

ALASKA STATE LEGISLATURE
SENATE STATE AFFAIRS STANDING COMMITTEE

March 6, 2012

9:02 a.m.

MEMBERS PRESENT

Senator Bill Wielechowski, Chair
Senator Joe Paskvan, Vice Chair
Senator Kevin Meyer
Senator Cathy Giessel

MEMBERS ABSENT

Senator Albert Kookesh

COMMITTEE CALENDAR

SENATE CONCURRENT RESOLUTION NO. 22

Establishing and relating to the Alaska Arctic Policy Commission.

- MOVED SCR 22 OUT OF COMMITTEE

SENATE BILL NO. 198

"An Act establishing procedures relating to issuance, suspension, or revocation of certification of police officers by the police standards council; making certain court service officers subject to certification by the police standards council; making confidential certain information that personally identifies a police officer; relating to requesting or requiring police officers to submit to lie detector tests; repealing a provision exempting certain police officers from a prohibition against requiring certain employees to submit to lie detector tests; and providing for an effective date."

- MOVED CSSB 198(STA) OUT OF COMMITTEE

SENATE BILL NO. 222

"An Act making a special appropriation to the Department of Military and Veterans' Affairs to hire a consulting firm to develop strategies for retention of military installations affected by the next base realignment and closure announcement; and providing for an effective date."

- MOVED SB 222 OUT OF COMMITTEE

SENATE BILL NO. 29

"An Act relating to the reporting and analysis of certain information relating to tax credits, deductions, exclusions, exemptions, deferrals, and other tax expenditures; and providing for an effective date."

- HEARD & HELD

SENATE BILL NO. 208

"An Act establishing an Alaska intrastate mutual aid system and relating to the duties of the Alaska division of homeland security and emergency management and the duties of the Alaska State Emergency Response Commission."

- HEARD & HELD

PREVIOUS COMMITTEE ACTION

BILL: SCR 22

SHORT TITLE: ALASKA ARCTIC POLICY COMMISSION

SPONSOR(s): FINANCE BY REQUEST OF AK NORTHERN WATERS TASK FORCE

02/06/12	(S)	READ THE FIRST TIME - REFERRALS
02/06/12	(S)	STA, FIN
02/23/12	(S)	STA AT 9:00 AM FAHRENKAMP 203
02/23/12	(S)	Heard & Held
02/23/12	(S)	MINUTE(STA)
03/06/12	(S)	STA AT 9:00 AM BUTROVICH 205

BILL: SB 198

SHORT TITLE: POLICE OFFICER PROTECTIONS/CERTIFICATION

SPONSOR(s): STATE AFFAIRS

02/17/12	(S)	READ THE FIRST TIME - REFERRALS
02/17/12	(S)	STA, JUD
03/01/12	(S)	STA AT 9:00 AM BUTROVICH 205
03/01/12	(S)	Heard & Held
03/01/12	(S)	MINUTE(STA)
03/06/12	(S)	STA AT 9:00 AM BUTROVICH 205

BILL: SB 222

SHORT TITLE: APPROP: BASE CLOSURE/REALIGNMENT STUDY

SPONSOR(s): STATE AFFAIRS

02/29/12	(S)	READ THE FIRST TIME - REFERRALS
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02/29/12 (S) STA, FIN
03/06/12 (S) STA AT 9:00 AM BUTROVICH 205

BILL: SB 29

SHORT TITLE: TAX EXPENDITURE REPORT

SPONSOR(s): WIELECHOWSKI

01/19/11 (S) PREFILE RELEASED 1/7/11
01/19/11 (S) READ THE FIRST TIME - REFERRALS
01/19/11 (S) STA, FIN
03/01/12 (S) STA AT 9:00 AM BUTROVICH 205
03/01/12 (S) Scheduled But Not Heard
03/06/12 (S) STA AT 9:00 AM BUTROVICH 205

BILL: SB 208

SHORT TITLE: DISASTER PLANNING AND SERVICES

SPONSOR(s): PASKVAN

02/21/12 (S) READ THE FIRST TIME - REFERRALS
02/21/12 (S) STA, FIN
03/06/12 (S) STA AT 9:00 AM BUTROVICH 205

WITNESS REGISTER

WESTON EILER, Staff
Senator Bert Stedman
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Presented SCR 22 on behalf of the sponsor.

THOMAS PRESLEY, Intern
Senator Bill Wielechowski
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Related the changes in SB 198 on behalf of the sponsor.

