

MINUTES
SENATE FINANCE COMMITTEE
March 21, 2002
9:13 AM

TAPES

SFC-02 # 38, Side A
SFC 02 # 38, Side B
SFC 02 # 39, Side A

CALL TO ORDER

Co-Chair Dave Kelly convened the meeting at approximately 9:13 AM.

PRESENT

Senator Dave Donley, Co-Chair
Senator Pete Kelley, 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 CARL MOSES; SENATOR GENE THERRIAULT; KEVIN BROOKS, Director, Division of Administrative Services, Department of Fish and Game; JOHN BITNEY, Legislative Liaison, Alaska Housing Finance Corporation, Department of Revenue; BRETT FRIED, Economist, Department of Revenue; KRIS NOROSZ, Icicle Seafoods; PATRICK GALVIN, Director, Division of Governmental Coordination, Office of the Governor;

Attending via Teleconference: From Anchorage: FRANK DILLON, Alaska Trucking Association

SUMMARY INFORMATION

SB 226-HIGHWAY DESIGN & CONSTRUCTION

The Committee heard from the sponsor and held the bill in Committee.

SB 279-SPORT FISH LICENSES FOR 9/11 RESPONDERS

The Committee heard from the bill's sponsor, considered and adopted two amendments, and reported the bill from Committee.

SB 181-SMALL COMMUNITY HOUSING LOANS

The Committee heard testimony from the sponsor and the Alaska Housing Finance Commission. A committee substitute and one amendment were adopted, and the bill was held in Committee.

SB 277-DEFINITIONS OF FISHERIES BUSINESSES

The Committee heard testimony from the sponsor, fisheries business representatives, and the Department of Revenue. The bill was held in Committee.

SB 308-COASTAL ZONE MGMT PROGRAM

The Committee heard from the bill's sponsor, the Office of the Governor, and took public testimony. A committee substitute was adopted and the bill reported from Committee.

SB 4-MUNICIPAL PROPERTY TAX EXEMPTION

The Committee heard from the bill's sponsor, considered and adopted one amendment, and reported the bill from Committee.

#SB226

CS FOR SPONSOR SUBSTITUTE FOR SENATE BILL NO. 226(TRA)

"An Act requiring certain highway projects to be designed and constructed so that the highways will adequately serve anticipated traffic levels for at least the next 30 years; and providing for an effective date."

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

Co-Chair Donley informed the Committee this bill addresses designing and constructing Alaska's major road infrastructure to provide for longer usable road life.

FRANK DILLON, Alaska Trucking Association, testified via teleconference from Anchorage to inform the Committee the trucking industry supports legislation that would provide for long-range infrastructure and useful road-life planning.

Senator Ward asked if expanding to a 30-year useful life road-plan would affect federal funding.

Mr. Dillon stated federal agencies would support a 30-year plan since the process of planning and building road projects takes a long time.

Senator Ward asked if measures to address changes should be taken at the federal level.

Co-Chair Donley commented now is the time to seek procedural and technical changes under the Federal Highway Funding Act.

Senator Austerman noted that roads in other states are constructed with up to six inches of asphalt while roads in Alaska are constructed with two inches of asphalt and often are not sealed to prevent absorption of moisture. He asked if this bill would address these sorts of construction issues.

Co-Chair Donley clarified that design and construction of roads, not regular maintenance of roads, is the intent of this bill. He explained current federal law mandates the design life of roads range between 20 and 30 years, with bridge life of up to 50 years. He stated Alaska's current design practice is 20 years; however, there is a question as to whether the life of a road begins at the initial planning stage, the authorization-to-proceed stage, or at the construction stage. He commented this is an attempt to be consistent with federal regulations and design a road to last at least 20 years.

Senator Austerman reiterated that laying four inches instead of two inches of asphalt would extend road life. He opined that the "philosophy" of the Department of Transportation and Public Facilities is that more road miles can be paved with two inches than with four inches. He asked if these sorts of issues could be addressed in this bill.

