

HOUSE FINANCE COMMITTEE
May 15, 2003
8:39 A.M.

TAPE HFC 03 - 95, Side A
TAPE HFC 03 - 95, Side B

CALL TO ORDER

Co-Chair Williams called the House Finance Committee meeting to order at 8:39 A.M.

MEMBERS PRESENT

Representative John Harris, Co-Chair
Representative Bill Williams, Co-Chair
Representative Kevin Meyer, Vice-Chair
Representative Ethan Berkowitz
Representative Mike Chenault
Representative Richard Foster
Representative Mike Hawker
Representative Beth Kerttula
Representative Carl Moses
Representative Bill Stoltze
Representative Jim Whitaker

MEMBERS ABSENT

Representative Croft
Representative Joule

ALSO PRESENT

Representative Tom Anderson; Deborah Grundman, Staff, Senator Ben Stevens; Deborah Behr, Assistant Attorney General, Legislation and Regulations Section, Department of Law; Greg O'Claray, Commissioner, Department of Labor and Workforce Development; John Brown, President, Fairbanks Central Labor Council, Fairbanks; Don Etheridge, Alaska AFL-CIO, Juneau; Jeff Acherman, Operating Engineers & Anchorage Central Council, Anchorage; Pam LaBolle, President, Alaska State Chamber of Commerce, Juneau; Barbara Huff Tuckness, Director of Legislative and Government Affairs, General Teamsters, Local 959, Anchorage; Landa Baily, Special Assistant, Department of Revenue; John MacKinnon, Deputy Commissioner, Department of Transportation & Public Facilities

PRESENT VIA TELECONFERENCE

Royce Rock, Carpenters Union, Anchorage; Rich La Henach, Association of General Contractors, Anchorage; Dick Cattanaugh, Executive Director, Associated General

Contractors, Anchorage; Craig Tillery, Assistant Attorney General, Department of Law

SUMMARY

HB 244 An Act relating to the Code of Criminal Procedure; relating to defenses, affirmative defenses, and justifications to certain criminal acts; relating to rights of prisoners after arrest; relating to discovery, immunity from prosecution, notice of defenses, admissibility of certain evidence, and right to representation in criminal proceedings; relating to sentencing, probation, and discretionary parole; amending Rule 16, Alaska Rules of Criminal Procedure, and Rules 404, 412, 609, and 803, Alaska Rules of Evidence; and providing for an effective date.

CS HB 244 (JUD) was reported out of Committee with "individual recommendations" and with zero fiscal note #1 by the Department of Law, fiscal note #2 by the Department of Corrections and fiscal note #3 by the Department of Administration.

HB 295 An Act relating to the publishing and furnishing of certain public notices regarding regulations or rules of certain state agencies; relating to distribution of the Alaska Administrative Code, Alaska Administrative Register, and supplements to the code or register; and providing for an effective date.

CS HB 295 (STA) was reported out of Committee with "individual recommendations" and with indeterminate note #1 by the Office of Management and Budget (OMB) and fiscal note #2 by the Office of Management and Budget.

HB 305 An Act relating to the calculation and payment of unemployment compensation benefits; and providing for an effective date.

HB 305 was reported out of Committee with a "do pass" recommendation and with zero note #1 by the Department of Labor & Workforce Development.

CS SB 106(FIN)
An Act relating to tires; and providing for an effective date.

HCS CS SB 106 (FIN) was reported out of Committee with a "do pass" recommendation and with fiscal note #2 by the Department of Revenue.

SB 177 An Act relating to cost-of-living benefits for retired members in the public employees' retirement system and the teachers' retirement system who are called to active military duty; and providing for an effective date.

SB 177 was reported out of Committee with a "do pass" recommendation and with zero note #1 by the Department of Administration.

#SB177

SENATE BILL NO. 177

An Act relating to cost-of-living benefits for retired members in the public employees' retirement system and the teachers' retirement system who are called to active military duty; and providing for an effective date.

