

SENATE JOURNAL
ALASKA STATE LEGISLATURE
TWENTY-NINTH LEGISLATURE
FOURTH SPECIAL SESSION

Juneau, Alaska

Monday

May 23, 2016

First Day

Pursuant to the May 19 Proclamation of the Governor calling for the convening of the Fourth Special Session of the Twenty-Ninth Alaska Legislature, the Senate was called to order by President Meyer at 12:02 p.m. in the Terry Miller Legislative Office Building gymnasium.

The roll showed fifteen members present. Senator Stedman was excused. Senators Hoffman, Kelly, McGuire, Micciche were absent.

The prayer was offered by the Chaplain, Romo Marasigan. Senator Giessel moved and asked unanimous consent that the prayer be spread. Without objection, it was so ordered.

Lord, I trust in your unfailing love, in your promises.
I give this day and all that it holds to you.

May I walk in your goodness, knowing your gentle hand will guide me and keep me. Amen.

Senator Olson led the Senate in the Pledge of Allegiance.

Certification

Senator Coghill moved and asked unanimous consent that the journal for the one hundred twenty-first legislative day of the second session be approved as certified by the Secretary. Without objection, it was so ordered.

Senator Coghill moved and asked unanimous consent Senators Hoffman, Kelly, McGuire, Micciche be excused from a call of the Senate today. Without objection, Senators Hoffman, Kelly, McGuire, Micciche were excused.

Messages from the Governor

SB 157

Message was read stating the Governor signed the following bill on May 17 and transmitted the engrossed and enrolled copies to the Lieutenant Governor's Office for permanent filing:

SENATE BILL NO. 157 "An Act defining arcade-style amusement devices."

Chapter 7, SLA 2016
Effective Date: 8/15/16

SB 69

Message was read stating the Governor signed the following bill on May 17 and transmitted the engrossed and enrolled copies to the Lieutenant Governor's Office for permanent filing:

CS FOR SENATE BILL NO. 69(FIN) "An Act relating to the Board of Chiropractic Examiners and the practice of chiropractic."

Chapter 8, SLA 2016
Effective Date: 8/15/16

SB 148

Message was read stating the Governor signed the following bill on May 17 and transmitted the engrossed and enrolled copies to the Lieutenant Governor's Office for permanent filing:

CS FOR SENATE BILL NO. 148(L&C) "An Act relating to the reporting of workplace injuries to the division of labor standards and safety; and providing for an effective date."

Chapter 9, SLA 2016
Effective Date: 5/18/16

SB 145

Message was read stating the Governor signed the following bill on May 17 and transmitted the engrossed and enrolled copies to the Lieutenant Governor's Office for permanent filing:

CS FOR SENATE BILL NO. 145(FIN) "An Act relating to benefits for public assistance programs administered by the Department of Health and Social Services; and providing for an effective date."

Chapter 10, SLA 2016
Effective Date: 7/1/16

SB 147

Message was read stating the Governor signed the following bill on May 17 and transmitted the engrossed and enrolled copies to the Lieutenant Governor's Office for permanent filing:

CS FOR SENATE BILL NO. 147(HSS) "An Act relating to eligibility requirements of the Alaska senior benefits payment program; and providing for an effective date."

Chapter 11, SLA 2016
Effective Date: 7/1/16

Executive Proclamation

Under the authority of Article II, Section 9, and Article III, Section 17, Constitution of the State of Alaska, and in the public interest, I call the Twenty-Ninth Legislature of the State of Alaska into its fourth special session at Juneau, Alaska, on Monday, May 23, 2016, at 11 a.m. to consider the following subjects:

1. HB 256 or a similar act relating to making appropriations for the operating and loan program expenses of state government and for certain programs, capitalizing funds, amending appropriations, repealing appropriations, and making appropriations under Article IX, Section 17(c), Constitution of the State of Alaska, from the constitutional budget reserve fund;

