

SENATE FINANCE COMMITTEE

April 15, 2012

9:09 a.m.

9:09:24 AM

CALL TO ORDER

Co-Chair Stedman called the Senate Finance Committee meeting to order at 9:09 a.m.

MEMBERS PRESENT

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

MEMBERS ABSENT

None

ALSO PRESENT

Darwin Peterson, Staff, Senator Bert Stedman; Curtis Thayer, Deputy Commissioner, Department of Commerce, Community and Economic Development; Juli Lucky, Staff, Representative Mike Hawker; Annie Carpeneti, Department of Law; Senator Dennis Egan; Ed Fogels, Deputy Commissioner, Department of Natural Resources; Christopher Clark, Staff, Representative Cathy Munoz; Randy Hoffbeck, Chief of Staff, North Slope Borough; Representative Paul Seaton; Matt Felix, Alaska Addiction Professional Association; Jan Wrentmore; Bob Coghill, Self; Elaine Vroman, Meeting the Challenge, Anchorage.

PRESENT VIA TELECONFERENCE

Ellen Ganley, Public Member, ABC Board, Fairbanks; Kate Burkhart, Executive Director, Advisory Board on Alcoholism and Drug Abuse; Chrystal Schoenrock, Self, Nikiski; Jeff Jessee, Chief Executive Officer, Alaska Mental Health Trust Authority, Anchorage; Johanna Bales, Deputy Director, Tax Division, Department of Revenue.

SUMMARY

CSHB 89(RES)

EXTRACTION OF BEDLOAD MATERIAL

CSHB 89(RES) was REPORTED out of committee with a "do pass" recommendation and with a new indeterminate fiscal note from the Department of Transportation and Public Facilities and new indeterminate fiscal note from Department of Natural Resources.

CSHB 121(RLS)

LOAN FUNDS:CHARTERS/MARICULTURE/MICROLOAN

SCS CSHB 121(FIN) was REPORTED out of committee with a "do pass" recommendation and with four new fiscal impact notes by the Senate Finance Committee for the Department of Commerce, Community and Economic Development.

CSHB 125(L&C)(efd am)

ALCOHOLIC BEVERAGE CONTROL BOARD

SCS CSHB 125(FIN) was REPORTED out of committee with a "do pass" recommendation and with a previously published zero fiscal note: FN4(DCCED) and a previously published fiscal impact note: FN5(DCCED).

CSHB 264(CRA)

MUNI PROPERTY TAX DEFERRAL: SUBDIVISIONS

SCS CSHB 264(FIN) was REPORTED out of committee with a "do pass" recommendation and with a previously published zero fiscal note: FN2(DCCED), and a new zero fiscal note by the Senate Finance Committee for the Department of Revenue.

CSHB 279(FIN)

EXTENDING CERTAIN BOARDS & COMMISSIONS

SCS CSHB 279 was REPORTED out of committee with a "do pass" recommendation and with previously published fiscal impact notes: FN4(DCCED),

FN5(DCCED), FN6(DCCED), FN7(DCCED), FN8(DNR), and FN9(DPS).

CSHB 359(FIN)am

SEX CRIMES; TESTIMONY BY VIDEO CONFERENCE

CSHB 359(FIN)am was REPORTED out of committee with a "do pass" recommendation and with previously published indeterminate fiscal notes: FN8(COURT) and FN14(DOC), and previously published zero fiscal notes: FN9(DOA), FN10(DOA), FN11(DOL), FN12(DPS), FN13(DPS).

CSHB 361(FIN)am

DISPOSALS OF STATE RESOURCES/ROYALTIES

SCS CSHB 361(FIN) was REPORTED out of committee with a "do pass" recommendation and with a new zero fiscal note from the Department of Natural Resources, and previously published zero fiscal notes: FN1(DFG) and FN2(DOT).

CS FOR HOUSE BILL NO. 121(RLS)

"An Act establishing the commercial charter fisheries revolving loan fund, the mariculture revolving loan fund, and the Alaska microloan revolving loan fund and relating to those funds and loans from those funds; and providing for an effective date."

9:10:52 AM

Senator Thomas MOVED to ADOPT the proposed committee substitute for CSHB 121(RLS), Work Draft 27-GH1728\S (Bullard, 4/14/12).

Co-Chair Stedman OBJECTED for the purpose of discussion.

