

HOUSE FINANCE COMMITTEE

March 28, 2018

1:31 p.m.

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CALL TO ORDER

Co-Chair Foster called the House Finance Committee meeting to order at 1:31 p.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

Brandon S. Spanos, Deputy Director, Tax Division, Department of Revenue; Representative Geran Tarr, Sponsor; Representative George Rauscher, Sponsor; Darrell Breese, Staff, Representative George Rauscher; Kathie Wasserman, Executive Director, Alaska Municipal League; Representative Paul Seaton, Sponsor; Patricia Nickell-Zimmerman, Staff, Representative Paul Seaton.

PRESENT VIA TELECONFERENCE

Gary Lee, Criminal Justice Planner, Department of Public Safety; Eric Gaffney, Records and Licensing, Department of Public Safety; Carol Beecher, Director, Division Child Support Services, Department of Revenue; April Wilkerson, Director, Administrative Services Division, Department of

Corrections; Johanna Herron, Development Specialist, Division of Agriculture; Amy Seitz, Alaska Farm Borough, Soldotna; Robbi Mixon, Director, Local Foods, Homer Farmer's Market Association/Kenai Peninsula and Anchorage Food Hub; Christina Carpenter, Director, Division of Environmental Health, Department of Environmental Conservation, Anchorage; Peter Caltagirone, Attorney, Civil Division, Environmental Section, Department of Law.

SUMMARY

HB 217 RAW MILK SALES; FOOD EXEMPT FROM REGS

HB 219 was HEARD and HELD in committee for further consideration.

HB 219 CRIM HIST CHECK: ST EMPLOYEES/CONTRACTORS

HB 219 was HEARD and HELD in committee for further consideration.

HB 386 VESSELS: REGISTRATION/TITLES; DERELICTS

HB 386 was HEARD and HELD in committee for further consideration.

HJR 29 REAUTHORIZE SECURE RURAL SCHOOLS ACT

CSHJR 29(FIN) was REPORTED out of committee with a "do pass" recommendation and with one previously published zero fiscal note: FN1 (LEG).

#hb219

HOUSE BILL NO. 219

"An Act relating to background investigation requirements for state employees whose job duties require access to certain federal tax information; relating to persons under contract with the state with access to certain federal tax information; establishing state personnel procedures required for employee access to certain federal tax information; and providing for an effective date."

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BRANDON S. SPANOS, DEPUTY DIRECTOR, TAX DIVISION, DEPARTMENT OF REVENUE, introduced the legislation. He read from a sectional analysis (copy on file):

Section 1

Amends AS 12.62.400 by adding a new subsection.

This will require an agency to submit the fingerprints of current or prospective employees or contractors whose job duties require access to federal tax information (defined in AS 39.55.015(e)(3) and 36.30.960(d)(3)) to the Department of Public Safety for submission to the Federal Bureau of Investigation to obtain a criminal history record. Defines "agency", "employee" and "contractor".

Section 2

Amends AS 36.30 by adding a new section.

This section establishes state personnel procedures for obtaining and submitting fingerprints for current or prospective contractors if a contract with the state requires access to federal tax information. Defines "agency", "contractor" and "federal tax information".

Section 3

Amends AS 39 by adding a new chapter.

This new chapter addresses state personnel procedures related to federal tax information.

Adds AS 39.55.010

This section explains the purpose of the chapter-- to establish procedures to safeguard federal tax information which will apply to a current or prospective state employee whose job duties require access to federal tax information.

Adds AS 39.55.015

This section requires current and prospective state employees whose job duties require access to federal tax information to provide information to an agency for a state and national criminal history record check. Defines "agency", "employee", "federal tax information", "return", and "return information".

Section 4

Provides the effective date of July 1, 2018.

Representative Wilson stated that she did not understand why the department and agencies were doing the fingerprinting and sending them in; rather than the employee pay for the process.

Co-Chair Foster noted the committee had been joined by Representative Pruitt and Vice-Chair Gara.

Mr. Spanos noted it was a good point. He felt that it could be another option.

Representative Wilson stressed that the state did not have any money, so she did not understand why the budget would be increased. She noted that the fiscal notes showed that the Department of Corrections (DOC) had the program for free. She wondered why DOC was free.

