

**MINUTES**  
**SENATE FINANCE COMMITTEE**  
**March 15, 2002**  
**9:10 AM**

**TAPES**

SFC-02 # 33, Side A  
SFC 02 # 33, Side B  
SFC 02 # 34, Side A

**CALL TO ORDER**

Co-Chair Dave Donley convened the meeting at approximately 9:10 AM.

**PRESENT**

Senator Dave Donley, Co-Chair  
Senator Jerry Ward, Vice Chair  
Senator Loren Leman  
Senator Lyda Green  
Senator Gary Wilken  
Senator Alan Austerman  
Senator Lyman Hoffman

**Also Attending:** REPRESENTATIVE NORM ROKEBERG; BARBARA RITCHIE, Deputy Attorney General, Department of Law; DWAYNE PEEPLES, Director, Division of Administrative Services, Department of Corrections; JANET SEITZ, staff for Representative Rokeberg; DOUG WOOLIVER, Administrative Attorney, Office of the Administrative Director, Alaska Court System; ERIC YOULD, Executive Director of ARECA Trade Association for the Electric Utility Industry in Alaska; NEERA KOHLER, President and CEO, Alaska Village Electric Cooperative, Incorporated; BOB POE, Executive Director, Alaska Industrial Development & Export Authority and Alaska Energy Authority

**Attending via Teleconference:** From Anchorage: DAVID JONES; Assistant Attorney General, Governmental Affairs Section, Civil Division, Department of Law; DIANE WENDLANDT, Manager, Division of Collections, Department of Law

**SUMMARY INFORMATION**

SB 292-SUPPLEMENTAL APPROPRIATIONS

The Committee heard testimony from the Department of Corrections

and the Department of Law regarding a lawsuit filed against the state. The bill was held in Committee.

SB 347-ALCOHOLIC BEVERAGE TAX

The Committee considered two amendments and adopted one. The bill was reported out of Committee.

HB 4-MOTOR VEHICLES & DRUNK DRIVING

The Committee heard from the sponsor, adopted a committee substitute, and considered and adopted three amendments. The bill was held in Committee.

SB 185-PCE BASED ON HIGHEST COST

The Committee heard from the Alaska Industrial Development & Export Authority and took public testimony on the bill. The bill was held in Committee.

SB 339-INCREASE CRIMINAL FINES

The Committee heard testimony on this bill and the bill was reported out of Committee.

#SB292

SENATE BILL NO. 292

"An Act making supplemental and other appropriations; amending appropriations; making appropriations to capitalize funds; and providing for an effective date."

This was the fourth hearing for this bill in the Senate Finance Committee.

Co-Chair Donley stated the Committee would hear from Department of Corrections and Department of Law staff directly involved in the Dr. Harold claims case against the State. Co-Chair Donley noted the Governor's FY 02 Supplemental Budget contains a request to fund a settlement of Harold vs. State. He announced that the Committee is developing a policy requiring staff directly involved in cases such as this be available to answer questions, in addition to the traditional presentation by the Department of Law.

BARBARA RITCHIE, Deputy Attorney General, Civil Division,

Department of Law, noted she is involved in the case at the Department of Law level.

DAYNE PEEPLES, Director, Division of Administrative Services, Department of Corrections; stated he is the supervisor of the human resource labor relations operations for the Department of Corrections, where the termination of Doctor Harold was processed.

Senator Ward requested the Department supply the Committee with a copy of the newsletter that Dr. Harold distributed to nurses.

DAVID JONES; Assistant Attorney General, Governmental Affairs Section, Civil Division, Department of Law and the attorney directly involved in the case, testified via teleconference from Anchorage, and stated he would provide a copy of the letter to the Committee.

Co-Chair Donley inquired as to why the State should pay this claim.

Mr. Jones responded this was a very difficult case and voiced that the Department acted appropriately. He informed the Committee the Department was restructuring its health care programs for the institutions and had hired Dr. Harold to implement the new program; however, Dr. Harold was proving "resistant" to the proposed changes. Mr. Jones stated that although "it was clear that this was not an employment relationship that was going to work out," the Department was operating under significant time and financial restraints in accomplishing the restructuring.

Mr. Jones stated that one of Dr. Harold's lawsuits cites being a "whistle blower" as a reason for his dismissal. Mr. Jones stated this and other claims have not been proven to be factual.

Mr. Jones informed the Committee that "whistle blower" cases are difficult to defend as they require analysis of managers involved in the case, and that it "is hard to convince someone who is convinced that they are being retaliated against" that is not the case. He stressed there is always the chance that the judge or jury may side with the employee. He declared these are some of the reasons the Department recommends settling with Dr. Harold.

