



Strengthening Alaska Municipalities Through Advocacy & Education

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Legislative Information

The purpose of this newsletter is to help each and every one of you keep up with the legislation that could potentially have a positive or negative impact on your municipality. If you have any questions about any bills, please call us at the AML office. If you hear about legislation that we have missed, please let us know. Sometimes, with the huge flurry of issues, we might miss something.

Legislative Committee Meeting Schedule

The following list of committee meetings address issues and bills important to Municipalities for the upcoming week. For a complete list of bills visit the [BASIS](#) website. Most of the meetings are teleconferenced. It is best to go through your local LIO office to testify:

None scheduled as of Friday afternoon. Please watch BASIS often for scheduled hearings effecting municipalities. We will try and get the information on committee hearings as they "appear" on the schedule.

As the Legislature has made the decision about two weeks ago to only address budget bills, there is again not much on the schedule. The bills being discussed, are those that will impact the budget in some way such as taxation, permanent fund, operating budget, etc. Here is where things stand in OUR world, however.

The Revenue Sharing fund currently has a balance of \$114 million. As disbursement is based on a third of that fund, \$38 million is slated to be split between all municipalities. The Governor's budget has a deposit of \$35 million going into the fund, bringing it up to \$150 million, of which a third would be \$50 million. The House budget removed the Governor's \$35 million. We are fairly certain (don't EVER ask us how we know these things.....we would have to do away with you), that Senate Finance will be submitting a bill that would lower Revenue Sharing even more (perhaps \$30 million), but would keep it sustainable for a while at \$30 million. Otherwise, the fund goes down to about \$75 million next year, which allows us to split about \$25 million. So, now we are waiting for that bill to appear. This bill would apparently "tweak" the per capita amounts that are in the Revenue Sharing formula and raise the base pay.

This would put more strain on the larger communities, as the intent is to keep the smaller communities whole.

The other issue in front of us is PERS and the 22% rate of salary which we agreed upon with the Legislature back in 2008 via statute. Since that time, we were “given” an additional 9 years of payments, totaling \$2.5 billion, due to actions in Senate Finance in 2014. We also are still fighting the termination study issue AND the below-the-floor issue. Now, the word on the hill (as of visits all day yesterday) is that a rate increase IS coming. Why? Because the State doesn’t have enough money.

We will be watching and waiting for that legislation to go public and when it does, we will be in a very healthy fight for municipalities. Stay tuned and please be ready to jump into action when needed.

I want to thank those of you that wrote letters or called in to offer testimony. YOU ROCK!!!!

Bills on the Move

* introduced this week

[HB 115](#) – An Act relating to the sovereignty of the state and the state’s right to a credit or setoff for amounts or injuries inequitably or unlawfully caused or claimed by the federal government; requiring the United States to lift certain land orders and federal withdrawals; relating to the transfer of public land or interests in public land from the federal government to the state and to the disposal of that land or any interest in land; and providing for an effective date.

This bill requires that the U.S. transfer title to public lands to Alaska on or before January 1, 2017. This bill assumes there is a breach of good faith since the state is still entitled to and still awaiting the transfer of the remaining 5.5 million acres. Thus far, the State has received patent to about 99.5 million acres. This bill is currently in Senate Judiciary and is not scheduled for a hearing.

[HB 147](#) – An Act relating to the investigation of cruelty to animals complaints; relating to the seizure of animals; relating to the destruction of animals; relating to a bond or security posted for the costs of care for an animal; relating to the inclusion of an animal in a protective order and arrests for violating that protective order; and relating to the ownership of an animal upon divorce or dissolution of marriage.

This bill, for our purposes, intends to amend current statutes to, upon passage, require owners of animals lawfully seized (municipal animal control) to pay for the cost of care while that animal is being held by the government. This will shift the burden from municipal governments or independent shelters and rescue agencies. This bill is currently in House Judiciary where it was heard and held on 02/01/2016. It will be heard again on 02/10/2016 with invited testimony only.