DAVID SEXTON, Executive Director
Alaska Police Standards Council
Juneau, Alaska

POSITION STATEMENT: Commented on the changes to SB 198.

TERRY VRABEC, Deputy Commissioner
Office of the Commissioner
Department of Public Safety
Juneau, Alaska

POSITION STATEMENT: Answered questions related to SB 198.

KENDRA KLOSTER, Staff
Senator Bill Wielechowski
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Introduced SB 222 on behalf of the sponsor.

MCHUGH PIERRE, Deputy Commissioner
Office of the Commissioner
Department of Military & Veterans Affairs
Fort Richardson, Alaska

POSITION STATEMENT: Testified in support of SB 222.

DOUG ISAACSON, Mayor
City of North Pole
North Pole, Alaska

POSITION STATEMENT: Testified in support of SB 222.

SAM GOTTSTEIN, Staff
Senator Bill Wielechowski
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Introduced SB 29 on behalf of the sponsor.

MATTHEW GARDNER, Executive Director
Institute on Taxation and Economic Policy
Washington, D.C.

POSITION STATEMENT: Testified in support of SB 29.

MATT WALLACE, Executive Director
Alaska Public Interest Research Group (APIRG)
Anchorage, Alaska

POSITION STATEMENT: Testified in support of SB 29.

JOHANNA BALES, Deputy Directory
Tax Division
Department of Revenue
Anchorage, Alaska

POSITION STATEMENT: Answered questions related to SB 29.

DAVID GIBBS, Director
Department of Emergency Operations
Fairbanks North Star Borough
Fairbanks, Alaska

POSITION STATEMENT: Testified in support of SB 208.

JEFF TUCKER, Fire Chief
North Star Volunteer Fire Department and
Member
Alaska Fire Chief's Association
North Pole, Alaska,
POSITION STATEMENT: Testified in support of SB 208.

ACTION NARRATIVE

[9:02:44 AM](#)

CHAIR BILL WIELECHOWSKI called the Senate State Affairs Standing Committee meeting to order at 9:02 a.m. Present at the call to order were Senators Giessel, Paskvan, Meyer, and Chair Wielechowski. Senator Kookesh was excused.

SCR 22-ALASKA ARCTIC POLICY COMMISSION

[9:03:00 AM](#)

CHAIR WIELECHOWSKI announced that the first order of business would be SCR 22, which would establish an Alaska Arctic Policy Commission. On February 23, the committee heard from Senator Stedman's staff about the need to develop a cogent Arctic policy in Alaska. The commission would build on the good work done by the Northern Waters Task Force over the past interim. The bill has a fiscal note of about \$250,000 for FY 13 and FY 14. This would cover the cost of one staff member for the commission, travel, printing, and funding for professional service contracts.

WESTON EILER, staff, Senator Bert Stedman, sponsor of SCR 22, refreshed the committee on the contents of the resolution on behalf of the sponsor. He said the resolution was the logical next step in defining and developing Alaska's Arctic policy.

SENATOR GIESSEL asked for more information about the member representing an Arctic organization listed on page 3, line 17 of the resolution.

MR. EILER replied that there are many multi-stakeholder, international Arctic organizations, such as the Arctic Council and the Inuit Circumpolar Conference, of which Alaska is a member or seeking to become a member.

SENATOR GIESSEL requested more information about the fiscal note. She said she thought \$250,000 might be too low for such a large commission.

MR. EILER offered to provide more information from the Legislative Affairs Agency regarding the fiscal note, which was written to include travel and staff coordination.

SENATOR GIESSEL agreed with the expenses, but continued to question the validity of the fiscal note.

MR. EILER offered to get with Legislative Affairs Agency to provide more information.

[9:07:32 AM](#)

SENATOR MEYER asked if the Arctic commission would replace the Northern Waters Task Force.

MR. EILER said yes.

CHAIR WIELECHOWSKI noted the resolution had a further referral to finance.

SENATOR PASKVAN moved to report SCR 22 from committee with individual recommendations and the accompanying fiscal note.

CHAIR WIELECHOWSKI announced that without objection, SCR 22 was moved from the Senate State Affairs Standing Committee.

SB 198-POLICE OFFICER PROTECTIONS/CERTIFICATION

[9:09:13 AM](#)

CHAIR WIELECHOWSKI noted that SB 198 was before the committee. The bill changes procedures used by the Alaska Police Standards Council (APSC) when investigating the conduct of an officer. The committee heard the bill last week and has since had conversations with the Department of Public Safety (DPS) and the Public Safety Employees Association (PSEA). He thanked both entities for their willingness to address previous concerns. He said that a new committee substitute (CS) for SB 198 has been drafted, version D.

