

HB

290

al

HOUSE COMMITTEE REPORT

(11)

Date referred: 4/23/87

FURTHER REFERRALS:

DATE: 5-8-87

The Finance Committee has considered HB 290

"An Act prohibiting municipal sales tax on purchases made with certain food certificates; and providing for an effective date."

RECOMMENDS:

- replace with CS HB 290 (FIN) the same title
- attached amendment(s) a new title
- do pass
- do not pass
- no recommendation
- individual recommendations
- additional referral to the _____ Committee

ADOPTS: _____ letter of intent

ATTACHES NEW FISCAL NOTE(S):

- fiscal impact same as previous fiscal note published _____
- zero fiscal note same as previous zero fiscal note published _____
- zero with analysis

SIGNING DO PASS:

Al Adams

Pat Fouchot

Ronald J. Turner

Richard

Steve Brown

Herb

Kay Wallis

Jay Brown

Michael

Mark B. Allen

[Signature]

SIGNING OTHER RECOMMENDATIONS:

Al Adams
Chairman's signature

al

No. 1

**STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE**

REQUEST: _____

Bill Version: HB 290 (Fin.)
Publish Date: HOUSE 4/23/87

Revision Date: _____

Agency Affected: Health & Social Services

Title: An Act prohibiting municipal sales

BRU: State Health Services

tax on purchases made with food instruments

Sponsor: _____

Components: Family Health

Requestor: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
PERSONAL SERVICES		0	0	0	0	0
TRAVEL		0	0	0	0	0
CONTRACTUAL		0	0	0	0	0
SUPPLIES		0	0	0	0	0
EQUIPMENT		0	0	0	0	0
LAND & STRUCTURES		0	0	0	0	0
GRANTS, CLAIMS		0	0	0	0	0
MISCELLANEOUS		0	0	0	0	0
TOTAL OPERATING		0	0	0	0	0

CAPITAL		0	0	0	0	0
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REVENUE		0	0	0	0	0
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FUNDING: (Thousands of Dollars)

GENERAL FUND		0	0	0	0	0
FEDERAL FUNDS		0	0	0	0	0
OTHER		0	0	0	0	0
TOTAL		0	0	0	0	0

POSITIONS:

FULL-TIME		0	0	0	0	0
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

It is important to note that if this bill does not pass, the State will lose over three million dollars in federal funds, effective October 1, 1987. Please see attached.

Prepared by: Randall Burns
Division: Office of the Commissioner

Phone: 465-3030
Date: 4/21/87

Approved by Commissioner: Myra M. Munson
Agency: Department of Health & Social Services

Date: 4/22/87

Distribution (by preparer):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)
- Senate Secretary

FISCAL NOTE

WIC is a nutrition intervention program available to pregnant, postpartum, and breastfeeding women, as well as infants and children whose health is determined to be at risk both because of nutritional need and low income.

The WIC program provides nutrition education and supplemental foods via a food prescription which is issued on a voucher redeemable at a grocery store that participates in this program.

The State of Alaska's program is 100% federally funded under 42 U.S.C. 1786, known as the Special Supplemental Food Program for Women, Infants, and Children (or WIC).

In FY 87, the State received \$3,076,100.00 in federal funds to support this program. Those federal dollars are distributed as follows:

Personal Services:	\$ 284.3
Travel	16.1
Contractual	15.8
Supplies	2,262.1
Grants	497.8
	<hr/>
TOTAL	\$3,076.1

The federal government enacted legislation in October of 1986 which makes states ineligible to participate in the WIC Program if state or local sales taxes are collected on WIC food purchases. The federal legislation takes effect October 1, 1987.

This proposed bill will place Alaska in compliance with the new federal legislation by prohibiting a city or borough from collecting sales tax on food purchases made with WIC vouchers.

The health of pregnant mothers, infants, and children is of tantamount importance to the State. Passage of this legislation will guarantee Alaska's continued participation in this very vital program.

Original Sponsor: Rules/Governor

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2 CS FOR HOUSE BILL NO. 290 (Finance)
 3 IN THE LEGISLATURE OF THE STATE OF ALASKA
 4 FIFTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act prohibiting municipal sales tax on purchases
 7 made with certain food certificates; and providing
 8 for an effective date."

