

ALASKA STATE LEGISLATURE
HOUSE STATE AFFAIRS STANDING COMMITTEE

April 23, 2002

8:05 a.m.

MEMBERS PRESENT

Representative John Coghill, Chair
Representative Jeannette James
Representative Hugh Fate
Representative Gary Stevens
Representative Peggy Wilson
Representative Harry Crawford
Representative Joe Hayes

MEMBERS ABSENT

All members present

COMMITTEE CALENDAR

SENATE JOINT RESOLUTION NO. 38

Proposing amendments to the Constitution of the State of Alaska relating to information regarding proposed expenditures.

- MOVED SJR 38 OUT OF COMMITTEE

HOUSE BILL NO. 517

"An Act relating to the disposition of surplus and obsolete state property."

- MOVED CSHB 517(STA) OUT OF COMMITTEE

HOUSE BILL NO. 493

"An Act relating to assignments of permanent fund dividends; and providing for an effective date."

- HEARD AND HELD

HOUSE BILL NO. 371

"An Act establishing the Alaska veterans' memorial endowment fund and providing for credits against certain taxes for contributions to that fund; relating to other tax credits for certain contributions; and providing for an effective date."

- HEARD AND HELD

PREVIOUS ACTION

BILL: SJR 38

SHORT TITLE:CONST AM: PRIORITY OF EXPENDITURES

SPONSOR(S): SENATOR(S) KELLY

Jrn-Date	Jrn-Page		Action
02/19/02	2226	(S)	READ THE FIRST TIME - REFERRALS
02/19/02	2226	(S)	STA, JUD, FIN
02/26/02		(S)	STA AT 3:30 PM BELTZ 211
02/26/02		(S)	Moved SJR 38 Out of Committee
02/26/02		(S)	MINUTE(STA)
02/27/02	2318	(S)	STA RPT 3DP 1NR
02/27/02	2318	(S)	DP: THERRIAULT, HALFORD, PHILLIPS;
02/27/02	2318	(S)	NR: STEVENS
02/27/02	2318	(S)	FN1: (GOV)
03/18/02		(S)	JUD AT 1:30 PM BELTZ 211
03/18/02		(S)	Moved Out of Committee
03/18/02		(S)	MINUTE(JUD)
03/20/02	2472	(S)	JUD RPT 3DP 1NR
03/20/02	2472	(S)	DP: TAYLOR, COWDERY, THERRIAULT;
03/20/02	2472	(S)	NR: ELLIS
03/20/02	2472	(S)	FN1: (GOV)
03/22/02		(S)	FIN AT 9:00 AM SENATE FINANCE 532
03/22/02		(S)	Moved Out of Committee
03/22/02		(S)	MINUTE(FIN)
03/22/02	2501	(S)	COSPONSOR(S): DONLEY, LEMAN
03/22/02	2496	(S)	FIN RPT 5DP 4NR
03/22/02	2496	(S)	DP: DONLEY, KELLY, GREEN, WARD, LEMAN;
03/22/02	2496	(S)	NR: AUSTERMAN, HOFFMAN, OLSON, WILKEN
03/22/02	2496	(S)	FN1: (GOV)
03/26/02		(S)	RLS AT 11:00 AM FAHRENKAMP 203
03/26/02		(S)	MINUTE(RLS)
03/28/02	2559	(S)	ADVANCED TO THIRD READING FLD Y14 N3 E3
03/28/02	2556	(S)	RULES TO CALENDAR 1OR 3/28/02
03/28/02	2559	(S)	READ THE SECOND TIME
03/28/02	2560	(S)	ADVANCED TO THIRD READING 4/2 CALENDAR
04/02/02	2592	(S)	READ THE THIRD TIME SJR 38