SENATOR PASKVAN moved to adopt the CS for SB 198, labeled 27-LS1306\D, as the working document before the committee.

CHAIR WIELECHOWSKI objected for discussion purposes.

THOMAS PRESLEY, intern to Senator Bill Wielechowski, sponsor of SB 198, related the changes in SB 198. He read from the following statement:

The CS you see before you is a product of input from all sides, and addresses issues discussed during the last hearing on this bill. The language in section 1 has been cleaned up. In the CS, the Alaska Police Standards Council is not bound to follow a decision of an arbitration court when deciding to revoke or suspend a certificate. Testimony from the Executive Director of APSC stated the need for the council to maintain independence in decision making with regards to revocation, and this change allows for that. Executive Director David Sexton and Anchorage Police Chief Mark Mew testified to the fact that the Council has an independent procedure and looks at the conduct of a police officer. APSC should not be bound by the decision of an arbitrator who may focus on process issues. Section 3 now obligates the Alaska Police Standards Council to "substantially weigh" the decisions of arbitrations and employment hearings. This is different because the decision of employment cases now must only be considered when deciding to revoke or suspend a certificate.

Section 4 has been removed. This section expanded the definition of "police officer" to include court service officers. Senator Giessel asked whether or not this would have a fiscal impact on training costs. After discussion with the APSC, the Department of Public Safety, and the Public Safety Employees Association, it was found that section 4 would need more discussion and work. As of now, that section has been taken out and the issue of including court service officers in this bill will be taken up in the Judiciary Committee.

Sections 5 and 6 now make explicit that pre-employment polygraph testing is permissible under SB 198. In our last hearing, both Mr. Sexton and Mr. Mew stated the need for pre-employment polygraph testing. We have made progress on this bill and addressed many of the concerns by the Department of Public Safety, the Alaska Police Standards Council, and Police Chiefs.

SENATOR MEYER asked why court service employees were removed.

MR. PRESLEY said there were unanswered questions about them.

SENATOR MEYER said he thought they should be included.

CHAIR WIELECHOWSKI explained that it was found that there could be a large fiscal impact when including court system employees and more information needs to be sought. Senate Judiciary will take SB 198 up next.

SENATOR GIESSEL asked for Mr. Sexton's opinion of the changes in the bill.

[9:14:01 AM](#)

DAVID SEXTON, Executive Director, Alaska Police Standards Council (APSC), commented on the changes to SB 198. He opined that the bill was moving in the right direction. He liked the idea of having "a tool to suspend." He said he was not clear about new Section 1. He gave his understanding that it required APSC to follow the Administrative Procedure Act. He suggested adding the word "suspend" to Section 2, where it says APSC is allowed to "revoke and modify." He said he was happy with Section 3 changes.

He related that APSC was hoping to remove the words "full time" from the definition of police officer in Section 4. He explained that currently APSC has no jurisdiction over seasonal, part time, or reserve officers. Removing "full time" would allow APSC to have jurisdiction over all officers. He said he appreciated the clarification of the pre-employment polygraphs and keeping the tool for post-employment investigative polygraphs. He noted if that is done, then Sections 7 and 8 could be deleted.

CHAIR WIELECHOWSKI asked which version of the bill he was looking at.

MR. SEXTON stated he was reading from version B.

CHAIR WIELECHOWSKI noted that version D was before the committee.

MR. SEXTON continued to say he was fine with the changes in the disclosure and privacy rules.

SENATOR GIESSEL asked about Section 3. She read, "The council shall give substantial weight to the significance of a post-removal or reversal of a disciplinary action." She asked if Mr. Sexton was concerned about the words "substantial weight" because she could not find a definition for them.

MR. SEXTON replied that he also could not find a definition, but assumed it had a common sense meaning. He said did not have a problem with the intent behind the words. He noted that "substantial weight" is difficult to measure, as is "clear and convincing evidence." He thought the spirit behind the wording was acceptable.

CHAIR WIELECHOWSKI said an attorney suggested that language. He pointed out that SB 198 would be heard next by the Senate Judiciary Committee. He thanked Mr. Sexton for his suggestions.

He pointed out that Section 1 clarifies that APSC follows procedures under the Administrative Procedure Act.