Co-Chair Donley asked why progressive discipline actions were not taken.

Mr. Peebles informed the Committee that specific plans and instructions were provided to Dr. Harold during several meetings. Mr. Peebles stated the Department discussed the direction of the program with Dr. Harold and instructed him not to continue his

resistance to the plan. He was put on notice several times and had several discussions with the Commissioner regarding the Department's "displeasure" with his behavior and actions.

Mr. Peeples continued that in dealing with an employee at this level, " ...a doctor in a highly paid, exempt position..." progressive disciplinary actions involving conducting multiple hearings and discussions were not deemed necessary.

Co-Chair Donley inquired as to who was Dr. Harold's immediate supervisor.

Mr. Peeples stated that Dr. Harold's supervisor was Mel Henry, Health Care Administrator, Office of the Commissioner, Department of Corrections.

Co-Chair Donley inquired who made the decision to terminate Dr. Harold.

Mr. Peeples stated that after consultation with himself, and the Human Resource Labor Relations Operations Division, the commissioner made the decision.

Co-Chair Donley voiced support for the goal of making the Department more efficient and cost effective; however, stressed that progressive disciplinary actions are important, "even for upper level positions," as it might help avoid these types of scenarios.

Senator Green asked if Co-Chair Donley considers the progressive disciplinary process applicable to all fully exempt personnel.

Co-Chair Donley remarked it would be "wise to use progressive discipline in the process."

Senator Green respectfully disagreed, and stated she does not support any change in employment law for exempt status employees.

Co-Chair Donley concurred with Senator Green's comments; however reiterated, at times, a record in the file might save the state some money.

Senator Green stated that even if a specified process was followed, when it gets into a court situation, conditions differ.

Co-Chair Donley re-stated to the Department of Law that it is the intent of the Committee to have personnel directly involved in issues, testify before the Committee.

The bill was HELD in Committee.

AT EASE: 9:22 AM / 9:23 AM

#SB347

SENATE BILL NO. 347  
"An Act relating to taxation."

This was the second hearing for this bill in the Senate Finance Committee.

Co-Chair Donley stated the Committee has been working with the Department of Revenue to address technical drafting needs; however, a title change could be addressed.

Senator Hoffman stated the title "should be left as broad as possible" in order for other measures to be added to address the state's fiscal gap.

AT EASE 9:24 AM / 9:27 AM

Amendment #1: This amendment changes the bill title to read as follows.

"An act relating to alcoholic beverages."

Senator Lemman moved for adoption.

Senator Hoffman objected.

A roll call was taken on the motion.

IN FAVOR: Senator Green, Senator Austerman, Senator Lemman, Senator Ward, Co-Chair Donley, Senator Wilken

OPPOSED: Senator Hoffman

ABSENT: Co-Chair Kelly, Senator Olson

The motion PASSED (6-1-2)

AT EASE 9:36 AM/ 9:38 AM

Amendment #2: This amendment amends the title to read as follows.

"An act relating to alcoholic beverages; and providing for an effective date."

This amendment also inserts a new section on page 3, following line 4 to read as follows.

\*Sec. 5. The uncodified law of the State of Alaska is amended by adding a new section to read:

CONDITIONAL EFFECT. This Act takes effect only if a version of SJR 23, proposing amendments to the Constitution of the State of Alaska relating to an appropriation limit and a spending limit, is passed by the legislature and approved by the voters during the 2002 general election.

\*Sec.6. If this Act takes effect under sec.5, it takes effect on January 1, 2003.

Senator Ward stated this amendment would send "a clear message" to the voters of Alaska, that if the budget is passed with a two percent increase as currently projected, it "would trigger an alcohol tax" and perhaps other taxes including a sales tax. He stated that the alcohol tax increase in this bill would go into effect if the people of the State approved a constitutional spending limit as specified in SJR 23.

Senator Ward reiterated that the people of the State want to have "restraints" in government, and he wants to let people know that "the State of Alaska is going to live within its means." He furthered, "at the end of this year, we're going to reach into the budget reserve account, and still not live within our means." He continued that SJR 23 would give the voters a chance to vote on a constitutional spending limit, and he stressed that if the citizens of the State approve a limit, the Legislature is going to have to prioritize projects and make difficult decisions about which projects to fund.

