

**ALASKA STATE LEGISLATURE
HOUSE RULES STANDING COMMITTEE**

April 15, 2012

9:04 a.m.

MEMBERS PRESENT

Representative Craig Johnson, Chair
Representative Kurt Olson, Vice Chair
Representative Mike Chenault
Representative Alan Austerman
Representative Max Gruenberg
Representative Chris Tuck

MEMBERS ABSENT

Representative Carl Gatto (deceased - April 10, 2012)

COMMITTEE CALENDAR

COMMITTEE SUBSTITUTE FOR SENATE BILL NO. 104(JUD)

"An Act relating to manufactured homes, including manufactured homes permanently affixed to land, to the conversion of manufactured homes to real property, to the severance of manufactured homes from real property, to the titling, conveyance, and encumbrance of manufactured homes, and to manufacturers' certificates of origin for vehicles; and providing for an effective date."

- MOVED HCS CSSB 104(RLS) OUT OF COMMITTEE

SENATE BILL NO. 74

"An Act requiring insurance coverage for autism spectrum disorders, describing the method for establishing a covered treatment plan for those disorders, and defining the covered treatment for those disorders; and providing for an effective date."

- MOVED HCS SB 74(RLS) OUT OF COMMITTEE

COMMITTEE SUBSTITUTE FOR SENATE BILL NO. 23(FIN)

"An Act relating to transferable film production tax credits and film production tax credit certificates; requiring the legislative audit division to audit the Alaska film production incentive program; and providing for an effective date by amending the effective dates of secs. 3 and 4, ch. 63, SLA 2008."

- MOVED HCS CSSB 23(RLS) OUT OF COMMITTEE

CS FOR SPONSOR SUBSTITUTE FOR SENATE BILL NO. 25(FIN)

"An Act establishing the sustainable energy transmission and supply development program in the Alaska Industrial Development and Export Authority; relating to the interest rates of the Alaska Industrial Development and Export Authority; and relating to taxes paid on interests in property owned by the Alaska Industrial Development and Export Authority and to the local contribution for public education funding related to that property."

- SCHEDULED BUT NOT HEARD

PREVIOUS COMMITTEE ACTION

BILL: SB 104

SHORT TITLE: MANUFACTURED HOMES AS REAL PROPERTY

SPONSOR(S): SENATOR(S) FRENCH

03/16/11	(S)	READ THE FIRST TIME - REFERRALS
03/16/11	(S)	STA, JUD
03/29/11	(S)	STA AT 9:00 AM BUTROVICH 205
03/29/11	(S)	Heard & Held
03/29/11	(S)	MINUTE(STA)
03/31/11	(S)	STA AT 9:00 AM BUTROVICH 205
03/31/11	(S)	Moved SB 104 Out of Committee
03/31/11	(S)	MINUTE(STA)
04/01/11	(S)	STA RPT 2DP 3NR
04/01/11	(S)	DP: KOOKESH, MEYER
04/01/11	(S)	NR: WIELECHOWSKI, PASKVAN, GIESSEL
04/06/11	(S)	JUD AT 1:30 PM BELTZ 105 (TSBldg)
04/06/11	(S)	Heard & Held
04/06/11	(S)	MINUTE(JUD)
04/15/11	(S)	JUD AT 1:30 PM BUTROVICH 205
04/15/11	(S)	Heard & Held
04/15/11	(S)	MINUTE(JUD)
01/18/12	(S)	JUD AT 1:30 PM BELTZ 105 (TSBldg)
01/18/12	(S)	Moved CSSB 104(JUD) Out of Committee
01/18/12	(S)	MINUTE(JUD)
01/20/12	(S)	JUD RPT CS 4DP SAME TITLE
01/20/12	(S)	DP: FRENCH, COGHILL, WIELECHOWSKI, PASKVAN
01/27/12	(S)	TRANSMITTED TO (H)
01/27/12	(S)	VERSION: CSSB 104(JUD)
01/30/12	(H)	READ THE FIRST TIME - REFERRALS

