

**ALASKA STATE LEGISLATURE
HOUSE RULES STANDING COMMITTEE**

February 18, 2014

5:04 p.m.

MEMBERS PRESENT

Representative Craig Johnson, Chair
Representative Kurt Olson, Vice Chair
Representative Mike Chenault
Representative Mike Hawker
Representative Bob Herron
Representative Wes Keller
Representative Max Gruenberg

MEMBERS ABSENT

All members present

COMMITTEE CALENDAR

SENATE BILL NO. 148

"An Act excluding certain land from the Kachemak Bay Critical Habitat Area."

- MOVED SB 148 OUT OF COMMITTEE

HOUSE BILL NO. 19

"An Act relating to permanent motor vehicle registration; relating to the registration fee for noncommercial trailers and to the motor vehicle tax for trailers; and providing for an effective date."

- MOVED CSHB 19(RLS) OUT OF COMMITTEE

PREVIOUS COMMITTEE ACTION

BILL: SB 148

SHORT TITLE: KACHEMAK BAY CRITICAL HABITAT AREA

SPONSOR(s): SENATOR(s) MICCICHE

01/31/14	(S)	READ THE FIRST TIME - REFERRALS
01/31/14	(S)	RES
02/03/14	(S)	RES WAIVED PUBLIC HEARING NOTICE, RULE 23
02/05/14	(S)	RES AT 3:30 PM BUTROVICH 205
02/05/14	(S)	Moved SB 148 Out of Committee

02/05/14 (S) MINUTE(RES)
 02/07/14 (S) RES RPT 6DP 1NR
 02/07/14 (S) DP: GIESSEL, MICCICHE, BISHOP, DYSON,
 FAIRCLOUGH, MCGUIRE
 02/07/14 (S) NR: FRENCH
 02/10/14 (S) TRANSMITTED TO (H)
 02/10/14 (S) VERSION: SB 148
 02/12/14 (H) READ THE FIRST TIME - REFERRALS
 02/12/14 (H) RLS
 02/18/14 (H) RLS AT 5:00 PM BARNES 124

BILL: HB 19

SHORT TITLE: PERM. MOT. VEH. REGISTRATION/TRAILERS

SPONSOR(s): REPRESENTATIVE(s) STOLTZE, KELLER

01/16/13 (H) PREFILE RELEASED 1/7/13
 01/16/13 (H) READ THE FIRST TIME - REFERRALS
 01/16/13 (H) TRA, FIN
 02/07/13 (H) TRA AT 1:00 PM BARNES 124
 02/07/13 (H) Heard & Held
 02/07/13 (H) MINUTE(TRA)
 02/14/13 (H) TRA AT 1:00 PM BARNES 124
 02/14/13 (H) Moved CSHB 19(TRA) Out of Committee
 02/14/13 (H) MINUTE(TRA)
 02/15/13 (H) TRA RPT CS(TRA) 3DP 4NR
 02/15/13 (H) DP: GATTIS, FEIGE, LYNN
 02/15/13 (H) NR: KREISS-TOMKINS, ISAACSON, JOHNSON,
 P.WILSON
 02/28/13 (H) FIN AT 1:30 PM HOUSE FINANCE 519
 02/28/13 (H) Heard & Held
 02/28/13 (H) MINUTE(FIN)
 03/19/13 (H) FIN AT 1:30 PM HOUSE FINANCE 519
 03/19/13 (H) Moved CSHB 19(TRA) Out of Committee
 03/19/13 (H) MINUTE(FIN)
 03/20/13 (H) FIN RPT CS(TRA) 6DP 4NR 1AM
 03/20/13 (H) DP: THOMPSON, T.WILSON, MUNOZ, NEUMAN,
 COSTELLO, STOLTZE
 03/20/13 (H) NR: HOLMES, GARA, EDGMON, AUSTERMAN
 03/20/13 (H) AM: KAWASAKI
 02/18/14 (H) RLS AT 5:00 PM BARNES 124

WITNESS REGISTER

SENATOR PETER MICCHICHE
 Alaska State Legislature
 Juneau, Alaska

POSITION STATEMENT: Spoke as the sponsor of SB 148.

STUART SCHMUTZLER

Homer, Alaska

POSITION STATEMENT: Testified in opposition to SB 148.

REPRESENTATIVE BILL STOLTZE

Alaska State Legislature

Juneau, Alaska

POSITION STATEMENT: Spoke as one of the joint prime sponsors of HB 19.

