

**HOUSE JOURNAL**  
**ALASKA STATE LEGISLATURE**  
**TWENTY-NINTH LEGISLATURE**  
**FOURTH SPECIAL SESSION**

**Juneau, Alaska**

**Monday**

**May 23, 2016**

**First Day**

Pursuant to the Governor's proclamation dated May 19, 2016, calling the legislature into special session, the House was called to order by Speaker Chenault at 11:11 a.m. in the Terry Miller Legislative Office Building gymnasium.

Roll call showed 31 members present.

Representative Millett moved and asked unanimous consent that Representatives Colver, Edgmon, Hawker, Hughes, Johnson, LeDoux, Neuman, Seaton, and Vazquez be excused from a call of the House today. There being no objection, it was so ordered.

The invocation was offered by the Chaplain, Representative Tilton. Representative Wilson moved and asked unanimous consent that the invocation be spread on the journal. There being no objection, it was so ordered.

I offer the following prayer with the deepest respect for the religious practices and spiritual beliefs of all Alaskans.

Heavenly Father, God of wisdom and mercy, grace and justice, we humbly approach your throne as we begin the great task before us. Lord, you have appointed us as governing authorities for the State of Alaska and all her residents. You have assigned us the awesome responsibility of helping lead our state into a new era, one that poses equally new opportunity and new challenge. Heavenly Father, we recognize our humanity and the limitations it brings. But

Lord, you have promised to provide us your wisdom if we are only to ask. Your word says, *For the Lord Gives wisdom; from his mouth come knowledge and understanding.* Father God, you have told us, *If any of you lacks wisdom, you should ask God, who gives generously to all without finding fault, and it will be given to you.* We can also know that wisdom is truly divine and that which is the wisdom of man. As the Book of James tells us, *wisdom that comes from heaven is first of all pure; then peace-loving, considerate, submissive, full of mercy and good fruit, impartial and sincere.*

Lord, on behalf of my colleagues here and all the people of Alaska, I ask you for the wisdom you promise to provide—that wisdom which is considerate, full of mercy and good fruit, impartial and sincere. Guide us as we take up the work before us. We ask these things in the name of your son Jesus Christ, our Savior. Amen.

The Pledge of Allegiance was led by Representative Claman.

#### **CERTIFICATION OF THE JOURNAL**

Representative Millett moved and asked unanimous consent that the journal for the 121st legislative day of the second session be approved as certified by the Chief Clerk. There being no objection, it was so ordered.

#### **MESSAGES FROM THE GOVERNOR**

The following Governor's proclamation dated May 19, 2016, was read:

"Under the authority of Article II, Section 9, and Article III, Section 17, Constitution of the State of Alaska, and in the public interest, I call the Twenty-Ninth Legislature of the State of Alaska into its fourth special session at Juneau, Alaska, on Monday, May 23, 2016, at 11 a.m. to consider the following subjects:

1. HB 256 or a similar act relating to making appropriations for the operating and loan program expenses of state government and for certain programs, capitalizing funds, amending

appropriations, repealing appropriations, and making appropriations under Article IX, Section 17(c), Constitution of the State of Alaska, from the constitutional budget reserve fund;

2. HB 257 or a similar act relating to making appropriations for the operating and capital expenses of the state's integrated comprehensive mental health program;
3. SB 138 or a similar act relating to making appropriations, including capital appropriations, reappropriations, and other appropriations; and making appropriations to capitalize funds;
4. HB 245 or SB 128 or a similar act relating to the Alaska permanent fund and the earnings reserve account for purposes of a sustainable draw; relating to the Alaska Permanent Fund Dividend; and relating to the Alaska Permanent Fund Corporation;
5. HB 247 or a similar act relating to interest applicable to delinquent tax; relating to the oil and gas production tax, tax payments, and credits; relating to exploration incentive credits; relating to refunds for the gas storage facility tax credit, the liquefied natural gas storage facility tax credit, and the qualified in-state oil refinery infrastructure expenditures tax credit; relating to the confidential information status and public record status of information in the possession of the Department of Revenue; relating to oil and gas lease expenditures and production tax credits for municipal entities; requiring a bond or cash deposit with a business license application for an oil or gas business;
6. An act relating to a personal income tax, the motor fuel tax, the excise tax on alcoholic beverages, the mining license tax and fees, the mining exploration incentive tax credit, the fisheries business tax, the fishery resource landing tax, the annual base fee for entry or interim-use permits, the administration and enforcement of the marijuana tax, and relating to refunds to local governments and to taxes on tobacco products;

