

HOUSE FINANCE COMMITTEE
April 29, 2003
1:46 PM

TAPE HFC 03 - 69, Side A
TAPE HFC 03 - 69, Side B
TAPE HFC 03 - 70, Side A

CALL TO ORDER

Co-Chair Williams called the House Finance Committee meeting to order at 1:46 PM.

MEMBERS PRESENT

Representative John Harris, Co-Chair
Representative Bill Williams, Co-Chair
Representative Kevin Meyer, Vice-Chair
Representative Mike Chenault
Representative Richard Foster
Representative Mike Hawker
Representative Bill Stoltze
Representative Reggie Joule
Representative Jim Whitaker

MEMBERS ABSENT

Representative Eric Croft
Representative Carl Moses

ALSO PRESENT

Representative Gutenberg; Representative Peggy Wilson; Representative Tom Anderson, Sponsor, Rynnieva Moss, Staff, Representative Coghill; Kelly Hepler, Director, Division of Sport Fish, Department of Fish and Game; Jeff Cook Williams, Vice President, Williams Company; Mark Smith, Yukon Fuel Company, Anchorage; Jim Boltz, Petro Star Refinery; Bryan Butcher, Legislative Liaison, Alaska Housing Finance Corporation; Mary Francis, Executive Director, Alaska Council of School Administrators; Laura Glasier, Director, Division of Elections; Sarah Felix Assistant Attorney General, Department of Law.

PRESENT VIA TELECONFERENCE

Jim McMillian, Deputy Director, Credit, Department of Community and Economic Development; Steve Van Sant, State Assessor; Byron Haley, President of the Chitina Dipnetter Association, Fairbanks; Dick Bishop, Fairbanks; Mark Helm, Vice President, Chitina Dipnetters Association; Paul Holland, Board Members of the Chitina Dipnetters Association, Fairbanks; Jesse VanderZanden, Alaska Outdoor

Council; Justin Charon, Yukon Fuel; Tim Beck, Fairbanks; Merrick Pierce, Fairbanks; Paul Barrett, Fairbanks.

SUMMARY

HB 210 "An Act relating to the Chitina dip net fishery; and providing for an effective date."

HB 210 was heard and HELD in Committee for further consideration.

HB 216 "An Act relating to municipal taxation of refined fuel products."

HB 216 was HELD in Committee for further consideration.

HB 266 "An Act relating to elections, questioned ballots and questioned voters, voter registration, training of election officials, preparation of election materials, voter identification, absentee voting, counting ballots, and the primary election; and providing for an effective date."

CSHB 266 (FIN) was REPORTED out of Committee with a "do pass" recommendation and two zero fiscal notes: #1 from the Office of the Governor and #2 from the Department of Administration.

CSSB 25(FIN)

"An Act relating to the acquisition of teachers' housing by regional educational attendance areas and to teachers' housing loan programs in the Alaska Housing Finance Corporation; and providing for an effective date."

HCSSB 25 (HES) was REPORTED out of Committee with a "do pass" recommendation and one zero fiscal note from the Department of Revenue.

#sb25

CS FOR SENATE BILL NO. 25(FIN)

"An Act relating to the acquisition of teachers' housing by regional educational attendance areas and to teachers' housing loan programs in the Alaska Housing Finance Corporation; and providing for an effective date."

SENATOR GARY WILKEN, SPONSOR provided information about the bill. He explained that the bill allow teachers to take out zero down payment loans under the Alaska Housing Finance (AFHC). He noted that this was in conjunction with programs such as the first time homebuyer program, with a similar interest rate through AHFC. He noted that a Senate bill

passed, which allows REEA [Rural Educational Attendance Areas] school districts to construct, own and manage rental housing for teachers. He stated that public elementary or secondary school teachers would be eligible, including therapists, nurses and school librarians, who must possess a certificate from the Department of Education. Restrictions include using the program only once, and that the home must be owner occupied and be a single-family home, and agree with all AHFC credit criteria. The sponsor added a five-year sunset in order to evaluate the program's success.

Senator Wilkins stated that the bill is about recruitment and retention, a tool to attract qualified teachers to the state. He pointed out that the Alaska Association of School Boards had written in support of the bill. He noted that Representative Bunde had written an editorial piece in October asking for relief for Alaska teachers' housing. The Anchorage school district requested legislation to provide housing relief, as well as The Alaska Statewide Educators' Supply and Demand Report highlighted the need for teacher housing. On a national basis, the "no dream denied" publication speaks of how districts across the nation are attracting good teachers by providing affordable housing.

