

HOUSE FINANCE COMMITTEE  
April 30, 2004  
8:43 A.M.

TAPE HFC 04 - 103, Side A  
TAPE HFC 04 - 103, Side B

CALL TO ORDER

Co-Chair Williams called the House Finance Committee meeting to order at 8:43 A.M.

MEMBERS PRESENT

Representative John Harris, Co-Chair  
Representative Bill Williams, Co-Chair  
Representative Kevin Meyer, Vice-Chair  
Representative Mike Chenault  
Representative Eric Croft  
Representative Hugh Fate  
Representative Richard Foster  
Representative Mike Hawker  
Representative Reggie Joule  
Representative Carl Moses  
Representative Bill Stoltze

MEMBERS ABSENT

None

ALSO PRESENT

Senator Gary Stevens; Ray Riutta, Executive Director, Alaska Seafood Marketing Institute, Juneau; Tom Wright, Staff to Representative Harris; Laura Glaiser, Director, Division of Elections, Office of the Lieutenant Governor; Joe Balash, Staff to Senator Gene Therriault; Dave Stancliff, Staff to the Administrative Regulation Review Committee; Andy Hemenway, Senior Hearing Officer, Department of Administration; James Armstrong, Staff to Representative Williams; Jeff Ottesen, Director of Program Development, Department of Transportation & Public Facilities; Myrl Thompson; Joe Dubler, Chief Financial Officer, Alaska Housing Finance Corporation, Department of Revenue; Brian Butcher, Legislative Liaison, Alaska Housing Finance Corporation, Department of Revenue; Eric Swanson, Director, Division of Administrative Services, Department of Administration; Zach Warwick, Staff to Senator Gene Therriault

PRESENT VIA TELECONFERENCE

Paul Kapansky, Director of Mortgage Operations, Alaska Housing Finance Corporation, Department of Revenue

SUMMARY

HB 459 An Act requiring an auditable paper trail for electronic voting machines; and providing for an effective date.

CSHB 459(STA) was REPORTED out of Committee with a "do pass" recommendation and one previously published fiscal impact note.

HB 561 An Act providing for and relating to the issuance of general obligation bonds in a principal amount of not more than \$1,000,000 for the purpose of paying the cost of state transportation projects; and providing for an effective date.

HB 561 was heard and HELD in Committee for further consideration.

CS SB 203(FIN) am

An Act relating to administrative hearings, to hearing officers, and to administrative law judges; establishing the office of administrative hearings and relating to that office; and providing for an effective date.

HCS CSSB 203(FIN) was REPORTED out of Committee with a "do pass" recommendation and sixteen fiscal impact notes.

CSSB 273(FIN)

An Act amending the size, membership, and powers of the board of directors of the Alaska Seafood Marketing Institute and making a corresponding change in the quorum requirement; authorizing the establishment of the seafood marketing assessment at a rate of 0.5 percent or 0.6 percent of the value of seafood products produced; providing for an election to retain, terminate, or increase the seafood marketing assessment; providing for the repeal of the salmon marketing tax and provisions related to the salmon marketing tax; and providing for an effective date.

HCS CSSB 273(FIN) was REPORTED out of Committee with individual recommendations and two previously published fiscal impact notes.

SB 274 An Act relating to the housing assistance loan fund in the Alaska Housing Finance Corporation; creating the housing assistance loan program; repealing loans for teacher housing and providing for loans for multi-family housing; making conforming amendments; and providing for an effective date.

SB 274 was REPORTED out of Committee with a "do pass" recommendation and one previously published zero fiscal impact note.

SB 295 An Act extending the termination date of the Navigable Waters Commission for Alaska; and providing for an effective date.

SB 295 was REPORTED out of Committee with a "do pass" recommendation and one previously published indeterminate fiscal impact note.

SB 305 An Act relating to state ownership of submerged land underlying water that was navigable at the time Alaska achieved statehood.

HCS SB 305(FIN) was REPORTED out of Committee with a "do pass" recommendation and one previously published fiscal impact note.

#HB459

HOUSE BILL NO. 459

An Act requiring an auditable paper trail for electronic voting machines; and providing for an effective date.