Co-Chair Donley stated they could be; however, the real focus of the design language addresses "the geometry of a project," such as: appropriate number of lanes; feasibility of turn lanes; and merging traffic concerns.

The bill was HELD in Committee.

#SB279

SENATE BILL NO. 279

"An Act authorizing the commissioner of fish and game to issue complimentary sport fishing licenses and tags to September 11 emergency responders and their spouses; and providing for an effective date."

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

Senator Wilken, the sponsor of the bill, explained this bill would authorize issuing up to 250 complementary sport-fishing licenses per year to those firemen, police, and Emergency Medical Technicians who responded to the September 11, 2001 terrorist attack on the World Trade Center in New York City and the Pentagon in Washington, D.C. as a token of appreciation to those individuals.

Amendment #1: This amendment inserts the sunset date of December 31, 2003 into the bill.

Senator Wilken moved for adoption of Amendment #1.

Senator Green objected.

Senator Wilken explained Amendment #1 would further define the time frame of this bill by inserting on page 1, line 12 the sunset date of December 31, 2003.

Senator Green withdrew her objection.

Amendment #1 was ADOPTED, without objection.

Amendment #2: This amendment defines the service timeframe of responders by inserting on page 1, line 10, "at some time between September 11, 2001, and November 11, 2001, inclusive," and deletes "on September 11, 2001," on page 1, lines 11-12.

Senator Wilken moved for adoption of Amendment #2.

Senator Wilken stated this language would assist federal, state, and local agencies in identifying individuals who qualify for this benefit.

There were no objections, and the amendment was ADOPTED.

Senator Leman voiced support of the bill and asked if the language

could be expanded to include surviving relatives of those killed in the attack or other responders.

Senator Austerman stated family members of the deceased and other responders are not included as they are not readily identifiable, and the current language in the bill would be easy to administer. He stated the Department of Fish and Game has determined, using statistical analysis that approximately 100 to 150 individuals might partake of this offer; therefore, the number of free licenses is capped at 250 per year.

Senator Lemman remarked that the inclusion of other individuals who generously donated time, money and supplies would be a nice gesture.

Senator Ward asked if the military police on duty at the time of the attack on the Pentagon would be eligible.

KEVIN BROOKS, Director, Division of Administrative Services, Department of Fish and Game, responded he is not sure if they are included in the three identified categories.

Senator Ward asked if the military police could be included.

Senator Wilken confirmed they could be.

Senator Ward acknowledged the inclusion of the military police.

Senator Wilken offered a motion to report CS SB 279 from Committee with individual recommendations and accompanying fiscal note.

There were no objections, and CS SB 279(FIN) was REPORTED from Committee with a new zero fiscal note, dated 3/19/02, from the Department of Fish and Game

AT EASE 9:30 AM /9:33AM

#SB181

SENATE BILL NO. 181

"An Act making the interest rate for the Alaska Housing Finance Corporation's small community housing mortgage loans the same as the interest rate on mortgage loans purchased under the corporation's special mortgage loan purchase program from the proceeds of the most recent applicable issue of taxable bonds before the origination or purchase of the small

community housing mortgage loans."

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

Co-Chair Donley moved for adoption of CS SB 181, 22-LS0488\W as a working draft.

There were no objections, and the committee substitute was ADOPTED

Amendment #2: This amendment inserts language into the bill's title and inserts a new bill section as follows.

The title is amended to read:

"An Act relating to the Alaska Housing Finance Corporation's rural assistance loan program; relating to the use of money from the housing assistance loan fund in the Alaska Housing Finance Corporation, preventing use of that money for a single-family owner-occupied house with a value that exceeds \$250,000, adjusted for inflation, and repealing a provision authorizing use of that money for nonowner-occupied housing; repealing the home ownership assistance fund; and providing for an effective date."