DARWIN PETERSON, STAFF, SENATOR BERT STEDMAN, explained the changes in the committee substitute. He stated that Sections 1 to 11 were new sections that would establish the Community Quota Entity revolving loan fund, and was based on language from SB 204. He stated that the intent of the program was to assist small coastal communities throughout Southeast Alaska and the Gulf of Alaska to form non-profit community entities that may be eligible for up to a \$1 million loan from the State to purchase up to 50,000 pounds

of fishing quota that would be held in trust for community residents. Currently there were 45 coastal communities that could qualify, because they meet the requirements of being off the road system with a population of 1500 or less and a history of fishing. After consulting with the Alaska Bankers Associations, side-bars were placed on the program to satisfy some of their concerns. On page 3, line 14 the interest deferment was reduced from 10 years to 2 years. On page 3, line 15 the language expressly prohibited the Community Quota Entity from refinancing their loan through the State. The language was also adjusted to make the Community Quota Entity a pilot program, that would sunset in five years. The fiscal note appropriated \$10 million, which was enough for ten communities. In five years, the legislature could revisit the program. If the program had proven to be successful, the legislature could decide if the program should continue. In addition, the committee substitute placed an interest rate floor on loans offered through the Commercial Fishing Loan Fund. The floor would be the prime rate plus one percentage point, plus an additional percentage point determined by the Department to represent risk. This would promote interest rates offered through the State's loan program that were more closely based on market forces and would discourage the State from offering artificially low subsidized rates that would compete with the private sector.

Mr. Peterson stated that Section 12 set up the Commercial Charter Fisheries Revolving Loan Fund. He stated that the committee substitute removed the sub-sections referring to vessels, so loans could only be used for purchase permits. Loans for fishing vessels could be accessed through conventional lenders. He stated that page 7, lines 13 to 15 limited the loan amount for a charter halibut permit to a value determined by the Department, based on a 12-month rolling average set quarterly, not to exceed \$100,000. He explained that the average price for halibut permits ranged from \$29,000 to \$61,000.

Co-Chair Stedman REMOVED his OBJECTION. There being NO FURTHER OBJECTION, Work Draft 27-GH1728\S was ADOPTED.

[9:15:32 AM](#)

Co-Chair Stedman explained that there was current work regarding HB 121, and wondered if Mr. Curtis had any remarks for the committee.

CURTIS THAYER, DEPUTY COMMISSIONER, DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT, explained the different fishing revolving loan funds. He remarked that with this particular loan, there was delayed payment for up to seven years.

Co-Chair Stedman discussed the fiscal notes in the members' packets.

Co-Chair Hoffman MOVED to report SCS CSHB 121(FIN) out of committee with individual recommendations and the accompanying fiscal notes. There being NO OBJECTION, it was so ordered.

SCS CSHB 121(FIN) was REPORTED out of committee with a "do pass" recommendation and with four new fiscal impact notes from the Senate Finance Committee for the Department of Commerce, Community and Economic Development.

CS FOR HOUSE BILL NO. 279(FIN)

"An Act extending the termination dates of the Board of Nursing, the Board of Dental Examiners, the Board of Barbers and Hairdressers, the Big Game Commercial Services Board, the Alcoholic Beverage Control Board, and the Alaska Seismic Hazards Safety Commission; and providing for an effective date."

[9:19:02 AM](#)

Co-Chair Stedman discussed the six fiscal notes in the members' packets.

JULI LUCKY, STAFF, REPRESENTATIVE MIKE HAWKER, expressed that the bill sponsor addressed their concerns at a previous meeting. She stated that the bill sponsor preferred to keep the board extensions clean from the policy calls, but did not comment what specific policy call the committee would be making.

Co-Chair Hoffman MOVED to report SCS CSHB 279 out of committee with individual recommendations and the accompanying fiscal notes. There being NO OBJECTION, it was so ordered.

SCS CSHB 279 was REPORTED out of committee with a "do pass" recommendation and with previously published fiscal impact notes: FN4(DCCED), FN5(DCCED), FN6(DCCED), FN7(DCCED), FN8(DNR), and FN9(DPS).

CS FOR HOUSE BILL NO. 359(FIN) am

"An Act relating to conspiracy to commit human trafficking in the first degree or sex trafficking in the first degree; relating to the crime of distribution of indecent material to minors, the crime of online enticement of a minor, the crime of prostitution, and the crime of sex trafficking; relating to forfeiture of property used in prostitution offenses; relating to testimony by video conference; adding Rule 38.3, Alaska Rules of Criminal Procedure; and providing for an effective date."

