

SENATE FINANCE COMMITTEE

April 17, 2014

9:15 a.m.

9:15:07 AM

CALL TO ORDER

Co-Chair Meyer called the Senate Finance Committee meeting to order at 9:15 a.m.

MEMBERS PRESENT

Senator Pete Kelly, Co-Chair
Senator Kevin Meyer, Co-Chair
Senator Anna Fairclough, Vice-Chair
Senator Click Bishop
Senator Mike Dunleavy
Senator Lyman Hoffman
Senator Donny Olson

MEMBERS ABSENT

None

ALSO PRESENT

Representative Benjamin Nageak; Representative Mike Hawker; Robert Ervine, Staff, Representative Lindsey Holmes; Representative Dan Saddler; Michael Paschall, Staff, Representative Eric Feige.

PRESENT VIA TELECONFERENCE

Steve Vansant, State Assessor, Anchorage; Rob Elkins, Deputy Director, Administration and Finance, North Slope Borough, Anchorage; Matt Fonder, Director, Tax Division, Department of Revenue, Anchorage; Margaret Brody, Director, Health Care Services, Department of Health and Social Services, Anchorage.

SUMMARY

CSHB 19(RLS)(efd am)

PERM. MOT. VEH. REGISTRATION/TRAILERS

CSHB 19(RLS)(efd am) was SCHEDULED but not HEARD.

CSHB 121(FIN)
COMMERCIAL FISHING & AGRICULTURE BANK
CSHB 121(FIN) was HEARD and HELD in committee for further consideration.

CSHB 143(FIN)
COMMERCIAL FISHING CREWMEMBER LICENSES
CSHB 143(FIN) was SCHEDULED but not HEARD.

CSHB 160(FIN)
LICENSING OF ATHLETIC TRAINERS
CSHB 160(FIN) was SCHEDULED but not HEARD.

CSHB 193(FIN)
MUNICIPAL TAXATION OF TOBACCO PRODUCTS
CSHB 193(FIN) was SCHEDULED but not HEARD.

CSSSHB 204(FIN)
SALMON & HERRING PRODUCT DEV'T TAX CREDIT
CSSSHB 204(FIN) was SCHEDULED but not HEARD.

HB 231 CATTLE BRAND REGISTRATION
HB 231 was SCHEDULED but not HEARD.

HB 234 EXTEND REGULATORY COMMISSION OF ALASKA
HB 234 was REPORTED out of committee with a "do pass" recommendation and with previously published fiscal impact note: FN1(CED).

CSHB 282(JUD)
LANDLORD AND TENANT ACT
CSHB 282(JUD) was SCHEDULED but not HEARD.

CSHB 305(FIN)
JUNK DEALER & METAL SCRAPER LICENSING
CSHB 305(FIN) was SCHEDULED but not HEARD.

HB 308 ALASKA SECURITIES ACT EXEMPTIONS

HB 308 was REPORTED out of committee with a "do pass" recommendation and with previously published fiscal impact note: FN1(CED).

CSHB 328(L&C)

BOARD/LICENSING OF MASSAGE THERAPISTS

CSHB 328(L&C) was SCHEDULED but not HEARD.

HB 361 LICENSING OF BEHAVIOR ANALYSTS

HB 361 was REPORTED out of committee with a "do pass" recommendation and with previously published indeterminate fiscal note: FN1(DHS); and previously published fiscal impact note: FN2(CED).

CSHB 379(FIN)

OIL & GAS PROPERTY TAX

CSHB 379(FIN) as REPORTED out of committee with a "do pass" recommendation and with previously published indeterminate fiscal note: FN2(REV).

#hb379

CS FOR HOUSE BILL NO. 379(FIN)

"An Act relating to the limitation on the value of property taxable by a municipality; and providing for an effective date."

[9:16:44 AM](#)

REPRESENTATIVE BENJAMIN NAGEAK, SPONSOR, introduced himself.

