

**ALASKA STATE LEGISLATURE  
HOUSE STATE AFFAIRS STANDING COMMITTEE**

March 8, 2001

8:02 a.m.

**MEMBERS PRESENT**

Representative John Coghill, Chair  
Representative Jeannette James  
Representative Hugh Fate  
Representative Gary Stevens  
Representative Peggy Wilson

**MEMBERS ABSENT**

Representative Harry Crawford  
Representative Joe Hayes

**COMMITTEE CALENDAR**

CS FOR SENATE CONCURRENT RESOLUTION NO. 4(STA)  
Relating to declaring April 6, 2001, as Alaska Tartan Day.

- MOVED CSSCR 4(STA) OUT OF COMMITTEE

HOUSE BILL NO. 141

"An Act relating to registration fees for certain leased motor vehicles."

- MOVED HB 141 OUT OF COMMITTEE

HOUSE BILL NO. 95

"An Act relating to control of space in the state capitol and other buildings occupied by the legislature and its agencies; and providing for an effective date."

- MOVED HB 95 OUT OF COMMITTEE

HOUSE BILL NO. 3

"An Act relating to deposits to the Alaska permanent fund from mineral lease rentals, royalties, royalty sale proceeds, net profit shares under AS 38.05.180(f) and (g), federal mineral revenue sharing payments received by the state from mineral leases, and bonuses received by the state from mineral leases, and limiting deposits from those sources to the 25 percent

required under art. IX, sec. 15, Constitution of the State of Alaska; and providing for an effective date."

- HEARD AND HELD

**PREVIOUS ACTION**

BILL: SCR 4

SHORT TITLE:ALASKA TARTAN DAY

SPONSOR(S): SENATOR(S) PHILLIPS

Jrn-Date	Jrn-Page		Action
02/12/01	0342	(S)	READ THE FIRST TIME - REFERRALS
02/12/01	0342	(S)	STA
02/20/01		(S)	STA AT 3:30 PM BELTZ 211
02/20/01		(S)	Moved Out of Committee MINUTE(STA)
02/21/01	0452	(S)	STA RPT CS 3DP 1NR SAME TITLE
02/21/01	0452	(S)	NR: THERRIAULT; DP: HALFORD, PHILLIPS,
02/21/01	0452	(S)	DAVIS
02/21/01	0452	(S)	FN1: ZERO(S.STA)
02/26/01		(S)	RLS AT 10:45 AM FAHRENKAMP 203
02/26/01	0501	(S)	RULES TO CALENDAR 1OR 2/26/01
02/26/01	0505	(S)	READ THE SECOND TIME
02/26/01	0505	(S)	STA CS ADOPTED UNAN CONSENT
02/26/01	0505	(S)	COSPONSOR(S):COWDERY, TAYLOR
02/26/01	0506	(S)	PASSED Y20 N- CSSCR 4(STA)
02/26/01	0509	(S)	TRANSMITTED TO (H)
02/28/01	0451	(H)	READ THE FIRST TIME - REFERRALS
02/28/01	0451	(H)	STA
02/28/01	0451	(H)	REFERRED TO STATE AFFAIRS
03/08/01		(H)	STA AT 8:00 AM CAPITOL 102

BILL: HB 141

SHORT TITLE:LEASED VEHICLE REGISTRATION FEE

SPONSOR(S): REPRESENTATIVE(S)JAMES

Jrn-Date	Jrn-Page		Action
02/23/01	0413	(H)	READ THE FIRST TIME - REFERRALS
02/23/01	0413	(H)	STA, FIN
02/23/01	0413	(H)	REFERRED TO STATE AFFAIRS
03/08/01		(H)	STA AT 8:00 AM CAPITOL 102

BILL: HB 95

SHORT TITLE: CONTROL OF CAPITOL SPACE

SPONSOR(S): REPRESENTATIVE(S)OGAN

Jrn-Date	Jrn-Page		Action
01/26/01	0173	(H)	READ THE FIRST TIME - REFERRALS
01/26/01	0173	(H)	STA, FIN
03/08/01		(H)	STA AT 8:00 AM CAPITOL 102

BILL: HB 3

SHORT TITLE: DEPOSITS TO THE PERMANENT FUND

SPONSOR(S): REPRESENTATIVE(S)ROKEBERG

Jrn-Date	Jrn-Page		Action
01/08/01	0024	(H)	PREFILE RELEASED 12/29/00
01/08/01	0024	(H)	READ THE FIRST TIME - REFERRALS
01/08/01	0024	(H)	STA, JUD, FIN
01/08/01	0024	(H)	REFERRED TO STATE AFFAIRS
02/28/01	0473	(H)	COSPONSOR(S): MURKOWSKI, DAVIES,
02/28/01	0473	(H)	HUDSON

**WITNESS REGISTER**

SENATOR RANDY PHILLIPS, Alaska State Legislature  
Capitol Building, Room 103  
Juneau, Alaska 99801

POSITION STATEMENT: Testified as prime sponsor of SCR 4.

