

HOUSE FINANCE COMMITTEE
February 27, 2018
9:05 a.m.

9:05:18 AM

CALL TO ORDER

Co-Chair Foster called the House Finance Committee meeting to order at 9:05 a.m.

MEMBERS PRESENT

Representative Neal Foster, Co-Chair
Representative Paul Seaton, Co-Chair
Representative Les Gara, Vice-Chair
Representative Jason Grenn
Representative David Guttenberg
Representative Scott Kawasaki
Representative Dan Ortiz
Representative Lance Pruitt
Representative Steve Thompson
Representative Cathy Tilton
Representative Tammie Wilson

MEMBERS ABSENT

None

ALSO PRESENT

Crystal Koeneman, Staff, Representative Sam Kito; Lacey Sanders, Analyst, Legislative Finance Division; Timothy Clark, Staff, Representative Bryce Edgmon; Sara Chambers, Deputy Director, Division of Corporations, Business and Professional Licensing, Department of Commerce, Community and Economic Development; Kathie Wasserman, Executive Director, Alaska Municipal League.

PRESENT VIA TELECONFERENCE

Erika McConnell, Director, Alcohol and Marijuana Control Office, Department of Commerce, Community and Economic Development; Susan Edwards, Finance Officer, Lake and Peninsula Borough, King Salmon; Nathan Hill, Manager, Lake and Peninsula Borough, King Salmon.

SUMMARY

HB 96 TAXES; DEDUCTIONS; FEES; TAX STAMP DISCOUNT

CSHB 96 (FIN) was REPORTED out of committee with a "do pass" recommendation and with two new zero fiscal notes from the Department of Commerce, Community and Economic Development and one new indeterminate fiscal note from the Department of Revenue.

HB 267 RELEASE HUNTING/FISHING RECORDS TO MUNI

HB 267 was HEARD and HELD in committee for further consideration.

HB 273 EXTEND: MARIJUANA CONTROL BOARD

HB 273 was REPORTED out of committee with a "do pass" recommendation and with one new fiscal impact note from the Department of Commerce, Community and Economic Development.

Co-Chair Foster reviewed the meeting agenda.

#hb96

HOUSE BILL NO. 96

"An Act amending the calculation of adjusted gross income for purposes of the tax on gambling activities aboard large passenger vessels; 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."

[9:06:43 AM](#)

Co-Chair Foster relayed there was one amendment to the bill. He asked the sponsor and his staff to address the committee.

REPRESENTATIVE STEVE THOMPSON, SPONSOR, thanked the committee for noticing the effective dates of the bill and preparing an amendment. He explained that the bill was retroactive and needed to be brought up to current dates to move forward properly. He detailed that the information in the bill was sourced from the 2017 Indirect Expenditure Report [published every two years by the Legislative Finance Division]. He relayed there were numerous sunsets on tax credits and credits that may be good and important to the public. He encouraged members to review the next report [2019] because some sunset dates may need to be extended. He hoped the legislature would be able to get rid of more [indirect expenditures] in 2019. The bill included [and would remove] four indirect expenditures. He anticipated the bill would bring in over \$350,000 in revenue to the state treasury.

Co-Chair Foster noted there were other individuals available for questions.

Co-Chair Foster MOVED to ADOPT Amendment 1, 30-LS0121\A.1 (Nauman, 2/26/18) (copy on file):

Page 2, line 19:
Delete "2018"
Insert "2019"

Page 2, line 20:
Delete "2017"
Insert "2018"

Co-Chair Foster explained the amendment would update the effective dates of the bill on page 2, line 19. It would update the effective date of Section 1 (tax on gambling activities) to January 1, 2019 and amended the effective date for the remainder of the bill to July 1, 2018.

There being NO OBJECTION, Amendment 1 was ADOPTED.

[9:09:09 AM](#)

Co-Chair Seaton highlighted the two new zero fiscal notes from the Department of Commerce, Community and Economic Development and one new zero [note: fiscal note was indeterminate] note from the Department of Revenue (DOR).

Representative Wilson believed the change in revenue estimated at an increase of \$350,000 to the state would impact DOR (fiscal note OMB Component Number 2476).

Co-Chair Seaton replied in the affirmative. He detailed the DOR fiscal note reflected zero in expenditures with an indeterminate range in revenues. He elaborated the revenue was anticipated to increase by \$339,500 in FY 19, decreasing to approximately \$314,150 in FY 24.

Representative Wilson explained she wanted the record to reflect that the revenue was positive.