04/02/02	2592	(S)	HELD IN THIRD READING TO 4/8 CALENDAR
04/08/02	2664	(S)	ELTON NOTICE OF RECONSIDERATION
04/08/02	2663	(S)	BEFORE THE SENATE IN THIRD READING
04/08/02	2664	(S)	PASSED Y14 N5 E1
04/09/02	2692	(S)	RECONSIDERATION NOT TAKEN UP
04/09/02	2693	(S)	TRANSMITTED TO (H)
04/09/02	2693	(S)	VERSION: SJR 38
04/10/02	2861	(H)	READ THE FIRST TIME - REFERRALS
04/10/02	2861	(H)	STA, JUD, FIN
04/16/02		(H)	STA AT 8:00 AM CAPITOL 102
04/16/02		(H)	Scheduled But Not Heard -- Recessed to Thurs. 4/18/02 --
04/18/02		(H)	STA AT 8:00 AM CAPITOL 102
04/18/02		(H)	Heard & Held
04/18/02		(H)	MINUTE(STA)
04/23/02		(H)	STA AT 8:00 AM CAPITOL 102

BILL: HB 517

SHORT TITLE: SURPLUS/OBSOLETE STATE PROPERTY

SPONSOR(S): COMMUNITY & REGIONAL AFFAIRS

Jrn-Date	Jrn-Page		Action
04/12/02	2906	(H)	READ THE FIRST TIME - REFERRALS
04/12/02	2906	(H)	STA
04/23/02		(H)	STA AT 8:00 AM CAPITOL 102

BILL: HB 493

SHORT TITLE: O.K. TO ASSIGN PFD TO NONPROFIT CORP

SPONSOR(S): REPRESENTATIVE(S) MURKOWSKI

Jrn-Date	Jrn-Page		Action
02/19/02	2320	(H)	READ THE FIRST TIME - REFERRALS
02/19/02	2320	(H)	STA
02/19/02	2320	(H)	REFERRED TO STATE AFFAIRS
02/22/02	2370	(H)	COSPONSOR(S): GUESS
02/27/02	2419	(H)	COSPONSOR(S): KOTT, HAYES, SCALZI
03/01/02	2450	(H)	COSPONSOR(S): HALCRO
03/15/02	2564	(H)	COSPONSOR(S): CROFT
04/10/02	2872	(H)	COSPONSOR(S): DYSON
04/23/02		(H)	STA AT 8:00 AM CAPITOL 102

BILL: HB 371

SHORT TITLE:ALASKA VETERANS' MEM.ENDOWMENT FUND

SPONSOR(S): RLS BY REQUEST OF THE GOVERNOR

Jrn-Date	Jrn-Page		Action
02/01/02	2119	(H)	READ THE FIRST TIME - REFERRALS
02/01/02	2119	(H)	MLV, STA, FIN
02/01/02	2119	(H)	FN1: INDETERMINATE(CED)
02/01/02	2119	(H)	FN2: INDETERMINATE(REV)
02/01/02	2119	(H)	FN3: (MVA)
02/01/02	2119	(H)	GOVERNOR'S TRANSMITTAL LETTER
03/05/02		(H)	MLV AT 3:00 PM CAPITOL 124
03/05/02		(H)	Heard & Held
03/05/02		(H)	MINUTE(MLV)
03/14/02		(H)	MLV AT 3:00 PM CAPITOL 124
03/14/02		(H)	Scheduled But Not Heard
03/26/02		(H)	MLV AT 3:00 PM CAPITOL 124
03/26/02		(H)	Scheduled But Not Heard
04/04/02		(H)	MLV AT 3:00 PM CAPITOL 124
04/04/02		(H)	Moved Out of Committee
04/04/02		(H)	MINUTE(MLV)
04/05/02	2815	(H)	MLV RPT 3DP 2NR
04/05/02	2815	(H)	DP: GREEN, HAYES, CHENAULT;
04/05/02	2815	(H)	NR: KOTT, MURKOWSKI
04/05/02	2815	(H)	FN1: INDETERMINATE(CED)
04/05/02	2815	(H)	FN2: INDETERMINATE(REV)
04/05/02	2815	(H)	FN3: (MVA)
04/23/02		(H)	STA AT 8:00 AM CAPITOL 102

WITNESS REGISTER

WENDY HALL, Staff
to Senator Pete Kelly
Alaska State Legislature
Capitol Building, Room 518
Juneau, Alaska 99801

POSITION STATEMENT: Answered questions on SJR 38 on behalf of
the sponsor.

