

ALASKA LEGISLATURE

HOUSE and SENATE FINANCE COMMITTEE FILES, 2005-2006 3037

SB

156

SFIN

FILE

SENATE FINANCE COMMITTEE REPORT

DATE: 4/19/05

FURTHER:

DATE TURNED
IN TO OFFICE:

REPORTED OUT
MAY 1 2005
SENATE FINANCE
COMMITTEE

1 May 2005

Finance Committee considered

SENATE BILL NO. 156

SB 156 LAYOFF/NONRETENTION OF TEACHERS

"An Act relating to notification to teachers of layoff or nonretention."

and recommends:

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

CS Senate Bill:
 Same Title
 New Title

SCS House Bill:
 Same Title
 Technical Title Change
 New Title w/ SCR # _____

NEW FISCAL NOTE(S):

Department	Date	Fiscal	Ind.	Zero	FN#

PREVIOUS FISCAL NOTE(S):

Department	Date	Fiscal	Ind.	Zero	FN#
E+ED	4/18/05			✓	#1

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	DO PASS	DO NOT PASS	No REC	AMEND
<i>[Signature]</i>			✓	
<i>[Signature]</i>			✓	
<i>[Signature]</i>				
COCHAIR: <i>Gary Wilkin</i>	✓			
COCHAIR: <i>Lynne Green</i>	✓			

MAY 1 2005

SENATE FINANCE
COMMITTEE

FISCAL NOTE

STATE OF ALASKA
2005 LEGISLATIVE SESSION

Fiscal Note Number: 1
Bill Version: SB 156
(S) Publish Date: 4/19/05

Revision Date/Time (Note if correction): _____ Dept. Affected: EED
Title An Act relating to notification to RDU Teaching & Learning Support
teachers of layoff or nonretention Component Student & School Achievement
Sponsor Sen. Ben Stevens
Requester _____ Component No. 2796

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
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 ()						
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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 (FY2005) cost: 0.0
Mark this box (X) if funding for this bill is included in the Governor's FY 2006 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

The department has identified no costs related to this bill.

Prepared by: Barbara Thompson, Director Phone 465-8727
Division Teaching & Learning Support Date/Time 4/13/05 8:29 AM
Approved by: _____ Date 04/18/2005
Agency _____

Senator Ben Stevens
Senate President



Sponsor Statement

Senate Bill 156 – An Act relating to notification to teachers of layoff or non-retention

Current Alaska law requires school districts to notify tenured teachers of non-retention for the following school year by March 16 and non-tenured teachers on or before the last day of the school term.

SB 156 would amend AS 14.20.140 to align non-retention notification for tenured teachers with non-tenured teachers.

The majority of school districts do not know the total funds available to retain teachers on March 16. By providing a deadline of the end of the school term, districts will know the funds available and avoid the instability created by current statute.

This change will provide more stability for school districts and teachers alike.

Your support is greatly appreciated.

Senator Ben Stevens
State Capitol
Juneau, Alaska 99801
907-465-4993
Fax: 907-465-3872

Senator Ben Stevens
Senate President



Sec. 14.20.140 Notification of lay off or nonretention.

(a) If a teacher who has acquired tenure rights is to be laid off under AS 14.20.177 or is not to be retained for the following school year, the employer shall notify the teacher of the layoff or nonretention by writing, delivered before March 16, or by registered mail postmarked before March 16.

(b) If a teacher who has not acquired tenure rights is to be laid off under AS 14.20.177 or is not to be retained for the following school year the employer shall notify the teacher of the layoff or nonretention by writing delivered on or before the last day of the school term or by registered mail postmarked on or before the last day of the school term.

(c) Notwithstanding a teacher's right to continued employment under AS 39.20.500 - 39.20.550, a school district may notify a teacher of layoff or nonretention under this section for the following school year for a permissible reason.

Senator Ben. Stevens
State Capitol
Juneau, Alaska 99801
907-465-4993
Fax: 907-465-3872

1-10-91

**SENATE COMMITTEE REPORT
First Committee of Referral**

DATE: 3/29/05

FURTHER: Finance

Date of 5-Day Notice: 4/14/05
(in accordance with Uniform Rule 23)

DATE TURNED
IN TO OFFICE: 4.18.05

Health, Education and Social Services Committee considered SENATE BILL NO. 156

SB 156 LAYOFF/NONRETENTION OF TEACHERS

"An Act relating to notification to teachers of layoff or nonretention."

and recommends:

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

CS Senate Bill:
<input type="checkbox"/> Same Title
<input type="checkbox"/> New Title
SCS House Bill:
<input type="checkbox"/> Same Title
<input type="checkbox"/> Technical Title Change
<input type="checkbox"/> New Title w/ SCR # _____

NEW FISCAL NOTE(S):

Department	Date	Fiscal	Indet.	Zero	FN#
EEC	4/18			X	1

PREVIOUS FISCAL NOTE(S):

Department	Date	Fiscal	Indet.	Zero	FN#

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:		DO PASS	DO NOT PASS	NO REC	AMEND
Willen	<i>Gary Wilken</i>	✓			
Elton	<i>[Signature]</i>			✓	
Green	<i>Lyle Green</i>	✓			
Dyson	CHAIR: <i>Paul Dyson</i>	✓			

SB

157

HFIN

FILE

FISCAL NOTE

STATE OF ALASKA
2006 LEGISLATIVE SESSION

Fiscal Note Number: _____
Bill Version: HCS CSSB 157 ()
() Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: Commerce
Title Reg. Cost Charges: Utilities/Pipelines RDU Regulatory Commission of Alaska
Component Regulatory Commission of Alaska
Sponsor Rules by Request of the Governor
Requester House Finance Committee Component No. 2417

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Personal Services						
Travel						
Contractual	1,500.0					
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	1,500.0	0.0	0.0	0.0	0.0	0.0

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						
1141 RCA Receipts	1,500.0					
TOTAL	1,500.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2006) cost: 0.0

Mark this box (X) if funding for this bill is included in the Governor's FY 2006 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

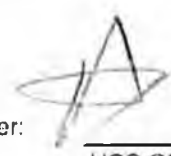
ANALYSIS: (Attach a separate page if necessary)

The committee substitute provides for a one year increase in the Regulatory Cost Charge (RCC) revenues to fund the purchase and implementation of data systems that will allow each of the 198 utilities, 21 pipeline companies, 100 power cost equalization (PCE) participants, and provisionally certificated water utilities in Alaska to access a password-secured, web-based portal through which all of their RCA business (tariffs, cost of power, rate cases, PCE filings, annual filings, and docket filings) could be transacted electronically. The projected increase in the RCC will increase utility costs for consumers by approximately \$1.00 (one dollar) per year, per regulated service, for the one year. The estimate of additional RCC revenues is based on actual 2005 RCA RCC revenues.

Prepared by: House Finance Committee
Division: _____
Approved by: Representative Meyer
Representative Chenault

Phone 465-4945
Date/Time 03/16/05 2:06 p.m.
Date _____

FISCAL NOTE



STATE OF ALASKA
2006 LEGISLATIVE SESSION

Fiscal Note Number: _____
Bill Version: HCS CSSB 157 ()
() Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: Commerce
Title Reg. Cost Charges: Utilities/Pipelines RDU Regulatory Commission of Alaska
Component Regulatory Commission of Alaska
Sponsor Rules by Request of the Governor
Requester House Finance Committee Component No. 2417

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Personal Services						
Travel						
Contractual	1,500.0					
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	1,500.0	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						
1007 GF/Mental Health						
1102 Aides Receipts	1,500.0					
TOTAL	1,500.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2006) cost: 0.0
Mark this box (X) if funding for this bill is included in the Governor's FY 2006 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)
The committee substitute provides for a one year increase in the Regulatory Cost Charge (RCC) revenues to fund the purchase and implementation of data systems that will allow each of the 198 utilities, 21 pipeline companies, 100 power cost equalization (PCE) participants, and provisionally certificated water utilities in Alaska to access a password-secured, web-based portal through which all of their RCA business (tariffs, cost of power, rate cases, PCE filings, annual filings, and docket filings) could be transacted electronically. The projected increase in the RCC will increase utility costs for consumers by approximately \$1.00 (one dollar) per year, per regulated service, for the one year. The estimate of additional RCC revenues is based on actual 2005 RCA RCC revenues.

Prepared by: House Finance Committee Phone 465-4945
Division _____ Date/Time 03/15/06 7:13 p.m.
Approved by: Representative Meyer Date _____
Representative Chenault

THE
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DOCUMENT(S)
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COPIES



DEPARTMENT OF
COMMERCE
COMMUNITY AND
ECONOMIC DEVELOPMENT
Regulatory Commission of Alaska

Frank H. Markowski, Governor
William C. Noll, Commissioner

Kate Giard, Chairman

March 13, 2006

The Honorable Kevin Meyer
House of Representatives
Alaska State Capitol, Room 515
Juneau, Alaska 99801-1182

Dear Representative Meyer:

On March 31, 2005, Senate Bill 157 was introduced by the Senate Rules committee on behalf of the Governor. The bill was heard in and passed from both the Senate Labor & Commerce committee and the Senate Finance committee, and passed from the Senate to the House. On January 11, 2006, SB 157 was referred to House Finance.

SB 157 provides for an increase in RCC revenues to fund the purchase and implementation of data systems that will allow each of the 129 regulated utilities and 21 regulated pipeline companies access to a secure web-based RCA portal through which all of their day-to-day regulated business transactions (tariffs, cost of power, rate cases, PCE filings, annual filings and docket filings) could be performed electronically.

The project was evaluated by a utility user committee, presented at a public hearing and public meetings by the RCA. All testimony by utilities and pipeline companies indicated strong support for the effort as a cost reduction measure for the regulated entity. SB 157 will increase utility costs for consumers by approximately \$1.00 (one dollar) per year, per regulated service.

The Senate version of the bill is supported by the Administration.

I respectfully request that you schedule CSSB 157 (FIN) for hearing in House Finance and urge favorable action on this bill.

I will be happy to meet with you and other members of the committee to provide any further information you may require. Thank you for considering our request.

Sincerely,

REGULATORY COMMISSION OF ALASKA

Kate Giard
Chairman

3-16-2006

Ted Mondinski

AT&T ALASCOM COMMENTS BEFORE THE HOUSE FINANCE COMMITTEE IN SUPPORT OF SB 157

Good afternoon, my name is William Saupe and I am with the Anchorage law firm of Ashburn & Mason. I have practiced law before the RCA and its predecessor, the APUC, since 1985. I am here today on behalf of AT&T Alascom, which strongly supports SB 157.

AT&T Alascom believes that the proposed \$3 million increase in the Regulatory Cost Charge is the most reasonable means of raising the funds necessary to upgrade the RCA's computer systems. Our understanding is that the additional funds would be administered by a users' committee, made up of a broad spectrum of utility industry and public interest representatives, whose job will be to acquire and implement new and substantially improved computer systems that will allow for (1) electronic submission of all filings made at the Commission, (2) improved internal tracking of open dockets, and (3) creation of a searchable data base of all documents on file at the Commission.

From AT&T Alascom's perspective, these would all be major improvements that would greatly improve the agency's efficiency and enhance the consistency and quality of its orders. Just as important, it would save utilities substantial amounts of time, effort and money, by making filing and research easier and less time consuming.

AT&T Alascom would like to see this project undertaken as soon as possible and all at the same time, if possible. It is concerned that if it is broken down into pieces or implemented in stages, there is a risk that momentum will be lost and perhaps even a risk that the various upgrades will not be properly coordinated.

