

MINUTES
SENATE FINANCE COMMITTEE
May 16, 2003
2:37 PM

TAPES

SFC-03 # 101, Side A

CALL TO ORDER

Co-Chair Lyda Green convened the meeting at approximately 2:37 PM.

PRESENT

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

Also Attending: SENATOR GARY STEVENS; GREG O'CLARY, Commissioner, Department of Labor and Workforce Development; BARBARA BITNEY, Staff to Representative Bill Stoltze; TOM WRIGHT, Staff to Representative John Harris; LANDA BAILY, Legislative Liaison and Special Assistant, Office of the Commissioner, Department of Revenue; DAN SPENCER, Director, Division of Administrative Services, Department of Administration

Attending via Teleconference: From Offnet Sites: RIVER BEAN; LARRY BEVILBISS; MARK REMPEL, Organic Farmer; From Mat-Su: ERIC YOULD, Executive Director, ARECA; From Anchorage: CRAIG TILLERY, Assistant Attorney General, Environmental Section, Civil Division (Anchorage), Department of Law; MARK DAVIS, Director, Division of Banking, Securities & Corporations, Department of Community and Economic Development

SUMMARY INFORMATION

HB 155-PUBLIC CONSTRUCTION PROJECT REQUIREMENTS

The Committee heard from the Department of Labor and Workforce Development and reported the bill from Committee.

HB 104-PAYMENT OF FISHERY BUSINESS TAX

The Committee heard from the sponsor and reported the bill from Committee.

HB 226-ORGANIC FOOD

The Committee heard from the sponsor, took public testimony, and reported the bill from Committee.

HCR 21-ALASKA ENERGY POLICY TASK FORCE

The Committee heard testimony from the sponsor, took public testimony, considered and adopted one amendment, and reported the bill from Committee.

HB 248-SALARY OF CHIEF PROCUREMENT OFFICER

The Committee heard from the Department of Administration and held the bill in Committee.

SB 211-REGULATIONS: NOTICE AND DISTRIBUTION

The Committee took testimony from the Department of Law and the Department of Community and Economic Development. The bill was held in Committee.

#hb155

CS FOR HOUSE BILL NO. 155(FIN)

"An Act relating to the submission of payroll information by contractors and subcontractors performing work on a public construction contract; requiring a notice of work by employers on public construction contracts; providing for the withholding of final payment for public construction contracts; and providing for an effective date."

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

Senator Taylor moved to report the bill from Committee and objected to the motion for purpose of discussion.

GREG O'CLARY, Commissioner, Department of Labor and Workforce Development informed that this is revenue-generating legislation, as it would require a prevailing wage rate-filing fee to be paid to the State by the construction industry when they are involved in a public construction project. He explained that the revenue generated from this fee would replace Department demands on the

general fund, which, he asserted, would enhance the Department's efforts to support the Administration's goal of reducing the State's budget to lessen the need for Constitutional Budget Reserve (CBR) fund draws. He referred the Committee to the accompanying Department fiscal note that reflects a positive \$2.5 million in revenue. He noted the Department's request to add an accounting clerk position to handle these filings, and he furthered that the legislation would permit the industry to file wage information on a bi-weekly basis rather than the weekly basis as currently required. Additionally, he noted, an online payroll filing system would be implemented to lessen filing requirement demands on the industry.

Co-Chair Green stated that originally there was opposition to this legislation.

Mr. O'Clary clarified that the current version of the bill has no opposition.

Senator Taylor removed his objection to the motion.

There being no further objection, CS HB 155(FIN) was REPORTED from Committee with previous fiscal note #2 from the Department of Labor and Workforce Development.

#hb104

CS FOR HOUSE BILL NO. 104(FSH)

"An Act relating to payment of the fisheries business tax and to security for collection of the fisheries business tax."

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

Senator Taylor moved to report the bill from Committee with "personal" recommendations and accompanying fiscal note, then he objected to the motion in order to hear testimony from the bill's sponsor.