Representative Thompson noted that one of the reasons the DOR fiscal note was indeterminate was the department had no idea how much difference the bill would make in the cruise ship gambling tax credits (any potential revenue from the specific credit was unknown).

[9:11:28 AM](#)

Co-Chair Seaton MOVED to REPORT CSHB 96(FIN) out of committee with individual recommendations and the accompanying fiscal notes. There being NO OBJECTION, it was so ordered.

CSHB 96(FIN) was REPORTED out of committee with a "do pass" recommendation and with two new zero fiscal notes from the Department of Commerce, Community and Economic Development and one new indeterminate fiscal note from the Department of Revenue.

[9:12:03 AM](#)

AT EASE

[9:12:51 AM](#)

RECONVENED

#hb273

HOUSE BILL NO. 273

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

[9:13:05 AM](#)

CRYSTAL KOENEMAN, STAFF, REPRESENTATIVE SAM KITO, thanked the committee and relayed Representative Kito's apologies for his absence. The bill would extend the Marijuana Control Board for six years. She appreciated the time the committee took to address issues raised in the audit. She noted the licensing program and industry were new.

Vice-Chair Gara noted that Representative Wilson had asked in a previous meeting what could be done to get General Fund (GF) money back [that had been used to get the program running] that would have been paid by license fees if the industry had been up and running. He asked for detail.

Ms. Koeneman referenced discussion about the \$1.5 million [in state funds] used to help startup the program so the initial licensees were not burdened with additional costs. She did not believe there was any issue from the industry or the board to have the money paid back. She explained that the money could not be contained in the fiscal note. She noted it was possible for the House Finance Committee to put intent language in the language section of the operating budget.

Representative Wilson stated that all of the money currently generated went there [to the General Fund]. She stated that revenue was tracked for other boards. She surmised the industry had probably started paying the money back. She stated that all of the taxes earned on revenue businesses made went into the General Fund, but it was not necessarily tracked separately. She wanted to make sure the industry was paying its way and remarked that it was not tracked the same as other boards. They had to make sure whatever came in went out.

[9:15:58 AM](#)

Co-Chair Foster listed other individuals available for questions. He asked the Department of Commerce, Community and Economic Development (DCCED) to address the fiscal note.

ERIKA MCCONNELL, DIRECTOR, ALCOHOL AND MARIJUANA CONTROL OFFICE, DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT (via teleconference), reviewed the fiscal impact note from DCCED. The note illustrated that if the board was discontinued, the Alcohol and Marijuana Control Office (AMCO) would eliminate eight positions and the

associated costs of approximately \$1.66 million. The positions included three investigators, one records and licensing supervisor, two occupational licensing examiners, one administrative assistant I, and one criminal justice technician I.

Representative Wilson asked how AMCO planned on making up the \$532,800 in the current budget that it would not be receiving in the following year. She wondered how many more licenses the agency would need. Alternatively, she questioned whether the agency would be close to having the same \$1.6 million at the end of FY 19.

Ms. McConnell answered that the board continued to receive new license applications. It was difficult to specify the precise number of needed licensees to maintain self-sufficiency. She expounded that the different license types submitted different licensing fees. The board was on track to becoming self-sufficient in FY 20 or soon thereafter. The board felt confident that ending state unrestricted general fund (UGF) support was acceptable in FY 20 with the board evaluation of licensing fees at that time.

Representative Wilson asked for verification that the board counted on licensing fees to hire positions. Whereas, marijuana taxes went through DOR to the General Fund. She surmised the board was not involved in tracking tax revenue.

Ms. McConnell answered in the affirmative. The board received licensing and application fees but did not receive any support from marijuana taxes.

Vice-Chair Gara referenced that the state had been paying for the board's operation costs with GF and marijuana tax revenue. He asked if the board intended to reimburse the state.

Ms. McConnell replied in the affirmative.

Vice-Chair Gara surmised the reimbursement to the state would come from surplus or increased license fees in future years.

Ms. McConnell answered it would be a combination of more licenses and an evaluation of whether license fees needed

to be adjusted. The board was clear on the legislative intent that the money would be repaid.

[9:20:29 AM](#)

Co-Chair Seaton asked if the department believed there was adequate legislative intent that the fees would not be reduced to pay the direct cost only of the operating board until the money had been repaid to the GF. He wondered if there needed to be more specific legislative intent to allow the collection and use of fees to cover past operations. He asked whether the board had authority to use excess fees to repay GF.

