

SENATE FINANCE COMMITTEE

March 12, 2024

9:06 a.m.

[9:06:14 AM](#)

CALL TO ORDER

Co-Chair Olson called the Senate Finance Committee meeting to order at 9:06 a.m.

MEMBERS PRESENT

Senator Donny Olson, Co-Chair
Senator Bert Stedman, Co-Chair
Senator Click Bishop
Senator Jesse Kiehl
Senator Kelly Merrick
Senator David Wilson

MEMBERS ABSENT

Senator Lyman Hoffman, Co-Chair

ALSO PRESENT

Ella Adkison, Staff for Senator Kiehl; Wade Bryson, Assembly Member, City and Borough of Juneau; Sylvia Heinz, Team Rubicon, Haines; Steve Bradford, Vice President, Riverside Condo Association, Juneau; Bryan Fisher, Director of Homeland Security and Emergency Management, Department of Military and Veterans Affairs; Ken Alper, Staff to Co-Chair Olson; Senator Matt Claman, Sponsor; David Scott, Staff to Co-Chair Stedman.

PRESENT VIA TELECONFERENCE

Carrigan Grigsby, Executive Vice President, Avis Alaska; Sean Vinck, Associate General Counsel, Turo, Inc.; Fadil Limani, Deputy Commissioner, Department of Revenue.

SUMMARY

SB 127 TAXATION: VEHICLE RENTALS, SUBPOENAS

SB 127 was HEARD and HELD in committee for further consideration.

SB 236 GRANTS TO DISASTER VICTIMS

SB 236 was HEARD and HELD in committee for further consideration.

Co-Chair Olson discussed the agenda.

#sb236

SENATE BILL NO. 236

"An Act relating to grants to disaster victims."

9:06:49 AM

Co-Chair Olson relayed that it was the first hearing for SB 236.

9:07:09 AM

SENATOR JESSE KIEHL, SPONSOR, explained that the bill would make changes in Alaska's Disaster Assistance Program. The changes would kick in for natural disasters that included a disaster declaration from the governor, but not a disaster declaration from the President of the United States (U.S.). He characterized the bill as "Alaska helping Alaskans even when the Federal Emergency Management Agency (FEMA) did not show up." The bill would make two changes, one of which involved the amount of aid. Current law set state disaster assistance at half of the maximum that FEMA paid, which was currently about \$21,000 with inflation adjustment. He reminded that when a natural disaster affected homes and livelihoods, \$21,000 did not meet needs. The bill would raise the amount of state aid to \$50,000 and would adjust to a higher amount when the FEMA amount was adjusted higher.

Senator Kiehl addressed the second change, which pertained to what he considered a loophole when the program was created. The state program would help with expenses not covered by insurance, but the state disaster assistance could not be applied to damage to condominiums experiencing damage to the structure. He asserted that the bill would not allow for "double dipping." The bill would allow condo owners to be eligible for state aid for damage to condominium structures on the same terms as a single family homeowner.

9:10:01 AM

ELLA ADKISON, STAFF FOR SENATOR KIEHL, addressed a Sectional Analysis document (copy on file):

Sec. 1: Repeals and reenacts a previously existing section in statute without substantive changes so the format is consistent with later sections.

Sec. 2: Increases the maximum amount of state aid to the greater of \$50,000 or half of the federal maximum: currently, the maximum is approximately \$21,000.

Allows a grantee who is a member of a condo association to use state aid to pay for their share of condo-wide damage expenses.

Senator Wilson asked if the bill had an effective date.

Senator Kiehl relayed that the bill had no specific effective date clause, and the bill would take effect 90 days after being signed by the governor or being passed into law without signature.

Senator Wilson asked if any past disaster victims would be eligible if the bill passed.

Senator Kiehl answered "no," and that there was no retroactivity clause in the bill.

9:11:32 AM

WADE BRYSON, ASSEMBLY MEMBER, CITY AND BOROUGH OF JUNEAU, spoke in favor of the bill. He relayed that he was a 29 year resident of Juneau, and was a small business owner. // He mentioned a disaster that took place on August 6, 2023, when the Mendenhall River flooded after there was a glacial outburst flood resulting in a high water mark that was 180 percent higher than the previous record. He recounted viewing the flooding with U.S. Senator Lisa Murkowski and seeing boulders the size of cars and buses that had been moved with the force of the water.

