

SENATE FINANCE COMMITTEE

April 16, 2016

9:07 a.m.

9:07:07 AM

CALL TO ORDER

Co-Chair MacKinnon called the Senate Finance Committee meeting to order at 9:07 a.m.

MEMBERS PRESENT

Senator Anna MacKinnon, Co-Chair
Senator Pete Kelly, Co-Chair
Senator Peter Micciche, Vice-Chair
Senator Click Bishop
Senator Mike Dunleavy
Senator Lyman Hoffman
Senator Donny Olson

MEMBERS ABSENT

None

ALSO PRESENT

Tom Wright, Staff, Senator Mike Chenault; Representative Gabrielle LeDoux, Sponsor; Brodie Anderson, Staff, Representative Steve Thompson; Esther Mielke, Staff, Representative Bob Lynn; Konrad Jackson, Staff, Representative Kurt Olson; Jerry Burnett, Deputy Commissioner, Treasury Division, Department of Revenue; Representative Wes Keller, Sponsor; Benjamin Huber, Staff, Senator Mike Dunleavy; Erin Shine, Staff, Senator Anna MacKinnon; Thor Stacey, Alaska Professional Hunters Association, Juneau; Kevin Brooks, Deputy Commissioner, Department of Fish and Game; Mark Luiken, Commissioner, Department of Transportation and Public Facilities; Heather Fair, Chief, Statewide Right of Way, Department of Transportation and Public Facilities; Janak Mayer, Chairman and Chief Technologist, analytica.

PRESENT VIA TELECONFERENCE

April Wilkerson, Director, Division of Administrative Services, Department of Corrections; Jeff Edwards,

Executive Director, Parole Board; Tom Brookover, Director, Division of Sport Fish, Department of Fish and Game; Seth Beausang, Assistant Attorney, Department of Law.

SUMMARY

SB 130 TAX;CREDITS;INTEREST;REFUNDS;O & G

SB 130 was HEARD and HELD in committee for further consideration.

CSHB 41(FIN)am
SPORT FISHING SERVICES

CSHB 41(FIN) was HEARD and HELD in committee for further consideration.

CSHB 83(JUD)
REPEAL COLLECTION OF CIVIL LITIG. INFO

CSHB 83(JUD) was REPORTED out of committee with "no recommendation" and with three previously published zero fiscal notes: FN 3(ADM); FN 4(LAW); FN 5(AJS).

CSHB 100(FIN)
UREA/AMMONIA/GAS-LIQ FACILITY; TAX CREDIT

SCS CSHB 100(FIN) was REPORTED out of committee with a "do pass" recommendation and with the previously published fiscal note: FN2 (REV).

CSHB 155(FIN)
FEES; WAIVERS; CREDITS; DEDUCTIONS;TAXES

SCS CSHB 155(L&C) was REPORTED out of committee with "no recommendation" and with one new zero fiscal note from the Department of Revenue.

CSHB 156(EDC)am
SCHOOL ACCOUNTABILITY MEASURES; FED. LAW

SCS CSHB 156(FIN) was REPORTED out of committee with "no recommendation" and with one new zero fiscal note from the Department of Education and Early Development.

CSHB 231(FIN)

EXTEND BOARD OF PAROLE

SCS CSHB 231(STA) was REPORTED out of committee with "no recommendation" and with the previously published fiscal impact note: FN 3(COR).

HB 259 RELOCATION ASSISTANCE FOR FED. PROJ/PROG

HB 259 was HEARD and HELD in committee for further consideration.

CSHB 375(FIN)

ELECTRONIC TAX RETURNS & REPORTS

CSHB 375(FIN) was REPORTED out of committee with "no recommendation" and with one previously published indeterminate fiscal note: FN 1(REV).

#hb100

CS FOR HOUSE BILL NO. 100(FIN)

"An Act establishing a credit against the net income tax for an in-state processing facility that manufactures urea, ammonia, or gas-to-liquid products; relating to establishing the value of the state's royalty share of gas production based on contracts with certain in-state processing facilities that manufacture urea, ammonia, or gas-to-liquid products; and providing for an effective date."

9:08:01 AM

AT EASE

9:08:28 AM

RECONVENED

9:08:55 AM

TOM WRIGHT, STAFF, SENATOR MIKE CHENAULT, explained the legislation.