9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

10 * Section 1. AS 29.45.650(f) is amended to read:

11 (f) A borough may not levy and collect a sales tax on a purchase
 12 made with (1) food coupons, food stamps, or other type of certificate
 13 issued under 7 U.S.C. 2011 -- 2025 (Food Stamp Act); or (2) food
 14 instruments, food vouchers, or other type of certificate issued under
 15 42 U.S.C. 1786 (Special Supplemental Food Program for Women, Infants,
 16 and Children). This subsection applies to home rule and general law
 17 municipalities.

18 * Sec. 2. AS 29.45.700 is amended by adding a new subsection to read:

19 (d) A city that levies and collects sales and use taxes under
 20 (a) of this section may not levy and collect a sales tax on a purchase
 21 made with (1) food coupons, food stamps, or other types of certifi-
 22 cates issued under 7 U.S.C. 2011 -- 2025 (Food Stamp Act); or (2) food
 23 instruments, food vouchers, or other type of certificate issued under
 24 42 U.S.C. 1786 (Special Supplemental Food Program for Women, Infants,
 25 and Children). This subsection applies to home rule and general law
 26 municipalities.

27 * Sec. 3. This Act takes effect July 1, 1987.
 28
 29

STATE OF ALASKA

DEPARTMENT OF LAW

OFFICE OF THE ATTORNEY GENERAL

STEVE COWPER, GOVERNOR

P.O. BOX K—STATE CAPITOL
JUNEAU, ALASKA 99811
PHONE: (907) 465-3600

May 8, 1987

Honorable Al Adams, Chair
House Finance Committee
Alaska State Legislature
Room 509, Capitol Building
Juneau, Alaska 99811

Re: HB 290 -- sales tax/food
certificates
Our file: 773-87-0141

Dear Representative Adams:

House Bill 290, dealing with sales tax on food purchased with certificates issued under the supplemental food program for women, infants, and children (WIC), is currently in your committee. It is explained in the governor's April 23, 1987 transmittal letter. See 1987 H.J., pp. 945 and 946.

The general revisor's bill, the latest version of which is HCS CSSB 107(Jud), was passed by the House yesterday. Sections 49, 51, and 52 of the latter bill amend statutes related to this program, sec. 53 makes the changes retroactive to October 1, 1986, and sec. 85 provides an immediate effective date.

To avoid confusion, it would be helpful if your committee would amend HB 290 to conform to the revisor's bill. For that purpose, I am attaching a proposed committee substitute, as requested by the Department of Health and Social Services. No substantive change in the original HB 290 is made by this proposal.

Assuming that the Senate will concur with the House amendments and that the revisor's bill will be enacted, it is not necessary to repeat the revisor's sec. 49, amending AS 29.10.-200(43), regarding limitations on home rule municipalities. Nor is it necessary to repeat his sec. 51, amending AS 29.45.700(a), regarding city taxes. Section 1 of the CS is the same as sec. 1 of the original, amending AS 29.45.650(f), regarding borough taxes. And sec. 2 of this CS combines the revisor's approach with the substantive amendment proposed in sec. 2 of the original HB 290, regarding city taxes. The revisor's retroactivity clause (sec. 53) and immediate-effective-date clause (sec. 85) are not necessary for this bill. Section 3's July 1, 1987 is the same as in the original HB 290.

Hon. Al Adams, Chair
House Finance Committee

May 8, 1987
Page 2

As explained in the April 30, 1987 memo from Revisor of Statutes David Dierdorff to Representative John Sund, the revisor's changes merely correct a drafting error in ch. 38, SLA 1986. They make clear that the 1986 amendments only exempt purchases made with food stamps from municipal sales and use taxes. HB 290's changes merely add food purchased under the WIC program. The revisor's changes will mesh nicely with the Administration's proposal in this committee substitute.

Thank you.

Yours truly,

GRACE BERG SCHAIBLE
ATTORNEY GENERAL

By: 
Arthur H. Peterson
Assistant Attorney General

AHP:md:lb

cc w/enc.: Hon. Myra Munson, Commissioner
Dept. of Health & Social Services

David Dierdorff
Revisor of Statutes
Legislative Affairs Agency

Iris Barnett
Assistant Attorney General
Human Services Section
Juneau

Position Paper
House Bill No. 290

RECEIVED
MAY 07 1987

LEGISLATIVE FINANCE

For an Act entitled: "An Act prohibiting municipal sales tax on purchases made with certain food certificates; and providing for an effective date."

This act would amend AS 29.45.650(f) and AS 29.45.700(a) to prohibit a city or borough from collecting sales tax on food purchases made with food certificates issued under 42 U.S.C. 1786 (Special Supplemental Food Program for Women, Infants, and Children (WIC)).

