

SENATE FINANCE COMMITTEE
April 14, 2010
9:35 a.m.

[9:35:25 AM](#)

CALL TO ORDER

Co-Chair Stedman called the Senate Finance Committee meeting to order at 9:35 a.m.

MEMBERS PRESENT

Senator Lyman Hoffman, Co-Chair
Senator Bert Stedman, Co-Chair
Senator Charlie Huggins, Vice-Chair
Senator Johnny Ellis
Senator Dennis Egan
Senator Donny Olson
Senator Joe Thomas

ALSO PRESENT

Miles Baker, Staff, Co-Chair Stedman; Representative Jay Ramras; Derik Miller, staff, Representative Mike Kelly; Jennifer Senette, Staff, Representative Kurt Olson; Senator Gary Stevens.

SUMMARY

SB 309 GAS EXPLORATION\DEVELOPMENT TAX CREDIT

SB 309 was SCHEDULED but not HEARD.

SCR 19 LEGIS. TASK FORCE: HIGHER ED SCHOLARSHIPS

SCR 19 was REPORTED out of Committee with a "do pass" recommendation and with one new fiscal impact note from the Legislative Affairs Agency.

HB 114 USE STATE TRANS FACILITY FOR DISASTER AID

SCS CS HB 114 was REPORTED out of Committee with a "do pass" recommendation and with one new fiscal note from the Department of Commerce,

Community and Economic Development and three previously published zero fiscal notes:

HB 168 TRAUMA CARE CENTERS/FUND

HB 168 was SCHEDULED but not HEARD.

HB 186 AK FIREARMS EXEMPT FROM FED. REGULATION

CS HB 186 was REPORTED out of Committee with a "do pass" recommendation and with one indeterminate fiscal note from the Department of Law.

HB 280 NATURAL GAS: STORAGE/ TAX CREDITS

HB 280 was SCHEDULED but not HEARD.

HB 312 ADVISORY VOTE ON IN-STATE GAS PIPELINE

HB 312 was REPORTED out of Committee with no recommendation and with one new fiscal impact note from the Department of Commerce, Community and Economic Development and one new zero fiscal note from the Department of Revenue.

HB 315 PUBLIC ACCOUNTING

HB 315 was REPORTED out of Committee with a "do pass" recommendation and with one new fiscal impact note from the Department of Commerce, Community and Economic Development.

HB 319 FIREARMS

HB 319 was REPORTED out of Committee with a "do pass" recommendation and with two previously published zero notes: FN 1 (DPS), FN 3 (LAW).

HB 365 FISH PROCESSOR FEES, LICENSES, RECORDS

HB 365 was SCHEDULED but not HEARD.

HB 424 G.O. BONDS: EDUC./LIBRARY/RESEARCH FACIL.

HB 424 was SCHEDULED but not HEARD.

#hb312

HOUSE BILL NO. 312

"An Act authorizing an advisory vote on use of Alaska permanent fund earnings for an in-state natural gas pipeline; and providing for an effective date."

[9:37:44 AM](#)

Co-Chair Hoffman proposed committee substitute, work draft #26-LS1633\S, Bullock, 4/13/10. Co-Chair Stedman OBJECTED.

MILES BAKER, STAFF, CO-CHAIR STEDMAN discussed CS version S. He noted title changes conforming to the CS. Section 1 and 2 remain unchanged. Section 3 was added to the bill. The term "passenger" has changed. Section 4, 5, and 6 address the commercial passenger vessel head tax account and its uses. The proceeds of the head tax route into the commercial passenger vessel head tax account. He commented that Page 3, Lines 3 and 4 state that the legislature may appropriate from the account for two purposes. The first purpose is listed in Section 5, Line 10, "first five port of call payments." Section 6 addresses the second purpose of the fund. The mechanism of the fund has not changed. With the CS, the first five port of call payments once allocated to the communities, must be used for port facilities, harbor infrastructure, and other services provided to the commercial passenger vessels and the passengers on board.