Section 1. AS 18.56.420(a) is amended to read:

(a) There is created in the corporation, as a revolving loan fund, the housing assistance loan fund consisting of money appropriated to it by the legislature and deposited in it by the corporation, and repayments of principal and interest on loans made or purchased from the assets of the fund. The corporation shall

(1) adopt regulations to administer the housing assistance loan fund under AS 18.56.400 - 18.56.600; and

(2) subject to appropriation, provide money for a rural assistance loan program to originate, purchase, [OR] participate in the purchase of, or refinance

(A) small community housing mortgage loans;

(B) loans made for building materials for small community housing;

(C) loans made for renovations or improvements to small community housing;

(D) loans made for the construction of own-occupied small community housing other than loans to builders or contractors or loans that compensate an owner for the owner's labor or services in constructing the owner's own housing.

Co-Chair Donley moved for adoption of Amendment #2.

There being no objection, Amendment #2 was ADOPTED.

AT EASE 9:35 AM /9:36 AM

JOHN BITNEY, Legislative Liaison, Alaska Housing Finance Corporation, Department of Revenue, explained that Amendment #2 was offered at the request of the Alaska Housing Finance Corporation (AHFC) and stated current state law regarding the Housing Assistance Loan Fund (HALF) Program, does not allow a borrower to refinance their loan. He stated refinancing "is a very standard" provision under most conventional loan programs, and is "also an issue of fairness for the borrowers." He informed the Committee that AHFC's income would be affected by the refinancing component because when loans are refinanced at lower interest rates, income into the fund is also reduced; however, he noted AHFC currently loses borrowers who want to refinance to other financial institutions.

Senator Hoffman asked for clarification on how this bill would affect AHFC's "bottom line".

Mr. Bitney responded AHFC's largest concern is the income restriction on persons whose income must be less than 400% of the United States Department of Health and Social Services poverty level guidelines. He stressed this limitation, based on prior history of the program, would exempt "close to 50 percent of the borrowers." He stated recent analysis indicates that most of the current loans are for household sizes of one or two persons whose income is slightly over the 400 percent level, or approximately \$44,000 for a one-person household.

Co-Chair Kelly distributed an AHFC chart [copy on file], dated March 20, 2002, reflecting current loans and the affect this bill would have on them.

Senator Hoffman summarized this bill would result in a loss of income to the State.

Mr. Bittner concurred that this bill, as currently drafted, would reduce revenue to the State.

Co-Chair Donley stated Mr. Bittner's response "was based on the assumption" that AHFC would lose money by the introduction of a refinancing program. Co-Chair Donley questioned if AHFC could expand its business in other areas such as providing loans to

communities that are ineligible for the HALF program.

Mr. Bitney responded the committee substitute does not delete size restrictions or clarify small community population parameters; therefore the HALF program is restricted from being expanded to some communities.

AT EASE 9:41 AM/ 9:42 AM

Co-Chair Donley asked Mr. Bitney to work with his staff to formulate appropriate language regarding small communities restrictions.

Co-Chair Kelly stressed the intent of this bill is to offer AHFC more lending possibilities, and not to harm the program. He supported Co-Chair Donley's request for AHFC to work with staff to establish the appropriate language in the bill to provide AHFC with further lending opportunities.

The bill was HELD in Committee.

#SB277

CS FOR SENATE BILL NO. 277(RES)

"An Act relating to the tax levied on pollock processed by a floating fisheries business; and providing for an effective date."

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

Senator Austerman, the bill's sponsor, explained that this bill addresses inequitable taxes on the fish processing industry whereby some processors pay more tax than others. He stated the federal American Fisheries Act (AFA) created this situation.

Senator Ward asked what entities would lose money if this bill were enacted.

BRETT FRIED, Economist, Department of Revenue, stated the Department's fiscal note, dated 3/20/02, anticipates the State losing between \$333,000 and \$400,000 in revenue. He stated this "range" presentation is the result of confidentially concerns.

Senator Ward questioned if other entities, in addition to the

State, would lose money under this legislation.

Co-Chair Kelly clarified that communities would also lose revenue, as half of any revenue the State collects from these taxes is re-appropriated to them.

Senator Ward theorized that if the State received \$300,000 from the fish processors' tax, communities would receive \$150,000 of that amount; therefore, if the State collected \$300,000, the net loss to the State is actually \$150,000.