The federal government enacted legislation in October, 1986 which makes States ineligible to participate in the WIC Program if State or local sales taxes are collected on WIC food purchases. This federal legislation becomes effective on October 1, 1987.

WIC is a nutrition intervention program available to pregnant, postpartum and breastfeeding women, infants and children whose health is determined to be at risk by both nutritional need and low income. The WIC Program provides nutrition education and supplemental foods via a food prescription which is issued on a food certificate redeemable at contracted grocery stores throughout the State. Scientific evidence has shown that WIC improves the health of program participants and improves birth outcome. In FY 1986, a monthly average of 4,308 Alaskan women and children participated in this federally funded program.

This act would ensure Alaska's continued eligibility for the WIC Program and will lessen the administrative burden on the Department in ensuring that all local sales tax ordinances as well as any proposed ordinances exempt the WIC Program. Through contacts with all city or borough governments in areas with WIC contracted vendors, the Department has learned of only two cities currently taxing WIC food purchases, Nome and Mountain Village. However many communities are currently contemplating the imposition of a sales tax.

Position

The Department believes that this act provides the most effective means of ensuring Alaska's continued eligibility for WIC Program funding. The Department strongly supports this legislation.

Recommended by:

Elizabeth Ward
Elizabeth Ward, M.N.
Director
Division of Public Health

May 5, 1987
Date

Approved by:

Myra M. Munson
Myra M. Munson, Commissioner
Department of Health and
Social Services

May 5, 1987
Date

SEC. 332. STAFFING STANDARDS.

Section 7 of the Child Nutrition Act of 1966 (42 U.S.C. 1776) (as amended by section 313) is further amended—

- (1) by striking out subsection (b); and
- (2) by redesignating subsections (c) through (i) as subsections (b) through (h), respectively.

Subtitle C—Special Supplemental Food Program for Women, Infants, and Children

SEC. 341. COSTS FOR NUTRITION SERVICES AND ADMINISTRATION.

(a) **DEFINITIONS.**—Section 17(b) of the Child Nutrition Act of 1966 (42 U.S.C. 1786(b)) is amended—

- (1) by striking out paragraph (1);
- (2) by redesignating paragraphs (2), (3), and (4) as paragraphs (1), (2), and (3), respectively; and
- (3) by inserting after paragraph (3) (as so redesignated) the following new paragraph:

“(4) ‘Costs for nutrition services and administration’ means costs that shall include, but not be limited to, costs for certification of eligibility of persons for participation in the program (including centrifuges, measuring boards, spectrophotometers, and scales used for the certification), food delivery, monitoring, nutrition education, outreach, startup costs, and general administration applicable to implementation of the program under this section, such as the cost of staff, transportation, insurance, developing and printing food instruments, and administration of State and local agency offices.”.

(b) **CONFORMING AMENDMENTS.**—Section 17 of such Act is amended—

- (1) by striking out “administrative funds” each place it appears in subsections (f)(11), (h)(2), (h)(3), and (h)(4) and inserting in lieu thereof “funds for nutrition services and administration”; and
- (2) by striking out “administrative costs” each place it appears in subsection (h) and inserting in lieu thereof “costs for nutrition services and administration”.

SEC. 342. STATE ELIGIBILITY FOR WIC FUNDS.

(a) **ELIGIBILITY.**—Section 17(c) of the Child Nutrition Act of 1966 (42 U.S.C. 1786(c)) is amended by adding at the end thereof the following new paragraph:

“(4) A State shall be ineligible to participate in programs authorized under this section if the Secretary determines that State or local sales taxes are collected within the State on purchases of food made to carry out this section.”.

(b) **APPLICATION.**—The amendment made by subsection (a) shall apply to a State beginning with the fiscal year that commences after the end of the first regular session of the State legislature following the date of the enactment of this title.

SEC. 343. PARTICIPATION REPORT.

(a) **BIENNIAL REPORT.**—Section 17(d) of the Child Nutrition Act of 1966 (42 U.S.C. 1786(d)) is amended by adding at the end thereof the following new paragraph:

“(4) The Secretary shall report biennially to Congress on—

“(A) the income a participants in the pr
“(B) participation i
of migrant farmwork
“(C) such other ma
program as the Secre

(b) **USE OF EVALUATION F**
such Act (as amended by sec
inserting “preparing the rep
after “health benefits.”.