9:11:02 AM

AT EASE

9:11:17 AM

RECONVENED

9:11:22 AM

Senator Bishop MOVED to ADOPT Amendment 1, 29-LS0423\S.4, Nauman, 4/12/16 (copy on file):

Page2, line 8:
Delete "and"

Page 2, line 20, following the second occurrence of "gas":

Insert "; and

(3) the agreement requires, to the maximum extent permitted by law, the lessee to

(A) hire qualified residents from throughout the state for the management, engineering, construction, operation, and maintenance of, and other positions for, a natural gas pipeline project;

(B) establish hiring facilities in the state or use existing hiring facilities in the state; and

(C) use, as far as practicable, the job centers and associated services operated by the Department of Labor and Workforce Development and an Internet-based labor exchange system operated by the state"

Page 3, line 5, following "shall":

Insert "(1)"

Page 3, line 10, following "gas":

Insert "; and demonstrate to the department that the taxpayer, to the maximum extent possible,

A) hires qualified residents from throughout the state for the management, engineering, construction, operation, and maintenance of, and other positions for, a natural gas pipeline project;

(B) establishes hiring facilities in the state or uses existing hiring facilities in the state; and

(C) uses, as far as practicable, the job centers and associated services operated by the Department of Labor and Workforce Development or an Internet-based labor exchange system operated by the state"

Co-Chair MacKinnon OBJECTED for DISCUSSION.

Senator Bishop explained the amendment. He stated that it complemented the intent of the bill.

Senator Hoffman wanted to be listed as a sponsor of Amendment 1.

Senator Dunleavy queried the change to page 2, line 6. Senator Bishop replied that the job center system would be used to access the labor in the state.

Senator Dunleavy surmised that private and public entities could access the system. Senator Bishop agreed

[9:13:58 AM](#)

Senator Olson wondered if there were any disagreements between Pt. Thompson as opposed to Cook Inlet, as related to constitutionality. Senator Bishop replied in the negative.

Senator Olson wondered whether the amendment was constitutional. Senator Bishop replied in the affirmative.

Senator Olson asked whether the sponsor was in support of the amendment. Senator Bishop replied in the affirmative.

Co-Chair MacKinnon asked whether the sponsor was in support of the amendment. Mr. Wright replied in the affirmative.

Vice-Chair Micciche supported the amendment. He asked to be a cosponsor of the amendment. He did not feel that the bill created an issue with constitutionality.

Co-Chair MacKinnon WITHDREW the OBJECTION. There being NO OBJECTION, Amendment 1 was adopted.

Vice-Chair Micciche explained the fiscal note.

Vice-Chair Micciche MOVED to report SCS CSHB 100(FIN) out of Committee with individual recommendations and the accompanying fiscal note. There being NO OBJECTION, it was so ordered.

SCS CSHB 100(FIN) was REPORTED out of committee with a "do pass" recommendation and with the previously published fiscal note: FN2 (REV).

[9:17:28 AM](#)

AT EASE

[9:20:49 AM](#)

RECONVENED

#hb83

CS FOR HOUSE BILL NO. 83(JUD)

"An Act relating to collecting information about civil litigation by the Alaska Judicial Council; repealing Rule 41(a)(3), Alaska Rules of Civil Procedure, and Rules 511(c) and (e), Alaska Rules of Appellate Procedure; and providing for an effective date."

[9:21:13 AM](#)

Vice-Chair Micciche discussed the three previously published fiscal notes.

[9:22:33 AM](#)

REPRESENTATIVE GABRIELLE LEDOUX, SPONSOR, discussed the legislation:

In 2005, Alaska moved away from a defined benefit (DB) to a defined contribution (DC) retirement system for public employees hired after July 1st, 2006. Both the DB and DC plans contain risks and benefits to employees and employers. With a DB plan comes the advantage of professional money management, lower fees, pooled risk and long term investment strategies. However, employers carry significant risk if investment returns fall short or actuarial predictions prove inaccurate, which they are shielded from in a DC plan. Taking both of these points of view into account, the Variable Benefit Retirement System (VBRS) was developed.

The goal of the VBRS is to fund a retirement system for public safety employees through employee and employer contributions that will provide for self-sufficient retirees and protect employers and taxpayers from the liability suffered in the event of plan shortfalls. It affords public safety employees the distinct advantages and efficiencies of a DB plan by guaranteeing a benefit level and medical stipend, and affords employers the fiscal discipline and control of a DC plan by maintaining a fixed 22% employer contribution and adjusting benefit levels to address any changes in the size of the fund. Other features of the plan include:

- The ability to adjust COLA, minimum retirement ages, adjustable medical stipend and adjustable employees contribution rates to deal with shortfalls and maintain a healthy fund
- Protection against overtime-spiking
- Lower assumed growth rate (7%) to provide cushion against shortfalls

Alaska's public safety employees are faced with extremely taxing careers. Longevity is not assured and must be factored into any plan design created for public safety organizations. The VBRS represents not only a compromise between employees and employers, but presents those who risk their lives to protect our state with a better opportunity to achieve security and self-sufficiency in retirement.

Senator Olson wondered whether the bill saved money for the private sector attorneys. Representative LeDoux replied in the affirmative.

MOVED to report CSHB 83(JUD) out of Committee with individual recommendations and the accompanying fiscal notes. There being NO OBJECTION, it was so ordered.

CSHB 83(JUD) was REPORTED out of committee with "no recommendation" and with three previously published zero fiscal notes: FN 3(ADM); FN 4(LAW); FN 5(AJS).