Mr. Baker continued that Section D addresses any balance remaining in the fund for appropriation by the legislature. The language on Page 3 states that the legislature may appropriate money from the commercial passenger tax account to projects that improve port and harbor infrastructure, provide services to commercial passenger vessels and the passengers aboard the vessels, and improve the safety and efficiency of the interstate and foreign commerce activities in which the vessels and the passengers on board those vessels are engaged. The language was changed to clarify that the funding is intended for services provided to those vessels and their passengers and the structure of the statute has been changed to clarify.

[9:45:13 AM](#)

Mr. Baker continued with Section 7 and the Department of Revenue's (DOR) responsibility in distributing the payments subject to appropriation. Section 8 addresses the local levees. The communities with the local head tax in place prior to the passage of the original citizen's initiative were grandfathered in. The original bill proposed that if a vessel travels to one of the two ports, the local taxes are credited out of the \$34.50 tax paid per passenger. The previous CS allowed the grandfathered communities to raise the local taxes a combined total of \$2.25 establishing a grandfather floor of half of the \$34.50. The current CS instead allows the communities to be grandfathered in and the local taxes to be credited against the state tax. Communities will not be allowed to raise the local taxes against the state tax. Section 12 changes the effective date to October 31, 2010.

[9:50:31 AM](#)

Mr. Baker noted that the port of call payments are addressed in Section 5. The first five ports of call are eligible for the revenue sharing payments. Those revenue sharing payments in the CS have been reduced from \$5 to \$4. Because Juneau is a unified city with an existing head tax, they do not receive the revenue sharing payments. Ketchikan with two separate governments has not received payments, but the borough receives \$2.50.

[9:52:56 AM](#)

Senator Thomas noticed that language was altered to address the reduced tax and the first five ports of call. He asked about Section 6 and the detailed listing of potential uses for the revenue. Mr. Baker responded that Section 5 provides direction to communities subject to annual appropriation by the legislature. Upon appropriation, the section clarifies the language on Page 3, Line 24, where three types of expenses are eligible for funding. The funds must be provided to the vessel and the passengers on board. Changing the word "or" to "and" creates the stipulation that the money be spent on port facilities, harbor infrastructures, and other services. Section 6 states that the legislature may appropriate for projects that improve port and harbor infrastructure, provide services to commercial passengers, or improve safety and efficiency of interstate and foreign commerce activities on those vessels and passengers.

Senator Thomas opined that the CS language lacks flexibility.

[9:57:48 AM](#)

Senator Egan requested an explanation of the spreadsheet "Port of Call Payment Scenarios" (copy on file). He asked for a prediction of the port of call payment for Juneau.

Mr. Baker reviewed the mentioned spread sheet which lists the communities and the passenger port of call numbers from the revenue, ranked in total for the three year program. Juneau is the number one port of call with 2.97 million passengers in three years. He noted that the Municipality of Anchorage may have 125 thousand visitors. He stated that a projection for Anchorage could be obtained by multiplying 125,000 by \$5 or \$4 as it is in the current CS. The DOR's forecasted passenger traffic in the 2010 column shows a 15 percent reduction from 2009. The bottom half of the spreadsheet shows the passenger numbers and the community sharing amounts to the ports of call. Juneau and the City of Ketchikan have not received money from the \$5 revenue sharing program. The right side of the spreadsheet exhibits the port of call payment amounts under the status quo using the 15 percent traffic reductions estimated by DOR. He noted that if the port of call payment remains at \$5 and the restriction on Juneau and Ketchikan is removed, the difference is apparent.

[10:05:59 AM](#)

Mr. Baker reviewed spreadsheet "SB 312 Version A" (copy on file) which addresses the cash flow into the state. The current excise tax is \$46. The two local taxes for Juneau and Ketchikan are listed. Under the current bill, a visitor to both towns allows for \$19.50 per passenger to be distributed in port of call payments. If the port of call payments are reduced 25 percent, the new amount would be \$3.75. The proposed amount in the CS is \$4 which is simpler to divide.

[10:08:44 AM](#)

Mr. Baker continued to describe the graph. Using the DOR passenger traffic forecast for 2010 of 850 thousand passengers and a three port of call itinerary, a five dollar port of call payment would allow sixty four percent

of the passengers paying an excise tax of \$19.50 to equal \$10,500,000 in state revenue. The port of call payments for the three ports of call equals \$8 million and leaves a balance of \$2.4 million. He mentioned other itinerary scenarios via the spreadsheet.