DAN HENDERSON, Pipe Major  
Alaska Highlanders  
3624 DeBarr Road  
Anchorage, Alaska 99508

POSITION STATEMENT: Provided information on SCR 4.

MARY MARSHBURN, Director  
Division of Motor Vehicles  
3300B Fairbanks Street  
Anchorage, Alaska 99503

POSITION STATEMENT: Provided information on HB 141.

ROBBIE GIINTHER, President

Tip Top Chevrolet  
1916 Cushman Street  
Fairbanks, Alaska

POSITION STATEMENT: Provided information on HB 141.

MYRNA MCGHIE, Staff  
to Representative James  
Alaska State Legislature  
Capitol Building, Room 214  
Juneau, Alaska 99801

POSITION STATEMENT: Testified on HB 141.

REPRESENTATIVE SCOTT OGAN  
Alaska State Legislature  
Capitol Building, Room 108  
Juneau, Alaska 99801

POSITION STATEMENT: Testified as sponsor of HB 95.

JIM DUNCAN, Commissioner  
Department of Administration  
Post Office Box 110200  
Juneau, Alaska 99811-0200

POSITION STATEMENT: Provided information on what the  
administration was doing in response to HB 95.

REPRESENTATIVE NORMAN ROKEBERG  
Alaska State Legislature  
Capitol Building, Room 118  
Juneau, Alaska 99801

POSITION STATEMENT: Testified as sponsor of HB 3.

#### **ACTION NARRATIVE**

TAPE 01-18, SIDE A  
Number 0001

CHAIR JOHN COGHILL called the House State Affairs Standing  
Committee meeting to order at 8:02 a.m. Present at the call to  
order were Representatives Coghill, James, Fate, Stevens, and  
Wilson. Representatives Crawford and Hayes were absent.

Number 0105

CHAIR COGHILL reminded those present that a joint meeting with  
the House Judiciary Standing Committee, originally scheduled for  
10 a.m. today, had been cancelled.

SCR 4-ALASKA TARTAN DAY

Number 0125

CHAIR COGHILL announced that the first order of business would be CS FOR SENATE CONCURRENT RESOLUTION NO. 4(STA), Relating to declaring April 6, 2001, as Alaska Tartan Day.

Number 0162

SENATOR RANDY PHILLIPS, Alaska State Legislature, came forward to testify as prime sponsor of SCR 4. He explained that Tartan Day recognizes Americans of Scottish heritage.

Number 0353

DAN HENDERSON, Pipe Major, Alaska Highlanders, testified by teleconference. Many people of Scottish descent live in Alaska. April 6 has been celebrated as Tartan Day in Canada for the past 15 years. It has been observed in Alaska since 1995, and was declared by the United States Congress in 1997.

REPRESENTATIVE JAMES referred to a list showing Senators and Representatives who may be of Scottish descent. "With this many people possibly having Scottish background," she observed, "we should be able to have a lot more control over reducing spending." [Laughter.]

Number 0730

REPRESENTATIVE STEVENS moved to report CSSCR 4(STA) out of committee with individual recommendations and the accompanying fiscal notes. There being no objection, CSSCR 4(STA) was moved out of the House State Affairs Standing Committee with individual recommendations and the accompanying zero fiscal note.

HB 141-LEASED VEHICLE REGISTRATION FEE

Number 0768

CHAIR COGHILL announced the next item of business would be HOUSE BILL NO. 141, "An Act relating to registration fees for certain leased motor vehicles."

Number 0818

REPRESENTATIVE JAMES testified as sponsor of HB 141. She said HB 141 would treat all personal-use vehicles the same regardless of whether they are purchased or leased. That is the issue. Currently, a leased vehicle is considered a commercial vehicle for purposes of license registration in the state. The fee for a commercial vehicle is about double what it is for a vehicle that has been purchased outright. That is not fair. There is a fiscal note for -\$540,000, and " I look at that as \$540,000 we've been ripping off the people," she said. She thinks the license fee should reflect the use of the vehicle and not the ownership of the vehicle. A personal-use vehicle should be licensed as such regardless of who owns it.

Number 0988

MARY MARSHBURN, Director, Division of Motor Vehicles, testified by teleconference. House Bill 141 would reduce the registration fee for leased vehicles from the commercial to the noncommercial rate if the leased vehicle is not being used for commercial purposes.

MS. MARSHBURN provided a historic perspective. Prior to 1993, all passenger vehicles paid the same registration fee. Pickups could be registered as either commercial or noncommercial; there was a \$10 difference in the fee. People evaded the commercial fees by declaring the pickup's use as noncommercial, even if it was registered in the name of a business. In 1993, the legislature changed the law to require that any vehicle that was registered in a business's name would pay the commercial rate. The basic registration fee today is \$68 for a passenger vehicle and \$78 for a pickup. The commercial fee is \$158 for either a passenger vehicle or a pickup. The fees cover registration for two years.

MS. MARSHBURN explained that leased vehicles are owned by and registered in the name of a business that profits from their lease. The terms of the lease are negotiated between the lessor and lessee. There is a lease agreement that discloses the fees that are part of the leasing arrangement. The lease agreement is a private contract and DMV is not involved in it. Some of the costs in the lease agreement are negotiable.

