

HOUSE FINANCE COMMITTEE
May 3, 2005
1:49 P.M.

CALL TO ORDER

Co-Chair Meyer called the House Finance Committee meeting to order at [1:49:13 PM](#).

MEMBERS PRESENT

Representative Mike Chenault, Co-Chair
Representative Kevin Meyer, Co-Chair
Representative Bill Stoltze, Vice-Chair
Representative Eric Croft
Representative Richard Foster
Representative Mike Hawker
Representative Jim Holm
Representative Reggie Joule
Representative Mike Kelly
Representative Carl Moses
Representative Bruce Weyhrauch

MEMBERS ABSENT

None

ALSO PRESENT

Representative Jay Ramras; Senator Charlie Huggins; Paul Dick, Operations Manager, Permanent Fund Dividend Division, Department of Revenue; Nora Wilson, Legislative Liaison, Department of Transportation & Public Facilities; Tom Maher, Staff, Senator Gene Therriault; Rick Urion, Director Occupational Licensing, Department of Community and Economic Development; Pat Davidson, Legislative Auditor, Legislative Audit Division; John Norris, President, U-Haul Company of Alaska, Anchorage

PRESENT VIA TELECONFERENCE

Kip Knudson, Deputy Commissioner, Aviation, Department of Transportation & Public Facilities, Anchorage; Joanna Bales, Program Manager, Vehicle Revenue Tax Division, Department of Revenue, Anchorage; Sydni Swenson, U-Haul, North Pole; Tom George, Aircraft Owners and Pilots Association (AOPA), Anchorage

SUMMARY

HB 186 An Act relating to quarterly payments of a permanent fund dividend, and to a permanent fund dividend and eligibility for public assistance; and providing for an effective date.

HB 186 was HEARD and HELD in Committee for further consideration.

SB 133 An Act establishing the Aviation Advisory Board; and providing for an effective date.

SB 133 was reported out of Committee with a "do pass" recommendation and a zero note by the Department of Transportation & Public Facilities.

CS SB 139(L&C)

An Act relating to termination and oversight of boards, commissions, and agency programs; extending the termination date of the Board of Marital and Family Therapy; and providing for an effective date.

HCS CS SB 139 (FIN) was reported out of Committee with a "no recommendation" and with fiscal note #1 by the Department of Commerce, Community & Economic Development.

SB 174 An Act excluding certain trucks from the definition of 'passenger vehicle' for purposes of the passenger vehicle rental tax; and providing for an effective date.

HCS SB 174 (FIN) was reported out of Committee with a "do pass" recommendation, with fiscal note #1 by the Department of Revenue and a House Concurrent Resolution to address the title change.

#HB186

HOUSE BILL NO. 186

An Act relating to quarterly payments of a permanent fund dividend, and to a permanent fund dividend and eligibility for public assistance; and providing for an effective date.

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REPRESENTATIVE JAY RAMRAS, SPONSOR, explained that the Permanent Fund Dividend (PFD) has been and continues to be a boon to the Alaskan economy for the past 22 years. The program allows Alaskans to enjoy part of the State's oil revenue. Since the time of inception, many businesses have profited from running sales near the time the dividend is distributed. Often, citizens will use their dividends to make down payments on high-end consumer products and effectively end up with more debt than they would have incurred had they not received a PFD in the first place.

He pointed out that HB 186 allows eligible residents to electronically receive their dividend and the ability to elect to receive their payments in either in a lump sum or to divide their dividend income into four equal, quarterly payments. Under HB 186, the program takes effect January 2006.

Representative Ramras thought that HB 186 would provide citizens an opportunity to financially help themselves and their families throughout the year. However, quarterly payments are not recommended for those receiving public assistance because payouts, especially for multiple family members, could interfere with available federal public assistance.

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Vice-Chair Stoltze asked how it would affect "hold harmless" provisions. Representative Ramras reiterated that the bill was not designed for a person on public assistance. The State has exclusions for someone in that program and there would be a disclaimer on the form for residents on public assistance. He stated the legislation would be a "good deal" for most and could bring a "savings-stability". The program could be voluntary in nature and administrative costs would include postage.