JOSHUA WALTON, Staff

Representative Craig Johnson

Alaska State Legislature

Juneau, Alaska

POSITION STATEMENT: Described the provisions of Amendment 1 to CSHB 19(TRA).

KATHIE WASSERMAN, Executive Director

Alaska Municipal League (AML)

Juneau, Alaska

POSITION STATEMENT: Supported adoption of Amendment 1 to CSHB 19(TRA).

DAN O'HARA, Mayor

Bristol Bay Borough

Bristol Bay, Alaska

POSITION STATEMENT: Testified that he liked Amendment 1 to CSHB 19(TRA).

JOE KLAYKA, Mayor

City of Bethel

Bethel, Alaska

POSITION STATEMENT: Testified in support Amendment 1.

LUCINDA MAHONEY, Chief Finance Officer (CFO)

Municipality of Anchorage

Anchorage, Alaska

POSITION STATEMENT: Testified in support of Amendment 1 to CSHB 19(TRA).

MIKE NAVARRE, Mayor

Kenai Peninsula Borough

Soldotna, Alaska

POSITION STATEMENT: Testified in support of Amendment 1 to CSHB 19(TRA).

DARRELL BREESE, Staff
Representative Bill Stoltze
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: During hearing of HB 19, answered questions on behalf of one of the joint prime sponsors, Representative Stoltze.

ACTION NARRATIVE

[5:04:55 PM](#)

CHAIR CRAIG JOHNSON called the House Rules Standing Committee meeting to order at 5:04 p.m. Representatives Herron, Chenault, Keller, Gruenberg, and Johnson were present at the call to order. Representatives Hawker and Olson arrived as the meeting was in progress.

SB 148-KACHEMAK BAY CRITICAL HABITAT AREA

[5:05:12 PM](#)

CHAIR JOHNSON announced that the first order of business would be SENATE BILL NO. 148, "An Act excluding certain land from the Kachemak Bay Critical Habitat Area."

[5:05:34 PM](#)

SENATOR PETER MICCICHE, Alaska State Legislature, speaking as the sponsor of SB 148, explained that the legislation excludes the Homer Harbor and a small area that is planned for future harbor and deep water dock expansions from the Kachemak Bay Critical Habitat Area because the plan never intended to include municipal harbors within the critical habitat area; the statutory boundary was essentially incorrect. The Homer Harbor provides a secure and environmentally responsible place to store and maintain vessels that support the oil and gas industry. However, for infrastructure to be repaired or vessels to be anchored for more than 14 days in the Homer Harbor, permits have to be obtained. He then related that the Alaska Department of Fish & Game (ADF&G) is in support of SB 148 as is the Homer City Council. Local environmental nongovernmental organizations (NGOs) are primarily in support of full disclosure. He noted that the Kachemak Bay Conservation Society, the only opposition he has heard, has concerns in that they don't believe equipment used to drill for oil and gas should be kept in a harbor. In

closing, Senator Micciche reiterated that the Homer Harbor was never intended to be included in the critical habit area, and thus SB 148 removes the Homer Harbor and allows it be used as other harbors.

[5:07:42 PM](#)

REPRESENTATIVE HERRON inquired as to whether there is a location outside of the Homer Harbor that the oil and gas drilling equipment could be kept.

SENATOR MICCICHE opined that the oil and gas drilling equipment is currently stored in locations that he believes are not as safe, secure, or protected as it could be. He specified that the Homer City Council is in unanimous support of SB 148 and other local NGOs with a fairly extensive membership are in support [of SB 148] because of the protected nature of keeping oil and gas drilling equipment in the harbor area. In further response to Representative Herron, Senator Micciche related his belief that the opposition is from a group of folks that do not envision Kachemak Bay having anything to do with resource extraction.

[5:08:46 PM](#)

CHAIR JOHNSON opened public testimony.

[5:09:26 PM](#)

STUART SCHMUTZLER began by reminding the committee that people are capable of destroying habitat for many other species, including habitat that provides us with foods to survive. Therefore, he opined that people have a tremendous responsibility not to damage or destroy these habitats merely for the short-term economic gain today; preserving habitat for the future is important. The Homer economy, he opined, has done quite well without storing vehicles from an industry that could pollute and damage the waters in a designated critical habitat area. Mr. Schmutzler encouraged the committee to maintain the critical habitat area designation for the area.