For these reasons, AT&T Alascom urges you to pass SB 157 and to insure that the RCC increase is sufficient to fund the entire project that the user committee has developed.

Thank you.

March 16, 2006

Page 1 of 1

ASHBURN & MASON
LAWYERS
1130 WAT SIXTH AVENUE, SUITE 100
ANCHORAGE, ALASKA 99501-5914
TEL 907.276.4331 • FAX 907.277.8235

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24-GS1138U
Wayne
3/8/06

HOUSE CS FOR CS FOR SENATE BILL NO. 157()
IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-FOURTH LEGISLATURE - SECOND SESSION

BY

Offered:
Referred:

Sponsor(s): SENATE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to the maximum annual regulatory cost charge collected from certain
2 regulated public utilities and pipeline carriers and to public utility liability associated
3 with operating certain transmission lines under a Regulatory Commission of Alaska
4 order for joint use and interconnection; and providing for an effective date."

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

6 * Section 1. AS 42.05.254(a) is amended to read:

7 (a) A regulated public utility operating in the state shall pay to the commission
8 an annual regulatory cost charge in an amount not to exceed the maximum percentage
9 of adjusted gross revenue that applies to the utility sector of which the utility is a part.
10 The regulatory cost charges that the commission expects to collect from all regulated
11 utilities may not exceed the sum of the following percentages of the total adjusted
12 gross revenue of all regulated public utilities derived from operations in the state: (1)
13 not more than .9 [.7] percent to fund the operations of the commission, and (2) not
14 more than .17 percent to fund operations of the public advocacy function under

1 AS 42.04.070(c) and AS 44.23.020(e) within the Department of Law. An exempt
2 utility shall pay the actual cost of services provided to it by the commission.

3 * Sec. 2. AS 42.05.254(a) is amended to read:

4 (a) A regulated public utility operating in the state shall pay to the commission
5 an annual regulatory cost charge in an amount not to exceed the maximum percentage
6 of adjusted gross revenue that applies to the utility section of which the utility is a part.
7 The regulatory cost charges that the commission expects to collect from all regulated
8 utilities may not exceed the sum of the following percentages of the total adjusted
9 gross revenue of all regulated public utilities derived from operations in the state: (1)
10 not more than .7 [.9] percent to fund the operations of the commission, and (2) not
11 more than .17 percent to fund operations of the public advocacy function under
12 AS 42.04.070(c) and AS 44.23.020(e) within the Department of Law. An exempt
13 utility shall pay the actual cost of services provided to it by the commission.

14 * Sec. 3. AS 42.05.311 is amended by adding a new subsection to read:

15 (d) A public utility that is ordered by the commission to provide joint use and
16 interconnection of a transmission line associated with the continued operation of a
17 transmission line owned by the Alaska Energy Authority is not liable for any damages
18 to the extent that those damages are caused by the operation of a transmission line by
19 the public utility under a commission order requiring the operation of a transmission
20 line at a voltage that

21 (1) exceeds the original design standards of the transmission line; or

22 (2) violates the applicable standards of the National Electrical Safety

23 Code.

24 * Sec. 4. AS 42.06.286(a) is amended to read:

25 (a) A pipeline carrier operating in the state shall pay to the commission an
26 annual regulatory cost charge in an amount not to exceed the sum of the following
27 percentages of gross revenue derived from operations in the state: (1) not more than .9
28 [.7] percent to fund the operations of the commission, and (2) not more than .17
29 percent to fund operations of the public advocacy function under AS 42.04.070(c) and
30 AS 44.23.020(e) within the Department of Law. A regulatory cost charge may not be
31 assessed on pipeline carrier operations unless the operations are within the jurisdiction

1 of the commission.

2 * Sec. 5. AS 42.06.286(a) is amended to read:

3 (a) A pipeline carrier operating in the state shall pay to the commission an
4 annual regulatory cost charge in an amount not to exceed the sum of the following
5 percentages of gross revenue derived from operations in the state: (1) not more than .7
6 [.9] percent to fund the operations of the commission, and (2) not more than .17
7 percent to fund operations of the public advocacy function under AS 42.04.070(c) and
8 AS 44.23.020(e) within the Department of Law. A regulatory cost charge may not be
9 assessed on pipeline carrier operations unless the operations are within the jurisdiction
10 of the commission.

11 * Sec. 6. The uncoded law of the State of Alaska is amended by adding a new section to
12 read:

13 **RETROACTIVITY.** The provisions of ~~AS 42.05.311(d)~~ enacted by sec. 3 of this Act
14 apply retroactively to any claim based on damages caused by the operation of a transmission
15 line operated under an order of the commission as described in that subsection that is dated on
16 or after December 1, 2004.

17 * Sec. 7. Sections 1 and 4 of this Act take effect July 1, 2006.

18 * Sec. 8. Sections 2 and 5 of this Act take effect July 1, 2007.

19 * Sec. 9. Sections 3 and 6 of this Act take effect immediately under AS 01.10.070(c).

SB

157

SFIN

FILE

SENATE FINANCE COMMITTEE REPORT

REPORTED OUT
MAY 6 2005
SENATE FINANCE COMMITTEE

DATE: 4/15/05

FURTHER:

DATE TURNED
IN TO OFFICE: 6 May 2005

Finance Committee considered

SENATE BILL NO. 157

SB 157 REG. COST CHARGES: UTILITIES/PIPELINES

"An Act relating to the maximum annual regulatory cost charge collected from certain regulated public utilities and pipeline carriers; and providing for an effective date."

and recommends:

- be replaced with _____ CS SB 157 (FIN)
- adopt previous _____ CS _____ (_____)
- attached amendment(s)
- adopt Letter of Intent by _____ Committee
- further referral to _____ Committee

CS Senate Bill:	
<input type="checkbox"/>	Same Title
<input checked="" type="checkbox"/>	New Title
SCS House Bill:	
<input type="checkbox"/>	Same Title
<input type="checkbox"/>	Technical Title Change
<input type="checkbox"/>	New Title w/ SCR # _____

NEW FISCAL NOTE(S):

Department	Date	Fiscal	Ind.	Zero	FN#

PREVIOUS FISCAL NOTE(S):

Department	Date	Fiscal	Ind.	Zero	FN#
DCCED	4/7/05	1,300			#2

APPROPRIATION - no fiscal note

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

MAY 6 2005

SENATE FINANCE
COMMITTEE

FISCAL NOTE

STATE OF ALASKA
2005 LEGISLATIVE SESSION

Fiscal Note Number: 2
Bill Version: SB 157
(S) Publish Date: 4/15/05

Revision Date: Corrected 4/7/05 Dept. Affected: Commerce
Title: Regulatory Cost Charges: RDU Regulatory Commission of Alaska (399)
Utilities and Pipelines Component Regulatory Commission of Alaska
Sponsor: Rules by Request of the Governor
Requester: Senate Labor & Commerce Component No. 2417

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Personal Services						
Travel						
Contractual	1,300.0	1,300.0	1,300.0			
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	1,300.0	1,300.0	1,300.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES (1141)	1,300.0	1,300.0	1,300.0			
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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						
1141 RCA Receipts	1,300.0	1,300.0	1,300.0			
TOTAL	1,300.0	1,300.0	1,300.0	0.0	0.0	0.0

Estimate of any current year (FY2005) cost: 0.0
Mark this box (X) if funding for this bill is included in the Governor's FY 2006 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

This statutory revision allows for a three year increase in the Regulatory Cost Charge (RCC) rate from .007 to .009 to fund several initiatives that will improve the agency's ability to mitigate regulatory lag, reduce utilities' filing costs and increase transparency in agency activities. It is anticipated that this legislation will increase utility costs by approximately 6 cents per month or 72 cents per year, per regulated utility service. If a consumer uses three regulated services, (generally telephone, gas and electric) the approximate cumulative impact would be \$2.16 per year or \$6.48 for the three year period.

Prepared by: Kate Giard, Chair Phone 907 276 6222
Division: Regulatory Commission of Alaska Date/Time 4/7/05 10:53 AM
Approved by: Edgar Blatchford, Commissioner Date 4/7/2005
Agency: Commerce, Community, and Economic Development



Alaska State Senate

Senate Finance Committee

Official Business

Mail Stop 3100
State Capitol
Juneau, Alaska 99801-1182

FAX COVER SHEET

DATE: 6 May 2005 TIME: 4:45pm

TO: Legal Services

NUMBER OF PAGES, INCLUDING COVER SHEET: 1

FROM: MINDY ROWLAND
SENATE FINANCE COMMITTEE SECRETARY
PHONE: 465-4935
FAX: 465-2187

NOTES: Final Please

CS SB 157 (FIN) 24-GS1138/4

Crater 5/6/05

no changes

The

Mundy

Adopted 5/6/05 pm

WORK DRAFT

WORK DRAFT

WORK DRAFT

24-GS1138Y
Craver
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CS FOR SENATE BILL NO. 157(FIN)
IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-FOURTH LEGISLATURE - FIRST SESSION

BY THE SENATE FINANCE COMMITTEE

Offered:
Referred:

Sponsor(s): SENATE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

A BILL
FOR AN ACT ENTITLED

1 "An Act relating to the maximum annual regulatory cost charge collected from certain
2 regulated public utilities and pipeline carriers and to public utility liability associated
3 with operating certain transmission lines under a Regulatory Commission of Alaska
4 order for joint use and interconnection; and providing for an effective date."

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9 of adjusted gross revenue that applies to the utility sector of which the utility is a part.
10 The regulatory cost charges that the commission expects to collect from all regulated
11 utilities may not exceed the sum of the following percentages of the total adjusted
12 gross revenue of all regulated public utilities derived from operations in the state: (1)
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2 utility shall pay the actual cost of services provided to it by the commission.

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15 (d) A public utility that is ordered by the commission to provide joint use and
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17 transmission line owned by the Alaska Energy Authority is not liable for any damages
18 to the extent that those damages are caused by the operation of a transmission line by
19 the public utility under a commission order requiring the operation of a transmission
20 line at a voltage that

21 (1) exceeds the original design standards of the transmission line; or

22 (2) violates the applicable standards of the National Electrical Safety

23 Code.

24 * **Sec. 4.** AS 42.06.286(a) is amended to read:

25 (a) A pipeline carrier operating in the state shall pay to the commission an
26 annual regulatory cost charge in an amount not to exceed the sum of the following
27 percentages of gross revenue derived from operations in the state: (1) not more than .9
28 [.7] percent to fund the operations of the commission, and (2) not more than .17
29 percent to fund operations of the public advocacy function under AS 42.04.070(c) and
30 AS 44.23.020(e) within the Department of Law. A regulatory cost charge may not be
31 assessed on pipeline carrier operations unless the operations are within the jurisdiction

1 of the commission.

2 * Sec. 5. AS 42.06.286(a) is amended to read:

3 (a) A pipeline carrier operating in the state shall pay to the commission an
4 annual regulatory cost charge in an amount not to exceed the sum of the following
5 percentages of gross revenue derived from operations in the state: (1) not more than .7
6 [.9] percent to fund the operations of the commission, and (2) not more than .17
7 percent to fund operations of the public advocacy function under AS 42.04.070(c) and
8 AS 44.23.020(e) within the Department of Law. A regulatory cost charge may not be
9 assessed on pipeline carrier operations unless the operations are within the jurisdiction
10 of the commission.