Mr. Spanos replied that he understood that DOC did the program themselves, so the Department of Public Safety (DPS) would charge for the cost of the background check.

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GARY LEE, CRIMINAL JUSTICE PLANNER, DEPARTMENT OF PUBLIC SAFETY (via teleconference), introduced himself.

Representative Wilson wondered whether DPS had a cost to the background checks.

Mr. Lee replied in the affirmative. He stated that the cost was \$47 for a fingerprint-based background check.

Representative Wilson wondered whether DPS paid for that cost for those that had been accepted into the department, or whether the employee paid for the cost.

Mr. Lee answered that it was generally funded by the requesting agency. He stated that DPS did approximately 40,000 background checks per year for agencies.

Representative Tilton noted that there were some agencies within the fiscal note that stated that they could absorb the costs, and other agencies were doing it for free. She wondered why the individual paying for the background check. She understood that the federal government would not allow the documentation to be available to the agencies

without the background checks. She queried the agencies' different uses of the background checks.

Mr. Spanos answered that the Tax Division used the information to compare corporate tax returns to the federal tax return, and verify that the information was similar. He stated that the IRS would share information about a corporation audit. He stated that Child Support Services used the information to garnish a tax refund. He stated that the Department of Labor and Workforce Development (DOLWD) used the background check to verify wage information for the unemployment insurance tax.

Representative Guttenberg noted that the legislation would give the state employees and contractors access to federal tax information. He stressed that the entity paying for the service controlled the service. He wondered whether the federal government had a requirement outlining whether the state or individual paid for the background check, and how it would be processed, paid for, and shared.

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Mr. Spanos answered that the IRS released a document, "Publication 1075", which detailed the state requirements in order to continue to receive federal tax information. He stated that the state was in compliance with all the requirements, except for the fingerprinting. He announced that there was an implemented policy on background checks, and those checks were conducted up to the level possible. He stressed that the fingerprinting required authority. He stated that the Publication 1075 the IRS did not specify who would pay for the fingerprinting, rather it stated that the states must conduct background checks on their employees.

Representative Kawasaki surmised that the issue only applied to state employees or contractors who would access the federal tax information.

Mr. Spanos answered in the affirmative.

Representative Kawasaki asked how many people would have access.

Mr. Spanos answered that there were approximately 105 filled positions in the division that would have access or

potential access. He remarked that there were only six employees that actually had the security to go into the system to view the information. He stressed that there was a possibility to view the information on the computer. He stated that, in Child Support Services, the number was 250 people, and deferred to Ms. Beecher for more information. He restated that the number was closer to 200.

Representative Kawasaki stated that currently there were no criminal background checks done in the agency. He asked if it was a new requirement.

Mr. Spanos answered that the publication was finalized the year prior. He stated that with the updated publication, the Child Support Division and Tax Division created a new policy for background checks. That policy was already implemented. He stressed that they had yet to implement fingerprinting run through the federal database. He explained that it was the final step of the background check.

Representative Wilson wondered whether the department would not be doing the fingerprinting.

Mr. Spanos replied that fingerprints would be done by the Department of Public Safety (DPS). He deferred to Mr. Gaffney for more information.

Representative Wilson questioned the details of the efforts of DPS.

ERIC GAFFNEY, RECORDS AND LICENSING, DEPARTMENT OF PUBLIC SAFETY (via teleconference), responded that most fingerprinted in Alaska for civil purposes was done either by private commercial finger printers, employers, or local police agency. He stated that DPS usually did not conduct fingerprinting in larger urban areas, because there were private vendors who provided that service. He shared that there was no strict rule on who should roll the fingerprints. He remarked that the fingerprints were conveyed to DPS, were scanned, and then transmitted to the FBI. He remarked that the rolling of the fingerprints was a different issue than processing them for background checks. He stated that there was no specific rule in Alaska, except for concealed handgun permits, on who may or was required to roll those prints.

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Representative Tilton asked for more information about the federal receipts in the fiscal note.

CAROL BEECHER, DIRECTOR, DIVISION CHILD SUPPORT SERVICES, DEPARTMENT OF REVENUE (via teleconference), asked for a restatement of the question.