Senator Ward voiced appreciation for the efforts of those people working to "promote sobriety and reduce the terrible" effects of alcohol. He continued that the "affects of alcohol are a lot more devastating than cigarettes." He opined the Legislature "passed a cigarette tax, and all that happened was more government," and "more government is one of the most harmful things that is happening to Alaska right now...it is making people dependent, they believe there is an obligation of cradle to grave, and it causes harm. We need to get a handle on government" and help encourage growth in our economy. He summarized this alcohol tax, without a spending limit, "doesn't reduce, it doesn't restrict, and it just takes more spending and puts it on top of an open checking account."

Senator Ward moved for the adoption of Amendment #2.

Senator Wilken objected to the motion.

Senator Austerman noted there is other legislation that addresses "larger based taxes," and this amendment, if passed, should be reworded to include passage of SJR 23 "and/or SJR 33." He explained that SJR 33 would impose a limit on the level of income or sales taxes.

Senator Hoffman questioned the effectiveness of SJR 23. He stated the Legislature needs to "bridge the gap" and work toward "gaining the people's trust" by responsibly using the revenue generated from taxes. He continued that "this amendment seems meaningless, as it just affects whether this tax goes into effect or not."

Senator Ward responded that Senator Hoffman is correct in saying the Legislature needs to work to gain people's trust, and he declared, "I don't trust us to reduce the budget." He stressed he would not be introducing this amendment if he believed the Legislature or the Administration could live within its means.

Senator Ward stated this discussion involves "creating money" by taking money from people who drink alcohol. He voiced his support for this tax; however, believes the money generated would be "spent on more government just like the tobacco money was," and he believes this amendment would help make the government operate within its means.

Senator Leman stated he does not support this amendment, as this bill and SJR 23 are both important measures, and combining them might "complicate" efforts. He remarked he is confident the voters would approve SJR 23. He voiced support of Senator Ward's comments, but did not believe this would be the best way to proceed.

Senator Hoffman stated the Legislature has made efforts to control spending, and noted the State of Alaska was the only state to reduce government in the 1990's.

Senator Ward remarked that Alaska spends more "public money" per capita than any other state. He stressed that the Legislature should reduce the size of government now before the state's resources are depleted. He reiterated that Alaska is "spending too much," and a spending limit is necessary to make the government reduce spending.

Senator Austerman voiced appreciation of the discussion and stressed the need for the state to have a long-term fiscal plan. He asserted the Legislature must work "as a group to prioritize," and warned that until spending is prioritized, the Legislature would never be able to live within the means of a budget. He contended that these types of conversations would continue every year if a

long-term plan is not in place.

Co-Chair Donley voiced appreciation for all the comments; however, noted he does not wish to "link" this bill with SJR 23.

A roll call was taken on the motion.

IN FAVOR: Senator Green, Senator Ward

OPPOSED: Senator Hoffman, Senator Leman, Senator Wilken, Senator Austerman, Co-Chair Donley

ABSENT: Co-Chair Kelly, Senator Olson

The motion FAILED (5-2-2)

Senator Leman suggested the Committee consider taxing low alcohol content beverages, including ciders, at a separate rate; however, if that were the case, the Committee should hear testimony before taking any action.

Senator Green asked if the revenue generated from this bill would fund a specific program or would be deposited into the general fund.

AT EASE 9:54 AM / 9:55 AM

Co-Chair Donley responded that revenues generated from this tax would be general funds.

Senator Wilken inquired as to how the calculations on the chart distributed by Co-Chair Donley titled "% Proposed Tax of Total \$4.25 Drink Price" [copy on file] were determined.

Senator Austerman stated the chart appears to reflect the percentage increase per drink generated by the proposed tax.

Senator Wilken noted that retailer margins and patrons costs need to be factored into the percentage increase. He calculated that under existing law, the tax is approximately 4.3 percent of the cost of a \$4.00 drink, and under the new law, it would be about 13 percent. He stated the cost of a \$4.00 drink, with the retail margin factored at 100 percent and the patron costs factored in, would increase approximately 10 percent.

Senator Leman made a motion to move SB 347 as amended from Committee with the accompanying fiscal note.

Senator Hoffman objected to the bill based on the title restriction and the targeting of a single industry for taxation.

Senator Leman stated there are "other vehicles" in the House of Representatives and in the Senate pertaining to Alaska's fiscal challenge.

Senator Austerman again stressed the need for a long-range plan; however, voiced support for this bill because of the "industry set of woes the State of Alaska has, driven by the consumption of alcohol." He stated this tax could help address these expenses.