9:20:48 AM

CHAIR WIELECHOWSKI noted two fiscal notes; one zero note from the Department of Administration and an indeterminate note from the Department of Public Safety (DPS). He thought the DPS note would become a zero note as a result of changes made in version D.

TERRY VRABEC, Deputy Commissioner, Office of the Commissioner, Department of Public Safety, answered questions related to SB 198.

CHAIR WIELECHOWSKI asked if the DPS fiscal note would now be a zero fiscal note.

MR. VRABEC referred to a discussion of the cost to train CSO's and make them certified police officers. He said that CSO's receive training now, but not at the same level as a police officer. Under the legislation, they would have to go to the Police Academy and it would cost about \$11,500 to train each CSO for 18 weeks. That training could be modified or could be spread across fiscal years. A related cost would be for overtime shifts at court houses when CSO's were attending the academy.

CHAIR WIELECHOWSKI asked what it would cost to train 59 CSO's.

MR. VRABEC said \$650,000.

CHAIR WIELECHOWSKI asked if the DPS fiscal note was now a zero fiscal note.

MR. VRABEC thought so.

CHAIR WIELECHOWSKI thanked Mr. Vrabec. He said that legal issues could be worked out in Judiciary

SENATOR PASKVAN moved to report the CS for SB 198, version D, from committee with individual recommendations and the accompanying fiscal notes.

CHAIR WIELECHOWSKI announced that without objection, CSSB 198(STA) moved from the Senate State Affairs Standing Committee.

SB 222-APPROP: BASE CLOSURE/REALIGNMENT STUDY

[9:25:41 AM](#)

CHAIR WIELECHOWSKI announced that SB 222 was before the committee. The bill proposes to appropriate \$300,000 to hire a consulting firm to develop strategies to protect military installations in Alaska from possible closure as the federal government begins its Base Realignment and Closure (BRAC) process. The closure of any Alaskan base should concern both state and federal officials as Alaska plays a vital role in the nation's security.

KENDRA KLOSTER, staff to Senator Bill Wielechowski, sponsor of SB 222, introduced the bill. She related that SB 222 is an appropriation from the general fund to the Department of Military and Veteran's Affairs (DMVA). The bill will allow the state to hire a consulting firm from Washington, D.C. to address recent budget cuts of \$487 billion over ten years, which were announced by Defense Secretary Panetta. The firm will also examine pending BRAC closures in 2013 and 2015.

MS. KLOSTER referred to articles in members' packets regarding what other states are doing about the cuts.

CHAIR WIELECHOWSKI noted the bill came about because of meetings with DMVA and Senator Murkowski. He called the legislation critical for Alaska's economy, as well as for the nation's security. He noted the funding is in the Supplemental Appropriations bill currently in the Senate.

[9:28:48 AM](#)

MCHUGH PIERRE, Deputy Commissioner, Office of the Commissioner, Department of Military & Veterans Affairs (DMVA), testified in support of SB 222. He voiced appreciation for the legislation because it was of critical importance to Alaska. Other states are taking significant action on infrastructure issues for the military. He pointed out that the first step is to see what the Department of Defense considers as Alaska's needs and determine how to partner with other entities. He gave an example of a need at Eielson Air Force Base to refurbish the power plant and privatize energy.

CHAIR WIELECHOWSKI requested information about the Base Realignment and Closure (BRAC) process, both past and current.

MR. PIERRE spoke of the number one priority of BRAC, a formula model used to determine the cost of base relocation (COBRA), which identifies key mechanisms for "racking and stacking" various base operations. He stressed that Alaska must make sure it is not in the top five of the list. The goal is to use pieces from the COBRA model to rate each installation and offset risky issues before BRAC begins. Two BRAC's have been proposed, one for 2013 and one for 2015. Congress has to take action for them to happen. He did not believe Congress would take action to create one in 2013, but will for 2015.

CHAIR WIELECHOWSKI noted DMVA hired a consultant for the Eielson BRAC in the past.

MR. PIERRE recalled that in 2005, DMVA hired the Lundquist Group from Washington, D.C. for \$2 million. They worked closely with the Fairbanks North Star Borough and the Fairbanks Economic Development Corporation in order to display to the BRAC Commission the military strategic importance case for Eielson. That effort will have to be repeated for the upcoming BRAC. He noted that there was only one installation in the 1993 BRAC that was saved due to the economic impact on the community and that was Whidbey Island in Washington. It was the only installation saved because of the "economic impact" argument. He concurred with Chair Wielechowski that for the 2015 BRAC the focus should be on "military strategic importance."