01/30/12 (H) L&C, STA
 04/04/12 (H) L&C AT 3:15 PM BARNES 124
 04/04/12 (H) Moved Out of Committee
 04/04/12 (H) MINUTE(L&C)
 04/05/12 (H) L&C RPT 3DP 3NR
 04/05/12 (H) DP: THOMPSON, MILLER, HOLMES
 04/05/12 (H) NR: JOHNSON, SADDLER, OLSON
 04/10/12 (H) STA RPT 4DP 1NR
 04/10/12 (H) DP: P.WILSON, GRUENBERG, SEATON,
 PETERSEN
 04/10/12 (H) NR: KELLER
 04/10/12 (H) STA AT 8:00 AM CAPITOL 106
 04/10/12 (H) Moved Out of Committee
 04/10/12 (H) MINUTE(STA)
 04/15/12 (H) RLS AT 9:00 AM BARNES 124

BILL: SB 74

SHORT TITLE: AUTISM: INS. COVERAGE, TASK FORCE
 SPONSOR(S): SENATOR(S) ELLIS

01/28/11 (S) READ THE FIRST TIME - REFERRALS
 01/28/11 (S) HSS, L&C
 03/30/11 (S) HSS AT 1:30 PM BUTROVICH 205
 03/30/11 (S) Moved SB 74 Out of Committee
 03/30/11 (S) MINUTE(HSS)
 04/01/11 (S) HSS RPT 4DP 1AM
 04/01/11 (S) DP: DAVIS, MEYER, ELLIS, EGAN
 04/01/11 (S) AM: DYSON
 04/12/11 (S) L&C AT 2:00 PM BELTZ 105 (TSBldg)
 04/12/11 (S) Scheduled But Not Heard
 04/14/11 (S) L&C AT 2:00 PM BELTZ 105 (TSBldg)
 04/14/11 (S) Moved SB 74 Out of Committee
 04/14/11 (S) MINUTE(L&C)
 04/15/11 (S) L&C RPT 4DP 1DNP
 04/15/11 (S) DP: EGAN, DAVIS, PASKVAN, MENARD
 04/15/11 (S) DNP: GIESSEL
 02/23/12 (S) TRANSMITTED TO (H)
 02/23/12 (S) VERSION: SB 74
 02/24/12 (H) READ THE FIRST TIME - REFERRALS
 02/24/12 (H) HSS, L&C
 04/10/12 (H) HSS AT 3:00 PM CAPITOL 106
 04/10/12 (H) Heard & Held
 04/10/12 (H) MINUTE(HSS)
 04/14/12 (H) HSS RPT 5DP 1NR 1AM
 04/14/12 (H) DP: SEATON, MILLER, HERRON, MILLETT,
 KERTTULA
 04/14/12 (H) NR: DICK

04/14/12 (H) AM: KELLER
04/14/12 (H) L&C REFERRAL WAIVED
04/14/12 (H) HSS AT 9:30 AM CAPITOL 106
04/14/12 (H) Moved Out of Committee
04/14/12 (H) MINUTE(HSS)
04/15/12 (H) RLS AT 9:00 AM BARNES 124

BILL: SB 23

SHORT TITLE: TAXES & CREDIT:FILM/OIL & GAS/GAS STORAGE

SPONSOR(s): SENATOR(s) ELLIS

01/19/11 (S) PREFILE RELEASED 1/7/11
01/19/11 (S) READ THE FIRST TIME - REFERRALS
01/19/11 (S) L&C, FIN
02/17/11 (S) L&C AT 1:30 PM BELTZ 105 (TSBldg)
02/17/11 (S) Heard & Held
02/17/11 (S) MINUTE(L&C)
02/22/11 (S) L&C AT 1:30 PM BELTZ 105 (TSBldg)
02/22/11 (S) Moved SB 23 Out of Committee
02/22/11 (S) MINUTE(L&C)
02/23/11 (S) L&C RPT 4DP 1NR
02/23/11 (S) DP: EGAN, DAVIS, PASKVAN, MENARD
02/23/11 (S) NR: GIESSEL
03/21/11 (S) FIN AT 9:00 AM SENATE FINANCE 532
03/21/11 (S) Heard & Held
03/21/11 (S) MINUTE(FIN)
04/04/11 (S) FIN RPT CS 7DP NEW TITLE
04/04/11 (S) DP: HOFFMAN, STEDMAN, THOMAS, EGAN,
MCGUIRE, OLSON, ELLIS
04/04/11 (S) FIN AT 9:00 AM SENATE FINANCE 532
04/04/11 (S) Moved CSSB 23(FIN) Out of Committee
04/04/11 (S) MINUTE(FIN)
04/06/11 (S) TRANSMITTED TO (H)
04/06/11 (S) VERSION: CSSB 23(FIN)
04/07/11 (H) READ THE FIRST TIME - REFERRALS
04/07/11 (H) L&C, FIN
04/08/11 (H) L&C AT 3:15 PM CAPITOL 106
04/08/11 (H) Heard & Held
04/08/11 (H) MINUTE(L&C)
04/10/11 (H) L&C AT 3:15 PM BARNES 124
04/10/11 (H) -- MEETING CANCELED --
04/11/11 (H) L&C AT 3:15 PM BARNES 124
04/11/11 (H) Heard & Held
04/11/11 (H) MINUTE(L&C)
04/12/11 (H) L&C AT 4:15 PM BARNES 124
04/12/11 (H) Heard & Held
04/12/11 (H) MINUTE(L&C)