In regard to other state programs, Senator Wilkins highlighted these examples: Oregon is offering signing bonuses to retain teachers; California is offering large bonuses for advanced teachers; New Mexico is offering a signing bonus. He explained that the bill allows a teacher to come to Alaska and buy into the "American dream" of owning a home. He pointed out that registered nurses were added in the House and that he supports that amendment.

Representative Hawker expressed his support for the bill. He asked why administrators were included in the bill. Senator Wilken speculated that school districts might need to hire administrators from other states and that this would be a way to attract quality administrators.

Representative Hawker commented that administrators seemed to be plentiful. Senator Wilken noted that they had a difficult time looking for a Commissioner for the Department of Education and Early Development.

Co-Chair Harris observed that the legislation was intended to make a home available to teachers with no down payment. He asked what happened if they ceased to teach, whether they kept the home. Senator Wilken speculated that they would keep their mortgage. Co-Chair Harris asked if the homes would be owned by an REEA. Senator Wilken referred to a previous bill that gave government entities and municipalities a way to build multi-family housing in rural Alaska. He explained that the current bill carried this to the REEA's as long as no state foundation monies are used

and teachers qualify for an Alaska Housing Finance Corporation loan.

BRYAN BUTCHER, LEGISLATIVE LIAISON, ALASKA HOUSING FINANCE CORPORATION confirmed that the main advantage to the initial purchase was the absence of a down payment. He explained that should the house be resold, it would then become a regular mortgage. In response to a question by Co-Chair Harris, Mr. Butcher confirmed that the mortgage would function as a regular loan through AHFC.

Representative Croft asked how the fiscal note could be zero if there was a no down payment loan and potential defaults might then represent a cost to the State. Mr. Butcher conceded that there would be a minimal increased risk associated with no down payment. He also pointed out that the stability of teachers and mortgage insurance would mitigate the risk. In response to a question by Representative Croft, Mr. Butcher noted that if there were an unforeseen problem the program would be re-examined in five years at its sunset.

MARY FRANCIS, EXECUTIVE DIRECTOR, ALASKA COUNCIL OF SCHOOL ADMINISTRATORS testified in support of the bill. She explained that the Council represents all school administrators in the state. She pointed out that Alaska was facing a shortage in school administrators, in addition to teachers. She stated that the Council viewed the bill as a positive step toward providing incentives for professional educators to live and work in Alaska. She noted that other states had also provided benefits to attract educators, including exemption from state income taxes and signing bonuses. She maintained that Alaska must compete with these incentives at a time when fewer people were choosing the teaching profession.

Representative Stoltze asked what the average salary of school superintendents was in Alaska. Ms. Francis responded that the administrators make more than \$50 thousand per year, and offered to provide more specific information in the future. She indicated that it was difficult to hire school principles in the state.

REPRESENTATIVE PEGGY WILSON spoke to the provision for nurses. She indicated that the nursing profession currently had an 11.5 percent vacancy rate. She stated that the health care industry was one of the state's fastest growing industries, projecting a need for 4,100 nurses in the next seven years. She stated that the bill would give nurses another incentive to move to Alaska, and thereby prevent a potential health care crisis in the state. She expressed her support of the bill.

Representative Stoltze asked for a definition of nurses. He asked if home care providers would be eligible for this benefit. Representative Wilson explained that to qualify a nurse must be registered. In response to a question by Representative Stoltze, Representative Wilson speculated that the type of nurse or their job did not affect whether they qualified for the benefit. The state needs nurses of all types.

Representative Foster MOVED to report HCS CSSB 25 (HES) out of Committee with the accompanying fiscal note. There being NO OBJECTION it was so ordered.

HCS CSSB 25 (HES) was REPORTED out of Committee with a "do pass" recommendation and one zero fiscal note from the Department of Revenue.

#hb210

HOUSE BILL NO. 210

"An Act relating to the Chitina dip net fishery; and providing for an effective date."