Representative Tilton noted that the fiscal note showed the source of funding from federal receipts. She wondered whether there was a federal grant with a match that would help to pay for the program.

Ms. Beecher replied that the Child Support Division was a federally matched program. She explained that the state put forward 34 percent of the budget, and was matched at a 66 percent rate from the federal government. She shared that 66 percent of the cost would be bourn by the federal match money.

Representative Wilson noted that the fiscal note specified that currently there was no cost to the DOC to do background checks. She wondered why the background checks were free.

APRIL WILKERSON, DIRECTOR, ADMINISTRATIVE SERVICES DIVISION, DEPARTMENT OF CORRECTIONS (via teleconference), stated her understanding of the question. She assumed that the question was asking why DPS did not charge DOC for processing the fingerprints.

Representative Wilson stated that the fiscal note showed that the fingerprinting was provided, currently, to the department at no fee. Therefore, she assumed that DOC was not charged either.

Ms. Wilkerson replied in the affirmative. She stated that DOC currently processed their own fingerprints, and rolled fingerprints through the machine. It was a cooperative agreement in place within the DOC facilities in support of DPS. She shared that the DOC would resubmit its employee and contractor backgrounds. She stated that DPS did not bill DOC for the processing on the background and criminal checks.

Representative Wilson surmised it would be cheaper to go through DOC for everything.

Mr. Spanos appreciated receiving the federal tax information. He stated that the information helped with audits and receive revenue. He shared that, over the previous five years, the department had received an average of \$2 million per year.

Co-Chair Foster OPENED and CLOSED public testimony.

HB 219 was HEARD and HELD in committee for further consideration.

#hb217

HOUSE BILL NO. 217

"An Act relating to the Alaska Food, Drug, and Cosmetic Act; relating to the sale of milk, milk products, raw milk, and raw milk products; and providing for an effective date."

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REPRESENTATIVE GERAN TARR, SPONSOR, provided a PowerPoint presentation titled "House Bill 217 Alaska Grown" (copy on file). She began on slide 2, "A Food Freedom Movement is Growing Across the United States and Locally":

First state to pass policy was Wyoming in 2015

"Wyoming has had roaring success[,] and we continue to capitalize on those aspects," Lindholm tells me, "in fact the Agriculture committee for the State of Wyoming will spend the summer studying ways to expand on the Food Freedom Act." (Wyoming State Rep. Tyler Lindholm (R))

Bills have been considered in Utah, Maine, Colorado, Virginia

"Food Freedom means more small farms." (Virginia Food Freedom)

Alaska Farm Bureau \$5 Alaska Challenge could raise \$180 million for Alaska economy

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Representative Tarr stated that her summary had been the goal of the bill starting out. She turned to slide 3, "Supporting Alaska Grown Products":

- 1) Increase direct producer to consumer sales
- 2) Support entrepreneurs
- 3) Create more opportunities for small scale producers
- 4) Strengthen our local food systems
- 5) Grow our local economies

Representative Tarr shared that DEC had agreed to a one-year pilot program. The farmers wanted to provide a good high-quality product and would not knowingly do something to make someone sick. She shared that the changes had been a disappointment to her, but she would not give up. She read items from slide 3.

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Representative Tarr stated that the version before the committee did three things. She looked at slide 4, "House Bill 217 Does Three Things":

Gives farmers freedom from some civil liability for farm tours

Gives DNR receipt authority for Alaska Grown logo

Gives state, school districts and municipalities more flexibility to purchase Alaska grown produce - 15 percent procurement differential

Representative Tarr looked at slide 5, "Alaska Farmers Market Sales":

\$1.25 million: Fairbanks  
\$500,000: Homer  
\$100,000 Kodiak  
\$19,000: Mt. View

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Vice-Chair Gara asked about the difference in the law for Alaska foods between the current system and the bill.

Representative Tarr replied that there were restrictions on what qualified as an Alaska Grown product. She stated that

there was some discussion regarding imported foods, especially with livestock imports. She remarked that in the livestock case, a certain percentage of its life had to be spent in Alaska for it to be considered Alaska Grown. She remarked that, with the Alaska Grown logo, it was trademarked. She explained that currently the Department of Natural Resources (DNR) did not have receipt authority to collect the money that would come from selling the logo. She remarked that the dollars would be reinvested into the Alaska Grown program.