REPRESENTATIVE HARRIS, SPONSOR, commented that the bill relates to the national issue of Florida's vote count during the last Presidential election. It addresses electronic voting machines that would provide a paper trail in the event that a vote was disputed and needed verification. The bill would also provide direction to the Division of Elections.

Representative Stoltze asked if the new electronic voting machines are American Disabilities Act (ADA) technology. Representative Harris affirmed.

Representative Fate asked the approximate useful life of the thermal copiers.

TOM WRIGHT, STAFF TO REPRESENTATIVE HARRIS, was unable to answer and deferred to Ms. Glaiser.

LAURA GLAISER, DIRECTOR, DIVISION OF ELECTIONS, OFFICE OF LIEUTENANT GOVERNOR, replied that it is all new technology, and still in the research and development phases. The Division didn't know the life of the systems. She thought the concerns about jamming would be corrected.

Representative Joule commented on the close elections in Alaska and thought that the bill would clear up ambiguity by providing a paper trail.

Representative Foster MOVED to report CSHB 459(STA) out of Committee with individual recommendations and the accompanying fiscal note. There being NO OBJECTION, it was so ordered.

CSHB 459(STA) was REPORTED out of Committee with a "do pass" recommendation and one previously published fiscal impact note.

#HB561  
HOUSE BILL NO. 561

An Act providing for and relating to the issuance of general obligation bonds in a principal amount of not more than \$1,000,000 for the purpose of paying the cost of state transportation projects; and providing for an effective date.

JAMES ARMSTRONG, STAFF TO REPRESENTATIVE WILLIAMS, explained that the bill partially mirrors HB 525 that passed two years ago that was a combination of GARVEES and general obligation bonds. This version targets \$1 million for transportation projects in Valdez and Ketchikan.

Co-Chair Harris asked if he was familiar with the federal revenue in GARVEES, and whether the State currently has more capacity in that system. Mr. Armstrong deferred to Mr. Ottesen to respond.

JEFF OTTESEN, DIRECTOR OF PROGRAM DEVELOPMENT, DEPARTMENT OF TRANSPORTATION & PUBLIC FACILITIES, replied that he would hesitate to recommend pursuing more GARVEES revenue. The President and the Congressional leadership can't resolve the funding number for the new reauthorization level. The President is firm on his low number, which would see Alaska's funding decrease substantially from current levels.

HB 561 was HELD in Committee for further consideration.

#SB273  
CS FOR SENATE BILL NO. 273(FIN)

An Act amending the size, membership, and powers of the board of directors of the Alaska Seafood Marketing

Institute and making a corresponding change in the quorum requirement; authorizing the establishment of the seafood marketing assessment at a rate of 0.5 percent or 0.6 percent of the value of seafood products produced; providing for an election to retain, terminate, or increase the seafood marketing assessment; providing for the repeal of the salmon marketing tax and provisions related to the salmon marketing tax; and providing for an effective date.

Co-Chair Williams commented that Work draft Version G, Utermohle, 4/26/04, was adopted on 4/29/04. Testimony was also heard the previous day, and the Committee would now consider the amendment by Representative Croft.

In response to a question by Co-Chair Williams, Representative Croft clarified that he had talked to the bill sponsor, Icicle Seafoods, the UFA and House members from fishing communities. The sponsor still preferred his version of a 7-member or a 9-member board. The Alaska Seafood Marketing Institute (ASMI) had a unanimous resolution supporting a 15-member board, while the Salmon Task Force recommended a 9-member board.

Representative Croft stated that there is agreement that this should be a smaller board with some increase in the representation of the processors to encourage their adoption of the processor tax. The question is whether to tilt it in favor of processors generally, and big processors specifically. He and Senator Stevens still disagreed on the tilt.

Co-Chair Williams commented that he had been on the Salmon Task Force, and he experienced that boards with 15 members or 18 members were "like a convention." The Task Force worked for two years with fishermen and processors to lower the board membership to get a workable composition.

