

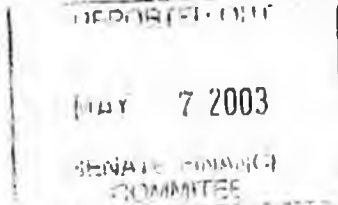
ALASKA LEGISLATURE

2685

HOUSE and SENATE FINANCE COMMITTEE FILES, 2003-2004

SENATE FINANCE COMMITTEE REPORT

DATE: 5/2/03



FURTHER:

DATE TURNED IN TO OFFICE: 5/8/03

Finance Committee considered

SENATE BILL NO. 125

SB 125 STATE CONTRACTS

"An Act relating to protests of state contract awards, to claims on state contracts and to hearings under the State Procurement Code; making conforming amendments in the State Procurement Code; and providing for an effective date."

and recommends:

- be replaced with _____ CS SB 125 (FIN)
- adopt previous _____ CS CS FORTHCOMING (_____)
- attached amendment(s)
- adopt Letter of Intent by _____ Committee
- further referral to _____ Committee

Senate Bill:

- same title
- new title

House Bill:

- same title
- technical title
- new: SCR # _____

NEW FISCAL NOTE(S):

Department	Date	Fiscal	Zero	FN#

PREVIOUS FISCAL NOTE(S):

Department	Date	Fiscal	Zero	FN#
DOT	4/23	XXX		1

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	DO PASS	DO NOT PASS	NO REC	AMEND
<i>John Taylor</i>	✓			
<i>[Signature]</i>	✓			
<i>[Signature]</i>			✓	
<i>[Signature]</i>			✓	
COCHAIR: <i>[Signature]</i>	✓			
COCHAIR: <i>[Signature]</i>	✓			

FISCAL NOTE

REPORTED ON

(BY) 7 2003

STATE OF ALASKA
2003 LEGISLATIVE SESSION

Fiscal Note Number: _____
 Bill Version: SB 125
 (S) Publish Date: 5/1/03

Revision Date/Time (Note if correction): _____ Dept. Affected: DOT&PF
 Title State Contracts BRU _____
 Component _____
 Sponsor Cowdery
 Requester STRA Component No. _____

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Personal Services						
Travel						
Contractua.						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING						

CAPITAL EXPENDITURES	***	***	***	***	***	***
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CHANGE IN REVENUES ()						
-------------------------------	--	--	--	--	--	--

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	***	***	***	***	***	***
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type- Do not abbreviate)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2003) cost: 0.0
 Mark this box (X) if funding for this bill is included in the Governor's FY 2004 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)
 *** The additional costs associated with this bill are based on historical claims costs. The baseline costs for the Rule 79 and 82 provisions, requiring the payment of Attorney fees and claims costs, are estimated at \$145,000 per year. (The historical high would have been \$341,000 per year and the low would have been \$7,300.) This baseline may be increased based on such factors as complexity of litigation, length of trial, etc. The \$145,000 has not been adjusted for Rule 68 offers of judgement as they are not easily applied. In addition to the anticipated Rule 79 and 82 costs, there will be additional attorney fees associated with litigating these awards. This is estimated at 20 hours per claim or \$6,000 per year. Most construction claims are associated with federal funded projects, however, Rule 79 and 82 costs and fees are not eligible for federal participation and would have to be paid with General Fund dollars.

Prepared by: Mark O'Brien Phone 465-3900
 Division Commissioner's Office Date/Time 4/23/03 11:01 AM
 Approved by: Mike Barton Date 4/23/2003
 Agency DOT&PF

COMMITTEE COPY

SENATE FINANCE
COMMITTEE
Amendment Number: #1
Bill Number: SB 125
Sponsor: Wilken Date: 5/7/03
Logged In By: Mindy

ADOPTED

23-LS0758\H.1
Bannister
5/7/03

AMENDMENT

OFFERED IN THE SENATE

TO: CSSB 125(TRA)

- 1 Page 1, following line 5:
2 Insert a new bill section to read:
3 **** Section 1.** AS 36.30.005 is amended by adding a new subsection to read:
4 (d) Notwithstanding the provisions of AS 36.30.627, the University of Alaska
5 is not required to arbitrate construction contract claims unless the university
6 specifically agrees to the arbitration."
7
8 Page 1, line 6:
9 Delete **** Section 1.**
10 Insert **"Sec. 2."**
11
12 Renumber the following bill sections accordingly.
13
14 Page 7, line 24:
15 Delete "16"
16 Insert "17"

**THE
FOLLOWING
DOCUMENT(S)
ARE
POOR
ORIGINAL
COPIES**

Conceptual

COMMITTEE Amendment Number: #2

LEGAL SERVICES

Bill Number: SB125

DIVISION OF LEGAL AND RESEARCH SERVICES
LEGISLATIVE AFFAIRS AGENCY
STATE OF ALASKA

Sponsor: Willy Date: 5/7/03
Logged In By: Robin

(907) 465-3867 or 465-2450
FAX (907) 465-2029
Mail Stop 3101

State Capitol
Juneau, Alaska 99801-1182
Deliveries to: 129 6th St., Rm. 329

ADOPTED

MEMORANDUM

May 7, 2003

SUBJECT: Amendment to CSSB 125(TRA), (Work Order No. 23-LS0758\H)

TO: Senator Gary Wilken
Attn: Sheila

FROM: *TB*
Theresa L. Bannister
Legislative Counsel

This memo accompanies the amendment described above.

Correction needed. You have asked me to include a memo with the amendment describing the needed correction. This correction is not caused by the amendment. The present language of sec. 15, the applicability section of CSSB 125(TRA), is not clear and could cause confusion. Although the section talks in terms of "the effective date of this Act," one section of the bill (the one to authorize adopting the needed regulations) has an immediate effective date. Therefore, there are two different effective dates in the Act. If the amendment is adopted, I recommend rewriting this renumbered section as "Sections 1 - 16 and 18 apply to a contract if the contract is entered into on or after the effective date of secs. 1 - 16 and 18 of this Act." If the amendment is not adopted, I recommend rewriting sec. 15 of CSSB 125(TRA) to read "Sections 1 - 15 and 17 apply to a contract if the contract is entered into on or after the effective date of secs. 1 - 15 and 17 of this Act."

conceptual into

If I may be of further assistance, please advise.

TLB:med
03-496.med

Enclosure

CS FOR SENATE BILL NO. 125(FIN)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-THIRD LEGISLATURE - FIRST SESSION

BY THE SENATE FINANCE COMMITTEE

Offered:
Referred:

Sponsor(s): SENATOR COWDERY

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to protests of state contract awards, to claims on state contracts, to the
2 arbitration of certain state construction contract claims, and to hearings and appeals
3 under the State Procurement Code; making conforming amendments in the State
4 Procurement Code; and providing for an effective date."

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

6 * Section 1. AS 36.30.005 is amended by adding a new subsection to read:

7 (d) Notwithstanding the provisions of AS 36.30.627, the University of Alaska
8 is not required to arbitrate construction contract claims unless the university
9 specifically agrees to the arbitration.

Amend
#1

10 * Sec. 2. AS 36.30.620(b) is amended to read:

11 (b) If a claim [CONTROVERSY] asserted [BY A CONTRACTOR]
12 concerning a contract awarded under this chapter cannot be resolved by agreement, the
13 procurement officer shall, after receiving a written request by the contractor for a
14 decision, issue a written decision. The procurement officer shall make the decision

#1

1 not [SHALL BE MADE NO] more than 90 days after receipt [BY THE
 2 PROCUREMENT OFFICER] of all necessary information from the contractor. If
 3 [FAILURE OF] the contractor fails to furnish necessary information requested by
 4 [TO] the procurement officer, the procurement officer shall proceed to decide
 5 [CONSTITUTES A WAIVER OF] the claim and may, in the procurement officer's
 6 discretion, deny all or part of the claim because of the failure to furnish necessary
 7 information. During an appeal under this chapter, the contractor may not rely
 8 on or introduce information that the contractor has failed to furnish to the
 9 procurement officer in support of the claim. Before issuing the decision, the
 10 procurement officer shall review the facts relating to the claim [CONTROVERSY]
 11 and obtain necessary assistance from legal, fiscal, and other advisors.

12 * Sec. 3. AS 36.30.620(c) is amended to read:

13 (c) Upon the written request of the procurement officer, the [THE] time
 14 for issuing a decision under (b) of this section may be extended for up to 60
 15 additional days [GOOD CAUSE] by the commissioner [OF ADMINISTRATION,
 16 OR FOR A CONTROVERSY INVOLVING A CONSTRUCTION CONTRACT OR
 17 PROCUREMENT FOR THE STATE EQUIPMENT FLEET, THE
 18 COMMISSIONER OF TRANSPORTATION AND PUBLIC FACILITIES,] if the
 19 claim [CONTROVERSY] concerns an amount in excess of \$50,000. Upon the
 20 written request of the procurement officer showing that good cause exists for a
 21 second extension, the commissioner may extend the time for issuing a decision
 22 under (b) of this section up to 90 additional days after the first extension. The
 23 contractor shall be provided with an opportunity to oppose or otherwise respond
 24 to the request for a second extension. If a second extension is granted, the
 25 commissioner [THE PROCUREMENT OFFICER] shall notify the contractor and
 26 the procurement officer in writing that the time for the issuance of a decision has
 27 been extended and of the date by which a decision shall be issued. In this subsection,
 28 "commissioner" means the commissioner of administration or, for a claim
 29 involving a construction contract or procurement for the state equipment fleet,
 30 the commissioner of transportation and public facilities.

31 * Sec. 4. AS 36.30.620(d) is amended to read:

1 (d) The procurement officer shall furnish a copy of the decision to the
2 contractor by certified mail or other method that provides evidence of receipt. The
3 decision must include [A]

4 (1) a description of the claim [CONTROVERSY];

5 (2) a reference to the pertinent contract provisions;

6 (3) a statement of the agreed upon and disputed facts;

7 (4) findings of fact about the claim:

8 (5) a determination of any amount payable;

9 (6) a statement of reasons supporting the decision; and

10 (7) a [(5)] statement substantially as follows:

11 "This is the final decision of the procurement officer. This decision
12 may be appealed to the commissioner of (administration/transportation
13 and public facilities). If you appeal, you must file a written notice of
14 appeal with the commissioner within 14 days after you receive this
15 decision."

16 * **Sec. 5.** AS 36.30.620(e) is amended to read:

17 (e) If the procurement officer does not issue a written decision [IS NOT
18 MADE] by the date it is due, the contractor may proceed as if the procurement officer
19 had issued a decision adverse to the contractor.

20 * **Sec. 6.** AS 36.30 is amended by adding new sections to read:

21 **Sec. 36.30.627. Construction contract claim appeals.** (a) An appeal from a
22 decision of the procurement officer of a claim involving a construction contract shall
23 be resolved by

24 (1) binding and final arbitration under AS 09.43.010 - 09.43.180
25 (Uniform Arbitration Act) if the claim is

26 (A) less than \$250,000 and the contractor requests arbitration
27 of the claim; or

28 (B) \$250,000 or more and both the agency and the contractor
29 agree to arbitration of the claim; or

30 (2) a hearing under AS 36.30.630 if the claim is not handled by
31 arbitration under (1) of this subsection.

1 (b) In this section, a claim includes all issues, causes of action, and
 2 controversies arising from a construction contract for which a contractor or the
 3 contracting agency asserts compensation is due.

4 **Sec. 36.30.629. Subpoenas and discovery.** In appeals under AS 36.30.627,
 5 the arbitrator or hearing officer may

6 (1) issue subpoenas, including subpoenas duces tecum, to compel the
 7 attendance of witnesses and the production of documents;

8 (2) allow the taking of depositions for discovery or to perpetuate
 9 testimony; and

10 (3) refer a subpoena or subpoena duces tecum to the superior court for
 11 enforcement and the imposition of appropriate sanctions.

12 * **Sec. 7.** AS 36.30.630 is amended to read:

13 **Sec. 36.30.630. Hearing on a contract claim [CONTROVERSY].** (a)
 14 Except as provided in (b) of this section, a hearing shall be conducted according to
 15 AS 36.30.670 and regulations adopted by the commissioner of administration on a
 16 contract claim [CONTROVERSY] appealed to the commissioner of administration or
 17 the commissioner of transportation and public facilities or referred to either
 18 commissioner under AS 36.30.620(f).

19 (b) Except as provided in AS 36.30.627(a)(1), within [WHIN] 15 days
 20 after receipt of an appeal on a contract claim [CONTROVERSY] the commissioner of
 21 administration or the commissioner of transportation and public facilities, as
 22 appropriate, may adopt the decision of the procurement officer as the final decision
 23 without a hearing.