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

13 RETROACTIVITY. The provisions of AS 42.05.311(d) enacted by sec. 3 of this Act,
14 apply retroactively to any claim based on damages caused by the operation of a transmission
15 line operated under an order of the commission as described in that subsection that is dated on
16 or after December 1, 2004.

17 * Sec. 7. Sections 1 and 4 of this Act take effect July 1, 2005.

18 * Sec. 8. Sections 2 and 5 of this Act take effect July 1, 2008.

19 * Sec. 9. Section 3 and 6 of this Act take effect immediately under AS 01.10.070(c).

SENATE FINANCE COMMITTEE
5/6/2005 COMMITTEE ACTION

Bill Number	SB 157		
Amendment	CS "4"		
Motion	adopt		
<u>Motion by</u>	Stedman		
<u>Objection by</u>	Green		
Removed			
Second Objection by			
<u>Committee Member</u>	Y	<u>Vote</u>	N
Senator Hoffman			
Senator Olson			
Senator Stedman			
Senator Bunde			
Senator Dyson			
Co-Chair Wilken			
Co-Chair Green			
<u>Tally</u>			
Yea			
Nay			
Absent			
MOTION			

Adopted 5/4/05 am

WORK DRAFT

WORK DRAFT

WORK DRAFT

24-GS1138\F
Craver
5/6/05

CS FOR SENATE BILL NO. 157(FIN)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-FOURTH LEGISLATURE - FIRST SESSION

BY THE SENATE FINANCE COMMITTEE

Offered:

Referred:

Sponsor(s): SENATE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to the maximum annual regulatory cost charge collected from certain
2 regulated public utilities and pipeline carriers and to public utility liability associated
3 with operating certain transmission lines under a Regulatory Commission of Alaska
4 order for joint use and interconnection; and providing for an effective date."

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

6 * Section 1. AS 42.05.254(a) is amended to read:

7 (a) A regulated public utility operating in the state shall pay to the commission
8 an annual regulatory cost charge in an amount not to exceed the maximum percentage
9 of adjusted gross revenue that applies to the utility sector of which the utility is a part.
10 The regulatory cost charges that the commission expects to collect from all regulated
11 utilities may not exceed the sum of the following percentages of the total adjusted
12 gross revenue of all regulated public utilities derived from operations in the state: (1)
13 not more than .9 [.7] percent to fund the operations of the commission, and (2) not
14 more than .17 percent to fund operations of the public advocacy function under

1 AS 42.04.070(c) and AS 44.23.020(e) within the Department of Law. An exempt
2 utility shall pay the actual cost of services provided to it by the commission.

3 * Sec. 2. AS 42.05.254(a) is amended to read:

4 (a) A regulated public utility operating in the state shall pay to the commission
5 an annual regulatory cost charge in an amount not to exceed the maximum percentage
6 of adjusted gross revenue that applies to the utility section of which the utility is a part.
7 The regulatory cost charges that the commission expects to collect from all regulated
8 utilities may not exceed the sum of the following percentages of the total adjusted
9 gross revenue of all regulated public utilities derived from operations in the state: (1)
10 not more than .7 [.9] percent to fund the operations of the commission, and (2) not
11 more than .17 percent to fund operations of the public advocacy function under
12 AS 42.04.070(c) and AS 44.23.020(e) within the Department of Law. An exempt
13 utility shall pay the actual cost of services provided to it by the commission.

14 * Sec. 3. AS 42.05.311 is amended by adding a new subsection to read:

15 (d) A public utility is not liable for any damages caused by the operation of a
16 transmission line if that transmission line is being operated under an order of the
17 commission and the order requires the public utility to

18 (1) grant joint use and interconnection to provide for the continued
19 operation of a transmission line owned by the Alaska Energy Authority; and

20 (2) operate the transmission line at a voltage that is inconsistent with
21 either the original design standards of the transmission line or the applicable standards
22 of the National Electrical Safety Code.

23 * Sec. 4. AS 42.06.286(a) is amended to read:

24 (a) A pipeline carrier operating in the state shall pay to the commission an
25 annual regulatory cost charge in an amount not to exceed the sum of the following
26 percentages of gross revenue derived from operations in the state: (1) not more than .9
27 [.7] percent to fund the operations of the commission, and (2) not more than .17
28 percent to fund operations of the public advocacy function under AS 42.04.070(c) and
29 AS 44.23.020(e) within the Department of Law. A regulatory cost charge may not be
30 assessed on pipeline carrier operations unless the operations are within the jurisdiction
31 of the commission.

1 * Sec. 5. AS 42.06.286(a) is amended to read:

2 (a) A pipeline carrier operating in the state shall pay to the commission an
3 annual regulatory cost charge in an amount not to exceed the sum of the following
4 percentages of gross revenue derived from operations in the state: (1) not more than .7
5 [.9] percent to fund the operations of the commission, and (2) not more than .17
6 percent to fund operations of the public advocacy function under AS 42.04.070(c) and
7 AS 44.23.020(e) within the Department of Law. A regulatory cost charge may not be
8 assessed on pipeline carrier operations unless the operations are within the jurisdiction
9 of the commission.

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

12 RETROACTIVITY. The provisions of AS 42.05.311(d) enacted by sec. 3 of this Act,
13 apply retroactively to any claim based on damages caused by the operation of a transmission
14 line operated under an order of the commission as described in that subsection that is dated on
15 or after December 1, 2004.

16 * Sec. 7. Sections 1 and 4 of this Act take effect July 1, 2005.

17 * Sec. 8. Sections 2 and 5 of this Act take effect July 1, 2008.

18 * Sec. 9. Section 3 and 6 of this Act take effect immediately under AS 01.10.070(c).

Not distributed.
Not offered

SENATE FINANCE
COMMITTEE
Amendment Number: ~~1~~
Bill Number: SB 157
Sponsor: Green Date: 5/5/05
Logged In By: Mindy 5/5/2005
(4:48 P.M.)

AMENDMENT

OFFERED IN THE SENATE FINANCE
COMMITTEE
TO: SB 157

BY GREEN

1 Page 1, line 2, following "carriers;":

2 Insert "relating to public utility liability associated with operating certain
3 transmission lines under a Regulatory Commission of Alaska order for joint use and
4 interconnection;"

5

6 Page 2, following line 11:

7 Insert a new bill section to read:

8 **** Sec. 3.** AS 42.05.311 is amended by adding a new subsection to read:

9 (d) A public utility ordered to grant joint use and interconnection of a
10 transmission line to provide for the continued operation of a transmission line owned by
11 the Alaska Energy Authority is not liable at law or equity for any injury or damage to a
12 person or property to the extent that the injury or damage to person or property is caused
13 by the operation of the transmission line, under commission order, if the operation either
14 is at a voltage that is inconsistent with the original design standards of the transmission
15 line or constitutes a violation of the applicable standards of the National Electrical Safety
16 Code for such a transmission line."

17

18 Renumber the following bill sections accordingly.

19

20 Page 2, following line 29:

21 Insert new bill sections to read:

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

3 RETROACTIVITY. The provisions of AS 42.05.311(d), enacted by sec. 3 of this Act,
4 apply retroactively to any order of the Regulatory Commission of Alaska granting joint use and
5 interconnection of a transmission line entered on or after December 1, 2004.

6 * Sec. 7. Sections 3 and 6 of this Act take effect immediately under AS 01.10.070(c)."
7

8 Renumber the following bill sections accordingly.
9

10 Page 2, line 30:

11 Delete "3"

12 Insert "4"

13

14 Page 2, line 31:

15 Delete "4"

16 Insert "5"

STATE OF ALASKA

DEPARTMENT OF COMMERCE
COMMUNITY AND ECONOMIC DEVELOPMENT
REGULATORY COMMISSION OF ALASKA

FRANK H. MURKOWSKI, GOVERNOR

701 WEST EIGHTH AVENUE, SUITE 300
ANCHORAGE, ALASKA 99501-3469
PHONE: (907) 276-6222
FAX: (907) 276-0160
TTY: (907) 276-4533
WEBSITE: www.state.ak.us/rca/

April 19, 2005

The Honorable Lyda Green, Co-Chair
The Honorable Gary Wilken, Co-Chair
Senate Finance Committee
Alaska State Legislature
State Capitol, MS 3100
Juneau, Alaska 99801-1182

APR 21 2005

RE: SB 157 - An Act relating to the maximum annual regulatory cost charge collected from certain regulated public utilities and pipeline carriers; and providing for an effective date

Dear Co-Chair Green and Co-Chair Wilken:

On March 31, 2005, SB 157 (Companion Bill HB 243) was introduced by the Senate House Rules committee on behalf of the Governor and referred to the Senate Labor & Commerce committee. The bill has been heard and moved by the Senate Labor & Commerce committee and is now referred to your committee. The purpose of this legislation is to increase the regulatory cost charge (RCC) rate from 0.7 percent to 0.9 percent for three years to fund efforts to improve the RCA's timeliness, accountability and regulatory transparency.

In July 2004, the Commission initiated a comprehensive effort to understand and respond to concerns about aspects of its regulatory operations. Over the past several years, the Commission has received comment that its decisions took too long, that the cost of regulation was burdensome and that utilities could not track the progress of their cases through the RCA's adjudicatory process. While some of these issues naturally exist within the regulatory paradigm, I strongly believe the process itself is within our control and we can improve it.

In the last few months, the Commission significantly reorganized its structure. We visited with CEOs of utilities and pipelines. We opened our 2005 regulations schedule for public and industry comment, a first, I believe. We also proposed to purchase and implement data systems designed to achieve the results sought by regulated entities including (1) a system to track cases, staff resources and timelines; (2) a system to receive, store and retrieve data filed with the RCA electronically; and (3) a web site allowing citizens and regulated entities to electronically track regulatory matters.



Last winter, the Commission held public meetings, taking testimony from interested parties as to whether an increase in the RCC should be used to fund these data systems. An advisory group volunteered to work with us, reviewing the overall scope of the project and budget. Written and oral testimony from regulated utilities and pipelines supported both implementing the data systems and the RCC funding mechanism.

Regulated entities generally pass the RCC cost to consumers. Having concern for consumer impact, we calculated that this legislation would increase utility costs for consumers by an average of six (6) cents per month, per regulated service. If a consumer uses three regulated services, (generally telephone, gas and electric) the cumulative impact would be \$2.16 per year or \$6.48 for the three years this legislation is in effect.

We respectfully request that you schedule SB 157 for hearing in your committee, and we urge favorable action on this bill. Attached is the related fiscal note describing impact of the increased RCC. I would be pleased to meet with you and committee members, if you wish, to provide any other information you may require.

Thank you for considering this request, which we believe is both in the best interest of and supported by industry.