Mr. Bryson discussed the effect of the flooding disaster on the neighborhood and the circumstance of losing a home. He mentioned neighborhood meetings and outreach. He noted that

whole neighborhoods had been affected. He posited that the average person's largest wealth asset was a home. He thought the consequences of leaving the state assistance level at \$21,000 instead of raising it as proposed in the bill could be the difference between being able to start over in the state or having to leave. He discussed a family that had lost a house. He thought the bill would be a step in creating some surety and helping Alaskans. He asserted that the City of Juneau supported the bill.

[9:15:12 AM](#)

Co-Chair Olson considered taxpayer funds for disasters, and asked how to justify using state funds from Alaskans very far from the scene of the disaster.

Mr. Bryson thought the nature of living in Alaska was pertinent. He used the example of another district hit by an earthquake, after which FEMA did not step in if the amount of damage to a community was not sufficiently catastrophic. The bill would apply to home and condo owners that were productive members of society. He emphasized not losing population due to disasters.

Co-Chair Olson considered that no one was immune from disasters. He mentioned Typhoon Merbok in Golovin, where there was 4 feet of sand inside the new house he had built.

Mr. Bryson mentioned a landslide in a neighboring Southeast Alaska community, and noted that every community had tried to provide some level of aid. He thought Alaskans would appreciate raising the level of aid.

Co-Chair Olson thought Mr. Bryson had put it well.

[9:18:19 AM](#)

SYLVIA HEINZ, TEAM RUBICON, HAINES, relayed that she worked for three years as the Disaster Reconstruction Project Manager for the Chilkoot Indian Association. She had worked as coordinator for the Haines Long-term Recovery Group and also as Deputy Administrator for Alaska's Team Rubicon, a veterans-based disaster response organization. She had been involved in recovery efforts of over 200 disaster-affected households across Alaska. She had seen the phenomenal job of the Alaska Division of Homeland Security and Emergency Management's Individual Assistance Program first-hand. She

emphasized that Alaska had one of the best programs in the country.

Ms. Heinz discussed listed four reasons to support the bill. She asserted that disasters were increasing in frequency. She contended that current disaster funding was insufficient and cited that insurance had only covered one of the 240 households affected by the disaster in Haines. She argued that the bill was good for the economy, through addressing housing needs and supporting local whole-community recovery. She emphasized that she supported the bill because she felt trust for the Alaska Division of Homeland Security and Emergency Management. She discussed funding accountability and rules governing fund deployment.

[9:22:23 AM](#)

STEVE BRADFORD, VICE PRESIDENT, RIVERSIDE CONDO ASSOCIATION, JUNEAU, testified in favor of the bill. He relayed that the Riverside Condo Association had to make some significant decisions regarding repairs to its condos. The repairs added up to \$1.1 million and had to be borne by the condo owners as current state law did not allow grants to condo owners. The assessment to each owner in the association was about \$21,000 for 48 units and almost \$27,000 for three larger units. In addition, a number of condo owners had interior damage to condos, including cracked sheetrock and flooring damage. He noted that Building D had lost its foundation and there had been about 100 yards of undermining erosion. He described that through cooperation of the city and federal, contractors had been able to assist and save the building from total collapse.

Mr. Bradford continued his remarks. He asserted that the Riverside Condo owners wholeheartedly supported the legislation that would place condo owners on the same emergency benefit eligibility level as single-family homeowners in the state. He discussed hardship on condo owners that were not able to receive state aid.

Senator Merrick asked the sponsor about the definition of "condo." She thought Ms. Heinz had referenced homeowners' insurance and asked about the intersection between homeowners' insurance and disaster aid.

Senator Kiehl noted that the last line of the bill had a cross-reference to the definition of unit owners. The bill

used an existing statutory definitions for condo owners. He offered to provide a copy of the statute to the committee.

Senator Kiehl relayed that so many of the state's disasters involved things that insurance did not cover. He cited that insurance did not cover movement of earth. He noted that he had talked with the Division of Insurance about the bill to ensure that the provisions did not encourage Alaskans to reduce insurance coverage. He was confident the bill would not harm people's desire or ability to get insurance coverage.