24 * **Sec. 8.** AS 36.30 is amended by adding a new section to read:

25 **Sec. 36.30.631. Attorney fees, costs, and offers of judgment.** (a) An
 26 arbitrator in the arbitration of a construction contract claim under AS 36.30.627(a)(1)
 27 and a hearing officer for the hearing of a construction contract claim conducted under
 28 AS 36.30.627(a)(2) shall award the prevailing party attorney fees and costs incurred in
 29 the arbitration or hearing. The award shall be made as provided by Rules 68, 79, and
 30 82 of the Alaska Rules of Civil Procedure.

31 (b) Either party to an arbitration of a construction contract claim conducted

1 under AS 36.30.627 or a hearing of a construction contract claim conducted under
 2 AS 36.30.630(a) may serve on the adverse party an offer to allow a final decision to be
 3 entered in complete satisfaction of the claim. The offer shall be made, accepted, or
 4 rejected as provided for an offer of judgment under Rule 68 of the Alaska Rules of
 5 Civil Procedure. Acceptance or rejection of the offer has the same consequences as
 6 acceptance or rejection of an offer of judgment made in a civil action under Rule 68 of
 7 the Alaska Rules of Civil Procedure.

8 * **Sec. 9.** AS 36.30.632 is amended to read:

9 **Sec. 36.30.632. Delegation.** The commissioner of administration and the
 10 commissioner of transportation and public facilities may delegate responsibilities
 11 under AS 36.30.590 - 36.30.630 [AS 36.30.590 AND 36.30.630] to the head of the
 12 contracting agency.

13 * **Sec. 10.** AS 36.30.680 is amended to read:

14 **Sec. 36.30.680. Final decision by the commissioner.** A decision by the
 15 commissioner of administration or the commissioner of transportation and public
 16 facilities after a hearing under this chapter is final. A decision shall be sent within 20
 17 days after the hearing to all parties by personal service or certified mail, except that a
 18 decision by the commissioner of transportation and public facilities involving
 19 procurement of construction shall be sent to all parties by personal service or
 20 certified mail within 45 [90] days after receipt by the commissioner of
 21 transportation and public facilities of the hearing officer's decision [TO ALL
 22 PARTIES BY PERSONAL SERVICE OR CERTIFIED MAIL].

23 * **Sec. 11.** AS 36.30.687(d) is amended to read:

24 (d) A person who in a matter relating to a procurement or a contract
 25 [CONTROVERSY OR] claim under this chapter makes a misrepresentation to the
 26 state through a trick, scheme, or device is guilty of a class C felony.

27 * **Sec. 12.** AS 36.30.695 is amended to read:

28 **Sec. 36.30.695. Other rules of procedure.** The commissioner may adopt by
 29 regulation additional rules of procedure providing for the expeditious arbitration,
 30 hearing, and other administrative review of all contract claims [OR
 31 CONTROVERSIES], both before the contracting agency and through an appeal heard

1 de novo.

2 * Sec. 13. AS 36.30.695 is amended by adding new subsections to read:

3 (b) Except as provided by (c) of this section, an arbitrator shall issue a final
4 decision, and a hearing officer shall issue a recommended decision, within the
5 following time limits after the date the record on the claim is closed:

6 (1) 30 calendar days for a claim of less than \$100,000;

7 (2) 45 calendar days for a claim of \$100,000 or more but less than
8 \$1,000,000; or

9 (3) 60 calendar days for a claim of \$1,000,000 or more.

10 (c) The commissioner of administration or the commissioner of transportation
11 and public facilities may, for good cause shown, grant an arbitrator or a hearing officer
12 additional time to issue a decision.

13 (d) If an arbitrator or hearing officer fails to issue a decision within the time
14 allowed for a decision under (b) or (c) of this section, the arbitrator or hearing officer
15 is disqualified from acting as an arbitrator or hearing officer in another proceeding
16 under this chapter for one year after the decision is issued.

17 (e) The venue for an arbitration or hearing under this chapter is the judicial
18 district where the office of the contracting agency is located, unless the agency and the
19 contractor agree on another location.

20 (f) If a party fails to appear at a proceeding under this chapter, the arbitrator or
21 hearing officer may proceed in the party's absence.

22 (g) Subject to appropriation, any money awarded by an arbitrator's decision
23 shall be paid within 45 days after the date that the arbitrator's decision is final. Subject
24 to appropriation, any money awarded by a hearing officer's recommended decision
25 that is approved by the commissioner of transportation and public facilities shall be
26 paid within 45 days after the date that the commissioner's decision is delivered to the
27 contractor and the agency, unless the commissioner's decision is appealed under
28 AS 36.30.685.

29 * Sec. 14. AS 36.30.870 is amended by adding a new subsection to read:

30 (c) The commissioner of administration shall adopt regulations establishing
31 the procedures for arbitration under AS 36.30.627(a), including establishing the

1 qualifications for arbitrators and the method for appointing neutral arbitrators to
2 conduct arbitrations

3 * Sec. 15. AS 36.30.990 is amended by adding a new paragraph to read:

4 (24) "hearing" does not include a hearing in an arbitration.

5 * Sec. 16. The uncodified law of the State of Alaska is amended by adding a new section to
6 read:

7 APPLICABILITY. Sections 1 - 16 and 18 of this Act apply to a contract if the
8 contract is entered into on or after the effective date of secs. 1 - 16 and 18 of this Act.

2

9 * Sec. 17. The uncodified law of the State of Alaska is amended by adding a new section to
10 read:

11 TRANSITION: REGULATIONS. The commissioner of administration may
12 immediately proceed to adopt regulations necessary to implement this Act. The regulations
13 take effect under AS 44.62 (Administrative Procedure Act), but not before the effective date
14 of the other sections of this Act.

15 * Sec. 18. The uncodified law of the State of Alaska is amended by adding a new section to
16 read:

17 REVISOR'S INSTRUCTIONS. (a) The revisor of statutes shall substitute "claim" for
18 "controversy" in

- 19 (1) AS 36.30.620(f);
- 20 (2) AS 36.30.623;
- 21 (3) AS 36.30.625(a);
- 22 (4) AS 36.30.625(c);
- 23 (5) AS 36.30.687(a); and
- 24 (6) AS 36.30.750(b).

25 (b) The revisor of statutes shall substitute "claims" for "controversies" in

- 26 (1) AS 36.30.750(a); and
- 27 (2) AS 36.30.750(b).

28 * Sec. 19. Section 17 of this Act takes effect immediately under AS 01.10.070(c).


1

LEGAL SERVICES**DIVISION OF LEGAL AND RESEARCH SERVICES
LEGISLATIVE AFFAIRS AGENCY
STATE OF ALASKA**(907) 465-3887 or 465-2450
FAX (907) 465-2029
Mail Stop 3101State Capitol
Juneau, Alaska 99801-1182
Deliveries to: 128 6th St., Rm. 329**MEMORANDUM**

May 7, 2003

SUBJECT: Amendment to CSSB 125(TRA), (Work Order No. 23-LS0758\H)

TO: Senator Gary Wilken
Attn: Sheila

FROM: 
Theresa L. Bannister
Legislative Counsel

This memo accompanies the amendment described above.

Correction needed. You have asked me to include a memo with the amendment describing the needed correction. This correction is not caused by the amendment. The present language of sec. 15, the applicability section of CSSB 125(TRA), is not clear and could cause confusion. Although the section talks in terms of "the effective date of this Act," one section of the bill (the one to authorize adopting the needed regulations) has an immediate effective date. Therefore, there are two different effective dates in the Act. If the amendment is adopted, I recommend rewriting this renumbered section as "Sections 1 - 16 and 18 apply to a contract if the contract is entered into on or after the effective date of secs. 1 - 16 and 18 of this Act." If the amendment is not adopted, I recommend rewriting sec. 15 of CSSB 125(TRA) to read "Sections 1 - 15 and 17 apply to a contract if the contract is entered into on or after the effective date of secs. 1 - 15 and 17 of this Act."

If I may be of further assistance, please advise.

TLB:med
03-496.med

Enclosure

FISCAL NOTE

STATE OF ALASKA
2003 LEGISLATIVE SESSION

Fiscal Note Number: _____
 Bill Version: CSSB125(TRA)
 () Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: DOT&PF
 Title State Contracts BRU _____
 Component _____
 Sponsor Cowdery Component No. _____
 Requester SRUL

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING						

CAPITAL EXPENDITURES	***	***	***	***	***	***
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CHANGE IN REVENUES ()						
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	***	***	***	***	***	***
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type-Do not abbreviate)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2003) cost: 0.0

Mark this box (X) if funding for this bill is included in the Governor's FY 2004 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

*** The additional costs associated with this bill are based on historical claims costs. The baseline costs for the Rule 79 and 82 provisions, requiring the payment of Attorney fees and claims costs, are estimated at \$145,000 per year. (The historical high would have been \$341,000 per year and the low would have been \$7,300.) This baseline may be increased based on such factors as complexity of litigation, length of trial, etc. The \$145,000 has not been adjusted for Rule 68 offers of judgement as they are not easily applied. In addition to the anticipated Rule 79 and 82 costs, there will be additional attorney fees associated with litigating these awards. This is estimated at 20 hours per claim or \$6,000 per year. Most construction claims are associated with federal funded projects, however, Rule 79 and 82 costs and fees are not eligible for federal participation and would have to be paid with General Fund dollars.

Prepared by: Mark O'Brien
 Division: Commissioner's Office
 Approved by: Mike Barton
 Agency: DOT&PF

Phone 465-3900
 Date/Time 5/2/03 8:05 AM
 Date 5/2/2003

SENATOR
JOHN J. COWDERY
Anchorage



January - May:
State Capitol, Suite 101
Juneau, Alaska 99801-1182
Tel: 907-465-3879
Toll Free: 888-269-3879
Fax: 907-465-2069

Committees
Chair: Rules
Chair: Transportation
Chair: World Trade &
State/Federal Relations
Legislative Council

Senate

May - December:
716 W. 4th Avenue
Anchorage, Alaska 99501
Tel: 907-269-0222
Fax: 907-269-0223

Senator_John_Cowdery@legis.state.ak.us

SPONSOR STATEMENT FOR SB 125

"An Act relating to protests of state contract awards, to claims on state contracts, to the arbitration of certain state construction contract claims, and to hearings and appeals under the State Procurement Code; making conforming amendments in the State Procurement Code; and providing for an effective date."

Construction claims occur when parties to a contract disagree as to whether a specific element of a project is within the scope of work defined by the contract. A dispute resolution process is defined in the Alaska Procurement Code.

There is, however, a perception among construction contractors that this dispute resolution process is no longer expeditious or fair. The purpose of SB125 is to reform the claims process in order to restore confidence in it on the part of the private sector.

Presently, a procurement officer initially evaluates a claim and issues a ruling on its perceived merits. If the contractor who brought the claim isn't satisfied, he or she may appeal to the procurement officer's supervisor.

A contractor may then appeal the supervisor's decision to a hearing officer. Trouble is, there is no opportunity for independent review at any level of appeal. In addition, the roster of hearing officers is maintained solely by the state.

Delays are common: justice delayed is justice denied. The appeal process becomes expensive – which particularly affects small contractors, considering claims of less than \$250,000 are often not pursued.

Specific provisions of SB 125 are as follows:

- Permits a contractor to seek arbitration if a procurement officer's written decision isn't issued by its due date.
- Provides that parties may agree to binding arbitration on all appeals.
- Tightens timelines, and eliminates redundant requirements.
- Holds hearing officers and arbitrators to their required deadlines; those who fail to be timely are disqualified for one year.
- Entitles contractors to recover some claim costs.
- Spells out in regulation specific qualifications for hearing officers and arbitrators.



April 22, 2003

Senator John Cowdery
Alaska State Legislature
State Capitol (MS3100)
Juneau, AK 99701

6441 South Airpark Place
Anchorage, Alaska 99502-1809
(907) 245-1885
Fax: (907) 245-1744

Subject: SB 125

Dear Senator Cowdery:

Knik Construction Co., Inc. fully supports revisions to the State of Alaska contracting methods contained within SB 125.

Knik Construction Co., Inc. has been in business since 1973 and has performed many projects for the State of Alaska during its existence. As we understand the revisions contained within SB 125, the claims process would be timelier and allow the collection of some of the claims by the contractor; such as attorney fees and claim consultants.

For these reasons Knik would encourage your support of SB 125.

Very Truly Yours,

KNIK CONSTRUCTION CO., INC.

A handwritten signature in black ink, appearing to read "Steve Jansen", written in a cursive style.

Steve Jansen
President

SJ:lmg

Cc: Richard "Dick" Cattanach

**SWALLING
CONSTRUCTION
COMPANY, INC.**

AN EQUAL OPPORTUNITY EMPLOYER
GENERAL CONTRACTOR #AA179



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www.swalling.com

P.O. Box 101039

ANCHORAGE, ALASKA 99510-1039

TELEPHONE (907) 272-3461

FACSIMILE (907) 274-6002

LOCATED AT 235 F ST

April 24, 2003

Sent Via Fax - 907-465-2069

Senator John Cowdry,
Alaska State Legislature
State Capitol (MS 3100)
Juneau, AK 99801-1182

Subject: SB125

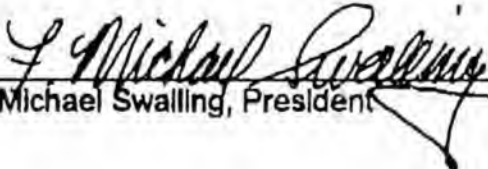
Dear Senator Cowdry,

I am writing this letter in support of SB 125 which addresses current inequities in the construction claims resolution process.