BILL LAWRENCE, Staff
to Representative Carl Morgan
Alaska State Legislature
Capitol Building, Room 434
Juneau, Alaska 99801

POSITION STATEMENT: Presented HB 517 on behalf of the House Community & Regional Affairs Committee, sponsor.

CHRISTINE PARCE, Director
Division of General Services
Department of Administration
PO Box 110210
Juneau, Alaska 99811-0210

POSITION STATEMENT: Testified on HB 517 and answered questions.

NANCY SLAGLE, Director
Division of Administrative Services
Department of Transportation & Public Facilities
3132 Channel Drive
Juneau, Alaska 99801-7898

POSITION STATEMENT: Testified on HB 517.

ROBIN PHILLIPS, Staff
to Representative Lisa Murkowski
Alaska State Legislature
Capitol Building, Room 408
Juneau, Alaska 99801

POSITION STATEMENT: Presented HB 493 on behalf of the sponsor.

NANCI JONES, Director
Permanent Fund Dividend Division
Department of Revenue
PO Box 110460
Juneau, Alaska 99811-0460

POSITION STATEMENT: Testified on HB 493.

TED GIANOUTSOS

PO Box 142115
Anchorage, Alaska 99514

POSITION STATEMENT: Testified in support of HB 493.

CAROL CARROLL, Director
Central Office
Administrative Services Division
Department of Military & Veterans Affairs
400 Willoughby Avenue, Suite 500
Juneau, Alaska 99811

POSITION STATEMENT: Presented HB 371 and answered questions.

BRETT FRIED, Economist
Tax Division
Department of Revenue

PO Box 110420
Juneau, Alaska 99811-0420
POSITION STATEMENT: Answered questions on HB 371.

JOHN JENKS, Chief Investment Officer
Treasury Division
Department of Revenue
PO Box 110405
Juneau, Alaska 99811-0405
POSITION STATEMENT: Answered questions on HB 371.

ACTION NARRATIVE

TAPE 02-44, SIDE A
Number 0001

CHAIR JOHN COGHILL called the House State Affairs Standing Committee meeting to order at 8:05 a.m. Representatives Coghill, Fate, Stevens, Wilson, Crawford, and Hayes were present at the call to order. Representative James arrived as the meeting was in progress.

SJR 38 - CONST AM: PRIORITY OF EXPENDITURES

Number 0030

CHAIR COGHILL announced that the first order of business would be SENATE JOINT RESOLUTION NO. 38, Proposing amendments to the Constitution of the State of Alaska relating to information regarding proposed expenditures.

Number 0186

REPRESENTATIVE HAYES acknowledged that he missed the testimony on this bill at the last meeting and wanted some information as to the point of SJR 38, since there had been some previous legislation on this subject.

Number 0309

WENDY HALL, Staff to Senator Pete Kelly, Alaska State Legislature, explained that the reason that Senator Kelly is interested in amending the constitution is to ensure that a prioritized budget stays this way and isn't overturned by statute. She explained that this resolution only adds the word "prioritized" to what is in the constitution already. She said her office feels that it would be best if the departments

analyzed which services are more needed when the budget needs to be cut.

Number 0435

REPRESENTATIVE HAYES said he assumed that her office felt that the executive staff does not already go through the budget before the legislature sees it.

MS. HALL answered that this idea came from Governor Knowles when he was the mayor of Anchorage.

Number 0544

CHAIR COGHILL told Representative Hayes that the "second article" gives the legislature the opportunity to have a joint resolution that would request a priority budget after the December deadline. This resolution gives the legislature a communication tool that it doesn't have now.

Number 0605

REPRESENTATIVE STEVENS commented that the constitution is a living document, but that doesn't mean it shouldn't be changed. He noted that the legislature is not making this change; it is submitting it to the people for a vote. He expressed support for SJR 38.

REPRESENTATIVE FATE told Representative Hayes that missions and measures don't really call for prioritization. This year the agencies and departments were asked to prioritize, and they neglected to or chose not to. The prioritization helps when things need to be cut. He expressed support for SJR 38.

Number 0753

REPRESENTATIVE JAMES commented that there are pros and cons to this. She reiterated comments from the last meeting about how she thought her business experience could make a difference in the budget process. She said there is some argument that a priority budget would be a good idea and agreed that the administration should do a priority budget.