7. HB 200 or a similar act relating to procedures for a petition or proxy for adoption or guardianship of a child in state custody and related amendments to the court rules;
8. HB 27 or a similar act relating to the duties of the Department of Health and Social Services for permanent placement of a child in need of aid; relating to school placement and transportation for children in foster care and foster care placement, including any related court rule amendments;
9. HB 374 or a similar act relating to funding for a reinsurance program; and relating to an application for a waiver for state innovation for health care insurance; and
10. An act relating to major medical insurance coverage for survivors of peace officers and firefighters under the Public Employee's Retirement System of Alaska.

Dated this 19th day of May, 2016

Time: 12:01 a.m.

/s/  
Bill Walker  
Governor"

The following Governor's supplemental proclamation dated May 23, 2016, which amends the proclamation dated May 19, 2016, was read:

"Under the authority of Article II, Section 9, and Article III, Section 17, of the Alaska Constitution, and in the public interest, I am amending my May 19, 2016 proclamation calling the Twenty-Ninth Legislature of the State of Alaska into its fourth special session at Juneau, Alaska, on May 23, 2016, as follows:

I am supplementing the call with the addition of the following subject:

11. HB 246 or SB 129 or a similar act relating to creating the oil and gas infrastructure development program and the oil and gas infrastructure development fund in the Alaska Industrial

Development and Export Authority and to the interest rates of the Alaska Industrial Development and Export Authority; to the sustainable energy transmission and supply development and Arctic infrastructure development programs of the Alaska Industrial Development and Export Authority; to dividends from the Alaska Industrial Development and Export Authority; and adding definitions for "oil and gas development infrastructure" and "proven reserves".

This proclamation supplements my proclamation of May 19, 2016.

Dated this 23rd day of May, 2016, at 9:20 a.m.

/s/  
Bill Walker  
Governor"

**SB 69**

A message dated May 17, 2016, was read stating the Governor signed the following bill and is transmitting the engrossed and enrolled copies to the Lieutenant Governor's office for permanent filing:

CS FOR SENATE BILL NO. 69(FIN)

"An Act relating to the Board of Chiropractic Examiners and the practice of chiropractic."

Chapter No. 8, SLA 2016

Effective Date: August 15, 2016

**SB 145**

A message dated May 17, 2016, was read stating the Governor signed the following bill and is transmitting the engrossed and enrolled copies to the Lieutenant Governor's office for permanent filing:

CS FOR SENATE BILL NO. 145(FIN)

"An Act relating to benefits for public assistance programs administered by the Department of Health and Social Services; and providing for an effective date."

Chapter No. 10, SLA 2016

Effective Date: July 1, 2016

**SB 147**

A message dated May 17, 2016, was read stating the Governor signed the following bill and is transmitting the engrossed and enrolled copies to the Lieutenant Governor's office for permanent filing:

CS FOR SENATE BILL NO. 147(HSS)

"An Act relating to eligibility requirements of the Alaska senior benefits payment program; and providing for an effective date."

Chapter No. 11, SLA 2016

Effective Date: July 1, 2016

**SB 148**

A message dated May 17, 2016, was read stating the Governor signed the following bill and is transmitting the engrossed and enrolled copies to the Lieutenant Governor's office for permanent filing:

CS FOR SENATE BILL NO. 148(L&C)

"An Act relating to the reporting of workplace injuries to the division of labor standards and safety; and providing for an effective date."