2. HB 257 or a similar act relating to making appropriations for the operating and capital expenses of the state's integrated comprehensive mental health program;
3. SB 138 or a similar act relating to making appropriations, including capital appropriations, reappropriations, and other appropriations; and making appropriations to capitalize funds;
4. HB 245 or SB 128 or a similar act relating to the Alaska permanent fund and the earnings reserve account for purposes of a sustainable draw; relating to the Alaska Permanent Fund Dividend; and relating to the Alaska Permanent Fund Corporation;
5. HB 247 or a similar act relating to interest applicable to delinquent tax; relating to the oil and gas production tax, tax payments, and credits; relating to exploration incentive credits; relating to refunds for the gas storage facility tax credit, the liquefied natural gas storage facility tax credit, and the qualified in-state oil refinery infrastructure expenditures tax credit; relating to the confidential information status and public record status of information in the possession of the Department of Revenue; relating to oil and gas lease expenditures and production tax credits for municipal entities; requiring a bond or cash deposit with a business license application for an oil or gas business;
6. An act relating to a personal income tax, the motor fuel tax, the excise tax on alcoholic beverages, the mining license tax and fees, the mining exploration incentive tax credit, the fisheries business tax, the fishery resource landing tax, the annual base fee for entry or interim-use permits, the administration and enforcement of the marijuana tax, and relating to refunds to local governments and to taxes on tobacco products;
7. HB 200 or a similar act relating to procedures for a petition or proxy for adoption or guardianship of a child in state custody and related amendments to the court rules;

8. HB 27 or a similar act relating to the duties of the Department of Health and Social Services for permanent placement of a child in need of aid; relating to school placement and transportation for children in foster care and foster care placement, including any related court rule amendments;
9. HB 374 or a similar act relating to funding for a reinsurance program; and relating to an application for a waiver for state innovation for health care insurance; and
10. An act relating to major medical insurance coverage for survivors of peace officers and firefighters under the Public Employee's Retirement System of Alaska.

Dated this 19th day of May, 2016 at 12:01 a.m.

/s/
Bill Walker
Governor

First Supplemental Proclamation

Under the authority of Article II, Section 9, and Article III, Section 17, of the Alaska Constitution, and in the public interest, I am amending my May 19, 2016 proclamation calling the Twenty-Ninth Legislature of the State of Alaska into its fourth special session at Juneau, Alaska, on May 23, 2016, as follows:

I am supplementing the call with the addition of the following subject:

11. HB 246 or SB 129 or a similar act relating to creating the oil and gas infrastructure development program and the oil and gas infrastructure development fund in the Alaska Industrial Development and Export Authority and to the interest rates of the Alaska Industrial Development and Export Authority; to the sustainable energy transmission and supply development and Arctic infrastructure development programs of the Alaska

Industrial Development and Export Authority; to dividends from the Alaska Industrial Development and Export Authority; and adding definitions for "oil and gas development infrastructure" and "proven reserves".

This proclamation supplements my proclamation of May 19, 2016.

Dated this 23rd day of May, 2016 at 9:20 a.m.

/s/

Bill Walker
Governor

Messages from the House

HB 75

Message dated May 18 was read stating the House adopted the report of the Conference Committee with limited powers of free conference considering 2d SENATE CS FOR CS FOR HOUSE BILL NO. 75(RLS) and CS FOR HOUSE BILL NO. 75(JUD) am, thus adopting:

CONFERENCE CS FOR HOUSE BILL NO. 75 "An Act relating to possessing, using, displaying, purchasing, growing, processing, transporting, and transferring marijuana; relating to assisting another person 21 years of age or older in activities related to marijuana; relating to established villages and to local option elections regarding the operation of marijuana establishments; and providing for an effective date."

The Senate adopted CONFERENCE CS FOR HOUSE BILL NO. 75 on May 18.

SCR 14

Message dated May 18 was read stating the House passed and returned:

SENATE CONCURRENT RESOLUTION NO. 14
Suspending Rules 24(c), 35, 41(b), and 42(e),
Uniform Rules of the Alaska State Legislature,

concerning House Bill No. 75, relating to the registration of marijuana establishments by municipalities; relating to the definition of "marijuana"; clarifying standards for personal use of marijuana by persons 21 years of age or older; prohibiting the public consumption of marijuana; authorizing the registration of marijuana clubs; and relating to established villages and to local option elections regarding the operation of marijuana establishments.