Number 1327

MS. MARSHBURN said if HB 141 is passed, there would be several effects. (1) The Department of Motor Vehicles (DMV) would not make the assumption of use (whether the vehicle is being used

commercially or noncommercially). That would be determined at the dealership at the time of lease. Further, DMV has no way of policing the true use. (2) Reducing the fees for leased vehicles could create inequities for other businesses, such as rental-car companies.

MS. MARSHBURN explained how the the fiscal note was calculated. There are about 36,000 passenger cars and pickups under 5,000 pounds now registered commercially in Alaska. The assumption was made, based on national statistics, that one-third of those vehicles are leased. It was further assumed that half of the leased vehicles are used noncommercially, so the revenue loss is projected at \$540,000.

Number 1501

REPRESENTATIVE JAMES stated her belief that the registration and licensing fees are charged for a vehicle's using the roads. Some people choose to lease vehicles instead of buying them. She doesn't see why a person should have to pay a higher fee for driving a vehicle that is leased instead of purchased. That's the issue. She does not agree with DMV that it would be hard to manage.

Number 1619

REPRESENTATIVE WILSON asked what the \$540,000 now is used for.

MS. MARSHBURN said it goes into the general fund and is available to the legislature.

Number 1660

REPRESENTATIVE STEVENS sought clarification, asking if it is always the owner who pays for the licensing. Could the lessee purchase the license?

MS. MARSHBURN said the vehicle owner always pays for the registration, title, license plates, and any vehicle fees. As a part of the negotiated agreement with the person leasing the vehicle, most or all of those costs are passed on to that person. Those costs are itemized on the lease agreement, and the total cost of the lease is negotiable.

REPRESENTATIVE STEVENS assumed that it was not possible for the lessee to pay for the license because that person is not the owner.

MS. MARSHBURN said that was correct. For purposes of law enforcement, the name of the person leasing the car is listed on the registration, but the owner is the leasing company.

Number 1775

REPRESENTATIVE FATE asked about federal tax implications. He thought many people lease cars to "take the federal tax advantage."

Number 1836

MS. MARSHBURN said getting a tax deduction or writeoff might motivate someone to lease a vehicle for business use.

REPRESENTATIVE FATE wanted to know if DMV had a record of those people who are leasing vehicles for business use.

MS. MARSHBURN said DMV does not have a comprehensive list. It would be listed on the registration if a vehicle is registered in the name of a business. Beyond that, DMV has no way of sorting out those vehicles that are leased for business use.

REPRESENTATIVE FATE asked if the state might have any liability under any law as being a party to [federal income tax] fraud.

MS. MARSHBURN did not know. The state has no way of policing vehicle use.

Number 2002

REPRESENTATIVE JAMES noted that a vehicle used in a business should be registered in the business name. A person could take a federal tax deduction for a vehicle held in his/her personal name if the vehicle is used partly for business and partly for personal use. That is broken down on the tax return form. When she leased a vehicle, the registration showed her name as the "registered owner" and also showed the name of the owner, the company from which the vehicle was leased. She asked Ms. Marshburn, "Don't you have a list of the registered owner, or do you just list the owners?"

MS. MARSHBURN said DMV has lists of both owners and registered owners of vehicles, "but we have no way of separating out leased vehicles that are registered in a business name versus a personal name."

Number 2134

REPRESENTATIVE JAMES wondered why a person leasing a vehicle couldn't sign a statement that the vehicle was for personal and not commercial use. Then, the onus would be on that person if he/she was not telling the truth, and there would be no responsibility on the part of the state to make that decision.

MS. MARSHBURN said that declaration would be made at the dealership, and DMV would need to take the word of the person leasing the vehicle and the dealership as to whether the vehicle was for personal or commercial use. That is why the fiscal note shows no cost, but simply the loss of revenue.

REPRESENTATIVE JAMES observed, "But that wouldn't work under the way the law is written today. We would have to change the law to allow those people who lease a vehicle for personal use to be able to have the reduction in the registration fee."

MS. MARSHBURN said that was correct.

Number 2216

REPRESENTATIVE STEVENS understood that DMV has no way of verifying whether a vehicle is being used personally or commercially. He asked if there is a penalty for someone who claims personal use when the use actually is commercial.

MS. MARSHBURN testified that statute allows a \$300 fine. The difficulty is determining that that's the case and in enforcing it. "It's a pretty low priority for law enforcement," she said.

REPRESENTATIVE STEVENS asked if to her knowledge, it had ever been enforced.

MS. MARSHBURN said no.

Number 2270

ROBBIE GIINTHER, President, Tip Top Chevrolet, testified by teleconference. He does not think half of the leases are for business purposes. About 95 percent of the vehicles he leases are for personal use. How a car is registered determines the licensing fee. If it is registered to an individual who states that the vehicle is for personal use, that is how the vehicle is licensed and fees are assessed accordingly. If a vehicle is

registered in a company name, the fees are assessed at the commercial level. There is no choice in the matter. The fees for licensing are not negotiated. They are passed on to the customer. On the rental forms used at Tip Top Chevrolet, there is a place to indicate the primary use of the vehicle. The customer has to check the correct box and attest to that fact. It seems like a very cut-and-dried issue to him. Individuals should not be penalized by paying a higher license fee just because they choose to acquire a vehicle for personal use through a lease rather than through a purchase contract.