SENATOR GARY STEVENS, SPONSOR, explained that through two years of work, the Salmon Task Force crafted a delicate balance on the board to ensure that the right decisions are made. Processors have a legal right to go to zero and decide to put no money in, but he would encourage the processors to go to 0.5% or \$5 million, and allow the salmon fishermen's tax to "spin off into the regional organizations." He felt that would be the ideal situation. He pointed out that the bill had gone through several committees, and the House Fisheries Committee moved it out quickly and, he thought, without opposition. He hoped that the bill would remain intact.

Representative Croft explained that his amendment is in the form of a Committee Substitute, Work Draft Version M. He

pointed out that Version G is the original bill version that has 7 or 9 board members on page 2.

Representative Croft MOVED to ADOPT Version M instead of the Version G. Co-Chair Williams OBJECTED.

Co-Chair Williams asked about the changes in Version M. Representative Croft explained that the main issue is the composition of the board. Sections 2 and 3 on page 2 establish either an 11-member or a 13-member board. He reiterated that ASMI wanted a 15-member board, the Salmon Task Force wanted a 9-member board, and he wanted a compromise between those figures. An 11-member board would be comprised of 5 big processors, 2 small processors and 4 fishermen. He noted that Representative Seaton had expressed concern in the Fisheries Committee that the big processors could be a quorum by themselves, with the ability to pass measures without even one vote from small processors or fishermen.

Representative Croft explained that his only concern is to have an Alaskan check on the board's decisions. He conceded that the board should be smaller and the processors' power should increase because of their marketing knowledge. But he did not want the processors to have a majority or quorum on the board. On an 11-member board with 5 big processors, only one Alaskan fisherman or one Alaskan small processor would be needed to pass their plan. He likened it to the checks and balances in government systems. He concluded that is the primary difference between Version M and Version G.

Co-Chair Williams informed the Committee that he was a member of the 13-member Fish Task Force that covered every region of state. Participation was better in the second year. He felt that it isn't important if the processors are from Seattle or Alaska because they make decisions on buying and selling [emphasis] Alaskan product. The processors had some farmed fish but they preferred to buy Alaskan salmon. He expressed strong opposition to Representative Croft's proposed committee substitute.

Senator Stevens commented on the ASMI Board, explaining that he'd been a legislative ex officio member. He felt that there was misunderstanding about the board, which is not about absolute power, but an organization that decides how to generically market Alaskan seafood products. He feared that if the board became parochial, it would eliminate those who know how to market Alaskan products.

Representative Chenault pointed to the \$1.5 million that the current fishermen would pay if the bill passed, and asked if it would revert to them to specialty market their own product. Senator Stevens explained that there is another bill relating to regional marketing. If the Legislature

passed this bill, the salmon marketing tax of 1% on fishermen would be eliminated on January 1, 2005.

Representative Croft concluded that it is possible for an 11-member board to be functional. Major companies have a worldwide interest that includes Alaska, and often make difficult marketing decisions. Marketing in this new phase of competition with farmed salmon requires a new structure to balance the legitimate interests of major corporations with Alaska's interests.

Co-Chair Williams commented that Alaskans John Sund, a former Representative in the state House, and Terry Gardiner, a former Speaker of the House, own Norquest. He said that they know Alaskan fish and the industry. Co-Chair Williams stated that the Fish Task Force had discussed the issue for hours and agreed on this number [in Version G].

A roll call vote was taken on the motion.

IN FAVOR: Moses, Croft, Joule  
OPPOSED: Meyer, Stoltze, Chenault, Fate, Foster, Hawker, Harris, Williams

The MOTION FAILED (3-8). Work Draft Version M was not adopted.

Co-Chair Harris MOVED to report Version G, HCS for CSSB 273(FIN) out of Committee with individual recommendations and the accompanying fiscal note. There being NO OBJECTION, it was so ordered.

HCS CSSB 273(FIN) was REPORTED out of Committee with individual recommendations and two previously published fiscal notes.

#SB305  
SENATE BILL NO. 305

An Act relating to state ownership of submerged land underlying water that was navigable at the time Alaska achieved statehood.

Vice-Chair Meyer MOVED to ADOPT Work Draft #23-LS1489 Version Q, Bullock, dated 4/13/04, as the version of legislation before the Committee. There being NO OBJECTION, it was so ordered.