[9:33:33 AM](#)

DOUG ISAACSON, Mayor, City of North Pole, testified in support of SB 222. He related that Eielson was vital to the Northern Edge exercise last year as well as to Red Flag. He stressed the

strategic importance of Eielson and the need for a consultant for the BRAC process. He spoke of the devastation to Fairbanks North Star Borough if jobs at Eielson are lost. He described a picture of what would happen to North Pole as a result of BRAC. He called the legislation a necessary first step.

CHAIR WIELECHOWSKI requested a motion to move the bill from committee.

SENATOR PASKVAN moved to report SB 222, version M, from committee with individual recommendations and the attached fiscal note.

CHAIR WIELECHOWSKI announced that without objection, SB 222 moved from the Senate State Affairs Standing Committee.

SB 29-TAX EXPENDITURE REPORT

[9:38:02 AM](#)

CHAIR WIELECHOWSKI announced the consideration of SB 29, a bill which seeks to focus greater public and legislative attention on "independent state expenditures," which the bill defines as tax credits, deferrals, waivers, exclusions, and deductions. These forms of indirect spending constitute a high percent of state spending, yet they receive relatively little attention in the annual state budgeting process and are rarely evaluated to determine whether they are meeting the goals for which they were initially enacted. The public also knows little about these expenditures, despite the fact that the state actually writes checks to reimburse companies for some types of tax credits.

SENATOR PASKVAN moved to adopt the CS for SB 29, labeled 27-LS0305\I, as the working document before the committee.

CHAIR WIELECHOWSKI objected for discussion purposes.

SAM GOTTSTEIN, staff to Senator Bill Wielechowski, sponsor of SB 29, introduced the bill. He said that SB 29 deals with tax expenditures which are defined on page 4, lines 13 and 17. He termed tax expenditures "tax credits." The intent of the bill is to have information provided to the legislature and public in order to have a better understanding of where the state's money goes and whether money given for tax credits achieves its legislative purpose. According to the Center for American Progress, tax expenditures make up about 25 percent of federal government spending. In Alaska, according to the Department of

Revenue (DOR), there were \$863 million in tax credits in 2011 for the oil and gas industry. Alaska spends more on tax credits annually than the budget of DOR, DNR, DEC, LAW, Court System, and the Legislature combined. That amount is about 15 percent of Alaska's annual expenditures.

He reported that only 9 states do not publish this type of disclosure information and Alaska is one of them. The majority of Alaska's tax credits have no disclosure. Oil and gas credits do not disclose the value of each credit, where it was applied, how many jobs it creates, or how much goes to wages. On the other hand, the Alaska Film Office has tax credit information on line.

He concluded that the intent of the legislation is to get information about all tax credits out to the public. He said the sponsor's intent is to find the right balance between getting information and creating too much of a burden on DOR to find out the information.

MR. GOTTSTEIN addressed the changes in the bill by section:

Section 1 makes the short title of SB 29 the "Alaska Tax Break Transparency Act."

Section 2 requires legislative intent language for any future tax expenditures in order to make it easier for DOR to figure out if a particular tax credit is achieving its legislative intent.

Sections 3-5 are changed to more clearly refer to the Fall Revenue Sourcebook.

Section 6 is the "meat and potatoes" of the bill. The first subsection deals with what would be published annually for each tax credit. It would have statutory authority and deal with the annual sum, how many taxpayers there were, what the estimate of tax credits for the following year would be, and the estimate of the public cost. In subsection (c) in Section 6, the goal is to have a one-time analysis of each tax credit over \$1 million to determine whether the statute authorizing the tax expenditure has achieved its purpose. Page 4, lines 3-9, describes how that happens. If it is a new tax expenditure, the analysis will be done either seven years after implementation,

or one year before the sunset of the tax expenditure. If it is an existing tax expenditure, there is a five-year window after the effective date to complete the analysis. Also in Section 6 is a requirement for an electronic copy of the report.

Section 7 is the effective date of July 1, 2015. This date was chosen because DOR is working on creating an automated system, which was paid for from a \$34.7 million appropriation from the legislature last year.