Number 1186

REPRESENTATIVE HAYES made a motion to adopt the following conceptual amendment:

Page 1, line 6, following "a", add "biennial"; following "for the", delete "next fiscal year" and add "two fiscal years"

Page 1, line 14, following "a", add "biennial"

REPRESENTATIVE JAMES objected. She said she thinks the state needs to work in this direction, but she isn't willing to put that on the ballot and then be stuck with it next year. There are year-to-year changes in Alaska, and she is not convinced the state is ready to go to a biennial budget. She noted that she is not ready to mandate it.

Number 1390

REPRESENTATIVE FATE commented that this amendment will change the title.

CHAIR COGHILL noted that Representative Hayes did say conceptual amendment, so that could include the title amendment.

Number 1459

REPRESENTATIVE WILSON acknowledged that a biennial budget is a good way to go. However, she indicated that it would not be a wise decision for Alaska at this time, because there isn't a steady flow of revenue to base it on.

CHAIR COGHILL agreed with Representative Wilson and spoke against the amendment.

Number 1601

REPRESENTATIVE CRAWFORD expressed support for a biennial budget.

REPRESENTATIVE JAMES cautioned the committee because this change might constitute a revision and might not be proper. She said that a biennial budget could be done as an amendment in the future but not as part of this process. She said she is in favor of a biennial budget if all the necessary ingredients are in place.

REPRESENTATIVE HAYES concluded with his reasons for the amendment, which ultimately would save the state money. He said that a biennial prioritized budget would reduce costs to the state because the legislature wouldn't have to meet as often.

There would be more accountability and credibility in a biennial budget set forth for each department. The incoming governor would be able to see what the two-year vision in the budget is for the state. Right now the legislature is just budgeting one year at a time and hasn't any vision where the state is going. He also commented that it isn't really known if this bill is a revision issue or not.

Number 1900

A roll call vote was taken. Representatives Crawford, Hayes, and Stevens voted for Amendment 1. Representatives Fate, James, Wilson, and Coghill voted against it. Therefore, Amendment 1 failed by a vote of 3-4.

Number 1935

REPRESENTATIVE JAMES moved to report SJR 38 out of committee with individual recommendations and the accompanying fiscal notes.

REPRESENTATIVE HAYES objected to reiterate his concerns. He then removed his objection.

Number 2020

CHAIR COGHILL asked if there were further objections. There being none, SJR 38 moved from the House State Affairs Standing Committee.

The committee took an at-ease from 8:33 a.m. to 8:34 a.m.

HB 517 - SURPLUS/OBSOLETE STATE PROPERTY

Number 2043

CHAIR COGHILL announced that the next order of business would be HOUSE BILL NO. 517, "An Act relating to the disposition of surplus and obsolete state property." [He actually announced HB 493 but took up HB 517].]

Number 2060

BILL LAWRENCE, Staff to Representative Carl Morgan, Alaska State Legislature, presented HB 517 on behalf of the House Community & Regional Affairs Committee, sponsor, which Representative Morgan co-chairs. He explained that HB 517 fixes a problem dealing

with surplus property. Specifically, it was written to address surplus fax machines. Recently a situation occurred when the House Community and Regional Affairs Standing Committee and the House Resources Standing Committee received faxes from an advocacy group on a bill before them at the time. Unfortunately, the faxes were identified as coming from a state agency.

MR. LAWRENCE indicated that this caused quite a stir and a fair amount of investigative work on the part of the state agency. It was finally determined that neither the state agency nor any state employee was involved in this. The state agency had sent the machine to state surplus sometime before, but the electronic signature on top of the fax copies had not been removed.

MR. LAWRENCE informed the committee that committee staff had discussions with staff from Legislative Legal and Research Services and determined it was in the best interest of the state to ensure these fax headers were removed before they were sent to surplus. He had checked with between 15 and 20 procurement officers in state agencies and found out that none of them had a policy to remove the fax header before the machine was "surplused." They all agreed it was a good idea.

MR. LAWRENCE noted three good reasons for removing the fax headers. The first reason protects the state. State departments and/or employees will not get blamed for faxes they didn't send. The second reason helps prevent fraud. It should prevent a party from intentionally faxing material identified as being from the State of Alaska.

