

**ALASKA STATE LEGISLATURE**  
**SENATE STATE AFFAIRS STANDING COMMITTEE**

March 13, 2012

9:02 a.m.

**MEMBERS PRESENT**

Senator Bill Wielechowski, Chair  
Senator Albert Kookesh  
Senator Kevin Meyer  
Senator Cathy Giessel

**MEMBERS ABSENT**

Senator Joe Paskvan, Vice Chair

**COMMITTEE CALENDAR**

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."

- MOVED CSSB 208(STA) 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."

- MOVED CSSB 29(STA) OUT OF COMMITTEE

**PREVIOUS COMMITTEE ACTION**

BILL: SB 208

SHORT TITLE: DISASTER PLANNING AND SERVICES

SPONSOR(s): SENATOR(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
03/06/12	(S)	Heard & Held
03/06/12	(S)	MINUTE(STA)
03/13/12	(S)	STA AT 9:00 AM BUTROVICH 205

BILL: SB 29

SHORT TITLE: TAX EXPENDITURE REPORT

SPONSOR(S): SENATOR(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
03/06/12	(S)	Heard & Held
03/06/12	(S)	MINUTE(STA)
03/13/12	(S)	STA AT 9:00 AM BUTROVICH 205

**WITNESS REGISTER**

ANNA SORENSON, Staff  
Senator Joe Paskvan  
Alaska State Legislature  
Juneau, Alaska

**POSITION STATEMENT:** Introduced SB 208 on behalf of the sponsor.

MICHAEL O'HARE, Deputy Director  
Homeland Security and Emergency Management  
Division of Military and Veterans Affairs  
Anchorage, Alaska

**POSITION STATEMENT:** Provided information related to SB 208.

DENNIS BRODIGAN, Director  
Emergency Management System  
Matanuska-Susitna Borough  
Wasilla, Alaska

**POSITION STATEMENT:** Testified in support of SB 208.

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

**POSITION STATEMENT:** Reviewed SB 29 on behalf of the sponsor.

DAVID TEAL, Director  
Legislative Finance Division  
Juneau, Alaska

**POSITION STATEMENT:** Answered questions pertaining to SB 29.

JOHANNA BALES, Deputy Director  
Tax Division

Department of Revenue  
Anchorage, Alaska

**POSITION STATEMENT:** Answered questions related to SB 29.

**ACTION NARRATIVE**

[9:02:15 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, Meyer, Kookesh, and Chair Wielechowski. Senator Paskvan was excused from the meeting.

**SB 208-DISASTER PLANNING AND SERVICES**

[9:02:26 AM](#)

CHAIR WIELECHOWSKI announced that the first order of business before the committee was SB 208, which facilitates collaboration between state and local agencies in a state of emergency. On March 6, Senator Paskvan provided an overview of SB 208 [and CS for SB 208, labeled 27-LS0611\B was adopted as the working document.] The bill enacts the Alaska Intrastate Mutual Aid System, a comprehensive, integrated system of assistance between state and local agencies. Previous testimony and letters are in support of the bill.

ANNA SORENSON, staff, Senator Joe Paskvan, introduced SB 208 on behalf of the sponsor. She read from the following sponsor statement:

SB 208 is an essential piece of legislation that will provide a statewide framework for mutual assistance among participating political subdivisions in the prevention of, response to, and recovery from disasters. 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 state level that will ensure an efficient and effective response to all hazards and disasters. However, the system provided for in SB 208 would not prevent participating entities from entering into supplementary agreements with other political subdivisions or impact existing or future agreements. Though mutual aid agreements between neighboring political subdivisions are somewhat common, aid agreements may not necessarily exist between

subdivisions that do not have a history of sharing emergency assistance.

As Senator Paskvan mentioned during the hearing last Tuesday, Interior Alaska recently faced this challenge when the Fairbanks North Star Borough encountered obstacles in providing timely aid during the 2009 flooding of Eagle and other communities along the Yukon River due to an absence of mutual aid agreements. 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 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 the system. The commission will also provide review and make recommendations about the mutual aid System.

The System would automatically include all political subdivisions. A political subdivision may elect to withdraw by enacting a resolution through its governing body. SB 208 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 emergency responders; workers' compensation for emergency responders; reimbursement procedures for aid provided by participating political subdivisions; and pertinent definitions.