Chapter No. 9, SLA 2016

Effective Date: May 18, 2016

**SB 157**

A message dated May 17, 2016, was read stating the Governor signed the following bill and is transmitting the engrossed and enrolled copies to the Lieutenant Governor's office for permanent filing:

SENATE BILL NO. 157

"An Act defining arcade-style amusement devices."

Chapter No. 7, SLA 2016

Effective Date: August 15, 2016

**MESSAGES FROM THE SENATE**

A message dated May 18, 2016, was received stating in accordance with Article II, Section 8 of the Alaska Constitution, the Senate has voted to extend the Second Regular Session of the 29th Legislature.

**HB 75**

A message dated May 18, 2016, was read stating the President granted limited powers of free conference to the Senate members of the Conference Committee considering:

## CS FOR HOUSE BILL NO. 75(JUD) am

"An Act relating to the registration of marijuana establishments by municipalities; relating to the definition of 'marijuana'; clarifying standards for personal use of marijuana by persons 21 years of age or older; prohibiting the public consumption of marijuana; authorizing the registration of marijuana clubs; relating to established villages and to local option elections regarding the operation of marijuana establishments; and providing for an effective date."

and

## 2d SENATE CS FOR CS FOR HOUSE BILL NO. 75(RLS)

"An Act relating to background checks for persons applying to operate marijuana establishments; relating to possessing, using, displaying, purchasing, growing, processing, transporting, and transferring marijuana; relating to assisting another person 21 years of age or older in activities related to marijuana; relating to established villages and to local option elections regarding the operation of marijuana establishments; and providing for an effective date."

(SCR 14 – title change resolution)

The Speaker granted the limited powers of free conference as requested (page 2944).

A message dated May 18, 2016, was read stating the Senate adopted the Conference Committee with limited powers of free conference (as of May 18) report on CSHB 75(JUD) am and 2d SCS CSHB 75(RLS), thus adopting:

## CONFERENCE CS FOR HOUSE BILL NO. 75

"An Act relating to possessing, using, displaying, purchasing, growing, processing, transporting, and transferring marijuana; relating to assisting another person 21 years of age or older in

activities related to marijuana; relating to established villages and to local option elections regarding the operation of marijuana establishments; and providing for an effective date."

(SCR 14 – title change resolution)

The House adopted CCS HB 75 (page 2945).

CCS HB 75 was referred to the Chief Clerk for engrossment and enrollment.

### **INTRODUCTION, FIRST READING, AND REFERENCE OF HOUSE BILLS**

#### **HB 4001**

HOUSE BILL NO. 4001 by the House Rules Committee by request of the Governor, entitled:

"An Act relating to taxation, including establishing an individual income tax; relating to the marijuana tax and bonding requirements for marijuana cultivation facilities; relating to the exploration incentive credit; increasing the motor fuel tax; increasing the taxes on cigarettes and tobacco products; taxing electronic smoking products; adding a definition of 'electronic smoking product' and requiring labeling of an electronic smoking product; increasing the excise tax on alcoholic beverages; relating to exemptions from the mining license tax; removing the minimum and maximum restrictions on the annual base fee for the reissuance or renewal of an entry permit or an interim-use permit; increasing the mining license tax rate; relating to mining license application, renewal, and fees; increasing the fisheries business tax and fishery resource landing tax; relating to refunds to local governments; and providing for an effective date."

was read the first time and referred to the Finance Committee.

The following fiscal note(s) apply:

1. Fiscal, Dept. of Revenue

The Governor's transmittal letter dated May 23, 2016, follows:

"Dear Speaker Chenault:

Under the authority of Article III, Section 18, of the Alaska Constitution, I am transmitting a bill relating to revenue measures, including the establishment of an individual income tax, tax measures on fisheries business tax and fisheries landing tax, the mining license tax, the excise tax on alcoholic beverages, raising the tax on tobacco products and taxing electronic smoking products, fees for commercial fisheries entry or interim use permits, regarding the administration and enforcement of the marijuana excise tax.