Ms. McConnell responded there had been clear legislative intent in FY 17 that the legislature wanted the \$1.5 million to be repaid. At the same time, the board had been authorized to repay any excess dollars as carry forward to help stabilize the board's revenue for the next couple of years. She did not have the experience to know whether it was appropriate to recommend for the legislature to add intent language in the FY 19 budget. She believed the legislature's intent was clear and the board would be working over the next several years to repay the startup costs. She communicated that the board was amenable to the addition of intent language in the operating budget if the legislature felt it appropriate to do so.

[9:22:54 AM](#)

Representative Guttenberg asked if the board's reading of the intent of the legislation that the board would pay back the startup costs with fees. Ms. McConnell replied in the affirmative.

Co-Chair Seaton MOVED to REPORT HB 273 out of committee with individual recommendations and the accompanying fiscal note. There being NO OBJECTION, it was so ordered.

HB 273 was REPORTED out of committee with a "do pass" recommendation and with one new fiscal impact note from the Department of Commerce, Community and Economic Development.

[Note: additional discussion on HB 273 took place after the following "at ease."]

[9:24:17 AM](#)

AT EASE

9:28:44 AM

RECONVENED

Co-Chair Seaton made clarifying remarks to HB 273. He noted the committee had been advised there should be a language amendment in the budget describing the legislature's intent. He noted there had been two different amounts mentioned in terms of what the board would repay the General Fund. He asked the Legislative Finance Division to address the committee on the subject.

LACEY SANDERS, ANALYST, LEGISLATIVE FINANCE DIVISION, relayed that AMCO had received several years of appropriations. The initial appropriation had been a supplemental made in FY 15. Each year after that AMCO had received GF. She noted that earlier in the meeting it had been stated there was a \$1.5 million repayment of GF. She clarified that the total GF received from FY 15 through the FY 19 governor's proposed budget was \$5.4 million. If some type of language was added to the operating budget, there would need to be clarification on which amount needed to be repaid. There had been conversation about how it could be done - one way to address the issue was to amend the carry forward language allowing AMCO to carry forward the receipts. The carry forward language had been included to allow AMCO to ramp up as it brought on licensees. The language could be amended to limit the amount to the amount of the board's annual operating budget. She explained the change would cover the board for a year and anything that lapsed could be counted towards the GF repayment.

Co-Chair Seaton stated that generally on professional boards there was a fee structure supporting the operation of the board. He explained that typically fees were reduced if they were bringing in more than needed for the board's operation. There needed to be some clarification that any excess revenue from fees would go towards repaying GF prior to making a reduction to fees.

Representative Pruitt appreciated the conversation. He shared that he had chaired the DCCED budget subcommittee right after the board had been established. He agreed the intent had been for the board to repay all of the costs it took to get the program up and running. He noted the process was taking four to five years. He agreed

clarification needed to be made to provide a clear understanding that extra fees would go towards recouping the state's cost for establishing and regulating the board. He reasoned the board had to appropriately manage its fees to do so. He continued that the board could not just lower fees once it had attained the amount needed to cover its operations for a year.

[9:33:48 AM](#)

Representative Ortiz asked what the agency's annual budget amount was. He supported the intent of the previous speaker; however, he wondered if passing the intent language would put the board and industry in a difficult position to meet the obligations.

Ms. Sanders replied that she did not have the precise cost breakdown on hand. She would have to consult with the department first. The intent would be for the agency to have an entire year of operating revenue, which should not limit the agency. She elaborated that the agency could carry forward an entire year of revenue annually, to ensure it would be covered if revenue came in lower during a given year.

Vice-Chair Gara stated was discussing different legislative intent options. He noted the legislature always hoped someone would follow legislative intent. One option would be to put the language in a bill, which he believed would be sloppy. He hoped to receive something in writing - potentially in regulation - from the board outlining how it intended to pay back the funds in a way that did not harm the industry. He did not believe including the language in a bill was the right approach.

[9:36:04 AM](#)

Representative Guttenberg was thinking about the operation of AMCO. He asked if the operation of the Marijuana Control Board was similar to the Alcoholic Beverage Control (ABC) Board operation.

Ms. Sanders believed the Marijuana Control Board was the only board with carry forward language. The ABC Board was lapsing a small amount and did not have carry forward language.

Representative Guttenberg pointed out that AMCO was one agency with two boards, operating with different sets of rules. He stated, "we just need to do the right thing at the end of the day."