Senate Bill 208 is supported by the Alaska Fire Chiefs Association, the Alaska Municipal League, the Fairbanks North Star Borough, AARP of Alaska, the Alaska Commission on Aging, the Division of Emergency Management, the Alaska State Fair Association, and the Food Bank of Alaska. Additionally, this legislation

has a zero fiscal note which the Division can explain in further detail.

9:05:52 AM

CHAIR WIELECHOWSKI requested an explanation of changes in version B of SB 208.

MS. SORENSON explained that version B addresses some concerns raised by both the Fairbanks North Star Borough and the Alaska Fire Chiefs Association. She read from the following:

The changes on page 7, lines 11 and 16, and page 8, line 26, provide for emergency service providers that contract with a political subdivision to be covered under this legislation. This will specifically ensure that volunteer fire departments and their volunteer fire fighters and emergency medical technicians are covered under the Alaska Intrastate Mutual Aid System. This issue was of concern to the Alaska Fire Chiefs Association due to much of their membership being comprised of fire chiefs of volunteer fire departments.

The second major change is the deletion of language on page 7, lines 17-20. This change was made by the request of the borough due to the feeling that this language created an unacceptable level of risk for local governments.

CHAIR WIELECHOWSKI opened public testimony.

9:10:02 AM

MICHAEL O'HARE, Deputy Director, Homeland Security and Emergency Management, Division of Military and Veterans Affairs (DMVA), Anchorage, Alaska, provided information related to SB 208. He noted that DMVA has been working with the Fairbanks North Star Borough and various Emergency Management System (EMS) representatives to bring the working draft to the committee. It primarily allows the pre-development of the agreements to be put into place prior to any disaster. If the mutual aid agreement were not in place, each community would have to sign an aid agreement with all other communities. The mutual aid agreement mirrors the National Emergency Assistant compact with other states.

He noted a zero fiscal note from DMVA. A statewide mutual aid committee would be incorporated within the Emergency Response Commission.

[9:12:12 AM](#)

DENNIS BRODIGAN, Director, Emergency Management System, Matanuska-Susitna Borough, Wasilla, Alaska, testified in support of SB 208. He stated that the bill would provide a great foundation for interagency assistance during disaster events. All areas of Alaska have a finite amount of resources available to them and the legislation will go a long way toward providing more resources faster to local jurisdictions.

CHAIR WIELECHOWSKI closed public testimony.

CHAIR WIELECHOWSKI thanked the bill sponsor.

[9:14:05 AM](#)

SENATOR MEYER moved to report the CS for SB 208, version B, from committee with individual recommendations and the accompanying zero fiscal note. There being no objection, CSSB 208 (STA) was reported from the Senate State Affairs Standing Committee.

### **SB 29-TAX EXPENDITURE REPORT**

[9:14:58 AM](#)

CHAIR WIELECHOWSKI announced that the next bill before the committee would be SB 29, which calls for greater transparency and review of indirect state spending, resulting from the many tax credits, exemptions, exclusions, and waivers contained in state law. Alaska is one of only a handful of states in the country that does not provide the public and lawmakers with clear and comprehensive information on an annual basis about indirect state spending. This is despite the fact that tax credits, exemptions, and exclusions constitute a significant percentage of Alaska's annual spending. According to rough calculations, it is as much as 15 percent.

SAM GOTTSTEIN, staff, Senator Bill Wielechowski, reviewed SB 29 on behalf of the sponsor. The intent of SB 29 is to have basic information on tax expenditures, or credits, provided to the legislature so that everyone, including citizens, has a better understanding of what the money goes to, and if it achieves the legislature's state objectives. Alaska spends more on tax credits annually than the budgets of the Departments of Revenue, Natural Resources, Environmental Conversation, Law, the Court System, and the Legislature combined.

Since the last hearing, Senator Wielechowski's office has worked with the Department of Revenue (DOR), Legislative Budget and

Audit (LB&A), Legislative Research, and Legislative Finance to find the right balance between making this information transparent and not putting undue burden on agencies.

9:17:11 AM

SENATOR MEYER moved to adopt the CS for SB 29, labeled 27-LS0305\E, as the working document.

CHAIR WIELECHOWSKI objected for discussion purposes.

MR. GOTTSTEIN addressed the changes in version D. He explained that the first change was on page 1, line 2; it more clearly defined and narrowed the definition of tax expenditures. The words "deductions and deferrals" were removed from the title of the bill, and the word "waivers" was added at DOR's request. The same change was made on page 4, in lines 20-21. On page 4, lines 23-24, language was added to ensure that tax deductions are exempt from the definition.