DEBORAH GRUNDMAN, STAFF, SENATOR BEN STEVENS, stated that an Alaska Cost-of-Living Allowance (COLA) is payable to benefit recipients of the public employees' (PERS) and teachers' retirement system (TERS) who remain domiciled in Alaska after retirement. The allowance amounts to 10% of their base pay. A person receiving a COLA is not entitled to the allowance if absent from the State for a period in excess of 90 days, except that a person may be absent from State for not more than six months if the absence is the result of illness and required by order of a licensed physician.

Ms. Grundman added that upon return to the State and notification to the Department of Administration, the person would be entitled to receive the monthly cost-of-living allowance, commencing with the first monthly benefit payment. Retired public employees currently receiving COLA in the State and who are called to active duty in the military would not be eligible for the COLA payment while serving under existing statute. SB 177 rectifies the situation and allows the retired employees to be eligible to continue receiving their COLA while on active military duty. She noted that the legislation would affect about ten people.

Co-Chair Harris asked why this issue had not been discussed before. Ms. Grundman replied that a situation had not come up before in which there is a PERS or TERS member called up for active duty.

Representative Foster MOVED to report SB 177 out of Committee with individual recommendations and with the accompanying fiscal note. There being NO OBJECTION, it was so ordered.

SB 177 was reported out of Committee with a "do pass" recommendation and with zero note #1 by the Department of Administration.

#HB305

HOUSE BILL NO. 305

An Act relating to the calculation and payment of unemployment compensation benefits; and providing for an effective date.

REPRESENTATIVE TOM ANDERSON explained that HB 305 would provide for an 8.2% increase to the maximum weekly unemployment benefit amount. The increase, phased in over a three-year period, minimizes the impact to employers, employees, and the Unemployment Insurance (UI) Trust Fund. Alaska currently ranks 47th in the nation with a maximum weekly benefit of \$248 dollars. Alaska would rank at an estimated 28th in the nation when the maximum weekly benefit is increased to \$308 in 2006. The fully increased maximum benefit amount would be available to claimants earning \$34,250 or more per year.

Representative Anderson pointed out that the full impact of the increase in benefit costs would not be reflected in the employer tax rates until 2010. When the cumulative impact of the increased benefit costs is included in the tax rate calculation by 2010, the average employer tax rate would increase by 0.17% and the average employee tax rate would only increase by 0.04%.

Alaska's unemployment benefits assist Alaskans who find themselves temporarily without work. The benefits are distributed back into the local economy, which in turn maintains economic stability for communities, business, and workers. HB 305 will enable Alaskan workers to weather periods of economic downturn and alleviates skill shortages by keeping trained workers in State.

GREG O'CLARAY, COMMISSIONER, DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT, spoke to the legislation. He noted that the bill before the Committee was identical to the one that overwhelmingly passed the House two years ago except for the effective date. The last increase had been cut in half. The Governor requested a compromise. The handout outlines the amount of dollars that would potentially re-enter the economy from the unemployment program.

He referenced the handout. (Copy on File). Unemployment payments total \$40 million dollars per year for only the Anchorage municipality; in Mat-Su Borough that number totals nearly \$50 million dollars. He pointed out that nearly \$28 million dollars goes out of State. Much of that money results from skilled workers who cannot afford to stay in

Alaska because of high costs. One of the Department's directives from the Governor was to focus on creating good jobs with good pay for the Alaskan workforce. Commissioner O'Claray advised that over the next five years, 30% of the skilled workforce would be retiring. The new Division of Business Partnerships was created to help address the concerns for training workers in Alaska.

HB 350 was crafted by a coalition of labor and management. He pointed out that two sectors choose not to attend because of conflict. Those are the parties that are holding the legislation up in the "other body". The bill proposes a modest increase. The State of Alaska currently ranks 47th of the 50 states in the amount paying toward UI benefits. The proposed amounts do not include a "dependant allowance" of \$24 dollars per dependant with a maximum of 3. Commissioner O'Claray emphasized that the proposed legislation was part of the economic plan to retain skilled workers.

Co-Chair Harris noted that he supports the bill. He asked for a breakdown of who pays for the benefits. Commissioner O'Claray explained that the employer pays 80% of the costs while the employees contribute 20%. The first increase would not take affect until 2005; the maximum an employer pays with the increase would be about \$5 dollars per year per employee.

