

MINUTES
SENATE FINANCE COMMITTEE
May 13, 2003
9:59 AM

TAPES

SFC-03 # 91, Side A

CALL TO ORDER

Co-Chair Gary Wilken convened the meeting at approximately 9:59 AM.

PRESENT

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

Also Attending: LARRY PERSILY, Deputy Commissioner, Office of the Commissioner, Department of Revenue; TOM LAWSON, Director, Division of Administrative Services, Department of Community and Economic Development; NANCY SLAGLE, Director, Division of Administrative Services, Department of Transportation and Public Facilities

Attending via Teleconference: There were no teleconference participants.

SUMMARY INFORMATION

SB 102-CHARITABLE GAMING REVENUE

The Committee heard testimony from the Department of Revenue, considered but did not adopt one amendment, and reported the bill from Committee.

SB 100-APPROP: CAPITAL PROJECTS

The Committee adopted six amendments and a seventh amendment was withdrawn from consideration. The Department of Transportation and Public Facilities answered Committee questions, and the bill was held in Committee.

SB 213-KNIK ARM BRIDGE AND TOLL AUTHORITY

The bill was scheduled but not heard.

SB 202-EDUCATION FUNDING &PUPIL TRANSPORTATION

The bill was scheduled but not heard.

HB 165-COMMUNITY SCHOOLS

The bill was scheduled but not heard.

HB 171-REPEAL CHARTER SCHOOL GRANTS

The bill was scheduled but not heard.

HB 174- CORRESPONDENCE STUDY

The bill was scheduled but not heard.

HB 154-UNDER SCHOOL AGE STUDENTS

The bill was scheduled but not heard.

#sb102

CS FOR SENATE BILL NO. 102(L&C)

"An Act increasing the amount of revenue received by the state from charitable gaming activities; relating to taxes on pull-tabs; and providing for an effective date."

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

LARRY PERSILY, Deputy Commissioner, Department of Revenue, explained to the Committee that while the Department has not finalized its determination as to whether charitable gaming operations should be exempt from a proposed three percent State sales and use tax, he recommended "the specific exemption" of pull-tab operations as he opined that it would incur "an unfair and excessive burden" on those operations.

Co-Chair Wilken noted that this issue has also been a point of discussion in separate legislation.

Senator Bunde asked whether the Committee should further discuss

this legislation's affect on the local sales tax issue.

Co-Chair Wilken voiced that rather than continuing to discuss the issue in this Committee, the intent is to report the bill from Committee and allow the issue to be addressed by subsequent committees once the Department of Revenue has reached a determination regarding whether charitable gaming operations should be exempt from the proposed statewide sales tax.

Senator Bunde moved to report the bill from Committee.

Senator Olson objected to the motion.

Senator Bunde withdrew the motion to report the bill from Committee.

There being no objection, the motion was WITHDRAWN.

AT EASE 10:04 AM / 10:06 AM

[NOTE: Due to technical difficulties, the following portion of the meeting is not recorded.]

Amendment #1: This amendment inserts new language into the bill as follows.

Page 1, line 1:

Following "Act" insert "relating to charitable gaming;"

Page 1, following line 13: Insert a new bill section to read:

Sec.2. AS 05.15.180(g) is amended to read:

(g) A municipality or a qualified organization may award a maximum of \$1,500,000 [\$1,000,000] in prizes each year in activities authorized under this chapter; however, if a municipality or a qualified organization contracts with an operator to conduct on its behalf activities authorized under this chapter, the municipality or qualified organization may award a maximum of \$500,000 in prizes each year. The holders of a multiple-beneficiary permit under AS 05.15.100(d) may award a maximum in prizes each year of \$1,000,000 times the number of holders of the permit for activities authorized under this chapter. In this subsection, "activities authorized under this chapter" means all activities subject to this chapter other than bingo."

Senator Olson moved to adopt Amendment #1.

Co-Chair Green objected.

Senator Olson commented that this amendment would allow charitable gaming operators to increase the maximum level of prize money being awarded from one million dollars to \$1.5 million. He noted that this increase is supported by the Iditarod Trail Sled Dog Race organization because the prize payout limit, which was adopted in 1988, has become a limiting factor in the continuing growth and success of the Race. He stated that a letter [copy on file], dated May 6, 2003, from the Iditarod Trail Sled Dog Race has been provided to Committee members.

Mr. Persily stated that the downside of the amendment is that some operators offer games on a rotation basis. Therefore, he continued, a game with a higher payout might delay the play of the subsequent game.

Co-Chair Wilken asked whether the Iditarod Trail Sled Dog Race has reached the million-dollar prize limit.