Representative Wilson clarified it was not the legislature's intent to implement a time limit [on the time it took the board to pay the state back]. She elaborated that the board would not lower the fees until its obligation was met (e.g. in five to ten years). She noted Ms. McConnell had said the board could pay back the \$1.5 million. She reasoned the board could pay back the \$5.4 million, which would just take longer. She clarified the legislature was not expecting the board to pay the state back in one year. She added there would be more license applications and there were more in the queue at present.

Vice-Chair Gara asked to hear from the department.

Ms. Sanders relayed that the legislature would work with the department to make sure the language was clear and did not hinder the agency.

Vice-Chair Gara believed it would behoove the board to provide the legislature with a written document specifying a timeline that did not harm the industry.

Co-Chair Foster noted there was some intent language to consider.

#hb267

HOUSE BILL NO. 267

"An Act requiring the release of certain records relating to big game hunters, guided hunts, and guided sport fishing activities to municipalities for verification of taxes payable; and providing for an effective date."

[9:39:43 AM](#)

TIMOTHY CLARK, STAFF, REPRESENTATIVE BRYCE EDGMON, introduced the legislation. He expressed regrets from the bill sponsor for his absence. He explained the bill would give municipalities that levy taxes or fees on fish and game guiding in their jurisdictions access to hunt or sport fishing records submitted by guides to state agencies. He

elaborated it would provide municipalities with a cross referencing tool in order to confirm with the various guiding outfitters who may or may not be in compliance with their local tax obligations. He emphasized that all such information released by state agencies to municipalities would remain confidential under law. He reported that the bill sponsor believed the tool was important for municipalities, given that the state had pushed costs to municipalities in recent years. The sponsor believed municipalities should have every resource to ensure they were receiving the revenues due to them according to their local ordinances.

[9:41:40 AM](#)

Representative Wilson asked about the current process. She used a hunt as an example. She asked if someone had to register with the municipality. She asked how the bill would change behavior.

Mr. Clark believed the procedures for guides varied from municipality to municipality. He used the Lake and Peninsula Borough as an example and detailed the borough levied a modest \$3 per person, per day tax. The borough's ordinances (copy on file) had varied stipulations about reporting to the borough the extent of their hunting or sport fishing activities within the borough jurisdictions and making their tax payments according to the backup reporting also provided to municipalities.

Representative Wilson assumed the Lake and Peninsula Borough believed people were hunting without registering with the borough. She surmised the borough hoped the records would show more people who had utilized the borough's jurisdiction. She asked if the intent was to then allow boroughs to bill guides who were identified.

Mr. Clark replied there were around 130 guiding operations registered with the borough, but during any given season, because of the borough's large size and the number of outfitters coming and going over a period of months during a summer season, it was impossible to keep tabs on each outfitter. He furthered that because the reports provided to the state stipulated when and where an outfitter's guiding activities had taken place, the information could be used as a cross reference for the boroughs. If the borough noticed an outfitter had been carrying on

activities in the borough's jurisdiction, the borough could contact the outfitter to ask them to come into compliance with its taxing requirements.

Representative Wilson asked whether there was anything in the bill specifying what would happen if the information did not remain confidential.

Mr. Clark answered that the bill required confidentiality to be maintained by the municipalities. Elsewhere in statute there were criminal consequences for a breach in confidentiality. He believed the offence was a Class A misdemeanor in criminal code.

Representative Kawasaki asked why hunt and fish records were currently confidential.

[9:45:41 AM](#)

Mr. Clark answered that for many guides, where they operated and even the time of year they were in a certain area was almost proprietary. He elaborated that certain businesses may categorize an area as a hot spot - a place where a guide could be more confident in enjoying success on behalf of their clients. Businesses did not like to advertise successful locations to competitors.

Representative Kawasaki understood. He asked about the penalty. He asked if municipalities that would receive the information would keep it confidential.

Mr. Clark answered in the affirmative. He used the Lake and Peninsula Borough as an example, which had a "lock and key" chain of custody procedure that kept the borough well within the confines of the law and confidentiality requirements.

Representative Kawasaki referenced testimony from some guides (copy on file) that the bill would allow for an equal playing field for guides who were operating responsibly and paying the fees for customers they were taking out. He did not know whether the bill specifically asserted there were guides who were not acting in the same way. He asked if there was any other hammer available to municipalities for individuals not operating under the law.

Mr. Clark deferred the question to municipal officials as circumstances varied by borough. He noted that the Lake and Peninsula Borough asked for copies of the records that guides supply to the state, but they had no way to enforce it. He explained the practice was almost on a voluntary basis. Based on the large areas many boroughs encompassed and the large number of businesses conducting business, there was no way they could economically go after a large number of delinquent taxpayers.