HB 187 – An Act creating the Railbelt Electrical Transmission Authority; and relating to the duties of the Regulatory Commission of Alaska:

This bill was submitted by the Committee On Energy, Labor and Commerce. The intent is to create an Railbelt Energy Authority to develop a plan to manage the electric transmission system of the railbelt area. The members shall be:

6 members representing utilities, with one member from each of the following areas:

Anchorage and Upper Kenai Peninsula area
Fairbanks, Delta Junction, Nenana, Healy, Cantwell areas
Mat-Su, Eagle River and Chugiak areas
Home and Lower Kenai Peninsula areas
Anchorage
Seward

At least one members representing independent power producers in the railbelt;

At least one member representing consumers of the Interior area

At least one member representing consumers of the coastal railbelt area

At least one member representing the renewable energy sector in the railbelt

At least one member who is an employee of the Alaska Energy Authority

This commission will have staff assigned to them.

This bill was heard and held in the House Energy Committee on 01/28/2016 and is scheduled again on 02/02/2016.

HB 220 – An Act relating to fish; and establishing a fisheries enhancement permit:

This bill has been introduced by Rep. Talerico. It creates a new “Fisheries Enhancement Permit.” The activities allowed under this new bill are:

1. Remove fish from water, incubate or fertilize eggs, and place eggs back in water;
2. Enhance habitat and augment nutrients in state water;
3. Create a hatchery subject to AS 16.10.375-16.10.480.

The application would include the applicant’s name; feasibility of the project; COLLABORATION WITH LOCAL STAKEHOLDERS (this is the part of which we need to be cognizant); location for project; species and number of fish to be taken; management plan; applicant’s goals; and a fee of \$100.

Before DF&G can issue a permit, they need to determine that the project will restore or introduce a fish population in a body of water where subsistence and escapement goals have not been met; that it will result in a public benefit and that it will not introduce a nonindigenous fish species to a body of water.

Municipalities need to be assured that these projects provide ample consultation with municipalities before these permits are issued. The bill was heard on 01/26/2016 in the House Fisheries Committee where it was held. It is not currently on the schedule any time soon.

[HB 227](#) – **An Act relating to medical assistance reform measures relating to administrative appeals of civil penalties for medical assistance providers; relating to the duties of the Department of Health and Social Services; relating to audits and civil penalties for medical assistance providers; relating to medical assistance cost containment measures by the Department of Health and Social Services; relating to medical assistance coverage of clinic and rehabilitative services; and providing for an effective date.**

This is a companion bill to SB 78. It was heard and held in House Health & Social Services on 02/02/2016. It is not currently on the schedule.

[HB 245](#) – **An Act relating to the Alaska permanent fund; relating to appropriations to the dividend fund; relating to income of the Alaska permanent fund; relating to the earnings reserve account; relating to the Alaska permanent fund dividend; making conforming amendments; and providing for an effective date.**

This bill was also submitted by the Governor and is part of the Sustainable Alaska Plan and is a companion bill to SB 128. It was heard and held in House Finance on 02/02/2016. It is not currently on the schedule, again.

[HB 249](#) - **An Act requiring the electronic submission of a tax return or report with the Department of Revenue; relating to the motor fuel tax; and providing for an effective date:**

This bill is a companion bill to SB 132 (see below). This bill was heard and held in House Transportation on 01/28/2016 and again on 02/04/2016. Public testimony will be heard on Saturday, February 6th.

[HB 251](#) – **An Act requiring the electronic submission of a tax return or report with the Department of Revenue; relating to fisheries business tax and fishery resource landing tax; relating to refunds to local governments; and providing for an effective date.**

This bill was submitted by the Governor and is part of the Sustainable Alaska Plan. The bill would increase the tax rates of the fisheries business tax and the fishery resource landing tax. The tax rates covered by these statutes vary from one percent to five percent, depending on the type of fishery. The bill would increase those tax rates by one percent across the board, with the exception of some developing fisheries that are exempt from the increase. Currently, the revenue generated by these taxes is split evenly between the state and the municipalities where the fisheries are located. The bill would exempt this one percent increase from the revenue sharing arrangement, thereby insuring that the entire increase is applied to the general fund. The legislation is expected to generate additional revenue of approximately \$18,000,000 annually. Currently, the costs to the state to regulate commercial fisheries are greater than the amount of general fund revenue generated by these taxes. To increase administrative efficiency for the Department of Revenue and state taxpayers, the bill would require the electronic submission of tax returns with an exemption available upon request.

