

MINUTES
SENATE FINANCE COMMITTEE
April 04, 2003
9:01 AM

TAPES

SFC-03 # 41, Side A

CALL TO ORDER

Co-Chair Gary Wilken convened the meeting at approximately 9:01 AM.

PRESENT

Senator Lyda Green, Co-Chair
Senator Gary Wilken, Co-Chair
Senator Con Bunde, Vice Chair
Senator Ben Stevens
Senator Donny Olson
Senator Robin Taylor

Also Attending: KAREN PEARSON, Acting Director, Division of Alcoholism and Drug Abuse, Department of Health and Social Services; ELMER LINDSTROM, Special Assistant, Office of the Commissioner, Department of Health and Social Services; PAUL FUHES, representing Horizon Shipping Line, formally, CSX Shipping Line;

Attending via Teleconference: From an offnet location: DUANE BANNOCK, Director, Division of Motor Vehicles, Department of Administration; CHUCK HOSACK, Deputy Director, Division of Motor Vehicles, Department of Administration; From Anchorage: FRANK DILLON, Executive Vice President, Alaska Trucking Association; From Kenai: JAMES DOYLE, Partial Owner, Weaver Brothers

SUMMARY INFORMATION

SB 108-HEALTH FACILITY MEDICAID RATES/ADV. COM'N

This bill was reported from Committee without discussion.

SB 109-MEDICAID COST CONTAINMENT & PRIORITY LIST

This bill was reported from Committee without discussion.

SB 124-ALCOHOLISM AND DRUG ABUSE GRANTS

The Committee heard from the Department of Health and Social Services. The bill was reported from Committee.

SB 103-MOTOR VEHICLE REGISTRATION FEES

The Committee heard from the Department of Administration and representatives from the trucking industry. The bill was held in Committee.

SB 86-INTEREST ON DELINQUENT TAXES

This bill was scheduled but not heard.

#SB108

SENATE BILL NO. 108

"An Act relating to payment rates under the Medicaid program for health facilities and to budgeting, accounting, and reporting requirements for those facilities; abolishing the Medicaid Rate Advisory Commission; and providing for an effective date."

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

Co-Chair Green offered a motion to report the bill from Committee.

There was no objection and SB 108 with individual recommendations and negative \$9,600 fiscal note #1 from the Department of Health and Social Services MOVED from Committee.

#SB109

SENATE BILL NO. 109

"An Act repealing the statute that sets priorities for the Department of Health and Social Services to apply to administration of the medical assistance program when there are insufficient funds allocated in the state budget for that program; authorizing the department to make cost containment decisions that may include decisions about eligibility of persons and availability of services under the medical assistance program; and providing for an effective date."

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

Co-Chair Wilken noted this legislation relates to a "Medicaid cost containment list" and that testimony had been heard during the previous hearing

Co-Chair Green offered a motion to report the bill from Committee.

Without objection, SB 109 with individual recommendations and zero fiscal note #1 from the Department of Health and Social Services, MOVED from Committee.

#SB124

SENATE BILL NO. 124

"An Act relating to grants for alcoholism and drug abuse programs; and providing for an effective date."

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

Co-Chair Wilken reminded of a question posed at the previous hearing regarding a spreadsheet titled "SB 124/HB 167 Increase Local Match Requirement for Substance Abuse Grants (Revised 3/12)" [copy on file], asking why some programs were exempt from the match requirement.

AT EASE 9:03 AM / 9:09 AM

KAREN PEARSON, Acting Director, Division of Alcoholism and Drug Abuse, Department of Health and Social Services distributed a spreadsheet titled, "Type of Grant" dated 4/4/03 [copy on file.] She noted this spreadsheet contains the same information as the original handout, although sorted by program.

Ms. Pearson detailed the spreadsheet beginning with the ASAP programs, which do not "have a match" because these are court programs for misdemeanor referrals related to alcohol abuse. She furthered that the CAASA grants require a ten-percent match and are "more prevention related" programs. All of the suicide prevention grants are exempt from match requirements, she said, as well as most of the Community Prevention Services grants. She shared that some of the Community Prevention Services grants do require a match, based on "special circumstances", exemplifying that the Mothers Against Drunk Driving (MADD) organization has the ability to provide a portion of the matching funds. She informed that all the Outpatient Treatment Services grants require a match, the percentage of which is based on the program's ability to generate revenue. She was unsure the reason the Central Peninsula General

Hospital program within the Residential Treatment Services grant category was the only program in this group with a ten-percent match requirement. She continued that the Family Recovery Camp grants had no match and Rural Human Service Systems grants were "again holding harmless". She listed the Rural Woman and Children, Services for Families-Women with Children, and Services for Families-Youth grants as retaining the ten percent match requirement, because they serve "such high risk groups."