Sincerely,

REGULATORY COMMISSION OF ALASKA


Kate Giard
Chairman

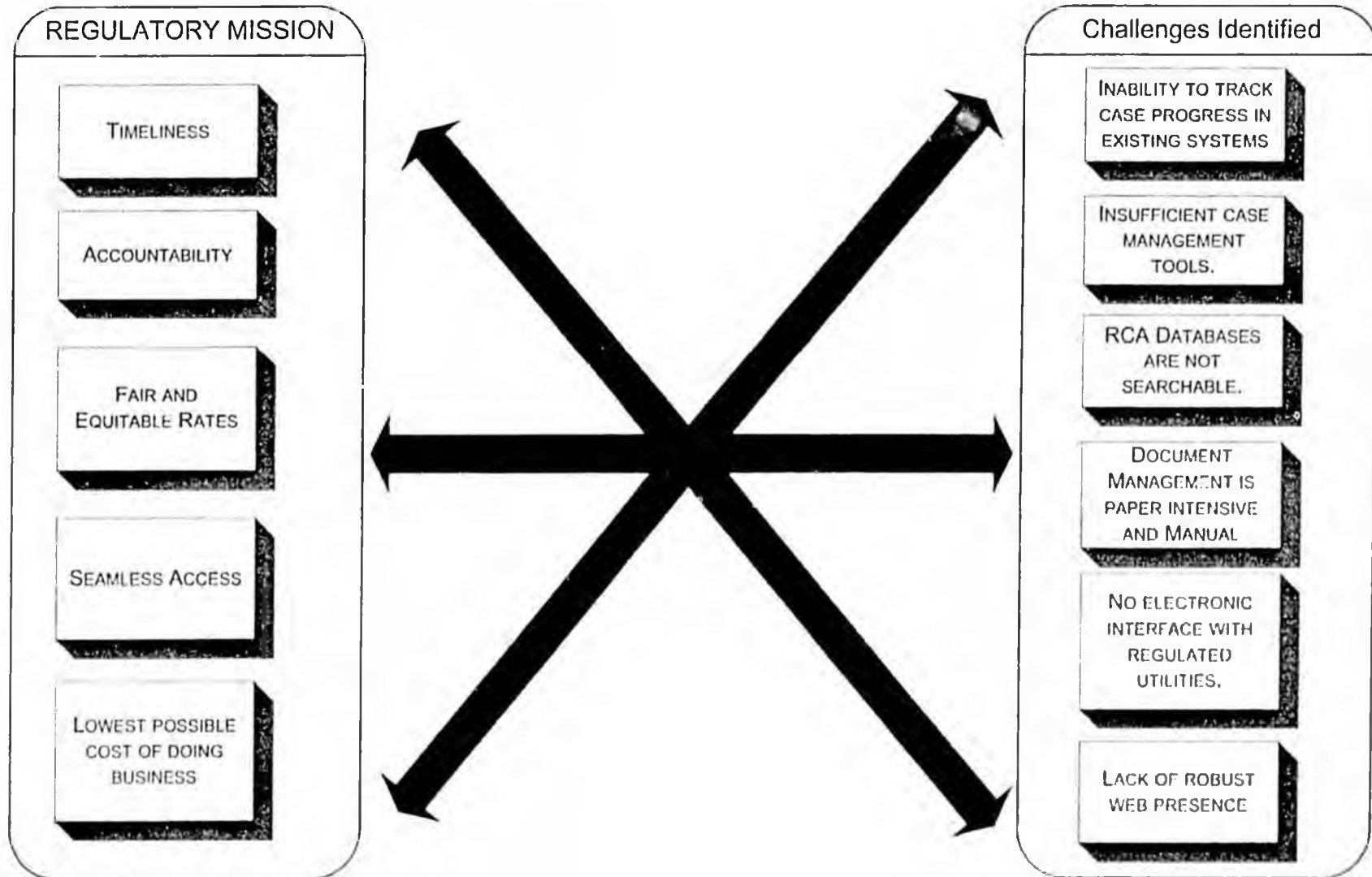
Attachment: SB 157 Fiscal Note

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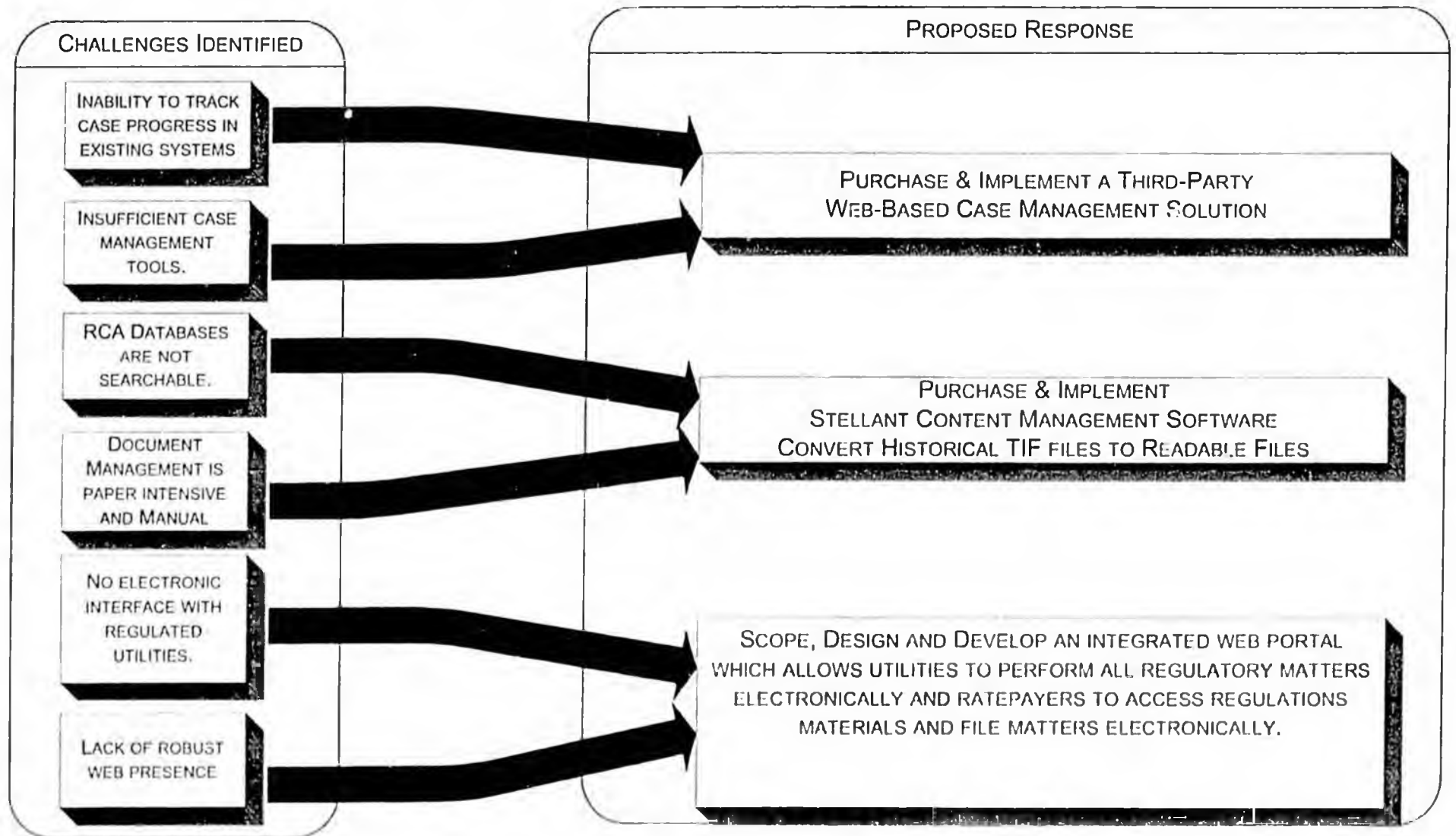
**REGULATORY COMMISSION OF ALASKA
2005 IMPROVEMENT INITIATIVES
STATUTE REVISION: SB 157/HB 243
TEMPORARY RCC FUNDING INCREASE FOR
INFORMATION SYSTEMS
LEGISLATIVE INFORMATION PACKET**

4/25/2005

THE RCA HAS HAD CHALLENGES EFFECTIVELY ACHIEVING ITS REGULATORY MISSION.



→ IN THE FALL, 2004 , THE RCA HELD UTILITY & PIPELINE MEETINGS WITH REGULATED INDUSTRIES AND THEN CREATED THE 2005 IMPROVEMENT INITIATIVE. SHOWN BELOW IS THE IT PORTION OF THE INITIATIVE.



RCA 2005 Improvement Initiative Summary Steps to Improvement

IDENTIFY AREAS OF REGULATIONS WHICH NEED TO BE IMPROVED,
REVISED OR INITIATED PROJECTS TO BE ADDRESSED IN 2005



WORK WITH PIPELINE COMPANIES AND AFFECTED
PARTIES TO IMPROVE PIPELINE REGULATION



PROPOSE IT IMPROVEMENT INITIATIVES AND RCC
FUNDING MECHANISM




INVOLVE REGULATED PIPELINES AND UTILITIES IN
IMPROVEMENT EFFORT


RCA 2005 Improvement Initiative

What will the RCC Increase Do?

ALLOW THE RCA TO PUT SYSTEMS IN PLACE TO TRACK DOCKETS, ALLOW REGULATED UTILITIES GREATER TRANSPARENCY AND LOWER THE COST OF REGULATION THROUGH THE USE OF ELECTRONIC DATA.



THE RCC INCREASE IS TEMPORARY. THIS MONEY DOES NOT GO INTO A CAPITAL FUND, IT GOES INTO OPERATIONS AND IF IT IS NOT SPENT, THEN IT WILL REDUCE THE RCC FOR CONSUMERS IN THE FOLLOWING YEAR.



THIS PROJECT HAS BEEN HEAVILY SUPPORTED BY THE REGULATED UTILITIES AND PIPELINES IN ALASKA, INCLUDING ATA, AT&T, APA, ACS AND BP PIPELINES.



THE OVERALL COST PER CONSUMER IS 72 CENTS PER YEAR, PER REGULATED UTILITY SERVICE.

Ivy Frye

From: Daniel Dieckgraeff [dmdieckg@alaska.net]
Sent: Tuesday, April 26, 2005 2:11 PM
To: Sen. Lyda Green; Sen. Gary Wilken; Sen. Con Bunde; Sen. Fred Dyson; Sen. Bert Stedman; Sen. Lyman Hoffman; Sen. Donny Olson
Cc: Curtis Thayer
Subject: SB 157

Members of the Senate Finance Committee:

ENSTAR Natural Gas Company supports the RCA's initiative to update its information systems and to fund it with the proposed time-limited increase in the Regulatory Cost Charge, as set out in SB 157.

We can see the efficiencies that the proposed systems will bring to the RCA, and to the utilities that it regulates. Some of the advantages include the tracking of cases and costs, the ability to research precedents, and the making of information available faster and easier. As a result, ratepayers will save and get better regulation.

We ask the Committee to pass SB 157.

Thank you,

Daniel M. Dieckgraeff
Treasurer
Manager, Finance and Rates
ENSTAR Natural Gas Company
3000 Spenard Road
Anchorage, Alaska 99503
907 264-3661

ENSTAR Natural Gas Company provides natural gas service to over 119,000 customers in South Central Alaska, including 11,000 on the Kenai Peninsula and 20,000 in the Mat-Su.

<!--[if !supportLists]-->

SB157



FRANK H. MURKOWSKI
GOVERNOR
GOVERNOR@GOV.STATE.AK.US

P.O. Box 110001
JUNEAU, ALASKA 99811-0001
(907) 465-3500
FAX (907) 465-3532
WWW.GOV.STATE.AK.US

STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

March 30, 2005

The Honorable Ben Stevens
President of the Senate
Alaska State Legislature
State Capitol, Room 111
Juneau, AK 99801-1182

Dear President Stevens:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill relating to the calculation of the annual regulatory cost charge for public utilities and pipeline carriers within the jurisdiction of the Regulatory Commission of Alaska (RCA).