[9:21:21 AM](#)

ANNIE CARPENETI, DEPARTMENT OF LAW, stated that the bill addressed sex trafficking. More than half the bill addressed a change in the title of a crime from "promoting prostitution in the first, second, third, and fourth degrees" to "sex trafficking" in those degrees. The reasons for the change in title were: 1) Communication. Law enforcement, almost uniformly, describes this conduct as sex trafficking, rather than "promoting prostitution." This communication has led to some misunderstandings over the last several years. 2) It is considered to be more respectful to victims of these crimes to be considered victims of sex trafficking, rather than people who are being promoted as prostitutes. The pages of the bill are conforming, throughout the statutes, to the name change. The bill also adds two crimes to the state's conspiracy law: 1) Human trafficking in the first degree, which is a class-A felony; and 2) Sex trafficking in the first degree, which is either a class-A felony, if you are trafficking an adult; or an unclassified felony, if you are trafficking a child. The bill raised the penalty for being a patron of a prostitute who is under 18 years of age, from a class-B misdemeanor to a class-C felony, if the patron is over 18-years-old and is at least three years older than the victim. The bill also addressed the crime of distribution of indecent material to minors. The bill tightened the elements of the crime to require the State, in prosecuting the person for this offence, to prove that the person

intentionally distributed the material or possessed it with intent to distribute. The bill did not make any changes in the elements of the offenses, with one exception: the House Finance Committee changed the age of the victim from under 18 years of age to less than 20 years of age, for that crime to be considered an unclassified felony. The rationale for that change was that 18 to 19 year old people may be considered adults in some ways, but were still vulnerable to victimization by older people.

Co-Chair Stedman discussed the fiscal notes in the members' packets.

Co-Chair Hoffman MOVED to report CSHB 359(FIN)am out of committee with individual recommendations and the accompanying fiscal notes. There being NO OBJECTION, it was so ordered.

CSHB 359(FIN)am was REPORTED out of committee with a "do pass" recommendation and with previously published indeterminate fiscal notes: FN8(COURT) and FN14(DOC), and previously published zero fiscal notes: FN9(DOA), FN10(DOA), FN11(DOL), FN12(DPS), FN13(DPS).

CS FOR HOUSE BILL NO. 361(FIN) am

"An Act relating to the Alaska Land Act, including certain leases, sales, and other disposals of state land and materials; relating to production royalties from miners; and providing for an effective date."

9:26:02 AM

Co-Chair Hoffman MOVED to ADOPT the proposed committee substitute for CSHB 361(FIN)am, Work Draft 27-GH2717\E (Bailey, 4/15/12).

Co-Chair Stedman OBJECTED for the purpose of discussion.

Senator Egan explained the changes in the new committee substitute. The bill had an added phrase in the title that adds Section 26: conveying a partial of land. The end of Section 7, page 4, line 1 matched a change that the Resource Committee made to the Senate version, requiring public notice of renewal decisions for state land leases. The last change was on page 17, which added a parcel of land to the City and Borough of Juneau. He remarked that he

had worked for over two years regarding land transfer issues.

Co-Chair Stedman REMOVED his OBJECTION. There being NO FURTHER OBJECTION, Work Draft 27-GH2717\E was ADOPTED.

ED FOGELS, DEPUTY COMMISSIONER, DEPARTMENT OF NATURAL RESOURCES, stated that the bill was a result of the legislature and governor's request for the Department of Natural Resources (DNR) to examine the permitting systems, to reduce the backlog, and to reduce the time and cost for applicants. A bottom-up review of the statutes had been conducted over the year prior, and this bill was the first batch in improving the permitting process. He felt that the changes would enable DNR to process applications more quickly, and reduce time and cost for the applicant. The bill would improve the land leasing process by giving DNR more flexibility in issuing negotiated leases instead of competitive leases. The bill would allow DNR more flexibility in renewing leases. He stressed that the bill was only for land leases, not oil and gas leases. The bill would make the material sale process more efficient, and allow the State to sell materials at below market value for public purposes. The bill would allow DNR to use sealed-bid and public outcry auctions for increased efficiency. The bill would modernize the public notice requirements by emphasizing online public noticing. The bill would reduce paperwork by allowing a miner to choose either fiscal or calendar years to match their tax filings. The bill would allow DNR to renew off-shore mining leases for up to 20 years.