04/13/11 (H) L&C AT 3:15 PM BARNES 124
 04/13/11 (H) Moved HCS CSSB 23(L&C) Out of
 Committee
 04/13/11 (H) MINUTE(L&C)
 04/14/11 (H) L&C RPT HCS(L&C) 4DP 2NR 1AM
 04/14/11 (H) DP: THOMPSON, HOLMES, MILLER, OLSON
 04/14/11 (H) NR: CHENAULT, SADDLER
 04/14/11 (H) AM: JOHNSON
 04/15/11 (H) FIN AT 1:30 PM HOUSE FINANCE 519
 04/15/11 (H) -- MEETING CANCELED --
 04/16/11 (H) FIN AT 9:30 AM HOUSE FINANCE 519
 04/16/11 (H) Heard & Held
 04/16/11 (H) MINUTE(FIN)
 02/23/12 (H) FIN AT 1:30 PM HOUSE FINANCE 519
 02/23/12 (H) Heard & Held; Assigned to Subcommittee
 02/23/12 (H) MINUTE(FIN)
 03/22/12 (H) FIN AT 8:30 AM HOUSE FINANCE 519
 03/22/12 (H) Work Session on above Bill
 03/28/12 (H) FIN AT 8:00 AM HOUSE FINANCE 519
 03/28/12 (H) -- MEETING CANCELED --
 03/29/12 (H) FIN AT 8:00 AM HOUSE FINANCE 519
 03/29/12 (H) Work Session on above Bill
 04/02/12 (H) FIN AT 8:00 AM HOUSE FINANCE 519
 04/02/12 (H) Work Session on above Bill
 04/05/12 (H) FIN AT 8:00 AM HOUSE FINANCE 519
 04/05/12 (H) Work Session on above Bill
 04/06/12 (H) FIN AT 8:00 AM HOUSE FINANCE 519
 04/06/12 (H) Work Session on above Bill
 04/09/12 (H) FIN AT 8:00 AM HOUSE FINANCE 519
 04/09/12 (H) Work Session on above Bill
 04/11/12 (H) FIN AT 1:30 PM HOUSE FINANCE 519
 04/11/12 (H) Scheduled But Not Heard
 04/12/12 (H) FIN AT 9:00 AM HOUSE FINANCE 519
 04/12/12 (H) Scheduled But Not Heard
 04/13/12 (H) FIN AT 9:00 AM HOUSE FINANCE 519
 04/13/12 (H) Moved HCS CSSB 23(FIN) Out of
 Committee
 04/13/12 (H) MINUTE(FIN)
 04/14/12 (H) FIN RPT HCS(FIN) NT 3DP 7NR
 04/14/12 (H) DP: T.WILSON, GUTTENBERG, JOULE
 04/14/12 (H) NR: FAIRCLOUGH, NEUMAN, COSTELLO,
 EDGMON, DOOGAN, STOLTZE, THOMAS
 04/14/12 (H) FIN AT 9:30 AM HOUSE FINANCE 519
 04/14/12 (H) Moved HCS CSSB 23(FIN) Out of
 Committee
 04/14/12 (H) MINUTE(FIN)
 04/15/12 (H) RLS AT 9:00 AM BARNES 124

WITNESS REGISTER

REPRESENTATIVE CATHY MUNOZ
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Presented the changes embodied in HCS CSSB 104, Version T.