9:24:04 AM
AT EASE

[9:24:57 AM](#)

RECONVENED

#hb155

CS FOR HOUSE BILL NO. 155(FIN)

"An Act repealing an exploration incentive credit; amending the calculation of adjusted gross income for purposes of the tax on gambling activities aboard large passenger vessels; repealing the amount that may be deducted from the motor fuel tax to cover the expense of accounting and filing for the monthly tax return; repealing a provision allowing an investigation expense under the Alaska Small Loans Act to be in place of a fee required under the Alaska Business License Act; repealing the amount that may be deducted from the tobacco excise tax to cover the expense of accounting and filing for the monthly tax return; repealing the discount on cigarette tax stamps provided as compensation for affixing the stamps to packages; and providing for an effective date."

[9:25:15 AM](#)

Vice-Chair Micciche discussed the one indeterminate fiscal note.

[9:26:08 AM](#)

BRODIE ANDERSON, STAFF, REPRESENTATIVE STEVE THOMPSON, explained the bill:

House Bill 155 repeals the following indirect expenditures:

- Small Loan Company Business License Exemption
- Exploration Incentive Credit
- Tobacco Product Tax Deduction for Timely Filing
- Cigarette Tax Stamp Discount
- Motor Fuel Tax Timely Filing
- Large Passenger Vessel Gambling Tax Deduction

The indirect expenditures repealed in HB 155 were selected for repeal for one or more of the following reasons. The expenditures did not meet legislative intent, had limited benefit or usage, and were obsolete due to inactivity or replacement by electronic filing. By eliminating these kinds of

indirect expenditures, the state can recoup revenue that had previously gone uncollected. The repeals were based off of the recommendations found in the 2015 Indirect Expenditure Report

[9:27:08 AM](#)

AT EASE

[9:27:54 AM](#)

RECONVENED

[9:27:57 AM](#)

Vice-Chair Micciche clarified that the indeterminate fiscal note reflected a net positive to the state.

Co-Chair MacKinnon queried closing remarks. Mr. Anderson replied that the sponsor hoped to move the bill from committee.

Vice-Chair Micciche MOVED to report SCS CSHB 155(L&C) out of Committee with individual recommendations and the accompanying fiscal note.

SCS CSHB 155(L&C) was REPORTED out of committee with "no recommendation" and with one new zero fiscal note from the Department of Revenue.

[9:29:11 AM](#)

AT EASE

[9:30:02 AM](#)

RECONVENED

#hb231

CS FOR HOUSE BILL NO. 231(FIN)

"An Act extending the termination date of the Board of Parole; and providing for an effective date."

[9:30:25 AM](#)

Vice-Chair Micciche addressed the fiscal note.

Co-Chair MacKinnon urged the committee to support the bill. She stressed that the committee had not yet passed legislation with fiscal impact.

[9:31:48 AM](#)

ESTHER MIELKE, STAFF, REPRESENTATIVE BOB LYNN, explained the bill:

In April 2015, the Alaska State Legislature Division of Legislative Audit completed an audit on the Board of Parole and found that several operational improvements were needed, but conclude that there is a demonstrated public need for the board's continuing operation.

The audit makes four recommendations to improve board operations. These recommendations address the following:

1. The accuracy and consistency of information contained in parole files;
2. Documentation of victim and offender notifications;
3. Deficiencies in proposed regulation changes; and
4. The security of the Department of Corrections' information system.

In response to the audit, the Board of Parole provided responses to the identified recommendations. Likewise, Department of Corrections generally agreed with the recommendations.

HB 231 fulfills the constitutional requirement that the State establish a parole system and accordingly assists in keeping Alaskans safe.

Senator Dunleavy queried the reason for the one-year reduction. Ms. Mielke replied that there was a desire for a shorter amount of time to review the changes from SB 91.

[9:33:03 AM](#)

AT EASE

[9:35:41 AM](#)

RECONVENED

[9:36:05 AM](#)

Senator Dunleavy queried the high disparity in benefits with the employees versus those in education.

[9:36:51 AM](#)

APRIL WILKERSON, DIRECTOR, DIVISION OF ADMINISTRATIVE SERVICES, DEPARTMENT OF CORRECTIONS (via teleconference), replied that the benefits were based on the bargaining agreements that were set. The benefits were reflective of the range and were consistent with other bargaining units. She agreed to provide a breakdown of the calculation of benefits.

Senator Dunleavy noted that the adult probation officer was a range 26 with \$46,000 benefits. He noted that a deputy director in Department of Education and Early Development (DEED) was a range 22 with \$30,000 benefits. He wondered if they were separate bargaining groups, and whether there were exempt employees included. Ms. Wilkerson replied that the difference was that the probation officers was part of the Peace Officers Retirement, therefore they were in a 20-year retirement versus other similar positions in a 30-year retirement.

Senator Dunleavy queried the Board of Parole plan, should the crime bill become law. Ms. Wilkerson responded that there was a fiscal note that listed the specific needs, and deferred to Mr. Edwards to address the intent of each specific need.