[9:49:22 AM](#)

Vice-Chair Gara understood the information needed to be shared in order for municipalities to obtain the revenue due to them. He did not see any language about sharing of hotspots. He was concerned about the issue. He shared that one of his favorite fishing spots had become overrun by people. He asked for verification there was nothing in the bill specifying that a person needed to release exact spots they fished.

Mr. Clark deferred the question to the Department of Fish and Game (DFG). He stated that the specificity, in terms of locations reported by guides, was greater than naming a single river. He expressed confidence in the ability for state and borough employees to adhere to confidentiality requirements.

Representative Tilton referred to Mr. Clark's mention of DFG. She mentioned discussion about the logbook program, which was about to sunset. She noted there had been difficulty reinstating the program the last time because of some of the information that had to be provided. She asked about the departments concerns including what information it was supposed to share.

Mr. Clark deferred the question to the department. He noted that the logbook requirement was in regulation. He believed the sunset pertained to fees and other aspects associated with the log book program.

[9:52:05 AM](#)

SARA CHAMBERS, DEPUTY DIRECTOR, DIVISION OF CORPORATIONS, BUSINESS AND PROFESSIONAL LICENSING, DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT, relayed that the Department of Commerce, Community and Economic

Development (DCCED) oversaw the Big Game Commercial Services Board, which spoke to the hunting records side and contained the same hotspot issue as fishing. The hunt records, as defined in statute and regulation, required very specific locations to be disclosed, which in laymen's terms may equate to a hotspot. She explained that hunt records were designed for a purpose other than the purpose being discussed in the bill. The information was important to troopers and wildlife biologists. As the bill was written, everything in the hunt record could be disclosed, including contact information for clients and a great deal of specific information.

Ms. Chambers referenced past discussion in the House Resources Committee and the DCCED fiscal note that reflected the development of a report that would take the information pertinent to the municipal tax requirement and work with the municipalities to discern what information was wanted. The department could then quickly provide a report on demand. The capability would be efficient and would not burden anyone with concerns about hotspots and client information. While the bill would reflect the municipalities' ability to request hotspot information, DCCED hoped to establish a compromise that would be less costly for municipalities.

Representative Tilton hoped to hear from DFG as well. She had worked on legislation related to the saltwater guide logbook, which had been a contentious issue.

Co-Chair Foster replied he would request for DFG to attend the next meeting.

Representative Pruitt recalled that in 2014 the legislature had passed legislation allowing the state and municipalities to share tax records. Prior to the law change, the entities could not communicate. He remembered a situation where the state had known a car rental agency was not paying city taxes, but the state was not allowed to communicate it to the city. Statute had been passed to address the issue. He asked if the current bill was needed because they were not talking about a tax from the state level; it was a tax at the borough level. He thought perhaps because there were not two sets of taxes and municipalities were just seeking records, which was not currently authorized under statute.

Mr. Clark agreed.

Representative Pruitt noted that operators had to fill out separate sets of information for the state and borough. He asked if the bill would allow operators to file one report.

[9:56:45 AM](#)

Mr. Clark replied his understanding was that the bill would streamline the paperwork for guides. He used the Lake and Peninsula Borough as an example and explained the borough did not necessarily require guides to fill out the borough's own hunting report, but it requested copies of the report submitted to the state. He did not believe the boroughs had any actual legal authority to force them to provide the copies. Guides who had been in compliance would be saved from duplicating and copying of a season's worth of activities. He believed the paperwork for the borough would be reduced to something resembling a one-page tax filing document.

Representative Pruitt asked if there was an estimate of revenues lost to the borough due to bad actors who were not complying with requests.

Mr. Clark responded that the one estimate he had heard was from the Lake and Peninsula Borough finance officer was approximately \$50,000 to \$100,000 in lost annual revenue. The amount was significant for boroughs with an annual budget around \$3 million.

Representative Pruitt asked there were other boroughs or municipalities that would be using the tool provided by the bill.

Mr. Clark answered that the City of Yakutat, the City of Sitka, the Kodiak Island Borough, and the Aleutians East Borough may all benefit from the legislation. He was not familiar with the local taxes in these locations. Fully determining the beneficiaries was a work in progress.

[10:00:12 AM](#)

Representative Kawasaki referenced bad actors known [to municipalities] and no other way to get the information. He pointed to bill language specifying that the information, including hunt records, could be requested by other state

agencies; and federal and other law enforcement agencies. He asked if it did not include the Lake and Peninsula Borough's code compliance office that could already ask for the information if they knew who they were looking for.