Senator Egan requested the amount received by the state last year. Mr. Baker responded that the 2009 cruise season amounted to approximately \$41.2 million with \$10.3 million allocated to the regional cruise ship fund and \$30.9 million to the commercial passenger vessel tax account. He explained that \$10 million were paid in port of call payments. The legislature and the governor appropriated \$54 million in last year's capital budget and \$500 thousand from the regional fund for the Whittier tunnel operation. He mentioned that the balances have rolled forward with more revenue than was appropriated. The legislature appropriated \$15 million in the 2009 capital budget cycle.

[10:13:40 AM](#)

Co-Chair Stedman offered an additional spreadsheet with 2009 project information.

Senator Egan asked if the CS precludes Sitka, Haines, and Hoonah from instituting a fee. Mr. Baker understood that nothing precludes establishment of a standard fee or raising a current fee.

Senator Egan asked if industry will continue the lawsuit if the CS is adopted. He mentioned the recent news release and whether industry would accept the CS as a compromise.

Co-Chair Stedman responded that the legislation does not alter the dollar amount of \$34.50. He stated that he did not expect opposition. Mr. Baker added that the CS does not alter the \$34.50; only the distribution by the state is changed. He commented that the CS tightens up the language in terms of allowable uses of the funds. He opined that the industry would be amenable to the changes.

[10:17:40 AM](#)

Senator Thomas asked about an estimation of funds available for Denali Park or the Interior where one third of passengers arrive. Mr. Baker responded that the money

available based on the 2010 traffic projections is \$4.3 million. He was unsure about the division of funds.

Senator Huggins commented that many of the visitors travel through Wasilla and Palmer.

Co-Chair Stedman removed his OBJECTION. There being NO OBJECTION, it was so ordered. Version S adopted.

Co-Chair Stedman mentioned one fiscal note from DOR reflecting the annual loss of \$22 million in cruise ship passenger receipts and one fiscal note from the Department of Commerce, Community and Economic Development (DCCED) for \$10 million to conduct periodic reviews.

Co-Chair Hoffman moved amendment one. Co-Chair Stedman OBJECTED.

[10:20:29 AM](#)

Mr. Baker explained Amendment 1. He noted that the gambling tax proceeds are general fund proceeds. The commercial passenger vessel tax account is restricted on its use and will become more restrictive under this bill. The money remains in the account and has not been appropriated. He believed that past gambling tax proceeds have lapsed to the general fund or become part of a reverse sweep. He stated that approximately \$12 million of gambling tax money will be available at the end of 2010 in the commercial passenger vessel tax account. Amendment 1 simply deposits the gambling tax funds into the general fund.

Co-Chair Stedman removed his OBJECTION. Amendment one was adopted.

Co-Chair Stedman referenced the port of call spreadsheet calculations. The CS shows a \$4 port of call amount which gives the communities less than expected. He asked committee members' opinions regarding raising the port of call number to \$5.

[10:24:24 AM](#)

Mr. Baker commented that the difference between the four and the five dollar head tax based on the 2010 traffic projections leaves a balance of \$7.1 million at the end of the year leading to a \$3 million difference from the \$4

port of call payment. He pointed out the principal change in the balance of the fund is not a product of the adjustment to the port of call payments. He noted the increased revenue due to the addition of Juneau and Ketchikan.

[10:26:43 AM](#)

Senator Huggins advocated for the "path of least resistance."

Senator Olson advocated for local control. He opined that money at the local level allows for proper spending. He stated that the \$5 port of call tax would be best.

Senator Egan appreciated the lower \$4 tax and the need to work with the industry to implement the fee. He understood that needs exist in all of the various ports in Southeast Alaska. The cruise ships directly affect community infrastructure. He preferred the \$5 tax.

[10:29:13 AM](#)

Co-Chair Hoffman Moved Amendment 2. Co-Chair Stedman OBJECTED.