Senator Hoffman, referring to Senator Leman's comment "that there are other vehicles out there;" stated that if he were assured that other tax measures were forthcoming and would be passed, he might withdraw his objection.

Senator Green stressed her opposition to this discussion inferring that the revenue generated from this tax would support programs "that combat alcoholism" instead of being designated as general funds. She stated that taxes are intended to raise revenue, not to "penalize" people.

SFC 02 # 33, Side B 10:02 AM

Senator Austerman agreed that the revenue generated from this tax would be general fund money; which could fund a wide variety of alcohol related programs.

A roll call was taken on the motion.

IN FAVOR: Senator Leman, Senator Austerman, Senator Green, Senator Wilken, Co-Chair Donley

OPPOSED: Senator Hoffman

ABSENT: Senator Ward, Senator Olson, Co-Chair Kelly

The motion PASSED (5-1-3)

CS SB 347(FIN) was REPORTED from Committee with a new fiscal note dated 3/10/02 in the amount of \$74.5 from the Department of Revenue.

#HB4

SENATE CS FOR CS FOR HOUSE BILL NO. 4(JUD)

"An Act relating to motor vehicles and to operating a motor vehicle, aircraft, or watercraft; and providing for an effective date."

This was the first hearing for this bill in the Senate Finance Committee.

REPRESENTATIVE NORM ROKEBERG, sponsor of the bill, explained this bill maintains efforts to increase penalties and treatment programs within the Department of Corrections in addition to a forfeiture provision and confiscation of license plates. He stated these would further the efforts to enforce existing state laws and protect the public. He noted the accompanying fiscal notes are designed to reflect the cost of implementing the program, and place the burden of the costs on the offender through forfeiture of vehicle and an increase in the level of fines.

Senator Austerman moved to adopt SCS CS HB 4, 22\LS0046\V as a working draft.

There were no objections, and the committee substitute was ADOPTED as a working draft.

Amendment #4: This amendment deletes the language on page 14, lines 9-16 as follows.

"Sec. 22. AS 28.15.291 is amended by adding a new subsection to read:

(d) Notwithstanding other provisions in this title, a municipality may adopt an ordinance providing for the impoundment or forfeiture of a motor vehicle involved in the commission of an offense described under this section or an ordinance with elements substantially similar to an offense described under this section. An ordinance adopted under this subsection may be more stringent than or the same as but may not be less stringent than provisions under this title or regulations adopted under this title.

It additionally inserts new language to read as follows.

"\*Sec. 22. AS 28.15.291(b) is amended to read:

(b) Upon conviction under (a) of this section, the court

(1) shall impose a minimum sentence of imprisonment

(A) if the person has not been previously convicted, of not less than 10 days with 10 days suspended, including a mandatory condition of probation that the defendant complete not less than 80 hours of community work service;

(B) if the person has been previously convicted, of not less than 10 days;

(C) if the person's driver's license, privilege to drive, or privilege to obtain a license was revoked under circumstances described

in AS 28.15.181(c)(1), or if the person was driving in violation of a limited license issued under AS 28.15.201(d) following that revocation, of not less than 20 days with 10 days suspended, and a fine of not less than \$500, including a mandatory condition of probation that the defendant complete not less than 80 hours of community work service;

(D) if the person's driver's license, privilege to drive, or privilege to obtain a license was revoked under circumstances described in AS 28.15.181(c)(2), (3), or (4) or if the person was driving in violation of a limited license issued under AS 28.15.201(d) following that revocation, of not less than 30 days and a fine of not less than \$1,000;

(2) may impose additional conditions of probation;

(3) may not

(A) suspend execution of sentence or grant probation except on condition that the person serve a minimum term of imprisonment and perform required community work service as provided in (1) of this subsection;

(B) suspend imposition of sentence; [AND]

(4) shall revoke the person's license, privilege to drive, or privilege to obtain a license, and the person may not be issued a new license or a limited license nor may the privilege to drive or obtain a license be restored for an additional period of not less than 90 days after the date that the person would have been entitled to restoration of driving privileges;

(5) may order that the motor vehicle that was used in commission of the offense be forfeited under AS 28.35.036; and

(6) shall, if the person has been previously convicted under this section,

(A) order the motor vehicle used in the commission of the offense forfeited under AS 28.35.036 or may order the motor vehicle taken to the owner's residence or property and immobilized for the period of time that the person's driver's license is revoked; the court shall also require the person to pay any administrative costs of keeping the motor vehicle immobilized; or

(B) two or more times, order the motor vehicle used in the commission of the offense forfeited under AS 28.35.036."