This bill was heard and held in House Fisheries on 02/02/2016 and will be heard again on 02/11/2016.

[HB 256](#) – An Act making appropriations for the operating and loan program expenses of state government and for certain programs, capitalizing funds, making reappropriations, making supplemental appropriations, and making appropriations under art. IX, sec. 17 (c), constitution of the State of Alaska, from the constitutional budget reserve fund; and providing for an effective date:

This is the Governor's Operating budget. This bill is also part of the Governor's New Sustainable Alaska Plan. The Governor states that this budget will allow for a balanced and long-term sustainable state budget by FY19. This budget includes reductions in state spending for agencies, appropriating language for implementing the Alaska Permanent Fund Protection Act (APFPA) and debt financing for current and future required pension payments.

This years' operating budget is \$4.5 billion in unrestricted general funds. Of that total, \$3.9 billion is for agency operating budgets while the remainder is for debt, retirement, and oil and gas tax credits. The state funding for agencies has a net reduction of \$114 million for FY16. This bill was heard in House Finance on 01/27/2016, 01/28/2016 and 01/29/2016. This bill will be debated ALLLLLLLLLLLLL session. It is scheduled for House Finance again, ALLLLLLLL next week.

[HB 255](#) – An Act making appropriations, including capital appropriations, reappropriations, and other appropriations; making appropriations to capitalize funds; and providing for an effective date:

This is the Governor's proposed Capital budget which totals \$1.3 billion of which \$957 million is federal funds, \$195 million is unrestricted general funds, and \$111 million is other funds. The budget provides minimum capital funding for housing programs, limited energy and school maintenance and construction projects, and matching funds for transportation, water and sewer. This bill was heard in House Finance on 01/27/2016, 01/28/2016 and 01/29/2016. This bill will also be debated all session.

[HB 293](#) – An Act making supplemental appropriations, capital appropriations, and other appropriations; making reappropriations; amending appropriations; repealing appropriations; and providing for an effective date.

For those of you have actually read that above, this bill address APPROPRIATIONS (DUH!). This is the Governor's Supplemental Budget which is created to "fill the gap" between last years' budget and the approval of this years' budget. This bill is in House Finance where it was heard and held on 02/04/2016.

[SB 74](#) – An Act relating to permanent fund dividends; relating to a medical assistance reform program; establishing a personal health savings account program for medical assistance recipients; relating to the duties of the Department of Health and Social Services; and establishing medical assistance demonstration projects; and relating to a study by the Department of Health and Social Services:

This bill has been submitted by the Governor. If you have plenty of times on your hands, read SB 74, 78, HB 256, 257 and 255 (Medicaid and Budget bills). Most of these bills are SOOOOO long and SOOOOO filled with blather, however, I have

attempted to pick out the high spots. They cannot pay one enough money to do this!!! Here is the breakdown for SB 74 which is the Governor's major bill for Medicaid Expansion reform. It would:

- Allow DHSS to enter into a contract for durable medical equipment or specific medical services provided in the Medicaid program;

- Require DHSS to establish a computerized eligibility verification system to verify eligibility and deter waste and fraud;

- Adds new sections establishing civil penalties for false claims for medical assistance;

- Require DHSS to design and implement a Medicaid reform program;

- Require the legislature to approve any new additional groups added to the Medicaid program on or after 03/23/2010;

- Requires DHSS to design and implement a demonstration project to reduce nonurgent use of emergency departments by Medicaid recipients;

- Requires DHSS to annually prepare a report regarding fraud prevention, abuse, prosecution and vulnerabilities in the Medicaid program;

- Requires DHSS to develop managed care or case management projects for individuals enrolled in all Medicaid programs;

- Requires DHSS to conduct a study analyzing the feasibility of privatizing certain services;

- Requires DHSS to amend the state medical plan and apply for waivers in order to implement programs described in the bill and to certify federal approval of specified measures. This bill was heard in Senate Finance on 01/27/2016 and held. It has not yet been rescheduled.