On page 1, line 12 to page 2, line 10, a new Section 3 was added to provide for a one-time analysis of whether tax expenditures over \$1 million have achieved their legislative purposes. The authority to do so was moved from DOR to Legislative Finance. A provision was added that DOR would only have to look back to 2000 to determine if the tax expenditure had reached the \$1 million level.

9:20:03 AM

MR. GOTTSTEIN addressed the change on page 4, line 12, where old subsection (c) was removed and new section 3 was added. On page 4, lines 15-19, new language was added which provides that DOR notify Legislative Finance if a tax expenditure has exceeded the \$1 million threshold, and provide the information for Legislative Finance to complete the analysis. He noted the final change is on page 4, line 25; a new section is added changing the effective date on sections 1 and 2 to make them immediate.

MR. GOTTSTEIN explained the rationale behind the pros and cons related to the tax credit audits. The Department of Revenue does not have the research capacity to do performance audits and maintains that the bill would have a large fiscal impact on the department. Also, DOR is a part of the Administration, which might have a partisan take on the bill.

MR. GOTTSTEIN addressed the advantages and disadvantages of having Legislative Budget and Audit (LB&A) do the audits. He said that LB&A was thorough and non-partisan; however the

decision was made not to go with LB&A due to a large fiscal impact and their need to follow national auditing standards, as well as the fact that it would expand their statutory authority. He showed an example of a national tax preference performance audit which was way beyond what would be required for the purposes of SB 29.

MR. GOTTSTEIN discussed the pros and cons of a decision to go with Legislative Research. The final decision was to go with Legislative Finance for the research and analysis required for SB 29 because it would cost only \$50,000 to hire a consultant, and Legislative Finance has a philosophy of transparency in government. One disadvantage they have is a lack of broad research experience.

[9:27:12 AM](#)

SENATOR MEYER asked about costs depicted in the fiscal notes and if technology was a factor in the cost analysis. He wondered if technology costs would affect Legislative Finance's fiscal note. He also requested more information about the effective date.

MR. GOTTSTEIN explained that the effective date has been pushed back to July 1, 2015, in order for the Department of Revenue to upgrade their system. Technology was a factor in previous fiscal notes.

SENATOR MEYER expressed an interest in having the audit done sooner than the effective date.

CHAIR WIELECHOWSKI asked if there was a way to accelerate the process.

MR. GOTTSTEIN said it would cost close to a \$1 million due to the numbers of personnel needed to do the job if the effective date was sooner than July 1, 2015.

SENATOR MEYER agreed it was a policy call and \$1 million might be a cheap investment. He hoped Legislative Finance might have a method of speeding it up.

[9:30:52 AM](#)

CHAIR WIELECHOWSKI moved to adopt Amendment E.1:

On page 1, line 14, change 2000 to 2012

On page 2, line 16, change 2000 to 2012

CHAIR WIELECHOWSKI objected.

MR. GOTTSTEIN explained that Amendment E.1 would change the date of the one-time analysis and the \$1 million threshold. The Department of Revenue would only have to look back three years when determining whether a tax expenditure had reached the \$1 million threshold.

CHAIR WIELECHOWSKI withdrew his objection. Seeing no further objection, Amendment E.1 was adopted.

9:32:33 AM

DAVID TEAL, Director, Legislative Finance Division, answered questions pertaining to SB 29. He said the legislation is something the state needs and DOR should already be doing. The bill clearly spells out its intent and goal.

CHAIR WIELECHOWSKI asked if Legislative Finance was comfortable performing the analysis.

MR. TEAL said he has no concerns about the current version of the bill. The earlier effective date was problematic due to problems with getting the data from DOR on time. He gave an example of the need for the bill. He maintained that it was impossible to get the information outside of DOR, and with the new technology, accessing the data will be easier.

He explained how Legislative Finance would accomplish the job by analyzing how much the tax credit cost and the economic impact of it. He gave an example of the jet fuel tax credit, which is intended to attract more airlines to fly through Anchorage. The fact that many airlines do fly through Anchorage, shows that it works. Legislative Finance cannot state that if the tax credit is removed, airlines will quit coming to Anchorage. He termed Legislative Finance's work "a quick and dirty analysis." He added that the fiscal note is very low because the analysis would be fairly simple and straight-forward.