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Vice-Chair Stoltze questioned how much the legislation would keep in the State's economy. Representative Ramras had not requested any studies on that; however, felt strongly that there are many middle-income families that will benefit.

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Representative Holm asked about the possibility of receiving monthly payments. Representative Ramras commented that monthly payments would affect the cost of the fiscal note. Also, he did not think it would help as much as a budgeting tool for those in the middle-income bracket.

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Representative Holm asked if the legislation resulted from a constituent request. Representative Ramras said no. He pointed out that many seniors used to use their longevity bonus as a household budgeting tool.

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Representative Holm asked Representative Ramras why he thought that people, who do not handle their money well,

would opt for the proposed program. Representative Ramras replied that the program was designed for people who would like to handle their money better. He emphasized it would be a voluntary program.

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Representative Foster thought the legislation was a good idea, however, questioned if residents in his district could receive their dividends mailed rather than electronically deposited. He thought mailing could be cost prohibitive to the Department of Revenue. Representative Ramras agreed that mailing would create a significant fiscal note and would make it cost prohibitive.

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Representative Kelly agreed that it would be good for some folks to receive monthly checks to cover the costs for bill paying. Representative Ramras attempted to demonstrate that the legislation could pay for itself. He believed that if the program did catch on, it could be broadened out to a monthly base payment, and noted that quarterly dividends were modeled after the way stocks generate their dividends.

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Representative Foster indicated that from the fiscal note, it appears it would cost the State of Alaska, fifty cents (\$.50) for each family member. He mentioned that many villagers from his area would not qualify for the program but would still be required to pay. Representative Ramras advised that the fiscal note indicates the amount needed to set up the program. He pointed out another note, indicating the offset income expected. Representative Ramras believed it could be a positive note in the future. The cost would be bore by the General Fund not the Permanent Fund.

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Representative Hawker addressed Representative Foster's concern. He pointed out that the funding source would be Permanent Fund earnings; however, the manner in which the dividend calculation works, the amount would be taken off the top. The effect would be on the dividend and in years forward, the amount would receive earnings lost from the use of that money.

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Vice-Chair Stoltze asked how long it would take to determine if the program was working. Representative Ramras suggested five years as an appropriate sunset date.

Vice-Chair Stoltze inquired about Child Support Enforcement garnishment. Representative Ramras acknowledged that was a concern for the banks by taking the Department of Revenue to task.

Vice-Chair Stoltze worried about the child enforcement dynamics. Representative Ramras understood that if the person was a "garnishee", the computer system would then recognize that and reject them.

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Co-Chair Chenault asked if it would be mandatory to get four payments rather than one per year. Representative Ramras replied that garnishes would not be able to participate in the program at all. The Department of Revenue determines the route for the garnishment procedures and that the option remains for one payment per year.

Co-Chair Chenault referenced the fiscal garnishment costs and understood the costs would be handled quarterly. Representative Ramras did not know.

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PAUL DICK, OPERATIONS MANAGER, PERMANENT FUND DIVIDEND DIVISION, DEPARTMENT OF REVENUE, addressed HB 186, clarifying that the program would be optional. Dividends would be paid October, January, April, and July. A person would not qualify if garnished and that any garnishment would be honored in full.

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Mr. Dick addressed an additional garnishment, the Internal Revenue Service (IRS) withholding. There are situations, in which someone might qualify for the quarterly dividend and then subsequently become garnished by the Child Support Agency. If there were a garnishment on record, the Department would take whatever remains in that account and would pay the remainder for the garnishment. Essentially, it pulls them from the quarterly option.

Mr. Dick stated that the fiscal note was based on 5,000 people using the option, approximately 1% of the applicant population. Interest earnings were calculated at 2% interest.

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Mr. Dick mentioned the monthly provisions, finding that the quarterly amount changed from \$12 dollars to \$40 dollars per year, per person participating. He offered to answer questions of the Committee.

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Co-Chair Chenault referenced the garnishment pay out. Mr. Dick reiterated that the garnishment would be paid in the amount remaining in the person's quarterly account.

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Co-Chair Meyer noted that the bill would be held in Committee for further consideration and discussion regarding the merit.