Currently, the operations of the RCA are financed through a regulatory cost charge collected from regulated public utilities and pipeline carriers in accordance with AS 42.05.254 and AS 42.06.286, which, under existing statute, may not exceed .7 percent of the total adjusted gross revenue applicable to the regulated public utility and pipeline carrier sectors. The bill would increase that percentage to .9 percent for the fiscal years beginning July 1, 2005, July 1, 2006, and July 1, 2007, to finance certain information system improvements within the RCA. The improvements include the implementation of a case management system, a time management system, and an interactive RCA website that would allow regulated entities to electronically file forms and pleadings on-line.

Because it is anticipated that the information system improvements will result in lower operating costs for the RCA, the bill would then reduce that .9 percent maximum regulatory cost charge to the previous .7 percent level for the fiscal year beginning July 1, 2008, and for subsequent fiscal years. This bill would not change the existing maximum for the portion of the regulatory cost charge that finances operations of the public advocacy function under AS 42.04.070(c) and AS 44.23.020(e) within the Department of Law.

I urge your prompt and favorable action on this measure.

Sincerely yours,

A handwritten signature in cursive script that reads "Frank H. Murkowski".

Frank H. Murkowski
Governor

Enclosure

COMMITTEE COPY

SENATE COMMITTEE REPORT
First Committee of Referral

DATE: 3/31/05

FURTHER: Finance

Date of 5-Day Notice: 4/7/05
 (in accordance with Uniform Rule 23)

DATE TURNED
 IN TO OFFICE: 4/14/05

Labor and Commerce Committee considered SENATE BILL NO. 157

SB 157 REG. COST CHARGES: UTILITIES/PIPELINES

"An Act relating to the maximum annual regulatory cost charge collected from certain regulated public utilities and pipeline carriers; 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

CS Senate Bill:

- Same Title
- New Title

SCS House Bill:

- Same Title
- Technical Title Change
- New Title w/ SCR # _____

NEW FISCAL NOTE(S):

Department	Date	Fiscal	Indet.	Zero	FN#
D CED	4/7/05	✓			2

PREVIOUS FISCAL NOTE(S):

Department	Date	Fiscal	Indet.	Zero	FN#

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:

	Do PASS	Do NOT PASS	NO REC	AMEND
Davis <i>Betty E. Davis</i>	✓			
Ellis <i>Ellis</i>			✓	
B. Stearns <i>Ben Stearns</i>	✓			
CHAIR: <i>C. Bunde</i>	✓			

Bunde

SB

158

HFIN

FILE



April 26, 2005

Honorable Representative Mike Chenault
House Finance Committee
State Capitol, Room 505
Juneau, Alaska 99801

RE: SB158

Dear Representative Chenault,

Over the last couple of years, municipalities have lost Revenue Sharing, Safe Communities money, Capital Matching Grants, and reimbursement for Senior/Veteran's Property Tax Exemptions. The only current revenue stream available is taxes. Taxes are a local provision; therefore the Alaska Municipal League and the 142 communities we represent, believe that taxing decisions should be left to local communities.

If a community (such as Nome) wishes to tax subcontractors who are not contracted by the state and that decision negatively affects that community, then it should be up to local voters to change those ordinances and/or elect new officials. We believe it should not be up to the State to preempt local taxing authority.

The sponsor of this bill cites the need for taxing consistency. However, local taxing is not consistent throughout the state in property tax, sales tax, bed tax, raw fish tax, or any other tax. Communities impose taxes that meet with the approval of their residents and meet community needs. We are concerned that a desire for consistency will next be targeted towards other forms of local taxation.

The State of Alaska does not pay tax on their property held in any Alaskan community (including Nome). However, Nome and all other communities, provide services equal to those services provided to all other property tax payers such as road maintenance, ambulance and fire. PILT payments are received by the federal government for federal property, but the state has not taken part in PILT payments to communities for state property.

In Senate Finance, a comment was made, with regards to this bill, that it appeared that communities were attempting to "bite the hand that feeds you."

- Incoming "wealth" to the state is no longer shared or "fed" to communities by the state.

- Most DOT airport money is federally funded by FAA (as much as 93%). This money comes to the State to fund projects such as the Nome airport and costs associated.
- The \$20,000 paid by the subcontractor was based on a bill that exceeded \$400,000.
- This bill does NOT prevent escalating costs (as stated in the Fact Sheet). Escalating costs are prevented by a careful bid selection process practiced by the State. Taxes go up or down relative to the cost of the project; they are not arbitrary.

The bill summary states that the bill's intention is to "prohibit the imposition of municipal sales and use tax on a construction contract awarded by the state or a state agency, or on a subcontract awarded in connection with the project funded under the construction contract." This is misleading, as no communities impose a sales or use tax on a construction contract awarded by the state. This issue is ONLY about subcontract workers that have been hired by the contractor.

We thank you for the opportunity to comment on this bill.

Sincerely,

Kathie Wasserman
Alaska Municipal League
Policy and Program Coordinator

cc: Representative Kevin Meyer
Representative Bill Stoltze
Representative Richard Foster
Representative Mike Hawker
Representative Jim Holm
Representative Mike Kelly
Representative Eric Croft
Representative Reggie Joule
Representative Carl Moses

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Mayor
Denise Michols
Manager
Randy Romenesko
Clerk/Treasurer
Leslee Wenzel



Nome Common Council
Stan Andersen
Mary Knodel
Randy Pomeranz
Jon Larson
John Bockman
Mary Bourdon

102 Division St. • P.O. Box 281
Nome, Alaska 99762
(907) 443-8863
Fax (907) 443-5349

Public testimony regarding Senate Bill No. 158 "An act prohibiting the imposition of municipal sales and use taxes on state construction contracts and certain subcontracts; and providing for an effective date."

The City of Nome is opposed to SB 158. The bill is punitive and unfairly restricts local control. The bill diminishes the existing statutory authority of local governments to raise needed revenues through the levy of taxes.

Municipal sales tax codes and exemptions have been refined and tailored to meet individual community needs. A municipality needs control over sales and property tax as they are the principle source of local government revenue. This tax is established by the residents of a community for local needs.

The State has already burdened local communities with unfunded mandates. The mandatory state property tax exemptions, such as the senior citizen/disabled veteran property tax exemption, are not funded by the state according to Alaska Statutes. The State Property Tax Exemption shifts the cost of protecting and serving state facilities to local taxpayers. 40% of all property in Nome is exempted by State Statutes. Yet these properties receive service from our police, ambulance, fire departments. These properties have snow removed and roads repaired by City public works. The tenants of these facilities use the locally taxpayer funded libraries and recreation centers. This lost revenue must be made up by the local community, here in Nome it is through a sales tax.

When a contractor works in a community like Nome on a state or federal job, they utilize municipal services every day. Our ambulance treats and transports their injured workers, our police arrest their law breakers, they drive on city streets and use city facilities - all at no cost as proposed by SB 158. The municipality supports the contractor as it provides their services to the state of Alaska yet it expects to not pay in kind for the services it receives.

Sales tax is only applied in some communities throughout the state. This is a community choice. The "rules of engagement" differ in every community for a myriad of reasons. Contractors and residents doing business and living in a community need to be responsible and perform due diligence when working in the different communities within the state. There is no legal reason for consistent application of sales tax within the state. This is a power invested with a municipality by State Statutes.

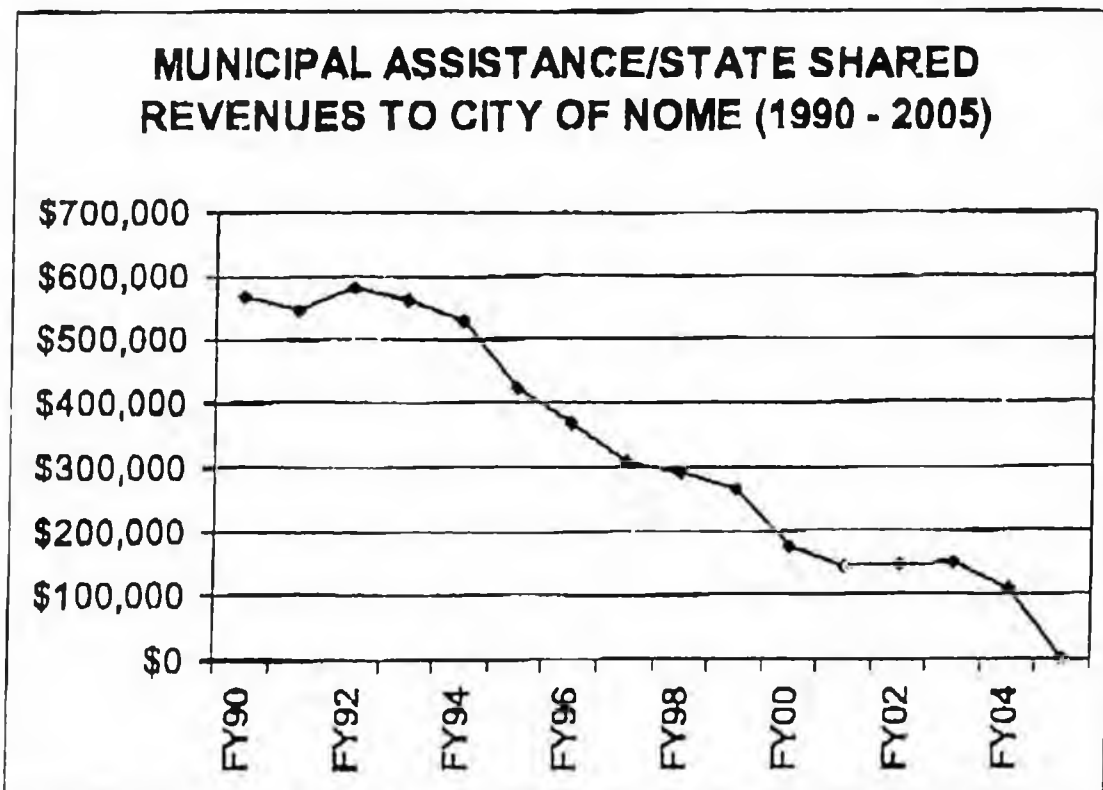
SB 158 Testimony

City of Nome

April 29, 2005

The State of Alaska takes portions of Department of Education grants for overhead, Department of Transportation pass-through grants for administration, imposes fees for landfill, air and water permits. The State continues to take funds from municipalities while cutting state shared revenue/municipal assistance.

Over the past 10 years Nome has seen a reduction of about \$500,000, the equivalent of 2.7 mills to property owners or 1% in sales tax. This revenue source shortfall has to be made up to cover ever rising insurance costs, retirement costs, fuel (gasoline and diesel fuel are at almost \$3.00/gallon) and electricity costs.



Sales tax is a local issue controlled by the locally elected officials to meet the needs of the community. SB 158 takes away local control and further cripples a community's ability to survive in today's economy.

I would like to thank the House Labor & Commerce Committee for taking the time to hear the City of Nome's concerns on a bill that will negatively impact the finances of the City.

Respectfully,
City of Nome

Donise Michels
Mayor

SB 158 Testimony

City of Nome

April 29, 2005

Talking Points

Municipal sales tax codes and exemptions have been refined and tailored to meet individual community needs. A municipality needs control over sales and property tax as they are the principle source of local government revenue. This tax is established by the residents of a community for local needs.

When a contractor works in a community like Nome on a state or federal job, they utilize municipal services every day. Our ambulance treats and transports their injured workers, our police arrest their law breakers, they drive on city streets and use city facilities. The municipality supports the contractor as it provides their services to the state of Alaska yet it expects to not pay in kind for the services it receives. Contractors do not pay property taxes that support the local community.