Mr. Fried concurred with Senator Ward's comment that the legislation would incur a net loss to the State and also reduce the rebate amount available to communities.

AT EASE 9:50 AM / 9:54 AM

KRIS NOROSZ, Icicle Seafoods, informed the Committee that Icicle Seafoods is a Petersburg, Alaska corporation established in 1965. She stated Icicle Seafoods supports the committee substitute for this bill, as "the purpose of the bill is to ensure that all pollock processors pay the same tax rate to the State of Alaska." She noted that in 1998 the AFA, passed by Congress, "changed the complexion of the pollock industry." She reminded the Committee that the State of Alaska has a three percent Fisheries Business Tax on shore-based processing facilities, and in the 1990's the State passed a Fishing Resource Landing Tax which placed an additional three percent tax on all fisheries resources "processed by an off-shore floating facility and landed in the State."

Ms. Norosz continued that the AFA, sponsored by Alaska's U.S. Senator Ted Stevens, was enacted to: "Americanize the fishery"; "rationalize" the industry; settle long-standing disputes on fish allocations for off-shore and on-shore fishery sectors; and restrict the number of "players" that could participate" in the fisheries. She stated the AFA also allowed the State of Alaska to tax all Pollock industry participants. She stated this allowed Alaska to impose a three percent Fisheries Resource Landing Tax on the entire Pollock industry even though they "never operated or brought product" into State waters. She noted this resulted in increased revenues to the State.

Ms. Norosz stressed only two floating pollock processors are qualified under the AFA to process Pollock, and they are subject to a five percent Fisheries Business Tax (FBT) by the State. She explained to the Committee the FBT has a differential tax allocated to processing plants on-shore or floating offshore plants within three miles of Alaska's shores.

Ms. Norosz stated this bill seeks "to create a level playing field" of three percent for all pollock processors under the AFA. She stated Icicle Seafoods is currently paying a five percent tax and the additional percentage makes "it very difficult to start out your season knowing that your costs are going to be higher than any of your competitors when you are competing in same market to sell that product in."

Co-Chair Kelly asked for confirmation that if a processor "is tied up at the same location for one year," they would qualify for the three percent level.

Ms. Norosz responded that under the Fisheries Business Tax, a floating processor could qualify as an on-shore facility with the three percent tax if they are "permanently affixed to the land or they can stay in one location for the entire tax year." She elaborated these definitions make it difficult to perform required maintenance, repairs and inspections to the vessels for safety and environmental considerations.

Co-Chair Kelly inquired as to why a vessel could not operate as a stationary processing vessel in Dutch Harbor.

Ms. Norosz explained that Icicle Seafood's processor, the Northern Victor, has a site-specific waste discharge permit from the U.S. Environmental Protection Agency (EPA) that restricts its operating locations. She stated there is no available space for the Northern Victor in Dutch Harbor, and it is "highly unlikely" they would be able to get a permit for Dutch Harbor as the harbor is suffering from air quality standard problems.

Co-Chair Kelly inquired if the five percent State tax issue could be amended in this bill to allow a vessel to qualify for the three percent one-year stationery tax status with provisions to allow for movement for routine maintenance and inspection.

Ms. Norosz clarified that Co-Chair Kelly is addressing changing the definition to "allow movement for periodic repairs and maintenance," and inspection, but not to allow for processing in other locations.

Co-Chair Kelly confirmed that is the intent.

Ms. Norosz stated changing the definition in this manner would be acceptable to Icicle Seafoods.

Senator Austerman, referring to the AFA provision allowing the

State of Alaska to implement a Resource Landing Tax, asked how much money this tax has raised for the State.

Mr. Fried did not have that information.

Senator Austerman asked the Department of Revenue to provide the amount to the Committee.

Senator Ward asked if the AFA limits the number of operating pollock processors.

Ms. Norosz responded the AFA restricts the number of pollock processing facilities and identifies qualifications. She continued the AFA specified a fixed number of on-shore processors and identified the factory trawlers and their "mother ships."

Senator Ward asked if the number of permitted factory trawlers could be increased from two to three.