SB 78 – An Act relating to medical assistance reform measures; relating to eligibility for medical assistance coverage; relating to medical assistance cost containment measures by the Department of Health and Social Services; and providing for an effective date:

This is the Governor's bill that attempts to reform Medicaid Expansion. It does many things with regards to the Governor's acceptance of Medicaid Expansion. It first instructs the Department of Health and Social Services to propose legislation to implement a provider tax in January 2016 to help offset the cost of the Medicaid Program. It would also amend state statute to exclude the expansion population from the current Permanent Fund Hold Harmless program. This bill would clarify the minimum number of audits that DHSS should conduct each year, along with instructions that DHSS should minimize duplicative state and federal audits for providers. It would allow DHSS to impose interest penalties on identified overpayments using the post judgement statutory rate. It would allow DHSS to develop provider fines for regulation violations. This bill provides the authority for DHSS to expand Medicaid to adults aged 19-64 who are not caring for dependent children, are not disabled or pregnant and who earn at or below 138% of the federal poverty guidelines. There are other changes that come with bill, as well. This bill was brought up in Senate Finance on 01/27/2016, at which time Senator MacKinnon assigned a special committee to review and address this bill.

[SB 100](#) – An Act relating to the assessment of property for oil and gas exploration, production, and pipeline transportation property tax on a North Slope natural gas project; amending the definition of “taxable property”; adding a definition for “North Slope gas project”; and making conforming amendments.

This bill, submitted by the Governor, addresses the VERY sticky issue of property tax on a North Slope natural gas project. This bill lays out a framework for the assessment of property tax on a North Slope natural gas project once the project begins to transport gas. This tax would be based on the full and true value of the property determined by adjusted original cost and annualized throughput. The definition of a natural gas project for tax purposes would include a gas treatment plant, a gas pipeline, a liquefaction plant and a marine terminal.

There have been years of lawsuits between municipalities, the state and the oil companies over this one issue. This bill has many more weeks of discussion, as it is agreed by all parties that this is a starting place.

This bill was heard and held in the C&RA Committee on 01/28/2016.

[SB 114](#) – An Act relating to the Alaska Permanent Fund Corporation, the earnings of the Alaska permanent fund, and the earnings reserve account; relating to the mental health trust fund; relating to deposits into the dividend fund; and providing for an effective date.

This bill changes where the permanent fund dividends come from and what funds are available for government services. Currently, 30% of all royalties and rents from oil and gas go into the Permanent Fund, and 0.5% goes into the School Trust Fund. This leaves 69.5% of all royalties to go into the General Fund. This bill proposes to revert to the constitutionally mandated 25% of royalties to deposit into the Permanent Fund and to shift the remaining 74.5% to the Dividend Fund. The dividend would then be decoupled from the Permanent Fund, and a guarantee that the Dividend will not fall below \$1,000 would be in place. Instead of royalties, the General Fund would utilize a portion of the Permanent Fund: 5% of the total value of the fund would be deposited into the General Fund. This would result in a net increase of nearly \$2 billion to the General Fund, significantly closing the fiscal gap.

This bill is currently in Senate State Affairs where it will be heard on 02/09/2016.

[SB 128](#) – An Act relating to the Alaska Permanent Fund; relating to appropriations to the dividend fund; relating to income of the Alaska permanent fund; relating to the earnings reserve account; relating to the Alaska permanent fund dividend; making conforming amendments; and providing for an effective date:

This bill has been introduced by the Governor and would create a different financial model for the permanent fund. According to the Governor’s office, these changes would allow for sustainable and stable funding of state services and the protection of the permanent fund. However, in order to accomplish those goals, the State would have to deposit additional state resources (money) into the permanent fund and the earnings reserve account. This would (hopefully) increase the earnings. Then, a sustainable and stable annual draw could be made from the earnings reserve account into the general fund to support state government.