Mr. Clark clarified he did not want to characterize every guide operation delinquent in local taxes as bad actors. In some cases, operators may be unaware of borough requirements or their season could be busy, and things could get put by the wayside. He believed the question would best be addressed by a borough official. His understanding was there was currently no real practical way for boroughs to chase down the significant number of operations that may be delinquent in their local taxes. In some cases, boroughs simply heard from someone in town that a guide flew into town that week with six clients, spent seven days, and flew out again. Under the scenario, a borough official may realize the borough had never heard anything from the guide. Often, in those circumstances, the borough made a call to the guide and most often the guides were happy to comply with tax requirements.

[10:02:33 AM](#)

Ms. Chambers replied that the section of statute pertaining to hunt records and transporter activity reports had been interpreted to mean any state agency and any law enforcement agency as defined in statute as a police-type of law enforcement. Municipal code enforcement had not been interpreted to fall underneath the definition, which she believed was the reason for the bill. The department published a list (online) of the guides who were qualified to operate in every guide-use area, which was available to any municipality to help educate. Municipalities were able to download the information and reach out to each guide to make sure they know about the municipal requirements. She remarked that the Lake and Peninsula Borough had an IRS-style tax form. The board's understanding was that guides would still have to fill out DCCED's hunt records and the tax form that included the number of hunters and nights stayed. The department had not been informed by any municipality that they were planning on filing the information on the guide's behalf. From the guides' perspective the paperwork would not change unless a municipality was anticipating changing their system as a result of the bill.

10:04:28 AM

Representative Wilson there was a way for a guide to mark the municipality when they filled out a hunt application. She was uncertain about the full record going [to the municipality]. She believed the only thing the municipalities needed to know was that someone was hunting in their jurisdiction who would be required to fill out the paperwork. She asked if it was something that could already be done when filing an application [to DCCED].

Ms. Chambers answered that the forms were all adopted through regulation. She affirmed it was possible for the board to amend the forms. The department already input the law information into a database to make the work of federal and state agencies easier. The department was proposing, via its fiscal note, to work on the database more to be able to generate a report along those lines. The idea was to provide information that would help municipalities and not provide information that was irrelevant.

Representative Wilson surmised the intent of the department would be to include some type of associated fee to make the change cost neutral.

Ms. Chambers replied in the affirmative.

10:06:22 AM

KATHIE WASSERMAN, EXECUTIVE DIRECTOR, ALASKA MUNICIPAL LEAGUE (AML), reported that AML was in favor of the legislation. As more cuts to municipalities and transfer of duties resulted from state issues, municipalities needed every tool possible in order to maintain finances at a sufficient level in order to operate in an effective and efficient way. She stated the bill was a tool that helped minimalities. She knew there had been numerous questions by legislative committees about what happened if municipal employees divulged confidential information. She did not understand that concern. She did not know what had happened to make so many people distrustful of municipal government. Municipalities all dealt with taxation and she had never heard of things happening where someone had inappropriately talked about those sorts of things. She acknowledged it had probably happened in municipalities and the state alike. She stressed the bill provided a tool to enable municipalities to get their finances back to a more

operable point. Currently, in large boroughs such as Sitka, there was no way to know who flew into town in any particular year. She elaborated that new people came from the Lower 48 to hunt - there was no way for the borough to know the information without getting some records. She believed the primary thing the boroughs needed was what had been charged for a particular trip. She noted it had been a problem for the City of Pelican as well. She knew the issue was a problem throughout Alaska. She asked the committee to pass the legislation.

Representative Wilson thought the bill was more about fairness than budget cuts. She reasoned that some guides were paying what they should, while others may know and decide not to pay. She thought the bill was needed regardless whether the budget had been cut because it pertained to revenue that could be utilized by boroughs.

Ms. Wasserman believed Representative Wilson was right. She did not know if the issue was more about fairness, but it was certainly part of the issue. From the standpoint of municipalities, it was about the lack of ability to receive tax money that was owed. She agreed that from the perspective of responsible taxpayers, the issue was about fairness.

Representative Wilson spoke to confidentiality and believed the concern was not only about the particular bill. She expounded that the state took in a substantial amount of information for all sorts of things. She believed confidentiality needed to be considered with each piece of legislation to determine how far the information provided by the public would go.