Co-Chair Harris pointed out that the sponsor statement indicates that Alaska ranks 47th in the nation in the rate paid for UI benefits and that with passage of the bill, Alaska could rank around 27th. The estimated cost-of-living differential in the State of Alaska ranges around 22.5%. He admitted that there is speculation regarding the number as it differs throughout the country.

JOHN BROWN, PRESIDENT, FAIRBANKS CENTRAL LABOR COUNCIL, FAIRBANKS, testified that the Labor Council is in "strong" support of HB 305. He noted that it is important to have a viable unemployment system to help retain qualified workers. It is very important to have people trained in running equipment. Without a viable UI system, the State will loose qualified workers. Mr. Brown urged passage of the bill from Committee.

DON ETHERIDGE, ALASKA AFL-CIO, JUNEAU, voiced strong support for the proposed legislation. He reiterated that all interested parties had an opportunity to come to the table to work out concerns. Everyone that participated reached an agreement.

Co-Chair Harris asked when the last unemployment benefit had been raised. Mr. Etheridge thought that it was five or six years ago.

Representative Stoltze asked who had not come to the negotiating table. Mr. Etheridge replied that the Alaska State Chamber did not participate.

JEFF ACHERMAN, OPERATING ENGINEERS & ANCHORAGE CENTRAL COUNCIL, ANCHORAGE, testified that they do support passage of the bill. Construction work is seasonal employment. The legislation will help people throughout the State that work in construction, fishing and tourism industry by providing a much-needed increase.

PAM LABOLLE, PRESIDENT, ALASKA STATE CHAMBER OF COMMERCE, JUNEAU, clarified that the State Chamber had not boycotted the meetings. The meetings were scheduled at the same times that the House Judiciary and Senate Judiciary committees met. Ms. LaBolle indicated that the Chamber would support an increase; however, on the third step, they would recommend that it only be increased $\frac{1}{2}$ way.

Ms. LaBolle identified the increase costs to the employers. At the current tax rate, the increase would be 8%, which would be \$44 dollars per employee by the time the full increase was in effect. She understood that the State was self insured for unemployment insurance costs. The Alaska Railroad has indicated that the proposed increase would cost them around \$550 thousand dollars.

Ms. LaBolle spoke to the dependent benefit amount. The goal of the UI program nationally is that 50% of the wage be replaced by the benefit amount. With the benefit amount included for three dependents, Alaska would be at the \$320 per week amount. With the increase, Alaska will rank in the top 25%. She pointed out that 44% of the dependents claimed received benefits this past year. Alaska is one of only 12 states that offer dependant coverage. She stated that the lower amount would be adequate since Alaska is one of the easiest State's to get UI benefits from, which differs from other State's I which claimants must show that they are actively seeking employment.

Ms. LaBolle stated that the State Chamber would support some increase, however, the proposed amount places a burden on the employer.

Representative Berkowitz pointed out that at one time, the Chamber supported the \$320 maximum. Ms. LaBolle explained that was the amount proposed last year and that the Chamber did not support it, but instead would have supported the first step around \$273 dollars.

Representative Berkowitz questioned why no one from the Chamber had participated in any of the discussions. Ms. LaBolle reiterated that she was the only staff person that the State Chamber has that could address this type of issue.

A new employee was hired at the end of session for specifically attending these types of activities. The State Chamber has a small staff.

Representative Stoltze questioned which issue was more important to the State Chamber, the Consumer Price Index (CPI) increase or HB 305. Ms. LaBolle listed issues of importance: the UI increase, the CPI and HB 255. Representative Stoltze asked if there were concerns that would affect the membership more drastically. Ms. LaBolle responded that the impact for the proposed increase would be felt within 2 to 6 years; the more immediate impact would be the CPI.

Co-Chair Harris inquired when the CPI index would take effect. Commissioner O'Claray replied on January 1st, 2004.

Representative Hawker asked what the State Chamber believes the appropriate increment should be. Ms. LaBolle advised that last year, they had agreed to go ½ through the second step. The proposed bill would take the State ½ through the 3rd step. Ms. LaBolle added that there has been no fiscal note prepared to indicate the impact on the State.