Senator Olson responded yes, as is specified in the letter.

Co-chair Wilken clarified that the letter specifies that the organization has "come dangerously close."

Senator Olson noted that the concern that the play of another game might be delay does not apply in the case.

Co-Chair Green asked whether the amendment could specifically exempt the Iditarod Sled Dog Race rather than the whole "universe" of operators from the current prize limitation.

Co-Chair Wilken stated that he could not support this amendment, as further study on its ramifications is necessary.

Mr. Persily assured that the Department would provide recommendations regarding the downstream affect of raising the prize limit.

Senator Taylor interjected that raising the prize limit would generate additional revenue.

Mr. Persily responded that this might be correct for the specified entity; however, he continued that the question is whether it would negatively affect other entities' games.

Senator Taylor clarified the intent of his comment to be that raising the limit would raise more money for the State as well as

for the entity.

Co-Chair Wilken voiced that the issue must be further developed to determine the range of ramifications.

A roll call was taken on the motion.

IN FAVOR: Senator Hoffman, Senator Olson, and Senator Taylor

OPPOSED: Senator Bunde, Senator Stevens, Co-chair Green and Co-chair Wilken

The motion FAILED (3-4)

Amendment #1 FAILED to be adopted.

Senator Bunde moved to report the bill from Committee with individual recommendations and accompanying fiscal note.

Senator Hoffman objected.

Senator Taylor objected. He voiced concern regarding the local sales tax issue.

Mr. Persily affirmed that the bill does not include provisions addressing local sales taxes.

Co-Chair Wilken reiterated that the issue would be further addressed in subsequent committees upon the issuance of a recommendation from the Department of Revenue regarding local taxation on pull-tab games.

Senator Taylor clarified that a pull-tab operation would be paying the equivalent of a six percent tax were a three percent local tax and a three-percent State tax imposed.

Co-Chair Wilken affirmed that the issue would be addressed.

A roll call was taken on the motion.

IN FAVOR: Senator Ben Stevens, Senator Bunde, Co-chair Green and Co-chair Wilken

OPPOSED: Senator Taylor, Senator Hoffman and Senator Olson

The motion PASSED (4-3)

CS SB 102(L&C) was REPORTED from Committee with fiscal note #2 in

the amount of \$180,000 from the Department of Revenue.

AT EASE 10:18 AM / 10:20 AM

#sb100

SENATE BILL NO. 100

"An Act making capital appropriations and reappropriations; capitalizing a fund; making appropriations under art. IX, sec. 17(c), Constitution of the State of Alaska, from the constitutional budget reserve fund; and providing for an effective date."

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

[NOTE: Recording resumes.]

Amendment #22: This amendment inserts a new bill section on page 77, following line 30 to read as follows:

Sec. 12. Department of Natural Resources. (a) The sum of \$2,000,000 is appropriated from federal receipts from the national coastal wetlands conservation grant program to the Department of Natural Resources for land acquisition on Northern Afognak Island for the Perenosa Bay project.

(b) The sum of \$10,450,000 is appropriated from the Exxon Valdez oil spill settlement trust recognized as AS 37.14.400 to the Department of Natural Resources for land acquisition on Northern Afognak Island for the Perenosa Bay project.

Senator Bunde moved for the adoption of Amendment #22. He informed that this amendment would increase funding for the acquisition of land on Northern Afognak Island. He informed that funding would be provided by the Exxon Valdez oil spill settlement trust.

Co-Chair Wilken objected for clarification.

Senator Bunde explained that this amendment would allow for federal receipt funds and funds from the Exxon Valdez oil spill settlement fund to be available to provide national coastal wildlife conservation grants for the acquisition of land on Afognak Island.

Co-Chair Wilken withdrew the objection.

There being no further objection, Amendment # 22 was ADOPTED.

Amendment #16: This amendment adds a "Federally Funded Landowner Incentive Program - Bristol Bay/North Aleutians project" component in the Department of Fish and Game and appropriates \$1,642,500 federal funds on page 24, following line 16.

Senator Hoffman moved for adoption of Amendment #16.

Co-Chair Wilken objected for discussion.

Senator Hoffman explained that the purpose of this amendment is to clarify that the land in question would be purchased from village corporations to provide the public access to hunting and fishing areas.

Senator Taylor commented that "it is the epitome of arrogance for us as a legislative body to make a decision that the perpetual use of land must be dedicated to a given purpose," as, by doing so, the designation would prohibit other unforeseen uses of the land. He stated that over time, the needs of the area might change and development of the area might be negatively impacted by the restrictions on land use that a park designation would entail. He opined that, "locking up" thousands of acres of land through the implementation of such things as "conservation easements," as in this situation, "is shallow, bad public policy."

