. If HB 304 doesn't pass, HB 20 needs to work with the existing statutes. The existing statutes specify that money is to be transferred for the dividend payment and inflation-proofing on June 30. Therefore, she felt that the language "On or after July 1" was safe language. Furthermore,

the language "and after all other transfers under this section" was inserted in case there are different transfers upon the passage of HB 304. At this point, the money paid to the municipal dividend will be paid last, whatever other money is paid, and the payment will be made some time after July 1. She clarified that the reason the language doesn't specify "on July 1" is because there is no knowledge what effective date these bills will have. She estimated that these bills probably wouldn't take effect until some time in September of the next fiscal year, assuming there are no effective dates.

MS. COOK expressed her hope that [Version P] is drafted such that the municipal dividend takes effect the beginning of fiscal year 2003 and applies to that year and thereafter. This mechanism would avoid an effective date entirely.

Number 0804

REPRESENTATIVE BERKOWITZ related his hope that if the [legislature] does move to a 5 percent percent of market value (POMV) payout, 50 percent to the general fund (GF) and 50 percent to dividends, then the dividend in HB 20 wouldn't come from the personal dividend side of the 50 percent payout but rather from the GF side. Representative Berkowitz said, "I don't think that we ought to be going above total expenditures of 5 percent on the market value." Under the current [language], [HB 20] seems to be a separate expenditure above, which seems fiscally imprudent.

REPRESENTATIVE PORTER said he didn't disagree with Representative Berkowitz's comments. However, the problem is that no one knows the fate of either bill. If it appears that both bills will pass, then that issue can be faced.

CHAIR KOTT closed public testimony.

Number 0907

REPRESENTATIVE PORTER moved to report CSHB 20, Version 22-LS0008\P, Cook, 5/1/02, out of committee with individual recommendations and the accompanying fiscal notes.

REPRESENTATIVE KOHRING objected and stated his fundamental disagreement with the concept of HB 20. He noted that he didn't believe it's prudent for the legislature to move down the path of starting to spend money from the [earnings reserve of the

permanent dividend] fund because it could eventually lead to spending the [permanent dividend] fund [itself].

REPRESENTATIVE McGUIRE countered with her belief that HB 20 is a great bill because municipal revenue sharing has been reduced to the point at which it is virtually nonexistent. Therefore, HB 20 provides one way in which to continue to support municipalities. She remarked that taking a small portion of the earnings reserve of the permanent fund dividend and transferring to the municipalities is fiscally prudent and responsible.

A roll call vote was taken. Representatives Morgan, McGuire, Berkowitz, Joule, Porter, and Kott voted to report CSHB 20, Version 22-LS0008\P, Cook, 5/1/02, from committee. Representative Kohring voted against reporting CSHB 20 from committee. Therefore, CSHB 20(RLS) was reported out of the House Rules Standing Committee by a vote of 6:1.

#### HB 303-INDIVIDUAL INCOME TAX

CHAIR KOTT announced that the next order of business would be HOUSE BILL NO. 303, "An Act relating to the levy and collection of a sales tax; and providing for an effective date."

Number 1032

REPRESENTATIVE PORTER moved to adopt CSHB 303, Version 22-LS1206\I, Kurtz, 5/1/02, as the working document. There being no objection, Version I was adopted.

Number 1054

REPRESENTATIVE JOHN DAVIES, Alaska State Legislature, explained that Version I amends HB 303 such that it implements the fair tax idea that has been discussed over the last few weeks. This is an income tax that is structured to impact those at the upper end of the income spectrum in the approximate manner those folks would've been impacted under a sales tax. Representative Davies characterized Version I as a hybrid [between a] sales tax and an income tax. This tax is slightly progressive at the lower end and significantly regressive at the higher end. This tax is advantageous in that it doesn't impact municipalities in the way a sales tax would. Furthermore, approximately 10 percent of the income obtained is paid by those workers in Alaska who live outside the state and about 15 percent of it can be [written off] as a credit against the taxable income with the federal government. Therefore, Alaskans end up only paying about 75

percent of the total amount that is raised. Representative Davies viewed Version I as a compromise.

CHAIR KOTT closed public testimony.

Number 1158

REPRESENTATIVE PORTER expressed the advisability to refer to [Version I] as an individual income tax. Therefore, he moved that the committee adopt Amendment 1, which reads:

Page 1, line 1, after "of",  
Insert "individual"

There being no objection, Amendment 1 was adopted.

REPRESENTATIVE BERKOWITZ mentioned the need to have protections in terms of privacy for whatever forms are filed.

REPRESENTATIVE DAVIES related his understanding that individual taxpayer information is confidential. He recalled having to go into executive session to consider even lumped tax returns from corporations.

REPRESENTATIVE PORTER noted that the representative for the Department of Revenue was nodding his head in confirmation.

Number 1248

REPRESENTATIVE BERKOWITZ highlighted the trust industry's concern that any income tax not interfere with its business.

REPRESENTATIVE DAVIES said that he believes this proposal includes all income that is derived in the state. He further clarified that this proposal would include personal income from trusts. The reporting requirements for trusts was removed. All income an individual derives from a trust must be reported [by the] individual.