This amendment inserts statutory reference of AS 28.15.291(b) where applicable in the remainder of the bill.

Co-Chair Donley moved for adoption of Amendment #4.

Representative Rokeberg explained that Amendment #4 adds language to the vehicle forfeiture provision.

JANET SEITZ, Staff to Representative Rokeberg, explained this amendment would "maintain the current driving while license suspended" provision and adds language addressing vehicle forfeitures.

Senator Hoffman asked for clarification that when a driver is convicted of a second offense for driving with a suspended license, the vehicle would be forfeited.

Representative Rokeberg stated one purpose for offering this amendment is to allow the Department of Corrections to assess the costs incurred by the forfeiture.

Co-Chair Donley explained that fiscal notes have been difficult to project for this bill, and once the bill is further defined through the adoption of amendments, updated fiscal notes would be forthcoming.

Senator Hoffman asked what would occur if a person is arrested a second time for driving with a revoked license; but is not driving a car they own.

Representative Rokeberg stated that the co-owner could re-register the vehicle in their own name.

Senator Green asked for verification this would occur after the incident.

Representative Rokeberg confirmed this is correct as one condition of this offense mandates that the license plate be removed from the car. He clarified that the re-registering would occur after this procedure.

Senator Hoffman asked what would happen if the offense involves a car the offender has borrowed from an unknowing and uninvolved individual.

Ms. Seitz stated there is a provision allowing that owner to retrieve the vehicle. She stated she would supply that information to Senator Hoffman.

Co-Chair Donley reiterated that once a final committee substitute is drafted, the "appropriate fiscal notes" would be forthcoming.

Representative Rokeberg voiced support of Co-Chair Donley's comments and stated the intent of these amendments is to draft the

bill and develop the fiscal notes accordingly.

There were no objections, and Amendment #4 was ADOPTED.

Amendment #5: This amendment deletes the language on page 14, lines 9-16 as follows.

"Sec. 22. AS 28.15.291 is amended by adding a new subsection to read:

(d) Notwithstanding other provisions in this title, a municipality may adopt an ordinance providing for the impoundment or forfeiture of a motor vehicle involved in the commission of an offense described under this section or an ordinance with elements substantially similar to an offense described under this section. An ordinance adopted under this subsection may be more stringent than or the same as but may not be less stringent than provisions under this title or regulations adopted under this title.

Senator Lemman moved for adoption of Amendment #5.

Representative Rokeberg stated Amendment #5 deletes redundant language in the bill concerning a municipality's ability to adopt language regarding the impoundment or forfeiture of a vehicle involved in an offense.

Senator Green remarked Amendment #5 contains information included in Amendment #4.

Senator Lemman stated that because Amendment #4 has been adopted, Amendment #5 is WITHDRAWN.

Amendment #6: This amendment deletes language on Page 20, line 6-9 and inserts new language to read as follows.

"Information compiled under this subsection is confidential and may only be used in connection with court proceedings involving the defendant's treatment, including use by a court in sentencing a person convicted under this section, or by an officer of the court in preparing a presentence report for the use of the court in sentencing a person convicted under this section."

This amendment also deletes "may" on Page 22, line 27 and inserts "shall [MAY]" to read:

(4) shall [MAY] order [AS A CONDITION OF PROBATION OR PAROLE]

In addition, this amendment deletes language on page 29, lines 13-16 and inserts new language to read as follows.

"

"Information compiled under this subsection is confidential and may only be used in connection with court proceedings involving the defendant's treatment, including use by a court in sentencing a person convicted under this section, or by an officer of the court in preparing a presentence report for the use of the court in sentencing a person convicted under this section."

On page 32, line 11, this amendment deletes "may" and inserts "shall [MAY]" to read:

(6) the court shall [MAY] also order forfeiture under AS 28.35.036, of the motor vehicle, [OR] aircraft, or watercraft used in the commission of the offense, subject to remission under AS 28.35.037; and

On page 32, line 14, this amendment inserts "the court" following "7" to read:

(7) the court shall order the department to revoke the registration for any vehicle registered by the department in the name of the person convicted under this subsection: if a person convicted under this subsection is a registered co-owner of a vehicle, the department shall reissue the vehicle registration and omit the name of the person convicted under this subsection.

Senator Lemman moved for adoption of Amendment #6.

Representative Rokeberg explained Amendment #6 introduces into the bill, language allowing the Court the ability to access prior treatment history in sentencing and presentencing reports.

Representative Rokeberg continued that inserting the word "shall" places mandatory forfeiture in the felony Driving While Intoxicated (DWI) section only.