Co-Chair Chenault referenced back up regarding the hold harmless insertion. Representative Ramras said that the Division of Public Assistance will provide the disclaimer and that those recipients would be informed that they do not qualify.

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Representative Weyhrauch asked about quarterly liens. Representative Ramras responded that it would be the aggregate amount. He added, there is only one time per year, a person could make the garnishment claim.

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Representative Kelly continued questions regarding garnishment concerns. Representative Ramras explained the garnishment claim filing system, adding that if person missed the deadline for filing their application, they would not be able to collect the remaining quarterly portion.

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In response Representative Kelly, Representative Ramras explained that any creditor would be able to garnish 100% of what is due them.

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Representative Ramras urged that the bill not be placed in the "back seat" of the Committee. He requested reconsideration in a timely manner.

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HB 186 was HELD in Committee for further consideration.

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#SB174

SENATE BILL NO. 174

An Act excluding certain trucks from the definition of 'passenger vehicle' for purposes of the passenger vehicle rental tax; and providing for an effective date.

SENATOR CHARLIE HUGGINS, SPONSOR, noted that SB 174 had been introduced to correct an unintended consequence of legislation passed in 2003. At that time, the Legislature passed HB 271 as a tourism-based tax on passenger rental cars and recreational vehicles. The purpose was to tax visitors using the road system, not local citizens. HB 271 has negatively impacted:

- * Alaska citizens needing to move,
- * Local independent outlets, and
- * Consumer truck rental business.

Senator Huggins added that the Department of Revenue has assessed the tourism-based tax on all rental vehicles, including trucks less than 26,000 pounds. Interpretation of the law has resulted in a 10% tax applied to businesses and citizens renting trucks. The 10% State tax, along with the local municipal and city taxes, add considerably to the total rental fee.

In 2004, HB 347 was introduced to correct the unintended consequence created by HB 271. It provided an exemption for taxicabs. That corrective legislation was signed into law. SB 174 ensures that the tax applies more specifically to the intended target of visitors renting passenger vehicles and recreational vehicles, rather than the unintended target of Alaska businesses and citizens who rely on truck rentals for the continued flow of commerce and movement of household goods.

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Representative Weyhrauch commented that the intent was not to assess a tax charge on commercial vehicles. He questioned if it would reign-in the Department's interpretation of the tax. Senator Huggins explained there was no ill intended approach on the Department of Revenue. The target of HB 271 was a not "self-move" type vehicle and that SB 174 would correct it.

Representative Hawker commented on passage of the previous legislation and the impact SB 174 would have. Co-Chair Meyer agreed with the assessment made by Representative Hawker and that the original intent was not to tax U-Haul trucks.

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JOHN NORRIS, PRESIDENT, U-HAUL COMPANY OF ALASKA, ANCHORAGE, spoke in support of the proposed legislation. He pointed out that HB 271 has impacted Alaska citizens needing to move. The consumer does have other options for moving that are not taxed. He reiterated the history and the impacts of the previous legislation. He acknowledged that SB 174 provides relief for trucks that has been given to taxicabs.

Mr. Norris pointed out that the Alaska Trucking Industry supports the legislation.

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SYDNI SWENSON, (TESTIFIED VIA TELECONFERENCE), U-HAUL, NORTH POLE, voiced support for SB 174.

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Representative Hawker MOVED to ADOPT Amendment #1. Co-Chair Meyer OBJECTED.

Representative Hawker explained that Amendment #1 was offered on behalf of the House sponsor of the companion Senate bill. The amendment provides an additional exemption; "vehicles provided by automobile dealers as replacement transportation during warranty or service contract repairs". He acknowledged that the amendment involves a title change but that it would not endanger the substance of SB 174.

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Co-Chair Meyer inquired the impact the amendment would have on the Department of Revenue.

JOANNA BALES, (TESTIFIED VIA TELECONFERENCE), PROGRAM MANAGER, VEHICLE REVENUE TAX DIVISION, DEPARTMENT OF REVENUE, ANCHORAGE, indicated that they do not have the data necessary to determine the amount.

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Co-Chair Meyer requested the amount anticipated collected. Ms. Bales said it would be small. There are only six other states that have their own vehicle rental tax and it appears it is a 50/50 exemption. Co-Chair Meyer knew that the City of Anchorage has a car rental tax; he asked how they dealt with such situations. Ms. Bales replied that they do exempt U-Haul vehicles.