Co-Chair Wilken asked if the programs categorized on the spreadsheet as "10%(A)" are "held at the ten percent" with the remaining programs increased from ten percent to 25 percent.

Ms. Pearson affirmed that those listed as 10%(A) and 10%(B) retain the ten-percent requirement. She defined the 10%(A) as a "prevention grant" or a grant of less than \$30,000.

Co-Chair Wilken recalled Senator Taylor's question at the previous hearing regarding the proposed 25 percent match requirement of Sitka Prevention and Treatment Services, Inc. in comparison to other recipients of the Prevention Services grant program, including a domestic violence program in the Municipality of Anchorage, that would require only a ten-percent match.

Ms. Pearson explained the domestic violence program receives a "prevention oriented" grant and is therefore exempt from a match requirement. She was unable to explain why other prevention grants in amounts greater than \$50,000 were not exempt, characterizing the situation as an anomaly.

Senator B. Stevens pointed out that the Sitka Prevention and Treatment Services, Inc. program receives a \$68,000 Services for Family-Youth grant with a ten-percent match requirement.

Co-Chair Wilken clarified the information listed on both spreadsheets is identical, although organized differently.

Ms. Pearson affirmed.

Senator Taylor spoke to the increased tax imposed on alcoholic beverages the previous session with the intent to fund alcohol abuse prevention and treatment. He questioned the reductions to these programs one year later.

Co-Chair Green countered, "You'll find that in the overall HSS (Department of Health and Social Services) budget, that will not be the case.)

Co-Chair Green offered a motion to report SB 124 from Committee.

Senator Taylor objected for the purpose of discussion. He asked for an accounting of the proposed increased funding to alcohol and substance abuse prevention and treatment programs.

ELMER LINDSTROM, Special Assistant, Office of the Commissioner, Department of Health and Social Services, testified that the spreadsheet lists all grant programs administered by the Department.

Senator Taylor asked if funding for alcohol and substance abuse treatment programs would increase or decrease.

Mr. Lindstrom informed, "A number of budget items are pending" and added that this legislation does not reflect all funding for treatment programs.

Ms. Pearson pointed out the grants listed on the spreadsheet reflect the amounts awarded the previous year. She stated that a "significant" increase of \$4 million is proposed for FY 04 for women and youth services and a "net increase" of funding for prevention and treatment programs.

Senator Taylor removed his objection to the motion to report the bill from Committee.

Without objection SB 124 MOVED from Committee with individual recommendations and four fiscal notes from the Department of Health and Social Services: #1 -\$112,600 Alcohol Safety Action Program; #2 -\$125,400 CAPI Grants; #3 -\$1,255,300 Alcohol/Drug Abuse Grants; #4 -\$118,400, Rural Services/Suicide Prevention.

#SB103

SENATE BILL NO. 103

"An Act increasing certain motor vehicle registration fees; and providing for an effective date."

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

Co-Chair Wilken noted this bill would increase motor vehicle fees \$10 to \$15 per year for most classes of vehicles.

DUANE BANNOCK, Director, Division of Motor Vehicles (DMV), Department of Administration, testified via teleconference from an

offnet site reading a statement into the record as follows.

In front of you today is a senate bill that was proposed by the Administration. Senate Bill 103 is a overall comprehensive bill review of our current registration rates as they apply mostly to noncommercial vehicles, a small extent to commercial vehicles and to other administrative functions that apply the re-registration and new registration of automobiles in title fee and lien fee. Those are the majority of the changes that are proposed.

We'll start with title and lien. Title fee is a fee that is collected by the DMV every time there is a title transfer; whether it be when the vehicle is purchased new or when the vehicle is sold to subsequent owners. Currently that rate is five dollars. My records don't show that it was ever anything but five dollars. It's been proposed that that fee be raised to \$15. A lien fee, likewise, since its inception has been at five dollars. A lien fee is something that is paid, it's a one-time pay by the customer if they borrow money against their vehicle. Oftentimes the lender will process the paperwork for them and show the lender as a lien holder. Again, currently five dollars, and being proposed to be raised to \$15.

As we move into the noncommercial fees for many many years, there has been two sets of fees for vehicles defined as passenger vehicles or vehicles defined as pick-up trucks and vans. The difference for the past approximate 20 years has been a five to ten dollar difference in the rates between those two vehicles. This bill proposes two major factors. Number one: eliminating the difference in the fee structure between a passenger vehicle or a pick-up truck, and raises them both to the same level. Currently, we collect bi-annually or for a two-year period and the bi-annual fee on a passenger vehicle today is \$58; on a pickup truck, it is \$78 dollars. We have proposed that that become \$100 across the board for all noncommercial vehicles that weigh less than 10,000, thus eliminating the difference between a passenger vehicle or a pick-up truck.