[5:11:13 PM](#)

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

[5:11:41 PM](#)

REPRESENTATIVE GRUENBERG, referring to an aerial map entitled "Proposed Exclusion to the Kachemak Bay Critical Habitat Area" in the committee packet, inquired as to the area withdrawn from the critical habitat area.

SENATOR MICCICHE answered that everything currently in the existing Kachemak Bay Critical Habitat Area remains, except the little triangle designating the area to be removed. The legislation merely defines what was intended not to be included in the critical habitat area and removes the ambiguity.

REPRESENTATIVE GRUENBERG related his understanding then that the area being removed isn't the Homer spit itself, but is basically the area off the shore and the harbor.

SENATOR MICCICHE clarified that the spit was not originally included in the critical habitat area and the legislation does remove the harbor and the area just outside of the harbor. The legislation defines the boundaries legally.

[5:14:55 PM](#)

REPRESENTATIVE CHENAULT moved to report SB 148 out of committee with individual recommendations and the accompanying [zero] fiscal note. There being no objection, SB 148 was reported from the House Rules Standing Committee and is available for calendaring.

[5:15:20 PM](#)

The committee took an at-ease from 5:15 p.m. to 5:18 p.m.

HB 19-PERM. MOT. VEH. REGISTRATION/TRAILERS

[5:18:37 PM](#)

CHAIR JOHNSON announced that the next order of business would be HOUSE BILL NO. 19, "An Act relating to permanent motor vehicle registration; relating to the registration fee for noncommercial trailers and to the motor vehicle tax for trailers; and providing for an effective date." [Before the committee was CSHB 19(TRA).]

[5:18:50 PM](#)

REPRESENTATIVE OLSON moved that the committee adopt Amendment 1, labeled 28-LS0130\U.4, Strasbaugh, 2/7/14, which read:

Page 1, line 1, following "**registration**":

Insert "**in the unorganized borough and in a municipality that has elected to allow permanent registration**"

Page 1, line 13, following "old":

Insert "and the owner resides in the unorganized borough or in a municipality that elects, by passage of an appropriate ordinance, to allow the permanent registration of motor vehicles"

Page 2, line 27, following "or":

Insert ", if the person resides within the unorganized borough or in a municipality that elects, by passage of an appropriate ordinance, to allow the permanent registration of motor vehicles,"

CHAIR JOHNSON objected for discussion purposes.

[5:19:07 PM](#)

REPRESENTATIVE BILL STOLTZE, Alaska State Legislature, a joint prime sponsor of HB 19, related that although he is not overly excited about Amendment 1 as there is already a local option that allows municipalities to opt-out, he said he respects the process.

[5:20:19 PM](#)

REPRESENTATIVE GRUENBERG acknowledged situations in which a resident of Anchorage registered his/her car outside of Anchorage. Therefore, he expressed concern that Amendment 1 looks to the residence of the owner rather than the location of the trailer. The municipality will gain or lose revenue based upon where the trailer is located rather than where the owner is located. Representative Gruenberg then questioned whether the principle location of the car should be targeted.

REPRESENTATIVE STOLTZE offered that would be a different amendment on a different subject.

[5:22:13 PM](#)

CHAIR JOHNSON said he believes that every municipality and borough that has taxing authority has the ability to enforce that taxing authority, and therefore that is not an issue that the committee needs to address.

5:24:01 PM

JOSHUA WALTON, Staff, Representative Craig Johnson, Alaska State Legislature, explained that cumulatively the changes embodied in Amendment 1 provide that municipalities have the ability to opt-in to offering permanent vehicle registrations to those owners of noncommercial motor vehicles that are older than eight years. Under existing statute, AS 28.10.431, municipalities may elect to levy a biennial motor vehicle registration tax. The level of the tax is determined by each individual municipality, collected by the Division of Motor Vehicles (DMV) when drivers renew their registrations, and then is dispersed to the appropriate municipalities. By offering the option for drivers and owners to permanently register their motor vehicles, the mechanism for collecting that revenue stream is taken from the DMV and provided to the municipalities because when an individual permanently registers a motor vehicle, the DMV doesn't see them again. The current language of the legislation allows for the motor vehicle registration tax to continue to be levied by the municipalities, it just doesn't provide an option by which the municipalities can collect those taxes. Therefore, municipalities would have to establish their own system for collecting and enforcing the tax. The tax couldn't be collected at the DMV, save the one-time tax at the time of the permanent motor vehicle registration. Mr. Walton pointed out that every vehicle that is permanently registered represents a permanent loss of revenue to the municipality that has opted to adopt the motor vehicle registration tax. He then pointed out that Amendment 1 addresses a timing issue present in the legislation as currently written. The legislation provides at the time of the effective date of the legislation, for the immediate availability of permanent registrations. However, Section 7 of the legislation requires that a municipality provide to the DMV notice of greater than a year. Specifically, written notice has to be filed by January 1st in the year preceding the year in which the tax is to take effect in order for a municipality to levy a tax on permanent motor vehicle registrations. Therefore, there is at least one year in which eligible residents can apply for and receive permanent motor vehicle registrations but the municipality can't collect the one-time tax during that year. Amendment 1, he explained, would allow municipalities to opt-in by passing an ordinance, which can include an effective date