[9:45:09 AM](#)

MATTHEW GARDNER, Executive Director, Institute on Taxation and Economic Policy (ITEP), Washington, D.C., testified in support of SB 29. He related that ITEP is a non-profit organization that focuses on federal and state tax policy issues with an emphasis on the goals of sustainability, transparency, and fairness in tax laws. He said that SB 29 would take an important first step toward achieving those goals by requiring regular scrutiny of Alaska tax expenditures that currently reduce Alaska tax revenue.

He explained that the basic insight behind tax expenditures is that a law that cuts taxes for a specific individual or business is no different, for budget purposes, from a law that directly spends money on that business or person. The problem is that, while the legislative budget process imposes regular and strict scrutiny of spending that is done directly by government, in the absence of a tax expenditure report, little or no scrutiny is given to spending that is done through a tax cut. He emphasized that tax breaks are government spending and should be scrutinized the same way as appropriations.

He noted that 45 states now require a tax expenditure report. Five states have enacted new legislation similar to SB 29. SB 29 goes the extra mile to evaluate tax breaks because it requires information on the equity and efficiency effects of the tax expenditure. Requiring an evaluation of the effectiveness of tax breaks requires a lot of work. Some states, such as Washington and Oregon, are doing very well with the reporting process, because they dedicate resources up front. Other states, such as New Jersey, have taken the first step of legally requiring an evaluation of the effectiveness of tax breaks, but have not followed through by funding them. SB 29 would make implementation easier than some states because it requires the

evaluations to be staggered, which reduces costs and provides adequate time to complete each evaluation.

MR. GARDNER suggested that SB 29 could go further in one area. It could decouple from federal tax breaks. Oregon is an example of a state that provides that tax expenditure reports not be limited to tax breaks created by state law. It also includes federally created tax breaks. SB 29 should require that new legislation creating or expanding a tax break must include a statement identifying the rationale behind the tax break.

9:50:56 AM

MATT WALLACE, Executive Director, Alaska Public Interest Research Group (APIRG), testified in support of SB 29 because it would achieve transparency, accountability, and effectiveness in Alaska's budget and policy making. He related two reasons why this legislation is important. First, it promotes better policy making and provides information about whether it is worth it to provide or increase tax credits. Secondly, it makes sure the information about tax credits is available and transparent.

JOHANNA BALES, Deputy Directory, Tax Division, Department of Revenue (DOR), answered questions related to SB 29. She agreed with the intent of the legislation to provide transparency and information about tax expenditures, but noted the large expense to do so. She referred to Mr. Gardner's comment about getting information from the Film Credit Program on-line, but pointed out that it would not provide the type of information this bill is looking for. She said she was aware that LB&A was doing a performance audit of the Film Credit Program and had assigned seven auditors to the project, which is expected to take approximately six months and use a significant amount of resources to obtain the information. She concluded that the legislation would be a highly expensive endeavor for the state.

CHAIR WIELECHOWSKI noted that DOR was requesting 16 new full-time positions, including 8 full-time tax technicians to manually compile the aggregate tax expenditures, as well as 4 full-time auditors. He recalled several years ago when he filed a bill for an on-line checkbook, which was done for no cost. He pointed out that 45 other states are doing performance audits. He opined that the legislation was a good investment, but he hoped it could be done for less than has been proposed.

SENATOR PASKVAN asked if Ms. Bales agreed with the coordination with the tax management system that the legislature put in the budget a year ago.

MS. BALES said yes. Once that system is up and running, the ability to compile the information would simply be a report. At that point in time, tax technicians would no longer be needed to compile data. With the implementation date of July 1, 2015, the implementation would not be fully realized until after a contractor has been identified, or around 2017. In order to meet the requirements of SB 29, manual compilation of data would have to be done.

SENATOR PASKVAN referred to oil production tax credits of \$1 billion per year, and asked what would be a reasonable cost in order to get a better understanding of where that money is going.

MS. BALES did not have an opinion, but said it was something to think about when undertaking a performance audit. She reiterated that it would be expensive.

SENATOR PASKVAN asked if the DOR fiscal note was less than 1 percent of the oil tax credits.

MS. BALES said yes.

[9:59:36 AM](#)

SENATOR GIESSEL asked if Ms. Bales believed the bill would clarify where the Film Tax Credits would go. She said she thought that the film industry did not pay taxes and their tax credits were bartered to other companies.

MS. BALES requested more information.

SENATOR GIESSEL explained that the state gives the film industry a credit and those credits are sold to other companies. She asked how a performance audit would show that.

MS. BALES explained that the report would show the number of taxpayers that are claiming the film credit. A performance audit would show the benefit to Alaska from a credit to the film industry. She noted that there are 16 Alaska-specific credits, 12 of which meet the \$1 million threshold, so there would need to be 12 performance audits.