The resolution was referred to the Secretary for enrollment.

Introduction and Reference of Senate Bills

SB 4001

SENATE BILL NO. 4001 BY THE SENATE RULES COMMITTEE
BY REQUEST OF THE GOVERNOR, entitled:

"An Act relating to taxation, including establishing an individual income tax; relating to the marijuana tax and bonding requirements for marijuana cultivation facilities; relating to the exploration incentive credit; increasing the motor fuel tax; increasing the taxes on cigarettes and tobacco products; taxing electronic smoking products; adding a definition of 'electronic smoking product' and requiring labeling of an electronic smoking product; increasing the excise tax on alcoholic beverages; relating to exemptions from the mining license tax; removing the minimum and maximum restrictions on the annual base fee for the reissuance or renewal of an entry permit or an interim-use permit; increasing the mining license tax rate; relating to mining license application, renewal, and fees; increasing the fisheries business tax and fishery resource landing tax; relating to refunds to local governments; and providing for an effective date."

was read the first time and referred to the Labor and Commerce and Finance Committees.

The following fiscal information was published today:
Fiscal Note No. 1, Department of Revenue

Governor's transmittal letter dated May 23:

Dear President Meyer:

Under the authority of Article III, Section 18, of the Alaska Constitution, I am transmitting a bill relating to revenue measures, including the establishment of an individual income tax, tax measures on fisheries business tax and fisheries landing tax, the mining license tax, the excise tax on alcoholic beverages, raising the tax on tobacco products and taxing electronic smoking products, fees for commercial fisheries entry or interim use permits, regarding the administration and enforcement of the marijuana excise tax.

This is a necessary measure to address our fiscal situation. My approach is a broad-based tax bill to address the need as our current revenues decrease. This has made it necessary to update our tax laws. My proposed measures, while modest, will make a significant difference to the State's fiscal situation.

First, the bill would establish a personal income tax of six percent of total federal tax liability. Because the tax would be calculated based on federal tax liability rather than on income, the bill effectively incorporates federal brackets and exemptions. This permits this bill, and the Alaska personal income tax system it would create, to be as simple and transparent as possible and minimizes administrative burdens both for the State and for taxpayers. This portion of the bill has a delayed effective date, and would apply to income earned on or after January 1, 2018. In addition, the bill would repeal a set of orphaned individual tax credits from the former income tax.

The relatively modest tax is expected to raise approximately \$200,000,000. Because, for those who itemize federal tax deductions, the tax would be deductible from federal income tax, the deduction from federal taxes would offset the actual burden of this tax to Alaska taxpayers by 20 – 25 percent.

Next, the bill would update our cigarette taxes and include newer electronic smoking products. Smoking technology has advanced to include multiple use electronic smoking products which are currently untaxed in Alaska. Therefore, our tobacco tax statutes (AS 43.50 Cigarette Tax Act) should be revised to include this new smoking product. To further update our outdated tobacco tax structure, I propose to amend the additional tax levy on cigarettes – which has not been raised since 2007 – from 62 mills to 112 mills. This change will increase the total State tax per standard cigarette pack from \$2.00 to \$3.00. I also propose increasing the tax rate on tobacco products (other than cigarettes) from 75 percent of the wholesale price to 100 percent of the wholesale price. These reasonable adjustments will bring our tax structure up to date.

The alcoholic beverage tax rates have not been raised for many years. Therefore, the bill would increase the tax rates on alcoholic beverages under AS 43.60 (excise tax on alcoholic beverages). Alcoholic beverage excise taxes are levied on malt beverages, cider with at least 0.5 percent alcohol, wine, and other beverages with a higher alcohol content. The bill would double the tax rates on each gallon or fraction of a gallon. As a result, the excise tax on malt beverages or cider would be \$2.14 a gallon or fraction of a gallon; the tax on wine or other beverages would be \$5.00 a gallon or fraction of a gallon; and the tax on beverages containing more than 21 percent alcohol by volume would be \$25.60 a gallon. The effective tax rate, after these changes, will be 20 cents per standard drink portion. I believe this proposed increase is reasonable, especially considering the high societal cost of alcoholic beverage consumption. Under this bill, the alcoholic beverage industry would bear a fairer share of industry costs to the State, yet still continue as an economically healthy industry.