SENATOR HOLLIS FRENCH
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Spoke as the sponsor of SB 104.

ERIN SHINE, Staff
Representative Johnson
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: As staff to Representative Johnson, chair of the House Rules Standing Committee, presented the changes encompassed in Version E.

DENNY DEWITT, Lobbyist/Alaska Director
National Federation of Independent Business
Juneau, Alaska

POSITION STATEMENT: During hearing of SB 74, expressed concern regarding unfunded mandates.

REPRESENTATIVE STEVE THOMPSON
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Presented SB 23.

JANE PIERSON, Staff
Representative Steve Thompson
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Reviewed the changes embodied in HCS CSSB 23, Version UU.

JERRY LAVINE, Owner/Operator
Connections Film & Video
Anchorage, Alaska

POSITION STATEMENT: Encouraged the committee to table SB 23.

MARK BRINSTER, Film Professional
Homer, Alaska

POSITION STATEMENT: Testified in opposition to SB 23.

LAWRENCE GOLDIN
Aurora Films
Anchorage, Alaska

POSITION STATEMENT: Expressed concerns with SB 23.

BOB CROCKETT
Alaska Film Group

POSITION STATEMENT: Encouraged the committee to move SB 23 forward.

ACTION NARRATIVE

[9:04:11 AM](#)

CHAIR CRAIG JOHNSON called the House Rules Standing Committee meeting to order at 9:04 a.m. Representatives Olson, Chenault, Austerman, Gruenberg, Tuck, and Johnson were present at the call to order.

SB 104-MANUFACTURED HOMES AS REAL PROPERTY

[9:04:38 AM](#)

CHAIR JOHNSON announced that the first order of business would be CS FOR SENATE BILL NO. 104(JUD), "An Act relating to manufactured homes, including manufactured homes permanently affixed to land, to the conversion of manufactured homes to real property, to the severance of manufactured homes from real property, to the titling, conveyance, and encumbrance of manufactured homes, and to manufacturers' certificates of origin for vehicles; and providing for an effective date."

[9:04:44 AM](#)

REPRESENTATIVE OLSON moved to adopt HCS CSSB 104, Version 27-LS0467\T, Bannister, 4/14/12, as the working document.

CHAIR JOHNSON objected for discussion purposes.

[9:05:07 AM](#)

REPRESENTATIVE CATHY MUNOZ, Alaska State Legislature, began by acknowledging the presence of the sponsor of SB 104, Senator Hollis French. She explained that the language added in Version T addresses the tax deferral option to municipalities for the

increased value of property due to its subdivision. Currently, when a developer subdivides property and the paperwork is filed, the property assessment is recalculated. The recalculation is sometimes at a rate 5-10 times greater than the pre-application amount. Therefore, the language in Version T would allow municipalities the option to defer that additional tax burden for up to 10 years or when the lot is sold or after construction. This new language is included in the title as well as in Section 22 on pages 13-14. Section 32 of Version T includes severability language on page 22.

[9:06:40 AM](#)

REPRESENTATIVE MUNOZ, in response to Representative Gruenberg, confirmed that the new language in SB 104 is the same as that of HB 264, which she sponsored.

[9:08:14 AM](#)

CHAIR JOHNSON invited public testimony.

[9:08:27 AM](#)

SENATOR HOLLIS FRENCH, Alaska State Legislature, speaking as the sponsor of SB 104, related his agreement with the changes encompassed in Version T.

[9:08:59 AM](#)

CHAIR JOHNSON, upon determining no one else wished to testify, closed public testimony. He then announced that HCS CSSB 104, Version T, was before the committee.

[Chair Johnson's objection to the adoption of Version T was treated as withdrawn.]

[9:09:06 AM](#)

REPRESENTATIVE OLSON moved to report HCS CSSB 104, Version 27-LS0467\T, Bannister, 4/14/12, out of committee with individual recommendations and the accompanying fiscal notes. There being no objection, HCS CSSB 104(RLS) was reported from the House Rules Standing Committee.