CHAIR WIELECHOWSKI asked if there were any problems assigning the analysis to Legislative Finance.

MR. TEAL said no, as long as DOR will provide the necessary data.

CHAIR WIELECHOWSKI asked if the \$50,000 fiscal note was adequate.

MR. TEAL said it was if the requirement was for a rough analysis of whether the tax credit is working.

9:37:16 AM

SENATOR MEYER asked how much is spent on tax credits currently. He listed several taxes.

MR. TEAL said he thought the point of the bill was to find out. He pointed out that the film tax credit is allowed up to \$100 million. Most of the tax credit amounts are from oil, but the totals are unknown, but most of the tax credits have no information about how much they total.

SENATOR MEYER assumed that oil tax credits would be 90 percent of all tax credits and suggested the focus be in that area. He agreed with the intent of the bill.

CHAIR WIELECHOWSKI agreed that the purpose was to determine if the tax credits were effective and should continue.

9:40:14 AM

JOHANNA BALES, Deputy Director, Tax Division, Department of Revenue, answered questions related to SB 29.

CHAIR WIELECHOWSKI asked if Ms. Bales had any concerns about version E.

MS. BALES agreed with the change Amendment E.1 made to the date. She commented on Senator Meyer's question about the amount of tax credits. She said the Tax Division Annual Report provides information about the amount of tax credits claimed in each program. The Revenue Sources Book shows the oil tax credits.

SENATOR MEYER said he does have a copy of the Fall 2010 Revenue Sources Book.

MS. BALES clarified that the Tax Division Annual Report contains information about tax credits.

SENATOR MEYER wondered if there was a place where the total amount of tax credits was shown.

MS. BALES said the appendix in the Revenue Sources Book shows all credits and the amounts claimed and projected, but not the sum.

SENATOR MEYER located the information.

MS. BALES explained that the information does not include 24 tax exemptions, 12 of which are over \$1 million.

[9:45:21 AM](#)

CHAIR WIELECHOWSKI wondered about the fiscal impact to DOR from version E.

MS. BALES thought probably one new position would be needed to deal with tax exemption information.

CHAIR WIELECHOWSKI summarized the changes in version E.

SENATOR MEYER asked Ms. Bales for her thoughts on Legislative Finance's involvement in the audit process.

MS. BALES said the division is fine with working with another entity on the requirements of the bill. The previous issue was regarding the type of additional analysis required outside of financial audits. She said she was surprised that Legislative Finance could analyze all the tax credits and exemptions for only \$50,000. She opined that taxpayers would need to be contacted. She summarized that there are 24 tax exemptions and 12 tax credits to analyze.

[9:49:05 AM](#)

MR. TEAL addressed Ms. Bales' comments and said DOR would probably be best at doing the job because they release the tax information. Legislative Finance can look at Department of Labor (DOL) for relative statistics. It is difficult to say who benefits by the tax credits. He did not know if a solid conclusion could be reached. He considered the analysis as a simpler task than DOR sees it. If more money is required to do the job, then a request for more will be forthcoming. He pointed out that there is a 7-year cycle in which to complete the analysis.

CHAIR WIELECHOWSKI thought that originally DOR was considered as the department to do the work. He justified the choice to use Legislative Finance.

[9:53:40 AM](#)

SENATOR GIESSEL asked if Legislative Finance is including tax exemptions in the analysis.

MR. GOTTSTEIN addressed the question and said the tax exemptions are included. He gave an example of the fuel tax, which is a tax

exemption. He referred to page 4 of the bill for the definition of tax exemption.

SENATOR GIESSEL questioned the accuracy of DOL data, which she maintained is flawed.

CHAIR WIELECHOWSKI noted the bill has a referral to the Senate Finance Committee.

SENATOR MEYER thought the bill could move forward with the understanding that the analysis is less comprehensive than in the original version.

CHAIR WIELECHOWSKI added that there was the option to change the parameters and ask for further analysis. The idea is to get the rough information and then decide whether to proceed further.

[9:56:44 AM](#)

SENATOR MEYER moved to report CSSB 29, version E, as amended, from committee with individual recommendations and the accompanying fiscal note from Legislative Finance, and with a forthcoming DOR fiscal note. There being no objection, CSSB 29 (STA) was reported from the Senate State Affairs Standing Committee.

[9:58:05 AM](#)

There being no further business to come before the committee, Chair Wielechowski adjourned the Senate State Affairs Standing Committee at 9:58 a.m.