Sales tax is only applied in some communities throughout the state. This is a community choice. The "rules of engagement" differ in every community for a myriad of reasons. Sales taxes range, in the state, from 0 - 6%; communities have special taxes (bed, alcohol, fish, etc.). There is no legal reason for consistent application of sales tax within the state. This is a power invested with a municipality by State Statutes.

The impact to the State coffers is greatly exaggerated. Airport and highway contracts through AkDOT are primarily funded with Federal money (between 90 - 100% Federal). The majority of work by the State is performed in communities with no tax.

Sales tax is a local issue controlled by the locally elected officials to meet the needs of the community. SB 158 takes away local control and further cripples a community's ability to survive in today's economy.



217 Second Street, Suite 200 • Juneau, Alaska 99801
Tel (907) 586-1325 • Fax (907) 463-5480 • www.akml.org

April 26, 2005

Honorable Representative Tom Anderson
House Labor & Commerce Committee
State Capitol, Room 408
Juneau, Alaska 99801

RE: SB158

Dear Representative Anderson,

Over the last couple of years, municipalities have lost Revenue Sharing, Safe Communities money, Capital Matching Grants, and reimbursement for Senior/Veteran's Property Tax Exemptions. The only current revenue stream available is taxes. Taxes are a local provision; therefore the Alaska Municipal League and the 142 communities we represent, believe that taxing decisions should be left to local communities.

If a community (such as Nome) wishes to tax subcontractors who are not contracted by the state and that decision negatively affects that community, then it should be up to local voters to change those ordinances and/or elect new officials. We believe it should not be up to the State to preempt local taxing authority.

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In Senate Finance, a comment was made, with regards to this bill, that it appeared that communities were attempting to "bite the hand that feeds you."

- Incoming "wealth" to the state is no longer shared or "fed" to communities by the state.

- Most DOT airport money is federally funded by FAA (as much as 93%). This money comes to the State to fund projects such as the Nome airport and costs associated.
- The \$20,000 p by the subcontractor was based on a bill that exceeded \$400,
- This bill does NOT prevent escalating costs (as stated in the Fact Sheet). Escalating costs are prevented by a careful bid selection process practiced by the State. Taxes go up or down relative to the cost of the project; they are not arbitrary.

The bill summary states that the bill's intention is to "prohibit the imposition of municipal sales and use tax on a construction contract awarded by the state or a state agency, or on a subcontract awarded in connection with the project funded under the construction contract." This is misleading, as no communities impose a sales or use tax on a construction contract awarded by the state. This issue is ONLY about subcontract workers that have been hired by the contractor.

We thank you for the opportunity to comment on this bill.

Sincerely,

Kathie Wasserman
Alaska Municipal League
Policy and Program Coordinator

cc: Representative Pete Kott
Representative Gabrielle L. Doux
Representative Bob Lynn
Representative Norm Rokeberg
Representative Harry Crawford
Representative David Guttenberg

ALASKA STATE LEGISLATURE

Senate District H
600 E. Railroad Avenue
Wasilla AK 99654
907-376-4866
907-373-4724 – Fax
Senator_Charlie_Huggins@legis.state.ak.us



State Capitol, Room 417
Juneau AK 99801-1182
907-465-3878
Fax: 907-465-3265
800-862-3878
www.akRepublicans.org/huggins/

Charlie Huggins Senator

4/3/05

Sponsor Statement

SB 158 – “An Act prohibiting the imposition of municipal sales and use taxes on state construction contracts and certain subcontracts; and providing for an effective date.”

During the course of business in the last couple of years, subcontractors in the construction industry, who work in some areas of the state, have experienced negative financial impact due to the imposition of local sales taxes on state DOT/PF funded projects.

In the case of a construction contract being awarded and a primary contractor doing business with the state, the state is the purchaser of those services and, as such, the legal incidence for the tax falls on the state. Based on the state's sovereign immunity and the fact that the state is immune from taxation no tax is owed.

However, when a subcontract is awarded and a primary contractor hires another contractor to do work for him, the subcontractor is not working directly for the state, but for the original contractor, and in some cases a sales tax has been levied on the value of the subcontract.

In one instance, on a Nome Airport Project, a construction contract was awarded to Quality Asphalt Paving (QAP). QAP and Dimond Electric entered into a subcontract directly in connection with the project funded under the construction contract. Dimond Electric was assessed a sales tax of over \$20,000 on the value of their subcontract. This tax was unexpected and not considered in their bid.

The state cannot afford to have an increase in the cost of construction projects due to the levying of sales taxes on state construction contracts or subcontracts directly awarded in connection with the project funded under the construction contract. While all municipalities do not assess this sales tax the policy needs to be consistent statewide.

SB 158 will prohibit the imposition of municipal sales and use tax on state construction contracts and certain subcontracts and remedy the inequity that exists.

Contact Information – Deborah Grundmann 465-4711

FISCAL NOTE

STATE OF ALASKA
2005 LEGISLATIVE SESSION

Fiscal Note Number: 1
Bill Version: SB 158
(S) Publish Date: 4/7/05

Revision Date/Time (Note if correction): _____ Dept. Affected: Commerce
Title MUNI TAX ON STATE CONSTRUCTION RDU Comm Assist & Ec Dev (405)
CONTRACTS Component Community Advocacy
Sponsor Huggins
Requester Community & Regional Affairs Component No. 2703

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
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 CF						
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 (FY2005) cost: 0.0
Mark this box (X) if funding for this bill is included in the Governor's FY 2006 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

This legislation stipulates that boroughs and cities, both home rule and general law, can not impose a sales or use tax on a construction contract awarded by the state or a state agency, or on a subcontract awarded in connection with the project funded under the construction contract.

It would not create a fiscal impact on the operations of the department.

Prepared by: Michael Black, Director Phone 269-4535
Division Community Advocacy Date/Time 4/6/05 10:28 AM
Approved by: Edgar Blatchford, Commissioner Date 4/6/2005
Agency Commerce, Community, and Economic Development

LEGAL SERVICES

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

(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

MEMORANDUM

April 5, 2005

SUBJECT: Taxation of construction contracts; sectional summary (SB 158)

TO: Senator Charlie Huggins, Chair
Senate Transportation Committee
Attn: Deborah Grundmann

FROM: Tamara Brandt Cook
Director *TBC*

Sec. 1. Adds to the list of statutes that apply as limitations on home rule municipalities (boroughs and unified municipalities) a reference to the new subsection added in bill sec. 3.

Sec. 2. Adds to the list of statutes that apply as limitation on home rule municipalities (cities) a reference to the new subsection added in bill sec. 4.

Sec. 3. Prevents a borough from levying a sales or use tax on state construction contracts or on subcontracts awarded in connection with the state construction project. (For an example of a definition of public construction see AS 36.95.010(3) in the State Procurement Code.)

Sec. 4. Prevents a city from levying a sales or use tax on state construction contracts or on subcontracts awarded in connection with the state construction project.

Sec. 5. Immediate effective date.

TBC:jad
05-193.jad



Alaska State Legislature

Senate Majority Web: www.akrepublicans.org

Sponsor: Senator Charlie Huggins
Current Version: SB 158
Contact: Deborah Grundmann, 465-4711

Fact Sheet for: Senate Bill 158

Short Title: MUNI TAX ON STATE CONSTRUCTION CONTRACTS

Summary:

- Prohibits the imposition of municipal sales and use tax on a construction contract awarded by the state or a state agency, or on a subcontract awarded in connection with the project funded under the construction contract.

Benefits:

- Prevents escalating costs for construction contracts and subcontracts that are awarded directly in connection with a project.
- Makes the local tax policy regarding contractors and subcontractors on state construction projects consistent throughout the state.

Background:

- Municipalities in some areas of the state impose a local sales or use tax on projects funded through the State. Because of sovereign immunity, the State owes no taxes, but in some cases a sales tax has been levied on subcontractors who are working for the contractor and not directly for the state. On one Nome airport project, a construction contract was awarded to Quality Asphalt Paving (QAP). QAP subcontracted with Dimond Electric, and Dimond was assessed a sales tax of more than \$20,000, which had not been factored into the bid.



Alaska State Legislature Senate Majority News

Jeff Turner, Senate Majority Press Secretary
Room 413, State Capitol Building
Juneau, AK 99801
Phone: 907.465.3803

Web Site: <http://www.akrepublicans.org>

FOR IMMEDIATE RELEASE: April 8, 2005 CONTACT: Jeff Turner, Press Secretary: 907.465.3803

Sen. Huggins Introduces Legislation to Protect State Funded Construction Projects

SB 158 Blocks Imposition of Local Sales Tax on Construction Jobs

(Juneau) – Sen. Charlie Huggins (R – Rural Mat-Su/Chugiak) is pushing legislation to conserve the state's capital construction budget by shielding subcontractors working on state funded projects from paying local sales taxes.

The legislation was crafted after Sen. Huggins learned that a subcontractor was slapped with a \$20,000 dollar sales tax by a local government for work it performed on the Nome Airport Project.

The subcontractor was hired directly for project's main contractor, not the state, which was used as justification by the local government to impose the sales tax. That tax was not anticipated in the original bid and was eventually paid by the subcontractor.

Most local governments don't charge a sales tax on subcontractors working on state funded construction jobs. "This legislation closes the loophole in state law so that never happens again and it means our scarce capital construction dollars are used for what they were intended for," said Sen. Huggins.

SB 158 will block the imposition of municipal sales and use tax on state construction contracts and certain subcontracts. It has been referred to the Senate Community and Regional Affairs and Finance Committees.

###

Fifty Years Serving Alaska



NECA

ALASKA CHAPTER
1953-2003

May 15, 2003

Commissioner Mike Barton
Alaska Dept. of Transportation
and Public Facilities
3152 Channel Dr.
Juneau, AK 99801-7898

Re: City of Nome Sales Tax

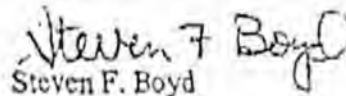
Dear Commissioner Barton:

I am writing to you regarding an issue one of our member contractors is facing in Nome, Alaska as a result of their status as a subcontractor to Quality Asphalt Paving on the Nome Airport R/W 27 Rehabilitation & Obstruction Removal, #AIP 3-02-0199-1201/60905. The City of Nome has taken action to assess and collect a sales tax on the value of the subcontract of Dimond Electric and in fact other subcontractors as well. Dimond Electric has unsuccessfully tried to reason with the City of Nome that not only is this not a retail sale, but the project is owned by the State of Alaska which does not pay sales tax on its purchases. Unfortunately, the City has indicated that they will be filing a lawsuit to collect the tax they have estimated as due and Dimond is faced with an expensive legal defense.

The reason we bring this to your attention is in the hope that your department may be able to investigate this and possibly intervene. If the City of Nome prevails in this action, the State will eventually be facing higher construction costs in every community with a local sales tax as word of this practice spreads. In the instant case, several subcontractors who bid the work as they normally do will suffer unexpected and substantial costs that they will not be able to recover.

If you need further information please feel free to contact me at 907 561-1958 or Dave Lentz with Dimond Electric at 907 344-1121.