Co-Chair Meyer asked if Representative Nageak had any additional comments. Representative Nageak thanked the committee for considering the legislation. He stated that the legislation had been in the works for forty years.

Vice-Chair Fairclough wondered if the bill would affect the assessment of property value for the state.

STEVE VANSANT, STATE ASSESSOR, ANCHORAGE (via teleconference), responded that the legislation changed the way the limitation was calculated for oil and gas property based on the initial mil-rate that was calculated for two municipalities: the North Slope Borough and the City of Valdez. He stated that there were some calculations that moved the percentage around 300 percent and 375 percent for the North Slope Borough. The legislation would allow the borough to have more funds in their operating revenue, as opposed to their bond debt, so they could maintain the facilities that had been bonded over the years. Currently, there was no limitation on bonding, so if the borough needed more money for certain items they could bond and take as much revenue as was needed. The borough had consistently been at 18.5 mil rate, so there was no anticipation for a change. He also stated that the Valdez mil-rate was 20 percent, which was very high for the tax payer. He shared that the conversations with the North Slope Borough showed that the bond debt reduce, and the revenue would be put in the operating revenue, so the maintenance program could function as desired. He felt that the bill would not cost the state money, but it could cost the state money.

Vice-Chair Fairclough queried the instance on how the legislation might cost the state money. Mr. Vansant responded that the North Slope could charge a 21.3 mil-rate, and generate an extra \$58 million. This would require payment from everyone in the borough, including the oil companies and the local tax payer. He stressed that the borough intended to lower their bonded debt, so they would not need to raise more than an 18.5 mil-rate in the operating revenue in order to generate more revenue for the maintenance program.

Vice-Chair Fairclough queried the effect of the state. Mr. Vansant replied that the borough could raise their mil-rate to 21.3 it would cost the state the extra revenue. If the borough did not lower the bonded debt, they could still raise \$58 million, which would cost the state \$58 million. He stressed that the borough intended to lower their mil-rate by paying off some of the bond debt, so keeping their mil-rate at 18.5 would give them more operating revenues and not need the bonded revenues.

[9:22:44 AM](#)

Vice-Chair Fairclough wondered why the state paid the property taxes dollar for dollar to the borough. Mr. Vansant responded that the state collected a mil-rate of 20 on all of the oil and gas property in the state. Of that, the state gave back to the local municipalities at the locally charged mil-rate.

Vice-Chair Fairclough surmised that there was a statewide mil-rate, and if a local community taxed, the state would forgo revenue at the state level and allow the local community control of the funds. Mr. Vansant agreed with that summation.

Senator Olson pointed out that the borough could reduce their mil-rate, which would bring more revenue to the state.

Co-Chair Kelly asked for an explanation of the bonded indebtedness versus the operating costs. Mr. Vansant explained that currently, municipalities had a mil-rate limit of 30 for operating revenues. There was no limitation of what a municipality may charge to repay bond debt. He stated that there were two sets of funds that a municipality could accumulate: revenue and bond debt. The tax limitation would change the current statute from 225 percent to a variation of 225, 300, or 375 percent. That would change the total amount of dollars that a municipality may collect under operating revenues. The bond debt still had no limitation, so a municipality could bond as long as there was a vote to pay for the bonds. He stated that the bill would change the calculation, so the municipality could collect more operating funds. He remarked that the borough wanted to lower their bond debt, but was facing a limitation on the operating revenue, which inhibited maintenance.

[9:27:21 AM](#)

Senator Bishop wondered if the legislation only affected two boroughs. Mr. Vansant replied in the affirmative. The only two boroughs that were reaching the limit: the North Slope Borough and the City of Valdez.

Co-Chair Meyer queried the number of boroughs that would be impacted by the legislation. Mr. Vansant replied that there were only two municipalities that would be impacted. He

said that there was potential for Valdez, Kenai, Anchorage, and Mat-Su to get more oil and gas properties.