Senator Green inquired if Amendment #6 would generate a fiscal note.

Representative Rokeberg responded, "other forfeiture provisions would trigger" the fiscal notes; however, all of the bill's components would be discussed in committee.

There was no objection and Amendment #6 was ADOPTED.

Amendment #7: This amendment deletes language on page 35, lines 18-19 and inserts new language to read as follows.

(c) Upon forfeiture of a motor vehicle, aircraft, or

watercraft, the court shall require the

(1) surrender of the registration and certificate of title of that motor vehicle; the registration and certificate of title shall be delivered to the department;

(2) owner of the motor vehicle, aircraft, or watercraft to pay all administrative costs incurred by the state in forfeiting the motor vehicle, aircraft, or watercraft, including costs incurred by the department, law enforcement personnel, or the court system.

Senator Lemman moved for adoption of Amendment #7.

Representative Rokeberg stated this amendment would "provide a statutory basis mandating that offenders pay all administrative, law enforcement, and court system's costs relating to any vehicle forfeiture." He affirmed a fiscal note would be generated to reflect this.

There were no objections, and Amendment #7 was ADOPTED.

Co-Chair Donley recommended these amendments be incorporated into a new committee substitute. He stated he would wait until updated fiscal notes were generated before furthering Amendments #1, #2, and #3.

Senator Hoffman inquired if Amendment #7 changes the language appropriately.

Senator Green echoed Senator Hoffman comments.

Co-Chair Donley stated it would be the sponsor's discretion as to how the amendments are worded.

Co-Chair Donley noted he would not be presenting Amendment #1. He explained Amendment #2 would modify the amount of time required for maintaining proof of fiscal insurance responsibility based on an "escalating scale" on the number of DWI's a person has, and also require proof of insurance when a vehicle is registered. He noted that currently, proof of insurance is not required unless a person is subject to special statute. He continued that each DWI conviction would require proof of insurance for a longer period of time.

Co-Chair Donley clarified that vehicle insurance is mandatory in the State of Alaska, but individuals with DWI convictions would be required to produce proof of insurance at registration.

Senator Green asked if proof of insurance would be required when a vehicle is registered or when a driver's license is renewed.

Co-Chair Donley stated the intent is to require proof of insurance

at the time of vehicle registration; however, this would be confirmed before Amendment #2 is furthered.

Senator Wilken stated proof of insurance is required at registration or re-registration; however, currently no one is required to produce proof of insurance, but instead signs a declaration on the registration form verifying that insurance is in place.

Co-Chair Donley stated that SR 22 is a form that requires the insurance company to notify the state if insurance coverage is cancelled.

Co-Chair Donley clarified that if a person is subject to SR 22 requirements as a result of being in an accident and not having insurance, or convicted of a DWI, or if a vehicle judgment or claim has not been paid, that individual has to produce physical proof of insurance.

Senator Green inquired how proof of insurance is processed at places other than a Division of Motor Vehicles facility.

Senator Wilken stated there are numerous state-approved locations at which vehicles could be registered.

Representative Rokeberg explained the requirement to present physical proof of insurance is identified on the registration forms of those to whom it applies.

Representative Rokeberg voiced support for the amendment, and continued that the State does not require insurance company notification when individuals drop their vehicle insurance coverage because it is "extraordinarily expensive" to manage.

Senator Green opined the State's enforcement of mandatory insurance coverage has been minimal.

Senator Green asked for more information on Amendment #2 before the Committee considers it.

Co-Chair Donley stated he would hold Amendment #2.

DOUG WOOLIVER, Administrative Attorney, Alaska Court System, stated the Court System's fiscal note projects approximately 800 additional hearings a year in the District Courts as the result of the provision for mandatory vehicle forfeiture. He stated if an amendment passes regarding vehicle forfeitures for "driving while license is suspended," the result would be approximately an additional 1,000 hearings.

The bill was HELD in Committee.

#SB185

SENATE BILL NO. 185

"An Act relating to the basis for determining eligibility for and the amount of power cost equalization payments; and providing for an effective date."

This was the second hearing for this bill in the Senate Finance Committee.

ERIC YOULD, Executive Director, Trade Association for the Electric Utility Industry in Alaska (ARECA), testified that ARECA is a "strong supporter of the Power Cost Equalization (PCE) program" as it provides a strong economic stimulus to rural Alaska where the cost of electricity is "four times higher" than the cost of electricity in urban areas, "yet disposable income is so low." He stated the ARECA Board of Directors is presenting a resolution [copy on file] dated Feb 22, 2002 to the Committee that "strongly opposes" SB 185. He stated if SB 185 were passed, it would significantly curtail the PCE program and hurt the economy of rural Alaska.