Without further objection, Amendment #16 was ADOPTED.

Amendment #17: This amendment adds a "Ketchikan Gateway Borough - Ketchikan Shipyard (ED 1)" component and \$1,500,000 Alaska Industrial Development and Export Authority (AIDEA) Corporate Receipts appropriation to the Grants to Municipalities (AS37.05.315) BRU in the Department of Community and Economic Development on page p, lines 21 and 22.

Senator Taylor moved for adoption of Amendment #17.

Senator Taylor stated that this amendment allows for the leveraging of State money to support a State asset as he communicated AIDEA owns the shipyard facility. He stated that new jobs and expanded facilities would be the result of this investment.

Co-Chair Wilken objected to the motion. He noted that the Department recommends the use of general fund money rather than AIDEA funding as the preferred funding source as he understood that AIDEA corporate receipt funding was unavailable. He deferred to Co-Chair Green to verify whether the \$18 million general fund allocation is included in the operating budget.

AT EASE 10:30 AM / 10:31 AM

Co-Chair Green confirmed that the AIDEA funding source would not be available. She affirmed that the Department has requested general fund as the funding source, and she stated that the action of funding the request with corporate receipts would be the same as using general funds as the AIDEA corporate receipts are considered general funds.

Senator Taylor asked for clarification that the \$18 million funding request is included in the operating budget, as he understood that the operating budget was established before this request was submitted.

Co-Chair Green commented that there is "a magnetic attraction to any fiscal note that has income."

Senator Taylor asked whether the House and Senate Finance Conference Committee amended the operating budget in relation to this item.

Senator Hoffman clarified that using \$18 million of general fund would reduce the draw on the CBR and that using AIDEA funds would counter that effort.

Co-Chair Green reiterated that using AIDEA funding could be likened to using general funds.

Senator Taylor stated therefore that that is the reason that the original intent of the request was to use general funds; however, he continued that Governor Frank Murkowski's administration indicated that an \$18 million AIDEA dividend funding would be forthcoming. He stated that this amendment resulted from an Administrative request to utilize AIDEA dividends as the funding source for this request. He was unaware whether a decision regarding the \$18 million funding had been identified.

TOM LAWSON, Director, Division of Administration, Department of Community and Economic Development, informed that legislation regarding the status of the AIDEA dividend is being discussed. He interpreted this amendment to specify that \$1.5 million in funding would be from AIDEA corporate receipts that he disclosed are unavailable. He stated that identifying \$1.5 million in AIDEA funding would "threaten" the rating of AIDEA bonds. He commented that neither the Department of Community and Economic Development nor AIDEA requested AIDEA funding to support this project.

Senator Taylor asked to clarify that the funding in question should

be correctly identified as AIDEA "dividends."

Mr. Lawson responded that is correct.

Senator Taylor asked whether amending Amendment #17 to specify that funding source as AIDEA dividends might address the issue.

Mr. Lawson responded that he would require more information about the issue of the AIDEA dividend appropriation into the general fund, but he stated that there is currently "serious concerns" regarding the identification of "AIDEA corporate receipts" as the funding source of this request.

Senator Taylor voiced further concern regarding the appropriateness of the AIDEA corporate dividend being earmarked as general fund. He voiced confusion as to whether to identify the funding source for this request as corporate receipts, corporate dividends, or general funds. He stressed that AIDEA needs the facility in Ketchikan and that the amendment was offered on their behalf; therefore he declared that the funding source should be identified.

Co-Chair Wilken stated that the capital budget was developed with certain funding restraints and in order to include this \$1.5 million request in the budget, another project would need to be eliminated. He stated that inclusion of this project would increase the CBR draw by \$1.5 million.

Co-Chair Green requested that the amendment be withdrawn from consideration to be re-addressed upon further review.

Senator Taylor offered to withdraw the motion to adopt Amendment 17 with the understanding that it would be re-addressed.

Without objection, Amendment #17 was WITHDRAWN.

Amendment #18: This amendment reduces the general fund appropriation to the "Alaska Land Mobile Radio (ED 99)" component in the Department of Administration on page 2, line 10, from \$680,000 to \$527,000 without negatively impacting the ALMR {Alaska Land Mobile Radio} program. The \$153,000 reduction is derived from the following sources.

Eliminate the planned 3 rd party project review	\$100,000
Eliminate updating the communications plan	25,000
Prepare joint procurement plan in-house	18,000
Reduction in Overhead, supplies, and travel	10,000
Total	\$153,000

Co-Chair Wilken moved for the adoption of the amendment and objected for clarification. He explained that this CIP request could be lowered without impacting the program.