SB 74-AUTISM: INS. COVERAGE, TASK FORCE

[9:09:37 AM](#)

CHAIR JOHNSON announced that the next order of business would be SENATE BILL NO. 74, "An Act requiring insurance coverage for autism spectrum disorders, describing the method for establishing a covered treatment plan for those disorders, and defining the covered treatment for those disorders; and providing for an effective date."

[9:09:49 AM](#)

REPRESENTATIVE OLSON moved to adopt HCS SB 74, Version 27-LS0443\E, Bailey, 4/14/12, as the working document.

CHAIR JOHNSON objected.

[9:10:02 AM](#)

ERIN SHINE, Staff, Representative Johnson, Alaska State Legislature, reviewed the changes encompassed in Version E. In Version E on page 1, lines 10-11, the language "or psychologist," was replaced with the language ", psychologist, or advanced nurse practitioner,". On page 1, line 13, the language "may include" is replaced with the language "includes". On page 2, line 3, the language "necessary to develop, restore, or maintain the functioning of an individual to the maximum extent practicable" was moved from following the term "therapies" to following the term "programs". The aforementioned change clarifies that the standard applies to both applied behavior analysis and structural behavioral therapies. On page 2, lines 25-28, a new subsection (c) that exempts a business with 20 employees or less from being required to provide autism insurance coverage is added. On page 2, line 29 through page 3, line 3, a new subsection (d) is added that specifies that employers with 21-25 employees may be exempt from being required to provide autism insurance coverage when they demonstrate that the increases to their premium for a consecutive 12-month period is greater than 3 percent.

[9:12:06 AM](#)

REPRESENTATIVE GRUENBERG posed a scenario in which a company has health insurance with company A and it will increase more than 3 percent, but the company could obtain health insurance for a cost less than 3 percent from another company. He asked, "Will they be able to get out under this or is there a duty to try to get insurance that would meet the requirement?"

CHAIR JOHNSON said there is no duty to do so, but opined that any prudent businessman would seek a cheaper insurance policy. He highlighted that [the legislature] is trying to avoid mandates on private businesses.

[9:13:06 AM](#)

MS. SHINE, continuing her review of the changes encompassed in Version E, directed attention to page 3, line 8, following "or" the term "has" was inserted. On page 3, lines 23-24, the language ", psychologist, or advanced nurse practitioner," replaces the language "or psychologist". On page 4, line 7, the enactment date has been changed from "January 1, 2012" to "January 1, 2013". In Section 3, the immediate effective date under AS 01.10.070(c) to January 1, 2013.

[9:14:12 AM](#)

CHAIR JOHNSON invited public testimony.

[9:14:39 AM](#)

DENNY DEWITT, Lobbyist/Alaska Director, National Federation of Independent Business, stated that while the National Federation of Independent Business appreciates the movement the legislation makes, unfunded mandates are merely that - unfunded mandates. While the membership of the National Federation of Independent Business appreciates the efforts, particularly that a number of the more fragile businesses in Alaska are protected, it remains a mandate. In a corporate sense, the legislature is a board of directors for the Alaska State corporation. Mr. DeWitt highlighted that the legislature is ignoring its own personnel policies and mandating them to others.

[9:15:54 AM](#)

CHAIR JOHNSON, upon determining no one else wished to testify, closed public testimony. He then announced that the legislation was before the committee.

[Chair Johnson's earlier objection to the adoption of HCS SB 74, Version E, was treated as withdrawn.]

[9:16:26 AM](#)

REPRESENTATIVE OLSON moved to report HCS SB 74, Version 27-LS0443\E, Bailey, 4/14/12, out of committee with individual

recommendations and the accompanying fiscal notes. There being no objection, HCS SB 74(RLS) was reported from the House Rules Standing Committee.

SB 23-TAXES & CREDIT:FILM/OIL & GAS/GAS STORAGE

[9:16:49 AM](#)

CHAIR JOHNSON announced that the next order of business would be CS FOR SENATE BILL NO. 23(FIN), "An Act relating to transferable film production tax credits and film production tax credit certificates; requiring the legislative audit division to audit the Alaska film production incentive program; and providing for an effective date by amending the effective dates of secs. 3 and 4, ch. 63, SLA 2008."

The committee took a brief at-ease.

[9:17:45 AM](#)

REPRESENTATIVE OLSON moved to adopt HCS CSSB 23, Version 27-LS0252\UU, Bullock, 4/14/12, as the working document.