Ms. Wasserman believed Representative Wilson was right. She underscored the information needed to be laid out very clearly in order for everyone to understand upfront what they were providing and what would be used.

[10:10:32 AM](#)

SUSAN EDWARDS, FINANCE OFFICER, LAKE AND PENINSULA BOROUGH, KING SALMON (via teleconference), spoke in support of the bill. She testified that the need for the borough to know location came down to guide-use areas. She detailed that some guide-use areas were split between boroughs. One of the issues the borough dealt with was determining which

borough the guide was operating in. Currently it was easy for a guide to say they were not operating in a particular borough. The borough would like to know with certainty where the guide was operating. The borough was in a very large roadless area and the finance department had a staff of two. Therefore, having the information to verify who was operating in the borough and who was not, was very important.

Representative Wilson asked about the issue of being in two boroughs at the same time. She asked if the borough's tax applied to a person hunting within the borough's jurisdiction or only when a person took an animal within the borough's jurisdiction.

Ms. Edwards answered that the tax applied when an animal was taken. Guides were required to register in a guide-use area, which was public information. The borough monitored the information and reached out to guides who had not registered with the borough and were hunting in a split game-use area. Many guides were forthcoming about where they had been hunting in a game-use area and a few were not. Without any way of verifying what the borough was being told - it was put in a situation of not knowing the veracity of the information they were told. When someone told the borough, they had been just across the border, it could be true that the individual may not have known their precise location; it may be an honest mistake on the guide's part. The information provided by the bill would offer verification and clarity.

[10:14:32 AM](#)

Representative Wilson asked for the mechanism the borough would use to collect the tax. She wondered if the mechanism was in place or the borough was just hoping that once it knew a guide had been operating in the borough that they would send the payment.

Ms. Edwards replied that the borough knew who was hunting in the game-use areas that were fully or in part in the borough's jurisdiction. The borough reached out to all of the guides operating in its jurisdiction and asked them to register. The borough asked for a quarterly tax filing, which was a single sheet of paper. Additionally, it had created a self-calculating form, meaning the guides only had to fill in the number of people and the days in the

field. The borough had worked to make filing taxes as easy as possible for guides. She stated the issue came down to being able to verify the information the borough was told and to identify guides who were unaware they were operating in the borough, unaware of the need to register, or were not reporting at all.

10:16:20 AM

NATHAN HILL, MANAGER, LAKE AND PENINSULA BOROUGH, KING SALMON (via teleconference), testified in support of the legislation. He spoke to numerous reasons for the borough's support. The borough's code required professional hunting and fishing guides to register with the borough and pay a \$3 per day, per person use tax when operating in the borough's boundaries. The borough imposed the tax for the same reason it imposed a severance tax. Like commercial fisheries activities, the borough taxed other commercial activities. The taxes applied on all borough lands. The commercial fisheries could access processor data to verify fish tax revenue, unlike the current status with guide activity reporting. Without access to state guide activity report, the borough had no way to verify whether the activity reported (to the borough) was accurate. The borough did not have a way of knowing who was operating and whether or not they were in the borough's jurisdiction. He stated situation was inequitable for guides operating in compliance and was unfair to the residents of the borough who relied on the resources and generated taxes. He referenced letters from other operators that the bill would result in the reduction of paperwork. He thanked the committee for the opportunity to testify in support of the legislation.

Co-Chair Foster CLOSED public testimony.

Co-Chair Foster asked committee members to provide any amendments by Friday, March 2.

Representative Wilson wanted clarity on someone hunting in two different areas. She used the Lake and Peninsula Borough as an example where a hunter may be operating in its jurisdiction or under Kenai's jurisdiction. She referenced testimony that the tax was based on where an animal had been taken. She provided a scenario where Kenai had the same tax as the Lake and Peninsula Borough. She asked if a person was hunting in both jurisdictions for

five days whether the tax for the full five days would go to Kenai if the animal was killed in its district. Alternatively, she wondered if part of the tax would be paid to the Lake and Peninsula Borough if the guide had been operating within its jurisdiction for part of the time. She noted it was easy if a person was all in one borough.

Mr. Clark responded that he was not familiar enough with the borough's finance officers on the ground practice. He deferred to Ms. Edwards from the Lake and Peninsula Borough.

Ms. Edwards answered that the hunt reports specify the location where an animal was taken. Part of the rationale behind the tax was a severance tax. The basis was to tax at the point where the animal was harvested.

Representative Wilson asked for verification that if she was on a five-day hunt it would not matter that a guide had traveled back and forth between two jurisdictions. She surmised the person would be charged based on where the animal was taken.