I recently settled two significant construction claims with DOT last year for a total of \$591,000. Swalling spent a total of \$250,000 in outside counsel and expert fees to bring those claims to settlement. Unlike other legal forums where the prevailing party receives some reimbursement for cost incurred Swalling received nothing. This legislation attempts to correct that inequity and gives DOT an incentive to address legitimate claims in a timely fashion before the contractor incurs significant costs.

I urge you to pass the bill as soon as possible.

Sincerely,


F. Michael Swalling, President



April 23, 2003

Senator John Cowdery
Alaska State Legislature
State Capitol (MS 3100)
Juneau, Alaska 99801-1182

Facsimile Correspondence
FAX No.: (907) 465-2069

Reference: SB 125

Dear Senator Cowdery:

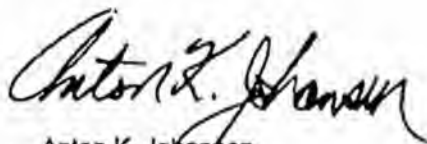
I strongly support the passage of SB 125. This legislation's provision allowing for alternative dispute resolutions could speed the settlement of construction claims resulting in the saving of valuable time and money by both the State of Alaska and the contractor.

The language that allows for the award to the prevailing party of attorney fees and costs is fair and will help to avoid the pursuit of baseless claims or the denial of well founded claims. Besides encouraging settlement and thus avoiding unnecessary expenses, this provision, too, will expedite dispute settlement.

The change calling for the sharing of the cost of the hearing officer will help to alleviate concerns of the contractor that the hearing officer is an employee of the State working to satisfy his/her employer.

In summary, SB 125 will serve to bring more equity to the claims process and to expedite the settlement of claims, thereby reducing the cost of construction in Alaska. Thank you for your sponsorship and support of this important legislation.

Sincerely,
Great Northwest, Inc.



Anton K. Johansen

**GOODFELLOW BROS., INC. — GENERAL CONTRACTOR —**

CL # 1630

April 23, 2003

Alaska State Legislature
State Capitol (MS 3100)
Juneau, Alaska 99801-1182

Attention: Senator John Cowdery

Fax (907) 465-2069

Regarding: Revision to the Construction Claims Bill SB125

The construction claims bill that Associated General Contractors and the Department of Transportation and Public Facilities worked on for more than two years was introduced last week and moved from its first committee of referral. This bill attempts to speed up the claims process and allows the collection of some of the claims costs (i.e. attorney fees, accounts and claims consultants, etc.). We feel that this bill is more fair to all the parties involved in a claim. Please regard this as a letter of support for House Bill 250.

Respectfully,

Ben A. Northey
Alaska Manager



ASSOCIATED GENERAL CONTRACTORS of ALASKA

8005 SCHOON STREET, SUITE 100 • ANCHORAGE, ALASKA 99518
TELEPHONE (907) 561-5354 • FAX (907) 562-6118

April 22, 2003

Senator John Cowdery
Chair, Transportation Committee
Alaska Senate
Juneau, Alaska 998801-1182

Re: Senate Bill 125

Dear Senator Cowdery:

On behalf of the more than 600 member firms of the Alaska Chapter of the Associated General Contractors of America, I would like to express our support of Senate Bill 125. For more than two years, AGC has been meeting with the Alaska Department of Transportation and Public Facilities to resolve problems with the current construction claims process. SB 125 reflects the modifications that the parties agree are merited at this time.

The goals of the parties when discussions were initiated were to:

1. Streamline the system
2. Strive to improve the fairness of the process, and
3. Allow the prevailing party to recapture some of its costs associated with the claim.

AGC believes that SB 125 represents a significant improvement over the current claims process and achieves the goals set forth at the start of our deliberations.

AGC has not only worked closely with the Department of Transportation and Public Facilities, it has also sought the advice and consent of the Departments of Law and Administration. In so doing, AGC strived to minimize, if not eliminate, opposition to the bill. At this point we are unaware of any group or organization that may object to the SB 125.

FAIRBANKS
P.O. BOX 6005 • FAIRBANKS, AK 99706
TELEPHONE (907) 452-1809

SOLDOTNA
43335 KALIFONSKI BEACH ROAD, STE. 32 • SOLDOTNA, AK 99669
TELEPHONE (907) 262-8535

Accordingly, we request your support of this bill.

Sincerely,

ASSOCIATED GENERAL CONTRACTORS
OF ALASKA

A handwritten signature in black ink, appearing to read 'Richard Cattanach', with a long horizontal flourish extending to the right.

Richard Cattanach
Executive Director

SENATE COMMITTEE REPORT First Committee of Referral

DATE: 3/7/03

FURTHER: State Affairs

Date of 5-Day Notice: 3/6/03
(in accordance with Uniform Rule 23)

DATE TURNED
IN TO OFFICE: 4/30/03

Transportation Committee considered SENATE BILL NO. 125

SB 125 STATE CONTRACTS

"An Act relating to protests of state contract awards, to claims on state contracts and to hearings under the State Procurement Code; making conforming amendments in the State Procurement Code; and providing for an effective date."

and recommends:

- be replaced with _____ CS SB 125 (TRA)
- adopt previous _____ CS (_____)
- attached amendment(s)
- adopt Letter of Intent by _____ Committee
- further referral to _____ Committee

Senate Bill:

- same title
- new title

House Bill:

- same title
- technical title
- new: SCR # _____

NEW FISCAL NOTE(S):

Department	Date	Fiscal	Zero	FN#
* DOT	4/23	xxx		1

PREVIOUS FISCAL NOTE(S):

Department	Date	Fiscal	Zero	FN#

*Forthcoming FN - Pub 5/1
[] APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	DO PASS	DO NOT PASS	NO REC	AMEND
Olson <i>Brad Olson</i>			✓	
Therriault <i>Eugene Therriault</i>			x	
Wagoner <i>Thomas Wagoner</i>	✓			
Cowdery CHAIR: <i>John Cowdery</i>	✓			

SENATE FINANCE COMMITTEE

SIGN-IN

SB 125-STATE CONTRACTS

NAME: MARK O'BRIEN Subject/Bill No: SB 125

Co./Dept./Title: DEPT TRANSPORTATION Phone: 465-6990

Address: 3132 CHANNEL DR Zip: 99801

Do you wish to testify? Yes No Respond To Questions

NAME: DICK CATANZARH Subject/Bill No: SB 125

Co./Dept./Title: ASSOC. GENERAL CONTRACTORS Phone: 561-5354

Address: ANCHORAGE Zip: 99524

Do you wish to testify? Yes No Respond To Questions

NAME: _____ Subject/Bill No: _____

Co./Dept./Title: _____ Phone: _____

Address: _____ Zip: _____

Do you wish to testify? Yes No Respond To Questions

NAME: _____ Subject/Bill No: _____

Co./Dept./Title: _____ Phone: _____

Address: _____ Zip: _____

Do you wish to testify? Yes No Respond To Questions

AM
B
PM

SB

128

HAFIN

FILE

HOUSE COMMITTEE REPO. 1

(11)

Date Referred to Committee: May 8, 2003

FURTHER REFERRALS:

Date of Committee Action: 5/14/03

The FINANCE Committee considered:

CSSB 128(FIN) am

CS FOR SENATE BILL NO. 128(FIN) am

COMMON CARRIER LIQUOR LICENSE

"An Act relating to licensing common carriers to dispense alcoholic beverages; and providing for an effective date."

Recommends it be replaced with HCS or CS for _____ (_____)
 For Senate Bills with new title: Technical Title New Title: HCR _____ Same Title New Title

- attach amendments
- add new referral to _____ Committee
- Letter of Intent _____ Committee

List of Abbrev for Depts.:

- ADM
- CED
- COR
- CRT
- EED
- DEC
- DFG
- GOV
- HSS
- LEG
- LAW
- LWF
- MVA
- DNR
- DPS
- REV
- DOT
- UA

NEW FISCAL NOTES				
*Assigned by Chief Clerk's Office				
List by Dept(s):	*FN#	Fiscal	Indet.	Zero

PREVIOUS FISCAL NOTES				
List by Dept(s):	FN#	Fiscal	Indet.	Zero
REV	2	✓		

<u>Signing with recommendations</u>	Printed Last Name	DP	DNP	NR	AM
	Meyer ✓			✓	
	Hawken				✓
	STUTZ			✓	
	KERTTULA				✓
	Benkowski				✓
	Chenault				
	Whitaker				
	FOSTER	X			
Chair:	Harris	✓			
Chair:	Williams	✓			

FISCAL NOTE

STATE OF ALASKA
2003 LEGISLATIVE SESSION

Fiscal Note Number: 2
 Bill Version: CSSB 128(FIN)
 (S) Publish Date: 4/24/03

Revision Date/Time (Note if correction): _____ Dept. Affected: Revenue
 Title Common Carrier Liquor License BRU Alcoholic Beverage Control Board
 Component Alcoholic Beverage Control Board
 Sponsor Senator Cowdery
 Requester Senate Finance Committee Component No. 100

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
CHANGE IN REVENUES ()	(18.0)	(2.0)	(18.0)	(2.0)	(18.0)	(2.0)

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
Fees with proposed legislation:						
Current fees:						
Change in Revenues:						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2003) cost: 0.0
 Check this box (X) if funding for this bill is included in the Governor's FY 2003 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

Liquor licenses currently are issued for two years, renewable in either an even or an odd year. This legislation would allow multiple license holders the option of renewing all of their licenses on the same two-year cycle.

This legislation also would amend the fee structure for common carriers, such as airlines, that hold multiple liquor licenses. At present, Alaska Airlines would be the largest license holder affected by this legislation. The company currently has 110 liquor licenses at \$700 per two-year license (under the existing fee structure). This legislation would change the requirement of licensing each airplane to licensing each Alaska destination served by the airline. Therefore, the savings to Alaska Airlines (and loss to the state) is based on the number of Alaska destinations (19 X \$2,000 for a two-year license) instead of the existing per-aircraft license fee structure. This would save Alaska Airlines approximately \$39,000 every two years.

This legislation also would raise the license fee for all other common carriers from \$700 to \$1,000 per license for each biennial period. Therefore, the net loss to the state in license revenue would average about \$10,000 per year.

Prepared by: Dawn Holland-Williams Phone 269-0359
 Division: Alcoholic Beverage Control Board Date/Time 4/22/03 2:39 PM
 Approved by: Larry Persily, Deputy Commissioner Date 4/22/2003
 Agency: Department of Revenue

FISCAL NOTE

STATE OF ALASKA
2003 LEGISLATIVE SESSION

Fiscal Note Number: 2
 Bill Version: CSSB 128(FIN)
 (S) Publish Date: 4/24/03

Revision Date/Time (Note if correction): _____ Dept. Affected: Revenue
 Title Common Carrier Liquor License BRU Alcoholic Beverage Control Board
 Component Alcoholic Beverage Control Board
 Sponsor Senator Cowdery
 Requester Senate Finance Committee Component No. 100

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

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Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()	(18.0)	(2.0)	(18.0)	(2.0)	(18.0)	(2.0)
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
Fees with proposed legislation:						
Current fees:						
Change in Revenues:						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2003) cost: 0.0

Check this box (X) if funding for this bill is included in the Governor's FY 2003 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

Liquor licenses currently are issued for two years, renewable in either an even or an odd year. This legislation would allow multiple license holders the option of renewing all of their licenses on the same two-year cycle.

This legislation also would amend the fee structure for common carriers, such as airlines, that hold multiple liquor licenses. At present, Alaska Airlines would be the largest license holder affected by this legislation. The company currently has 110 liquor licenses at \$700 per two-year license (under the existing fee structure). This legislation would change the requirement of licensing each airplane to licensing each Alaska destination served by the airline. Therefore, the savings to Alaska Airlines (and loss to the state) is based on the number of Alaska destinations (19 X \$2,000 for a two-year license) instead of the existing per-aircraft license fee structure. This would save Alaska Airlines approximately \$39,000 every two years.

This legislation also would raise the license fee for all other common carriers from \$700 to \$1,000 per license for each biennial period. Therefore, the net loss to the state in license revenue would average about \$10,000 per year.