Ms. Norosz stated the AFA limits the number to the current two, and the only way for a new entity to enter the pollock market would be to purchase one of the current two floating facilities, purchase an existing on-shore plant, or purchase an eligible existing factory trawler.

Senator Ward asked if there is a value placed on these permits.

Ms. Norosz expressed the difficulty in establishing values as each facility has different capacities, equipment, and the like.

Ms. Norosz described the transaction process involved when Icicle Seafoods bought into the pollock fishery in December of 1999, the year following the enacting of the AFA.

Senator Ward asserted that when Icicle Seafoods bought into the pollock fishery the tax was five percent.

Ms. Norosz stated that is correct.

Senator Wilken characterized the AFA as dividing the pollock fishing industry into three sectors: "the off-shore catcher-processor, the mother ship processing at sea, and the on-shore plant." He asked which tax level the offshore catcher-processor sector pays to the State.

Ms. Norosz replied that sector pays a three percent tax because there is an additional fisheries resource landing tax.

Mr. Fried stated these taxes are not cumulative.

Senator Wilken asked what tax is placed on the "mother ship."

Ms. Norosz responded the "mother ship" pays three percent.

Senator Wilken, noting the on-shore sector also pays three percent, questioned how the five percent tax is levied if all three defined sectors pay a three percent tax.

Ms. Norosz clarified that the two floating Pollock processors are assessed the fisheries business tax as they are considered part of the on-shore sector, and they pay five percent because of existing state law.

Senator Wilken asked in which of the three sectors the two aforementioned vessels are classified.

Ms. Norosz replied the vessels are considered part of the on-shore sector.

Senator Wilken verified they are not considered offshore catcher processors or mother ships, but are rather "sub-sets" of the on-shore processors.

Senator Wilken inquired about the process used to determine which tax is levied.

Ms. Norosz stated that floating pollock processors are defined as vessels "that are not permanently affixed to the land or that doesn't stay in one location for the entire tax year."

Senator Wilken inquired if this definition applies to the two vessels holding the permits.

Ms. Norosz confirmed it does.

Senator Wilken asked if a facility affixed to the shore is required to pay local taxes.

Ms. Norosz stated they would be if a local tax were in effect.

Senator Wilken asked if an offshore facility that is limited to staying in one place for one year would have to pay a local tax.

Ms. Norosz replied it would be if the vessel were located within a local taxing district. She continued that municipalities and boroughs have differing local tax structures.

Senator Wilken asked if the two permitted vessels operate within a local taxation area.

Ms. Norosz responded that Icicle Seafoods' vessel is located outside of a local taxing district; however, Trident Seafoods' vessel does pay a local tax.

Senator Wilken clarified that Trident would pay the State-mandated three percent tax as well as the local tax. He furthered that under this bill, Trident would only be required to pay the three percent "so haven't we just flip-flopped that inequity."

Ms. Norosz responded that those who are operating on-shore and paying local taxes also receive benefits such as fire and police protection, access to utilities and garbage service from those communities. She continued that dock and harbor space is also made available to them.

Ms. Norosz informed the Committee that Icicle Seafoods is required to pay \$300,000 for a moorage system in addition to paying for a water line to the ship. She stated that Trident Seafoods pays a one percent local tax. She reiterated that Dutch Harbor has a two percent local tax and since taxes vary from community to community, there could not be equity. She opined that to create equity, the State could regulate the local taxation rates.

Ms. Norosz summarized this bill as requesting the State charge an equal rate to all Pollock processors.

Senator Wilken understood Ms. Norris to be requesting leveling out the vessel tax at three percent, whereby the monies that Icicle Seafoods pays for services at its location would equate to the monies an on-shore processor pays in local taxes for similar services.

Ms. Norosz replied yes, on-shore processors are paying for services that Icicle Seafoods is not receiving.

Senator Austerman stated "mother ships" pay the three percent state tax and do not pay local taxes.

Co-Chair Donley commented that the different rates being charged by communities do not appear to be the problem because different

services are provided. He continued that ships operating outside of a taxation district would likely use services at the nearest facility or community.