Mr. Baker explained that Amendment 2 replaces the three sections of the bill identifying the amount of the port of call payments. The current CS states that the port of call payments are \$4 for each passenger. The amendment changes the amount to \$5. Line 19 and 20 of the same page splits the \$5 to \$2.50 bringing the CS back to revenue amounts in the current law.

Senator Egan supported the amendment as he felt it was unfair for certain communities to be left out as the infrastructure needs are universal among southeast communities.

Co-Chair Stedman removed his objection. Amendment 2 was adopted.

Co-Chair Hoffman MOVED Conceptual Amendment 3 with corresponding numeric changes on Line 7 changing the "five" ports of call to "seven." There being no OBJECTION Amendment 3 was adopted.

Co-Chair Hoffman MOVED to report CS SB 312 out of Committee with individual recommendations and the accompanying fiscal notes.

Senator Egan OBJECTED for further information on Amendment 3. Mr. Baker suggested reviewing the spreadsheet and the concern regarding the current law. The additions of longer cruise routes necessitate the change from five to seven ports of call. The effect of the amendment is to allow the sixth and seventh port to receive a payment with an incremental difference of \$100 thousand. Senator Egan asked if the current average was 3.4 ports of call visited by cruise ship passengers. Mr. Baker concurred.

Senator Egan removed his OBJECTION. There being NO OBJECTION, it was so ordered.

HB 312 was REPORTED out of Committee with no recommendation and with one new fiscal impact note from the Department of Commerce, Community and Economic Development and one new zero fiscal note from the Department of Revenue.

#hb114

CS FOR HOUSE BILL NO. 114(TRA) am

"An Act relating to availability of state transportation facilities and state-owned or state-operated transportation modes for delivering compassionate aid."

[10:41:46 AM](#)

Co-Chair Hoffman introduced HB 114 noting its second hearing in the Senate Finance Committee.

REPRESENTATIVE JAY RAMRAS offered to answer questions from the committee.

Co-Chair Hoffman noted four zero fiscal notes from the Department of Commerce, Community and Economic Development (DCCED), the Department of Transportation and Public Facilities (DOT/PF), the Department of Fish and Game (DFG), and the Department of Military and Veterans Affairs (DMVA).

Senator Huggins MOVED to report SCS CS HB 114 out of Committee with individual recommendations and the

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

SCS CS HB 114 was REPORTED out of Committee with a "do pass" recommendation and with one new fiscal note from the Department of Commerce, Community and Economic Development.

#hb186

CS FOR HOUSE BILL NO. 186(FIN) am

"An Act declaring that certain firearms and accessories are exempt from federal regulation."

[10:43:36 AM](#)

Co-Chair Hoffman noted that today's hearing was the second for the bill.

DERIK MILLER, STAFF, REPRESENTATIVE MIKE KELLY stated that he was available to answer questions.

Co-Chair Hoffman mentioned one indeterminate fiscal note from Department of Law (DOL).

Senator Huggins MOVED to report CS HB 186 out of Committee with individual recommendations and the accompanying fiscal note.

CS HB 186 was REPORTED out of Committee with a "do pass" recommendation and with one indeterminate fiscal note from the Department of Law.

#hb319

CS FOR HOUSE BILL NO. 319(FIN)

"An Act relating to firearms; and providing for an effective date."

[10:44:41 AM](#)

Co-Chair Hoffman noted that the bill was first heard on April 13, 2010. He requested further consideration from the committee.

Senator Huggins MOVED to report CS HB 319 out of Committee with individual recommendations and the accompanying fiscal note. There being NO OBJECTION, it was so ordered.

CS HB 319 was REPORTED out of Committee with a "do pass" recommendation and with two previously published zero notes: FN 1 (DPS), FN 3 (LAW).

#hb315

HOUSE BILL NO. 315

"An Act relating to public accounting; and providing for an effective date."

[10:45:53 AM](#)

Co-Chair Hoffman introduced the bill and asked for the will of the committee.

Senator Egan MOVED TO ADOPT Amendment 1.