Co-Chair Meyer remarked that there was oil production in the Cook Inlet, but wondered if it was not enough to matter. Mr. Vansant replied that the production did not bring enough dollars to be impacted by the formula.

Senator Olson queried Mr. Elkins position on the legislation, how he planned to lower the debt service and its obligations in order to keep the taxes at a manageable level.

ROB ELKINS, DEPUTY DIRECTOR, ADMINISTRATION AND FINANCE, NORTH SLOPE BOROUGH, ANCHORAGE (via teleconference), replied that under the adopted budget for FY 15 there was \$146 million available for debt service. The borough had been working for ten years to pay down its debt. He stressed that there were several years when the borough had over \$1 billion of debt. He stressed that the effort to pay down the debt was done with assumption that the legislation would pass. On an average year, there would be an additional 14 to 16 percent owed on top of the principle payment. Therefore, by bonding for light duty vehicles and other operating items, it costs an additional 14 to 16 percent over the life of the bond. By altering the calculation, the North Slope Borough could move the purchases into the operating budget to save tax dollars. He felt that the bill would provide the borough with flexibility, and the borough had worked hard to systematically reduce its bond debt.

Senator Olson pointed out that the North Slope Borough would lower its debt service in order to keep the tax at an affordable rate.

[9:32:46 AM](#)

Senator Dunleavy wondered if there was opposition from the sponsor's district to the legislation. Representative Nageak replied that he was not aware of any opposition to the bill.

Senator Hoffman wondered if the City of Valdez was supportive of the legislation. Representative Nageak replied that he was not aware of any opposition to the bill from anyone, including the state.

Co-Chair Meyer wondered if there was any opposition to the bill from the City of Valdez. Senator Bishop replied that he was not aware of any opposition to the legislation.

Vice-Chair Fairclough wondered if there was a cap on the mil-rate for anyone under the state's jurisdiction. Representative Nageak responded that the North Slope was under a cap for the previous 40 years. He stressed that there was some strain when there was a substantial restriction. He thought that the North Slope Borough was the only municipality with a cap.

Vice-Chair Fairclough remarked that, in her experience, when there was a property tax issue the tax payers demanded to be taxed less. She noted that there was only representation from the community, not the tax payer on this legislation. She asked if there was a cap in the legislation.

Vice-Chair Fairclough wondered if there were exemptions from the state in local communities that established local exemptions. Mr. Vansant wondered if she meant residential exemptions.

Vice-Chair Fairclough clarified that she was concerned over the question of raising a mil-rate. She noted that the people would be taxed, if the mil-rate was increased. She wondered if local communities established exemptions that transferred responsibility of the property tax payments to another entity. Mr. Vansant replied that Anchorage had a \$20,000 residential exemption, and six municipalities offer exemptions some up to \$100,000. He stated that the North Slope Borough offered a residential exemption up to \$50,000, and offered a residential optional exemption for senior citizens up to and additional \$150,000.

[9:39:51 AM](#)

Vice-Chair Fairclough wondered if Valdez offered similar exemptions for their property tax payers. Mr. Vansant responded that Valdez only offered a \$20,000 exemption for residential property, and did not offer any exemption above the state-mandated \$150,000.

Vice-Chair Fairclough wondered if the state had state authority over Valdez for the mil-rate setting. Mr. Vansant

responded that all municipalities were required to exempt certain properties such as churches, schools, charitable properties, etc., whether it was the city of Valdez or any other municipality. The City of Valdez had also opted out of all personal property exemptions.

Vice-Chair Fairclough wondered if there were contributions to schools. Mr. Vansant replied in the affirmative. He stated that the North Slope Borough was required to participate at a 45 percent need.

Vice-Chair Fairclough understood that a community might believe that there was a disadvantage with a mil-rate cap, and wondered if there should be a consideration for a cap. Mr. Vansant responded that the bill had a cap, and would only raise it from the 225 percent formula cap to a 300 percent formula cap. He stated that there was a cap under AS 29.45.090 to all municipalities of a 30 mil-rate, which was 3 percent for operating revenues.