[9:39:15 AM](#)

JEFF EDWARDS, EXECUTIVE DIRECTOR, PAROLE BOARD (via teleconference), replied that the board would need to reduce their review time to dispose of the violations.

[9:40:49 AM](#)

AT EASE

[9:41:51 AM](#)

RECONVENED

[9:41:55 AM](#)

Vice-Chair Micciche MOVED to report SCS CSHB 231(STA) out of Committee with individual recommendations and the accompanying fiscal note. There being NO OBJECTION, it was so ordered.

SCS CSHB 231(STA) was REPORTED out of committee with "no recommendation" and with the previously published fiscal impact note: FN 3(COR).

[9:42:21 AM](#)

AT EASE

[9:44:00 AM](#)

RECONVENED

#hb375

CS FOR HOUSE BILL NO. 375(FIN)

"An Act requiring the electronic submission of a tax return or report with the Department of Revenue; and providing for an effective date."

[9:44:15 AM](#)

Vice-Chair Micciche discussed the fiscal note

[9:45:13 AM](#)

KONRAD JACKSON, STAFF, REPRESENTATIVE KURT OLSON, explained the bill required the electronic filing of tax returns or reports in electronic format for taxes under Title 43, or any other taxes that may be administered by the Department of Revenue (DOR). He remarked that the bill contained allowances for a five-year extension for filing of paper returns.

Senator Olson wondered if there was a fee for paying directly from a checking account. Mr. Jackson deferred to Mr. Alper.

[9:46:15 AM](#)

AT EASE

[9:46:22 AM](#)

RECONVENED

[9:46:27 AM](#)

Senator Bishop stressed that he did not like the penalties, and requested leniency during the roll out of the provision. Mr. Jackson agreed to relay that message.

Senator Olson queried the plan for implementation in rural Alaska. Mr. Jackson looked at Section 1(b), and noted that there were provisions for the waivers granted by the department.

Senator Olson wondered whether there was a waiver for the corporate income tax. Mr. Jackson responded that the department currently required electronic filing for corporate income tax.

[9:48:55 AM](#)

JERRY BURNETT, DEPUTY COMMISSIONER, TREASURY DIVISION, DEPARTMENT OF REVENUE, stated that the legislation would apply to corporate income tax.

Senator Olson wondered whether a small miner would be allowed a waiver. Mr. Burnett replied in the affirmative.

Vice-Chair Micciche MOVED to report CSHB 375(FIN) out of Committee with individual recommendations and the accompanying fiscal note.

CSHB 375(FIN) was REPORTED out of committee with "no recommendation" and with one previously published indeterminate fiscal note: FN 1(REV).

[9:50:30 AM](#)

AT EASE

[9:53:20 AM](#)

RECONVENED

#hb156

CS FOR HOUSE BILL NO. 156(EDC) am

"An Act relating to the duties of the State Board of Education and Early Development, the Department of Education and Early Development, school boards, and school districts; relating to public school curriculum and assessments; relating to compliance with federal education laws; relating to public school accountability; relating to a statewide assessment plan and review of education laws and regulations; and providing for an effective date."

9:54:00 AM

Vice-Chair Micciche MOVED to ADOPT Amendment 1, 29-LS0566\R.1, Glover, 4/15/16 (copy on file):

Page 16, lines 17 - 18:

Delete "(1) possesses a valid teacher certificate issued under AS 14.20; and

(2) teaches the class or program under a contract with the school."

Insert "(1) possesses a valid teacher certificate issued under AS 14.20 and is employed under a contract with the school; or

(2) is supervised by a person who meets the requirements under (1) of this subsection."

Page 16, following line 23:

Insert a new subsection to read:

"(c) Before a person teaches a class or program under (a)(2) of this section,

(1) the person must be approved by the school board; and

(2) the school shall notify the parents of students in the class or program of the person's credentials."

Co-Chair MacKinnon OBJECTED for DISCUSSION.

Vice-Chair Micciche explained Amendment 1.

Senator Olson expressed concern about the ability of health professionals to be on special presentation for the rural school and urban schools that were separate from the road system. He wondered whether the amendment allowed for that access.

Vice-Chair Micciche replied in the affirmative. He stressed that, as part of the curriculum, additional presenters could be approved by the school board.

Co-Chair MacKinnon WITHDREW the OBJECTION. There being NO OBJECTION, Amendment 1 was adopted.

9:58:06 AM

AT EASE

9:58:06 AM

RECONVENED

Vice-Chair Micciche MOVED to ADOPT Conceptual Amendment to Amendment 1 (copy on file):

Page 1, lines 13 - 14:

Delete all material and insert:

"(2) the person's credentials must be available for parents to review."

Senator Olson OBJECTED for DISCUSSION.

Senator Olson wondered whether the health care provider must have their license available for parents to review.