Number 2444

REPRESENTATIVE STEVENS understood that 95 percent of the people leasing vehicles from Mr. Giinther were getting them for personal use, yet they still have to pay the commercial fee for licensing.

MR. GIINTHER said that is correct.

Number 2460

REPRESENTATIVE COGHILL asked how many people who are leasing vehicles end up purchasing them.

Number 2460

MR. GIINTHER said the great majority of his customers buy the vehicles they have been leasing. They purchase the vehicle either to keep or to trade in on their next leased or purchased vehicle.

Number 2523

MS. MARSHBURN commented that 95 percent seems high, but acknowledged that figure could reflect Mr. Giinther's experience. She said Mr. Giinther is correct that if a vehicle is registered in the name of business, that vehicle is licensed in the commercial category. She clarified that under current policy, if the vehicle is registered in an individual's name, it is licensed as a personal vehicle. But all leased vehicles are owned by the leasing company, and they are therefore registered in the commercial category.

MS. MARSHBURN pointed out that although license fees are not negotiable, the contract itself has room for negotiation.

Negotiables within it include the price of the vehicle, the price of the lease, and some of the other fees.

Number 2599

REPRESENTATIVE FATE asked if the form that contains the check-off list for indicating a vehicle's intended use includes any fine print about a penalty for making a false statement on that form.

MR. GIINTHER thought there probably was, but he wasn't certain. The document is an extensive one provided by the automobile manufacturer.

REPRESENTATIVE FATE surmised that the document is a very thorough one.

MR. GIINTHER said it is. He also confirmed that Ms. Marshburn was correct in saying the price is negotiable in leasing a vehicle, just as it is in purchasing one.

Number 2659

CHAIR COGHILL told the committee that the policy call as he sees it is how to provide some relief to those who are leasing, equity with those who are purchasing, within the non-negotiable part of the contract over which the state has authority.

Number 2670

REPRESENTATIVE WILSON thought it boils down to the leasing company itself paying the license fee, but then passing it on to the person who is leasing the car, "and we're dealing with people who don't want to have that built-in expense."

MR. GIINTHER said he hadn't had many complaints from customers. The fee is "relatively invisible" because it is a small portion of the amount people pay when they initially lease the vehicle, he said. When the first license renewal comes due in two years, "it's a heck of a shock to those customers to have to come up with ... \$158 dollars."

CHAIR COGHILL observed that when the fee comes due, reality sets in.

Number 2770

REPRESENTATIVE WILSON asked if that is disclosed in the lease agreement. Could she negotiate a payment adjusted to accommodate the license fee?

MR. GIINTHER said the lease payments are for the same amount each month.

REPRESENTATIVE WILSON asked if when the license is due for renewal, the fee would be paid directly to DMV and not to the leasing company.

MR. GIINTHER said that was correct, just as it would be for any vehicle.

MS. MARSHBURN confirmed what Mr. Giinther had said about people noticing the amount when they get the license renewal notice for \$158. As he pointed out, it has all been disclosed and acknowledged in the contract the customer signed. He is also correct that one could not negotiate the monthly payments. But knowing that she was going to be faced with \$158 in license fees, she would negotiate that in the price of the vehicle. She compared it with an individual's selling a vehicle that has a year left on the registration, and therefore calculating the value of that unexpired into the sales price of the vehicle.

Number 2867

REPRESENTATIVE STEVENS did not think it was fair for the state to be charging a commercial license fee for a person who leases a vehicle for personal use. He asked if there was anything DMV would do if HB 141 were to pass.

MS. MARSHBURN thought the responsibility would be on the leasing company. She said DMV would notify the leasing companies and the auto dealership association of the new, lower fee that would be charged for licensing of personal-use vehicles. Some sort of declaration of use would need to be included in vehicle lease agreements.

REPRESENTATIVE STEVENS wondered how a vehicle would be licensed if it is used for both personal and commercial purposes.

REPRESENTATIVE JAMES said the correct way to do it would be to buy a commercial license. She thinks there are many people with vehicles registered in their personal names who are "writing it all off" as a business expense on their income tax. "But that is a different issue altogether," she said. "If they're

cheating, that doesn't have anything to do with these people [leasing personal-use vehicles] who are being overcharged."

TAPE 01-18, SIDE B

REPRESENTATIVE JAMES said there are many people leasing vehicles for personal use and she thinks they are being overcharged by the state. It is not fair for them to have to pay more for a license just because they chose to lease instead of to buy a vehicle. That is the whole point of HB 141.

Number 2855

MYRNA McGHIE, Staff to Representative James, came forward to testify. She noted that IRS form 2106 is used to declare personal vs. business use. It is filled out by an employee who has to use his/her personal vehicle for business use.