Vice-Chair Fairclough wondered if the reference was in Section 6 regarding "not more than 19 mil." Mr. Vansant replied that the percentage was outlined, and were set caps for assessments, which would set caps for the collected revenues. The other cap was for a 30 mil rate, which applied to all municipalities.

Senator Hoffman announced that the bill did not change the taxable mil rates, but rather asked for flexibility about how the municipality was limited to move money between the operating and capital budgets.

[9:46:17 AM](#)

Senator Olson stressed that this legislation was the top priority for the North Slope Borough.

Vice-Chair Fairclough wondered if the mil-rate cap was voted on by the people. Representative Nageak replied that there was an ordinance that was passed each year.

Vice-Chair Fairclough stressed that she was not in opposition to the bill, but was attempting to understand the consequences to the state. She announced that the state could receive extra money or could lose up to \$30 million.

MATT FONDER, DIRECTOR, TAX DIVISION, DEPARTMENT OF REVENUE, ANCHORAGE (via teleconference), replied that the bill could cause either increased or decreased revenue to the state, because it depended on the municipalities' responses to the bill.

[9:50:21 AM](#)

Co-Chair Meyer wondered how the North Slope Borough's response to the bill would impact the state's revenue. Mr. Fonder replied that, if the borough reduced their debt service payments and kept their mil-rate to the state, there would be no impact to the state's revenue. If their debt service remained the same, and they needed more funds for operating costs, they would need to increase their mil-rate.

Co-Chair Meyer asked if DOR had a position on the bill. Mr. Fonder replied that DOR did not have a position on the legislation, but was available for questions.

Senator Hoffman surmised that the legislation would not impact the current work of the North Slope Borough; it only gave the borough flexibility to meet their operational needs.

Co-Chair Meyer felt that the discussion was more complicated than necessary.

Senator Olson stressed that there was no incentive to increasing the amount.

Vice-Chair Fairclough stated that it was impressive that the North Slope had decreased \$1 billion of debt and reduced it to \$300 million.

Senator Bishop felt that the bill would allow the borough to pay down the debt even faster.

Vice-Chair Fairclough MOVED to REPORT CSHB 379(FIN) out of committee with individual recommendations and the accompanying fiscal note. There being NO OBJECTION, it was so ordered.

CSHB 379(FIN) was REPORTED out of committee with a "do pass" recommendation and with previously published indeterminate fiscal note: FN2(REV).

9:54:25 AM

AT EASE

9:56:50 AM

RECONVENED

#hb234

HOUSE BILL NO. 234

"An Act extending the termination date of the Regulatory Commission of Alaska; and providing for an effective date."

9:57:53 AM

REPRESENTATIVE MIKE HAWKER, introduced himself.

Co-Chair Meyer noted that Representative Hawker had presented the legislation on April 14. Representative Hawker agreed, and noted that there was a request for documentation of one item in the Regulatory Commission of Alaska's financial statements (copy on file).

9:58:25 AM

AT EASE

10:01:42 AM

RECONVENED

10:03:09 AM

Co-Chair Meyer wondered if Senator Hoffman was satisfied. Senator Hoffman replied in the affirmative.

Vice-Chair Fairclough MOVED to REPORT HB 234 out of committee with individual recommendations and the accompanying fiscal note. There being NO OBJECTION, it was so ordered.

HB 234 was REPORTED out of committee with a "do pass" recommendation and with previously published fiscal impact note: FN1(CED).

#hb308

HOUSE BILL NO. 308

"An Act relating to the exemptions under the Alaska Securities Act and to securities issued by Native corporations; and providing for an effective date."

[10:04:01 AM](#)

ROBERT ERVINE, STAFF, REPRESENTATIVE LINDSEY HOLMES, introduced himself.

Vice-Chair Fairclough MOVED to REPORT HB 308 out of committee with individual recommendations and the accompanying fiscal note. There being NO OBJECTION, it was so ordered.