Representative Wilson looked at page 2, line 1, "to the extent practical, the commissioner shall sell only merchandise produced or manufactured in the United States..." She wondered whether one could sell things not manufactured in the United States, and still be considered Alaska Grown.

Representative Tarr replied that it referred to where the t-shirts or sweatshirts with the Alaska Grown logo could be manufactured outside of the United States .

Representative Wilson asked who decided to the extent practical.

Representative Tarr replied the individual was online for testimony.

JOHANNA HERRON, DEVELOPMENT SPECIALIST, DIVISION OF AGRICULTURE (via teleconference), replied that there were state procurement rules. She stated that the licensing agreements worked through agriculture non-profit organizations, who were allowed to receive a licensing agreement for merchandise sales. She stressed that the farmers were in need of wholesale pricing for marketing materials, and often were unable to purchase in small quantities.

Representative Wilson gave an example of a t-shirt made in California or China. She asked if either would be acceptable as long as the finished product was done in Alaska.

Ms. Herron answered that the effort was usually doing what they could to get the best price.

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Representative Guttenberg asked about procurement requirements under the bill.

Ms. Herron replied that the department was only interested at the current stage, so the merchandising was not a current focus. She did not believe they would change from the system currently.

Representative Guttenberg was trying to divide the things the department was contracted out to do, and whether DNR was given receipt authority. He wondered whether money would come back into the program for sales of merchandise.

Ms. Herron responded that the licensing agreements would still operate through their offices. She stressed that nothing would change with the way its operating agreements were done.

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Representative Guttenberg stated he had gone through a lengthy regulatory review about milk. He asked if that program was in place.

Representative Tarr answered that the cow share program was still in place. She shared that it was limiting in nature, but the goal was to put together a working group to bring all of the stakeholders together. Another question was how people would be contacted if there was an illness outbreak.

Representative Guttenberg thanked her for the bill. He believed Alaska needed to establish a stronger foothold on food security in state.

Representative Tarr answered that the program would bring \$188 million into the economy. She asked for a reminder of the remainder of the question.

Representative Guttenberg complied.

Representative Tarr stated that the Farm Bureau was working with her office, and the expected fiscal impact was zero.

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Co-Chair Seaton asked about the third bullet on the sponsor statement. He thought the statement may have been to a previous bill draft. He wondered about the word "shall."

Representative Tarr answered that the current statute included the language "shall" and that the 15 percent gave more flexibility in procurement rules.

Co-Chair Seaton remarked that when raw milk had been looked at four years back - there was no prohibition on selling raw milk, but a person had to use dye in the milk to indicate it was raw. He stated that there was no way for parents to know non-pasteurized milk was being served. He wondered about anti-bacteria resistant bacteria.

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Representative Tarr answered there had been numerous conversations about the topic over the years. She shared that there could state-built processing facilities if there were capital funds, but run as a private business. She remarked that there was only one dairy in the state.

Vice-Chair Gara asked for clarification that the raw milk component had been removed from the bill.

Representative Tarr answered in the affirmative.

Vice-Chair Gara wanted to support the bill. He asked if the bill had been run by school districts.

Representative Tarr replied that she understood that it would be eligible for any food purchases made by the district. She remarked that there could be also a supplemental action, if the food was provided by the federal government. She stated that the Sitka School District was using local funds to purchase local fish.

Vice-Chair Gara asked about the known cost to the school district.

Representative Tarr answered that it was known. She remarked that the scale of purchases allowed for flexibility, because there were multiple types of food going into one meal. She used the example of pairing cheap pasta with more expensive carrots.

Vice-Chair Gara felt that the school may end up paying more, because the cost of the Alaska Grown products was 8 percent more than the alternative. He wanted to be convinced that it would not cost more, or he wanted the school districts to announce that they would not be bothered by the increased cost. He restated that he did not understand how the cost would remain the same.

Representative Tarr replied that the amount available to spend on the food purchases would not change. She stated that the change was the ability to purchase Alaska Grown products.

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Vice-Chair Gara understood the bill as reading that an Alaska Grown product would be an additional 15 percent.