Prepared by: Dawn Holland-Williams
 Division: Alcoholic Beverage Control Board
 Approved by: Larry Persily, Deputy Commissioner
 Agency: Department of Revenue

Phone 269-0359
 Date/Time 4/22/03 2:39 PM
 Date 4/22/2003

CS FOR SENATE BILL NO. 128(FIN) am
IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-THIRD LEGISLATURE - FIRST SESSION

BY THE SENATE FINANCE COMMITTEE

Amended: 5/7/03

Offered: 4/24/03

Sponsor(s): SENATOR COWDERY

A BILL
FOR AN ACT ENTITLED

1 "An Act relating to licensing common carriers to dispense alcoholic beverages; and
2 providing for an effective date."

3 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

4 * **Section 1.** AS 04.11.180 is repealed and reenacted to read:

5 **Sec. 04.11.180. Common carrier dispensary license.** (a) A common carrier
6 dispensary license authorizes the holder to sell alcoholic beverages for consumption
7 aboard a vehicle, boat, or train licensed by a state or federal agency for passenger
8 travel, or aboard aircraft operated by an airline licensed by a state or federal agency
9 for passenger travel.

10 (b) Except for a common carrier that is an airline, a common carrier shall
11 obtain a license for each vehicle, boat, or train in which alcoholic beverages are
12 served. After obtaining an initial license for the first vehicle, boat, or train, the
13 common carrier may obtain additional licenses for additional vehicles, boats, or trains
14 upon making a written request identifying the vehicle, boat, or train in the manner

1 prescribed by the board, and paying the biennial fee for additional licensed premises
2 as required by (c) of this section.

3 (c) Except as provided for airlines under (d) of this section, the biennial fee for
4 a common carrier dispensary license is \$1,000 for each of the first 10 licenses a
5 common carrier holds and \$100 for each additional license issued to the common
6 carrier after the first 10 licenses.

7 (d) The biennial fee for a common carrier dispensary license issued to an
8 airline is the fee specified under (c) of this section for each aircraft in which alcoholic
9 beverages are served or ~~\$2,000~~ for each community served by the airline. An airline
10 shall specify the fee applicable to the license at the time of the airline's application for
11 issuance or renewal of the license.

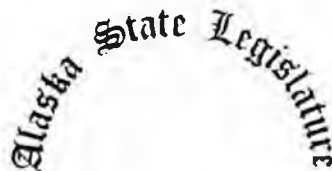
12 (e) Upon request of the common carrier and payment of the proportionate
13 prorated applicable fee, the board shall change the license period of a license for a
14 vehicle, boat, or train to allow registration to occur in the biennial period of the
15 balance of the licensee's common carrier licenses.

16 * Sec. 2. The uncodified law of the State of Alaska is amended by adding a new section to
17 read:

18 APPLICABILITY. This Act applies to issuance of a new common carrier dispensary
19 license or renewal of a common carrier dispensary license that occurs on or after the effective
20 date of this Act.

21 * Sec. 3. This Act takes effect July 1, 2003.

SENATOR
JOHN J. COWDERY
Anchorage



Committees
Chair: Rules
Chair: Transportation
Chair: World Trade &
State/Federal Relations
Legislative Council

Senate

January - May:
State Capitol, Suite 101
Juneau, Alaska 99801-1182
Tel: 907-465-3879
Toll Free: 888-269-3879
Fax: 907-465-2069

May - December:
716 W. 4th Avenue
Anchorage, Alaska 99501
Tel: 907-269-0222
Fax: 907-269-0223

Senator_John_Cowdery@legis.state.ak.us

SPONSOR STATEMENT FOR SB 128

"An Act relating to licensing common carriers to dispense alcoholic beverages"

An airplane, train, cruise ship or sightseeing vessel is in the business of carrying passengers from one place to another. Not always obvious, however, is that these common carriers may also be an establishment that serves alcoholic beverages, and must be licensed by the state of Alaska as such.

Presently, a separate state ABC license is required for each individual aircraft, railcar or vessel. This is costly for the common carrier as well as an inefficient duplication of government regulatory effort. The purpose of SB 128 is to improve government efficiency and at the same time reduce cost to common carriers.

Presently, Alaska Airlines must maintain ABC licenses for each of the approximately 110 aircraft it operates, despite the fact that only 35 may actually carry passengers on an intrastate flight in Alaska. Under CS SB 128, Alaska Airlines will instead be required to purchase a (\$2,000) license for each of the 19 cities/airports it serves within Alaska.

This legislation will simplify the licensing process for the Alcohol Beverage Control Board, and at the same time reduce fees to licensees to more accurately reflect the cost to the Board of issuing the licenses. In addition, SB 128 allows a single train to be licensed, rather than requiring each buffet car to hold a single license. For smaller Alaska air carriers which might serve alcoholic beverages on a longer intrastate flight, a provision of SB 128 allows a carrier to chose a per-aircraft or per-city option.

SB 128 removes a competitive disadvantage facing common carriers and brings Alaska's licensing fees closer to that in place in other states. A prosperous future for Alaska depends on economic development. Increasing government efficiency is one pillar of this goal, and SB 128 is one portion of that reform.

May 5, 2003

CS for SENATE BILL 128 (FIN) am
By SENATOR JOHN J. COWDERY

An Act relating to licensing common carriers to dispense alcoholic beverages.

BACKGROUND AND ANALYSIS

The State of Alaska licenses various modes of transportation that serve alcoholic beverages in commercial operations as "common carriers" under provisions of AS 04.11.180. This licensing requirement requires that each vehicle, ship, car, or aircraft that could operate within Alaska be licensed on a biennial basis for \$700. A seasonal license good for six months each year is available at half price for visitor-related operations.

The Alcoholic Beverage Control (ABC) Board has been advised that this system of licensing every aircraft, ship, or car that could operate within the State of Alaska is unfair and unreasonable as it concurs. This is particularly true in the way the law has come to affect airlines that operate within Alaska, but do extensive business on an interstate and international basis. The logistic challenges of a modern airline operating in a very competitive environment make it very difficult, if not impossible, to predict which aircraft will be used in various parts of the system. As a result Alaska Airlines, desiring to insure full compliance with Alaska's common carrier alcoholic beverage laws, has opted to license every one of its growing fleet of aircraft, now approaching 110 planes. With only a fraction of Alaska Airlines fleet flight hours being flown within Alaska, this licensing method extracts fees beyond what is logically warranted.

While Alaska Airlines is uniquely affected by the present common carrier licensing requirements, this system would also discourage other national and international airlines from entering the Alaska market (flying between two or more Alaska cities). The principle of licensing every plane that might fly within the State would be a clear case of licensing overkill.

SB 128 would provide some relief for this unfair licensing circumstance. Under provisions of the bill, a common carrier flying intrastate routes would pay a biennial fee of \$2,000 for each community served – or a biennial fee of \$1,000 for its first 10 aircraft and \$100 for each additional license. A common carrier (airline) would have the choice of license/fee structure.

There is also provision made to aid both the industry and the ABC Board licensing staff by allowing consolidation of all of the licenses on to the same

biennial licensing cycle. This approach is simple and provides a greater degree of equity for those licensing numerous vessels, cars, or aircraft.

Changes in other areas, particularly as they apply to the visitor industry, may also benefit from this bill. Presently, passengers on the Alaska Railroad must use the dining or buffet cars if they wish to purchase food and alcoholic beverages. The caterer for the Alaska Railroad has expressed interest in providing better service to passengers by providing refreshments, including alcoholic beverages, to the passenger in his or her seat. This would require licensing each passenger car for a common carrier license.

Prepared by:
Doug Griffin, Director
ABC Board
269-0350

ALASKA STATE LEGISLATURE
SENATE DISTRICT 0

Interim:

716 West 4th Ave.
Anchorage, AK 99501
Phone: 907-269-0222
Fax: 907-269-0223
Toll Free: 1-888-269-3879



Session:

State Capitol Building
Juneau, AK 99801
Phone: 907-465-3879
Fax: 907-465-2069
Toll Free: 1-888-269-3879

John J. Cowdery

Senate Rules, Chair

Senate Transportation Committee, Chair

World Trade State & Federal Relations, Chair

State Affairs, Legislative Council

FEATURES OF CS for SB 128

- Treats airlines in a manner different from other common carriers...
- ABC board will license each community/airport served by an airline flying intrastate routes. Fee will be \$2,000 per license, which totals \$38,000.
- There are 19 airports served by Alaska Airlines. These are: Adak, Anchorage, Barrow, Bethel, Cordova, Dillingham, Dutch Harbor, Fairbanks, Juneau, Ketchikan, King Salmon, Kodiak, Kotzebue, Nome, Petersburg, Prudhoe Bay, Sitka, Wrangell, Yakutat.
- ... Advantages include avoidance of paperwork for new/retired aircraft, easy licensing for new airlines that might fly intrastate routes. ...
- ... Retains original purpose of SB 128 in full.

EXPLANATION OF CHANGE TO CS for SB 128

Discounting common carrier licenses for multiple planes remained cumbersome and did not focus on the operations of the airlines within Alaska. Therefore the ABC Board would prefer using a licensing mechanism that is more stable and Alaska-based in working with national airlines.

Instead of licensing the actual planes, the ABC Board would prefer licensing each community/airport served (by the airline) in Alaska. Figuring \$2,000 per location served results in a biennial fee of \$38,000 (plus an application fee) for Alaska Airlines. (This is very close to the fee structure of SB 128 in its original form.)

The fee amount could be adjusted if the desire is to have a revenue-neutral outcome. The approach reflects the remarkable mobility of today's airline fleets. Airlines looking to expand to Alaska would only pay for those Alaska cities served on an intrastate basis. In addition, there would no longer be concerns with individual aircraft as they are retired or replaced. This system treats airlines in a different manner from other common carriers - but it is for a valid public purpose focused on actual intrastate activity.

Alaska Airlines

WILLIAM F. MACKAY
VICE PRESIDENT
PUBLIC AND GOVERNMENT AFFAIRS

April 9, 2003

The Honorable John Cowdery
Alaska State Senate
State Capitol, Room 101
Juneau, Alaska 99801

Dear Senator Cowdery,

Alaska Airlines has requested that the current licensing requirements for common carrier beverage dispensary licenses be modified for two reasons. First, to simplify the requirements so that adding additional aircraft will not require an entirely new application process, involving filling out the application, supplying supporting exhibits, and posting and publishing the application for a license. Alaska and the Board agree that modifying the statute to simplify obtaining additional common carrier license will reduce the clerical and administrative work for both Alaska Airlines and the Board and is therefore in the public interest.

Secondly, Alaska Airlines would like the fees reduced. Alaska Airlines currently has 102 aircraft and plans to add additional aircraft each year. The growth of the fleet substantially exceeds the growth of its intrastate flying. Alaska Airlines recently began service from Seattle to Washington D.C., Newark, Boston, Denver, Miami and will soon commence service from Seattle to Orlando. The Company does not have an effective means of limiting the aircraft that serve Alaska to a select few and instead operates all of its aircraft in Alaska, often to enable it to provide single plane service from cities in Alaska to cities south or east of Seattle. Since every aircraft must be separately licensed, and every license costs Alaska Airlines \$450 a year (a \$700 biannual fee plus a \$200 license fee), the license fees have become quite high and will continue to escalate at a faster rate than the Company's intrastate flying will escalate. Alaska Airlines only operates a small portion of its fleet on intrastate routes on any given day. In addition, it should be noted that none of the other major airlines serving Alaska, with the possible exception of Delta, obtain Alaska liquor licenses since they do not operate intrastate. Alaska Airlines believes that it pays substantially more for common carrier licenses than any other licensee in Alaska. It seems fair to reduce the fees to more accurately reflect a costs to the Board of issuing licenses and the intrastate presence that Alaska Airlines actually has. If the proposed bill becomes law, Alaska Airlines will still pay more in fees to Alaska than it pays in any other state.