Co-Chair Stedman discussed the fiscal notes in members' the packets.

Co-Chair Hoffman MOVED to report SCS CSHB 361(FIN) out of committee with individual recommendations and the accompanying fiscal notes. There being NO OBJECTION, it was so ordered.

SCS CSHB 361(FIN) was REPORTED out of committee with a "do pass" recommendation and with a new zero fiscal note from the Department of Natural Resources, and previously published zero fiscal notes: FN1(DFG) and FN2(DOT).

CS FOR HOUSE BILL NO. 264(CRA)

"An Act allowing a deferral of municipal property taxes on the increase in the value of real property attributable to subdivision of that property; and providing for an effective date."

[9:31:14 AM](#)

Co-Chair Hoffman MOVED to ADOPT the proposed committee substitute for CSHB 264(CRA), Work Draft 27-LS1090\X (Bullard, 4/14/12).

Mr. Peterson stated that Sections 1 to 3 of the committee substitute would exclude the value of the lease-hold interest on the properties for the purpose of determining the full and true value by the state, only if local government chooses to exempt that property from taxation.

Co-Chair Stedman REMOVED his OBJECTION. There being NO FURTHER OBJECTION, Work Draft 27-LS1090\X was ADOPTED.

[9:32:19 AM](#)

AT EASE

[9:33:22 AM](#)

RECONVENED

CHRISTOPHER CLARK, STAFF, REPRESENTATIVE CATHY MUNOZ, looked at Sections 1 and 4, and stated that the property deferral was an option allowed to municipalities. Municipalities could defer any tax increase associated with subdivided property. The intent was to encourage housing development. You could defer the tax increase for up to five years, and the deferral would end as soon as a lot was sold or a new home or commercial building was built on the lot. He stated that Sections 5 and 6 related to the municipal tax cap.

[9:35:15 AM](#)

Co-Chair Stedman discussed the fiscal notes in the members' packets.

JOHANNA BALES, DEPUTY DIRECTOR, TAX DIVISION, DEPARTMENT OF REVENUE (via teleconference), testified the DOR and the governor were against Sections 5 and 6 of the bill. Those Sections removed the municipal tax cap on petroleum

property and other property within municipality's jurisdiction.

RANDY HOFFBECK, CHIEF OF STAFF, NORTH SLOPE BOROUGH, spoke to Sections 5 and 6 of the bill. He stated that the tax cap did not limit the total amount of money in tax that could be collected by a municipality, but parse it into two sections: operation and debt. The provision would remove the 225 percent cap, and allow the municipalities more flexibility to use the money in the most efficient manner possible. Currently, in order to collect a portion of the debt, the North Slope Borough had to cycle money through a bond market by selling general obligation debt.

Senator Olson pointed out that he had a letter from the mayor of Juneau that expressed support of the legislation.

Senator Olson MOVED to report SCS CSHB 264(FIN) out of committee with individual recommendations and the accompanying fiscal notes. There being NO OBJECTION, it was so ordered.

SCS CSHB 264(FIN) was REPORTED out of committee with a "do pass" recommendation and with a previously published zero fiscal note: FN2(DCCED), and a new zero fiscal note by the Senate Finance Committee for the Department of Revenue.

CS FOR HOUSE BILL NO. 89(RES)

"An Act relating to the disposal of certain bed load material in conjunction with a flood mitigation plan."

[9:43:35 AM](#)

REPRESENTATIVE PAUL SEATON, stated that HB 89 addressed flooding, and numerous emergency declarations that occur almost annually. Much of the flooding occurred because gravel builds up in riverbeds, and then the flooding damaged commercial or private property. The bill would allow DNR to consider the mitigation of those disasters as part of the fair market value. Currently, DNR had to get the fair market value of the sand and gravel that was removed under-navigable rivers. The problem was that there was an up-front fee of up to \$5 a yard, which was uneconomical for removal. The bill would allow DNR to take a net profit of a minimum of 12.5 percent of the extracted value, instead of a gross value at extraction. It would

allow operators to remove the gravel and save the State money at the same time.

Co-Chair Stedman discussed the fiscal note in the packet.

Co-Chair Hoffman MOVED to report CSHB 89(RES) out of committee with individual recommendations and the accompanying fiscal notes. There being NO OBJECTION, it was so ordered.