Representative Tarr replied that typical procurement rules for state purchasing expressed that one must purchase the lowest cost item. She stated that the product preference statute allowed for flexibility to buy a more expensive product. She stated that, after the audit, it was seen that 7 percent was not enough of a differential to cover the difference between Alaska Grown products and the products that could be purchased from outside. She stated that the statute gave a little more flexibility in the overall price, if the Alaska Grown products were found. She stressed that more farmers should be on the list, and should have products available at the right quantity, at the right time, and at the right price. She stressed that there were many pieces that must function together in order for it to be successful.

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Representative Wilson stressed that the 15 percent was the maximum differential. She agreed with Representative Gara's concern about the additional cost. She wondered about changing "shall" to "may." She felt that the change may provide the choice to the districts.

Representative Tarr replied that the previous version of the bill had the word, "may." She stated that, after conversations with farmers, there was a realization that changing "shall" in the original product preference statute

to "may", could be seen as "backsliding." She agreed to consider that change.

Representative Wilson surmised that a statute change would not be needed, because the department had a one-year trial. She wondered whether internet sales would include products other than produce.

Representative Tarr replied that it was all the products allowed under the cottage food exemptions. She stated that it was removed, because of the pilot program. She shared that Title 17 was pretty broad, as related to the responsibilities of the commissioner. She stated that it broadly said, "can regulate food." She wanted to see a consistent statewide policy in statute, rather than pilot programs.

Representative Wilson recalled that there was already internet sales for cottage businesses.

Representative Tarr answered that there had been some products available online, but not the number of products that were currently sold.

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Representative Pruitt wondered how the stat would mandate that the districts spend more, and how \$100 would procure what was needed. He did not understand how the bill would not increase costs, or cause the schools to not provide enough food.

Representative Tarr answered that they did not know there were food purchases that would meet the requirement.

Representative Pruitt asked what the audit specified the percentage should be.

Representative Tarr answered that it had varied based on the product. Items such as potatoes, broccoli, and other were widely produced in Alaska were cheaper.

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Representative Pruitt asked how the bill gave flexibility if it specified an entity "shall" purchase something. He thought it appeared they were mandating something.

Representative Tarr answered that flexibility would enable paying up to 15 percent more. She did not want to do anything that was overly burdensome for school districts. She explained that the topic had not received substantial attention.

Vice-Chair Gara presented an idea. He spoke to the consideration of the term "may", and whether that would lose the 8 percent protection. He asked about keeping the language at 8 percent shall, and adding "may" go up to 15 percent.

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Representative Tarr answered that the language had been in an earlier bill version. She was supportive of the language. She preferred the language over a blanket "may."

Vice-Chair Gara asked why the language had been changed.

Representative Tarr answered that the intention was not to spend more money, but to spend what was available.

Vice-Chair Gara was looking for guidance from the sponsor, but he did not want to render the bill ineffective.

Representative Tarr answered that she was fine with the change.

Vice-Chair Gara had hesitancy that his proposal would gut the bill. He would think about it further.

Representative Tarr believed the concerns were fair.

[2:52:08 PM](#)

Co-Chair Seaton MOVED to ADOPT the proposed committee substitute for HB 217, Work Draft 30-LS0593\T (Bruce/Wayne, 3/26/18). There being NO OBJECTION, it was so ordered.

Co-Chair Foster read the list of available testifiers online.

Representative Tarr indicated there were 2 people online for invited testimony.

Co-Chair Foster OPENED Public Testimony.

AMY SEITZ, ALASKA FARM BOROUGH, SOLDOTNA (via teleconference), relayed that the Alaska Farm Bureau strongly supported the bill. She spoke of the benefits of the bill if passed. She indicated that HB 217 provided additional tools to the farmers' tool box. She thought the legislation would play a role in the expansion of the Alaska Grown program. She talked about the increased interest of touring farms.

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Ms. Seitz continued to address the bill. She spoke in support of the legislation.

ROBBI MIXON, DIRECTOR, LOCAL FOODS, HOMER FARMER'S MARKET ASSOCIATION/KENAI PENINSULA AND ANCHORAGE FOOD HUB (via teleconference), spoke in support of the bill. She spoke to the online sales component of the bill. There had been a conversation on agreements to move forward. figure out the best approach. She attested to the value of Alaskan grown.