SENATOR GARY STEVENS, the bill's sponsor, informed the Committee that the Governor's Fisheries Task Force was formed to address the "in crisis" fishing industry. He continued that this bill was crafted by the Fisheries Task Force to assist the fishing industry by allowing small processors to defer payment of the Fisheries Business Tax to April first and make monthly payments rather than one lump sum payment on or before March 31st of the year following the tax year.

Senator Bunde mentioned that, as reflected in the fiscal note, the monthly payment process would require an increase in accounting personnel; however, he noted that the receipt of these payments would "counterbalance" the fiscal note as it would allow the State to access funds earlier than the current process.

Senator G. Stevens agreed the funds would be available for the State to invest. He reminded the Committee that this legislation would affect approximately one dozen small processors, and therefore, he asserted, the program would be "fairly easy" to administer.

Senator B. Stevens voiced support for this legislation as it would assist small processors "with their cash management" by removing "the burden of putting up a big bond at the beginning of the season." He noted that this program "is only available to those that are current on all tax obligations;" however, he stated that it would continue the requirement of a bond or property as collateral while allowing the processor to make monthly payments.

Co-Chair Green asked whether the Department of Revenue could absorb the \$14,000 fiscal note.

Senator G. Stevens responded that the Department has determined this to be the cost of the program.

Senator Taylor withdrew his objection to the motion.

There being no further objection, CS HB 104(FSH) was REPORTED from Committee with previous fiscal note #2 from the Department of Revenue.

#hb226

HOUSE BILL NO. 226

"An Act relating to the sale, offer for sale, representation, and labeling of food or other agricultural products as organic, and to the state organic certification program; and providing for an effective date."

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

BARBARA BITNEY, Staff to Representative Bill Stoltze, the bill's sponsor, informed the Committee that this legislation is presented to "simply adopt the federal standard of organic" and allow the State to implement a certification program to enable the State's

agricultural districts to certify Alaskan produce. She informed that, absent an Alaska certified organic program, Alaskan growers must pay to have their crops certified as organic, at tremendous expense, by the states of Oregon or Washington. She noted that program receipts would support the \$37,000 fiscal note.

Senator Taylor voiced "strong support" for the legislation.

RIVER BEAN testified via teleconference from an offnet site and urged the Committee to support this legislation, as it would allow his company's produce to be labeled and certified within the State.

LARRY BEVILBISS testified via teleconference from an offnet site in support of the bill. He commented that the industry and the Department have worked diligently to keep the expense of the organic certification program to a minimum, and he apologized for there being a fiscal note.

MARK REMPEL, Organic Farmer, testified via teleconference from an offnet site, in support of the bill as it encourages the "organic niche market" to continue to expand.

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

Senator Bunde asked whether avenues, such as a corporate income tax, might allow the State to recoup the cost of implementing this program.

Mr. Bevilbiss responded that while agricultural businesses do not pay a corporate business tax to the State, they are required to have an Alaska business license and must purchase the Alaskan Grown organic certification label.

Ms. Bitney affirmed that businesses would be charged a certification fee as well as a fee for use of the Alaskan Grown certification label.

Senator Taylor voiced that these fees and the growth of the organic agriculture industry would benefit the State.

There being no objection, HB 226 was REPORTED from Committee with previous fiscal note #2 from the Department of Natural Resources.

#hcr21

CS FOR HOUSE CONCURRENT RESOLUTION NO. 21(FIN)
Relating to establishing the Alaska Energy Policy Task Force.

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

TOM WRIGHT, Staff to Representative John Harris, the bill's sponsor, informed the Committee that this bill would establish a nine-member energy policy task force to develop long-term energy plans for the State. He continued that the nine member task force would be comprised of one member from the Alaska Energy Authority Board of Directors, the Commissioner of the Department of Revenue, two persons chosen by the Governor, two persons chosen by the Speaker of the House of Representatives, and three persons chosen by the Senate President, one of whom would be appointed from a list provided to the Senate President by the House and Senate Minority. Additionally, he noted that task force members would select the task force's chairperson.

Mr. Wright explained that the task force would be charged with developing two long-term energy plans: one specifically for the Railbelt area of the State and the other being a statewide energy plan. Reports for these plans, he continued, must be submitted to the Legislature by December 31, 2003 and March 31, 2004, respectfully.