Number 2834

MS. MARSHBURN said that if the 95 percent figure estimated by Mr. Giinther is correct, there would be a revenue difference of \$972,000 as a consequence of HB 141.

CHAIR COGHILL NOTED that that was a consideration, but not so much for the State Affairs Committee as for the Finance Committee.

Number 2807

REPRESENTATIVE WILSON wanted to clarify that passage of HB 141 would change the license fee to reflect the registered use (personal or commercial).

REPRESENTATIVE JAMES said that was basically correct. Currently, the amount of the fee is based on ownership. If a leasing company owns the vehicle, that vehicle is charged the commercial rate. She thinks that if when registering a vehicle, one had to sign under penalty of perjury that this was for noncommercial use, "I'll bet there wouldn't be a lot of cheaters out there." If that were to be done, she thinks the increase in revenues resulting from truthful registration would offset the decrease from HB 141.

CHAIR COGHILL commented, "And once you sign your name, your whole reputation is on that signature."

REPRESENTATIVE FATE moved to report HB 141 out of committee with individual recommendations and the accompanying fiscal notes. There being no objection, House Bill 141 was passed out of the House State Affairs Standing Committee.

CHAIR COGHILL declared a brief at-ease.

HB 95-CONTROL OF CAPITOL SPACE

Number 2677

CHAIR COGHILL called the House State Affairs Standing Committee back to order and announced that the next order of business would be HOUSE BILL NO. 95, "An Act relating to control of space in the state capitol and other buildings occupied by the legislature and its agencies; and providing for an effective date."

Number 2665

REPRESENTATIVE SCOTT OGAN came forward to testify as sponsor of HB 95. He began by saying that HB 95 is not directed at the present governor, but would take effect at the time of transition to the next governor. What HB 95 does is to transfer the power to control the third floor of the capitol building from the governor to the legislative council.

REPRESENTATIVE OGAN called attention to Page 1, Line 9 of HB 95, where it talks about legislative affairs being directed by the legislature. House Bill 95 changes "legislature" to "Alaska Legislative Council" because the legislative council controls the assets of the legislature throughout the year. For example, remodeling of the Terry Miller Building, formerly Capital School, into legislative office space was managed through the legislative council.

REPRESENTATIVE OGAN said HB 95 does not mandate that the governor move from the third floor. All it does is to give the legislative council the authority to control the third floor. If the council wishes to have the governor move out, the council could do so. He pointed to the committee room as an example of why the legislature needs more space in the capitol, noting that there were fewer than a dozen seats for the public and those who wish to testify and that two staff members have workstations in the room. "When you get a lot of people interested in legislation, there's no place for them to sit," he said. He has

seen a half-dozen people standing at the door to listen. The only thing that helps mitigate the problem is that Gavel-to-Gavel is broadcasting the meeting and people can watch in their offices. He recalled a recent hearing in which a staff member tripped on the attorney general's foot because it was so crowded in the room. He alluded to safety hazards in the building and said, "Frankly, I hope we move where the legislature meets, ... but if that doesn't happen, then I think this is an appropriate action that Leg Council be given the authority to take over the third floor if we need it." The average size of a committee room now is 650 square feet. Representative Ogan said very few state capitols house the governor's office.

Number 2442

REPRESENTATIVE OGAN then addressed the fiscal notes, noting that some had asterisks indicating information that was not yet available. He asserted that the fiscal note should be zero because passing HB 95 does not move the governor from the third floor; it simply gives the legislative council the authority to do that. "It doesn't cost anything to transfer the management of the third floor from the governor's office to the leg council," he said. "It only costs if leg council makes that decision," and he didn't think a fiscal note should be based on speculation about what the legislative council would do.

Number 2362

REPRESENTATIVE JAMES thought HB 95 had "a lot of merit." She asked Representative Ogan to define what a capitol building is.

REPRESENTATIVE OGAN believed a capitol building is "where the capitol is located and where the seat of government is. He pointed out that the capitol building in Washington, D.C. does not house the president or the president's staff. He would be very open to allowing a "presence" for the governor's office to remain on the third floor: "some conference rooms, the governor's legislative liaisons, that type of thing where legislative leaders could sit down with the governor during the end of sessions and have some meetings ...."

REPRESENTATIVE JAMES OBSERVED, "This is a step that could take us in one direction or another .... The question is, do we need to do this ... because we want to have these options." She noted that some of the options included moving the legislature to Anchorage. She wondered if the building the legislature owns in Anchorage is "any kind of an annex of the capitol, [or] is it

just a building. Would it be called the legislative building? ... And if the governors stays in the capitol building, is it a "capitol building ...". And if the legislature remains in the capitol building and governor moves out, what would the building where he has moved be called?

Number 2192

REPRESENTATIVE OGAN suspected that it would be called the State Office Building. He also noted that the Court Plaza Building, which the state owns, now is empty [for extensive repair work following an oil leak]. He thought the governor could move in there. It would be possible for Juneau to remain the capital city, but for the legislature to meet somewhere else, he said.