Senator Micciche replied that there was required approval by the school board. He stressed that the curriculum was approved by the parents and the district. The responsible party must follow the approved curriculum.

Senator Olson wanted to ensure that the parents could review the license.

Senator Micciche replied that upon approval of the curriculum, parents could review the credentials.

Senator Olson WITHDREW the OBJECTION to the Conceptual Amendment to Amendment 1. There being NO OBJECTION, it was so ordered.

Co-Chair MacKinnon directed Legislative Legal to apply any technical and conforming changes to make the bill consistent with Alaska State Statute and standards for drafting. .

Co-Chair MacKinnon WITHDREW the OBJECTION. There being NO OBJECTION, Amendment 1, as amended was adopted.

10:00:52 AM

AT EASE

[10:01:12 AM](#)

RECONVENED

[10:01:15 AM](#)

Vice-Chair Micciche discussed the new zero fiscal note.

[10:02:19 AM](#)

AT EASE

[10:02:37 AM](#)

RECONVENED

[10:02:54 AM](#)

REPRESENTATIVE WES KELLER, SPONSOR, felt that the bill would increase the confidence of parents to have options for control in public education. He asserted that the bill increased transparency.

Co-Chair MacKinnon assumed that the sponsor supported the amendments. Representative Keller agreed.

Senator Micciche MOVED to report SCS CSHB 156(EDC) out of Committee with individual recommendations and the accompanying fiscal note. There being NO OBJECTION, it was so ordered.

SCS CSHB 156(FIN) was REPORTED out of committee with "no recommendation" and with one new zero fiscal note from the Department of Education and Early Development.

[10:04:13 AM](#)

AT EASE

[10:21:47 AM](#)

RECONVENED

#hb41

CS FOR HOUSE BILL NO. 41(FIN) am

"An Act relating to sport fishing services, sport fishing operators, and sport fishing guides; and providing for an effective date."

[10:22:15 AM](#)

AT EASE

10:23:35 AM

RECONVENED

10:23:37 AM

Senator Dunleavy MOVED to ADOPT Amendment 1, 29-LS0238\S.3,
Bullard, 4/15/16 (copy on file):

Page1, line1:
Following "
services,":
Insert "
salt water"
Following "and":
Insert "
salt water"

Page 1, line 6:
Delete "
Sport"
Insert "
Salt water sport"

Page1,line7:
Delete "
Sport"
Insert "
Salt water sport"

Page1,line8:
Delete "
Sport"
Insert "
Salt water sport"

Page 2, line 4:
Delete "Sport"
Insert "
Salt water sport"

Page 2, line 5, following "annual":
Insert "salt water"

Page 2, line 16, following "provide":
Insert "salt water"

Page 2, line 18, following "provide":
Insert "salt water"

Page 2, line 19, following "current":
Insert "salt water"

Page 2, line 21, following "provide":
Insert "salt water"

Page 2, line 22, following the second occurrence of
"a":
Insert "salt water"

Page 2, line 24, following "a":
Insert "salt water"

Page 2, line 27, following the first occurrence of
"a":
Insert "salt water"

Page 2, line 29:
Delete "sport"
Insert "salt water sport"

Page 2, line 31, following "fishing":
Insert "in salt water"

Page 3, line 1, following "a":
Insert "salt water"
Page 3, line 2:
Delete "sport fishing trip; "sport fishing services"
Insert "sport fishing trip on salt water; "salt water
sport fishing services"

Page 3, line 3, following "a":
Insert "salt water"

Page 3, line 5, following "a":
Insert "salt water"

Page 3, line 6:
Delete "Sport"
Insert "Salt water sport"

Page 3, line 7, following "annual":
Insert "salt water"

Page 3, line 17, following "annual":
Insert "salt water"

Page 3, line 18, following "a":
Insert "salt water"

Page 3, line 21, following "provide":
Insert "salt water"

Page 3, line 22, following "current":
Insert "salt water"
Page 3, line 24, following "current":
Insert "salt water"

Page 3, line 26:
Delete "sport fishing guide may provide"
Insert "salt water sport fishing guide may provide
salt water"

Page 3, line 27, following "the" in both places:
Insert "salt water" in both places

Page 3, line 28, following "A":
Insert "salt water"

Page 3, line 29, following "provide":
Insert "salt water"

Page 3, line 29, following "current":
Insert "salt water"

Page 3, line 31, following "providing":
Insert "salt water"

Page 4, line 4, following "the":
Insert "salt water"

Page 4, line 8, following the first occurrence of "a":
Insert "salt water"

Page 4, line 11, following "A":
Insert "salt water"
Page 4, line 30, following "the":
Insert "salt water"

Page 5, line 4:

Delete "sport"
Insert "salt water sport"

Page 5, line 5, following "in":
Insert "salt water"

Page 5, line 6:
Delete "sport"
Insert "salt water sport"

Page 5, line 9:
Following "activities":
Insert "on salt water"
Delete "sport"
Insert "salt water sport"

Page 5, line 13, following "a":
Insert "salt water"

Page 6, line 19, following "(xviii)":
Insert "salt water"

Page 6, line 21, following "(xix)":
Insert "salt water"

Co-Chair MacKinnon OBJECTED for DISCUSSION.