Amendment #1: This amendment allows the Commissioner of the Department of Revenue to select a designee to represent the Commissioner on the task force.

Senator B. Stevens moved for the adoption of Amendment #1. He explained that the numerous obligations of the Commissioner of the Department of Revenue might prevent regular attendance at task force meetings; therefore, he continued, this amendment would allow the Commissioner to appoint a representative "if and when" necessary.

LANDA BAILY, Legislative Liaison and Special Assistant, Office of the Commissioner, Department of Revenue affirmed that, while the Commissioner wishes to serve on this board, his current obligations to the Board of Trustees of the Alaska Permanent Fund, the Alaska Pension Investment Board, the Alaska Energy Authority, and numerous other boards and commissions might prohibit regular attendance. She assured that the Department supports this amendment.

ERIC YOULD, Executive Director, ARECA, testified via teleconference from Mat-Su that ARECA, the trade association for the electric utility industry in the State and whose membership generates approximately 90 percent of the electricity in the State, supports

the merit of this legislation. He commented that the potential for large electric energy field projects exist; however, he noted, that the development of these projects exceeds the abilities of the various individual electric entities. He asserted that the development of these projects would benefit the overall infrastructure of the State and stimulate the economy. He stated that this resolution is strongly supported, as it would provide a means to further these potential projects.

Co-Chair Green asked for examples of these projects.

Mr. Yould responded that a strong power intertie project from Fairbanks to Kenai or a transmission line from Nenana to the Donlin Creek Gold Mine and continuing to Bethel and the Illiamna area are being discussed. He listed another potential project as a transmission line from Delta to Tok to Glenallen to Palmer, which might eventually integrate with transmission lines from Valdez. He expressed that, were the natural gas pipeline to come to fruition and terminate in Valdez, the process of liquefying the natural gas for export purposes would generate sufficient waste heat to generate power that would otherwise be stranded. He continued that other projects could include a Southeast intertie system. Additionally, he noted that the task force could address alternative energy projects as well.

Co-Chair Green asked whether these alternative energy projects are ongoing or in the experimental stage of development.

Mr. Yould responded that these alternate energy projects are both ongoing and experimental. He informed that these projects might include such things as the wind projects that are currently being researched in the Fairbanks area or tapping the tremendous hydropower potential in the State. He noted that small projects could involve fuel cell research as well as a large coal-fired generation plant project being considered in the Healy area.

Co-Chair Green asked whether the coal-fired generation plant is separate from the current Healy clean-coal plant project.

Mr. Yould responded yes. He noted that the power utilities anticipate a resolution to the Healy clean-coal project that would enable it to come online and feed into the power system in the near-term. He continued that the coal-fired generation plant is a separate project, and because it is in a conceptual stage, it might be ten years before it becomes a reality.

Co-Chair Green ordered the bill SET ASIDE.

[Note: HCR 21 is readdressed later in the meeting.]

#hb248

HOUSE BILL NO. 248

"An Act relating to the annual salary of the chief procurement officer; and providing for an effective date."

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

DAN SPENCER, Director, Division of Administrative Services, Department of Administration, informed the Committee that this legislation would change the salary range for the Department's Chief Procurement Officer (CPO) from its current statutory Range 23 to a Range 24. He stated that the CPO has assumed duties formerly conducted by the Director of the Division General Services, as, he continued, the Director's position has been reclassified to a Deputy Director. He noted that the Deputy Director, along with the Department's leasing manager and contracting officer, would report to the CPO. These changes, he continued, would generate "a slight cost saving" for the Division.

Co-Chair Green ordered the bill HELD in Committee.

#sb211

SENATE BILL NO. 211

"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."