SEC. 344. PLAN OF OPERATION A

(a) **PLAN.**—Paragraph (1) of
of 1966 (42 U.S.C. 1786(f)(1)) is

“(1)(A) Each State agency s
by a date specified by the
administration for a fiscal year

“(B) To be eligible to receiv
year, a State agency must re
the plan submitted for the fisc

“(C) The plan shall include—

“(i) a description of th
agency and the method
supplemental foods unde
accordance with standard

“(ii) a description of th
State agency;

“(iii) a plan to coordina
special counseling servic
nutrition education progr
care, well-child care, fan
counseling, child abuse ca
with dependent children,
health care programs;

“(iv) a plan to provide
and to meet the special
migrants and Indians;

“(v) a plan to expend f
the relevant fiscal year;

“(vi) a plan to provide
unserved and underserve
are available to carry out

“(vii) a plan to provide
eligible persons most ir
eligible women in the ea
maximum extent practicable;

“(viii) such other infor

“(D) The Secretary may r
those parts of a plan that di
fiscal years.

“(E) The Secretary may r
person to participate simu
thorized under this section
program authorized under s
Consumer Protection Act of 1

(b) **APPLICATION.**—The am
apply to a plan submitted by

STEVE COWPER
GOVERNOR



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

April 23, 1987

cc
The Honorable Ben Grussendorf
Speaker of the House
Alaska State Legislature
P.O. Box V
Juneau, AK 99811

Dear Representative Grussendorf:

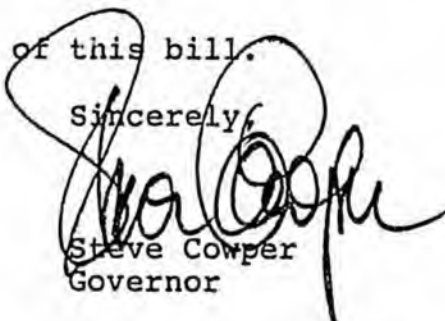
Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill prohibiting municipal taxation of purchases made with certain food certificates ("vouchers," "instruments," etc.).

Food certificates are vouchers issued by the state with money provided by the United States Department of Agriculture, Food and Nutrition Service, under the Special Supplemental Food Program for Women, Infants, and Children (WIC program). The certificates are distributed to low-income pregnant and postpartum women who have nutritional deficiencies to enable them to purchase food necessary for their and their children's nutritional well-being.

In October 1986, Congress enacted legislation (P.L. 99-591) under which a state is ineligible to participate in the WIC program if state or local taxes are collected on purchases made with WIC food certificates. If appropriate action is not taken before October 1, 1987, Alaska will be ineligible to participate in the WIC program during federal fiscal year 1988. At this time, Nome is the only community in the state participating in the WIC program that charges a sales tax on WIC food items. Though we could retain our eligibility to participate in the WIC program by obtaining Nome's agreement to forego tax on WIC items, I am requesting a statutory prohibition to ensure that no local taxes are assessed on WIC items and that the state will remain eligible to participate in the WIC program.

I urge your prompt passage of this bill.

Sincerely,



Steve Cowper
Governor

1 IN THE HOUSE

BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

2

HOUSE BILL NO. 290

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FIFTEENTH LEGISLATURE - FIRST SESSION

5

A BILL

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7 made with certain food certificates; and providing
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12 made with (1) food coupons, food stamps, or other type of certificate
13 issued under 7 U.S.C. 2011 -- 2025 (Food Stamp Act); or (2) food
14 instruments, food vouchers, or other type of certificate issued under
15 42 U.S.C. 1786 (Special Supplemental Food Program for Women, Infants,
16 and Children). This subsection applies to home rule and general law
17 municipalities.

18 * Sec. 2. AS 29.45.700(a) is amended to read:

19 (a) A city in a borough that levies and collects areawide sales
20 and use taxes may levy sales and use taxes on all sources taxed by the
21 borough in the manner provided for boroughs. The assembly may by
22 ordinance authorize a city to levy and collect sales and use taxes on
23 other sources except purchases made with (1) food coupons, food
24 stamps, or other type of certificate issued under 7 U.S.C. 2011 --
25 2025 (Food Stamp Act); or (2) food instruments, food vouchers, or
26 other type of certificate issued under 42 U.S.C. 1786 (Special Supple-
27 mental Food Program for Women, Infants, and Children). This sub-
28 section applies to home rule and general law municipalities.

29 * Sec. 3. This Act takes effect July 1, 1987.