Without objection, Amendment #18 was ADOPTED.

Amendment #19: This amendment adds a "Pt. McKenzie Agricultural Equipment (ED 13-16)" component and \$100,000 general fund appropriation to the Department of Corrections on page 14, following line 14. Accompanying explanatory language reads as follows.

The Governor's FY 04 operating budget included a request for \$100,000 to upgrade outdated equipment and obtain additional farm equipment for the purpose of increased production of livestock feed and consumable vegetables for the prisoner population

The House [of Representatives] denied this increment in the operating budget with the intent it be placed more appropriately in the capital budget. The Senate accepted the increment. Therefore, the item came before the Conference Committee on HB 75/HB 76.

The Conference Committee agreed with the House's action and deleted it from the operating budget with the intent that it be funded in the FY 04 capital budget.

Co-Chair Green moved for adoption of Amendment #19.

Co-Chair Wilken objected for explanation

Co-Chair Green explained that the Governor's capital budget included \$100,000 for Point McKenzie agriculture equipment, and that during a House of Representatives and Senate Conference Committee meeting, it was suggested that this item be transferred from the operating budget to the capital budget.

Co-Chair Wilken removed the objection.

Without further objection, Amendment #19 ADOPTED.

In response to a question from Senator Hoffman, Co-chair Wilken explained that the transfer of this item from the operating budget to the capital budget was conducted in Conference Committee.

Amendment #20: This amendment increases the other funds appropriation to the "State Homeland Security Grant Program (ED 99)" component in the Department of Military and Veterans Affairs

from \$4,995,000 to \$18,225,000 on page 27, lines 7 and 8.

Co-Chair Wilken moved for adoption of Amendment #20 and objected for explanation. He informed the Committee that this amendment would provide for an additional authorization of \$13.23 million via a federal homeland security grant.

Co-Chair Wilken removed the objection.

Without further objection, Amendment #20 was ADOPTED.

Amendment #21: This amendment adds a "Ted Stevens Anchorage International Airport: Terminal Redevelopment Project" component and \$50,000,000 allocation in the Airport Improvement Program BRU of the Department of Transportation and Public Facilities on page 34, line 4.

This amendment also adds a "Alaska International Airport System: Finance Costs" component and \$15,100,000 allocation in the Airport Improvement Program BRU of the Department of Transportation and Public Facilities on page 34, line 4.

Accompanying explanatory language reads as follows.

The Department has requested these two additional allocations to the Airport Improvement Program. The fund source is the International Airport Construction Fund. The funds will be used to complete the construction of Concourse C at the Ted Stevens Anchorage International Airport and to cover costs associated with issuing airport revenue bonds.

Co-Chair Wilken moved and objected to the adoption of Amendment #21. He explained that this amendment would provide additional International Airport Construction funding to complete Concourse "C" construction at the Anchorage Ted Stevens International Airport. He stated that the funding would provide for costs associated with the issuance of airport revenue bonds.

Senator Olson voiced that the extent and expense of the airport "has caused a fair amount of concern" in the State. He asked how this request might affect additional bonding needs of the airport for other projects.

NANCY SLAGLE, Director, Division of Administrative Services, Department of Transportation and Public Facilities explained that the \$76.6 million bond authorization provides for \$50 million for Terminal "C" completion; \$15.1 million for finance costs; approximately \$10 million for Anchorage Airport CIP projects; and \$3.5 million for the Fairbanks International Airport. She stated that this \$50 million funding request would provide for \$48 million

of bond funds, and \$2 million being made available to finish "old projects." She clarified that of the \$50 million; \$48 million is included in the authorization bill.

Senator Olson clarified therefore that this request provides for that allocation.

Ms. Slagle stated that this request identifies the amount of funding required to complete Concourse "C." She continued that of that \$50 million, \$48 million would be provided by new bond issuances and \$2 million is from "older existing" airport project funds.

Senator Olson asked whether the projects at the Fairbanks International Airport have been identified.

Co-chair Wilken and Ms. Slagle established that the projects include a terminal project, security upgrades and ramp improvements.

Ms. Slagle noted that the projects are included in the capital budget request.

Senator Hoffman asked whether this funding request would complete the Anchorage airport renovation project.

Co-Chair Wilken could not verify that this would be the final funding request.

There being no further objection, Amendment #21 was ADOPTED.

Co-chair Wilken noted that Amendment #17 would be revisited at the next meeting regarding this bill.

The bill was HELD in Committee.

#

ADJOURNMENT

Co-Chair Gary Wilken adjourned the meeting at 10:44 AM.