HB 308 was REPORTED out of committee with a "do pass" recommendation and with previously published fiscal impact note: FN1(CED).

[10:05:13 AM](#)

AT EASE

[10:09:03 AM](#)

RECONVENED

#hb361

HOUSE BILL NO. 361

"An Act relating to licensing of behavior analysts."

[10:09:28 AM](#)

REPRESENTATIVE DAN SADDLER, SPONSOR, introduced himself, and was willing to respond to questions.

Co-Chair Meyer stated that there were also some testifiers available for to respond to questions.

Vice-Chair Fairclough would like a revised fiscal note on the indeterminate costs regarding the next phase of the legislation. She felt that the ramifications to the state's budget should be evaluated in pursuing additional care for the people of Alaska.

MARGARET BRODY, DIRECTOR, HEALTH CARE SERVICES, DEPARTMENT OF HEALTH AND SOCIAL SERVICES, ANCHORAGE (via teleconference), announced that the service was not currently covered under Medicaid rules, which was why the

fiscal note was indeterminate. There would be 1838 children who had a diagnosis of Autism that were currently enrolled in Medicaid. There would need to be individual assessments, at \$175 per evaluation. That cost would be covered, if the service became covered under Medicaid.

Vice-Chair Fairclough stressed that the next step would be legislation that would allow Medicaid to cover the cost. She stressed that there should be an acknowledgement of a cost of approximately \$26 million with 50 percent covered by the federal government. She felt that the cost was high, but necessary to meet the needs of the diagnosed children. She felt that the numbers delivered by the department were too low.

Co-Chair Meyer queried the cost of obtaining a license. Representative Saddler responded that the cost would be approximately \$1300 per person for the initial biennium, and would decrease to \$450 for subsequent bienniums.

[10:15:19 AM](#)

Senator Bishop surmised that it would be a \$1300 initial license, and a \$400 for a renewal. Representative Saddler agreed, and stated that the initial cost would be a portion to the BCBA.

Representative Saddler noted a there was information that indicated that with three years of an early intensive behavioral intervention, there were upfront costs. After three years, approximately half of the children accomplish near normal functioning. He stated that approximately one-third of the children had substantial gains, and 15 percent saw no benefits. The implications indicated some upfront higher costs, but the early intervention avoided the need for additional special education services.

Vice-Chair Fairclough MOVED to REPORT HB 361 out of committee with individual recommendations and the accompanying fiscal notes. There being NO OBJECTION, it was so ordered.

HB 361 was REPORTED out of committee with a "do pass" recommendation and with previously published indeterminate fiscal note: FN1(DHS); and previously published fiscal impact note: FN2(CED).

10:17:20 AM

AT EASE

10:23:40 AM

RECONVENED

#hb121

CS FOR HOUSE BILL NO. 121(FIN)

"An Act relating to the examinations, board, loans, and records of the Alaska Commercial Fishing and Agriculture Bank; and providing for an effective date."

10:24:11 AM

MICHAEL PASCHALL, STAFF, REPRESENTATIVE ERIC FEIGE, introduced himself, and stated that he was willing to respond to questions.

Co-Chair Meyer queried the relationship of the bank with the state. Mr. Paschall responded that the establishment was formed to help the fishing and agriculture industry. It was given a privileged tool to use limited entry permits as collateral. Therefore, there was a specific statute that granted the authority, even though they were created as a private bank. The only relationship they had with the state was as an agent of the state with the ability to use limited entry permits as collateral. The governor appointed two board members from within the members of the bank to assure the interest was followed.

Co-Chair Meyer wondered if two board members were appointed by the governor. Mr. Paschall responded in the affirmative.

Co-Chair Meyer queried the total number of board members. Mr. Paschall replied that the board member numbers could be changed by the corporation. He assumed there were between 5 and 9 members of the board.

Senator Hoffman stressed that two board members were appointed by the governor. Mr. Paschall agreed.