Page 9, line 29, following "renewal":

Insert ", except that the length of a renewal for an out-of-state permit may not exceed four years"

Page 10, line 12, following "privilege":

Insert "shall"

Page 12, line 11:

Delete "the other [THIS]"

Insert "this or the other"

Co-Chair Hoffman OBJECTED.

Senator Egan explained the amendment and the changes to the language. The first change limits renewals for out of state permits. Current regulations allow two year renewals. The second change inserts a missing "shall" correcting an omission. The third change corrects an inadvertent error thereby enforcing violations of Alaska law.

JENNIFER SINNET, STAFF, REPRESENTATIVE OLSON stated that the sponsor agrees with the amendment.

Co-Chair Hoffman removed his OBJECTION. Amendment 1 was adopted.

Co-Chair Hoffman noted the new fiscal note from DCCED reflecting the cost of hiring an executive at \$134.200 in receipt supported services.

Senator Huggins MOVED to report HB 315 out of Committee with individual recommendations and the accompanying fiscal note.

HB 315 was REPORTED out of Committee with a "do pass" recommendation and with one new fiscal impact note from the Department of Commerce, Community and Economic Development.

#scr19

SENATE CONCURRENT RESOLUTION NO. 19

Relating to a Joint Legislative Higher Education Scholarship Funding Task Force.

[10:49:06 AM](#)

Co-Chair Stedman stated today was the resolution's first hearing in the Senate Finance Committee.

SENATOR GARY STEVENS explained that full educational reform is an important piece of legislation. He stated that fifty percent of high school students require remedial education upon college entry. Several other states are currently working on reform. One major complication is financial aid. Tuition costs increase steadily. The task force resulting from this legislation is intended to complement existing legislation regarding curriculum reform and postsecondary financial aid. The job of the task force is to recommend the best approach to improving our educational system with financial assistance.

Co-Chair Stedman mentioned one fiscal note for \$70 thousand to cover travel costs for task force members.

Co-Chair Hoffman MOVED to report SCR 19 out of Committee with individual recommendations and the accompanying fiscal note. There being NO OBJECTION, it was so ordered.

SCR 19 was REPORTED out of Committee with a "do pass" recommendation and with one new fiscal impact note from the Legislative Affairs Agency.

#hb168

CS FOR HOUSE BILL NO. 168(FIN)

"An Act relating to state certification and designation of trauma centers; creating the trauma

care fund to offset trauma care provided at certified and designated trauma centers; and providing for an effective date."

CS HB 168 was SCHEDULED but not HEARD.

#sb309

SENATE BILL NO. 309

"An Act amending and extending the exploration and development incentive tax credit under the Alaska Net Income Tax Act for operators and working interest owners directly engaged in the exploration for and development of gas from a lease or property in the state; providing for an effective date by amending the effective date for sec. 2, ch. 61, SLA 2003; and providing for an effective date."

SB 309 was SCHEDULED but not HEARD.

#hb280

CS FOR HOUSE BILL NO. 280(FIN) am

"An Act relating to a gas storage facility; relating to the Regulatory Commission of Alaska; relating to the participation by the attorney general in a matter involving the approval of a rate or a gas supply contract; relating to an income tax credit for a gas storage facility; relating to oil and gas production tax credits; relating to the powers and duties of the Alaska Oil and Gas Conservation Commission; relating to production tax credits for certain losses and expenditures, including exploration expenditures; relating to the powers and duties of the director of the division of lands and to lease fees for a gas storage facility on state land; and providing for an effective date."

HB 280 was SCHEDULED but not HEARD.

#hb365

HOUSE BILL NO. 365

"An Act relating to sharing records regarding fish purchased by fish processors with certain federal agencies, to requirements to obtain and maintain a

fisheries business license, and to payment of industry fees required of fish processors; and providing for an effective date."

HB 365 was SCHEDULED but not HEARD.

#hb424

CS FOR HOUSE BILL NO. 424(FIN) am

"An Act providing for and relating to the issuance of general obligation bonds for the purpose of paying the cost of design and construction of library, education, and educational research facilities; and providing for an effective date."

HB 424 was SCHEDULED but not HEARD.

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ADJOURNMENT

The meeting was adjourned at 10:52 AM.