CHAIR JOHNSON objected for purposes of discussion.

[9:18:03 AM](#)

REPRESENTATIVE STEVE THOMPSON, Alaska State Legislature, explained that Version UU is about policy and SB 23 is about incenting the issues that are important to Alaskans and good for the state. These incentives, which are found in SB 23, HB 289, SB 153, HB 276, and SB 145 have been thoroughly vetted in both bodies by many committees. Furthermore, votes on both the House and the Senate floors have been overwhelmingly in favor of these incentives. Senate Bill 23, he opined, will encourage commerce via credits for the film industry, new oil and gas exploration in unexplored regions, and the commercialization of natural gas to Alaskans and quite possibly by Alaskans. Although SB 23 won't answer all the issues the legislature set out to solve this year, it will move Alaska forward by encouraging industry, development, and hope to communities experiencing the strain of Alaska's energy drain. The aforementioned will open the way for new resources, exploration that will benefit the bottom line of the state as well as the people of Alaska. In closing, Representative Thompson expressed hope that next year the same could be done for the legacy fields.

[9:19:45 AM](#)

JANE PIERSON, Staff, Representative Steve Thompson, Alaska State Legislature, informed the committee that Version UU is a compilation of SB 23, as it left the House Finance Committee; HB 289, as it passed the House; and HB 276, as it left the Senate. She noted that there is a fiscal note from Lennie Dees, Department of Revenue, and an explanation from Roger Marks regarding what the Senate did. She related that the Senate added a new section, AS 43.55.162, entitled "**Adjustment to production tax value for increasing oil and gas production.**" This section incentivizes certain qualifying new production by reducing the production tax value for production from a lease or property north of the 68th degree latitude that as of January 1, 2008, wasn't within a unit or in commercial production by 30 percent of the gross value at the point of production for the first 10 consecutive years after the start of sustained production. The adjusted production tax value is the amount upon which the base tax rate and progressivity tax index is applied to determine the producer's production tax liability. The legislation also makes the appropriate changes to AS 43.55.011(e)(1) and (g) to reflect the change in production tax calculations for the reduction in production tax value. Ms. Pierson then related that Mr. Marks described the new addition by the Senate as follows: "This proposal uses the same tax rates for [Alaska's Clear and Equitable Share] ACES with the gross value reduced by 30 percent for new fields for the first 10 years. Thus, the nominal tax rate is the same as for ACES." She then highlighted that there is also a change in Version UU such that the new production allowance will apply everywhere outside of Cook Inlet. Therefore, Middle Earth would fall under this new tax rate after its own provision expires.

[9:22:26 AM](#)

MS. PIERSON, in response to Chair Johnson, clarified that the legislation passed the Senate with the north of the 68th latitude language. The legislation was changed [within Version UU] such that it referred to outside of Cook Inlet, and thus Middle Earth would also apply.

[9:22:56 AM](#)

JERRY LAVINE, Owner/Operator, Connections Film & Video, informed the committee that he testified against SB 23 in the House Finance Subcommittee. He related that his main concern was for

Alaska businesses and competition. While he favors the generous support for Alaska hire that the bill provides - trading a \$1 tax credit for a \$1 of Alaska resident hire - Representative Costello and the subcommittee should be praised for looking out for the best interests of Alaska residents. Mr. LaVine explained that during his previous testimony he referred to the term pass-through in which a producer may use a local Alaska vendor to pass-through expenses that are actually made out-of-state to non-Alaskan businesses. Examples of out-of-state expenses include cameras, lights, and autos for catering, portable makeup, et cetera. Further examples include the shipping expenses to and from the state as well as the travel expenses for out-of-state residents. The pass-through loophole wasn't closed and makes it difficult for Alaska businesses to compete against non-Alaska business. He informed the committee that Washington State closed its pass-through loophole to the extent that they used language specifying that even Washington vendors may not rent or purchase supplies outside the state for the purposes of qualifying for the incentive or tax nexus. Mr. LaVine ran some numbers using "The Big Miracle" tax credit application that was approved by the state. Under Version UU, he estimated that "The Big Miracle" production would qualify for a \$12.5 million estimated tax credit whereas under the current legislation they would qualify for \$9.6 million. Therefore, "The Big Miracle" would receive more tax credits under Version UU. He expressed concern that the pass-through is a round-about way that allows for the salaries above the line to still qualify for large sums of money. However, he understood that 65 percent of Alaskans didn't want to pay for the salaries of above-the-line directors, actors, and producers. Mr. LaVine requested that the committee consider tabling SB 23 until next year. He informed the committee that Legislative Audit hasn't completed its audit and there is no public study of the program.