Co-Chair Stedman discussed the fiscal note in the packet.

CSHB 89(RES) was REPORTED out of committee with a "do pass" recommendation and with a new indeterminate fiscal note from the Department of Transportation and Public Facilities and new indeterminate fiscal note from Department of Natural Resources.

CS FOR HOUSE BILL NO. 125(L&C)(efd am)

"An Act moving the Alcoholic Beverage Control Board to the Department of Commerce, Community, and Economic Development and relating to duties of that department; relating to the exercise of peace officer powers granted by the Alcoholic Beverage Control Board; and providing for an effective date."

[9:46:46 AM](#)

JULI LUCKY, STAFF, REPRESENTATIVE MIKE HAWKER, stated that the legislation would move the Alcoholic Beverage Control Board (ABC) from DOT/PF to DCCED. She stated that the ABC Board took on the character of an umbrella agency. The ABC Board felt that they were treated more toward enforcement, rather than a collaborative relationship to ensure compliance with a licensure. The goal was to balance the rigorous enforcement of the statutes with a collaborative effort to achieve licensure compliance, and there would be no change to the enforcement process.

Co-Chair Hoffman MOVED to ADOPT Amendment for HB 125, B.A.1.

Co-Chair Stedman OBJECTED for the purpose of discussion.

Ms. Lucky explained that there was an amendment from the House of Representatives, regarding whether or not the ABC

Board or its employees could ask private club's members to provide a key card. The amendment that was adopted was that the ABC Board could not require a private club member to hold an access device. The way that the amendment was written seemed to prohibit keys to get into a door, so the proposed amendment was more of a technical amendment to ensure the previously adopted amendment work the way it was intended.

Co-Chair Stedman REMOVED his OBJECTION. There being NO FURTHER OBJECTION, Amendment B.A.1 was ADOPTED.

Co-Chair Stedman discussed the fiscal notes in the members' packets.

[9:50:00 AM](#)

MATT FELIX, ALASKA ADDICTION PROFESSIONAL ASSOCIATION, testified against the legislation and stated that the ABC Board was recently moved to the DPS at a request from former Representative Lisa Murkowski. He felt that there needed to be decent enforcement of alcohol, and stated that the move would "dumb down" the ABC Board.

[9:51:38 AM](#)

JAN WRENTMORE, OWNER, RED ONION SALOON, testified in support of the bill.

[9:52:02 AM](#)

BOB COGHILL, SELF, testified against the bill and shared that the ABC board would be more effective working within DPS.

[9:53:12 AM](#)

ELLEN GANLEY, PUBLIC MEMBER, ABC BOARD, FAIRBANKS (via teleconference), testified against the bill and stated that the role of the ABC Board was enforcement.

[9:53:51 AM](#)

KATE BURKHART, EXECUTIVE DIRECTOR, ADVISORY BOARD ON ALCOHOLISM AND DRUG ABUSE (via teleconference), expressed the board's strong opposition to legislation and related that the bill was bad policy.

[9:54:36 AM](#)

CHRYSTAL SCHOENROCK, SELF, NIKISKI (via teleconference), testified in support the bill and felt that the DCCED was better equipped to deal with licensing issues.

[9:55:27 AM](#)

JEFF JESSEE, CHIEF EXECUTIVE OFFICER, ALASKA MENTAL HEALTH TRUST AUTHORITY, ANCHORAGE (via teleconference), expressed strong opposition to the bill. He related that the ABC Board should be housed in the DPS.

[9:57:21 AM](#)

ELAINE VROMAN, MEETING THE CHALLENGE, ANCHORAGE, testified in opposition to the bill.

Senator Ellis expressed that he would have preferred a more robust committee effort on the bill, and more public hearing of the pros and cons of the bill.

Co-Chair Hoffman MOVED to report SCS CSHB 125(FIN) out of committee with individual recommendations and the accompanying fiscal notes. There being NO OBJECTION, it was so ordered.

SCS CSHB 125(FIN) was REPORTED out of committee with a "do pass" recommendation and with a previously published zero fiscal note: FN4(DCCED) and a previously published fiscal impact note: FN5(DCCED).

[9:58:49 AM](#)

AT EASE

[11:51:11 PM](#)

ADJOURNMENT

The meeting was adjourned at 11:52 PM.