JOE BALASH, STAFF TO SENATOR GENE THERRIAULT, explained that the Federal Government granted all submerged lands under navigable waters to the State of Alaska at the time of statehood, a nearly 60 million-acre entitlement. Since that time it has been difficult to win concessions from the Federal Government on which waters are navigable and which

are not. In the years since statehood, Alaska has gone to court to win determinations on 20 water bodies. Those court decisions refined the criteria by which the determination of navigability is made. This legislation stakes out the State's claim to those water bodies fitting the criteria.

Mr. Balash pointed out the language on page 3, line 8 that directs the Commissioner of the Department of Natural Resources (DNR) to make determinations of navigability, to compile a list, and to map the water bodies. It also directs the DNR to give notice to the Bureau of Land Management (BLM) of the State asserting the claim and staking it.

Mr. Balash explained that Senator Therriault pledged to work with the Native regional corporations. Navigable water bodies over submerged lands belong to the State. When the BLM used incorrect criteria and conveyed acreage to the Native corporations, the BLM conveyed lands that it no longer possessed because Alaska received the lands at the time of statehood. As a result, corporations were charged for acreage they did not receive. The bill sponsor had been working primarily through SEALASKA Corporation to address the shared concerns.

Mr. Balash pointed out that the added language on page 3, lines 26-30, contains a disclaimer that the list and action does not create an interest in or right of entry onto any real property that does not otherwise exist under State law, that it may not be recorded and it does not constitute final agency action. He explained that the language was added so that determinations would not be contested within 30 days of the action by the Commissioner. In Section 3, the sponsor reworked the language of the notice so that it doesn't appear adversarial, and would allow the Native corporations to take the list to the BLM and rectify issues relating to the prior conveyance of lands.

Representative Joule commented that a lot of good work was put into the bill.

Representative Hawker asked if these added sections resolve the Native corporations' concerns. Mr. Balash thought that they did.

JON TILLINGHAST, CORPORATE COUNSEL, SEALASKA CORPORATION, explained that Sealaska Corporation worked closely with Senator Therriault's office and other native corporations in a collaborative effort to sort out ownership problems on waterways throughout the state. Sealaska Corporation feels that the current version addresses their concerns, and supports the bill.

In response to a question by Representative Joule, Mr. Tillinghast said that Sealaska Corporation coordinated

closely with other regional corporations to ensure that their interests were accommodated.

MRYL THOMPSON, REPRESENTING SELF, explained that he is a property owner of land extending into a navigable river. He thought that this version of the bill is better, but he worried about its consequences. He discussed the problem of a river running through his private property, comprising as much as 2 acres that he's being taxed on. He said that once the bill becomes law, he would contest the amount of land that the borough assesses him for taxes. He would not be compensated for his loss of 2 acres of river to the State. He also pointed out that the lower assessment would cost the borough money. He foresaw the same problem affecting the Native corporations, and commented on the lengthy process of getting land from the Federal Government.

Mr. Balash thought that Mr. Thompson's situation illustrates why the legislation is needed. If the Federal Government sold the submerged land prior to statehood, the land is exempted from this situation. The bill does not take land from anyone. If the land was conveyed to the State at the time of statehood, it belongs to the State and could never have been given or sold to anyone unless the State granted it. He said that concerns over property tax assessments and valuations should be raised with the local taxing jurisdictions.

Representative Foster MOVED to report HCS SB 305(FIN) out of Committee with individual recommendations and the accompanying fiscal note. There being NO OBJECTION, it was so ordered.

HCS SB 305(FIN) was REPORTED out of Committee with a "do pass" recommendation and one previously published fiscal impact note.

**TAPE HFC 04 - 103, Side B**

#SB274

SENATE BILL NO. 274

An Act relating to the housing assistance loan fund in the Alaska Housing Finance Corporation; creating the housing assistance loan program; repealing loans for teacher housing and providing for loans for multi-family housing; making conforming amendments; and providing for an effective date.

