

SENATE FINANCE COMMITTEE

April 7, 2017

1:51 p.m.

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CALL TO ORDER

Co-Chair MacKinnon called the Senate Finance Committee meeting to order at 1:51 p.m.

MEMBERS PRESENT

Senator Lyman Hoffman, Co-Chair  
Senator Anna MacKinnon, Co-Chair  
Senator Click Bishop, Vice-Chair  
Senator Mike Dunleavy  
Senator Peter Micciche  
Senator Donny Olson  
Senator Natasha von Imhof

MEMBERS ABSENT

None

ALSO PRESENT

Bianca Carpeneti, Staff, Representative Sam Kito; Kris Curtis, Auditor, Legislative Audit; Michele Elfers, Board Member, Alaska Professional Design Council, Juneau; Janey Hovenden, Director, Division of Corporations, Business, and Professional Licensing, Department of Commerce, Community and Economic Development; Alicia Jones, Executive Administrator, Board of Architects, Engineers, and Land Surveyors; Representative Sam Kito, Sponsor; Senator Cathy Giessel, Sponsor; Kari Nore, Staff, Senator Giessel; Mark Neidhold, Chief, Design and Construction Standards, Department of Transportation and Public Facilities; Mike Lessman, Legislative Liaison, Alaska Department of Public Safety.

PRESENT VIA TELECONFERENCE

Colin Maynard, AELS Board, Anchorage; Mike San Angelo, Statewide Materials Engineer, Department of Transportation and Public Facilities, Anchorage; Steven Wortham, Alyeska

Tires, Kenai; Franklin Wortham, Owner, Alyeska Tires, Kenai; Bonnie Snyder, Self, MatSu; Vanessa Debach, Self, MatSu; Judy Snyder, Owner, Diversified Tire, MatSu; Alfred Meyer, Meyers Muffler City, Anchorage; Jeff Pasco, Self, Ninilchik; Robert Looney, Self, Craig; Larry Opperman, Self, Soldotna; Dave Hanson, Self, Anchorage; Richard Nordness, Executive Director, Northwest Tires Dealers Association, Washington; Garry Wessel, Bruno Wessel, Inc., New York; Brandon Spanos, Deputy Director, Tax Division, Department of Revenue, Anchorage.

SUMMARY

SB 31 NO ST. EMPLOYEE PAY INCREASE FOR 2 YRS

SB 31 was REPORTED out of committee with "no recommendation" and with one indeterminate fiscal note from the Legislature; one zero fiscal note from the Department of Revenue; and one fiscal impact note from the Office of the Governor.

SB 50 INCREASE STUDDERED TIRE FEE

SB 50 was HEARD and HELD in committee for further consideration.

HB 48 ARCHITECTS, ENGINEERS, SURVEYORS: EXTEND Mr. Dale

HB 48 was HEARD and HELD in committee for further consideration.

#sb31

SENATE BILL NO. 31

"An Act relating to compensation, merit increases, and pay increments for certain public officials, officers, and employees not covered by collective bargaining agreements; and providing for an effective date."

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Vice-Chair Bishop MOVED to REPORT SB 31 from committee with individual recommendations and accompanying fiscal notes.

There being NO OBJECTION, it was so ordered.

SB 31 was REPORTED out of committee with "no recommendation" and with one indeterminate fiscal note from the Legislature; one zero fiscal note from the Department of Revenue; and one fiscal impact note from the Office of the Governor.

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AT EASE

[1:54:50 PM](#)

RECONVENED

#hb48

HOUSE BILL NO. 48

"An Act relating to the composition of the State Board of Registration for Architects, Engineers, and Land Surveyors; extending the termination date of the State Board of Registration for Architects, Engineers, and Land Surveyors; and providing for an effective date."

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BIANCA CARPENETI, STAFF, REPRESENTATIVE SAM KITO, introduced the legislation.

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KRIS CURTIS, AUDITOR, LEGISLATIVE AUDIT, explained that the purpose of a sunset audit was to determine whether the board was serving the public interest, and whether it served the public interest. She stated that it was found that the State Board of Registration for Architects, Engineers, and Land Surveyors (AELS Board) did serve the public's interest by effectively registering and regulating architects, engineers, and land surveyors.

Senator von Imhof remarked that the fiscal note had \$29,600 included in the governor's FY 18 request, and the out-year estimates had approximately the same number. She stated that the funds would be covered with receipts. Ms. Carpeneti replied in the affirmative.

Co-Chair MacKinnon commented on Ms. Carpeneti's family's service to the state.