REPRESENTATIVE JAMES recalled growing up in Oregon, where there was a main building with a dome and a series of building on both sides that housed almost all the state offices. The whole complex was "the capitol." She thought HB 95 was a good idea "because it would give us options." She wondered if HB 95 passed and other state offices still surrounded the building, would the whole area be known as "the capitol?"

REPRESENTATIVE OGAN replied that capital with an "a" is the capital city, and Webster's dictionary defines capitol with an "o" as "the edifice occupied by [the] Congress of the United States, [and], by extension, the state house or house [in] which the legislature holds it sessions."

REPRESENTATIVE JAMES understood his response to mean that the governor does not have to be in the capitol, but the legislature does.

Number 2014

REPRESENTATIVE WILSON, who previously had served in the North Carolina legislature, said she was surprised when she saw "how small everything was" in the Alaska capitol. She noted that when committees meet, there is no room for people. North Carolina has a two-story legislative building with galleries for both houses plus a 5-story legislative office building and a bridge going over the street between the two. She thought HB 95 was a good idea because "we need more space."

Number 1902

REPRESENTATIVE OGAN said he was most concerned with "getting some decent-sized committee rooms."

Number 1860

CHAIR COGHILL though that there were several issues that could be addressed if the legislative council had control of the [whole] building. He noted that there was "quite a commotion" the previous day as students were moved in and out of the galleries to observe the legislature in action. He then asked Representative Ogan if he had anticipated the use of the building during the months of the year when the legislature is not in session.

REPRESENTATIVE OGAN said he hadn't thought about that and assumed that the third floor, like the rest of the building, would be "primarily unoccupied during the interim."

CHAIR COGHILL pointed out that during the interim, there are a lot of visitors in town and he assumed the historic value of the building would be used.

Number 1750

JIM DUNCAN, Commissioner, Department of Administration, came forward to testify specifically on the fiscal note presented by the administration. He made it clear that his testimony would not be on the merits of HB 95, and that his comments about the fiscal note that the Department of Administration is preparing in regard to HB 95 should not be interpreted as a position on the bill by the administration. He wanted to provide information about what the administration was doing in response to the bill. Although HB 95 only turns control of the capitol building over to the legislature and does not specify that the governor's office would be relocated, the Department of Administration is proceeding because of the intent of the legislation, which is to allow that to happen.

MR. DUNCAN thought it was important that the committee have full information before making a policy decision on HB 95. The fiscal note prepared by the Office of the Governor does not have dollars attached to it, but the analysis clearly explains [the effects]. The administration last week contracted with a local architectural firm (Jensen, Yorba, Lott, Inc.) to evaluate a specific scenario for relocating the governor's office. The architects are studying moving those offices to the eleventh floor of the State Office Building and moving the present

occupants of that floor to the Court Plaza Building. They are looking at the space available and the needs of the affected agencies, and proposing a design along with a cost estimate. Mr. Duncan reminded the committee that the State Office Building contains asbestos, which is being removed. There now are no hard walls on the eleventh floor, and those would be required for security reasons. The architects also are proposing a time line for making the modifications and moves. The contract calls for the study to be complete in two weeks, or by April 1 at the latest. At that time the administration can provide a complete fiscal note.

Number 1269

REPRESENTATIVE JAMES responded, "Commissioner Duncan, I'm impressed, because I think that what you're planning to do is something we need to know." She said she thought the information should be provided as a "contingent" fiscal note because HB 95 does not authorize any changes other than a transfer of authority.

MR. DUNCAN said the intent would be to provide this committee and the legislature with the impact of a possible relocation of the executive from the capitol building. If a decision is made not to do that, the money would not be needed. He wants to make sure that the legislature knows that if it decides to relocate the governor's offices, that could not be done without some expenditure of dollars.

Number 1152

REPRESENTATIVE STEVENS wanted to know if the architects also would be looking at reconfiguration of the third floor of the capitol for use by the legislature.

MR. DUNCAN concurred that the two issues fit together, however, the scope of the study that the administration is doing does not include any work on the capitol space they would be vacating. The administration assumes that the legislative council would plan the reconfiguration and study what those costs would be.

CHAIR COGHILL voiced appreciation for the study the administration is doing, saying it was "indicative of really how we struggle with the whole capital issue ... and how to make things work." He asked how much the administration is paying for the study.

MR. DUNCAN said the contract is for \$18,000.

Number 1049

REPRESENTATIVE WILSON asked where the rest of the administration's offices are located.

MR. DUNCAN said the governor's Office of Management and Budget, Administrative Services, and Governmental Coordination used to be in the Court Plaza Building, as were the Division of Elections and the Advisory Council on Alcoholism and Drug Abuse. Since the oil leak in mid-December, the building had to be vacated and the displaced departments are temporarily being housed in dispersed, leased spaces in the downtown core area. Those departments are scheduled to move back into the Court Plaza Building in July.

REPRESENTATIVE WILSON asked if there was going to be any extra space available in the Court Plaza Building.

MR. DUNCAN said there previously had been some private tenants in the building, and there may be one small office available when the work is completed.

REPRESENTATIVE WILSON observed that the cost of asbestos removal is "horrendous." She wondered why that would be needed.