BRIAN BUTCHER, LEGISLATIVE LIAISON, ALASKA HOUSING FINANCE CORPORATION (AHFC), DEPARTMENT OF REVENUE, explained that the bill would make two changes to the rural loan program. The first of these would change it from a housing assistance revolving fund to a program in order to address the

liquidity concerns of the AHFC. The current revolving nature of the fund limits it to purchases of new loans under this program. For FY 03, over one third of the AHFC's net income was in this fund. The Corporation pays a dividend of \$103 million to the State, with the funds continuing to come entirely from the working capital because of the restrictions of the rural loan fund. Mr. Butcher said that this has resulted in the liquid assets of the Corporation declining at an accelerated rate. In addition, the revolving fund hasn't really revolved for several years. The new loans made in the program have exceeded the cash available in the fund, causing the AHFC is use its working capital to purchase and hold loans for reimbursement from the fund. Mr. Butcher explained that this bill would allow the program to operate in the same way the Corporation's other programs operate. Other than this change, he said that the program would continue to operate in the same way.

Mr. Butcher explained that the second modification in the bill would change the rural teacher multi-family loan program to the rural multi-family loan program. In 2002, SB 181 passed and changed the rural multi-family loan program to the rural teacher loan program. This change required anyone using the program to fill their multi-family building with at least one teacher in every unit. In the nearly two years since the change, there have been no loans made because it's been too restrictive. People aren't willing to take out long-term financing on a multi-family building requiring a teacher in every unit for the period of time of the loan. This bill would change the program back to a rural multi-family program available to anyone, including teachers. It would also allow an owner to occupy one of the units.

Representative Foster commented that in the villages, the Native corporation or the IRA owns land and sells lots to its members, but not on the open market. He asked how to open up new land for teacher housing.

PAUL KAPANSKY, DIRECTOR OF MORTGAGE OPERATIONS, ALASKA HOUSING FINANCE CORPORATION, DEPARTMENT OF REVENUE, VIA TELECONFERENCE, replied that it is difficult if it isn't sold on the open market, because that indicates a deed restriction. A deed restriction affects the value and the financing of the land, making it basically not financeable.

JOE DUBLER, CHIEF FINANCIAL OFFICER, ALASKA HOUSING FINANCE CORPORATION, DEPARTMENT OF REVENUE, argued that Native corporations would not be excluded from this program and could obtain financing to build a duplex or triplex on their land. The Native corporations could obtain financing for teachers.

Representative Foster MOVED to report SB 274 out of Committee with individual recommendations and the accompanying fiscal note. There being NO OBJECTION, it was so ordered.

SB 274 was REPORTED out of Committee with a "do pass" recommendation and one previously published zero fiscal impact note.

#SB203

CS FOR SENATE BILL NO. 203(FIN) am

An Act relating to administrative hearings, to hearing officers, and to administrative law judges; establishing the office of administrative hearings and relating to that office; and providing for an effective date.

Co-Chair Harris MOVED to ADOPT Work Draft #23-LS0903 Version M, Cook, dated 4/7/04, as the version of legislation before the Committee. There being NO OBJECTION, it was so ordered.

DAVE STANCLIFF, STAFF TO THE ADMINISTRATIVE REGULATION REVIEW COMMITTEE, explained that the bill dates back five years and developed from an effort to consolidate and improve the public administrative hearing process. The bill contains two concepts: that the public deserves timely, efficient, and fair due-process oriented hearings when contesting a state agency; and that there are inefficiencies within state government. In other words, many types of hearing officers are scattered throughout the state and have many functions. The past two years of cooperative bipartisan effort that included the Administration has culminated in a well thought-out new system of hearings.

Mr. Stancliff explained that the crux of the bill is found in the first eight pages. The central panel office will house the hearing officers. By using the current hearing officers and the existing functions, a more efficient government would be created with less fiscal impact.

Mr. Stancliff stated that the second aspect of the bill relates to reforms that occur outside the central panel office. Hearing officers would be subject to new standards and reforms, and the central panel office would report to the House [and Senate] Finance Committees in the future. Their budget would be a separate component under the Department of Administration. He noted that twenty-seven other states and some municipalities have formed central panels in order to save money and serve the public better by creating efficiencies.