CHAIR KOTT closed public testimony.

Number 1321

REPRESENTATIVE PORTER moved to report CSHB 303, Version 22-LS1206\I, Kurtz, 5/1/02, as amended out of committee with individual recommendations and the accompanying fiscal note.

REPRESENTATIVE KOHRING objected, and related his belief that the legislature should work on more spending reductions and reforms to the government bureaucracy. There is much more that can be done to explore efficiencies in government.

REPRESENTATIVE JOULE expressed the need to keep in mind the diversity of Alaska. Although he acknowledged that legislators are responding to their constituencies, he believes that Alaskans are at the point of recognizing the need to raise revenue and agree with a personal income tax. Therefore, he said he spoke in favor of the bill.

REPRESENTATIVE KOHRING mentioned his desire to include a sunset provision and a vote of the public before becoming effective. He informed the committee that he would offer such amendments on the House floor.

REPRESENTATIVE DAVIES pointed out that were this bill to pass, there are triggers that as the constitutional budget reserve (CBR) rises, the amount of the tax decreases. The bill establishes a \$2 billion CBR [limit] that is ratcheted down to \$175 million total and \$3 billion ratchets it down to \$100 million total.

A roll call vote was taken. Representatives McGuire, Berkowitz, Joule, Porter, Morgan, and Kott voted to report CSHB 303 as amended from committee. Representative Kohring voted against reporting CSHB 303 as amended from committee. Therefore, CSHB 303(RLS) was reported from the House Rules Standing Committee by a vote of 6:1.

HB 304-PERM. FUND INCOME/ DIVIDENDS/ FUNDS

CHAIR KOTT announced that the next order of business would be HOUSE BILL NO. 304, "An Act relating to disposition of income of the permanent fund; and providing for an effective date." [The committee had previously reported from committee CSHB 304(RLS), Version X.]

Number 1536

REPRESENTATIVE PORTER moved to adopt CSHB 304, Version 22-LS1207\G, Cook, 5/1/02, as the working document. There being no objection, Version G was before the committee.

REPRESENTATIVE BILL HUDSON, Alaska State Legislature, explained that Version G incorporates the Alaska Permanent Fund

Corporation Board of Trustees' recommendation. Version G changes the method in which the annual distribution on income of the permanent fund [dividend] is calculated to method used by most large managed funds. Therefore, the income would be distributed as a percentage of market value (POMV) as opposed to average or annual income, which fluctuates such that one never knows how much will be available to distribute. The POMV also impacts the investment of the basic portfolio. In Version G a POMV of the fund is averaged over five years with an expected average rate of return of 7.95, and 5 percent of those earnings would be available for distribution. In doing so, the annual inflation-proofing of the principle of the entire permanent fund would be around 3 percent. The Board of Trustees recommended the 5 percent payout, and therefore [Version G] statutorily fixes a distribution stream of that 5 percent payout to be 50 percent to the permanent fund dividend program and 50 percent to the general fund (GF).

Number 1656

REPRESENTATIVE HUDSON pointed out that the language creates a special education fund and an infrastructure and economic development fund, [both of which] are distributed subject to legislative appropriation on a 30:20 basis. Of the 50 percent that would go to the GF, 30 percent would go into education and 20 percent would go into infrastructure and economic development. The language in [Version G] is always subject to legislative appropriation. Representative Hudson explained that [these two funds] were left in Version G because of the belief that people feel comfortable allowing some of the earnings from the permanent fund to flow to government, although they want to know what that money will be used for, in general terms.

REPRESENTATIVE HUDSON continued by explaining that the balance of the bill simply adjusts the Mental Health Trust Fund, which is managed by the Permanent Fund [Division] and the Alaska Science & Technology Fund under the aforementioned income payout method. This has no bearing on the management or use of the funds, which remains in existing statutes. The legislation does retain all of the inflation-proofing dollars in the earnings reserve and thus allows the earnings reserve to grow from about \$2.7 billion to in excess of \$8 billion. However, since it's all part of the market value, the market value is estimated to grow from the current \$24.6 billion to almost \$33 billion by 2010. Therefore, with the adoption of Version G, there should almost be the guarantee of economic growth and development of the permanent fund. Representative Hudson opined that [Version

G] would guarantee that the permanent fund dividend won't be capped. The permanent fund dividend will grow in proportion to the 50 percent that's available for distribution by the methodology [in Version G]. In the first few years there wouldn't be any significant difference in the amount of dividend that would ordinarily be paid and then the dividend would drop a bit and eventually begin growing in the end years. Representative Hudson related his belief that [Version G] would fill the fiscal gap [by] about half, in conjunction with HB 303.

REPRESENTATIVE HUDSON recalled the interim meetings on the fiscal gap during which people seemed to recognize that there is a fiscal gap. The question became in regard to how the gap would be filled in order to avoid the loss of the permanent fund dividend, which is what [Version G] accomplishes. If the legislature fails to take action in a timely manner, the constitutional budget reserve fund will be consumed in between 2-2.5 years and leave the legislature and the governor to either cut the budget by a billion dollars or begin to consume the earnings reserve of the permanent fund which predicates the dividend. Once the money that pays the dividend is utilized, [it is problematic]. In closing, Representative Hudson urged the committee's adoption of Version G.