Representative Hawker acknowledged that the level proposed by the State Chamber was substantially less than proposed through the legislation. He noted his concern that if the Chamber had felt so strongly on the issue, why hadn't they rearranged their priority schedule to be able to attend the meetings. Ms. LaBolle explained that only three people from management had been invited to participate. Those areas were construction, tourism services and the State Chamber. The first two have the greatest turnover in employment. She did not know the ultimate plan and noted that she had no input for scheduling the meetings.

BARBARA HUFF TUCKNESS, DIRECTOR OF LEGISLATIVE AND GOVERNMENT AFFAIRS, GENERAL TEAMSTERS, LOCAL 959, ANCHORAGE, advised that she had been present for the discussions on the bill. The meetings attempted to attain a compromise for unemployed workers. She pointed out that the bill was a compromise. It has received full support from the general teamsters. She added that she had participated in some of the meetings via teleconference. Ms. Huff Tuckness acknowledged that everyone was busy at that time of year but realized that the message from the Department of Labor was one of compromise.

The unemployment insurance program offers an economic buffer against the ripple effect of unemployment. In Alaska, the maximum weekly benefits have increased four times in the last 20 years. The last increase was in 1997 and the payments are made to eligible participants. There are specific eligibility requirements that must be met to

qualify for the benefits. The benefit is not intended to replace the wage but does act as a partial benefit intended to cover shelter, food and clothing for those workers. She addressed the economic benefits to the State.

Representative Stoltze asked if the Alaska UI program had a requirement to show that people were actively looking for work. Ms. Huff Tuckness understood that there was an eligibility requirement both by the State and federal. She deferred the question to the Department of Labor & Workforce Development.

ROYCE ROCK, (TESTIFIED VIA TELECONFERENCE), CARPENTERS UNION, ANCHORAGE, spoke in support of the bill. He advised that Alaska is one of the few states in which the employees pay a part of their UI benefit. He urged that the bill pass from Committee.

DICK CATTANAUGH, (TESTIFIED VIA TELECONFERENCE), EXECUTIVE DIRECTOR, ASSOCIATION OF GENERAL CONTRACTORS, ANCHORAGE, noted that he was part of the committee that worked on the legislation and that the process had been fair. The cost will amount to about a 1% increase per year. He encouraged the Committee to support the bill.

Vice-Chair Meyer noted that he did support the UI program, however, voiced concern with the combination to increase minimum wage, a potential sales tax, alcohol tax, increase to business license fees and with this legislation an increase to the unemployment compensation. He warned it could create an unbalanced situation, shifting too much economic burden to the small business.

Commissioner O'Claray advised that it is the Governor's intent to grow the State's economy by producing good jobs with good pay. HB 305 does not register much to employer costs. The first increment of cost on average would be \$5 dollars per employee per year.

Vice-Chair Meyer MOVED to report HB 305 out of Committee with individual recommendations and with the accompanying fiscal note. There being NO OBJECTION, it was so ordered.

HB 305 was reported out of Committee with a "do pass" recommendation and with zero note #1 by Department of Labor & Workforce Development.

TAPE HFC 03 - 95, Side B

#HB295

HOUSE BILL NO. 295

An Act relating to the publishing and furnishing of certain public notices regarding regulations or rules of certain state agencies; relating to distribution of the Alaska Administrative Code, Alaska Administrative Register, and supplements to the code or register; and providing for an effective date.

DEBORAH BEHR, ASSISTANT ATTORNEY GENERAL, LEGISLATION AND REGULATIONS SECTION, DEPARTMENT OF LAW, noted that Assistant Attorney General Tillery from Anchorage was on line to address the Committee's technical questions.

Ms. Behr explained that the legislation would deal with legal notices for regulations that appear in newspapers. It would change the legal adds for adopting regulations. The goal of the legislation would allow the State to move toward an abbreviated notice with more user-friendly information. The legal notice in the paper would refer to on-line public notice where more detailed information could be found. If someone does not have a computer, they could make a public records request in order to receive a hard copy or get on the Department's mailing list. The goal is to make it "user friendly" and is anticipated to cost the State 75% less for the notices with less information.