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COLIN MAYNARD, AELS BOARD, ANCHORAGE (via teleconference), shared that he was available for questions. He announced that there was a desire to keep a balance in the funds to deal with a possible case.

Co-Chair MacKinnon wondered why it is wondered why the board required a face-to-face meeting four times a year. Mr. Maynard replied that two people must review each application. He stated that it was easier to make determinations when in the same place, rather than via teleconference.

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AT EASE

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RECONVENED

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MICHELE ELFERS, BOARD MEMBER, ALASKA PROFESSIONAL DESIGN COUNCIL, JUNEAU, testified in support of the bill and support of providing a permanent board seat for landscape architects.

Senator Olson queried the number of landscape architects versus the number of architects and engineers. Ms. Elfers announced that there were approximately 50 licensed landscape architects in the state. She did not know the number of architects or engineers. She shared that there were also approximately 50 licensed mining engineers in the state, and they had representation on the AELS Board.

Co-Chair MacKinnon CLOSED public testimony.

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JANEY HOVENDEN, DIRECTOR, DIVISION OF CORPORATIONS, BUSINESS, AND PROFESSIONAL LICENSING, DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT, introduced herself.

Co-Chair MacKinnon queried the number of licensees in each of the individual professional licensures.

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ALICIA JONES, EXECUTIVE ADMINISTRATOR, BOARD OF ARCHITECTS, ENGINEERS, AND LAND SURVEYORS, replied that there were approximately 3000 civil engineers; 843 mechanical engineers; approximately 50 landscape architects; and 476 land surveyors. She agreed to provide further detailed information.

Co-Chair MacKinnon wondered whether the licensing fee was the same for each profession. She stressed that there was travel associated with each position. Ms. Jones responded that the fees were the same regardless of profession.

Senator von Imhof noted that page 5 of the audit had a list of the different types of architects and engineers. She noted that page 8 showed the different fees.

Senator Dunleavy noted that page 7 of the audit showed an increased ending cumulative surplus, with the exception of 2013. He wondered whether there was a reimbursement with the excess revenue. Ms. Hovenden noted that the surplus was growing, and the fees were slightly reduced. She stated that there was a hope to keep a "buffer." She stressed that the lowered fees would slowly deplete the surplus.

Senator Dunleavy queried the definition of "they." Ms. Hovenden replied that it was the board.

Co-Chair MacKinnon surmised that statute required professional licensing to pay for itself, so there was some fluctuation over time in account balances. Ms. Hovenden agreed.

Ms. Jones revised her previous statement, and clarified that there was a difference in the fees between those who applied by exam versus those who applied by committee.

Ms. Hovenden shared that all the licensures fees were the same.

Co-Chair MacKinnon queried the fee amount. Ms. Hovenden replied that the fee was \$150 for two years.

Co-Chair MacKinnon wondered whether there was a discount for licensing two years out. Ms. Hovenden replied that it was a set fee for two years.

Co-Chair MacKinnon queried comments.

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REPRESENTATIVE SAM KITO, SPONSOR, stated that the bill was basically a sunset provision, with the one specific change to allow for a permanent AELS Board position to a landscape architect.

Vice-Chair Bishop addressed FN 1: CED.

Co-Chair MacKinnon announced that amendments were due by Monday at 5pm.

SB 48 was HEARD and HELD in committee for further consideration.

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AT EASE

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RECONVENED

#sb50

SENATE BILL NO. 50

"An Act relating to fees for the sale or installation of studded tires; and providing for an effective date."

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SENATOR CATHY GIESSEL, SPONSOR, explained the legislation.

[2:20:07 PM](#)

KARI NORE, STAFF, SENATOR GIESSEL, discussed the Sectional Analysis (copy on file):

Section 1: Amends AS 43.97.025(b)  
This section amends the current statute in 3 ways. It first increases the studded tire user fee from \$5 to \$50, it reduces the weight of studs that fall under this fee from 1.1 grams to 0.5 grams. It also ensures that all tires sold through online retailers for use in Alaska are subject to this fee.

Section 2: Adds a new subsection under AS 43.98.025  
This section creates a new subsection (i) to establish legislative intent that the funds generated from this fee will be directed back to the Department of Transportation for the repair and maintenance of state maintained roads. It does not create a dedicated fund.

Section 3: Adds a new section into the uncodified law of the State of Alaska  
This section outlines that the act will apply to all tire sales and stud installations on or after the effective date.

Section 4: Effective Date  
This Act would take effect on July 1, 2017.