that's more than a year out from passage. During that time, the required notice to DMV can be made before the municipality opts-in to the permanent motor vehicle registration system. The aforementioned closes the gap, he highlighted.

[5:29:14 PM](#)

MR. WALTON, upon request by Chair Johnson, directed the committee's attention to the language on page 4, lines 25-29, "A municipality that chooses to change the tax imposed under (b) or (1) of this section **or establishes a tax for permanently registered motor vehicles or trailers** shall file a written notice of the change with the department by January 1 of the year preceding the year in which the change in tax is to take effect." For example, starting from today the earliest a municipality could give notice that it wanted to establish a permanent motor vehicle registration tax would be January 1, 2015. Although the current language of HB 19 results in the earliest date the tax could take effect being January 1, 2016, the effective date clause specifies that it takes effect January 1, 2014. Therefore, there is a period of time between the effective date of the legislation and the first day in which a municipality could levy the tax, such that the permanent motor vehicle registrations are available in the municipality but the taxing capability is not.

[5:30:43 PM](#)

CHAIR JOHNSON related his understanding then that an individual would be able to register his/her motor vehicle permanently and never return to DMV. [The date specifications create] a loophole of a year, year-and-a-half during which no tax would be able to be collected under the existing legislation. Amendment 1 would address the aforementioned by providing the option.

MR. WALTON said that is correct because Amendment 1 allows for the opt-in provision through the passage of an appropriate ordinance; a cleverly worded ordinance could close the gap and enable municipalities to offer permanent motor vehicle registrations at the same time they are able to tax them.

[5:31:34 PM](#)

REPRESENTATIVE HERRON asked why those dates were chosen.

REPRESENTATIVE STOLTZE explained that it's routine to update the effective dates, [particularly when] the hope was that this legislation would've passed last year.

[5:32:43 PM](#)

REPRESENTATIVE GRUENBERG surmised then that Amendment 1 changes the legislation from being applied everywhere to applying if the municipality passes an ordinance to adopt it, which is an opt-in provision.

MR. WALTON confirmed that is correct. Given that there are municipalities that currently have a motor vehicle registration tax and rely on that revenue, [Amendment 1] would provide the decision to offer permanent motor vehicle registrations to the local level.

[5:33:52 PM](#)

CHAIR JOHNSON opened public testimony and encouraged people to speak only to Amendment 1, not the legislation itself.

[5:35:15 PM](#)

KATHIE WASSERMAN, Executive Director, Alaska Municipal League (AML), opined that Amendment 1 makes the option for municipalities cleaner, quicker, and provides the municipalities with a choice to review their finances and make a choice.

[5:35:49 PM](#)

REPRESENTATIVE KELLER inquired as to whether there have been any calculations as to the difference in revenue Amendment 1 would make in terms of local revenue.

MS. WASSERMAN related that DMV has figures regarding the revenue if everyone opted-in.

[5:36:32 PM](#)

REPRESENTATIVE KELLER, noting that he is one of the joint prime sponsors, declared a conflict of interest in this matter because he owns multiple trailers. He then opined that it's difficult to believe that the tax revenue generated from his multiple trailers would be a significant amount for the municipality. Therefore, he inquired as to how much revenue has made this effort worth it.

[5:38:30 PM](#)

DAN O'HARA, Mayor, Bristol Bay Borough, began by saying he liked Amendment 1. Referring to a list specifying the amount of revenue being lost from the municipalities, Mayor O'Hara informed the committee that Bristol Bay Borough would lose \$530,000 [under CSHB 19(TRA)], which could cover the cost of a lot of snow removal. Mayor O'Hara informed the committee that he hasn't received any calls on this legislation. He opined that this [legislation] is coming from the top down rather than from the ground level, which is important to him. Therefore, he characterized Amendment 1 as great.