Ms. Behr highlighted the second change, which would furnish notices to agencies that are not covered by the Administrative Procedures Act (APA). She understood that most people prefer to get information by email or have the option to request written copy. The legislation broadens that language to non-APA agencies not covered by the Act.

Ms. Behr continued, there could be a minor change as some agencies have a requirement that the information be published in three newspapers. The language of the bill reduces that to one. If the agency thought that it was appropriate to put it in more papers, they would have that option. Additionally, the bill moves toward web-only notices for appropriate sets of regulations. The Department was careful as to which programs were selected for web notices, making sure that there was access to computers or ready access to the Internet.

Ms. Behr pointed out that historically, the Executive Branch provided municipalities hard copies of regulations. Some of the smaller municipalities prefer to use the Internet notice. The final change in the bill allows the smaller areas to request information. If they want hard copy, a cost of no more than \$600 dollars would be charged. Ms. Behr referenced the cost savings to the State.

Representative Kerttula voiced concern with Section 11, the Oil and Gas leasing section. She asked if there were sections throughout the bill in which all public notice

would be deleted. Ms. Behr advised that the program selection had been done carefully in order to make sure that there were computers or access to them. Section 11 deals with the Department of Natural Resources, the Oil and Gas section. She understood that section had be chosen as if it was a full blown leasing process, not changing any of the Title 38 numbers and that it would only affect the notices related to the underline rate process. The public would still receive the same information either through an Internet notice or the Department of Natural Resources website.

Co-Chair Williams requested that Representative Berkowitz move his amendment.

Representative Berkowitz MOVED to ADOPT new Amendment #1. (Copy on File). Co-Chair Williams OBJECTED.

Representative Berkowitz explained that the amendment would strip out the provisions in the bill indicating that no notices would be required for certain agencies. The agencies that are exempted from newspaper notice requirement include the oil and gas, conservation, pipeline act regulations, and insurance regulations. The primary savings in the bill comes from the reduced amount of newspaper print. He stressed that to exempt these items from public notice would make the public think that government does not want people to know what is going on. He added that the amendment would preserve most of the cost savings contained in the bill.

Co-Chair Williams suggested that people that know what they are looking for are the ones that usually read public notices. He did not believe that most people read them. Ms. Behr commented that her experience has proven that most people get their info through emails or mailing notices. She was not aware that newspaper notices were a primary way to receive information concerning regulations. The newspaper ads are mostly used for legal notice versus the actual notice.

Co-Chair Williams asked if the regular newspaper reader would be able to get all the information that they need by reading the add in the paper. Ms. Behr replied that a professional person would probably get all pertinent information mailed to them. Representative Berkowitz appreciated that could be true if that person lived in a place that was connected by wire. There are large parts of the State that are not wired and do not have computer access. For those rural parts of the State, it is important to retain the legal notice that is available in newspapers. He emphasized that the newspaper requirement gets information to those people living in rural Alaska. Keeping the notice in the newspaper retains the ability to inform

the public about what is happening with government. The amendment would provide a transitional measure.

Representative Stoltze asked Representative Foster and Representative Moses if their constituents read newspapers. Representative Foster replied that in his 27 villages, most of them do not get newspapers. Representative Berkowitz asked if all those villages had Internet. Representative Foster responded that most of the villagers live day to day and that he doubted that few had access to the Internet or computers.

Co-Chair Williams argued that there are other means for disseminating information. He questioned how information is relayed in the rural communities. Ms. Behr commented that the on line public notice was a major mode of information dissemination and that the federal registry was a great way to get information. The federal government is moving more toward computer information.

Representative Kerttula pointed out that Section 11 would omit newspaper publication completely. She agreed that some of the listings in Section 11 were pretty specific however, to omit all newspaper publications, particularly when dealing with oil and gas leases would not be good. She asked if the Department of Natural Resources had an opinion regarding the concern. Ms. Behr recommended consulting a representative from Department of Natural Resources to discuss that concern. She emphasized that extensive leasing process under Title 38 would not be diminished. Each leasing policy is separate and distinct and each should be a policy call made by the Legislature.