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Co-Chair Foster CLOSED public testimony.

CHRISTINA CARPENTER, DIRECTOR, DIVISION OF ENVIRONMENTAL HEALTH, DEPARTMENT OF ENVIRONMENTAL CONSERVATION, ANCHORAGE (via teleconference), thanked the bill sponsor and committee for their efforts in promoting local food sales. She shared that the department looked forward to working with Ms. Mixon and the Alaska Food Hub, on the pilot program that would allow online sales of homemade cottage food products. She agreed to continue to report on the successes of that program during the current growing season. She thanked the committee for the opportunity to speak.

Representative Wilson queried the current allowances online, and what the program would change. She wondered what products would be allowed in the pilot program.

Ms. Carpenter replied that, currently, any producer who had a permit through the Department of Environmental Conservation (DEC) could sell their products online. She

stated that the pilot program would allow cottage food producers to sell through the Food Hub website. She stated that they would not be subject to the DEC permit.

Representative Wilson asked how the department would manage the success of the program after the one-year period ended.

Ms. Carpenter replied that it was part of the variance process with the Alaska Food Hub. She remarked that DEC would request from the Alaska Food Hub was an end-of-year close-out report.

Representative Wilson requested the information for tracking.

[3:09:59 PM](#)

Representative Pruitt was looking at the audit and report conclusions. He read from the audit.

Representative Pruitt did not see anything in the report conclusions to indicate the amount given was a barrier. He stated there were portions of the current draft that were a mandate on schools. He thought it appeared to be logistical hurdles.

Representative Tarr answered that it had not been a question asked by the audit, which was the reason it did not answer the question. They wanted to understand how the current 7 percent statute was working.

HB 217 was HEARD and HELD in committee for further consideration.

[3:14:31 PM](#)

AT EASE

[3:15:55 PM](#)

RECONVENED

#hjr29

HOUSE JOINT RESOLUTION NO. 29

Urging the United States Congress to reauthorize the Secure Rural Schools and Communities Self-Determination Act of 2000.

3:16:00 PM

Representative Wilson MOVED to ADOPT the proposed committee substitute for HJR 29, Work Draft 30-LS1116\J (Laffen, 3/24/18). There being NO OBJECTION, it was so ordered.

REPRESENTATIVE GEORGE RAUSCHER, SPONSOR, read from a prepared statement. He stated that the intent of the resolution was to urge the federal government to take action to restore funding to communities through reauthorization through the rural schools and community self-determination action. He stated that the program expired in 2017, and federal funding for the program to local school districts had ceased. He remarked that the recent federal omnibus bill was included, but would expire eventually.

DARRELL BREESE, STAFF, REPRESENTATIVE GEORGE RAUSCHER, shared that the changes made in the CS (copy on file):

House State Affairs The Committee Substitute corrected an error in the list of Copy of Recipients, removing the Secretary of Interior and including the Secretary of Agriculture. This change reflects that the US Forest Service is under the Secretary of Agriculture, which manages the Secure Rural Schools and Self Determination Act of 2000.

House Finance Committee Changes were made to reflect the authorization of two years for the program made under the Federal Omnibus Spending bill recently passed by the US Congress; and to modify the resolution call for a permanent authorization of the Secure Rural Schools Funding program.

Page 2, following line 11 inserts: "Whereas the US Congress has temporarily authorized the Secure Rural Schools and Community Self-Determination Act of 2000 for Federal Fiscal Years 2017 and 2018; and

Page 2, line 14 After "to" Inserts "permanently"

Page 2, line 22 After "1027" Inserts "or legislation to permanently"

Representative Wilson stated there was a zero fiscal note. She asked if the item would be mailed or emailed.

Mr. Breese answered that they were traditionally sent through mail, and Legislative Affairs covered the cost of the postage for resolutions.

Representative Wilson felt that they could be sent via email.

KATHIE WASSERMAN, EXECUTIVE DIRECTOR, ALASKA MUNICIPAL LEAGUE, spoke in support of the resolution. She had worked on the issue for 15 years and usually went to D.C. annually or sent a timber. The resolution was a huge boon to municipalities, and for small communities like Pelican it was a substantial amount of money. She asked the legislature to help lobby for payment in lieu of taxes (PILT).