[5:40:28 PM](#)

JOE KLAYKA, Mayor, City of Bethel, related support for Amendment 1. He informed the committee that the City of Bethel is looking at a \$1 million shortfall this year because the Alaska Village Electric Cooperative, Inc. (AVEC) is taking over the local utility company and because AVEC is a nonprofit the city will no longer be able to tax the fuel. He further informed the committee that it costs the City of Bethel an enormous amount of money to put down calcium chloride on the roads in the summer. Therefore, whatever money the city can collect is important to it, and thus he supported the optional nature of Amendment 1.

[5:41:24 PM](#)

LUCINDA MAHONEY, Chief Finance Officer (CFO), Municipality of Anchorage, related support for Amendment 1 because without it, the Municipality of Anchorage would face a significant reduction in revenue, an estimated \$6-\$7 million annually. The aforementioned reduction would be a significant impact on the municipality's budget and ability to retain employees. She estimated that 63 percent of the vehicles in the municipality would fall into this category, which is a significant component of the municipality's budget.

[5:42:46 PM](#)

REPRESENTATIVE KELLER inquired as to other options that would be available to the Municipality of Anchorage if Amendment 1 isn't adopted.

MS. MAHONEY explained that if the bill as originally written were to pass, the municipality would have the ability to

increase property taxes for the area. In response to Chair Johnson, Ms. Mahoney estimated that the original legislation would necessitate a 1.2 percent increase for every property taxpayer. She opined that the aforementioned increase is significant.

CHAIR JOHNSON estimated that such an increase would amount, on average, to about \$54 for an average house.

[5:43:51 PM](#)

REPRESENTATIVE KELLER opined that \$54 would be worth the hassle of not having to keep track of it.

CHAIR JOHNSON said that's the option being offered.

[5:44:23 PM](#)

MIKE NAVARRE, Mayor, Kenai Peninsula Borough, announced his support for Amendment 1. He commented that every time there is a tax change, it's a tax shift and the borough is left to struggle.

[5:45:58 PM](#)

CHAIR JOHNSON, after ascertaining that no one else wished to testify, closed public testimony.

[5:46:09 PM](#)

REPRESENTATIVE GRUENBERG directed attention to Section 8 of the legislation, which would repeal the \$30 annual fee for trailers. He inquired as to why that statute is being repealed because many may not opt-in.

CHAIR JOHNSON clarified that the option to opt-in is in reference to the municipality.

[5:48:02 PM](#)

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

[5:48:56 PM](#)

REPRESENTATIVE GRUENBERG inquired as to why [AS 28.10.421(b)(6)] is being repealed because it seems to him that unless someone

opts for a permanent registration, the [statute] would still apply for a trailer.

[5:49:45 PM](#)

DARRELL BREESE, Staff, Representative Bill Stoltze, Alaska State Legislature, replied that the provision for the option of trailer registration is being repealed because the price is going to be the same as permanent registration. Currently, commercial trailers are allowed to be registered for the life of the trailer for a \$25 fee. Therefore, it seemed fair, he opined, for noncommercial trailers to have the option of the same permanent registration as the commercial trailers.

[5:50:34 PM](#)

REPRESENTATIVE GRUENBERG then inquired as to what the fee would be under the legislation for a person to permanently register a trailer rather do so under [AS 28.10.421(b)(6)].

MR. BREESE said that Section 4 specifies that the biennial fee for registration is \$30 and the permanent registration is an additional \$25 fee, which totals \$55 for the permanent registration. In further response to Representative Gruenberg, Mr. Breese confirmed that the biennial registration is being repealed for ease because most people aren't going to continue the biennial registration if permanent registration is an option. Furthermore, it puts the fee on par with the permanent registration fee for commercial trailers.

REPRESENTATIVE STOLTZE added that it would probably create a greater level of compliance because it's common to not use a trailer for several years.

[5:53:04 PM](#)

REPRESENTATIVE OLSON moved to report CSHB 19(TRA), as amended, out of committee with individual recommendations and the forthcoming fiscal notes. There being no objection, CSHB 19(RLS) was reported from the House Rules Standing Committee and is available for calendaring.

[5:53:31 PM](#)

ADJOURNMENT

There being no further business before the committee, the House Rules Standing Committee meeting was adjourned at 5:53 p.m.