Representative Kerttula noted that Section 16 related to the Regulatory Commission of Alaska (RCA) and asked if they had input regarding elimination of their newspaper information. Ms. Behr noted that the drafting attorney had checked in with the RCA to determine if it was appropriate to include that language. The legislation only addresses the regulations.

Representative Berkowitz advised that there was an administrative order from the Governor that if any agency wanted to exceed the minimal amount of public notice required by law, they would need to get approval from the Governor's office.

A roll call vote was taken on the motion to adopt Amendment #1.

IN FAVOR: Moses, Berkowitz, Kerttula
OPPOSED: Stoltze, Chenault, Foster, Hawker, Meyer, Williams

Co-Chair Harris and Representative Whitaker were not present for the vote.

The MOTION FAILED (3-6).

Representative Kerttula MOVED to DELETE Sections 11 and 16. Co-Chair Williams OBJECTED noting that he would not accept the motion, as it was the same as Amendment #1. Representative Kerttula stated that she would speak with representatives from the Department of Natural Resources and offer the amendment on the House Floor.

Representative Foster MOVED to report CS HB 295 (STA) out of Committee with individual recommendations and with the accompanying fiscal notes. Representative Berkowitz OBJECTED.

Representative Berkowitz noted that he does not like it when the government does away with public notice requirements. He stated that it goes against the direction and that the public should know what is occurring with government.

Representative Stoltze noted that he would support the bill.

Vice-Chair Meyer commented that the bill was a step in the right direction in getting the State to use Internet services more extensively. Representative Berkowitz countered that the State of Alaska has won awards for being on the cutting edge of technology. The State is not behind in the area of technology.

Representative Kerttula pointed out that four years ago, her first piece of legislation was the Internet notice. Nevertheless, for the areas that do not have computer access, this legislation will be detrimental.

A roll call vote was taken on the motion.

IN FAVOR: Stoltze, Chenault, Foster, Hawker, Meyer,
Moses, Williams
OPPOSED: Berkowitz, Kerttula

Co-Chair Harris and Representative Whitaker were not present for the vote.

The MOTION PASSED (7-2).

CS HB 295 (STA) was reported out of Committee with "individual recommendations" and with indeterminate note #1 by the Office of Management and Budget (OMB) and fiscal note #2 by the Office of Management and Budget.

#HB244
HOUSE BILL NO. 244

An Act relating to the Code of Criminal Procedure; relating to defenses, affirmative defenses, and justifications to certain criminal acts; relating to rights of prisoners after arrest; relating to discovery, immunity from prosecution, notice of defenses, admissibility of certain evidence, and right to representation in criminal proceedings; relating to sentencing, probation, and discretionary parole; amending Rule 16, Alaska Rules of Criminal Procedure, and Rules 404, 412, 609, and 803, Alaska Rules of Evidence; and providing for an effective date.

Co-Chair Harris MOVED to report CS HB 244 (JUD) out of Committee with individual recommendations and with the accompanying fiscal notes. Representative Kerttula OBJECTED.

Representative Kerttula stated that there are major constitutional questions about the right to trial. She spoke about concerns with the "here say testimony" and pointed out that in the disclosure of information section, the bill precludes some case witnesses. She warned that the constitutional issues were very "heavy" in the bill.

Representative Kerttula WITHDREW her OBJECTION.

CS HB 244 (JUD) was reported out of Committee with "individual recommendations" and with zero fiscal note #1 by the Department of Law, fiscal note #2 by the Department of Corrections and fiscal note #3 by the Department of Administration.

#SB106

CS FOR SENATE BILL NO. 106(FIN)

An Act relating to tires; and providing for an effective date.

LANDA BAILY, SPECIAL ASSISTANT TO THE COMMISSIONER, DEPARTMENT OF REVENUE, explained the bill. According to a 1996 report by the Department of Transportation & Public Facilities, the use of studded tires in Alaska causes approximately \$5 million dollars damage to the roads per year. Most of the damage occurs in the high traffic urban centers where rutting is often severe and causes unsafe driving conditions.