Senator Olson queried the reasoning of the incorporation of the recent amendment related to lobbyists. Mr. Paschall replied that the bank had requested the ability to hire a lobbyist. The state had an ownership interest in the bank

when it was initially created, so the bank could not have a lobbyist at that time. The state no longer had an ownership interest in the bank, so the bank was facing a logistical issue of maintaining involvement with the legislative process.

Co-Chair Meyer surmised that the bank had a very specific interest, because they were statutory obligated to the state. He felt that they still had a strong tie to government, so there was question as to the appropriateness to have a lobbyist to influence law making. He wondered if the amendment was made in the other body. Mr. Paschall replied that the amendment was made in the other body.

[10:29:32 AM](#)

Co-Chair Meyer wondered if the bank had a government affairs employee. Mr. Paschall replied in the negative, because they only had ten employees.

Co-Chair Meyer asked if the bank was reviewed every three years. Mr. Paschall responded that the bank was not currently reviewed by the Banking Commission, because it was excluded from all banking laws that apply to other banks. The statutes regulating the bank were the only regulating statutes for the bank, which was why they were asking to be reviewed. It helped their ability to obtain credit from other lenders.

Senator Dunleavy remarked that the bank may be the only outfit that did not employ a lobbyist.

Co-Chair Meyer was not concerned with whether or not the bank had a lobbyist.

Vice-Chair Fairclough queried the definition of "resident." Mr. Paschall replied that the resident status referred to the general statute, which was a resident for one year with the intention of staying in the state.

CSHB 121(FIN) was HEARD and HELD in committee for further consideration.

#hb160

CS FOR HOUSE BILL NO. 160(FIN)

"An Act relating to the licensing and regulation of athletic trainers."

CSSH 160(FIN) was SCHEDULED but not HEARD.

#hb328

CS FOR HOUSE BILL NO. 328(L&C)

"An Act establishing the Board of Massage Therapists; relating to the licensing of massage therapists; and providing for an effective date."

CSSH 328(L&C) was SCHEDULED but not HEARD.

#hb204

CS FOR SPONSOR SUBSTITUTE FOR HOUSE BILL NO. 204(FIN)

"An Act relating to a product development tax credit for certain salmon and herring products; and providing for an effective date."

CSSSHB 204(FIN) was SCHEDULED but not HEARD.

#hb143

CS FOR HOUSE BILL NO. 143(FIN)

"An Act relating to crewmember fishing licenses; and providing for an effective date."

CSSH 143(FIN) was SCHEDULED but not HEARD.

#hb282

CS FOR HOUSE BILL NO. 282(JUD)

"An Act relating to the rights and obligations of residential landlords and tenants; and relating to the taking of a permanent fund dividend for rent and damages owed to a residential landlord."

CSSH 282(JUD) was SCHEDULED but not HEARD.

#hb193

CS FOR HOUSE BILL NO. 193(FIN)

"An Act relating to the joint administration of tobacco taxes by the state and a municipality."

CSHB 193(FIN) was SCHEDULED but not HEARD.

#hb231

HOUSE BILL NO. 231

"An Act eliminating the Department of Revenue's duty to register cattle brands."

HB 231 was SCHEDULED but not HEARD.

#hb305

CS FOR HOUSE BILL NO. 305(FIN)

"An Act relating to the records of metal scrappers; repealing the requirement that a junk dealer or metal scrapper obtain a license; and providing for an effective date."

CSHB 305(FIN) was SCHEDULED but not HEARD.

#hb19

CS FOR HOUSE BILL NO. 19(RLS)(efd am)

"An Act relating to permanent motor vehicle registration in the unorganized borough and in a municipality that has elected to allow permanent registration; relating to the registration fee for noncommercial trailers and to the motor vehicle tax for trailers; and providing for an effective date."

CSHB 19(RLS)(efd am) was SCHEDULED but not HEARD.

#

ADJOURNMENT

10:33:45 AM

The meeting was adjourned at 10:33 a.m.