MARK NEIDHOLD, CHIEF, DESIGN AND CONSTRUCTION STANDARDS, DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES, discussed the presentation, "Studded Tire Presentation" (copy on file).

Mr. Neidhold looked at slide 2, "State Highway System subject to Studded Tire Damage":

- Pavement Ruts: Longitudinal depressions in the wheel paths
- High Traffic Volume, High Speed Roads are more prone to Studded Tire Damage

Examples include:

- Glenn Highway (Anchorage area)
- Seward Highway (Anchorage area)
- Minnesota Drive (Anchorage)
- Egan Drive (Juneau)

Mr. Neidhold highlighted slide 3, "Rutting Evidence caused by Studded Tire." He stated that the slide showed typical road wear from studded tires on passenger vehicles.

Vice-Chair Bishop noted that the width of the ruts looked like the width of a truck. He stressed that some of those trucks used studded tires in the winter. Mr. Neidhold replied that, typically, the larger trucks did not use studs, but used chains. The intent of the slide was to show that it was narrower than commercial vehicles.

Vice-Chair Bishop noted that some of the wear was caused by trucks.

Senator Dunleavy queried the number of vehicles that used studs versus vehicles that used chains. Mr. Neidhold agreed to provide that information.

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MIKE SAN ANGELO, STATEWIDE MATERIALS ENGINEER, DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES, ANCHORAGE (via teleconference), did not believe that the effect of the ruts was not because of the base material due to heavy loads. He stated that it was found that the rut was due to removal of the surface of the road. He remarked that there were previous pavements that would alter due to poor construction of roads.

Co-Chair MacKinnon wondered whether the chains had caused some of the rutting.

Senator Dunleavy queried the number of vehicles that used studs versus vehicles that used chains. Mr. San Angelo replied that he did not know that information.

Senator Dunleavy queried the studies on damage with chains versus studs. Mr. San Angelo replied that there were no studies in Alaska. He remarked that Parks Highway had mostly truck traffic, and the pavements were lasting up to 25 years on that highway. The distress on that highway was not rutting, but rather cracking distress.

Senator Dunleavy wondered whether there were fees for chains. Mr. San Angelo responded that he did not know about fees.

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Mr. Neidhold looked at slide 4, "Pavement Sampling Eagle River Loop Road 13,000+ vehicles/day July 29, 2008." He noted that the bottom surface of the slabs did not show deflection.

Mr. Neidhold addressed slide 5, "Eagle River Loop Road 13,000+ vehicles/day July 29, 2008." He noted that there was not a "shoving of material" out of the center area.

Mr. Neidhold discussed slide 6, "US Restrictions and Permissions." He stated that the slide showed other state's policies.

Mr. Neidhold addressed slide 7, "Safety and Environmental Issues":

- Ruts become a Safety Hazard to the travelling public:
- Icy road: Ice or snow in ruts causes addition loss of traction
- Dry road: Difficulty steering and changing lanes
- Wet road: Hydroplaning potential due to water in ruts
- Studded tire use on bare pavement generates dust, posing risk to human health
- Based on this human health risk, Japan banned studded tires in 1990

Mr. Neidhold looked at slide 8, "Addressing Rut Damage":

- Rut Repair Trigger: Rut depth of ½-inch triggers a project to address rut repair; usually a 2-year turnaround to bid-ready plans
- Typical Fix: Mill-and-Fill in travel lanes
- Hard Aggregate Policy: Stipulates the use of hard aggregate in the asphalt mix when the traffic volume exceeds 5,000 vehicles per lane in areas prone to stud use
- Potential fixes, i.e., Microsurfacing, a mix of aggregate, polymerized asphalt, and water that is used to fill the ruts using special paving equipment. Road is open to traffic in ~2 hours.

Mr. Neidhold addressed slide 9, "Winter Driving":

- Automobile Technology Improvements
- All-wheel drive
- ABS braking
- Tire Technology Improvements
- Tire composition and tread
- Studless tires, e.g., X-Ice®, Blizzak™
- Better all-season tires
- Limited range of conditions in which studded tires outperform alternatives

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STEVEN WORTHAM, ALYESKA TIRES, KENAI (via teleconference), spoke to some concerns about the bill. He stated that studless tires had not been proven to be as good as studded tires. He stressed that, in certain conditions, studded tires outperform studless tires, especially in the first and last thirty feet between starting and stopping. He felt that it could be the difference between life and death for certain people. He feared that the results of the fees would be the government picking winners and losers. He felt that the tax disproportionately affected lower income families.