MR. DUNCAN said the asbestos work he mentioned would be needed in conjunction with remodeling the eleventh floor for the governor's office. It is impossible to do any type of renovation or improvement in the State Office Building without dealing with the asbestos in the affected area.

Number 0791

REPRESENTATIVE FATE wanted to clarify that Mr. Duncan was present not to testify on HB 95, but simply to inform the committee of certain costs or endeavors to ascertain those costs based on the assumption that if HB 95 were passed, the legislature through its legislative council then would have the authority to perhaps make these changes. He said he was a little confused about whether Mr. Duncan was present to testify on HB 95 or to provide information based on assumptions.

MR. DUNCAN repeated that he wanted to make it clear that his testimony was not on the merits of HB 95 or on the administration's position on HB 95 or on whether there should be

any relocation of offices. "My testimony was to let this committee know we have not been able to provide you with information on a fiscal note because it is indeterminate at this point. We're doing a study to determine what the possible impacts would be, monetary-wise and space-wise, if this bill passed, if the legislative council made a decision to relocate offices."

REPRESENTATIVE FATE asked if HB 95 prompted the administration to contract for the \$18,000 study, or if they were anticipating doing it anyway because there was some remodeling that needed to be done.

MR. DUNCAN replied, "This bill prompted this study. We ... have a list of projects that need to be done to the State Office Building as a whole if we were to just leave it as a state office building. We also know what needs to be done to the Court Plaza Building if it is going to be [the] type of office building it presently is. This [study] was to look at any other additional improvements that would need to be made as a result of this piece of legislation."

Number 0617

REPRESENTATIVE WILSON wanted to know what was available on the third floor of the capitol building, specifically if there was a conference room the legislature could use without changing things around.

MR. DUNCAN said there is a series of offices along the halls, a suite of larger offices that the governor occupies, and a large conference room that the governor uses.

REPRESENTATIVE WILSON wanted to know if there was a conference room bigger than the committee room. If HB 95 were to pass and the legislature wanted to use some of the space on the third floor, were there rooms big enough to use for conference rooms.

MR. DUNCAN deferred comment, as that would be a decision for the legislature to make.

CHAIR COGHILL said he guessed that the legislature would probably do some remodeling, but not too much because of the cost.

REPRESENTATIVE WILSON just wanted to know if there was a room up there now bigger than this room.

CHAIR COGHILL said yes.

Number 0354

REPRESENTATIVE OGAN asked the chair to rule the fiscal notes issued by the administration and the governor's office to be out of order. The issue addressed by HB 95 is transferring authority to the legislative council. There is no cost involved in doing so. Only if the legislative council decides to move the governor off the third floor will there be a cost, and there is a procedure for that. A budget must be prepared and submitted to the Finance Committee, and only then is there an associated fiscal note. Representative Ogan said the zero fiscal note from Legislative Affairs was the only one relevant to HB 95.

Number 0206

REPRESENTATIVE STEVENS appreciated the point Representative Ogan was making, but thought "there's a little coyness in saying we will take it over but there's no cost to it." He thinks what the governor's office has done is perfectly reasonable, to begin making plans for what they will do. He thinks the legislature needs to do the same thing, talk to an architect, and see what changes are needed to make the third floor space usable for legislative needs. He thinks the legislature needs to proceed with some plans, and he thinks it is "disingenuous" to say that there is no cost.

Number 0117

REPRESENTATIVE OGAN appreciated the foresight of the administration in having the study done, "but as far as its being relevant to this bill itself, all this bill does is transfer the authority. Any costs of the transfer of authority would be borne by LAA [the Legislative Affairs Agency]. LAA has said that's a zero cost. The only time that really a fiscal note is appropriate ... would be if leg council decides to move the governor off the third floor. So I'm just saying [that] procedurally, I think these fiscal notes at this juncture for this particular bill and for what this bill actually does are out of order."

REPRESENTATIVE JAMES agreed with Representative Ogan that HB 95 should have no fiscal note.

TAPE 01-19, SIDE A

REPRESENTATIVE JAMES was pleased that the administration has undertaken its study and does not think that should be perceived as a threat against HB 95. Any fiscal note that comes in from the administration should be considered a contingent fiscal note.

Number 0131

REPRESENTATIVE FATE would not like to see a contingent fiscal note stand in the way of good legislation.

Number 0189

CHAIR COGHILL said his intent as chair is to go ahead and "zero out" the fiscal notes and pass HB 95 to the Finance Committee with the idea that there is a forthcoming study that is totally independent of this bill but that can be a part of the discussion. He thinks the administration has done a wonderful job in going ahead and starting planning. They've already put their own dollars into it. By the time the Finance Committee is able to review HB 95, the information from the study should be available to them.

Number 0292

REPRESENTATIVE WILSON moved to report HB 95 out of committee with individual recommendations and the accompanying zero fiscal note from Legislative Affairs. There being no objection, House Bill 95 was passed from the House State Affairs Standing Committee.