Sincerely,
Alaska Chapter, NECA


Steven F. Boyd



November 13, 2004

Senator John Cowdery
Alaska State Senate
716 W. 4th Ste. 500
Anchorage, AK 99501

Dear Senator Cowdery:

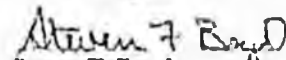
Congratulations on your recent reelection to the State Senate. Our contractor members look forward to another four years of your experience and leadership in the State Senate.

During the course of business in the last two years, subcontractors in the construction industry who work in some rural areas have experienced negative financial impact due to the imposition of local sales taxes on State D.O.T. funded projects. In our efforts to mitigate this impact, our research has shown that while the General Contracting entity is not subject to local sales tax due to their direct relationship with the State D.O.T. (which is exempt from local sales tax), the subcontractors who have a relationship to the General Contractor have been ruled to be subject to the local sales tax. Efforts on the local level, the legal system and pleas to the State D.O.T. have been fruitless. We are therefore requesting a meeting with you to provide you with the information we have and a request to pursue legislative remedy to this inequity.

I would like to suggest a meeting on the morning of November 23rd if possible since one of our out of town members who has done considerable work on this issue will be in town and available. Obviously we realize you probably have a busy schedule and we will work with you and your staff to set something up.

Thank you for your consideration.

Sincerely,
Alaska Chapter, NECA


Steven F. Boyd
Chapter Manager

CC: Scott Bringmann, Alcan Electrical & Engineering
David Lantz, Dimond Electric Co.
Ralph Kibby, Chatham Electric

712 West 36th Avenue • Anchorage, Alaska 99503
(907) 561-1958 • Fax (907) 561-8633

SB

158

SFIN

FILE

SENATE FINANCE COMMITTEE REPORT

REPORTED OUT
 APR 15 2005
 SENATE FINANCE
 COMMITTEE

DATE: 4/7/05

FURTHER:

DATE TURNED
IN TO OFFICE: 4/15/05

Finance Committee considered SENATE BILL NO. 158

SB 158 MUNI TAX ON STATE CONSTRUCTION CONTRACTS

"An Act prohibiting the imposition of municipal sales and use taxes on state construction contracts and certain subcontracts; 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

CS Senate Bill:
 Same Title
 New Title

SCS House Bill:
 Same Title
 Technical Title Change
 New Title w/ SCR # _____

NEW FISCAL NOTE(S):

Department	Date	Fiscal	Ind.	Zero	FN#

PREVIOUS FISCAL NOTE(S):

Department	Date	Fiscal	Ind.	Zero	FN#
DCCED	4/6/05			✓	1

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	DO PASS	DO NOT PASS	NO REC	AMEND
<i>George P. Kelly</i>	✓	✓		
<i>Paul Ryan</i>	✓			
<i>Bob Johnson</i>	✓			
COCHAIR: <i>Gary Wilkin</i>	✓			
COCHAIR: <i>Lyle Green</i>	✓			

APR 15 2005

SENATE FINANCE
COMMITTEE

FISCAL NOTE

STATE OF ALASKA
2005 LEGISLATIVE SESSION

Fiscal Note Number: 1
Bill Version: SB 158
(S) Publish Date: 4/7/05

Revision Date/Time (Note if correction): _____ Dept. Affected: Commerce
Title: MUNI TAX ON STATE CONSTRUCTION RDU: Comm Assist & Ec Dev (405)
CONTRACTS Component: Community Advocacy
Sponsor: Huggins
Requester: Community & Regional Affairs Component No: 2703

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Personal Services						
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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 ()						
-------------------------------	--	--	--	--	--	--

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 (FY2005) cost: 0.0

Mark this box (X) if funding for this bill is included in the Governor's FY 2006 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

This legislation stipulates that boroughs and cities, both home rule and general law, can not impose a sales or use tax on a construction contract awarded by the state or a state agency, or on a subcontract awarded in connection with the project funded under the construction contract.

It would not create a fiscal impact on the operations of the department

Prepared by: Michael Black, Director Phone: 259-4535
Division: Community Advocacy Date/Time: 4/6/05 10:28 AM
Approved by: Edgar Blatchford, Commissioner Date: 4/6/2005
Agency: Commerce, Community, and Economic Development

ALASKA STATE LEGISLATURE

Senate District H
600 E. Railroad Avenue
Wasilla AK 99654
907-376-4866
907-373-4724 – Fax
Senator_Charlie_Huggins@legis.state.ak.us



State Capitol, Room 417
Juneau AK 99801-1182
907-465-3878
Fax: 907-465-3265
800-862-3878
www.akrepublicans.org/huggins/

Charlie Huggins Senator

4/3/05

Sponsor Statement

SB 158 – “An Act prohibiting the imposition of municipal sales and use taxes on state construction contracts and certain subcontracts; and providing for an effective date.”

During the course of business in the last couple of years, subcontractors in the construction industry, who work in some areas of the state, have experienced negative financial impact due to the imposition of local sales taxes on state DOT/PF funded projects.

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However, when a subcontract is awarded and a primary contractor hires another contractor to do work for him, the subcontractor is not working directly for the state, but for the original contractor, and in some cases a sales tax has been levied on the value of the subcontract.

In one instance, on a Nome Airport Project, a construction contract was awarded to Quality Asphalt Paving (QAP). QAP and Dimond Electric entered into a subcontract directly in connection with the project funded under the construction contract. Dimond Electric was assessed a sales tax of over \$20,000 on the value of their subcontract. This tax was unexpected and not considered in their bid.

The state cannot afford to have an increase in the cost of construction projects due to the levying of sales taxes on state construction contracts or subcontracts directly awarded in connection with the project funded under the construction contract. While all municipalities do not assess this sales tax the policy needs to be consistent statewide.

SB 158 will prohibit the imposition of municipal sales and use tax on state construction contracts and certain subcontracts and remedy the inequity that exists.

Contact Information – Deborah Grundmann 465-4711

LEGAL SERVICES

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

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

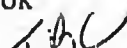
State Capitol
Juneau, Alaska 99801-1182
Deliveries to: 129 6th St., Rm. 329

MEMORANDUM

April 5, 2005

SUBJECT: Taxation of construction contracts; sectional summary (SB 158)

TO: Senator Charlie Huggins, Chair
Senate Transportation Committee
Attn: Deborah Grundmann

FROM: Tamara Brandt Cook
Director 

Sec. 1. Adds to the list of statutes that apply as limitations on home rule municipalities (boroughs and unified municipalities) a reference to the new subsection added in bill sec. 3.

Sec. 2. Adds to the list of statutes that apply as limitation on home rule municipalities (cities) a reference to the new subsection added in bill sec. 4.

Sec. 3. Prevents a borough from levying a sales or use tax on state construction contracts or on subcontracts awarded in connection with the state construction project. (For an example of a definition of public construction see AS 36.95.010(3) in the State Procurement Code.)

Sec. 4. Prevents a city from levying a sales or use tax on state construction contracts or on subcontracts awarded in connection with the state construction project.

Sec. 5. Immediate effective date.

TBC:jad
05-193.jad



Alaska State Legislature

Senate Majority Web: www.akrepublicans.org

Sponsor: Senator Charlie Huggins
Current Version: SB 158
Contact: Deborah Grundmann, 465-4711

Fact Sheet for: Senate Bill 158

Short Title: MUN! TAX ON STATE CONSTRUCTION CONTRACTS

Summary:

- Prohibits the imposition of municipal sales and use tax on a construction contract awarded by the state or a state agency, or on a subcontract awarded in connection with the project funded under the construction contract.

Benefits:

- Prevents escalating costs for construction contracts and subcontracts that are awarded directly in connection with a project.
- Makes the local tax policy regarding contractors and subcontractors on state construction projects consistent throughout the state.

Background:

- Municipalities in some areas of the state impose a local sales or use tax on projects funded through the State. Because of sovereign immunity, the State owes no taxes, but in some cases a sales tax has been levied on subcontractors who are working for the contractor and not directly for the state. On one Nome airport project, a construction contract was awarded to Quality Asphalt Paving (QAP). QAP subcontracted with Dimond Electric, and Dimond was assessed a sales tax of more than \$20,000, which had not been factored into the bid.

THE
FOLLOWING
DOCUMENT(S)
ARE
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ORIGINAL
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Fifty Years Serving Alaska



NECA

ALASKA CHAPTER
1953-2003

Commissioner Mike Barton
Alaska Dept. of Transportation
and Public Facilities
3132 Channel Dr.
Juneau, AK 99801-7898

May 15, 2003

Re: City of Nome Sales Tax

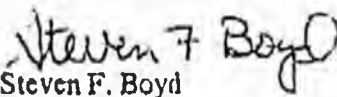
Dear Commissioner Barton:

I am writing to you regarding an issue one of our member contractors is facing in Nome, Alaska as a result of their status as a subcontractor to Quality Asphalt Paving on the Nome Airport R/W 27 Rehabilitation & Obstruction Removal, #AIP 3-02-0199-1201/60905. The City of Nome has taken action to assess and collect a sales tax on the value of the subcontract of Dimond Electric and in fact other subcontractors as well. Dimond Electric has unsuccessfully tried to reason with the City of Nome that not only is this not a retail sale, but the project is owned by the State of Alaska which does not pay sales tax on its purchases. Unfortunately, the City has indicated that they will be filing a lawsuit to collect the tax they have estimated as due and Dimond is faced with an expensive legal defense.

The reason we bring this to your attention is in the hope that your department may be able to investigate this and possibly intervene. If the City of Nome prevails in this action, the State will eventually be facing higher construction costs in every community with a local sales tax as word of this practice spreads. In the instant case, several subcontractors who bid the work as they normally do will suffer unexpected and substantial costs that they will not be able to recover.

If you need further information please feel free to contact me at 907 561-1958 or Dave Lantz with Dimond Electric at 907 344-1121.

Sincerely,
Alaska Chapter, NECA


Steven F. Boyd



November 13, 2004

Senator John Cowdery
Alaska State Senate
716 W. 4th, Ste. 500
Anchorage, AK 99501

Dear Senator Cowdery:

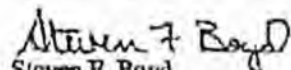
Congratulations on your recent reelection to the State Senate. Our contractor members look forward to another four years of your experience and leadership in the State Senate.

During the course of business in the last two years, subcontractors in the construction industry who work in some rural areas have experienced negative financial impact due to the imposition of local sales taxes on State D.O.T. funded projects. In our efforts to mitigate this impact, our research has shown that while the General Contracting entity is not subject to local sales tax due to their direct relationship with the State D.O.T. (which is exempt from local sales tax), the subcontractors who have a relationship to the General Contractor have been ruled to be subject to the local sales tax. Efforts on the local level, the legal system and pleas to the State D.O.T. have been fruitless. We are therefore requesting a meeting with you to provide you with the information we have and a request to pursue legislative remedy to this inequity.

I would like to suggest a meeting on the morning of November 23rd if possible since one of our out of town members who has done considerable work on this issue will be in town and available. Obviously we realize you probably have a busy schedule and we will work with you and your staff to set something up.

Thank you for your consideration.

Sincerely,
Alaska Chapter, NECA


Steven F. Boyd
Chapter Manager

CC: Scott Bringmann, Alcan Electrical & Engineering
David Lantz, Dimond Electric Co.
Ralph Kibby, Chatham Electric

ALASKA STATE LEGISLATURE

Senate District H
600 E. Railroad Avenue
Wasilla AK 99654
907-376-4866
907-373-4724 – Fax
Senator_Charlie_Huggins@legis.state.ak.us



State Capitol, Room 417
Juneau AK 99801-1182
907-465-3878
Fax: 907-465-3265
800-862-3878
www.akrepublicans.org/huggins/

Charlie Huggins
Senator

4/13/05
4/13/05
SFIN

TESTIMONY

Thank you Madam Chair and members of the committee.