RYNNIEVA MOSS, STAFF, REPRESENTATIVE COGHILL provided information about the bill. She noted that a bill in the last legislative session would have extended the \$25 permit for Chitina dipnetting and then phased it out. She read from minutes of the Senate Resources Committee in that year, when Senator Wilkins stated that his intent was to have an accessible, productive and safe fishery, and that he could support a continuation of the fee knowing that it would end in the following year, passing administration along to the State and [Native] Corporations. She noted that since then, there had been a survey of lands in the Chitina River area.

Ms. Moss referred to a map outlining the area referred to in the bill, indicating both public and private lands. She stated that approximately 60 percent of the lands were public access. She noted that the survey indicated a monument every 2/10 mile and explained that \$50 thousand remained of the survey monies to produce a brochure for anyone applying a permit, indicating public and private land. The bill does not eliminate the permit process, but only the \$25 fee.

Ms. Moss addressed the fiscal note, which indicated a loss of \$170 thousand in revenues. She explained how the Department used this funding, and noted that the original note indicated a \$181 thousand loss. The trespass fees paid to native corporations totaled \$130,536; the site maintenance totaled another \$36 thousand. She concluded that the Department was actually losing only \$2 per permit, less the cost of printing the permits, which totaled \$3,600. She pointed out that the bill presented no major loss to the general fund.

Ms. Moss explained that in the Spring the Fish Board changed the classification of fishing in Chitina from subsistence to "personal use", which would require a \$15 sport fishing license, above the fish netting permit. Estimates indicate that ten percent of fishers were now required to purchase sports fishing licenses and that under the bill, providing \$11 thousand additional revenue to the State. She also noted estimates that a potential of 3,000 additional licenses would be purchased, totaling \$45 thousand in new revenue. She indicated that this revenue could support the maintenance issue surrounding the bill. She stated that Representative Coghill believes that the funding should be found through other efficiencies and treated as an existing maintenance expense. She pointed out that the Chitina dipnetters were the only fisheries in the state of Alaska that was paying for permits.

Representative Chenault asked if Chitina dipnetting was the only fishery to subsidize waste disposal through a fee. Ms. Moss confirmed that this was true, but added that the Kenai dipnetting area had a municipal charge for waste disposal. In response to a question by Representative Chenault, Ms. Moss replied that the benefit did not go to the fishers themselves.

Co-Chair Harris asked if Atna [Native Corporation] land was used to access the river. Ms. Moss stated that the brochure would clearly detail public and private access, so that there would be no reason to use private property to access the river. In response to a question by Co-Chair Harris, Ms. Moss confirmed that the only action was to eliminate the fee.

Representative Croft referred to the fiscal note, and observed an average of 7,000 people to whom a fee of \$25 was charged generated approximately \$180 thousand in revenue that the State would no longer be received. Ms. Moss noted that all of the \$2 per permit was being directed to services other than the Department of Fish and Game.

Representative Croft observed that the fee went to pay for the agreement with Atna. To use their private lands for access and asked if the sponsor proposed that the access would no longer be paid for or available. Ms. Moss confirmed that this was correct and added that the State would no longer pay for waste management in the area.

Co-Chair Harris asked if outdoor plumbing would still be maintained, since this was a popular fishing area in the State. Ms. Moss responded that this issue was still under consideration and that separate legislation was being worked on to address the issue. She added Representative Coghill's belief that the Department of Transportation and Public

Facilities and the Department of Fish and Game should collaborate to equitably address this issue. She noted that their office was communicating with various agencies and organizations to resolve the problem.

Representative Croft concurred with Co-Chair Harris in the concern for locating general funds to provide restroom facilities and other services. He agreed that the fee might be reduced, but maintained that even given a clear brochure, without legal access through private lands, border disputes might arise, in addition to problems with waste disposal if facilities were not available. He suggested that Fish and Game might at least find funding to provide these services.

Co-Chair Williams recalled that the reason the statute was initiated was to prevent crossing of private Native lands. He asked how the Committee might address this.

Representative Stoltze observed that there had been a great deal of resources spent in delineating the property lines and access points.

Co-Chair Williams recalled that originally there were private property signs on the roadways. Ms. Moss stated that the reason to keep the permit, while eliminating the fee, was to provide information to every person fishing outlining the property lines between state and private land. She noted that trespassers stood the chance of being prosecuted.

Representative Stoltze expressed his support of repealing the fee, in that it was inappropriate to provide these services through the use of fees. He maintained that the Department of Transportation and Public Facilities had plenty of opportunity to provide services apart from the permit process. He noted regulatory power to set up charges for use of facilities, and stated that it was not appropriate to charge fees in correlation with the permit process.