As it applies to commercial fees, we have suggested and we have recommended an increase of ten dollars on all of our commercial fees rates. There are currently four different sets of rates and a commercial vehicle is registered based on its weight category. We have asked for a ten-dollar per weight class increase.

Senator Taylor recalled the Legislature addressed commercial vehicle and trailer registration in 1999. He charged that this legislation would triple the licensing fees of all trailers from \$10 to \$30 citing language on page 2, line 6.

Mr. Bannock corrected the language referenced does not apply to commercial trailers. He reminded that in 1999, the licensing method was changed to a permanent registration with a fee established. He noted that this bill proposed to increase that fee.

Senator Taylor asked the amount of the proposed increase for commercial trailers registration.

Co-Chair Wilken directed attention to page 3, line 5, which stipulates that the fee for commercial trailers would be increased from \$10 to \$20.

Senator Bunde asked if Section 2 is the "biannual representation" of Section 3.

Mr. Bannock affirmed.

FRANK DILLON, Executive Vice President, Alaska Trucking Association, testified via teleconference from Anchorage in support of this legislation. He described the 45-year old trade association that represents transportation interests throughout Alaska. He stated the increased fees would generate revenues without causing undue hardship.

JAMES DOYLE, Partial Owner, Weaver Brothers, testified via teleconference from Kenai in support of the bill. He referenced an amended proposal, which represents a 73 percent increase in fees over the amounts specified in the bill. He objected to this and asked if it would be considered.

Co-Chair Wilken informed that this bill would be held in Committee and that a committee substitute would be drafted to contain a fee restructuring to correct an inequity that was created with legislation passed in 1998 and 1999. He assured the witness would have an opportunity to comment on the updated version.

Co-Chair Wilken asked for an explanation of the one-time licensing of a trailer that enters Alaska. He noted it has been suggested that the fee for this licensing be increased.

CHUCK HOSACK, Deputy Director, Division of Motor Vehicles, Department of Administration, testified via teleconference from an offnet location and stated that a commercial trailer not registered

in Alaska could obtain a registration upon entering the State. This registration, he pointed out is the same for in-State trailers and costs ten dollars. He qualified that the "power unit" must be legally registered in Alaska, either through a dual registration that allows the owner to retain registration in their home state, or through a commercial trip permit for a \$350 fee. He noted the fee for a dual registration is the same as the regular commercial vehicle registration fees, based on the weight of the vehicle.

Co-Chair Wilken clarified the trailer could be legally registered through a one-time fee but the vehicle towing it requires an Alaska registration.

Mr. Hosack replied that either an Alaska registration or a trip permit could be obtained for the power vehicle. He stated that State law requires commercial vehicles to be registered as soon as they begin commercial use in Alaska, which in the case of out-of-state originators, is at the time the vehicle crosses the border from Canada.

Co-Chair Wilken asked the registration fee for an eight-wheeled tractor.

Mr. Hosack replied the annual fee is \$321 for a commercial vehicle weighing more than 18,000 pounds "unladen" and \$248 for a vehicle that weighs between 12,000 and 18,000 pounds.

Co-Chair Wilken asked for an explanation of the International Registration Plan (IRP).

Mr. Hosack detailed that the IRP represents an agreement between the Lower 48 states to allow commercial vehicles to travel between states without obtaining separate registration or trip permits. He stated the Plan was mandated by a federal transportation equity act during the 1990s, although Alaska and Hawaii are exempt. He shared that the Alaska Trucking Association and the National Governor's Association researched whether Alaska would benefit from joining the IRP and it was determined that Outside commercial vehicle operators would benefit more than Alaskan operators and that the cost would be high for the State to join and maintain the program. As a result, he said, Alaska has chosen to not participate in the IRP.

Co-Chair Wilken asked if a trade association within Alaska made this determination.

Mr. Hosack affirmed. He noted that no federal or State statute requires that Alaska join the IRP.

Co-Chair Wilken asked what entity would make the determination whether to join the IRP if it were in the best interest of the "people of Alaska".

Mr. Hosack replied that the State Administration could recommend participation, although a statutory change would be required to provide the pro-ration of registration fees.

Co-Chair Wilken commented that such statutory changes could be made in this legislation if it were deemed to be in the best interest of the State.

Mr. Hosack affirmed.

Senator Olson asked why the fee amounts were not even numbers, rather than \$168, \$38, \$494, \$662, etc.