This bill would also change the way permanent fund dividends are calculated. Currently, the PFDs are based on investment returns. If this bill should pass, the PFDs would be based on the State's receipt of natural resource royalties. This bill would also require the Commissioner of Revenue to consult with the Alaska Permanent Fund Corporation and review state financial resources in order to recommend whether adjustments should be made to the annual draw from the earnings reserve fund. Lastly, the bill provides for inflationary adjustments to the annual draw beginning in FY2020.

This bill was heard in Senate State Affairs on 02/02/2016 and 02/04/2016 where it was held. It is now on the schedule for 02/11/2016.

SB 132 – An Act requiring the electronic submission of a tax return or report with the Department of Revenue; relating to the motor fuel tax; and providing for an effective date.

This bill was introduced by the Governor and would raise the tax rates on the four categories of motor fuel currently taxed under AS 43.40.010, but would not amend the refined fuel surcharge levied under AS 43.40.005 and passed last session. Instead, the bill would increase the currently outdated tax rates on all motor fuels including all motor fuel sold or transferred within the state, aviation gasoline, and motor fuel used on watercraft. The bill increases highway fuel from \$0.08 to \$0.16 per gallon; aviation fuel from \$0.047 to \$0.10 per gallon; marine fuel from \$0.05 to \$0.10 per gallon; jet fuel from \$0.032 to \$0.10 per gallon, gasohol from \$0.08 to \$0.16 per gallon; and also increases the credit for off road use from \$0.06 to \$0.12 per gallon. The bill would generate approximately \$49 million annually in increased revenue. Alaska has the lowest motor fuel tax rate in the nation. The current rate of \$0.08 per gallon has been in place since 1970. Currently, the average throughout the U.S. is \$.25 a gallon. This bill is part of the Governor's New Sustainable Alaska Plan. This bill was heard and held in Senate Transportation on 01/26/2016. It is currently not scheduled for another hearing.

SB 137 – An Act requiring the electronic filing of a tax return with the Department of Revenue; establishing a civil penalty for failure to electronically file a return or report; relating to exemptions from the mining license tax; relating to the mining license tax rate; relating to mining license application; renewal, and fees; and providing for an effective date.

This bill, submitted by the Governor, is also part of the Sustainable Alaska Plan. It would increase the mining license tax rate from seven percent to nine percent for a portion of net income in excess of \$100,000. The new tax rate would apply the first taxable year (which may be a fiscal year or a calendar year) beginning after the effective date of the bill. This legislation is expected to generate additional revenue of approximately \$6,000,000 annually. The bill would also repeal the exemption from paying the mining license tax that currently applies to operations for three and one half years after production begins. References to the exemption in related statutes also would be repealed. The bill would provide for the exemption to continue to apply to mining operations if production begins before July 1, 2016. To increase administrative efficiency for the Department of Revenue and state taxpayers, the bill would require the electronic submission of tax returns with an exemption available upon request. The bill

would also establish an application fee of \$50 for a mining license application and for each annual renewal.

This bill was heard and held in Senate Resources on 02/03/2016. It is not currently on any schedule.

[SB 138](#) – An Act making appropriations, including capital appropriations, reappropriations, and other appropriations; making appropriations to capitalize funds; and providing for an effective date.

This is a companion bill to HB 255. It was heard and held in Senate Finance on 02/02/2016 and is again scheduled for 02/11/2016.

[SB 139](#) – An Act making appropriations for the operating and loan program expenses of state government and for certain programs capitalizing funds, making reappropriations, making supplemental appropriations, and making appropriations under art. IX, sec. 17 (c), Constitution of the State of Alaska, from the constitutional budget reserve fund; and providing for an effective date.

This is a companion bill to HB 256. This bill was heard and held in Senate Finance on 02/02/2016. It is not scheduled again, at this time.

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