Mr. Stancliff pointed out that the Office of Tax Appeals has final jurisdiction, and it is already operating to deal with

oil tax issues. In this proposed committee substitute, the Administration would move the Office of Tax Appeals [Hearings and Appeals, Department of Administration] to the central panel for greater efficiency. He noted that the oil and gas industry was reluctant to change their office, which was specifically dedicated to their issues. However, he had worked with AOGA (Alaska Oil and Gas Association) to reach accord with the final three amendments in the packet. He asked the Committee to move the amendments.

Co-Chair Harris referred to one of the [16] fiscal notes and asked if a new position would be created. Mr. Stancliff responded that it would. Co-Chair Harris asked if Fiscal Note #6 is still applicable.

ERIC SWANSON, DIRECTOR, DIVISION OF ADMINISTRATIVE SERVICES, DEPARTMENT OF ADMINISTRATION, affirmed that Fiscal Note #6 would set up the funding structure and positions in the new office of administrative hearings. Co-Chair Harris discussed that it increases to \$900 thousand in FY 06 and funding sources would include the Permanent Fund Dividend fund, the General Fund, child support enforcement, and interagency receipts. He asked about the 9 new full-time positions. Mr. Swanson clarified that these are transfers of positions that currently exist in other agencies. The funding increase occurs in the second year with the office coming together after January 1, 2005. There is some earlier funding for the Administrative Law Judge position that would oversee the office.

Co-Chair Harris asked if the General Fund budget increased by \$260 thousand in FY 06, would it decrease elsewhere. Mr. Swanson affirmed, and explained that most is General Fund transfers from other agencies. The increase of \$50 thousand in General Funds in the first year would pay the first six months' salary for the Administrative Law Judge. There might also be start-up costs related to the new office, he said.

Co-Chair Harris commented that all the other fiscal note decrements zero out Fiscal Note #6, except for the \$50 thousand. He asked if the new office would use existing personnel. Mr. Swanson said that the Administrative Law Judge is a vacant position within the Office of Tax Appeals. He was unsure if that position would be moved into the new office, or deleted and a new position created. In any case, the net effect would be no new positions.

Representative Joule asked if the current salary would carry over if the current position were transferred. Mr. Swanson replied that there would be no reclassifications. Any vacancy would also be hired at the existing level or classification.

Representative Stoltze commented on high profile tax issues. Mr. Stancliff responded that there would be "cross-training" and improved efficiency with the new panel structure. Representative Stoltze asked if the Alaska judicial process would remain in place. Mr. Stancliff said that it would not, and pointed out that that process was subject to constitutional questions with appointments in one branch of government serving in another. The chief would be selected by the Governor and confirmed by the Legislature, and the chief would hire the central panel. The three amendments are qualifications that the industry requested for the handling of tax issues by the Administrative Law Judge.

Representative Stoltze thought that it was a major shift to have the Legislature confirm the position because it was a judicial position. Mr. Stancliff agreed that it is a departure, but he emphasized that the tax work on oil issues would retain the current standards and statutes, and the position would have final decision-making authority. He said that with all those adjustments, the need for the judicial counsel appointment had become less important.

Representative Co-Chair Williams MOVED to ADOPT Amendment #1. Co-Chair Harris OBJECTED for purposes of discussion.

Amendment #1 reads:

Page 31, lines 6-10

Delete all existing language and replace with:

**\*Sec 67. AS43.05.420 is amended to read:**

**(b) A person conducting a proceeding authorized under AS 43.05.405-AS43.05.499 shall have at least four years of professional experience as a tax attorney, or be a certified public accountant practicing in the area of tax, or a tax administrator.**

This amendment is being offered to insure that the high quality of standards of expertise developed in the original tax appeals office remain in place as the Central Panel absorbs and executes those adjudicatory functions.

Mr. Stancliff explained that the amendment was negotiated between the bill sponsors, the Administration and AOGA. It deals specifically with the expertise that would be required by the person taking up the tax appeal issues. He read the language.

Co-Chair Harris WITHDREW his OBJECTION. Amendment #1 was adopted.