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Representative Guttenberg did not have a problem with the resolution. He asked if there was any comparable program covering impact funds in those communities.

Ms. Wasserman answered that every community received PILT payments. The payments in Alaska were running at about \$0.07 per acre.

Co-Chair Foster CLOSED public testimony.

Vice-Chair Gara reviewed the zero fiscal note from the Legislative Affairs Agency.

Co-Chair Seaton MOVED to REPORT CSHJR 29(FIN) out of committee with individual recommendations and the accompanying fiscal note. There being NO OBJECTION, it was so ordered.

CSHJR 29(FIN) was REPORTED out of committee with a "do pass" recommendation and with one previously published zero fiscal note: FN1 (LEG).

[3:26:32 PM](#)

AT EASE

[3:27:05 PM](#)

RECONVENED

#hb386

HOUSE BILL NO. 386

"An Act relating to abandoned and derelict vessels; relating to the registration of vessels; relating to certificates of title for vessels; relating to the duties of the Department of Administration; relating to the duties of the Department of Natural Resources; establishing the derelict vessel prevention program; establishing the derelict vessel prevention program fund; and providing for an effective date."

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Co-Chair Foster discussed the schedule.

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AT EASE

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RECONVENED

REPRESENTATIVE PAUL SEATON, SPONSOR, provided background information about the impetus for the bill. He stated that in 2012 there was an emergency, because someone had purchased two old boats, but could not put them in the water. He stated that those boats sank in the swamp. He stated that the clean up of the vessels was a long expensive process. He shared that it was a state responsibility, because it was difficult to determine who owned and who was responsible for the vessels. He stated that he had sponsored bill that said that if vessels were denied entry into harbor, they could not be stored in state waters for over two weeks without removing the hazardous waste from the vessels. He felt that the legislation was difficult to enforce.

[3:33:50 PM](#)

Co-Chair Seaton continued to discuss the need for the bill.

PATRICIA NICKELL-ZIMMERMAN, STAFF, REPRESENTATIVE PAUL SEATON, provided a PowerPoint presentation titled "HB 386 Vessels: Registration/Titles; Derelicts" (copy on file).

Ms. Nickell-Zimmerman moved to slide 3, "Title 05. Chapter 25. Watercraft:

Undocumented Vessels:

Adds Title requirement @20.00 for vessels that are: (AS 05.25.096(a)(6))  
20 feet or more; and  
commercially used (AS 05.25.056(g))

Increases boat registration fee to \$30.00 [\$24.00] for 3 years. (AS 05.25.096(a)(1))

List of exemptions to Title and Registration requirements. (AS 05.25.056), (AS 05.25.055(i))

Documented Vessels:

No Title required (AS 05.25.055(i)(1)(c))

Adds Registration of \$30.00 for 3 years. (AS 05.25.096(a)(1))

Barges

Adds definition of barge (AS 05.25.100(16))

Adds Barge registration of \$75.00 for 3 years. (AS 05.25.096(5))

[3:39:23 PM](#)

Ms. Nickell-Zimmerman turned to slide 4, "Title 30. Chapter 30. Abandoned and Derelict Vessels":

▫ Adds state or municipal property to areas that a person may not store a derelict vessel. AS 30.30.010 (a)(1)

▫ Amends statute upon conviction, increases fine to not less than 5K or more than 10K and/or not more than 90 days imprisonment and/or forfeiture of vessel. AS 30.30.010(e)

▫ Adds DNR duties and powers to establish and administer Derelict Vessel Prevention Program Fund. AS 30.30.095 and 096

▫ Adds regulated process for impoundment, through notice and hearings prior to disposition. AS 30.30.040, 045, 055, 060, 065, 075

Ms. Nickell-Zimmerman addressed slide 5 titled "What is Derelict?":

DERELICT VESSEL 30.30.090

Sunk or sinking, obstructing or endangering health, safety, or environment

number obliterated

Owner of record disclaims and current owner cannot be determined

Moored, anchored, stored, abandoned (see definition) or left contrary to law

No record of documentation or registration and ownership cannot be determined

Moored, anchored, stored, abandoned (see definition) without authorization on private property.