Ms. Moss noted that at the last hearing the Department of Fish and Game stated that they could use proceeds from sport fishing licenses to provide maintenance of this kind.

Representative Joule asked to hear public testimony.

Co-Chair Harris asked if they had received any comment from the Native Corporation. Ms. Moss said they had not.

The Glennallen Legislative Information Office stated that written testimony from Joseph Hart, General Manager of the Chitina Native Corporation had been faxed (copy on file).

Representative Foster pointed out that many areas provide their own maintenance without state assistance just out of

pride for their area. He gave the example that in Nome, citizens provided cleanup on a volunteer basis.

BYRON HALEY, PRESIDENT OF THE CHITINA DIPNETTER ASSOCIATION, FAIRBANKS, testified via teleconference in support of the bill. He stated that Chitina was the corridor to fishing in the area, and maintained that a \$25 fee was no longer necessary. He referred to a letter from the Departments of Natural Resources and Fish and Game in August of 2002, stating that the current yearly compensation process has been difficult and that given the recent survey and other developments, they do not believe that the fee is any longer necessary. He stressed that the private landowner could still choose to charge for access to their property. He strongly encouraged passage of the legislation.

DICK BISHOP, FAIRBANKS, testified via teleconference in support of the bill. He expressed thanks to legislators for their work on the bill over the years. He explained that the Chitina Dipnet industry was for personal use and required a sports fishing license as a result of a recent Board of Fisheries decision. He maintained that there should be no need for an additional fee to allow Alaskans to fish for food in that fishery and pointed out that no additional fee was charged for any other personal use fishery in the state.

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Mr. Bishop pointed out that the Native Corporation was free to charge fees for trespass on their lands as they saw fit.

Co-Chair Harris referred to a letter faxed from the Chitina Native Corporation concerning trespass and cutting down trees. He asked if there was a way to relieve the concerns of the Native Corporation regarding activity on their lands. He suggested that if the state had clearly delineated access to state lands, there was a way to allay fears about trespassing.

Mr. Bishop related a story about an individual who purchased land near a well-used trail, and had not posted private property signs indicating that he did not wish people to trespass. He indicated that the private landowners had the responsibility to convey their wishes through signs and notices, in the hope that most people would respect those wishes.

MARK HELM, VICE PRESIDENT, CHITINA DIPNETTERS ASSOCIATION, testified via teleconference in support of the bill. He referred to the map of the surveyed area, sheet 2 of 5, and highlighted Mile Post One. He indicated that there was public access from that point to Milepost 60.62 (GPSO 2). He noted that from Milepost .40 to Milepost 2.21 was the

origination of the trespass fee eleven years ago. He pointed out that at that time, public access was not available in this area; the state has now repaired the road, and provided public access. He noted that he has operated a fishing charter for the past twenty years, and maintained that there was little access by the public in this area, and therefore not much trespassing. He stated that most dipnetters fished in the area from Milepost 2.39 down to Haley Creek. He maintained that percentage figures were misleading. He also referred to the last page of the map, and stated that the potential trespass area was actually a dangerous cliff, where no one fished. He proposed that in the current circumstances, the trespass fee was no longer valid. He pointed out that the Native Corporation did not pay to survey the land.

PAUL HOLLAND, BOARD MEMBERS OF THE CHITINA DIPNETTERS ASSOCIATION, FAIRBANKS, testified via teleconference in support of the bill. He stated that the majority of dipnet fisherman fished within the right of way. He also noted that the road was closed at the present time, making the issue of trespass moot at this point.

JESSE VANDERZANDEN, ALASKA OUTDOOR COUNCIL, testified via teleconference in support of the bill. He stated that, according to the recent survey, at least 60 percent of the area used by dipnetters was public land. He also noted identified public access to the area. He maintained that the trespass fee was no longer valid. He referred to two letters provided as testimony to the House Resources Committee. He quoted from a letter from Governor Tony Knowles to the Chitina Native Corporation, stating "last summer DOT/PF staff completed this legislatively funded survey which showed that at least 60 percent of the right of way between O'Brien and Haley Creek affords legal public access to the Copper River." The letter went on to state that "the results of this survey places the state in the awkward position of collecting fees from a portion of users in the Chitina subsistence fisheries to pay for access that is not needed in order to participate in the fishery". Finally, he read, "ADF&G is considering a proposal that would repeal the access fee". He then quoted from the letter by quoted earlier by Mr. Haley. He maintained that the current bill was a win/win situation for both public access fishers and private landowners. He noted that private landowners benefited from information provided to the public by state agencies on the delineation of their lands. He emphasized that private landowners could choose to charge fees for trespass. He also stressed that the Department of Fish and Game should not be responsible for trash and waste removal contracts. He submitted that discussion about cleanup should not be a legislative issue but rather a regulatory one.