Senator Dunleavy explained the amendment.

[10:24:17 AM](#)

BENJAMIN HUBER, STAFF, SENATOR MIKE DUNLEAVY, stated that the amendment would include salt water.

[10:24:30 AM](#)

Co-Chair MacKinnon WITHDREW the OBJECTION. There being NO OBJECTION, Amendment 1 was adopted.

[10:24:30 AM](#)

AT EASE

[10:26:23 AM](#)

RECONVENED

[10:26:23 AM](#)

ERIN SHINE, STAFF, SENATOR ANNA MACKINNON, stated that Amendment 2 was no longer necessary because of the bifurcation of salt water and fresh water.

Senator Olson wondered what would occur when a guide entered salt water with a rod and reel. Ms. Shine deferred to the department, but felt that they would not need a license under the bill.

Senator Olson felt that he would support the bill, if the guides supported the bill.

[10:27:55 AM](#)

THOR STACEY, ALASKA PROFESSIONAL HUNTERS ASSOCIATION, JUNEAU, remarked that a sport fishing guide license would still be required. He stated that the amendment would apply to a hunting guide with a client who were fishing.

Senator Olson wondered if there was support for the amendment. Mr. Stacey replied in the affirmative.

Senator Olson wondered if there was a civil penalty for not holding a license.

[10:29:10 AM](#)

KEVIN BROOKS, DEPUTY COMMISSIONER, DEPARTMENT OF FISH AND GAME, deferred to Mr. Brookover.

[10:29:20 AM](#)

TOM BROOKOVER, DIRECTOR, DIVISION OF SPORT FISH, DEPARTMENT OF FISH AND GAME (via teleconference), understood that the licensing requirements and the penalties in the bill would apply to someone who did not have a fishing license.

Ms. Shine stressed that commercial services guide must have a fishing license. She stated that she had made the wrong assumption that it would only be in freshwater.

[10:30:19 AM](#)

AT EASE

[10:31:45 AM](#)

RECONVENED

[10:31:49 AM](#)

Mr. Brooks explained an example of a guide who was inland with a client who wanted to fish in freshwater, that person would be allowed under the bill. The person would not be allowed to fish in the saltwater without a license.

Vice-Chair Micciche wondered why salt water would be included.

Senator Olson stressed that there was an intent to reduce criminal charges against the guide license.

Vice-Chair Micciche wondered if the intent was to allow for combination trips with an unlicensed guide.

Senator Olson replied that the intent was for incidental fishing.

[10:34:53 AM](#)

AT EASE

[10:37:50 AM](#)

RECONVENED

[10:38:08 AM](#)

Co-Chair MacKinnon wanted to move the amendment.

[10:38:14 AM](#)

SETH BEAUSANG, ASSISTANT ATTORNEY, DEPARTMENT OF LAW (via teleconference), introduced himself.

Senator Olson MOVED to ADOPT Amendment 2, 29-LS0238\S.2, Bullard, 4/14/16 (copy on file):

Page 5, line 11:
Delete "or"

Page 5, line 14, following "guide":
Insert "; or
(C) services provided by a person licensed under AS 08.54 that are incidental to big game hunting, guiding, and outfitting services"

Co-Chair MacKinnon OBJECTED for DISCUSSION.

Senator Olson explained the amendment. He wanted to ensure that guides could fish incidentally. He felt that there was an issue for the hunting guide to be allowed to fish. He wondered whether the amendment would allow for incidental fishing.

Co-Chair MacKinnon wanted to ensure that the language was reviewed. Mr. Beausang replied that he had the amendment in front of him.

Co-Chair MacKinnon queried comments. Mr. Beausang replied that he did not see the word, "incidental", as applying to a combo trip.

Vice-Chair Micciche requested more time to review the bill.

CSHB 41(FIN)am was HEARD and HELD in committee for further consideration.

#hb259

HOUSE BILL NO. 259

"An Act relating to relocation assistance for federally assisted projects and programs; and providing for an effective date."

10:42:01 AM

MARK LUIKEN, COMMISSIONER, DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES, explained the legislation.

Co-Chair MacKinnon requested a sectional analysis.

10:43:26 AM

AT EASE

10:43:37 AM

RECONVENED

10:43:42 AM

HEATHER FAIR, CHIEF, STATEWIDE RIGHT OF WAY, DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES, highlighted the Sectional Analysis (copy on file):

Sec. 1. Adds clarifying purpose language to AS 34.60.010 to reflect that payments made to displaced persons under this chapter must comply with the requirements and limitations of federal law, i.e., 42 U.S.C. 4601-4655 (Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970). Including this language simplifies the subsequent amendments by reducing duplication of federal law with which we must comply.