Sincerely,

W. F. Mackay

SB

128

SFIN

FILE

SENATE FINANCE COMMITTEE REPORT

REPORTED OUT
 APR 23 2003
 SENATE FINANCE
 COMMITTEE

DATE: 4/11/03

FURTHER:

DATE TURNED IN TO OFFICE: 23 April 2003

Finance Committee considered

SENATE BILL NO. 128

SB 128 COMMON CARRIER LIQUOR LICENSE

"An Act relating to licensing common carriers to dispense alcoholic beverages; and providing for an effective date."

and recommends:

- be replaced with _____ CS SB 128 (FIN)
- adopt previous _____ CS _____ (_____)
- attached amendment(s)
- adopt Letter of Intent by _____ Committee
- further referral to _____ Committee

- Senate Bill:**
 same title
 new title
- House Bill:**
 same title
 technical title
 new: SCR # _____

NEW FISCAL NOTE(S):

PREVIOUS FISCAL NOTE(S):

Department	Date	Fiscal	Zero	FN#
Revenue	2/22/03		✓	

Department	Date	Fiscal	Zero	FN#

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	DO PASS	DO NOT PASS	NO REC	AMEND
<i>Robin Taylor</i>			✓	
<i>Annaliese C. Gibson</i>			✓	
<i>C. Blum</i>	✓			
<i>Ben Steens</i>	✓			
COCHAIR: <i>Lynne Green</i>	✓			
COCHAIR: <i>Gary Hill</i>	✓			

APR 23 2003

SENATE FINANCE COMMITTEE

FISCAL NOTE

STATE OF ALASKA
2003 LEGISLATIVE SESSION

Fiscal Note Number: _____
Bill Version: CSSB128(FIN)
() Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: Revenue
Title Common Carrier Liquor License BRU Alcoholic Beverage Control Board
Component Alcoholic Beverage Control Board
Sponsor Senator Cowdery
Requester Senate Finance Committee Component No. 100

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
CHANGE IN REVENUES ()	(18.0)	(2.0)	(18.0)	(2.0)	(18.0)	(2.0)

FUND SOURCE (Thousands of Dollars)

FUND SOURCE	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
1002 Federal Receipts						
1003 GF Match						
1004 GF						
Fees with proposed legislation:						
Current fees:						
Change in Revenues:						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2003) cost: 0.0
Check this box (X) if funding for this bill is included in the Governor's FY 2003 budget proposal:

POSITIONS

Full-time	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

Liquor licenses currently are issued for two years, renewable in either an even or an odd year. This legislation would allow multiple license holders the option of renewing all of their licenses on the same two-year cycle.

This legislation also would amend the fee structure for common carriers, such as airlines, that hold multiple liquor licenses. At present, Alaska Airlines would be the largest license holder affected by this legislation. The company currently has 110 liquor licenses at \$700 per two-year license (under the existing fee structure). This legislation would change the requirement of licensing each airplane to licensing each Alaska destination served by the airline. Therefore, the savings to Alaska Airlines (and loss to the state) is based on the number of Alaska destinations (19 X \$2,000 for a two-year license) instead of the existing per-aircraft license fee structure. This would save Alaska Airlines approximately \$39,000 every two years.

This legislation also would raise the license fee for all other common carriers from \$700 to \$1,000 per license for each biennial period. Therefore, the net loss to the state in license revenue would average about \$10,000 per year.

Prepared by: Dawn Holland-Williams Phone 269-0359
Division: Alcoholic Beverage Control Board Date/Time 4/22/03 2:39 PM
Approved by: Larry Persily, Deputy Commissioner Date 4/22/2003
Agency: Department of Revenue

adopted

WORK DRAFT

WORK DRAFT

WORK DRAFT

23-LS0757AH

Ford

4/22/03

CS FOR SENATE BILL NO. 128()

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-THIRD LEGISLATURE - FIRST SESSION

BY

Offered:

Referred:

Sponsor(s): SENATOR COWDERY

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to licensing common carriers to dispense alcoholic beverages; and
2 providing for an effective date."

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

4 * Section 1. AS 04.11.180 is repealed and reenacted to read:

5 Sec. 04.11.180. Common carrier dispensary license. (a) A common carrier
6 dispensary license authorizes the holder to sell alcoholic beverages for consumption
7 aboard a vehicle, boat, or train licensed by a state or federal agency for passenger
8 travel, or aboard aircraft operated by an airline licensed by a state or federal agency
9 for passenger travel.

10 (b) Except for a common carrier that is an airline, a common carrier shall
11 obtain a license for each vehicle, boat, or train in which alcoholic beverages are
12 served. After obtaining an initial license for the first vehicle, boat, or train, the
13 common carrier may obtain additional licenses for additional vehicles, boats, or trains
14 upon making a written request identifying the vehicle, boat, or train in the manner

1 prescribed by the board, and paying the biennial fee for additional licensed premises
2 as required by (c) of this section.

3 (c) Except as provided for airlines under (d) of this section, the biennial fee for
4 a common carrier dispensary license is \$1,000 for each of the first 10 licenses a
5 common carrier holds and \$100 for each additional license issued to the common
6 carrier after the first 10 licenses.

7 (d) The biennial fee for a common carrier dispensary license issued to an
8 airline is \$2,000 for each community served by the airline.

9 (e) Upon request of the common carrier and payment of the proportionate
10 prorated applicable fee, the board shall change the license period of a license for a
11 vehicle, boat, or train to allow registration to occur in the biennial period of the
12 balance of the licensee's common carrier licenses.

13 * **Sec. 2.** The uncodified law of the State of Alaska is amended by adding a new section to
14 read:

15 **APPLICABILITY.** This Act applies to issuance of a new common carrier dispensary
16 license or renewal of a common carrier dispensary license that occurs on or after the effective
17 date of this Act.

18 * **Sec. 3.** This Act takes effect July 1, 2003.

SENATE FINANCE COMMITTEE REPORT

DATE: 4/11/03

FURTHER:

DATE TURNED
IN TO OFFICE: _____

Finance Committee considered SENATE BILL NO. 128

SB 128 COMMON CARRIER LIQUOR LICENSE

"An Act relating to licensing common carriers to dispense alcoholic beverages; and providing for an effective date."

and recommends:

- be replaced with _____ CS _____ (_____)
- adopt previous _____ CS _____ (_____)
- attached amendment(s)
- adopt Letter of Intent by _____ Committee
- further referral to _____ Committee

Senate Bill:

- same title
- new title

House Bill:

- same title
- technical title
- new: SCR # _____

NEW FISCAL NOTE(S):

Department	Date	Fiscal	Zero	FN#

PREVIOUS FISCAL NOTE(S):

Department	Date	Fiscal	Zero	FN#

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	Do PASS	Do NOT PASS	NO REC	AMEND
<i>Cydonia Taylor</i>			✓	
<i>George Collins</i>			✓	
<i>C. Bunker</i>	✓			
<i>Ben Stuller</i>	✓			
COCHAIR: <i>Lynne Drees</i>	✓			
COCHAIR: <i>Gary White</i>	✓			

23-LS0757AD

Ford

4/22/03

CS FOR SENATE BILL NO. 128()

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-THIRD LEGISLATURE - FIRST SESSION

BY

Offered:
Referred:

Sponsor(s): SENATOR COWDERY

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to licensing common carriers to dispense alcoholic beverages; and
2 providing for an effective date."

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

4 * Section 1. AS 04.11.180 is repealed and reenacted to read:

5 Sec. 04.11.180. Common carrier dispensary license. (a) A common carrier
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7 aboard a vehicle, boat, or train licensed by a state or federal agency for passenger
8 travel, or aboard aircraft operated by an airline licensed by a state or federal agency
9 for passenger travel.

10 (b) Except for a common carrier that is an airline, a common carrier shall
11 obtain a license for each vehicle, boat, or train in which alcoholic beverages are
12 served. After obtaining an initial license for the first vehicle, boat, or train, the
13 common carrier may obtain additional licenses for additional vehicles, boats, or trains
14 upon making a written request identifying the vehicle, boat, or train in the manner

1 prescribed by the board, and paying the biennial fee for additional licensed premises
2 as required by (c) of this section.

3 (c) Except as provided for airlines under (d) of this section, the biennial fee for
4 a common carrier dispensary license is \$1,000 for each of the first 10 licenses a
5 common carrier holds and \$100 for each additional license issued to the common
6 carrier after the first 10 licenses.

7 (d) The biennial fee for a common carrier dispensary license issued to an
8 airline is \$1,000 for each community served by the airline.

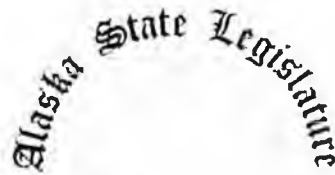
9 (e) Upon request of the common carrier and payment of the proportionate
10 prorated applicable fee, the board shall change the license period of a license for a
11 vehicle, boat, or train to allow registration to occur in the biennial period of the
12 balance of the licensee's common carrier licenses.

13 * Sec. 2. The uncodified law of the State of Alaska is amended by adding a new section to
14 read:

15 APPLICABILITY. This Act applies to issuance of a new common carrier dispensary
16 license or renewal of a common carrier dispensary license that occurs on or after the effective
17 date of this Act.

18 * Sec. 3. This Act takes effect July 1, 2003.

SENATOR
JOHN J. COWDERY
Anchorage



January - May:
State Capitol, Suite 101
Juneau, Alaska 99801-1182
Tel: 907-465-3879
Toll Free: 888-269-3879
Fax: 907-465-2069

Committees

Chair: Rules
Chair: Transportation
Chair: World Trade &
State/Federal Relations
Legislative Council

Senate

May - December:
716 W. 4th Avenue
Anchorage, Alaska 99501
Tel: 907-269-0222
Fax: 907-269-0223

Senator_John_Cowdery@legis.state.ak.us

SPONSOR STATEMENT FOR SB 128

"An Act relating to licensing common carriers to dispense alcoholic beverages ..."

An airplane, train, cruise ship or sightseeing vessel is in the business of carrying passengers from one place to another. Not always obvious, however, is that these common carriers may also be an establishment that serves alcoholic beverages, and must be licensed by the state of Alaska as such.

Presently, a separate state ABC license is required for each individual aircraft, railcar or vessel. This is costly for the common carrier as well as an inefficient duplication of government regulatory effort. The purpose of SB 128 is to improve government efficiency and at the same time reduce cost to common carriers.

Alaska Airlines, for example, maintains ABC licenses on each of the approximately 110 aircraft it operates, despite the fact that only 35 may actually carry passengers on an intrastate flight in Alaska. Under SB 128, Alaska Airlines will instead be required to purchase 10 licenses, with a smaller fee for additional aircraft.

The impact of SB 128 on Alaska Airlines' potential competitors shouldn't be discounted. Under present statute a national air carrier that might chose to fly routes within Alaska could face the cost of licensing hundreds of aircraft.

This legislation will simplify the current licensing process for the Alcohol Beverage Control Board, and at the same time reduce fees to licensees to more accurately reflect the cost to the Board of issuing the licenses. In addition, SB 128 allows a single train to be licensed, rather than requiring each buffet car to hold a single license.

SB 128 removes a competitive disadvantage facing common carriers and brings Alaska's licensing fees closer to that in place in other states. A prosperous future for Alaska depends on economic development. Increasing government efficiency is one pillar of this goal, and SB 128 is one portion of that reform.

MARCH 27, 2003

SENATE BILL 128

By SENATOR JOHN J. COWDERY

An Act relating to licensing common carriers to dispense alcoholic beverages.

BACKGROUND AND ANALYSIS

The State of Alaska licenses various modes of transportation that serve alcoholic beverages in commercial operations as "common carriers" under provisions of AS 04.11.180. This licensing requirement requires that each vehicle, ship, car, or aircraft that could operate within Alaska be licensed on a biennial basis for \$700. A seasonal license good for six months each year is available at half price for visitor-related operations.

The Alcoholic Beverage Control (ABC) Board has been advised that this system of licensing every aircraft, ship, or car that could operate within the State of Alaska is unfair and unreasonable and it concurs. This is particularly true in the way the law has come to affect airlines that operate within Alaska, but do extensive business on an interstate and international basis. The logistic challenges of a modern airline operating in a very competitive environment make it very difficult, if not impossible, to predict which aircraft will be used in various parts of the system. As a result Alaska Airlines, desiring to insure full compliance with Alaska's common carrier alcoholic beverage laws, has opted to license every one of its growing fleet of aircraft, now approaching 110 planes. With only a fraction of Alaska Airlines fleet flight hours being flown within Alaska, this licensing method extracts fees beyond what is logically warranted.

While Alaska Airlines is uniquely affected by the present common carrier licensing requirements, this system would also discourage other national and international airlines from entering the Alaska market (flying between two or more Alaska cities). The principle of licensing every plane that might fly within the State would be a clear case of licensing overkill.

SB 128 would provide some relief for this unfair licensing circumstance. The bill would increase the biennial license fee to \$1,000 for the first 10 licenses and charges only \$100 for each license additional license. There is also provision made to aid both the industry and the ABC Board licensing staff by allowing consolidation of all of the licenses on to the same biennial licensing cycle. This approach is simple and provides a greater degree of equity for those licensing numerous vessels, cars, or aircraft.

Changes in other areas, particularly as they apply to the visitor industry, may also benefit from this bill. Presently, passengers on the Alaska Railroad must use the dining or buffet cars if they wish to purchase food and alcoholic beverages. The caterer for the Alaska Railroad has expressed interest in providing better service to passengers by providing refreshments, including alcoholic beverages, to the passenger in his or her seat. This would require licensing each passenger car for a common carrier license.

There would be a slight increase from \$700 to \$1,000 for the first 10 biennial licenses. This partially offsets the break that is given to the holder of multiple licenses. A more detailed fiscal note is being prepared. The overall loss of revenue to the state would be about \$24,000 on an annualized basis.