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

CRAIG TILLERY, Assistant Attorney General, Environmental Section, Civil Division (Anchorage), Department of Law, testified via teleconference from Anchorage and informed the Committee that the intent of this legislation is to improve the public notice process pertaining to State regulatory change notices and to reduce costs to the State through the elimination of unnecessary action, the use of the Internet where appropriate, and the allowance "for briefer, more easily understood notices" by changing Sections 23 and 24 of

the Alaska Administrative Procedures Act. He explained that the briefer notices, while containing pertinent information such as what regulation is being changed and how to obtain more information regarding the change is anticipated to reduce the advertising content by approximately 75 percent. He asserted that these changes would make the advertisement more noticeable and more easily understood, and that directing people to a phone number or Internet site would enable people to acquire more detailed information than is currently required by statute. He stressed that this legislation would not prohibit a State agency from advertising a more detailed notice were a situation to require it.

Mr. Tillery mentioned that this concept has been considered for numerous years and that approximately six years prior, similar legislation had been introduced. He informed that the continuing growth and availability of the Internet has allowed this legislation to become appropriate.

Mr. Tillery continued that, "while limited in scope, but a significant departure from what is currently in statute" is language that would allow some agencies to not advertise certain notices in newspapers as, he shared that upon review, certain notices have been determined to be of disinterest to the general public but are rather of a technical nature and of more interest to individuals who have easy access to the Internet and typically receive their notices in that manner or through trade associations or mailing lists. He noted that the identified regulations are identified in Sections 1, 2, 10, 11, 12,13,16,19,20,26, and 27.

Mr. Tillery noted that, thirdly, the bill would allow agencies to advertise notices in one newspaper rather than three as currently required or via the Internet or through mailings. Lastly, he stated, the legislation would eliminate the requirement for the State to provide copies and updates of the Alaska Administrative Code to all municipalities or local governments. He stated that many local governments have indicated that these copies are not necessary and that access to the information via the Internet would be adequate.

Co-Chair Green surmised the purpose of the legislation is to streamline the State's noticing system to align with today's communication environment.

Mr. Tillery agreed.

MARK DAVIS, Director, Division of Banking, Securities & Corporations, Department of Community and Economic Development, testified via teleconference from Anchorage and stated that this

bill would allow proposed changes in regulations for banking, corporations, and securities to be noticed in a simplified format in a newspaper and/or by electronic means. He continued that this would allow cost savings in addition to an improved method of notice to interested parties, as; he opined those individuals are Internet users and are familiar with electronic communication. He stated that proxy programs issued through the Division would be addressed by language allowing the Division to use whatever method it deems necessary or reasonable.

Senator Taylor commented that fiscal note #2 from the Office of Management and Budget indicates that the Department of Community and Economic Development would save approximately \$258,000 by the implementation of this legislation as the result of newspaper advertising savings. He voiced appreciation for the efforts put forth on this legislation and noted the lack of opposition to the legislation from the newspaper industry.

Co-chair Green mentioned that a similar bill is advancing in the House of Representatives. She commented that newspapers are using the Internet to advance their product, and she opined that perhaps the newspaper industry is coming "to the realization that the Internet is the thing of today."

Senator Olson voiced concern that Internet access is limited in rural Alaska and therefore, he inquired how the changes in newspaper notices would affect the dissemination of information in those areas.

Mr. Davis responded that typically those areas do not currently receive these newspaper notices unless a change specifically affects the area. He noted that the three newspapers that would be affected by this legislation would be those serving Anchorage, Fairbanks and Juneau, or occasionally the Alaska Journal of Commerce. He reiterated that this legislation would not prevent notices if deemed necessary in those areas, and that, while Internet access might not be available in all communities; he noted that not all communities receive a newspaper.

Senator Olson argued that newspapers are available in all communities as they are received via the mail. However, he stated that Internet access is only available at schools or clinics, which are not places that someone would ordinarily go to read regulations.

Co-Chair Green ordered the bill HELD in Committee.

#hcr21

CS FOR HOUSE CONCURRENT RESOLUTION NO. 21(FIN)
Relating to establishing the Alaska Energy Policy Task Force.

This bill was again before the Committee.

Senator Taylor moved to report the bill from Committee with individual recommendations and attached fiscal note.

There being no objections, SCS CS HCR 21 (FIN) was REPORTED from Committee with previous fiscal note #1 from the Legislative Affairs Agency.

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ADJOURNMENT

Co-Chair Lyda Green adjourned the meeting at 03:19 PM