HB 210 was heard and HELD in Committee for further consideration.

#hb266

HOUSE BILL NO. 266

"An Act relating to elections, questioned ballots and questioned voters, voter registration, training of election officials, preparation of election materials, voter identification, absentee voting, counting ballots, and the primary election; and providing for an effective date."

Co-Chair Harris MOVED to ADOPT Committee Substitute (FIN) Work Draft 23-GH1133\S, 4/29/03. There being NO OBJECTION, the Work Draft was ADOPTED.

LAURA GLAISER, DIRECTOR, DIVISION OF ELECTIONS provided information about the changes contained in the Committee Substitute. She explained that the intent of the bill was to address compliance with the Help American Vote Act (HAVA), signed into law in October of 2002. The law was a result of a bi-partisan effort in Congress intended to improve overall administration of elections, increase accessibility to voters with disabilities and reduce voter fraud. She continued to read from the Sponsor Statement as follows:

Many changes required under HAVA do not require amending Alaska statute, but HB 266 includes those necessary to meet federal mandates. Changes recommended in the bill before you follow the intent of the federal law and do not place unnecessary burdens on the voter. It is imperative that these changes mandated by federal law are passed by the Legislature this year.

HB 266 also includes changes the Division recommends. The Division supports the language recommended in Senator Lincoln's SB 24, and it had been included in this bill with her permission. Other changes regarding returning identification/voter cards to other jurisdictions, reference to a "master list", and adding types of information that can be provided by the voter when registering in person are requested by the Division in this bill.

Ms. Glaiser stated that, although not mandated to do so by federal law, the Division had recommended grouping "undeclared" and "non-partisan" voters into one group called "unaffiliated voters". She stated that the current Committee Substitute (Version S) had removed those sections. She also noted that in the original version, the phrase "question ballot" had been changed to "provisional ballot". House State Affairs had recommended reverting back to the

term "question ballot". In addition, federal law asks the Division to provide a free access system, whether a web site or toll free number, by which a voter may check to see if their question ballot had been counted. Currently the practice is to send a letter to those voters, and Representative Gruenberg requested that the letter be included along with the free access system. She stated that both methods are included in the Committee Substitute.

Representative Croft asked why combining "non-partisan" and "undeclared" into "nonaffiliated" was not included in the bill. Ms. Glaiser responded that it was a policy recommendation, but there was no federal mandate. She referred to the Sectional Analysis of the bill that indicated which measures were housekeeping and which responded to federal compliance.

Representative Croft asked about the language contained in Section 17 of Representative Lincoln's bill (SB 24). Ms. Glaiser responded that SB 24, as well as the current bill, requested that special absentee ballots be sent to individuals who, at the time of the election, were living in a remote area of the state where distance, terrain or other natural conditions denied the voter reasonable access to a polling place.

Vice-Chair Meyer asked what must be done to have local elections coincide with statewide elections. Ms. Glaiser noted that a statutory change would be required.

Representative Whitaker asked for clarification regarding a resolution from the League of Women Voters and asked what relevance it had to the bill. Ms. Glaiser responded that this resolution bore no relevance to this bill, as it relates to APOC.

Representative Foster MOVED to report Committee Substitute HB266 (FIN) out of Committee with the accompanying fiscal note. There being NO OBJECTION it was so ordered.

CSHB 266 (FIN) was REPORTED out of Committee with a "do pass" recommendation and two zero fiscal notes: #1 from the Office of the Governor and #2 from the Department of Administration.

#hb216

HOUSE BILL NO. 216

"An Act relating to municipal taxation of refined fuel products."

REPRESENTATIVE TOM ANDERSON, SPONSOR, provided information about the bill. He read from the sponsor statement as follows:

House Bill 216 clarifies local taxing authority for refined fuels sold both within and outside of a local jurisdiction.