Prepared by:
Doug Griffin, Director
ABC Board
269-0350

April 15, 2003

SB 128—Common Carrier Liquor Licenses
Senator Cowdery

Alternative Licensing Approach and Formula for Airlines

SB 128 seeks to change the way companies holding large numbers of common carrier licenses are treated. This concept attempts to bring fairness to the licensing scheme that is used in Alaska by discounting licenses in excess of ten held by the same company. Presently, any aircraft that may potentially fly within Alaska must have a common carrier license. This results in an onerous licensing requirement for Alaska Airlines which is the only national airlines now flying within Alaska. This licensing methodology serves as a deterrent for other national airlines considering expansion to Alaska.

Clearly, the Alaska requirement of licensing planes is archaic in light of modern deployment and logistic techniques used by national airlines. However, discounting common carrier licenses for multiple planes is still cumbersome and does not focus on the operations of the airline within Alaska. Therefore, the ABC Board would prefer using a licensing mechanism that is more stable and Alaska-based in working with national airlines. Instead of licensing the actual planes the ABC Board would prefer licensing each community/airport served in Alaska. By my count that would be 19 locations within Alaska served by Alaska Airlines (see list below). If you used the figure of \$1,000 per location served, that would result in a biennial fee of \$19,000 (plus application fee) for Alaska Airlines (coincidentally, this is very close to "new" fee structure under SB 128). The fee amount could be adjusted if the desire is to have a revenue neutral outcome. This approach reflects the remarkable mobility of today's airline fleets. Airlines looking to expand to Alaska would only pay for those Alaska cities served on an intrastate basis. There would no longer be concerns with individual planes as they are retired and replaced with new aircraft. This system treats airlines differently, but it is for a valid public purpose focused on actual activity within the State.

This approach could also be used for train service. However, since SB 128 licenses trains now and not individual cars there is not the same level of need to adjust fees to account for this the desire to provide alcoholic beverage service in all passenger cars.

List of communities/cities served by Alaska Airlines:

Adak	Fairbanks	Petersburg
Anchorage	Juneau	Prudhoe Bay
Barrow	Ketchikan	Sitka
Bethel	King Salmon	Wrangell
Cordova	Kodiak	Yakutat
Dillingham	Kotzebue	
Dutch Harbor	Nome	

Post-It Fax Note	7671	Date	4-16	Initials	4
To	KIM H.	From	Doug Griffin		
Co/Dept	Trust Consult.	Co.	ABC Board		
Phone #	586-1776	Phone #	269-0251		
Fax #	586-1476	Fax #	272-4412		

FEATURES OF CS for SB 128

- ... ABC board will license each community/airport served by airline (flying intrastate routes). Fee will be \$1,000 per license, which totals \$19,000.
- ... There are 19 airports served by Alaska Airlines.
- ... Advantages include avoidance of paperwork for new/retired aircraft, easy licensing for new airlines that might fly intrastate routes.
- ... Treats airlines in a manner different from other common carriers.
- ... Retains original purpose of SB 128 in full

Alaska Airlines

WILLIAM L. MACKAY
VICE PRESIDENT
PUBLIC AND GOVERNMENT AFFAIRS

April 9, 2003

The Honorable John Cowdery
Alaska State Senate
State Capitol, Room 101
Juneau, Alaska 99801

Dear Senator Cowdery,

Alaska Airlines has requested that the current licensing requirements for common carrier beverage dispensary licenses be modified for two reasons. First, to simplify the requirements so that adding additional aircraft will not require an entirely new application process, involving filling out the application, supplying supporting exhibits, and posting and publishing the application for a license. Alaska and the Board agree that modifying the statute to simplify obtaining additional common carrier license will reduce the clerical and administrative work for both Alaska Airlines and the Board and is therefore in the public interest.

Secondly, Alaska Airlines would like the fees reduced. Alaska Airlines currently has 102 aircraft and plans to add additional aircraft each year. The growth of the fleet substantially exceeds the growth of its intrastate flying. Alaska Airlines recently began service from Seattle to Washington D.C., Newark, Boston, Denver, Miami and will soon commence service from Seattle to Orlando. The Company does not have an effective means of limiting the aircraft that serve Alaska to a select few and instead operates all of its aircraft in Alaska, often to enable it to provide single plane service from cities in Alaska to cities south or east of Seattle. Since every aircraft must be separately licensed, and every license costs Alaska Airlines \$450 a year (a \$700 biannual fee plus a \$200 license fee), the license fees have become quite high and will continue to escalate at a faster rate than the Company's intrastate flying will escalate. Alaska Airlines only operates a small portion of its fleet on intrastate routes on any given day. In addition, it should be noted that none of the other major airlines serving Alaska, with the possible exception of Delta, obtain Alaska liquor licenses since they do not operate intrastate. Alaska Airlines believes that it pays substantially more for common carrier licenses than any other licensee in Alaska. It seems fair to reduce the fees to more accurately reflect a costs to the Board of issuing licenses and the intrastate presence that Alaska Airlines actually has. If the proposed bill becomes law, Alaska Airlines will still pay more in fees to Alaska than it pays in any other state.

Sincerely,

W. L. Mackay

SENATE COMMITTEE REPORT
First Committee of Referral

DATE: 3/10/03

FURTHER: Finance

Date of 5-Day Notice: 4/3/03
 (in accordance with Uniform Rule 23)

DATE TURNED
 IN TO OFFICE: 4/10/03

Labor and Commerce Committee considered SENATE BILL NO. 128

SB 128 COMMON CARRIER LIQUOR LICENSE

"An Act relating to licensing common carriers to dispense alcoholic beverages; and providing for an effective date."

and recommends:

- be replaced with _____ CS _____ (_____)
- adopt previous _____ CS _____ (_____)
- attached amendment(s)
- adopt Letter of Intent by _____ Committee
- further referral to _____ Committee

Senate Bill:

same title

new title

House Bill:

same title

technical title

new: SCR # _____

NEW FISCAL NOTE(S):

Department	Date	Fiscal	Zero	FN#
REV	4/8/03	✓		1

PREVIOUS FISCAL NOTE(S):

Department	Date	Fiscal	Zero	FN#

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:		DO PASS	DO NOT PASS	NO REC	AMEND
Davis	<i>Betty Davis</i>			✓	
French	<i>[Signature]</i>			✓	
Seekins	<i>Keith Seekins</i>			✓	
G. Stevens	<i>[Signature]</i>			✓	
Bunde	CHAIR: <i>[Signature]</i>			✓	

SB

136

SFIN

FILE

SENATE FINANCE COMMITTEE REPORT

REPORTED OUT
APR 27 2004
SENATE FINANCE
COMMITTEE

DATE: 4/4/03

FURTHER:

DATE TURNED
IN TO OFFICE: 27 April 2004

Finance Committee considered

SENATE BILL NO. 136

SB 136 RESIDENTIAL PROPERTY TAX EXEMPTION

"An Act increasing an optional exclusion or exemption from municipal taxation for residential property."

and recommends:

- be replaced with _____ CS SB 136 (FIN)
- adopt previous _____ CS CS forthcoming (_____)
- attached amendment(s)
- adopt Letter of Intent by _____ Committee
- further referral to _____ Committee

Senate Bill:

same title

new title

House Bill:

same title

technical title

new: SCR # _____

NEW FISCAL NOTE(S):

Department	Date	Fiscal	Zero	FN#

*forthcoming
f/n's
DCED
Revenue*

PREVIOUS FISCAL NOTE(S):

Department	Date	Fiscal	Zero	FN#

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	DO PASS	DO NOT PASS	NO REC	AMEND
<i>[Signature]</i>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<i>[Signature]</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<i>[Signature]</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<i>[Signature]</i>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
COCHAIR: <i>[Signature]</i>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
COCHAIR: <i>[Signature]</i>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>



REPORTED OUT

APR 27 2004

SENATE FINANCE
COMMITTEE

FISCAL NOTE

STATE OF ALASKA
2004 LEGISLATIVE SESSION

Fiscal Note Number: _____
Bill Version: CSSB 136(FIN)
() Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: Revenue
Title Residential Property Tax Exemption RDU Revenue Operations
Component Tax Division
Sponsor Sen. Community & Regional Affairs
Requester Senate Rules Component No. 2476

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
----------------------	--	--	--	--	--	--

CHANGE IN REVENUES ()	***	***	***	***	***	***
------------------------	-----	-----	-----	-----	-----	-----

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2004) cost: 0.0

Check this box (X) if funding for this bill is included in the Governor's FY 2005 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

*** See page 2 for discussion of possible revenue effects on the state.

Prepared by: Randall Hoffbeck, State Petroleum Property Assessor Phone 269-1029
Division: Tax Division Date/Time 4/28/04 8:37 AM
Approved by: Steve Porter, Deputy Commissioner Date 4/28/2004
Agency: Department of Revenue

FISCAL NOTE

STATE OF ALASKA
2004 LEGISLATIVE SESSION

BILL NO. CSSB 136(FIN)

ANALYSIS CONTINUATION

This legislation would allow municipalities to exempt – by a vote of the public – up to \$20,000 in annual assessed valuation of each parcel of residential property. Currently the optional residential exemption is capped at \$10,000. This legislation also extends the deteriorated property exemption from 5 years to 10 years and extends the exemption to include demolition and removal of the improvements.

This could have an indirect effect on state revenues if municipalities increase their residential property assessment exemption and then increase their overall mill rate to make up for the lost revenue.

Analysis:

Assuming all municipalities with oil and gas property took advantage of the provision in this legislation and adopted a \$20,000 exemption for residential property owners and assuming every affected municipality raised its property tax mill rate to fully recover the revenue loss from the lower assessment valuation on residential property, then there would be some annual revenue loss to the state.

The extension of the deteriorated property exemption is not expected to have an additional fiscal impact on the state.

However:

It is unknown which, if any, municipalities would adopt the higher exemption rate, if adopted, whether they would allow the maximum exemption, and if the municipalities would attempt to recover all lost revenue by increasing the mill rate.

Therefore the Department of Revenue cannot accurately project what effect this legislation would have on state property tax revenues. See attached spreadsheet for further analysis.

		Residential Property Value	Mill Rates	Residential Estimated Taxes	Residential Savings	Commercial Property Value	Commercial Estimated Taxes	Comm. Tax Increase	AS 43.56 Value	Oil & Gas Est. Taxes	Oil & Gas Revenues Diverted to Local Muni.
Fairbanks North Star Borough	Pre-SB 136	\$ 150,000	0.015403	\$ 2,310		\$ 500,000	\$ 7,702		\$ 270,805,700	4,171,220.20	
	Post-SB 136	\$ 130,000	0.01589515	\$ 2,066	(244.08)	\$ 500,000	\$ 7,948	\$ 246	\$ 270,805,700	4,304,496.68	\$ 133,276
Kenai Peninsula Borough	Pre-SB 136	\$ 150,000	0.0065	\$ 975		\$ 500,000	\$ 3,250		\$ 638,617,190	4,151,011.74	
	Post-SB 136	\$ 130,000	0.00666573	\$ 867	(108.46)	\$ 500,000	\$ 3,333	\$ 83	\$ 638,617,190	4,256,849.17	\$ 105,837
North Slope Borough	Pre-SB 136	\$ 150,000	0.01856	\$ 2,784		\$ 500,000	\$ 9,280		\$ 10,463,871,080	194,209,447.24	
	Post-SB 136	\$ 130,000	0.01856301	\$ 2,413	(370.81)	\$ 500,000	\$ 9,282	\$ 2	\$ 10,463,871,080	194,240,990.48	\$ 31,543
City of Valdez	Pre-SB 136	\$ 150,000	0.02	\$ 3,000		\$ 500,000	\$ 10,000		\$ 657,583,710	13,151,674.20	
	Post-SB 136	\$ 130,000	0.02018024	\$ 2,623	(376.57)	\$ 500,000	\$ 10,090	\$ 90	\$ 657,583,710	13,270,198.72	\$ 118,525

Estimated total revenue loss, by municipality, if exemption is increased to \$50K

	Total	Oil & Gas Taxes	Local Tax	
Fairbanks	\$ 2,123,299	\$ 133,276	\$ 1,990,023	
Kenai	\$ 691,254	\$ 105,837	\$ 585,416	
North Slope	\$ 32,294	\$ 31,543	\$ 751	
Valdez	\$ 187,422	\$ 118,525	\$ 68,897	
	\$ 3,034,269	\$ 389,182	\$ 2,645,087	\$ 389,182

This worksheet estimates the effect of implementing an increase in the Homestead exemption from the current \$10K limit to \$20K. The deferred property exemption extends an existing exemption from 5 years to 10 years and would not increase the cost to the state.

The numbers provided for residential and commercial values are hypothetical, however, the resulting revenues are reflective of actual property tax increases/decreases if there are no other revenue sources to draw from or services are not cut to correspond with overall tax revenue drop based upon the increased local exemption. The values for oil and gas are actual numbers and represent actual estimated loss of state revenue, assuming all municipalities increase the local exemption to the \$20K and no other revenue sources are identified nor are existing services cut.