Senator Wilson asked if the bill would cover individuals that were not the primary residents of the affected home. He asked about an individual that owned ten condos that were affected.

Senator Kiehl thought there was staff from the division could address the question.

[9:28:18 AM](#)

BRYAN FISHER, DIRECTOR OF HOMELAND SECURITY AND EMERGENCY MANAGEMENT, DEPARTMENT OF MILITARY AND VETERANS AFFAIRS, answered "no." He cited regulations that specified other factors of eligibility that required a home to be a primary owner-occupied residence [to receive aid].

Co-Chair Olson asked about fire and if homeowners would be eligible for the aid referenced in the bill.

Senator Kiehl thought that as long as the fire was declared a disaster by the governor, it would be eligible for the program.

Co-Chair Olson asked about if the fire was not in a person's primary residence.

Senator Kiehl was certain that the bill addressed aid that was reserved for a person's primary residence.

Mr. Fisher agreed that the aid applied to primary residences that were owner-occupied.

Co-Chair Stedman thought the committee should consider the definitions. He mentioned homes purchased for children or

owned within the family. He pondered that the committee want to consider broadening the definition.

Senator Kiehl was happy to discuss the definition with Co-Chair Stedman and the division.

Senator Bishop was interested in the definition of "occupied," and mentioned he had constituents that lived a subsistence lifestyle that involved occupation of different residences seasonally. He asked about the definition as it pertained to seasonal residences.

Mr. Fisher relayed that the definition in the administrative code specified that a person had to live in the home for at least six months of the year. If a person stayed in a home for more than six months, it would be considered a primary residence.

[9:31:49 AM](#)

Senator Wilson referenced the penultimate paragraph in the analysis on page 2 of FN 1 from the DMVA:

The proposed new advanced structure creates complex decision points, making it difficult to calculate the exact impact it would have on costs relating to the individual assistance program.

Senator Wilson asked whether the "complex decision points related to the department or the individual applying for disaster funds.

Mr. Fisher answered that the decision points related to the division, and explained that there were many eligibility requirements that were in regulation to pay through the program. He used the example of trying to determine what portions of a home were eligibility for repair funding. He listed additional details that added complexity.

Senator Wilson understood the complexity of the determination. He wanted to ensure the bill would not make it more difficult for disaster victims.

Mr. Fisher emphasized that the division strove to make matters easier for victims of disasters to navigate the program.

Senator Merrick referenced page 2, line 2 that referenced "an amount not to exceed the greater of \$50,000 or one-half of the maximum allowed. She asked if there was a structure that was worth \$40,000, it would constitute the maximum that could be received.

Senator Kiehl answered affirmatively, and relayed that there was not an opportunity to keep extra funds up to the maximum. He referenced Ms. Heinz comments about using receipts to determine eligibility.

Senator Bishop thanked Mr. Fisher and those in his department. He mentioned that he had had two floods in his district in two years, and appreciated Mr. Fisher's team coming to the village and helping people process claims.

Co-Chair Olson thanked Mr. Fisher on behalf of Golovin for its work in the area.

Co-Chair Olson OPENED public testimony.

Co-Chair Olson CLOSED public testimony.

SB 236 was HEARD and HELD in committee for further consideration.

Co-Chair Olson reminded the committee and gallery that it was Ashley Johnson-Barr Day, and explained that some members were wearing purple ribbons in commemoration of her birthday.

#sb127

SENATE BILL NO. 127

"An Act relating to vehicle rental taxes; relating to the issuance of subpoenas related to tax records; and providing for an effective date."

[9:36:12 AM](#)

Co-Chair Olson relayed that the committee heard SB 127 had been heard twice in committee in January. Amendments from the committee had been incorporated into a Committee Substitute (CS).

Senator Bishop MOVED to ADOPT proposed committee substitute for SB 127, Work Draft 33-LS0635\R (2/21/24, Nauman).

Co-Chair Olson OBJECTED for discussion.