CS HB 216(CRA) clarifies that local governments have the right to tax any fuel consumed within their governmental boundaries, but do not have taxing authority on fuel used in turbine-powered aircraft (except fuel that is transferred into an aircraft at a municipal or private airport) or wholesale sales or transfers of any refined petroleum product.

This type of taxation would also result in residents from other parts of the State paying local governments costs in municipalities where they do not reside.

The clarification contained in HB 216 will also benefit local governments. There is some uncertainty now in state law about the authority to tax fuel, and HB 216 will clarify the authority to tax locally consumed fuels.

Finally, one addition has been made to this bill. Section 4 contains language designed to increase the maximum amount of loans from the bulk fuel revolving loan fund from the current \$200,000 to \$300,000. This change is necessary due to the rise in fuel prices nationwide, especially in rural Alaska.

And here in the audience and online are members of industry including Jeff Cook of Williams Alaska Petroleum who can give some perspective on the history of this idea and the need for this legislation.

Co-Chair Harris clarified that the Committee was discussing the Community and Regional Affairs version of the bill.

JUSTIN CHARON, YUKON FUEL, testified via teleconference in support of the bill. He stated that his company would like to increase the [AEA administered] Bulk Fuel Revolving Loan Fund from \$200 to \$300 thousand as a result of increases experienced in the fuel markets over the past several months. He noted that volatility in the market eroded buying power of western Alaskan consumers. He pointed out that infrastructure was available in new villages through the Denali Commission, which was allowing them to buy enough fuel for the winter without flying it in. He explained that flying fuel could cost as much as 100 percent more than fuel from barges, but stressed that consumers sometimes could not afford to purchase barged fuel, and had no choice but to pay the higher prices of flown fuel. He recommended that the loan program could alleviate this problem.

TIM BECK, FAIRBANKS, testified via teleconference in opposition to the bill. He maintained that this was a special interest tax, and stated that it was a result of a similar initiative in the North Star Borough pertaining to a fuel transfer tax on certain refined fuel products. He claimed that a fuel transfer tax he had sponsored had been removed from the agenda due to its similarity to the initiative, thereby curtailing public discussion on the tax. He referred to a February 3, 03 letter from Jeff Cook at William Alaska validating the alleged misinformation put forth by the initiative sponsors. He noted that a resolution was to have been forwarded to the Alaska Municipal League for discussion. He maintained that the legislation constituted an "end run" around the process that includes the states, boroughs, cities and municipalities and directly removes a local revenue generator from already limited taxing authorities. He read from the 2003 municipalities' handbook, under Revenue and Finance, and emphasized that the League would oppose limitations to taxing authority. He noted that several communities already had fuel transfer taxes on the books. He asked for an opportunity for the Alaska Municipal League to address this issue at their fall meeting as originally intended.

MERRICK PIERCE, FAIRBANKS testified via teleconference in opposition to the bill. He maintained that the legislation supported special interest groups and subordinated community interests. He suggested that the Williams Company had approached the North Pole City Council to pass a resolution asking the legislature to change state law and exempt Williams Alaska from taxation of jet fuel. This resolution was rejected by the Council, who then sent the resolution to the AML for study. He claimed that the Corporation had then approached the legislature directly, which resulted in HB 216. He offered an example of how wealthy corporations "played by different rules" and manipulate the legislative system: when the borough tax assessors in Fairbanks assess property value they are required to assess fair market value, resulting in property tax rates, but they are not allowed to assess the pipeline system lands since local officials had that authority taken from them, resulting in a dramatic drop in the pipeline property valuation. He maintained that other residents of the borough pay more in property taxes due to that under valuation. He stressed that a rule in business was not to give away something valuable for free, and questioned the return for Alaskans on this legislation. He maintained that nothing was gained, but diversification of the local tax base, needed in the community to offset the high cost of living, was lost. He noted that the rate of delinquency of property taxes in the borough had exceeded 10 percent, indicating the heavy tax burden. He stated that the Fairbanks North Star Borough Assembly had not given its position on the legislation, and

the North Pole City Council had voted against the resolution, but asked the AML to consider the issue.