[Note: Mr. Hosack and Mr. Bannock were testifying from the same offnet location and did not identify themselves as they spoke.]

Mr. Hosack or Mr. Bannock replied that the \$35 fee for passenger vehicles and \$40 fee for pick-up trucks were initially collected annually. He continued that the process was changed to a biannual registration in 1997 and the fee payments were subsequently doubled with a \$1-per year reduction. He noted the Division is "looking to unwind this and go with a simple round number".

Senator Olson did not see this reflected in other fees.

Mr. Hosack or Mr. Bannock replied those fees reflect a \$10 increase.

Senator Taylor asked the cost to register commercial vehicles weighing up to 12,000 pounds and commercial vehicles weighing up to 18,000 pounds.

Mr. Hosack or Mr. Bannock referenced Sections 2 and 3 of the bill, which he explained differentiate between biannual and annual commercial vehicle license fees. He stated that owners of commercial vehicles have the option of registering vehicles either annually or biannually.

Senator Taylor and Mr. Hosack or Mr. Bannock established the annual and biannual registration fees for commercial vehicles of different weights as proposed in this legislation.

Senator Taylor asked if commercial vehicles traveling into the

State had three options for registration: a trip permit, a dual registration and an Alaska registration.

Mr. Hosack or Mr. Bannock corrected that two options are available, clarifying that a dual registration would apply to a vehicle currently registered in another state.

Senator Taylor asked the fee for a trailer registration.

Mr. Hosack or Mr. Bannock answered the bill proposed increasing the one-time permanent registration fee for commercial trailers from \$10 to \$20.

PAUL FUHES, representing Horizon Shipping Line, formally, CSX Shipping Line, testified in Juneau in favor of the legislation. He told of the difficulties of the previous annual trailer registration process of tracking all trailers, plus the higher costs to the Division of Motor Vehicles. He noted the registration fees for commercial vehicles are "at least twice as high as any other category" and that additional increases could not be supported. He then spoke of the cumulative impact of the proposed fee and tax increases under consideration this legislative session, listing this bill, the proposal to amend the legislation relating to studded tires to impose a tax on all tire purchases, and the legislation proposing to increase the tax on fuel. He stressed that the total of these increases would have a "tremendous impact" on industry and warned this would increase the cost of imported goods as well as the shipment costs of fish and other commodities.

Senator Taylor clarified the witness supports SB 103.

Mr. Fuhs affirmed and noted the company also supports the proposed \$2.50 tax on tire purchases.

Senator Olson questioned the witness' assertion that commercial vehicle registration fees are twice as high.

Mr. Fuhs referenced the proposed fees for vehicles weighing more than 12,000 pounds of \$516 and \$662 and stated that large commercial tour buses have the next highest registration fee at \$300.

Co-Chair Wilken reminded that prior to 1998 trailers were licensed annually with fees of \$51 to \$221 imposed based on weight. He shared that this process was cumbersome, as registration renewal stickers had to be attached to each trailer every year. In 1999, he continued, the regulation process was changed and replaced with a lifetime registration with a \$10 fee for all commercial trailers.

He stressed this resulted in \$1.6 million reduced revenues from trailer registration fees, and subsequently the registration fees for all commercial vehicles, regardless of whether the vehicle was used to haul trailers, was increased 44 to 59 percent to neutralize the change. He noted the commercial vehicle registration also applies to leased cars, small pick-up trucks, etc.

Co-Chair Wilken gave an example of one trucking company that owned 1,711 trailers: in 1997 this company paid \$288,691 in fees and in 1998, paid \$17,000 in fees for the same number of trailers. He characterized this as "the gift that kept on giving" with the difference passed along to all other commercial vehicle owners. He informed that a committee substitute would be drafted to "right that wrong because it was clearly bad legislation, for the right purposes with the wrong affect."

Mr. Fuhs noted that increased in fees on larger trucks was "worked out with the teamsters," as " we do not drive our own trucks, we have contracts with other companies." He stated that although the trailer registration fees were reduced, the shipping company paid the increased vehicle registration fees to the "truckers" through renegotiated contracts.

Mr. Dillon added that the majority of the 30,000 commercial vehicles in the State are rental cars and that the increased registration fees computed to approximately \$6 per vehicle. He was aware of no complaints related to this increase.

Co-Chair Wilken requested the information regarding rental cars, recalling this was a "selling tool" when the legislation was considered in 1998. He asserted he remained disgruntled about the changes made in that legislation.

Co-Chair Wilken ordered the bill HELD in Committee.

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ADJOURNMENT

Co-Chair Gary Wilken adjourned the meeting at 09:49 AM