Sec. 2. Repeals and reenacts AS 34.60.040© to simplify the language stating that an eligible person displaced from a place of business or farm operation may elect to receive a fixed payment in lieu of actual moving in accordance with the applicable federal law referenced in the clarifying purpose language in Section 1.

Sec. 3. Amends AS 34.60.040(d) to simplify the language stating that an eligible person may receive reimbursement for actual reasonable farm or business re-establishment expenses in accordance with the applicable federal law referenced in the clarifying purpose language in Section 1.

Sec. 4. Amends AS 34.60.050(a) and (a)(2) to reduce the eligibility requirement for Replacement Housing for Homeowners from 180 days to 90 days and authorize payments in accordance with the applicable federal law referenced in the clarifying purpose language in Section 1.

Sec 5. Amends AS 34.60.060(1) and (2) to authorize payments for Replacement Housing for Tenants in accordance with the applicable federal law referenced in the clarifying purpose language in Section1.

Sec. 6. Establishes that Sections 205 of the bill have the retroactive effective date of October 1, 2014.

Sec. 7. Provides for an immediate effective date of the day after it is signed by the governor or on the day after the governor's veto is overridden or on the day after expiration of the period allowed for gubernatorial action by art. II, Sec. 17 of the Alaska Constitution.

Senator Bishop wondered whether the reimbursement was from the federal funds received in a fiscal year for highways, or another federal funds location. Commissioner Luiken replied that it was a 90-10 match.

Ms. Fair agreed.

Senator Bishop wondered whether the buyback program came from the current budget or a larger "pot" of federal funds. Commissioner Luiken responded that it would apply to funding received by the department in 2016.

[10:47:51 AM](#)

Co-Chair MacKinnon remarked that the bill removed the caps, she felt that the fiscal impact to the state should be reflected in the fiscal note. Commissioner Luiken deferred to Ms. Fair.

Ms. Fair responded that the state's portion was only \$12,000 to October 1, 2014.

Co-Chair MacKinnon assumed that there were few people that were eligible for qualification. Ms. Fair responded in the affirmative.

Co-Chair MacKinnon remarked that there could be different limits moving forward. She queried the future implications to the state. Ms. Fair replied that the bill referenced the limits in federal.

Co-Chair MacKinnon queried the federal limits. Ms. Fair replied that the limits had changed for business reestablishment payments up to \$25,000. The fixed payments in lieu of actual moving and reestablishments were now \$40,000. The replacement housing for homeowners' eligibility requirement was reduced from 180 days of ownership to 90 days of ownership with a maximum payment of \$31,000. The replacement housing for tenants was now \$7200. She stressed that the federal government had not raised their amounts in almost 30 years.

[10:51:41 AM](#)

Co-Chair MacKinnon wondered if the federal government required retroactivity. Ms. Fair replied in the affirmative.

Senator Olson queried at the point when eminent domain was applied. Ms. Fair replied that eminent domain would make a person eligible for a potential relocation, upon acquisition of the entire property.

Senator Olson wondered if that was true for all cases. Ms. Fair replied in the affirmative.

Senator Olson queried any resolution with the home owner or business owner, should there be an offer other than market value. Ms. Fair responded that the bill offered a larger amount of differential permitted for reimbursement.

Senator Olson restated his question. Ms. Fair replied that the state must pay at least market value. The bill addressed relocation.

Vice-Chair Micciche remarked that a voluntary purchase would not be related to eminent domain. Ms. Fair replied that it would still be eminent domain, and it would not matter whether it was a voluntary move.

[10:56:19 AM](#)

AT EASE

[10:56:52 AM](#)

RECONVENED

[10:56:55 AM](#)

Ms. Fair asked for a restatement.

Vice-Chair Micciche stated that he would share his questions later.

Co-Chair MacKinnon announced that the bill would have a committee substitute at a later date.

Co-Chair MacKinnon CLOSED public testimony.

HB 259 was HEARD and HELD in committee for further consideration.

[10:58:01 AM](#)

AT EASE

[11:06:42 AM](#)

RECONVENED

#sb130

SENATE BILL NO. 130

"An Act relating to confidential information status and public record status of information in the possession of the Department of Revenue; relating to interest applicable to delinquent tax; relating to disclosure of oil and gas production tax credit information; 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 minimum tax for certain oil and gas production; relating to the minimum tax calculation for monthly installment payments of estimated tax; relating to interest on monthly installment payments of estimated tax; relating to limitations for the application of tax credits; relating to oil and gas production tax credits for certain losses and expenditures; relating to limitations for nontransferable oil and gas production tax credits based on oil production and the alternative tax credit for oil and gas exploration; relating to purchase of tax credit certificates from the oil and gas tax credit fund; relating to a minimum for gross value at the point of production; relating to lease expenditures and tax credits for municipal entities; adding a definition for "qualified capital expenditure"; adding a definition for "outstanding liability to the state"; repealing oil and gas exploration incentive credits; repealing the limitation on the application of credits against tax liability for lease expenditures incurred before January 1, 2011; repealing provisions related to the monthly installment payments for estimated tax for oil and gas produced before January 1, 2014; repealing the oil and gas production tax credit for qualified capital expenditures and certain well expenditures; repealing the calculation for certain lease expenditures applicable before January 1, 2011; making conforming amendments; and providing for an effective date."