The Department of Transportation & Public Facilities repairs the worst of the damage. Due to limited maintenance funding, much of it is added to the State's deferred maintenance backlog. The bill would impose a fee of \$10 dollars for each studded tire sold, resulting in \$2 million dollars in increased revenue.

Ms. Baily continued, new tire technology has been developed in the last ten years to create stud-less winter tires. Those tires use softer rubber compounds and specific tread patterns to improve their performance in snow and ice conditions. The technology has continued to improve and is widely available as an alternative to studded winter tire.

Representative Berkowitz questioned why a flat rate had been established rather than a percentage cost. Ms. Bailey replied that it was easier to access a flat rate for the retailer than a percentage tire cost.

Co-Chair Harris inquired if the sales tax becomes law, would the sales tax be charged on the cost of the tire or would the fee be added to that number. Ms. Bailey did not know how that would work but offered to find out the answer. She recommended that the Department be consulted.

Representative Kerttula asked what percentage of the money raised would actually be used for maintaining the highways.

JOHN MACKINNON, DEPUTY COMMISSIONER, DEPARTMENT OF TRANSPORTATION & PUBLIC FACILITIES, responded that the Department currently spends \$60 millions dollars a year to maintain the highways and that studded tires alone cause an estimated \$5 million dollars damage per year.

Representative Stoltze MOVED to ADOPT Amendment #1, 23-GS1127\WA.1, Crawford/Kurtz, 5/14/03. Co-Chair Williams OBJECTED.

Representative Stoltze explained that the amendment would guarantee that the tax was not being taxed.

Ms. Bailey noted that there is no formal opposition to the amendment. She cautioned that it could cause some confusion for businesses. Representative Stoltze pointed out that Subsection © indicates that the fees would be itemized separately on the sales receipt. He proposed that Subsection © be removed. Mr. MacKinnon interjected that sometimes when there are fees, the other fees and sales tax is not cumulative.

Representative Hawker did not believe that as written, the current sales tax proposal would be cumulative. He added that he supported the amendment as a clarification for anyone reading the bill.

Representative Berkowitz voiced his support of the amendment, advising that it is not a good public policy when government "boot straps" a tax on the top of a fee. Co-Chair Williams agreed. Co-Chair Harris added his support for the amendment.

A roll call vote was taken on the motion.

IN FAVOR: Whitaker, Chenault, Berkowitz, Foster,
Hawker, Kerttula, Stoltze, Harris, Williams
OPPOSED: none

Vice Chair Meyer and Representative Moses were not present for the vote.

The MOTION PASSED (9-0).

Representative Kerttula MOVED to ADOPT Amendment #2. Co-Chair Harris OBJECTED.

Representative Kerttula explained that Amendment #2 would add a new section to repeal of the prohibition for dedicated funds and then dedicate these funds for road and highway maintenance.

Co-Chair Harris spoke to his objection, claiming that it would eliminate the fee. Representative Kerttula apologized that she had misstated the information and that it would not take effect until passage of the dedicated fund.

Ms. Bailey stressed that the proposed legislation was one element put forward by the Governor to address the current fiscal problems of the State. If the amendment is adopted, those elements could "fall out" of the overall plan.

Representative Stoltze pointed out that the amendment fails to change the title and the effective date.

A roll call vote was taken on the motion.

IN FAVOR: Moses
OPPOSED: Chenault, Berkowitz, Foster, Hawker,
Kerttula, Stoltze, Whitaker, Harris, Williams

Vice Chair Meyer was not present for the vote.

The MOTION FAILED (1-9).

Representative Foster MOVED to report HCS CS SB 106 (FIN) out of Committee with individual recommendations and with the accompanying fiscal note. Representative Berkowitz OBJECTED.

A roll call vote was taken on the motion.

IN FAVOR: Foster, Hawker, Meyer, Stoltze, Whitaker,
Chenault, Williams, Harris
OPPOSED: Berkowitz, Kerttula, Moses

The MOTION PASSED (8-3).

HCS CS SB 106 (FIN) was reported out of Committee with a "do pass" recommendation and with fiscal note #2 by the Department of Revenue.

#

ADJOURNMENT

The meeting was adjourned at 10:17 A.M.