This is a necessary measure to address our fiscal situation. My approach is a broad-based tax bill to address the need as our current revenues decrease. This has made it necessary to update our tax laws. My proposed measures, while modest, will make a significant difference to the State's fiscal situation.

First, the bill would establish a personal income tax of six percent of total federal tax liability. Because the tax would be calculated based on federal tax liability rather than on income, the bill effectively incorporates federal brackets and exemptions. This permits this bill, and the Alaska personal income tax system it would create, to be as simple and transparent as possible and minimizes administrative burdens both for the State and for taxpayers. This portion of the bill has a delayed effective date, and would apply to income earned on or after January 1, 2018. In addition, the bill would repeal a set of orphaned individual tax credits from the former income tax.

The relatively modest tax is expected to raise approximately \$200,000,000. Because, for those who itemize federal tax deductions, the tax would be deductible from federal income tax, the deduction from federal taxes would offset the actual burden of this tax to Alaska taxpayers by 20 – 25 percent.

Next, the bill would update our cigarette taxes and include newer electronic smoking products. Smoking technology has advanced to include multiple use electronic smoking products which are currently untaxed in Alaska. Therefore, our tobacco tax statutes (AS 43.50 Cigarette Tax Act) should be revised to include this new smoking product. To further update our outdated tobacco tax structure, I propose to amend the additional tax levy on cigarettes – which has not

been raised since 2007 – from 62 mills to 112 mills. This change will increase the total State tax per standard cigarette pack from \$2.00 to \$3.00. I also propose increasing the tax rate on tobacco products (other than cigarettes) from 75 percent of the wholesale price to 100 percent of the wholesale price. These reasonable adjustments will bring our tax structure up to date.

The alcoholic beverage tax rates have not been raised for many years. Therefore, the bill would increase the tax rates on alcoholic beverages under AS 43.60 (excise tax on alcoholic beverages). Alcoholic beverage excise taxes are levied on malt beverages, cider with at least 0.5 percent alcohol, wine, and other beverages with a higher alcohol content. The bill would double the tax rates on each gallon or fraction of a gallon. As a result, the excise tax on malt beverages or cider would be \$2.14 a gallon or fraction of a gallon; the tax on wine or other beverages would be \$5.00 a gallon or fraction of a gallon; and the tax on beverages containing more than 21 percent alcohol by volume would be \$25.60 a gallon. The effective tax rate, after these changes, will be 20 cents per standard drink portion. I believe this proposed increase is reasonable, especially considering the high societal cost of alcoholic beverage consumption. Under this bill, the alcoholic beverage industry would bear a fairer share of industry costs to the State, yet still continue as an economically healthy industry.

The bill also would amend AS 43.60.040(a) related to surety bonds. Current law requires a \$25,000 surety bond before a license is issued. This amount is out of date, as many wholesalers require a surety bond much greater than that; at the same time very small brewers and distillers require a smaller surety bond. The bill proposes to amend AS 43.60.040(a) to delete the \$25,000 bond and instead add language that the surety bond amount would be determined by the Department of Revenue.

The mining industry is important to the state, but the taxation rates are too low to maintain. My proposal makes necessary adjustments to the tax imposed on mining operations. Therefore, the bill would change the exemption from paying the mining license tax that currently applies to operations for three and one-half years after production begins to a more reasonable two years. This provides a sustainable balance between assisting new mining operations and taxing revenues from those operations. Additionally, the bill would change the way the

mineral and coal deposit exploration incentive credit is determined by removing the ability to apply the credit against mineral royalty production payments. The bill also would increase the mining license tax rate from seven percent to nine percent for that portion of net income in excess of \$100,000 beginning July 1, 2016.

Further, the bill would increase the tax rates of the fisheries business tax (AS 43.75.015) and the fishery resource landing tax (AS 43.77.010). Developing fisheries are exempted from the increase. The tax rates covered by these statutes vary from three percent to five percent, depending on the type of fishery. The bill would increase those tax rates by one percentage point across the board. 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 percentage point increase from the revenue sharing arrangement, thereby insuring that the entire increase is applied to the general fund. The bill also would require electronic submission for fishery taxpayers. Additionally, the bill removes the existing \$3,000 annual cap for entry permits issued by the Commercial Fisheries Entry Commission.