The bill also would amend AS 43.60.040(a) related to surety bonds. Current law requires a \$25,000 surety bond before a license is issued. This amount is out of date, as many wholesalers require a surety bond much greater than that; at the same time very small brewers and distillers require a smaller surety bond. The bill proposes to amend AS 43.60.040(a) to delete the \$25,000 bond and instead add language that the surety bond amount would be determined by the Department of Revenue.

The mining industry is important to the state, but the taxation rates are too low to maintain. My proposal makes necessary adjustments to the tax imposed on mining operations. Therefore, the bill would change the exemption from paying the mining license tax that currently applies to operations for three and one-half years after production begins to a more reasonable two years. This provides a sustainable balance between assisting new mining operations and taxing revenues from those operations. Additionally, the bill would change the way the mineral and coal deposit exploration incentive credit is determined by removing the ability to apply the credit against mineral royalty production payments. The bill also would increase the mining license tax rate from seven percent to nine percent for that portion of net income in excess of \$100,000 beginning July 1, 2016.

Further, the bill would increase the tax rates of the fisheries business tax (AS 43.75.015) and the fishery resource landing tax (AS 43.77.010). Developing fisheries are exempted from the increase. The tax rates covered by these statutes vary from three percent to five percent, depending on the type of fishery. The bill would increase those tax rates by one percentage point across the board. Currently, the revenue generated by these taxes is split evenly between the State and the municipalities where the fisheries are located. The bill would exempt this one percentage point increase from the revenue sharing arrangement, thereby insuring that the entire increase is applied to the general fund. The bill also would require electronic submission for fishery taxpayers. Additionally, the bill removes the existing \$3,000 annual cap for entry permits issued by the Commercial Fisheries Entry Commission.

The bill also addresses the marijuana tax laws, first, by requiring a marijuana cultivation facility to furnish a bond before a license may be issued by the Marijuana Control Board, and by establishing under the Department of Revenue's authority the ability to levy the marijuana excise tax on both persons who are in possession of more marijuana than the amount that is allowable for personal use and possession under our marijuana statute as well as marijuana retail establishments who have purchased product from an unlicensed cultivator.

The citizens of our state are ready to pitch in to solve our fiscal crisis. My measures, by involving a broad base of industries, would result in each industry bearing a small share of needed tax changes. Together we can continue to assure Alaska's strong and stable financial future.

I urge your prompt and favorable action on this measure.

Sincerely,

/s/

Bill Walker
Governor

SB 4002

SENATE BILL NO. 4002 BY THE SENATE RULES COMMITTEE
BY REQUEST OF THE GOVERNOR, entitled:

"An Act relating to major medical insurance coverage under the Public Employees' Retirement System of Alaska for certain surviving spouses and dependent children of peace officers and firefighters; and providing for an effective date."

was read the first time and referred to the State Affairs and Finance Committees.

The following fiscal information was published today:

Fiscal Note No. 1, zero, Department of Administration

Governor's transmittal letter dated May 23:

Dear President Meyer:

Under the authority of Article III, Section 18, of the Alaska Constitution, I am transmitting a bill relating to providing major medical benefits to the eligible survivors of peace officers and firefighters whose deaths occur while in the performance of their duties and who are members of the Public Employees' Retirement System of Alaska (PERS). This bill would apply to PERS members employed by the State and to PERS members employed by PERS-participating political subdivisions.

Currently, occupational death benefits in the form of system-paid major medical benefits are available only to the survivors of Tier I employees in the defined benefit plan (employees first hired before July 1, 1986). Under the existing defined contribution plan (members first hired on or after July 1, 2006), a person is not eligible for system-paid major medical benefits.