SENATOR GIESSEL restated her concern. She described a scenario where the film industry credit was sold to another company and asked how that credit would show up in a performance audit.

MS. BALES thought it would be shown in two ways in the audit. It would show up as a credit given to the company that purchased it and how it affected the film industry.

SENATOR GIESSEL referred to charts on page 106 of the Fall 2011 Revenue Source Book and asked if they summarize the credits for that tax year.

MS. BALES said that was correct.

10:04:08 AM

CHAIR WIELECHOWSKI noted the original fiscal note for SB 29 was for \$1.7 million and asked for 16 new full time positions. In the past few days, substantial changes were made to the bill in an attempt to keep expenses down, and the effective date was set at July 1, 2015, to give the Tax Division time to get their new automated tax system operational. That is the system the legislature appropriated \$34.7 million for last year. The intent of that was to avoid most manual compilation and to rely on a much less expensive and much more efficient automated system.

He explained that the revenue period for tax expenditures was changed from annually to 7 years following enactment for new expenditures, and within 5 years from 2015 for existing tax expenditures. The definition of tax expenditures was refined in order to exempt those that add up to less than \$1 million annually and any federal tax expenditures Alaska has incorporated into its tax code. He concluded that the fiscal note is now more modest and reasonable. He requested Ms. Bales' estimation of costs for version I of the bill.

MS. BALES predicted there would be a reduction in the amount for compilation; however, the performance audits costs may have been underestimated. Even though federal deductions are not included, she predicted performance audits would be more expensive because of the need to include lease expenditures and capital costs in the oil tax credit program. She pointed out that there are 22 tax programs with their own exemptions, deferrals, and deductions that go beyond federal corporate income tax deductions that the department "piggybacks on." Doing performance audits on those tax programs, within a five-year timeframe, would be expense. Also, she noted there was little

guidance regarding standards for performance audits in the bill. She used the film production tax credit as an example and questioned what standards would be used to audit it. Even with the changes to the bill, significant resources would be needed.

CHAIR WIELECHOWSKI said he would continue to work with DOR on the fiscal note.

[10:08:46 AM](#)

SENATOR PASKVAN discussed costs that apply to an audit. He understood that DOR already has an internal duty to conduct audits and he hoped that DOR was not including those costs in the fiscal note.

MS. BALES explained that DOR does financial tax audits. The bill would also require performance audits, which DOR does not do. Performance audits require a more subjective process and DOR would need more direction as to how to proceed.

SENATOR PASKVAN inquired about the automated system that is going out to bid. He opined that the internal audit aspect of the tax credit systems would be more easily understood.

MS. BALES said that was the expectation.

SENATOR PASKVAN asked if determining whether a credit is meeting the intent was a legitimate function of government.

MS. BALES said yes, but the legislation is outside the scope of DOR's mission, which is to collect taxes. Currently, performance audits are done by LB&A and have specific guidelines and standards.

SENATOR PASKVAN requested clarification on whether the Tax Division has the authority to conduct performance audits, or whether another department should take on this work.

MS. BALES said she has spoken with Chair Wielechowski about that issue. She said she was not saying performance audits should not be done by DOR. She voiced concern that the guidelines for performance audits are not included in the bill. Performance audits are done by LB&A and contain performance standards.

SENATOR PASKVAN asked if Ms. Bales would be willing to transfer data to LB&A.

MS. BALES said that is already done.

SENATOR MEYER suggested this legislation could be considered for LB&A.

CHAIR WIELECHOWSKI agreed to work further on this issue. He set SB 29 aside.

SB 208-DISASTER PLANNING AND SERVICES

[10:17:06 AM](#)

CHAIR WIELECHOWSKI announced that SB 208 was before the committee. SB 208 creates a framework to facilitate intrastate coordination during a declared state of emergency. It is based on model legislation developed by the National Emergency Management Association (NEMA) and the Federal Emergency Management Agency (FEMA), along with other parties. It would allow the state to create a comprehensive, integrated system of mutual aid at various levels of government to ensure an efficient and effective response to disasters.

SENATOR PASKVAN moved to adopt the CS for SB 208, labeled 27-LS0611\B, as the working document.

CHAIR WIELECHOWSKI objected for discussion purposes.