[9:27:00 AM](#)

MARK BRINSTER, Film Professional, informed the committee that he has been a film professional in Alaska for over 30 years. He then testified in opposition to SB 23. While Mr. Brinster said that he applauds the efforts of the House Finance Subcommittee on SB 23 to add incentives for local hire, he felt the language regarding above-line salaries isn't entirely clear and [doesn't provide] adequate safeguards to prevent Hollywood from taking advantage. The film industry is fairly well known for "creative accounting." In fact, one court in California described the film industry as having "the most unconscionable accounting practices in the world." Therefore, Alaska needs to be

especially careful when dealing with Hollywood, particularly in terms of a subsidy program. He opined that the 2008 legislation was rushed and received inadequate debate, which resulted in numerous loopholes, pass-throughs, and a disproportionate amount of subsidies paying for nonresident wages. In 2011, 84 percent of the wages that were subsidized by the program went to nonresidents. Mr. Brinster recalled that there is a legislative audit underway and the program sunsets next year. Therefore, he opined that the matter should be tabled until the next legislature when more will be known, which will assure Alaskans that [the program] doesn't subsidize Hollywood, California, but rather protects the interests of Alaskans.

9:29:01 AM

LAWRENCE GOLDIN, Aurora Films, began by informing the committee that he has been producing/making films in Alaska for nearly 40 years. He noted that he has worked on feature films that were funded by outside production companies as well as feature films funded from within Alaska. He related that he is probably most well-known for his historical documentaries, the most recent of which was "Statehood". With regard to SB 23, he stated that his main interest is to see that the Alaska film industry benefits from these subsidies. He then said that much credit is due to Representative Costello and the subcommittee for inserting a provision that would allow above-the-line functions for directors, writers, principle actors, and producers who qualify as state residents. This legislation would allow up to 50 percent of the salaries of those Alaskans to qualify for tax incentives, as it's the only way in which Alaskans will reach the ability to own media productions so that the profits from the media productions stay in the state. When the aforementioned occurs, the private sector in Alaska will increase its capital and be able to better invest in infrastructure, crew training, and future productions. However, he expressed concern with the cap on incentives for those same categories of professionals if they aren't Alaska residents. The testimony in prior committees has related how that might dampen out-of-state investments in Alaska. The 5 percent cap, he opined, is low and could have a detrimental impact in the long-term. Mr. Goldin explained that although he wants Alaskans to own media productions and participate as employees as much as possible, it will take time for that to develop. In the meantime, the most readily available source of capital for improving the film industry and obtaining more jobs will be the nonresident producers. He then expressed concern with the makeup and functions of the film commission that would be

empowered to evaluate and pass judgment on the worthiness of projects for the tax incentives. The aspects of SB 23 that have to do with approving projects based on whether the projects are perceived as being in the best interest of Alaska can be problematic. The film commission is composed of four commissioners of state departments, which are political appointees who will be very cautious. The interpretation of best interest, best financial interest of the state is very nebulous. In fact, he expressed concern that some of the recent films produced in Alaska might not have passed muster to that type of judgment. For example, the film "Everybody Loves Whales" includes some controversial remarks regarding the oil industry in Alaska. The film "On Frozen Ground", which portrays the misadventures of an Alaskan, could have been determined not to be appropriate. He emphasized that people who are hypersensitive to the content of films could veto any number of projects. At the very least, Mr. Goldin suggested that other members be added to the proposed film commission, those with longer term perspectives or vision such as individuals from the State Council of the Arts, the Humanities Forum, or staff from the film department from the University of Alaska Fairbank or the journalism department from the University of Alaska Anchorage. He opined that for the artistic process some leeway is required to allow one to express him/herself and leave it to audiences to make reasonable and informed judgment about Alaska.