The bill also addresses the marijuana tax laws, first, by requiring a marijuana cultivation facility to furnish a bond before a license may be issued by the Marijuana Control Board, and by establishing under the Department of Revenue's authority the ability to levy the marijuana excise tax on both persons who are in possession of more marijuana than the amount that is allowable for personal use and possession under our marijuana statute as well as marijuana retail establishments who have purchased product from an unlicensed cultivator.

The citizens of our state are ready to pitch in to solve our fiscal crisis. My measures, by involving a broad base of industries, would result in each industry bearing a small share of needed tax changes. Together we can continue to assure Alaska's strong and stable financial future.

I urge your prompt and favorable action on this measure.

Sincerely,

/s/

Bill Walker

Governor"

**HB 4002**

HOUSE BILL NO. 4002 by the House Rules Committee by request of the Governor, entitled:

"An Act relating to major medical insurance coverage under the Public Employees' Retirement System of Alaska for certain surviving spouses and dependent children of peace officers and firefighters; and providing for an effective date."

was read the first time and referred to the Labor & Commerce and Finance Committees.

The following fiscal note(s) apply:

1. Zero, Dept. of Administration

The Governor's transmittal letter dated May 23, 2016, follows:

"Dear Speaker Chenault:

Under the authority of Article III, Section 18, of the Alaska Constitution, I am transmitting a bill relating to providing major medical benefits to the eligible survivors of peace officers and firefighters whose deaths occur while in the performance of their duties and who are members of the Public Employees' Retirement System of Alaska (PERS). This bill would apply to PERS members employed by the State and to PERS members employed by PERS-participating political subdivisions.

Currently, occupational death benefits in the form of system-paid major medical benefits are available only to the survivors of Tier I employees in the defined benefit plan (employees first hired before July 1, 1986). Under the existing defined contribution plan (members first hired on or after July 1, 2006), a person is not eligible for system-paid major medical benefits.

This bill would extend major medical benefit coverage to the survivors of peace officers and firefighters whose deaths occur as a result of their jobs, regardless of what Tier applied to the deceased member. In addition, for defined contribution members, the bill would allow for a

100 percent premium subsidy for major medical benefits for eligible survivors of peace officers or firefighters whose death was occupational.

The PERS defined contribution plan requires that members retire directly from the plan in order to be eligible for medical benefits. To effectuate the goals of this legislation, the bill modifies this requirement to allow eligible survivors of a peace officer or firefighter whose death occurs as a result of employment to receive major medical benefits under PERS.

This bill would have a retroactive effective date and would apply to the eligible survivors of peace officers or firefighters who have died in the line of duty on or after January 1, 2013.

I urge your prompt and favorable action on this measure.

Sincerely,

/s/

Bill Walker  
Governor"

#### ENGROSSMENT

##### SCR 25

The following, which failed to pass the House May 5, 2016, and was engrossed (page 2776) was returned to the Senate for permanent filing:

##### SENATE CONCURRENT RESOLUTION NO. 25(fld H)

Suspending Rules 24(c), 35, 41(b), and 42(e), Uniform Rules of the Alaska State Legislature, concerning House Bill No. 156, relating to the duties of the State Board of Education and Early Development, the Department of Education and Early Development, school boards, and school districts; relating to public school curriculum and assessments; relating to compliance with federal education laws; relating to public school accountability; and relating to a statewide assessment plan and review of education laws and regulations.

**ANNOUNCEMENTS**

House committee schedules are published under separate cover.

**ADJOURNMENT**

Representative Millett moved and asked unanimous consent that the House adjourn until 10:00 a.m., May 24, 2016. There being no objection, the House adjourned at 11:31 a.m.

Crystaline Jones  
Chief Clerk