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

Amendment #2 reads:

Add a new section that reads as follows and re-number all other sections accordingly:

Code of conduct

The following fundamental canons of conduct shall be included in the code adopted by the Chief Administrative Law Judge:

An administrative law judge or hearing officer shall in the carrying out of their official duties:

- 1) uphold the integrity and independence of the office.
- 2) avoid impropriety and the appearance of impropriety.
- 3) shall perform the duties of the office impartially and diligently.
- 4) shall conduct unofficial activities so as to minimize the risk of conflict with the obligations of the office.
- 5) shall refrain from inappropriate activity in seeking employment with another agency or employer or in seeking reappointment.

Mr. Stancliff explained that Amendment #2 is part of the adjustments important to uphold the integrity of all the administrative judges. The code of conduct is modeled after existing judicial canon, and the industry is comfortable with the language.

Co-Chair Harris WITHDREW his OBJECTION. Amendment #2 was adopted.

Co-Chair Williams MOVED to ADOPT Amendment #3. Co-Chair Harris OBJECTED.

Amendment #3 reads:

Page 30, line 29,

After the word "section" remove the period and add:

"however AS44.64.070 does apply to such hearings."

Mr. Stancliff explained that the amendment provides for preemption ability. If a person felt that a conflict existed and wanted a new hearing officer, one would be appointed. The oil industry requested this amendment and asked that the provision of refusal apply to their tax appeals officer. It is an important technical change.

Co-Chair Harris WITHDREW his OBJECTION. Amendment #3 was adopted.

Representative Croft observed that the amendment is not only technical but also substantive. Industry representatives in an oil tax appeal could now replace a judge they didn't like. Mr. Stancliff agreed that it is substantive regarding that change, but technical in terms of conforming to the existing provisions in the central panel. During negotiations on the legislation, Amendment #3 helped the oil industry accept not having judicial counsel involved in the appointments.

Representative Croft commented on the level of expertise required in Amendment #1. He questioned if, by granting the power to preempt a judge or hearing office, it would create a limited pool of administrative law judges fitting the qualifications to hear tax appeals. Mr. Stancliff replied that a situation of a very small pool could arise. However, the bill would not prevent the Administration from arranging for a contract-hearing officer with those credentials, and that was felt to be enough of a safety valve.

Representative Croft asked if workers' compensation is excluded from the bill's provisions. Mr. Stancliff affirmed. Representative Croft noted that the proposal to combine hearing officers makes a lot of sense. He thought that tax and workers compensation are two specialized areas, and asked if there are other major exclusions from the bill. Mr. Stancliff affirmed, and said that there were discussions of the areas where expertise is more critical. Ratemaking cases are not included under this jurisdiction.

Representative Foster MOVED to report HCS CSSB 203(FIN) out of Committee with individual recommendations and the accompanying fiscal note. There being NO OBJECTION, it was so ordered.

HCS CSSB 203(FIN) was REPORTED out of Committee with a "do pass" recommendation and sixteen fiscal impact notes.

#SB295  
SENATE BILL NO. 295

An Act extending the termination date of the Navigable Waters Commission for Alaska; and providing for an effective date.

ZACH WARWICK, STAFF TO SENATOR GENE THERRIault, advised the Committee that SB 295 is the simpler part of the navigability package that Mr. Balash addressed earlier. In 2002, the Legislature created the Joint State and Federal Navigable Waters Commission comprised of seven states and seven federal members.

Mr. Warwick explained that the Commission was tasked with three objectives: to expedite the process of quieting title to the state's submerged lands; to determine which bodies of water are navigable or non-navigable; and to provide recommendations to the state and the federal governments concerning ways to improve the process of making navigability determinations and ways to quiet title to the state's submerged lands fairly and expeditiously.

Mr. Warwick said that after the state legislation passed, the federal portion of the legislation unfortunately did not. Consequently, no appointments were made to the State's part of the Commission. This bill would extend the Commission for two years to allow time to persuade Alaska's congressional delegation to introduce similar legislation on the federal portion of the Commission.

Representative Foster MOVED to report SB 295 out of Committee with individual recommendations and the accompanying fiscal note. There being NO OBJECTION, it was so ordered.

SB 295 was REPORTED out of Committee with a "do pass" recommendation and one previously published fiscal impact note.

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#### ADJOURNMENT

The meeting was adjourned at 10:03 A.M.