DAVE BENSON, representing Trident Seafoods Corporation, testified offnet to voice the Corporation's support for this bill. He stated this legislation would correct the situation whereby Trident Seafood's vessel, the Arctic Enterprise, and Icicle Seafoods' vessel, the Northern Victor, "pay a two percent higher tax rate than other Pollock processors in the State."

Mr. Benson stated that the current State Raw Fish Tax for shore based pollock processors and factory trawlers is three percent, and shore-based Pollock processors additionally pay local taxes where applicable. He stated the Arctic Enterprise pays the five percent state tax and a one percent local tax for a total of six percent.

Mr. Benson stated Trident Seafoods has "no issue with the local community taxes;" however requests the State "to offer parity on the State fish tax." He continued this legislation "is a surgical fix affecting only two processors."

Mr. Benson stated the AFA identified the three aforementioned sectors and allocated fish harvesting rights to those with a history in the pollock fishing industry. He noted the AFA provided the State of Alaska the authority to tax pollock harvesters fishing in federal waters.

Mr. Benson commented earlier State legislation placed a three percent landing tax on offshore processors; however, the AFA mandates that all pollock offshore processors are subject to the three percent State tax.

Mr. Benson stated this mandate brought equity to all Pollock processor sectors except the two stationary floating processors considered part of the on-shore sector under the AFA. He stressed this bill "simply brings the overdue parity to include the Arctic Enterprise and the Northern Victor at the three percent state fisheries business tax that the other sectors are now paying."

Mr. Benson informed the Committee that floating processing vessels have the advantage of being able to process fish in various locations throughout Alaska, and during a year move to various locations and process pollock, cod, crab, herring and other species.

Mr. Benson clarified the two mobile floating processors would continue to pay a five percent tax on all non-pollock species they

process. He commented the distinction between these two floating processors and others is that these two vessels, by federal law, process pollock in a single geographic location throughout the entire year and cannot take advantage of the ability to change locations when it would be more efficient to do so. He stated that if the State reasons that mobility is an asset and levies a higher tax based on that, Trident Seafoods would concur; however currently the Arctic Enterprise and the Northern Victor do not have that advantage since they are required to process pollock in a single location. He concluded this legislation "simply equalizes the Fisheries Business Tax rate with the other shore side processors and the Landing Tax" that shore side processors are subject to in the pollock industry.

Mr. Benson clarified that an earlier question asking if changing the definition of factory trawlers to "allow movement for periodic repairs and maintenance," and inspection, but not to allow for processing in other locations, would not benefit Trident Seafoods situation because their vessel, the Arctic Enterprise, also processes salmon in another location during the year.

Senator Ward asked if Trident Seafoods owned the vessel, the Arctic Enterprise, in 1998 when the AFA was enacted.

Mr. Benson stated that Trident Seafoods purchased the Arctic Enterprise in July 1999.

REPRESENTATIVE CARL MOSES informed the Committee the Northern Victor processing vessel's original owners purchased the vessel with the intent to avoid paying property and sales taxes to the Municipality of Unalaska. He opined the Northern Victor and the Arctic Enterprise's current owners purchased the vessels at a purchase price that factored in the five percent floating processor tax as both vessels were purchased after the five percent tax went into effect.

Representative Moses stated; however, he is sympathetic to the inequity in these and other fisheries taxes and voiced support for levying an across-the-board five percent tax with credits allowed for any municipality property taxes that are levied.

Representative Moses commented that the State's current ability to collect a landing tax from all processors is questionable as it pertains to fish caught outside the three-mile limit; however, the fishing industry has agreed to pay the tax without requiring a court decision. He stated it might be difficult to raise the landing tax to five percent because of the question as to the State's jurisdiction.

Representative Moses noted the State taxes salmon cannery processing activities at 4.5 percent.

Representative Moses stated numerous communities within his District would lose the rebate money if this bill were enacted.

Senator Leman asked how communities receive the rebate money if the processor is not located within their boundaries.

Representative Moses informed the Committee the tax portion identified for the rebate program "is pooled" and distributed to communities involved.