Mr. Yould continued that legislation being discussed in the United States Congress might financially assist the PCE Endowment Fund and passage of SB 185 "would shut the gate and curtail the amount of funding" that might be forthcoming. On behalf of ARECA, he "strongly recommended" that the Alaska Legislature not change the PCE funding formula.

MEERA KOHLER, President and CEO, Alaska Village Electric Co-op (AVEC), testified in opposition to SB 185. She stated that the Legislature has reduced funding for the PCE program numerous times since its inception in 1984, and currently rural electric consumers collectively pay approximately 80 percent of the "extremely high cost of electricity" with the PCE program paying the balance of 20 percent. Ms. Kohler stated "the much needed construction of basic infrastructure such as water and sewer facilities and health clinics" has increased the demand for power in the rural areas. She informed the Committee these improvements have been almost exclusively funded with federal grants and other sources. She stressed that the State's creation of the PCE Endowment Fund two years ago has provided rural residents a "powerful tool to take to Washington D.C." to persuade the United States Congress to allocate additional funds to enable the Endowment Fund to be self-sufficient. She urged the Committee to not amend the PCE formula at this time.

BOB POE, Executive Director of Alaska Industrial Development & Export Authority (AIDEA) and Alaska Energy Authority (AEA) commented his Department has been conducting an analysis of different options for the PCE program. He referenced legislative "findings stating the purpose of PCE is to provide affordable energy as essential for the economic and social well being of Alaska." He continued that the high "cost of power is a significant detriment to economic development in Rural Alaska."

SFC 02 # 34, Side A 10:51 AM

Mr. Poe commented the economic health of Rural Alaska has an affect on the commerce of other parts of the State. He detailed some of the effects on Anchorage: Rural Alaska accounts for 20 percent of all goods and services sold; accounts for one in eight jobs; 50 percent of all construction work by Anchorage and Mat-Su companies; and 100 percent of resource extraction. He stressed there is a huge economic connection between rural and urban Alaska.

Mr. Poe stated there is " a self-interest" factor in the urban support of the PCE program.

Mr. Poe contended that if both economies benefit from this connection, then modifications to provide incentives to reduce the cost of power in rural Alaska should be considered. He encouraged the Committee to give the PCE program more time to be further analyzed.

Mr. Poe stated if Anchorage, Juneau, and Fairbanks were removed from the cost of power in Alaska analysis, then the comparative base would not accurately represent what the cost of power is throughout the State.

Senator Hoffman summarized if the cost of power in Anchorage, Juneau, and Fairbanks were removed from the PCE analysis, what would remain would be the highest costs of power in the state and therefore would not result in a PCE program.

Co-Chair Donley clarified it would be "the highest costs" of those places that are not included in the PCE program, and this would be "much fairer," as currently the PCE program "subsidizes below what some people have to pay who aren't eligible for PCE."

Senator Leman voiced three concerns: a cash flow stream that did not materialize as promised when the program was restructured in 1999; the fact that communities not eligible for the PCE program are paying more than the subsidized PCE rate; and the question of how to provide incentives to reduce the costs of generating and delivering power in the rural areas.

Senator Leman stated the Legislature is attempting "to fit all this together in a policy statement and have it make sense."

Mr. Poe commented that the endowment fund losses were a result of the stock market.

Mr. Poe informed the Committee that 79 percent of all rural ratepayers are eligible for the PCE program and the remaining 21 percent are businesses or other non-eligible entities. He stated that the eligible group uses only 29 percent of the eligible kilowatt-hours.

Senator Leman clarified that his cash flow concern involved the National Petroleum Reserve Alaska (NPR-A) funding, that "was offered in good faith, received in good faith and did not materialize," as a contribution to the endowment fund. He stated this resulted in a shortfall in funding revenues.

RECESS 11:00 AM / 3:03 PM

DENNIS WATSON, Mayor of Craig, testified offnet from Craig and urged the Committee to make no changes to the PCE program. He stated, "Rural Alaska has always considered that our part of the pie of the oil revenues, was the PCE" and the endowment fund is what they hoped would support the PCE "in perpetuity."

ALAN JOSEPH, Vice President, Association of Village Council Presidents, testified offnet from Bethel in opposition to SB 185. He stated the downturn in the fishing industry has affected the economy in the region and any reduction in the PCE assistance the Yukon Kuskokwim Delta region would contribute negatively to the situation.