CHAIR KOTT closed public testimony.

Number 1877

REPRESENTATIVE BERKOWITZ referred to page 2, line 1, and suggested that the following language be inserted: "The items listed in the municipal dividend program, as contemplated in HB 20, will be part of the 20 percent as well as the cost of administering the permanent fund and the permanent fund dividend program." Representative Berkowitz clarified that his intent is to ensure that the aggregate total payout is no more than 5 percent.

REPRESENTATIVE PORTER objected, and asked whether this conceptual amendment can be folded in painlessly or would it be difficult.

REPRESENTATIVE BERKOWITZ related Ms. Cook's concern with the contingency of including HB 20 without knowing whether either HB 20 or HB 304 will pass. Ms. Cook also relayed that paying for the corporation [should be] done out of the earnings, which has historically been calculated separately. However, Representative Berkowitz felt that if the choice is to have a 5

percent limitation, it should be absolute and anything for HB 20 should be over and above that 5 percent.

REPRESENTATIVE PORTER said that he didn't necessarily disagree. However, he explained that his reluctance is in relation to the lack of knowledge with regard to whether any of these bills [HB 20, HB 303, and HB 304] will pass. He expressed reluctance in striking out on new ground at this point [in the negotiations].

REPRESENTATIVE JOULE asked whether a letter of intent accompanying the legislation would be more appropriate.

REPRESENTATIVE PORTER remarked that a letter of intent would be easier to accomplish.

REPRESENTATIVE JOULE stated that if it appears that the Senate will allow both pieces of legislation to be part of the negotiations, then that language could be worked into the bill.

Number 2077

REPRESENTATIVE BERKOWITZ withdrew his conceptual amendment and moved the letter of intent. There being no objection, the letter of intent was adopted.

Number 2094

REPRESENTATIVE PORTER moved to report CSHB 304, Version 22-LS1207\G, Cook, 5/1/02, out of committee with individual recommendations and the accompanying fiscal note and letter of intent.

REPRESENTATIVE KOHRING objected.

A roll call vote was taken. Representatives Porter, Morgan, McGuire, Berkowitz, Joule, and Kott voted to report Version G from committee. Representative Kohring voted against reporting Version G from committee. Therefore, CSHB 304(2d RLS) was reported out of the House Rules Standing Committee by a vote of 6:1.

#### HB 464-CORRESPONDENCE STUDY PROGRAMS

CHAIR KOTT announced that the final order of business would be HOUSE BILL NO. 464, "An Act relating to statewide school district correspondence study programs."

Number 2158

REPRESENTATIVE PORTER moved to adopt Version 22-LS1494\X as the working document. There being no objection, Version X was before the committee.

Number 2164

RICHARD SCHMITZ, Staff to Representative Jeannette James, Alaska State Legislature, explained that HB 464 provides guidance to the Department of Education in regard to writing regulations regarding statewide correspondence study programs. Version X includes a small technical change located on page 2, lines 3-5, which in part specifies "the district is not required to submit a new application more frequently than every five years unless the program is designated as deficient or in crisis under AS 14.03.123(a)". He stated that the five years was a compromise between the ten year approval process that charter schools currently go through and the annual approval that the department proposed correspondence study programs go through. Because the designators are being delayed, the thought was that it would be better to use the aforementioned language in order to ensure that the department won't require that these programs are reapproved every year until the designators come into force. Therefore, the parameters remain available for deficiency or crisis and if the department could show that those programs were deficient or in crisis under the parameters, then the programs would have to be reapproved every year until corrected.

REPRESENTATIVE JEANNETTE JAMES, Alaska State Legislature, testified as the sponsor of HB 464, which she characterized as a good piece of legislation. She urged the committee to pass Version X.

REPRESENTATIVE McGUIRE requested that Representative James speak to the [troublesome] fiscal note.

REPRESENTATIVE JAMES agreed that the fiscal note is troublesome. This bill [Version X] doesn't create any new liability or expense but rather is almost the same as the draft regulations. To that, the department said that the bill expands the [correspondence school] program and thus two more people are necessary to manage the program. If that is the case and the bill doesn't do that, Representative James suggested that [the funding for those two positions] should be included in the department's budget. The department informed her that those positions were in their budget, but that funding wasn't obtained

and thus this attempts to obtain the money with this bill. In conversations with the co-sponsor of the House Finance Committee, the recommendation was to move the bill forward with the fiscal note which will probably not be funded.

CHAIR KOTT closed public testimony.

Number 2305

REPRESENTATIVE KOHRING moved to report CSHB 464, Version 22-LS1494\X, out of committee with individual recommendations and the accompanying fiscal notes. There being no objection, CSHB 303(RLS) was reported from the House Rules Standing Committee.

#### **ADJOURNMENT**

The House Rules Standing Committee meeting was recessed to the call of the chair. [This meeting did not reconvene.]