HB 3-DEPOSITS TO THE PERMANENT FUND

Number 0324

CHAIR COGHILL announced that the next order of business would be HOUSE BILL NO. 3, "An Act relating to deposits to the Alaska permanent fund from mineral lease rentals, royalties, royalty sale proceeds, net profit shares under AS 38.05.180(f) and (g), federal mineral revenue sharing payments received by the state from mineral leases, and bonuses received by the state from mineral leases, and limiting deposits from those sources to the 25 percent required under art. IX, sec. 15, Constitution of the State of Alaska; and providing for an effective date."

REPRESENTATIVE ROKEBERG came forward to testify as sponsor of HB 3. He distributed one additional sheet of information to supplement what was in committee packets. He testified that HB 3 is a reintroduction of legislation known in the 21st Legislature as HB 96.

REPRESENTATIVE ROKEBERG explained that HB 3 returns the percentage of all mineral lease royalties and bonuses deposited into the Permanent Fund to the constitutionally mandated 25 percent. The current statutory requirement is 50 percent for those leases that were entered into on or around January 1980.

REPRESENTATIVE ROKEBERG cited Article 9, Section 15 of the Alaska Constitution that states that at least 25 percent of all mineral lease rentals ... [including] federal mineral revenue sharing payments and bonuses received by the state shall be placed in a permanent fund. That was the percentage when the Permanent Fund was established; the contribution was set constitutionally at 25 percent. That changed in 1980 when the legislature, "awash in money, changed the statutory contribution for new leases. Those new leases, which do not include the major Prudhoe Bay fields and the majority of the Kuparuk fields, contribute to the Permanent Fund on a 50 percent basis. When the legislature took that action, the amount of money in the general fund available for appropriation was \$4.07 billion, almost twice as much as is available now. He thought their action was commendable, "However, we don't find ourselves in that particular situation again."

REPRESENTATIVE ROKEBERG recalled that in the seven years he has been a member, the legislature has drawn upon constitutional budget reserve funds to balance the budget, which is another constitutional mandate. Therefore, he is commending to the legislature that it reexamine the 1980 policy and "take the more prudent path and reduce that particular percentage." The new fields that are coming on line are contributing 50 percent [to the general fund] Meanwhile, production is declining in the older fields that are contributing at 75 percent "It's just basic arithmetic in terms of the state's cash flow situation," he said.

REPRESENTATIVE ROKEBERG called attention to Table 1 in committee packets that showed the potential impact of HB 3. The table was part of a Legislative Research Services Report prepared in January 2001. For example, for fiscal year 2002, the change

would generate an additional \$39.5 million in general fund revenue. He observed that was about the same amount as the estimated shortfall for that fiscal year. If the legislature were to make the policy change through HB 3, it would minimize the draw on the constitutional budget reserve. He said he thinks it is important to "save the money that we have in our savings account, ... our seed corn, by using our general fund monies more appropriately."

REPRESENTATIVE ROKEBERG noted that the projected income is expected to peak in fiscal year 2003 with \$3.8 million, then decline to \$19.5 million in fiscal year 2010. He then turned to the preceding page in the report and called attention to a sentence that read, "The additional general fund revenues predicted in Table 1 ... underestimate deposits to the extent that mineral rents and revenues from as-yet undiscovered fields are not included in these figures." That means the overall increase in potential is significant. Anything let in the current area-wide leasing program in the North Slope and Cook Inlet that produces and goes on line would contribute at the rate of 50 percent.

REPRESENTATIVE ROKEBERG then showed a memorandum from the Alaska Permanent Fund Corporation (dated March 6, 2001) regarding the impact of HB 3 on oil contributions to the Permanent Fund and the consequent per capita dividends. He said the most controversial thing about HB 3 is its potential impacts on the Permanent Fund dividend. "It's not a raid on the Permanent Fund whatsoever," he stated. "The people in the State of Alaska have to realize that this particular body, the legislature, has made direct appropriations that are greater than the royalty benefits that we've received over the course of the history of the Permanent Fund." He apologized for not having exact figures. The legislature has the responsibility to manage the state's funds properly, and he thinks HB 3 is a very prudent action to take. "I don't like taxes, and to me, each dollar we can save by making some adjustments like this puts off the day that we're going to have to have taxation," he said.

REPRESENTATIVE ROKEBERG pointed to the estimated impacts on the Permanent Fund dividend of the enactment of HB 3. "If we were to enact this bill, it would not even have any impact whatsoever until the calendar year 2006." After that time, it would have less than one percent impact or \$10 against a projected 2006 Permanent Fund dividend of \$1,890. "The dividend goes up faster than any draw down," he emphasized.

REPRESENTATIVE ROKEBERG concluded that HB 3 was the right thing to do in terms of prudent fiscal management in the state. "This is the first step we need to take in any long-range financial plan, without question," he said.

Number 1715

CHAIR COGHILL said he would schedule time for committee discussion with Representative Rokeberg at its next meeting on March 13. [HB 3 was HEARD AND HELD.]

**ADJOURNMENT**

There being no further business before the committee, the House State Affairs Standing Committee meeting was adjourned at 10:02 a.m.