Co-Chair Harris asked if the Alaska Municipal League or the communities of Anchorage and Fairbanks had provided information. Representative Anderson responded that the Executive Director of the Alaska Municipal League had initially expressed concern about whether language in the bill prevented taxes on other refined fuel and petroleum products, which he stated might generate a future amendment. He added that the Municipal League was supportive of the amended legislation. In response to a question by Co-Chair Harris, he noted that Tim Rogers from the City of Anchorage presented the same initial concerns, which were also allayed by the amendment. He stated that the city of Fairbanks had not been present at that meeting, but stated that the Fairbanks Chamber of Commerce endorsed the legislation.

Mr. Pierce stressed, via teleconference, that the issue was never brought before the Fairbanks Assembly.

PAUL BARRETT, FAIRBANKS testified via teleconference in opposition to the legislation. He concurred that the bill represented special interests, and maintained that while Fairbanks should be enjoying the lowest fuel prices in the country, in fact the pricing was among the highest, since the Alaska market was smaller and instate refineries experience extreme economic advantage. He submitted that the purpose of the legislation was to preserve an economic advantage by maintaining a price advantage. He suggested that the legislature should not act according to business needs. He noted that Williams Alaska was concerned with facilitating a sale of their refinery.

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Mr. Barret continued his testimony. He maintained that the Supreme Court had upheld tax plans innovated by municipalities. He suggested that before the legislature acted preemptively in this area that they await the AML analysis scheduled for the fall. He concluded that should the legislature choose to act preemptively, the state impose a statewide excise tax on instate refiners. He maintained that as long as the tax was restricted to instate refiners, the cost would not be passed on to Alaskans, and that this would mitigate the extreme prices currently paid by Alaskans for petroleum products.

JEFF COOK WILLIAMS, VICE PRESIDENT, WILLIAMS ALASKA PETROLIUM testified in support of the bill. He stated that Williams operates Alaska's largest refinery, located at North Pole near Fairbanks. They also own product terminals in Fairbanks and Anchorage, 29 convenience stores located in seven Alaskan communities, and a three percent interest in

the Trans Alaskan Pipeline, which he pointed out that they did not acquire until after the TAPS settlement agreement. He noted that since the refinery began 25 years ago, the company has purchased 300 million barrels of crude oil from the state of Alaska, in addition to oil purchased from producers.

Mr. Cook stated that in June 25, 2002 a special election was held in the Fairbanks/North Star Borough to determine whether a two-cent per gallon transfer tax should be enacted. He stated that after much public debate the voters denied the tax by 62 to 32 percent. He maintained that the issue was that the tax would have cost Williams and Petrostar in excess of \$20 million per year. Williams would not have passed the tax on to customers since they had alternative sources of supply. He noted that they refine 70 thousand barrels per day of product, 60 percent is jet fuel, of which over 90 percent is shipped by railcar to Anchorage. He noted that in addition they supply fuels to rural Alaska by barge and other means to support airports and diesel fuel needs. He emphasized that the air cargo industry is a competitive market, and that even a penny per gallon made a big difference. They also export to Japan from Anchorage.

Mr. Cook explained that by the time the product leaves the refinery, it goes through eight potential taxing jurisdictions. If the transfer tax was added, they product could be priced out of competition. He maintained that their product was a value added service for interior Alaska. He also pointed out that the promoters of the tax were asking producers to pay for the municipal government and suggested that this was unfair. He noted that prior to the election, the North Start Borough hired former Attorney General Avrum Gross to analyze the effects of such a tax. He stated that Mr. Gross had determined [letter dated May 29, 2002, COPY ON FILE] that the tax would be a source of confusion and an unreliable means of revenue for the Assembly.

Mr. Williams concluded that within the boundaries of a municipality, any excise taxes were fair, but to tax exported products to pay for local government was inappropriate.

Representative Foster commented that in 1993 a village in his district began taxing all the by-pass coming through their airport. He concluded that if each municipality added excise taxes, the eventual cost of products being transported to the villages would be prohibitive. He stressed his support for the legislation.

Mr. Williams added that some members had expressed concern for small plants in the North Slope that transfer diesel to run machinery and wanted to make sure that this would not be

taxable. He stated that their company understood the concern, and it would be addressed in the bill at a later time.

Co-Chair Harris clarified that Co-Chair Williams did not intend to move the bill at this time, indicating that a new Committee Substitute was forthcoming.

CSHB 216 (CRA) was heard AND HELD in Committee for further consideration.

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ADJOURNMENT

The meeting was adjourned at 3:34 P.M.