This bill would extend major medical benefit coverage to the survivors of peace officers and firefighters whose deaths occur as a result of their jobs, regardless of what Tier applied to the deceased member. In addition, for defined contribution members, the bill would allow for a 100 percent premium subsidy for major medical benefits for eligible survivors of peace officers or firefighters whose death was occupational.

The PERS defined contribution plan requires that members retire directly from the plan in order to be eligible for medical benefits. To effectuate the goals of this legislation, the bill modifies this requirement to allow eligible survivors of a peace officer or firefighter whose death occurs as a result of employment to receive major medical benefits under PERS.

This bill would have a retroactive effective date and would apply to the eligible survivors of peace officers or firefighters who have died in the line of duty on or after January 1, 2013.

I urge your prompt and favorable action on this measure.

Sincerely,

/s/

Bill Walker

Governor

Announcements

SB 4001

Senator Costello, Chair, noticed a Labor and Commerce Committee meeting May 25 at 1:30 p.m. to hear SENATE BILL NO. 4001 "An Act relating to taxation, including establishing an individual income

tax; relating to the marijuana tax and bonding requirements for marijuana cultivation facilities; relating to the exploration incentive credit; increasing the motor fuel tax; increasing the taxes on cigarettes and tobacco products; taxing electronic smoking products; adding a definition of 'electronic smoking product' and requiring labeling of an electronic smoking product; increasing the excise tax on alcoholic beverages; relating to exemptions from the mining license tax; removing the minimum and maximum restrictions on the annual base fee for the reissuance or renewal of an entry permit or an interim-use permit; increasing the mining license tax rate; relating to mining license application, renewal, and fees; increasing the fisheries business tax and fishery resource landing tax; relating to refunds to local governments; and providing for an effective date."

Rule 23(d) of the Alaska State Legislature Uniform Rules is currently in effect.

Announcements are at the end of the journal.

Adjournment

Senator Coghill moved and asked unanimous consent that the Senate stand in adjournment until 1:00 p.m., May 24, 2016. Without objection, the Senate adjourned at 12:16 p.m.

Liz Clark
Secretary of the Senate

Announcements

Americans with Disabilities Act Notice - Persons with disabilities who require special accommodation or alternative communication formats to access committee meetings may contact the appropriate committee office or the Legislative Information Office in their community. Reasonable advance notice is needed to accommodate the request. For further information, call the ADA Coordinator at 465-3854 Voice/465-4980 TDD.

STANDING COMMITTEES

+ indicates teleconference

= indicates bill previously heard/scheduled

FINANCE

May 23	Monday	Bill Ray Center 230	1:00 PM
		-- MEETING CANCELED --	
+		Bills Previously Heard/Scheduled	
May 24	Tuesday	Bill Ray Center 230	9:00 AM
+		Bills Previously Heard/Scheduled	
May 24	Tuesday	Bill Ray Center 230	1:00 PM
+		Bills Previously Heard/Scheduled	
May 25	Wednesday	Bill Ray Center 230	9:00 AM
+		Bills Previously Heard/Scheduled	
May 25	Wednesday	Bill Ray Center 230	1:00 PM
+		Bills Previously Heard/Scheduled	
May 26	Thursday	Bill Ray Center 230	9:00 AM
+		Bills Previously Heard/Scheduled	
May 26	Thursday	Bill Ray Center 230	1:00 PM
+		Bills Previously Heard/Scheduled	
May 27	Friday	Bill Ray Center 230	9:00 AM
+		Bills Previously Heard/Scheduled	
May 27	Friday	Bill Ray Center 230	1:00 PM
+		Bills Previously Heard/Scheduled	

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LABOR & COMMERCE

May 25 Wednesday Beltz 105 (tsbldg) 1:30 PM
SB4001 OMNIBUS TAXES & CREDITS; MINING LICENSES

JOINT COMMITTEES

LEGISLATIVE BUDGET & AUDIT

May 26 Thursday Bill Ray Center 230 4:00 PM
Executive Session - Procurement
Oil and Gas Consultants
Other Committee Business
-- Testimony <Invitation Only> --