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Co-Chair Chenault asked about the replacement transportation service contracts and if they would include rentals from a dealer during the time of repairs. Representative Hawker understood that was not accommodated.

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Co-Chair Meyer asked if Senator Huggins supported the amendment. Senator Huggins responded that he hoped it was "friendly" and that he would support it.

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Representative Holm asked if Amendment #1 would generate an indeterminate fiscal note. Co-Chair Meyer thought it would be slightly higher than the one provided.

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Representative Hawker pointed out that Ms. Bales had indicated that the information was not immediately forthcoming. Ms. Bales explained it would be a minimal impact on the rental tax and that the existing note should be sufficient.

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Vice-Chair Stoltze inquired if the language was broad enough to cover recall. Representative Hawker thought a recall activity would be part of the warranty process.

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Representative Weyhrauch stated that there are no guarantees with the proposed language. A service contract does not necessarily include a recall.

Representative Hawker suggested amending the amendment by adding, "recall".

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Vice-Chair Stoltze MOVED the friendly amendment proposed by Representative Hawker. There being NO OBJECTION, it was amended.

[3:02:12 PM](#)

Co-Chair Meyer WITHDREW his OBJECTION. There being NO further OBJECTION, amended Amendment #1 was adopted.

Representative Kelly MOVED to REPORT HCS SB 174 (FIN) out of Committee with individual recommendations and with the

accompanying fiscal note. There being NO OBJECTION, it was so ordered.

HCS SB 174 (FIN) was reported out of Committee with a "do pass" recommendation, with fiscal note #1 by the Department of Revenue and a House Concurrent Resolution to address the title change.

[3:03:51 PM](#)

#SB133

SENATE BILL NO. 133

An Act establishing the Aviation Advisory Board; and providing for an effective date.

NORA WILSON, LEGISLATIVE LIAISON, DEPARTMENT OF TRANSPORTATION & PUBLIC FACILITIES, explained that the bill would establish a permanent advisory board within the Department of Transportation and Public Facilities to make recommendations to the Commissioner with respect to the Department's aviation functions.

The permanent board would have the same composition as the current 10-member interim board, with representatives of various stakeholders in aviation matters. However, one additional board member would be added, to provide for an uneven number of members to avoid tie votes. The Governor would appoint the board to staggered three-year terms. The existing interim board members would serve without compensation other than travel coverage and per diem expenses.

Ms. Wilson concluded that SB 133 would afford the Commissioner of the Department valuable input from the perspective of the aviation industry and the two largest airport hub communities regarding aviation policy and management. It would ensure that those stakeholders would have an ongoing opportunity to advise and make recommendations to the Commissioner. She urged support.

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Vice-Chair Stoltze asked for a list of current board membership.

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KIP KNUDSON, (TESTIFIED VIA TELECONFERENCE), DEPUTY COMMISSIONER, AVIATION, DEPARTMENT OF TRANSPORTATION & PUBLIC FACILITIES, ANCHORAGE, listed the members:

* Dan Klase - Representing the unorganized community of Beetles

- * James Dodson - Fairbanks
- * William Flower, President, Northern Air Cargo, Anchorage
- * Bob Jacobsen, Owner, Wings Alaska, Juneau
- * Paul Landis, Senior Vice-President, ERA Aviation, Anchorage
- * Felix Maguire, Government Affairs Coordinator, Alaskan Airman's Association
- * Wilbur O'Brien, Past President, ERA Aviation
- * Mayor Mike Salazar, Former President, Air Carriers Association, Ketchikan
- * Richard Wien, Name Says it All
- * Kim Lythgoe, Manager, Cargo Port, Anchorage

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Vice-Chair Stoltze asked about the definition of statewide membership. Mr. Knudson explained that the intent was to allow an appointment from anywhere within the State.

Vice-Chair Stoltze asked about any mayor representatives having a conflict of interest. Mr. Knudson replied there has not yet been a problem.

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Representative Hawker asked about fiscal note #2 for the interim advisory board created in 2003. He wondered why an increase was needed when the current system has worked well. Mr. Knudson thought there would be some expense involved and that to date, coverage has come from the Office of the Commissioner.