Ms. Edwards answered in the affirmative.

Representative Ortiz thought the situation was unworkable. He thought the revenue should go to wherever the business was located. He did not know how it would work if a hunter took an animal right on the border [between two jurisdictions]. He reasoned the hunter may not know the location. He thought a workable policy would be revenue collected wherever the person had their business.

Ms. Edwards answered that the majority of guides operating in the borough were not borough residents. There were a significant number of guides that were not state residents. She considered the severance aspect and explained the borough viewed the issue as people coming from outside and taking borough resources. For the small amount of taxes they had, it was more than reasonable to have money coming in from the outside whether taking fish from the water, minerals from land, or hunting animals.

[10:24:14 AM](#)

Representative Ortiz asked if the businesses themselves did not have a local entity.

Ms. Edwards answered that the businesses were not local. She elaborated that the businesses ranged from Montana, Texas, West Virginia, Tennessee, Anchorage and Mat-Su. The businesses had no presence within the borough.

Co-Chair Seaton asked if a hunt that was unsuccessful did not have to pay anything. He thought the tax was based on participation per day as well as a severance tax. He hoped that if people were using the borough to conduct business that the borough could collect the daily fee.

Ms. Edwards answered that hunt reports were submitted whether the hunt was successful or not and were specific as to the location the guide had been operating in. She assumed the report was submitted for purposes of game management and biological data. While the tax pertained to area the animal was taken, it was also about the area the operator had been hunting. In talking to guides, the borough tended to err on the side of the guide. There were fairly detailed maps and there was very little crossing back and forth of boundaries. Given that the borough was the size of West Virginia, places where most of the guides hunt (that were known to the borough) were well within the borough.

Mr. Clark clarified that Ms. Edwards had been providing the answers.

[10:27:41 AM](#)

Vice-Chair Gara did not have a concern over his earlier question related to enforcement. He stated that absent some major expense on enforcement, guides would report their activity within the proper borough. He knew for a fact on one state record animal that guides would not necessarily report the exact location an animal had been taken, although it would be within the appropriate jurisdiction. He reasoned if the state had a real concern about making sure reporting was 100 percent accurate in every case, it would have to spend more money on enforcement than it would ever recoup.

Representative Wilson was concerned about the amendment deadline. She noted that she and Co-Chair Seaton had

received different answers to the same question about how the tax was determined. She wondered if hearing from DFG would help. She thought that a person was required to take a GPS moose hunting to record where the animal was taken, which was a way for DFG to know where resources were being taken. She mentioned the guide area and asked how much the state was asking for guides to report. She agreed there may not be many areas where guides crossed over between borough boundaries, but she did not know how many times it could happen. She wondered if the state would need more information than where the animal had been taken. She thought it could end up being much costlier than anticipated. She requested to hear from DFG before amendments were due.

Co-Chair Foster asked Mr. Clark to get something in writing from DFG prior to the next committee hearing on the bill. He held off on the amendment deadline.

Representative Guttenberg noted that the bill provided a tool to track what was taken and who was in the borough. He stated that the process was already in place.

Co-Chair Seaton clarified that the state was not charging any fees. The bill would merely allow municipalities to access existing state records for their own enforcement of their own tax system; the information would be kept confidential. The bill would not implement any regulations or impose any new conditions on where an animal was taken. He provided a scenario where a guide told the borough it had only had three people hunting for a week, the borough could verify the guide had reported [to the state] that it had five to seven clients in the area on seven different occasions. The bill would allow the boroughs to verify reports being made for tax purposes. He was less concerned than if the state was imposing some new requirements on guides or hunters.

[10:32:26 AM](#)

Co-Chair Foster believed the bill was simply seeking to access records by municipalities. He tentatively maintained the amendment deadline of Friday, March 2.

Representative Wilson added that DCCED staff had testified the department was considering a different type of application where an applicant would mark their location.

The department was not necessarily looking to disclose the entire report to municipalities. There could be some changes or possible regulations. She requested to receive the information [from DFG] prior to Thursday.

Mr. Clark added that it was not the sponsor's intent that the information released to municipalities be limited in any way. The sponsor was confident in the professionalism of the municipalities and their ability to keep confidential information confidential. He believed DCCED should share the confidence.

HB 267 was HEARD and HELD in committee for further consideration.

Co-Chair Foster reviewed the agenda for the following meeting.

#

ADJOURNMENT

[10:34:38 AM](#)

The meeting was adjourned at 10:34 a.m.