[9:36:56 AM](#)

KEN ALPER, STAFF TO CO-CHAIR OLSON, discussed the changes to the bill. He relayed that the CS made two changes from the prior bill, Version U. The first change would bifurcate the tax section (AS 40.352.020) and created a separate tax rate of 8 percent for passenger vehicle rentals through a network platform, as opposed to the 10 percent tax that remained in place on traditional vehicle rentals. The second change was in the uncodified section and prevent the authorization of the Department of Revenue to go back in time and look for rentals before the effective date of the bill. He explained that on rental platforms there was no window to try to collect back taxes before the effective date. The original version of the bill gave a six-month window for looking back at potential past tax obligations.

Co-Chair Olson WITHDREW his OBJECTION. There being NO further OBJECTION, it was so ordered.

[9:38:58 AM](#)

SENATOR MATT CLAMAN, SPONSOR, explained that he fully supported the CS, which represented a fairly detailed and complex negotiations between Turo and the "brick and mortar" car rental companies including Avis and Enterprise. He relayed that representatives from Avis and Turo were available for questions.

Co-Chair Olson asked about whether Avis supported the CS.

[9:40:13 AM](#)

CARRIGAN GRIGSBY, EXECUTIVE VICE PRESIDENT, AVIS ALASKA (via teleconference), reiterated that there had been ongoing discussion. He relayed that Avis Alaska was in support of the CS.

[9:40:46 AM](#)

SEAN VINCK, ASSOCIATE GENERAL COUNSEL, TURO, INC. (via teleconference), echoed earlier comments and relayed that Turo was in support of the CS, which reflected detailed and

lengthy negotiations between the respective parties. He thanked the sponsor and stakeholder for work on the bill.

[9:41:33 AM](#)

Co-Chair Stedman MOVED Amendment 1.

Co-Chair Olson OBJECTED for discussion.

Co-Chair Stedman spoke to Amendment 1, which dealt with the unprecedented geographical dispersion of residents around the state. The amendment also took into consideration the coastal communities that would be facing difficult economic times due to hardships in the fishing industry. The amendment proposed to suspend the vehicle rental tax from October 1 through March 31. He shared that initially the intent was to suspend the tax for Alaskans during the given time period, but that had not been possible. He noted that the intent of the amendment was to recognize that many Alaskans had to travel through metropolitan areas and had to rent cars.

Co-Chair Stedman discussed reasons for residents to travel to Anchorage, Fairbanks, and Juneau. He mentioned large gatherings such as the Alaska Federation of Natives, and the Alaska Municipal League. He expressed concern about significant costs to the people of rural Alaska. He understood that the amendment would decrease the earnings of the vehicle rental tax by about 25 percent, but did not think it would turn the economics of the state upside-down.

[9:44:37 AM](#)

DAVID SCOTT, STAFF TO CO-CHAIR STEDMAN, relayed that he was present to answer questions on the mechanics of the amendment. He acknowledged that he knew a lot of people from rural areas that travelled to Juneau, Anchorage, and Fairbanks. The amendment aimed to make the travel a little easier.

Co-Chair Olson asked if Mr. Scott's family was involved in air transportation in Ketchikan.

Mr. Scott answered affirmatively and noted his family had been involved in air transportation for a long time but no longer was.

9:45:30 AM

Senator Wilson wondered how the tax would be implemented. He referenced Section 4, and asked if people with less than 200 transactions would not pay tax. He wondered if the tax would affect larger businesses.

Mr. Scott noted that the CS discussed the "rate" of the vehicle rental tax, the amendment discussed the levy. Under the amendment, there would no longer be a levy from October 1 to March 1.

Senator Wilson thought the underlying issue of the bill was to try and get some of the used car sales businesses that were renting out fleets of cars to be able to pay a fair share of tax like their competitors. He wanted to ensure that the smaller "mom and pop" type businesses were not adversely affected. He shared concern that there could be an unfair advantage given to larger companies.

Mr. Scott noted that the tax would not be levied during the winter months. The rate agreed upon in the CS would all be suspended from October 1 to March 31.

Senator Kiehl pondered that the areas where there was significant winter tourism. He mentioned high-wealth individuals visiting Haines for heliskiing. He had heard that Fairbanks hotels had the same pricing in the winter as in the summer, and mentioned international travelers that came to see the northern lights. He asked whether the winter visitors would not pay any rental car tax.

Mr. Scott affirmed that the amendment proposed that individuals would not pay car rental tax from October through March. He pointed out that during the six months proposed in the bill, the tax collected comprised 25 percent of the total, while the summer months collected 75 percent of the total.