[11:07:17 AM](#)

JANAK MAYER, CHAIRMAN AND CHIEF TECHNOLOGIST, ENALYTICA, continued with a presentation from Thursday, April 14, 2016, "CS SB 130: Key Issues and Assessment" (copy on file).

[11:07:55 AM](#)

Mr. Mayer addressed slide 10, "NS Overview, Gross vs. Net Taxes":

Hard to be both Norway and N. Dakota at Same Time

Gross taxes

Less volatile, shift risk to private sector
Simple and easy to administer
High\Low government take at low\high prices
Disadvantages marginal investment.

Net taxes

More volatile revenues for government
Harder to administer
Efficient-do not distort decision-making
Enable investment across commodity cycle

Mr. Mayer displayed slide 11, "NS Overview, Cash Flow Taxes":

Cashflow Taxes: More Efficient, More Volatile

Purpose of net tax is to minimize distorting impact on investment

Best achieved by making the state's fiscal cost/benefit as close as possible to equity investor

Results in outflows during development, receipts during production.

Mr. Mayer discussed slide 12, "NS Overview, Original 2006 Proposal":

Alaska's production tax: origins in 2006 proposal

PPT as proposed by Dr Pedro van Meurs useful to understand core of system and evolution to date

25 percent flat cashflow tax, 25 percent credit for net operating losses (NOLs), 20 percent capital credit

45 percent government support for spending for new and incumbent players alike

Statewide floor of zero (credits tradable rather than reimbursable)

[11:14:48 AM](#)

Mr. Mayer discussed slide 13, "NS Overview: Role of NOL":

NOL credit aims to equalize tax system impact

Incumbent can deduct spending against liability at marginal tax rate: 25 percent gov't spending support

Aim for NOL credit to ensure same impact for new developer with no liability

Alternative is to carry forward: same cash impact over time, but disadvantages new developer economics

In original proposal, credits not refundable but tradable

Aim was for new developers to sell to incumbent producers at close to face value

In reality credits sold for much less than face value - much value captured by incumbents

As a result, credits made refundable by the treasury, to direct full value to new developers

[11:20:37 AM](#)

Senator Hoffman queried the process to determine the production numbers, specifically the decline rate. Mr. Mayer replied that the slide represented an extremely

simple example, and did not include all the components of the fiscal system.

Senator Hoffman wondered how the numbers were determined. Mr. Mayer replied that the decline rate was a simple geometric decline. He was not looking into accurate numbers on a particular development, rather was a simplified example for understanding the negative cash flows in the early years.

Mr. Mayer displayed slide 14, "NS Overview: ACES":

ACES: steep progressivity, high spending support

Tax rate 25 percent to 75 percent (variable with PTV/bbl), 20 percent capital credit, 40 percent exploration credit, 25 percent NOL credit

High progressivity: high marginal tax rates (up to 86 percent, higher at yet-unseen prices)

High marginal rates + credits = very high state support for spending (from 45 percent to over 100 percent)

With high prices and low spending, brought huge revenue; low prices and high spending major risks

[11:24:40 AM](#)

AT EASE

[11:27:26 AM](#)

RECONVENED

[11:27:32 AM](#)

Mr. Mayer continued to discuss slide 14.

Mr. Mayer looked at slide 15, "NS Overview: SB 21 for Old Oil":

SB21: protect on the low end, give back at the high

Tax rate 35 percent, \$0 to \$8 per-bbl credit, hardened gross floor, 35 percent NOL credit

Key aim was to reduce state support for spending and make predictable: 35 percent for everyone

Reduced rates at high prices for competitiveness, but 4 percent gross floor binding to protect at low end

Significantly reduced the risks brought by low prices and high spending

[11:33:51 AM](#)

Mr. Mayer discussed slide 16, "NS Overview: SB 21 for New Oil":

SB21: Special Incentives for "new oil"

Gross Value Reduction (GVR) - reduce GVPP by 20 percent or 10 percent for certain units / participating areas

Purpose of GVR - reduce effective tax rates for particular fields without ring-fencing costs

GVR-eligible production receives fixed \$5/bbl credit, not variable \$0-\$8/bbl, no hard floor

[11:39:18 AM](#)

AT EASE

[11:40:34 AM](#)

RECONVENED

Co-Chair MacKinnon discussed housekeeping.

SB 130 was HEARD and HELD in committee for further consideration.

#

ADJOURNMENT

[11:40:34 AM](#)

The meeting was adjourned at 11:41 a.m.