Senator Leman asked for clarification whether the pool of rebate money is divided amongst the affected communities or all the communities in the program.

Representative Moses stated it is distributed to all communities in the affected area.

Senator Leman, referring to the credit Representative Moses suggested for municipality levied taxes, asked how payments in lieu of taxes for water, garbage and the like, might be addressed.

Representative Moses opined that numerous fishermen attempt to avoid paying taxes, but still use a community's facilities such as the landfill. He continued that processing vessels generate significant waste that is deposited in these landfills.

Senator Leman ascertained that most landfills have a fee structure in place to recoup costs of providing services.

Representative Moses responded the rates are not adequately charged. He informed that federal law mandates that any place with a dock is required to receive waste from any vessel that uses the dock, and it may be provided at no charge to the vessel.

Senator Ward suggested that if taxes were reduced, the fishing industry would have more disposable income to benefit communities and employees.

Senator Austerman confirmed that the State tax monies collected from vessels operating outside of a defined local district are pooled and rebated to communities in the common area. He informed the Committee that if this bill were enacted, Kodiak would lose approximately \$10,000 and Unalaska would lose approximately \$60,000 in rebate monies from that pool.

Senator Austerman reminded the Committee this bill addresses the State tax on fisheries and that a vessel's location is a separate issue. He stated the Unalaska City Council voiced a neutral position on this bill.

Representative Moses stated the Aleutian East Borough could lose approximately \$170,000 in rebate monies.

Co-Chair Kelly ordered the Bill to be HELD in Committee.

#SB308

CS FOR SENATE BILL NO. 308(RES)

"An Act relating to the Alaska coastal management program and the responsibilities of the Alaska Coastal Policy Council; and providing for an effective date."

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

Co-Chair Donley moved to adopt CS SB 308, 22-LS1516\J as a working draft.

SENATOR GENE THERRIAULT, sponsor of the bill, explained this committee substitute eliminates the petition process that was included in the original bill as it is addressed in other legislation; "prohibits the adoption by reference of state statutes and regulations by coastal district;" and allows permitting agencies to make consistency determinations in separate phases for a North Slope natural gas pipeline project paralleling the Trans Alaska Pipeline System and the Alaska Highway or a route that runs to Alaska tidewater."

There being no objections, the committee substitute was ADOPTED.

Senator Therriault noted the bill title is purposefully "rather broad" because a title change is anticipated as a result of related legislation under consideration.

JOHN SHIVELY, Representative, Foothills Pipeline Company, testified via teleconference from Anchorage to voice support for this bill. He stressed that improving the consistency determination permitting process to allow agencies to phase projects "makes sense," especially when dealing with large projects.

DANA OLSON, testified via teleconference from Mat Su, and voiced concern that this bill is moving through the process too quickly. She suggested the formation of a subcommittee to include citizens to address concerns and frustrations on the current Alaska Coastal Management Program (ACMP) and subsequently offer recommendations to the Committee. She opined that the Committee is not aware of all the issues involved, and she voiced opposition to the elimination of the petition process.

Senator Therriault, in response to a question from Senator Ward, stated that concerns of people in South Anchorage are addressed in the committee substitute by the elimination of the petition process language. He reiterated that other legislation would address this process.

Senator Austerman asked if the gas pipeline language included in the bill weakens the State's position in the permitting process.

Senator Therriault stated the language "is project neutral but route specific," and eliminates the concern that the State's current permitting process is too rigid and a deterrent to a project's forward movement.

PATRICK GALVIN, Director, Division of Governmental Coordination, Office of the Governor, informed the Committee the Department has no objections to the bill.

Senator Lemman offered a motion to report the committee substitute from Committee with accompanying fiscal note.

There being no objections, CS SB 308 (FIN) was MOVED out of Committee with the accompanying zero fiscal note from the Office of the Governor, dated 3/05/02.

#SB4

CS FOR SENATE BILL NO. 4(FIN)

"An Act relating to a mandatory exemption from municipal property taxes for certain residences and to an optional exemption from municipal taxes for residential property; and providing for an effective date."