SENATOR PASKVAN, sponsor of SB 208, introduced the bill. He read from the following sponsor statement:

In 2004 the National Emergency Management Association (NEMA), in conjunction with the Federal Emergency Management Agency (FEMA) and a host of emergency response organizations, began developing and promoting model legislation for an intrastate mutual aid system. The Alaska Fire Chiefs Association, Fairbanks North Star Borough, and Alaska Municipal League worked with the State of Alaska's Division of Emergency Management over the past year to transform NEMA's model legislation into a form that would be most beneficial to the specific needs of Alaska. Senate Bill 208, relating to disaster planning and services, is the result of this cooperation. It is on behalf of these aforementioned groups that I am bringing this legislation forward for your consideration.

The Alaska Intrastate Mutual Aid System, established by SB 208, is essential in that it will provide a statewide framework for mutual assistance among the participating political subdivisions in the prevention of, response to, and recovery from any disaster that results in a formal declaration of local disaster emergency. "Political subdivision" means (A) a municipality; (B) an unincorporated village; or (C) another unit of local government according to AS 26.23.907.

Through SB 208, the Division of Homeland Security and Emergency Management will be tasked with playing an integral part in developing and implementing guidelines and procedures for the Alaska Intrastate Mutual Aid System. The Alaska State Emergency Response Commission, created under the Alaska Disaster Act, will facilitate the preparation and implementation of and provide review and make recommendations about the mutual aid system.

The provisions of the Alaska Intrastate Mutual Aid System were developed with the goal of supplementing existing regional or local agreements by establishing a comprehensive, integrated system of mutual aid at a statewide level that will ensure an efficient and effective response to all hazards and disasters. Though mutual aid agreements between two neighboring political subdivisions is somewhat common, aid agreements may not necessarily exist between subdivisions that do not have a history of sharing emergency assistance. However, this system would not prevent participating entities from entering into supplementary agreements with other political subdivisions or impact existing or future agreements. An instance in recent history that demonstrates the need for an intrastate mutual aid system was the 2009 flooding in Eagle and other villages along the Yukon River. The Fairbanks North Star Borough did not have an existing mutual aid agreement with Eagle, which resulted in barriers to providing timely aid due to concerns about workers' compensation, liability, and reimbursement for aid. SB 208 would act as a safety net in similar situations where aid is needed but no mutual aid agreement currently exists.

Through SB 208, the Alaska Mutual Aid System would automatically include all political subdivisions. A political subdivision may elect to withdraw by enacting a resolution through its governing body. The system further allows that a participating entity will have sole discretion to withhold or withdraw requested assistance to provide reasonable protection and services within its own territorial limits. Other details in the Alaska Mutual Aid System include guidelines for requesting aid; what assistance a participating member may request; qualifications and employment of, and workers' compensation for, emergency responders; reimbursement procedures for aid provided by participating political subdivisions; and definitions.

The dedicated employees and volunteers who serve in emergency services recognize that emergencies transcend political jurisdictional boundaries. They, and the local agencies they serve, understand that intergovernmental coordination is essential for the protection of lives and property and for best use of available assets. By providing the structure for a statewide mutual aid system, the requesting and responding entities could be assured of an efficient and effective response to hazards and disasters.

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CHAIR WIELECHOWSKI opened public testimony

DAVID GIBBS, Director, Department of Emergency Operations, Fairbanks North Star Borough, testified in support of SB 208. He said he believes that no single Alaskan community has the capacity to handle all catastrophic events that might occur within their boundaries. He gave examples of disasters that would necessitate the flow of resources and assistance from communities throughout Alaska. He gave another example of when, in 2009, there was flooding on the Yukon River and cooperation between communities was vital and complicated. The provisions in the bill do not replace mutual aid already in place. He agreed that the system created in SB 208 would help to facilitate the ability of Alaskan communities to help each other during their time of greatest need.

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JEFF TUCKER, Fire Chief, North Star Volunteer Fire Department, Member, Alaska Fire Chief's Association (AFCA), testified in support of SB 208. He said AFCA has been involved for the last two years in helping to develop a mutual aid system for Alaska and was the recipient of a grant allowing them to track resources in the event that a statewide system is established. Alaska is currently one of only four states without such a system. He said the bill provides a needed framework to establish a mutual aid system and addresses key issues, including liability and compensation, currently not addressed in statute.

CHAIR WIELECHOWSKI held SB 208 in committee.

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There being no further business to come before the committee, Chair Wielechowski adjourned the Senate State Affairs Standing Committee at 10:30 a.m.