Expired registration or document number and owner no longer at address

Ms. Nickell-Zimmerman moved to slide 6 titled "Process to Impoundment":

20 days prior to impoundment, written notice and posted on agencies website AS 30.30.040

Within 15 days after postmark on written notice, owner may request informal pre-impoundment hearing AS 30.30.040(c)

10 business days (or longer per request of owner) after receipt of written request by owner, jurisdiction schedules informal hearing. AS 30.30.040(d)

Jurisdiction to provide written decision to owner, showing "substantial evidence that vessel is derelict". AS 30.30.040(f)

If found to be derelict, jurisdiction may impound  
AS 30.30.055

Owner may take possession upon reimbursement  
to State or municipality of incurred costs.  
(notices costs, harbor fees, storage fees, etc.)  
AS 30.30.060

Jurisdiction may sell, donate or destroy if  
not repossessed within 30 days after postmark on  
written notice AS30.30.055(b) after posting  
disposition. AS 30.30.045

Ms. Nickell-Zimmerman addressed slide 7, "Appropriation of  
Title Fees and Barge Fees created through this  
legislation":

Derelict Vessel Prevention Program Fund AS 30.30.096  
Money is appropriated into the fund, no further  
appropriation is needed to move funds out.  
Appropriations do not lapse.

[3:44:41 PM](#)

Representative Wilson MOVED to ADOPT the proposed committee  
substitute for HB 386, Work Draft 30-LS1475\D (Bruce,  
3/21/18). There being NO OBJECTION, it was so ordered.

Vice-Chair Gara supported the bill. He remarked on the  
short title of the bill, which he believed should be  
changed.

Representative Kawasaki asked about the collection from  
people who had left derelict vehicles.

Co-Chair Foster listed individuals available for questions.

Co-Chair Seaton deferred to the Department of Law.

[3:47:25 PM](#)

PETER CALTAGIRONE, ATTORNEY, CIVIL DIVISION, ENVIRONMENTAL  
SECTION, DEPARTMENT OF LAW (via teleconference), asked to  
hear the question.

Representative Kawasaki wondered why it was difficult to  
prosecute the owner in removing their "junk."

Mr. Caltagirone replied that the current penalty in statute was not very high. The bill as presented increased both the fines, and punishment as an unclassified misdemeanor. He remarked that the difficulty in removing the vessel was primarily the cost. He shared that the current statute gave the Department of Natural Resources (DNR) and the municipality the ability to take the vessel, but did not address the high cost. He shared that the current bill created a titling requirement, which would help tracking the owner. He furthered that even knowing the owner of the vessel did not guarantee removal of the vessel. He stated that there was a high cost to remove even a smaller vessel.

[3:51:10 PM](#)

Representative Kawasaki asked about past legislation about derelict mining equipment on state lands.

Mr. Caltagirone was not familiar with the mentioned legislation.

Representative Guttenberg noted that the registration process sat on top of the Division of Motor Vehicles (DMV) process. He asked if there was a way for a party to take a vessel before it derelict and take ownership.

Mr. Caltagirone replied in the negative. The current law as written did not allow it. There was no current titling requirement in Alaska.

Representative Guttenberg asked if a person would have an opportunity to bid on the item.

Mr. Caltagirone asked what Representative Guttenberg meant by his use of the word "you."

Representative Guttenberg clarified.

Mr. Caltagirone replied it would be his understanding. For the state to get involved he believed it would have to be on trespassing.

[3:54:38 PM](#)

Co-Chair Seaton requested to hear about the process from his staff.

Ms. Nickel-Zimmerman shared that one of the questions that had arisen when DMV had approached the sponsor was related to titling. Titling would be new for boat owners, and was proof of ownership. They had been told there would be another process for the potential of an affidavit.

Representative Wilson asked for verification they were speaking about boats 20 feet or larger.

Ms. Nickel-Zimmerman replied in the affirmative.

HB 386 was HEARD and HELD in committee for further consideration.

Co-Chair Foster reviewed the meeting schedule for the following day.

#  
ADJOURNMENT  
3:59:00 PM

The meeting was adjourned at 3:58 p.m.