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Co-Chair Chenault referenced both fiscal notes. Mr. Knudson clarified that originally the Department requested \$20 thousand dollars through the operating budget. The Senate removed that from the operating budget and then a fiscal note was forwarded to accompany the bill.

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TOM GEORGE, (TESTIFIED VIA TELECONFERENCE), AIRCRAFT OWNERS AND PILOTS ASSOCIATION (AOPA), ANCHORAGE, spoke in support of SB 133 and urged the Committee to pass it.

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Representative Hawker MOVED to zero out fiscal note #2 by the Department of Transportation and Public Facilities. He pointed out that it has operated for the past two years within the Department's budget and believed that it could be accommodated as such in next year's budget.

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Representative Joule questioned the effectiveness of a board with a zero note. Representative Hawker responded it was not his intent to harm the board in any way. He believed that the Department could continue to manage the board without the additional fiscal expense.

There being NO OBJECTION, fiscal note #2 was zeroed out.

Vice-Chair Stoltze MOVED to REPORT SB 133 out of Committee with individual recommendations and with the accompanying fiscal note. There being NO OBJECTION, it was so ordered.

SB 133 was reported out of Committee with a "do pass" recommendation and a zero note by the Department of Transportation & Public Facilities.

[3:22:50 PM](#)

#SB139

CS FOR SENATE BILL NO. 139(L&C)

An Act relating to termination and oversight of boards, commissions, and agency programs; extending the termination date of the Board of Marital and Family Therapy; and providing for an effective date.

Representative Hawker asked Mr. Maher to describe the history of the bill and the accompanying amendment.

TOM MAHER, STAFF, SENATOR GENE THERRIAULT, related changes in the bill. He noted that the House Labor and Commerce Committee had deleted two sections of the bill that addressed when a board termination and clarified that the transfer of authority for regulatory disciplinary powers to the Department of Commerce. While the Department has assumed that responsibility, the statutes clearly provide the Department authority to do so. The proposed provisions help address the uncertainty, stemming from recommendations by the Division of Legislative Audit.

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Representative Hawker asked why the changes had been made in the House Labor and Commerce Committee version. Mr. Maher responded that all necessary testimony had not been present at that meeting to adequately explain the change. He deferred to Pat Davidson, Legislative Audit.

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PAT DAVIDSON, LEGISLATIVE AUDITOR, LEGISLATIVE AUDIT DIVISION, explained that sun setting the board would make it so that no new professions could enter into that category or the whole profession might no longer exist in statute. Additionally, when the board leaves, the regulations disappear.

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Representative Hawker MOVED to ADOPT Amendment #1. (Copy on File). Co-Chair Chenault OBJECTED for discussion purposes. He asked if that language would be seen in every board statute.

Representative Hawker stated that the legislative auditor, in the Audit of the Alaska Sunset Process and Select Investigative Issues, recommended that the Legislature, "clarify responsibility for regulation, in the even an occupational licensing board terminates". The proposed language was brought forth by Legislative Legal Division and is supported by the Department.

Ms. Davidson responded that the amendment was directed to the centralized licensing statute and therefore, would apply to all boards under Occupational Licensing. It would not be included in the profession statutes.

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Representative Kelly asked if the Division of Licensing supported the amendment.

[3:28:24 PM](#)

RICK URION, DIRECTOR, OCCUPATIONAL LICENSING, DEPARTMENT OF COMMUNITY AND ECONOMIC DEVELOPMENT, noted that the Department supported the language of the amendment. He urged members to pass the amended bill from Committee.

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Co-Chair Chenault WITHDREW his OBJECTION. There being NO further OBJECTION, Amendment #1 was adopted.

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Vice-Chair Stoltze MOVED to REPORT HCS CS SB 139 (FIN) out of Committee with individual recommendations and with the accompanying fiscal note. There being NO OBJECTION, it was so ordered.

HCS CS SB 139 (FIN) was reported out of Committee with a "no" recommendation and with fiscal note #1 by the Department of Commerce, Community and Economic Development.

#

ADJOURNMENT

The meeting was adjourned at 3:30 P.M.