Co-Chair Stedman thought that another way to think of the proposed amendment was as an economic stimulus to attract people to the state in the winter.

Senator Kiehl considered the budgetary implications and mentioned there was a lot of support for the underlying bill, including from the state parks. He thought about half the state's Division of Parks and Outdoor Recreation's

budget came from the vehicle rental tax. He asked if there was a plan to replace the funds if the vehicle rental tax was reduced by about 25 percent.

Co-Chair Stedman relayed that when there were revenue shortfalls, it fell to the General Fund. He pointed out that that the vehicle rental tax was just a fund source for the budget, and the state did not have dedicated taxes. The funds were targeted as a revenue source but for all practical purposes the money was fungible and could go anywhere.

Senator Kiehl appreciated Co-Chair Stedman's responses. He considered that the committee worked of the committee as if the state could use additional revenue sources rather than fewer. He mentioned that another way the state funded state parks was through receipts, and noted that the biggest part was commercial users. He noted that half the commercial users of parks was in Ketchikan. He prosed that if the amendment diluted the rental tax, it would just shift the revenue burden elsewhere. He appreciated the intent of the amendment, but did not know if he could support it.

Co-Chair Stedman pondered the current vehicle rental tax versus what the collection would be with the proposed amendment.

[9:50:49 AM](#)

FADIL LIMANI, DEPUTY COMMISSIONER, DEPARTMENT OF REVENUE (via teleconference), relayed that the department had not had an opportunity to closely look at the amendment. He relayed that he could speak to the vehicle tax revenues being collected for the current year and the projected revenues from the fall forecast. He noted that the baseline vehicle rental tax ranged from about \$15.1 million for FY 24 to \$18.9 million for FY 33. He estimated that assuming a status quo with collections from April through September, the revenue to the state would be about \$11.2 million to \$14 million. He estimated that the impact of suspending collection for half the year from October through March negative \$3.9 million for FY 24 and negative \$4.9 million for FY 33.

Co-Chair Olson understood that the state would losing money if the amendment were to pass.

Mr. Limani answered affirmatively. He added that there would be an additional administrative burden associated with a seasonal tax. He mentioned an uptick in tourism in certain parts of the state, including the Fairbanks area. He thought the larger share of the revenues came from out of state visitors.

Co-Chair Stedman asserted that it was not possible to lose revenue that was never collected. He asked about a book with a list of all the state taxes collected. He asked about the revenue for the last fiscal year for the Vehicle Rental Tax.

Mr. Limani relayed that for FY 23, the total amount collected was \$15.1 million.

Co-Chair Stedman asked about the estimated amount collected under the CS with the adopted amendment.

Mr. Limani relayed that assuming for FY 23, the estimated tax that would be collected if the amendment were passed would have been \$11.3 million.

Co-Chair Stedman asked about the projected revenues for FY 24 if the amendment were to pass.

Mr. Limani relayed that the department estimated a forecast amount for FY 24 of \$15.1 million. If the amendment was in place, the amount collected would be \$11.2 million.

Co-Chair Stedman thought the FY 23 amount collected was \$15 million. He asked why the bill was being adopted if the amount would be the same after its passage.

Mr. Limani asked Co-Chair Stedman to clarify his question.

Co-Chair Stedman understood that the state collected \$15 million in vehicle rental taxes the previous fiscal year and thought that Mr. Limani indicated the state would collect the same amount after the passage of the bill. He asked why the legislature would adopt the bill if it was looking at collecting the same amount of revenue.

Mr. Limani relayed that the department had not contemplated the CS into the revenue projections. Based on the status quo of the existing vehicle rental tax, DOR expected \$15.1 million for FY 24. He continued that assuming there was a

suspension of the tax from October through March as proposed in the amendment, the revenue was estimated to \$11.2 million.

9:56:58 AM

AT EASE

9:57:19 AM

RECONVENED

Co-Chair Olson relayed that the committee would continue consideration of the amendment in the afternoon committee meeting.

SB 127 was HEARD and HELD in committee for further consideration.

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ADJOURNMENT

9:57:51 AM

The meeting was adjourned at 9:57 a.m.