[9:36:34 AM](#)

BOB CROCKETT, acknowledged that SB 23 isn't perfect, but it does allow the film industry to move forward. Therefore, he encouraged the committee to allow SB 23 to move forward because it allows a tremendous benefit to Alaskans as it ties above-the-line to wages that are spent on Alaska wages and Alaska business.

[9:37:10 AM](#)

CHAIR JOHNSON, upon determining no one else wished to testify, closed public testimony.

[9:37:20 AM](#)

The committee took an at-ease from 9:37 a.m. to 9:40 a.m.

[9:40:24 AM](#)

REPRESENTATIVE CHENAULT moved Conceptual Amendment 1 that would delete Section 18.

CHAIR JOHNSON objected for purposes of discussion.

REPRESENTATIVE CHENAULT clarified that Conceptual Amendment 1 would remove Section 18 and any references to it.

[9:41:06 AM](#)

MS. PIERSON explained that Conceptual Amendment 1 would remove the 30 percent gross tax allowance that was put into SB 23 by the Senate. That allowance applies to above the 68th degree parallel. Therefore, the [adoption of Conceptual Amendment 1] would only leave an oil and gas tax advantage for Middle Earth. In response to Chair Johnson, Ms. Pierson explained that above the 68th parallel refers to the North Slope.

[9:41:51 AM](#)

CHAIR JOHNSON surmised then that [the adoption of Conceptual Amendment 1] would result in the removal of the North Slope from the proposed tax exemption.

MS. PIERSON pointed out that the tax allowance can be found in the proposed AS 43.55.162, Section 18.

CHAIR JOHNSON related his understanding that the [inclusion of Section 18] was an oversight and was never intended by the sponsor. He then thanked Representative Chenault and his staff for catching the mistake.

[9:42:21 AM](#)

REPRESENTATIVE TUCK asked if [the adoption of Conceptual Amendment 1] would remove the North Slope from the proposed tax exemptions.

MS. PIERSON replied yes.

[9:42:36 AM](#)

REPRESENTATIVE GRUENBERG surmised then, "If we didn't have it, then all Middle Earth would be removed. You just want to remove the North Slope."

MS. PIERSON replied no, and added that there are two different issues. This adjustment on the North Slope was directed just to the North Slope and Middle Earth was addressed as Middle Earth.

[9:43:16 AM](#)

CHAIR JOHNSON related his understanding that [the adoption of Conceptual Amendment 1] will remove the North Slope [from the proposed tax exemptions].

[9:43:25 AM](#)

REPRESENTATIVE TUCK recalled that Ms. Pierson originally specified that Version UU included HB 289, HB 276 as passed from the Senate, and Section 18. He asked if that's correct.

MS. PIERSON responded yes, but stated that the inclusion of Section 18 was a drafting error.

[9:44:08 AM](#)

REPRESENTATIVE TUCK recalled that Ms. Pierson did speak on behalf of Section 18 as if Representative Thompson added the language.

MS. PIERSON acknowledged that she did speak to Section 18, but didn't realize that it was actually in the legislation and should be removed.

CHAIR JOHNSON interjected that any complaints regarding why and how Section 18 was included should be directed to him as he introduced [Version UU].

REPRESENTATIVE TUCK clarified that he was trying to determine whether the inclusion of Section 18 was really a mistake.

CHAIR JOHNSON further interjected that it was clearly a mistake and again thanked Representative Chenault for catching it.

[9:44:59 AM](#)

CHAIR JOHNSON withdrew his objection to Conceptual Amendment 1. There being no further objection, Conceptual Amendment 1 was adopted.

[9:45:36 AM](#)

REPRESENTATIVE GRUENBERG informed the committee that his recommendation will be to amend for reasons that he has discussed with the chair.

CHAIR JOHNSON withdrew his objection to the adoption of Version UU, as amended.

[9:46:02 AM](#)

REPRESENTATIVE OLSON moved to report HCS CSSB 23, Version UU, as amended, out of committee with individual recommendations and the accompanying fiscal notes. There being no objection, HCS CSSB 23(RLS) was reported from the House Rules Standing Committee.

[9:46:20 AM](#)

ADJOURNMENT

CHAIR JOHNSON recessed to a call of the chair at 9:46 a.m.
[This meeting did not reconvene.]