For the record my name is Deborah Grundmann staff to Senator Charlie Huggins.

SB 158 – “An Act prohibiting the imposition of municipal sales and use taxes on state construction contracts and certain subcontracts; and providing for an effective date.”

During the course of business in the last couple of years, subcontractors in the construction industry, who work in some areas of the state, have experienced negative financial impact due to the imposition of local sales taxes on state DOT/PF funded projects.

These taxes have been assessed on the value of the subcontract – we are not talking about the

- 1.) purchase of incidental materials,
- 2.) renting of equipment,
- 3.) purchasing food or lodging –

Those items would be taxed. Again, we are talking about the construction contract or subcontract.

- 1.) The State cannot afford to have an increase in the cost of construction projects due to the levying of sales taxes on state construction contracts and subcontracts awarded directly in connection with the project funded under the construction contract.

- 2.) While all municipalities do not assess this sales tax, and many municipalities DO have tax caps - the policy needs to be consistent statewide.

Example

In one instance, on a Nome Airport Project, a construction contract was awarded to Quality Asphalt Paving (QAP). QAP and Dimond Electric entered into a subcontract directly in connection with the project funded under the construction contract. Dimond Electric was assessed a sales tax of over \$20,000 on the value of their subcontract. This tax was unexpected and not considered in their bid.

SB 158 will prohibit the imposition of municipal sales and use tax on state construction contracts and certain subcontracts and remedy the inequity that exists.

Association of E.C. 30 members & representative of another 40 contributing employers

Who we is Dave Lantz w/ Diamond Electric, member of association and subcontractor impacted by the local sales tax

We feel that the scope of State projects logically binds the subcontractors to the general contractor and therefore subcontract values should be exempt from local taxes.

Bids on projects are generally solicited from G.C. for a total product including subcontractor work and the coordination of their work thereof. Subcontractors can therefore only work for the State via this "conduit" established by the State and the Gen Contractor and language that binds the subcontractor to the State is much like the G.C. is bound to the State.

~~This concept has been~~

It has come to our attention that subcontractors have been charged local sales taxes and in particular the City of Nome assessed Diamond Electric, Alaska Industrial (6100) Insulation and Fireproofing, Night Sun Services, Northland Tiles Arctic Striping and Turmeric Construction on an airport project in Nome, while Air Tels from Seldotera was assessed tax^{of (1500)} by the City of Sand Point on an airport project.

This is not just an electrical contractor issue, but one that impacts any subcontractor. For example a painting contractor

22,000
2,000
24,000

Neg. financial impact to State. For example a tax of \$20,000 assessed on a subcontractor would probably result in a mark-up of for discussion sake of 10%, or \$22,000 included in the bid to the G.C. which perhaps marks-up the value of the subcontract by 10%, so the State would see \$24,200 increase in project cost.

As an industry association it is our goal to create a consistent and equitable practice state wide so everyone knows the rules. This is why we are here today after evaluating the steps the contractor took in seeking relief. We feel clarification of the statute would be in the best interest of the State and our industry.

Mayor
Denise Michels

Manager
Randy Romenesko

Clerk/Treasurer
Leslee Wessel



Nome Common Council

Stan Andersen
Mary Knodel
Randy Pomeranz
Jon Larson
John Bockman
Mary Bourdon

102 Division St. • P.O. Box 281
Nome, Alaska 99762
(907) 443-6663
Fax (907) 443-5349

Public testimony regarding Senate Bill No. 158 "An act prohibiting the imposition of municipal sales and use taxes on state construction contracts and certain subcontracts; and providing for an effective date."

The City of Nome is opposed to SB 158. The bill is punitive and unfairly restricts local control. The bill diminishes the existing statutory authority of local governments to raise needed revenues through the levy of taxes.

Municipal sales tax codes and exemptions have been refined and tailored to meet individual community needs. A municipality needs control over sales and property tax as they are the principle source of local government revenue. This tax is established by the residents of a community for local needs.

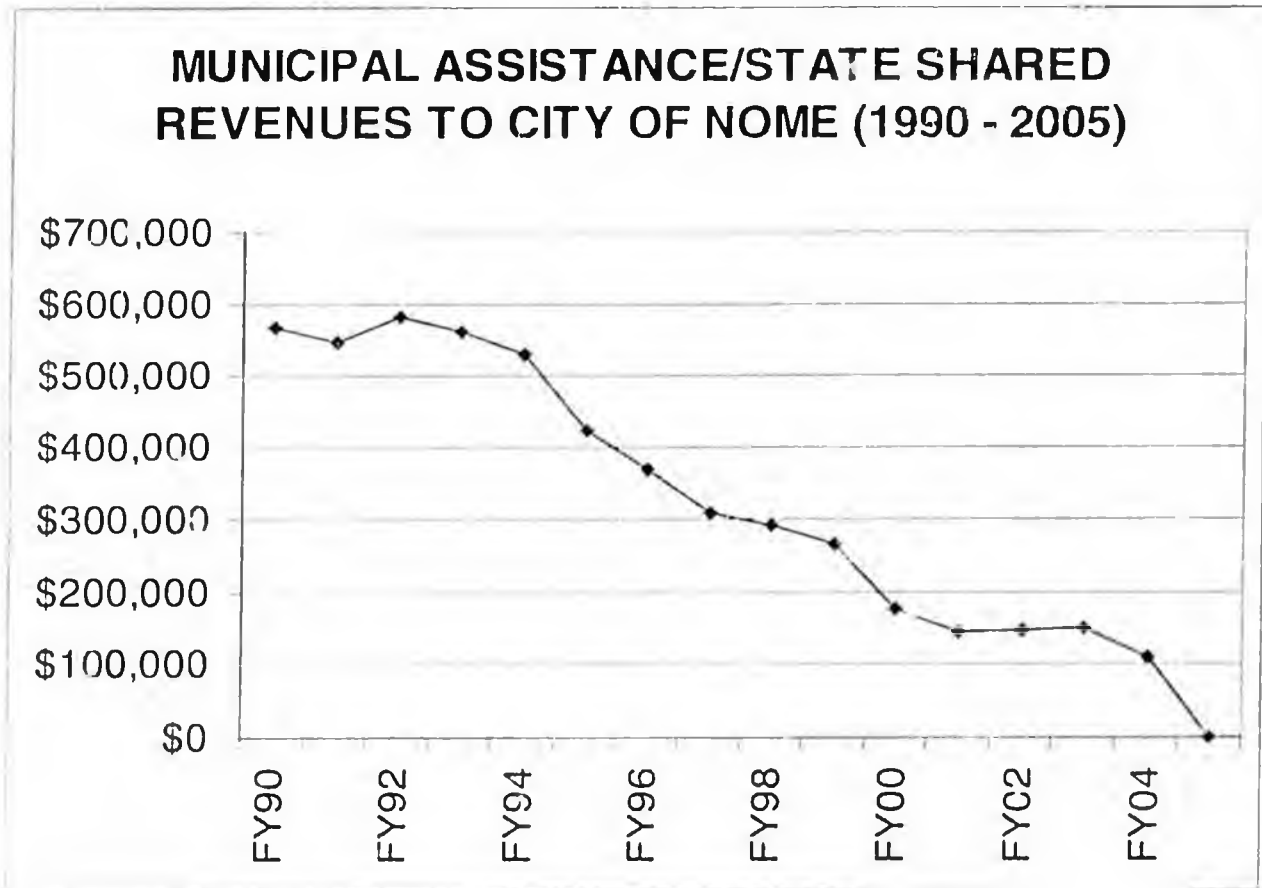
The State has already burdened local communities with unfunded mandates. The mandatory state property tax exemptions, such as the senior citizen/disabled veteran property tax exemption, are not funded by the state according to Alaska Statutes. The State Property Tax Exemption shifts the cost of protecting and serving state facilities to local taxpayers. 40% of all property in Nome is exempted by State Statutes. Yet these properties receive service from our police, ambulance, fire departments. These properties have snow removed and roads repaired by City public works. The tenants of these facilities use the locally taxpayer funded libraries and recreation centers. This lost revenue must be made up by the local community, here in Nome it is through a sales tax.

When a contractor works in a community like Nome on a state or federal job, they utilize municipal services every day. Our ambulance treats and transports their injured workers, our police arrest their law breakers, they drive on city streets and use city facilities – all at no cost as proposed by SB 158. The municipality supports the contractor as it provides their services to the state of Alaska yet it expects to not pay in kind for the services it receives.

Sales tax is only applied in some communities throughout the state. This is a community choice. The "rules of engagement" differ in every community for a myriad of reasons. Contractors and residents doing business and living in a community need to be responsible and perform due diligence when working in the different communities within the state. There is no legal reason for consistent application of sales tax within the state. This is a power invested with a municipality by State Statutes.

The State of Alaska takes portions of Department of Education grants for overhead, Department of Transportation pass-through grants for administration, imposes fees for landfill, air and water permits. The State continues to take funds from municipalities while cutting state shared revenue/municipal assistance.

Over the past 10 years Nome has seen a reduction of about \$500,000, the equivalent of 2.7 mills to property owners or 1% in sales tax. This revenue source shortfall has to be made up to cover ever rising insurance costs, retirement costs, fuel (gasoline and diesel fuel are at almost \$3.00/gallon) and electricity costs.



Sales tax is a local issue controlled by the locally elected officials to meet the needs of the community. SB 158 takes away local control and further cripples a community's ability to survive in today's economy.

I would like to thank the Senate Finance Committee for taking the time to hear the City of Nome's concerns on a bill that will negatively impact the finances of the City.

Respectfully,
City of Nome

Denise Michels
Denise Michels
Mayor

**SENATE COMMITTEE REPORT
First Committee of Referral**

DATE: 4/1/05

FURTHER: Finance

Date of 5-Day Notice: 3/31/05
(in accordance with Uniform Rule 23)

DATE TURNED
IN TO OFFICE: 4/6/05

Community and Regional Affairs Committee considered SENATE BILL NO. 158

SB 158 MUNI TAX ON STATE CONSTRUCTION CONTRACTS

"An Act prohibiting the imposition of municipal sales and use taxes on state construction contracts and certain subcontracts; 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

CS Senate Bill:
<input type="checkbox"/> Same Title
<input type="checkbox"/> New Title
SCS House Bill:
<input type="checkbox"/> Same Title
<input type="checkbox"/> Technical Title Change
<input type="checkbox"/> New Title w/ SCR # _____

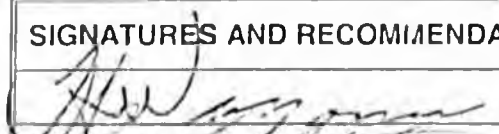


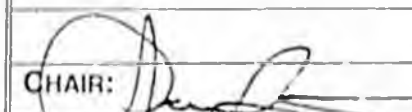
NEW FISCAL NOTE(S):

Department	Date	Fiscal	Indet.	Zero	FN#
DCCED	4/1/05			✓	1

PREVIOUS FISCAL NOTE(S):

Department	Date	Fiscal	Indet.	Zero	FN#

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	DO PASS	DO NOT PASS	NO REC	AMEND
 WAGNER			✓	
 STEDMAN	✓			
 KOOKESH			✓	
CHAIR:  G. STEVENS	X			