This was the fourth hearing for this bill in the Senate Finance Committee. [Note: The bill was previously reported from Committee;

on 3/27/01 and returned on 3/01/02.]

Senator Therriault, the sponsor of the bill, explained that the committee substitute for CS SB 4 (FIN) specifies a maximum local residential property tax exemption of \$15,000, and disallows the partial year property tax exemptions approved in the original Finance Committee bill. He stated that municipalities have reported the partial year property tax provision cumbersome to administer.

Senator Therriault also noted the addition of a new provision allowing local governments the ability to provide individuals participating in local volunteer organizations such as volunteer fire departments and Emergency Medical Services up to a \$5,000 assessed value property tax exemption. He mentioned that several communities are having difficulty recruiting sufficient numbers of volunteer fire fighters, and the hope is this exemption would serve as an incentive to entice more individuals to volunteer. He stated this provision would only result in an approximate \$11,000 loss of property tax revenue to the Fairbanks/North Star Borough if all volunteer fire fighters took advantage of the exemption.

Senator Green inquired if the volunteer exemption would affect the State's Foundation Funding Formula to communities.

Senator Therriault responded the Foundation Formula is applicable to the total taxable value of property in a borough, and would not be impacted by the exemptions.

SFC 02 # 39, Side A 10:57 AM

Senator Green commented there is a possibility that communities might want to add other individuals to the exemption specified in Section 2.

Co-Chair Kelly reported municipalities have been seeking inexpensive methods to increase volunteer fire fighters compensation. He commented the demand for further training, liability issues and responsibility that volunteers experience would continue to increase.

Senator Green asserted there are other sectors of individuals that municipalities might want considered for an incentive exemption.

Senator Therriault qualified that Section 2 specifically identifies who is eligible for the exemption.

DANA OLSON testified via teleconference from Mat-Su to ask the State to consider instituting a joint administration process whereby different agencies could access other agency records.

Co-Chair Kelly acknowledged Ms. Olson's concern; however, noted this bill does not address that issue.

Senator Ward inquired how this bill would affect a private fire service area that has been formed for taxation services.

Senator Therriault responded the property tax levy for this bill would not affect that area.

Senator Ward asked if residents of that area who volunteer would qualify for the Section 2 exemption.

Senator Therriault stated that local governments would have the authority to craft the volunteer exemptions.

Senator Therriault noted a new fiscal note would be required to address the changes in the proposed committee substitute.

AT EASE 11:04 AM / 11:06

Senator Green inquired how a community would replace the loss of income incurred if both Section 1 and Section 2 were enacted.

Senator Therriault commented a community could choose not to make up the lost revenue or could replace it by levying or raising other taxes or fees.

Senator Green remarked that communities could also ask the Legislature for more revenue sharing funds.

Senator Therriault concurred.

Senator Green asked if this bill would benefit certain communities more than others.

Senator Therriault responded he was not aware that it would; however, communities with a residential real property exemption in place would not lose as much revenue as a community that does not, but chooses to enact the exemptions specified in this bill.

Senator Green inquired how a community would qualify for more funding from the State.

Senator Therriault reiterated that any community could enact local

taxes or fees to fill the void.

Senator Green opined this would then be more like a shift in funding sources within the community.

Senator Therriault concurred, and exampled it could be a shift from residential homeowners to other properties in a borough.

Amendment #5: (Note: Referred to as Amendment #1) This amendment would incorporate the non-applicability of the new greater exemption levels to communities with a per-capita debt in excess of \$15,000 into the title of the bill.

AT EASE: 11:20 AM / 11:23 AM

Co-Chair Donley moved for adoption of Amendment #1.

There being no objections, the Amendment was ADOPTED.

Senator Wilken offered a motion to report CS SB 4 from Committee with accompanying fiscal note.

There being no objections, CS SB 4 (2dFIN) was REPORTED from Committee with a new zero fiscal note from the Department of Revenue, dated 4/03/02.

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ADJOURNMENT

Co-Chair Dave Kelly adjourned the meeting at 11:23 AM