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FRANKLIN WORTHAM, OWNER, ALYESKA TIRES, KENAI (via teleconference), echoed the comments of Mr. S. Wortham. He stressed that there was ordering that had already occurred, so the tax could cause a loss of revenue.

Co-Chair MacKinnon wondered whether there was a rebate from the state to collect the tax. Mr. F. Wortham replied that there was a 5 percent rebate, or \$900 per quarter.

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BONNIE SNYDER, SELF, MATSU (via teleconference), spoke against the legislation. She felt that the restriction would decrease safety.

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VANESSA DEBACH, SELF, MATSU (via teleconference), spoke against the legislation.

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JUDY SNYDER, OWNER, DIVERSIFIED TIRE, MATSU (via teleconference), spoke against the legislation.

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ALFRED MEYER, MEYERS MUFFLER CITY, ANCHORAGE (via teleconference), opposed the bill.

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JEFF PASCO, SELF, NINILCHIK (via teleconference), testified against the bill.

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ROBERT LOONEY, SELF, CRAIG (via teleconference), spoke against the bill.

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LARRY OPPERMAN, SELF, SOLDOTNA (via teleconference), testified against the bill.

Senator Micciche wondered how many winters that a new set of studded tires could endure. Mr. Opperman replied that he typically switched his tires in the season, and that his tires could last five or six years.

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DAVE HANSON, SELF, ANCHORAGE (via teleconference), testified against the legislation.

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RICHARD NORDNESS, EXECUTIVE DIRECTOR, NORTHWEST TIRES DEALERS ASSOCIATION, WASHINGTON (via teleconference), opposed the bill.

[3:07:10 PM](#)

GARRY WESSEL, BRUNO WESSEL, INC., NEW YORK (via teleconference), spoke against the bill.

Co-Chair MacKinnon CLOSED public testimony.

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Senator Dunleavy wondered whether there would be ruts in the roads without studded tires. Mr. Neidhold replied that there would still be some ruts, but the ruts would not be as significant without studded tires.

Senator Dunleavy queried the cause of the ruts with no studs. Mr. Neidhold replied that ruts could be caused by shoving.

Senator Dunleavy wondered whether heavy vehicles could cause ruts. Mr. Neidhold responded in the affirmative.

Co-Chair MacKinnon surmised that friction and speed could contribute to rutting. Mr. Neidhold agreed.

Senator Micciche recalled a study that compared a studded tire and regular tire in a circular pattern. He wondered whether the state performed that study. Mr. Neidhold deferred to Mr. San Angelo.

Mr. San Angelo replied that the document was online for the legislation. He explained that the design of the roads in Alaska was meant to prevent rutting. He remarked that a rutting failure due to shoving or heavy loads that the roads were designed to prevent.

Senator Micciche wondered how the studies were not anecdotal. He wondered whether there was a study comparing asphalts that had been exposed to studded and nonstudded tires. Mr. San Angelo replied that studded tires were allowed in Alaska, so it was difficult to separate the data set.

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MIKE LESSMAN, LEGISLATIVE LIAISON, ALASKA DEPARTMENT OF PUBLIC SAFETY, felt that Senator Micciche was referring to a 2004 study from the University of Alaska Anchorage, and agreed to provide that information.

Senator Micciche queried the annual cost of the per mile costs that were associated with studded tire wear on the roads. Mr. Lessman replied that the average cost was approximately \$500,000 per lane mile for the repair for the studded tire wear.

Co-Chair MacKinnon queried the how the department would handle the increased fee.

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BRANDON SPANOS, DEPUTY DIRECTOR, TAX DIVISION, DEPARTMENT OF REVENUE, ANCHORAGE (via teleconference), replied that there was a bill in congress that would allow states to tax online sales. He stated that, currently, a company selling online must have a taxable nexus in the state.

Co-Chair MacKinnon wondered whether the Department of Revenue (DOR) had any online agreements for tax collection. Mr. Spanos replied that there were no online sales taxes in the state, other than the tire fee.

Co-Chair MacKinnon queried any assertions on the balance between the weight and shipment costs; versus sales inside the state. She recalled comments about the legislation creating an "unfair playing field." Mr. Spanos replied that there was no cost analysis for the shipping cost of tires purchased online.

Co-Chair MacKinnon announced that the amendments were due Monday by 5pm, and that the following day's meeting would be canceled. She discussed the following week's schedule.

SB 50 was HEARD and HELD in committee for further consideration.

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ADJOURNMENT

3:26:48 PM

The meeting was adjourned at 3:26 p.m.