The mill rates used for the "Pre-SB 136" is actual mill rates from municipalities for 2003 tax year. The mill rate used for the "Post-SB 136" is a calculated rate. The calculation was done in such a manner to raise the same revenues as the "pre-exemption" mill rates. This assumes all lost tax revenue will be raised from the property tax with no revenue from other sources.

REPORTED OUT

APR 27 2004

SENATE FINANCE
COMMITTEE

FISCAL NOTE

STATE OF ALASKA
2004 LEGISLATIVE SESSION

Fiscal Note Number: _____
Bill Version: SB 136
() Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: DCED
Title Residential Property Tax Exemption RDU Comm Assist and Econ Dev (405)
Component Community Advocacy
Sponsor Senate Community & Regional Affairs
Requester Senate Finance Component No. 2703

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
----------------------	--	--	--	--	--	--

CHANGE IN REVENUES ()						
------------------------	--	--	--	--	--	--

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type-Do not abbreviate)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2004) cost: _____
Mark this box (X) if funding for this bill is included in the Governor's FY 2005 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

This legislation would allow municipalities to exempt -- by a vote of the public -- up to \$50,000 in assessed annual valuation of each parcel of residential property. This legislation will have no fiscal impact on the department.

Prepared by: Gene Kane, Director Phone (907) 269-4580
Division Community Advocacy Date/Time 2/11/04 11:28 AM
Approved by: Edgar Blatchford, Commissioner Date 2/11/2004
Agency Department of Community and Economic Development

Amendment #

OFFERED IN THE SENATE
TO: CSSB 136 (FIN)

Sponsored by
Sen. Ben Stevens

Page 1, line 2, following "property":

Insert "and to an exemption from and deferral of municipal property taxes on certain types of deteriorated property"

Page 1, following line 8:

Insert a new bill sections to read:

Sec. 2. AS 29.45.050(o) is amended to read:

(o) A municipality may by ordinance partially or totally exempt all or some types of deteriorated property from taxation for up to 10 [FIVE] years beginning on or any time after the day substantial rehabilitation, renovation, demolition, removal, or replacement of any structure on the property begins. A municipality may by ordinance permit deferral of payment of taxes on all or some types of deteriorated property for up to five years beginning on or any time after the day substantial rehabilitation, renovation, demolition, removal or replacement of any structure on the property begins. However, if the ownership of property for which a deferral has been granted is transferred, all tax payments deferred under this subsection are immediately due and the deferral ends, or, if ownership of any part of the property is transferred, all tax payments are immediately due. The amount deferred each year is a lien on that property for that year. Only one exemption and only one deferral may be granted to the same property under this subsection, and, if an exemption and a deferral are granted to the same property, both may not be in effect on the same portion of the property during the same time. An ordinance adopted under this subsection must include specific eligibility requirements and require a written application for each exemption or deferral. In this subsection, "deteriorated property" means real property that is commercial property not used for residential purposes or that is multi-unit residential property with at least eight residential units, and that meets one of the following requirements:

(1) within the last five years, has been the subject of an order by a government agency requiring environmental remediation of the property or requiring the property to be vacated, condemned, or demolished by reason of noncompliance with laws, ordinances, or regulations;

(2) has a structure on it not less than 15 years of age that has undergone substantial rehabilitation, renovation, demolition, removal, or replacement, subject to any conditions prescribed in the ordinance; or

(3) is located in a deteriorating or deteriorated area with boundaries that have been determined by the municipality.

Sec. 3. The uncodified law of the State of Alaska enacted in sec. 2, ch. 8, SLA 1999, as amended by sec. 1, ch. 102, SLA 2002, is amended to read:

Sec. 2. AS 29.45.050(c) is repealed July 1, 2010 [2006].

ADOPTED
SENATE FINANCE
COMMITTEE

Amendment Number: #1

Bill Number: SB 136

Sponsor: Wilken Date: 4/27/04

Logged In By: Mindy

Amendment # _____

OFFERED IN SENATE BY: Sen. Wilken by Request

To: SB 136 – An Act increasing an optional exclusion or exemption from municipal taxation for residential property.”

- 1 Page 1, line 6, following “election.” ; insert
- 2 “An exclusion or exemption authorized by this subsection may
- 3 be applied with respect to taxes levied in a service area to fund
- 4 the special services.”

ADOPTED

WORK DRAFT

WORK DRAFT

WORK DRAFT

23-LS0440\D
Cook
4/23/04

CS FOR SENATE BILL NO. 136(FIN)
IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-THIRD LEGISLATURE - SECOND SESSION

BY THE SENATE FINANCE COMMITTEE

Offered:
Referred:

Sponsor(s): SENATE COMMUNITY AND REGIONAL AFFAIRS COMMITTEE

A BILL

FOR AN ACT ENTITLED

1 "An Act increasing an optional exclusion or exemption from municipal taxation for
2 residential property."

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

4 * Section 1. AS 29.45.050(a) is amended to read:

5 (a) A municipality may exclude or exempt or partially exempt residential
6 property from taxation by ordinance ratified by the voters at an election. An exclusion
7 or exemption authorized by this subsection [SECTION] may not exceed the assessed
8 value of \$20,000 [\$10,000] for any one residence.

**Estimated Revenue Loss
Due to Increased Allowance for
Residential Exemption**

Municipality	Residential Exempt \$ @ \$10K (Actual-Reported)	Residential Exempt \$ @ \$50K (Estimated)	Local Assessed Value-Excluding Residential Exemption	Boro/City Wide Mill Rate (TY 2000)	Revenue Generated
Fairbanks North Star Borough	\$ 128,824,767	\$ 644,123,835	\$ 3,857,010,224	15.343	\$ 59,178,108
Kenai Peninsula Borough	\$ 92,514,500	\$ 462,572,500	\$ 3,503,198,694	7.600	\$ 26,624,310
North Slope Borough	\$ 1,900,500	\$ 9,502,500	\$ 10,821,684,071	18.500	\$ 200,201,155
City of Valdez	\$ 8,500,775	\$ 42,503,875	\$ 919,309,050	20.000	\$ 18,386,181
Totals	\$ 231,740,542	\$ 1,158,702,710	\$ 19,101,202,039		\$ 304,389,754

	Local Assessed Less New \$50K Exemption Increase	New Mill Rate Necessary to Raise Same Revenues	Value of AS 43.56 Property	Revenue Generated from AS 43.56 with "old mill rate"	Revenue Necessary for New Exemption from AS 43.56 Property
Fairbanks North Star Borough	\$ 3,341,711,156	17.7089	\$ 258,225,360	\$ 3,961,952	\$ 4,572,893
Kenai Peninsula Borough	\$ 3,133,140,694	8.4976	\$ 461,506,410	\$ 3,507,449	\$ 3,921,717
North Slope Borough	\$ 10,814,082,071	18.5130	\$ 10,553,757,880	\$ 195,244,521	\$ 195,381,772
City of Valdez	\$ 885,305,950	20.7682	\$ 623,410,970	\$ 12,468,219	\$ 12,947,103
Totals	\$ 18,174,239,871		\$ 11,896,900,620	\$ 215,182,141	\$ 216,823,485
			Estimated increased cost to state		\$ 1,641,344

Office of the State Assessor
Steve Van Sant
(907) 269-4605

**Estimated Annual Loss in State Revenues
Due to Proposed Increased Allowance for Residential Exemption**

Current 10K Exemption

Municipality	Total Local Assessed Value-Prior to Residential Exemption A	Residential Exempt \$ @ \$10K (Actual-Reported) B	Taxable Value C=A-B	Boro/City Wide Mill Rate (TY 2000) D	Revenue Generated E=C*D/1000
Fairbanks North Star Borough	\$ 4,192,796,465	\$ 135,633,055	\$ 4,057,163,410	15.405	\$ 62,500,602
Kenai Peninsula Borough (1)	\$ 3,990,563,602	\$ 101,524,300	\$ 3,889,039,302	9.500	\$ 36,945,873
North Slope Borough	\$ 10,802,876,320	\$ 1,590,000	\$ 10,800,886,320	18.500	\$ 199,816,397
City of Valdez	\$ 968,751,960	\$ 8,328,555	\$ 960,423,405	20.000	\$ 19,208,468
Totals	\$ 19,954,988,347	\$ 247,475,910	\$ 19,707,512,437		\$ 318,471,341

Proposed 50K Exemption

Municipality	Local Assessed Value-Prior to Residential Exemption F=A	Residential Exempt \$ @ \$50K (Estimated @ 500%) G	Taxable Value H=F-G	Boro/City Wide Mill Rate Necessary for New Exemption I=J/H	Revenue Generated J=E	Revenue loss for ea
Fairbanks North Star Borough	\$ 4,192,796,465	\$ 678,165,275	\$ 3,514,631,190	17.783	\$ 62,500,602	15.405 \$ (8,357,709)
Kenai Peninsula Borough	\$ 3,990,563,602	\$ 507,621,500	\$ 3,482,942,102	10.608	\$ 36,945,873	9.500 \$ (3,857,923)
North Slope Borough	\$ 10,802,876,320	\$ 9,950,000	\$ 10,792,926,320	18.514	\$ 199,816,397	18.500 \$ (147,260)
City of Valdez (2)	\$ 968,751,960	\$ 41,642,775	\$ 927,109,185	20.719	\$ 19,208,468	20.000 \$ (66,284)
Totals	\$ 19,954,988,347	\$ 1,237,379,550	\$ 18,717,608,797		\$ 318,471,341	\$ (13,029,177)

Estimated Loss in State Revenue

Municipality	Value of AS 43.56 Property K	Change in Mill Rate L=I-D	Effect on State Portion of AS 43.56 M=K*L
Fairbanks North Star Borough	\$ 263,366,140	2.378	\$ 626,278
Kenai Peninsula Borough	\$ 660,927,090	1.108	\$ 732,084
North Slope Borough	\$ 10,523,837,740	0.014	\$ 143,589
City of Valdez	\$ 658,944,010	0.719	\$ 473,562
Totals	\$ 12,107,134,980		\$ 1,975,514

"Local" Effect of Increased Mill Rate

Municipality	Value of non- AS 43.56 Property N=H-K	Change in Mill Rate O=L	Effect on "Local" Portion of AS 43.56 P=N*O	
Fairbanks North Star Borough	\$ 3,251,265,050	2.378	\$ 7,731,430	\$ 8,357,709
Kenai Peninsula Borough	\$ 2,822,015,012	1.100	\$ 3,125,839	\$ 3,857,923
North Slope Borough	\$ 259,028,580	0.014	\$ 3,671	\$ 147,260
City of Valdez	\$ 268,165,175	0.719	\$ 192,722	\$ 66,284
Totals	\$ 6,610,473,817		\$ 11,053,662	\$ 13,029,177

- (1) Used Nikiski Mill Rate minus the 2.3 mill levy for the fire service district
 (2) Assumes that Valdez would exceed the 20 mill limit on 43.56 properties and that a credit could be taken against other 43.56 properties

**Estimated State Revenue Loss
Due to Increased Allowance for
Residential Exemption**

Municipality	Residential Exempt \$	Residential Exempt \$	Local Assessed Value-Excluding Residential Exemption	Boro/City Wide Mill Rate (TY 2003)	Revenue Generated	
	10000 (Actual-Reported)	20000 (Estimated)				
Fairbanks North Star Borough	\$ 137,849,713	\$ 275,699,426	\$ 4,452,200,402	15.403	\$ 68,577,243	
Kenai Peninsula Borough	\$ 106,346,700	\$ 212,693,400	\$ 4,277,332,196	6.500	\$ 27,802,659	
North Slope Borough	\$ 1,740,000	\$ 3,480,000	\$ 10,714,796,571	18.560	\$ 198,866,624	
City of Valdez	\$ 9,371,094	\$ 18,742,188	\$ 1,049,202,962	20.000	\$ 20,984,059	
Totals	\$ 255,307,507	\$ 510,615,014	\$ 20,493,532,131		\$ 316,230,586	
	Local Assessed Less New \$50K Exemption Increase	New Mill Rate Necessary to Raise Same Revenues	Value of AS 43.56 Property	Revenue Generated from AS 43.56 with "old mill rate"	Revenue Necessary for New Exemption from AS 43.56 Property	
Fairbanks North Star Borough	\$ 4,314,350,689	15.8951	\$ 270,805,700	\$ 4,171,220	\$ 4,304,497	\$ 133,276
Kenai Peninsula Borough	\$ 4,170,985,496	6.6657	\$ 638,617,190	\$ 4,151,012	\$ 4,256,849	\$ 105,837
North Slope Borough	\$ 10,713,056,571	18.5630	\$ 10,463,871,080	\$ 194,209,447	\$ 194,240,990	\$ 31,543
City of Valdez	\$ 1,039,831,868	20.1802	\$ 657,583,710	\$ 13,151,674	\$ 13,270,199	\$ 118,525
Totals	\$ 20,238,224,624		\$ 12,030,877,680	\$ 215,683,353	\$ 216,072,535	
			Estimated increased cost to state		\$ 389,182	

FISCAL NOTE

STATE OF ALASKA
2003 LEGISLATIVE SESSION

Fiscal Note Number: 2
 Bill Version: SB 136
 (S) Publish Date: 4/4/03

Revision Date/Time (Note if correction): 3/17/2003
 Title Residential Property Tax Exemption

Dept. Affected: DCED
 BRU Community Assist & Econ. Dev. (405)
 Component Community & Business Development
 Component No. 2486

Sponsor Senate Community & Regional Affairs
 Requester Senate Community & Regional Affairs

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Personal Services	0.0	0.0	0.0	0.0	0.0	0.0
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
-----------------------------	--	--	--	--	--	--

CHANGE IN REVENUES ()						
-------------------------------	--	--	--	--	--	--

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2003) cost: _____
 Mark this box (X) if funding for this bill is included in the Governor's FY 2004 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

This legislation would allow municipalities to exempt -- by a vote of the public -- up to \$50,000 in assessed annual valuation of each parcel of residential property. This legislation will have no fiscal impact on the department.