MARLENE MOTO, testified offnet from Deerling, in opposition to SB 185. She stated that reductions to the PCE program would make electricity too expensive and people in rural regions are "having a hard time paying bills" now.

ERIC HANNEN, General Manager, Alaska Power & Telephone (AP&T), testified via teleconference from Tok on behalf of Don Mayhan, Vice President of Operations of AP&T. Mr. Hannen stated that AP&T serves approximately 6,000 customers in 20 rural communities, and the current cost of power in rural Alaska is approximately four times more expensive than power in urban Alaska. He contended that rural area incomes are half of the income level of urban areas and there are very few job opportunities. He stated that the residents' fixed incomes could not absorb a 25 percent increase in the cost of power. Rural communities "have been encouraged to raise their standards of living" and such things as water and sewer treatment plants have been constructed and all require power to operate,

especially in the winter months. He voiced opposition to SB 185 and stated it would decrease the standard of living in Rural Alaska, reduce power consumption, and decrease business margins resulting in an increase of rates with the overall result of a "downward spiral."

CHARLIE WALLS, Manager of Nushagak Cooperative testified via teleconference from Dillingham in opposition to SB 185. He stated if SB 185 were passed, the result "would essentially drop Dillingham off the rolls of the PCE," and would cause real hardship to the residents who "are at the mercy of oil prices" and have no other power supply options such as access to hydropower. He stressed that "now is not the time to change the formula."

ALAN JOSEPH, testified offnet from Bethel on behalf for Arthur J. Lake, President of the Association of Village Council. He read Mr. Lake's prepared testimony [copy on file] in opposition to SB 185.

The bill was HELD in Committee.

RECESS 3:20 PM / 3:27 PM

#SB339

SENATE BILL NO. 339

"An Act increasing fines for certain criminal offenses."

This was the first hearing for this bill in the Senate Finance Committee.

Co-Chair Donley explained this bill's intent is to increase criminal fines. He informed the Committee that individual fines have not been modified since 1978 and corporation fines have not been increased since 1990.

DIANE WENDLANDT, Manager, Division of Collections, Department of Law, testified via teleconference from Anchorage to answer questions concerning this bill.

Senator Hoffman inquired as to the Administration's position on this bill.

Ms. Wendlandt commented she is an attorney involved in the collection of criminal fines and does not know the Administration's position.

Co-Chair Donley stated, "these fines are challenging to collect;" however, it is important that "the fine is high enough to be both a

deterrent and a penalty." He expressed "it is appropriate to have a higher level of criminal fines," as a deterrent and to address "the cost to the criminal justice system." He referenced the breakout [copy on file] of fines for various crimes in other states.

Senator Ward offered a motion to move SB 339 from Committee with accompanying fiscal notes.

Senator Green opined that these fines are "incredibly high" and asked "if there is any point" to which fines are raised where they become "meaningless."

Co-Chair Donley gave examples of where higher levels of fines might be appropriate deterrents.

Senator Green asked if there is an option for lower fines.

Ms. Wendlandt stated she is not aware of a minimum for fines, as her Division is not supplied detailed information on what offense correlate to each fine from the Court System. She mentioned that Judges "enter a very large range" of fines.

Co-Chair Donley voiced there are standards; however, the Court System has the discretion to demonstrate "flexibility depending on financial status of a person" and the crime that is committed. He mentioned that the Committee could opt for lower fine levels or a "reduced step up."

Senator Austerman stated the fines in this bill are "permissive" as presented.

Senator Hoffman contended there are "years of inflation" to factor in and that, when comparing the proposed level of fines to fines in other states, the fines seem appropriate.

Co-Chair Donley stated the actual rate of inflation since the last individual fine modification is 216 percent.

Senator Hoffman noted the proposed fines in the bill are approximately four times higher than the current levels.

Co-Chair Donley voiced that the fines proposed in the bill are "similar to the higher end of the rates" used by other states. He reiterated that the Committee could lower the fines.

Senator Ward again voiced his motion to adopt the bill with individual recommendations and accompanying fiscal notes. He concurred with Senator Austerman's comments that the proposed fines are permissive and would give judges "a tool" to use in determining the appropriate level of fines.

There being no objection, SB 339 was REPORTED out of Committee with a new zero fiscal note dated 3/15/02 from the Department of Law and a new indeterminate fiscal note, dated 3/15/02 from the Department of Administration.

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**ADJOURNMENT**

Co-Chair Dave Donley adjourned the meeting at 03:45 PM.