Prepared by: Gene Kane, Acting Director Phone 907-269-4580
 Division Community and Business Development Date/Time 3/17/03 11:49 AM
 Approved by: Edgar Blatchford, Commissioner Date 3/17/2003
 Agency Department of Community and Economic Development

FISCAL NOTE

STATE OF ALASKA
2003 LEGISLATIVE SESSION

Fiscal Note Number: 1
 Bill Version: SB 136
 (S) Publish Date: 4/4/03

Revision Date/Time (Note if correction): March 31, 2003 Dept. Affected: Revenue
 Title Residential Property Tax Exemption BRU Revenue Operations
 Component Tax Division
 Sponsor Sen. Community & Regional Affairs
 Requester Sen. Community & Regional Affairs Component No. 2476

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
-----------------------------	--	--	--	--	--	--

CHANGE IN REVENUES ()	***	***	***	***	***	***
-------------------------------	-----	-----	-----	-----	-----	-----

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2003) cost: 0.0

Mark this box (X) if funding for this bill is included in the Governor's FY 2004 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

*** See Page 2 for discussion of possible revenue effect on the state.

Prepared by: Dan Dickinson, Director Phone 269-1033
 Division Tax Division Date/Time 3/31/03 1:14 PM
 Approved by: Larry Persily, Deputy Commissioner Date 3/31/2003
 Agency Department of Revenue

**Department of Revenue
Fiscal Note Explanation for SB 136 FN #1**

March 31, 2003 - Page 2 of 2

This legislation would allow municipalities to exempt -- by a vote of the public -- up to \$50,000 in assessed annual valuation of each parcel of residential property.

This could have an indirect effect on state revenues if municipalities increase their residential property assessment exemption and then increase their overall mill rate to make up for the lost revenue. That subsequent effect on state oil and gas property tax revenue is hard to calculate, which is why the fiscal note shows an indeterminate amount.

The Department of Revenue cannot predict how municipalities might implement the residential property tax exemption, or whether cities and boroughs would raise their mill rates or reduce their budget to accommodate the reduced residential property tax revenues. Therefore, we cannot accurately project what effect this legislation would have on state property tax revenues.

COMMITTEE COPY

ALASKA STATE LEGISLATURE



SENATE COMMUNITY & REGIONAL AFFAIRS COMMITTEE

Senator Tom Wagoner, Chair

Official Business

Senator Robin Taylor, Vice-Chair
Senator Kim Elton
Senator Georgianna Lincoln
Senator Gary Stevens

State Capitol, Room 427
Juneau, AK 99801-1182
Phone: (907) 465-4989
Fax: (907) 465-4779

SPONSOR STATEMENT

SB 136 – Residential Property Tax Exemption

SB 136 amends current statutes to provide for an exemption of up to \$50,000 on residential property, to give local governments flexibility in taxing decisions.

Under current law, municipalities may exempt up to \$10,000 of the assessed value of any single residential property. This authorization has been law since 1974.

Five municipalities offer this exemption:

- Bristol Bay Borough
- Kenai Peninsula Borough
- Fairbanks North Star Borough
- North Slope Borough
- City of Valdez.

In 2002, the voters on the Kenai Peninsula rejected an initiative that would have restricted food items from sales taxes. Argument in opposition to the initiative was that the sales tax was a mechanism for obtaining fees from visitors. The logic of that was disputed when it was pointed out that residents pay the same tax.

Providing the local governments the ability to increase the property tax exemption up to \$50,000 allows the local government flexibility so they could still collect sales taxes from visitors and then provide tax relief from residents.

ALASKA STATE LEGISLATURE



SENATE COMMUNITY & REGIONAL AFFAIRS COMMITTEE

Senator Tom Wagoner, Chair

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Senator Georgianna Lincoln

Senator Gary Stevens

State Capitol, Room 427

Juneau, AK 99801-1182

Phone: (907) 465-4989

Fax: (907) 465-4779

SECTIONAL ANALYSIS

SB 136 – Residential Property Tax Exemption

Section 1. Amends AS 29.45.050(a) by deleting \$10,000 and inserting \$50,000.



Alaska State Legislature

Please enter into the record my testimony to the SENATE FINANCE
committee name

Committee on SB 136
bill # / subject

Date, FEBRUARY 15, 2004

SENATE FINANCE COMMITTEE MEMBERS:

SUPPORT ALASKAN HOME OWNERS AND VOTE YES ON SB 136

SB 136 has the potential to help families and the working middle class. It will reduce their property taxes. I believe this will be beneficial for low-income families, first home buyers, and our senior citizens.

PLEASE VOTE YES ON SB 136

Signed: LAURIE CHURCHILL

Testifier

SELF

Representing (optional)

PO BOX 7043 NIKISKI AK 99635 EMAIL ADDRESS : ak501c3@yahoo.com

Address

907-776-3499

Phone number

Introduced by:	Superman
Date:	04/01/03
Action:	Adopted
Vote:	8 Yes, 0 No, 1 Absent

**KENAI PENINSULA BOROUGH
RESOLUTION 2003-035**

**A RESOLUTION SUPPORTING THE PASSAGE OF SENATE BILL 136 AND SIMILAR
LEGISLATION WHICH RAISES THE CURRENT OPTIONAL RESIDENTIAL TAX
EXEMPTION FROM \$10,000 TO \$50,000**

WHEREAS, AS 29.45.050 authorizes municipalities to implement various property tax exemptions; and

WHEREAS, the \$10,000 maximum residential property exemption authorized by AS 29.45.050(a) has remained unchanged since 1974; and

WHEREAS, of the five Alaska municipalities offering this tax exemption, the Kenai Peninsula Borough is the only one to also levy a sales tax; and

WHEREAS, the two percent sales tax levied by the Kenai Peninsula Borough has kept the mill rate to a minimum, thus allowing the State to retain a greater share of the AS 43.56 (Oil and Gas Property) revenues; and

WHEREAS, in October 2002, the voters of the Kenai Peninsula Borough defeated a ballot proposition that would have exempted food from sales tax; and

WHEREAS, over the last decade, property owners have seen a substantial rise in assessed valuations, thereby increasing their tax bills by fifty to one hundred percent in some areas; and

WHEREAS, an increase in the Residential Property Tax Exemption will minimally affect state revenues and should be left to the discretion of the local governing body; and

WHEREAS, a minimal and stable tax rate is a primary factor in residential and economic development; and

WHEREAS, the Kenai Peninsula Borough Assembly has identified an increase in residential property tax exemptions as one of its 2003 legislative priorities; and

WHEREAS, SB 136 and similar legislation will provide a discretionary tax relief mechanism that will benefit bonafide full time residential homeowners;

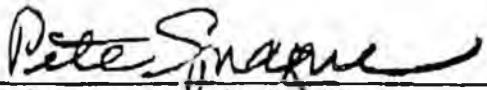
NOW, THEREFORE, BE IT RESOLVED BY THE ASSEMBLY OF THE KENAI PENINSULA BOROUGH:

SECTION 1. That the Kenai Peninsula Borough Assembly urges the 23rd Alaska State Legislature to enact SB 136, increasing the optional residential property exemption from \$10,000 to \$50,000.


SECTION 2. That copies of this resolution shall be provided to Senators Con Bunde, Georgiana Lincoln, Gary Stevens and Tom Wagoner, and to Representatives Mike Chenault, Mike Hawker, Carl Morgan, Paul Seaton and Kelly Wolf.

SECTION 3. That this resolution shall take effect upon its adoption.

ADOPTED BY THE ASSEMBLY OF THE KENAI PENINSULA BOROUGH THIS 1ST DAY OF APRIL, 2003.


Pete Sprague, Assembly President

ATTEST:


Linda S. Murphy, Borough Clerk



CITY OF VALDEZ, ALASKA

RESOLUTION NO. 03-31

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF VALDEZ, ALASKA, SUPPORTING SENATE BILL 136, INCREASING THE OPTIONAL EXEMPTION OF RESIDENTIAL PROPERTY FROM TAXATION

WHEREAS, Alaska Statute 29.45.050 allows municipalities to exempt up to \$10,000 of assessed valuation on residential property from property tax; and,

WHEREAS, the financial resources vary from municipality to municipality; and,

WHEREAS the local exemption option allows municipalities to assist local residents to lower their property taxes by lowering the assessed valuation; and,

WHEREAS, the \$10,000 exemption has not kept up with inflation since enacted in 1974.

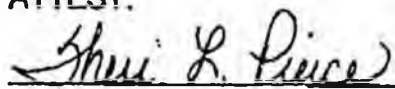
NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Valdez, Alaska, that the Council supports Senate Bill 136, increasing the optional exemption of residential property from taxation from \$10,000 to \$50,000.

PASSED AND APPROVED BY THE CITY COUNCIL OF THE CITY OF VALDEZ, ALASKA, this 17th day of March, 2003.

CITY OF VALDEZ, ALASKA


Bert L. Cottle, Mayor

ATTEST:


Sheri L. Pierce, CMC/AEE, City Clerk



THE
FOLLOWING
DOCUMENT(S)
ARE
POOR
ORIGINAL
COPIES

4/10/03

Testimony against SB 136

Increasing the residency exemption to \$50,000 is poor public policy because it shifts the burden of support of local governments from the majority of voters (homeowners) to a small minority of business owners. This will allow decisions to be made by people who do not pay the bill. It will also promote a lack of interest on the part of the residents and voters; after all, someone else will be paying, so who cares. We are starting to see intense interest from the voters in the affairs of the State. Why? Because there is talk of needing more money, of people having to pay for the services they get. This is a positive development. People will have an interest in their government if they have to pay for what they are getting. Increasing the residency exemption will promote apathy and it will result in a more unequal distribution of the bearing the burden of the cost of local government.

The theory that businesses can pass this higher cost back to their customers (homeowners) may be true in some municipalities. In Kenai this is not true. Competitive forces from outside the municipal boundaries may make it impossible to pass increased costs to customers. Businesses will have to pay the higher costs from already shrinking profits, or choose to locate their business elsewhere.

In Kenai we are experiencing a severe economic downturn due to the closure of Kmart, poor commercial fishing seasons and rumors of layoffs at Agrium. The budget situation guarantees that Kenai will not adopt the \$50,000 exemption because it would cost over \$200,000 annually. The problem with not adopting the exemption is that this will provide another reason for new housing development to be made outside of the City. The City's residential development is already strangled by the State's rural loan program that provides low interest loans for housing outside of the City.

While the exemption is voluntary for each municipality, it is clear that there will be pressure to adopt the exemption when the area's outside of the City adopt it.

I hope that you will consider the impacts of this bill and not pass it out of your committee.

Thank you

Larry Semmens 
Finance Director
City of Kenai

SENATE COMMITTEE REPORT First Committee of Referral

DATE: 3/10/03

FURTHER: Finance

Date of 5-Day Notice: 3/13/03
(in accordance with Uniform Rule 23)

DATE TURNED
IN TO OFFICE: 4/2/03

Community and Regional Affairs Committee considered SENATE BILL NO. 136

SB 136 RESIDENTIAL PROPERTY TAX EXEMPTION

"An Act increasing an optional exclusion or exemption from municipal taxation for residential property."

and recommends:

be replaced with _____ CS _____ (_____)

adopt previous _____ CS _____ (_____)

attached amendment(s)

adopt Letter of Intent by _____ Committee

further referral to _____ Committee

Senate Bill:

same title

new title

House Bill:

same title

technical title

new: SCR # _____

NEW FISCAL NOTE(S):

Department	Date	Fiscal	Zero	FN#
Revenue	3/21	XXX		1
DCED	3/7		✓	2

PREVIOUS FISCAL NOTE(S):

Department	Date	Fiscal	Zero	FN#

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:		DO PASS	DO NOT PASS	NO REC	AMEND
G. Skens				✓	
Lincoln				✓	
Eaton				✓	
Taylor				✓	
Wagoner	CHAIR:	✓			