Number 2211

MR. LAWRENCE pointed out that the Federal Telephone Consumer Protection Act specifically requires:

It shall be unlawful for any person within the United States to use a computer or other electronic device to send any message via a telephone facsimile machine unless such message clearly contains, in a margin at the top or bottom of each transmitted page or on the first page of the transmission, the date and time it's sent and an identification of the business, or other entity, or individual sending the message and the telephone number of the sending machine or of such business, other entity, or individual.

MR. LAWRENCE said the third reason protects the buyer of surplus property. It prevents a buyer from inadvertently violating a federal law - at least from the aspect of the state identifier's removal. Somebody could go back in and put a false identifier on it, but that is a federal violation. He noted that when most equipment is surplus, the manuals are not included, so it may be difficult for a private individual or organization to remove the fax header.

Number 2320

REPRESENTATIVE JAMES said that she thought there should be a requirement for the manuals to be included with surplus equipment.

MR. LAWRENCE agreed that that was reasonable.

REPRESENTATIVE JAMES asked what the penalty would be if this wasn't done.

MR. LAWRENCE answered that wasn't addressed.

Number 2493

CHRISTINE PARCE, Director, Division of General Services, Department of Administration, came forward to testify and answer questions. She expressed support for taking the electronic documents out before the property is surplus. There is an administrative procedure for doing that, but she acknowledged it sometimes gets missed. Because of the recent incident, that process is being reemphasized to the departments.

MS. PARCE told the members that all the documentation is removed from the C [hard] drive of some equipment. The tags are kept on the pieces of equipment, so surplus can identify them. She explained that the tag tracks from when the equipment was first purchased to its disposal. When a citizen buys the property and someone reports to the department that someone has a piece of equipment at home, the department can track that sticker and know that the person bought it at surplus. She said that the department would not support removing the sticker tag in the department before the piece of equipment gets sent to surplus.

Number 2630

REPRESENTATIVE FATE asked about the manuals with the equipment.

MS. PARCE said the trouble with manuals for computers and fax machines is the equipment may come with a manual, but the manual is rarely used. Most departments have information technology [IT] groups that manage the computers, servers, and networks; there aren't stand-alone computers as such. The applications are installed on the servers and accessed that way. It's not like at home where someone would have the manual right there to figure out how to use the system. She explained that some of the manuals cost about \$65 each, so manuals aren't purchased with everything. There is a server manual and then the IT people are trained. The manuals don't stay with the equipment, and she doesn't know how they would be gathered together to send out. The people buying the used equipment need to buy the manual to learn how to use it, she commented.

Number 2730

REPRESENTATIVE STEVENS asked for clarification on the permanent and temporary identifying marks referred to on the fiscal note.

MS. PARCE replied that it would be expensive for the state to remove those tags. If they were removed at a department's property office before it comes to surplus, some kind of temporary tag would have to be put on it for surplus to know where it came from for the control records. The permanent tag would have to be removed and recorded, and then a temporary tag would be affixed and recorded, so when surplus got it, it would know what it was and where it came from. If the Department of Administration had to remove the permanent stickers and replace them with temporary stickers, it would have to hire staff because there is barely enough staff now to do what needs to be done.

REPRESENTATIVE JAMES asked Ms. Parce about a solution to the manual issue.

Number 2910

MS. PARCE commented that for the department to provide a manual would be labor-intensive.

TAPE 02-44, SIDE B
Number 2960

MS. PARCE noted that most people who buy the equipment know how to use it.

REPRESENTATIVE JAMES asked if legislation was needed to make the department remove the state identifying information.

MS. PARCE answered no. There are administrative procedures in place for property control. Those procedures are disseminated from the Division of General Services through the department property officers, and it is their responsibility to remove every internal document or identifier that says it's coming from the state. This incident that occurred recently suggested that there was a failure in that procedure. She has instructed her property manager in Anchorage to remind property officers of their responsibility to do this. That notice will be sent out about every 30 days.

Number 2835

MR. LAWRENCE reiterated that he called between 15 and 20 property officers and was told that the state did not have, and never had, a written policy on the removal of the fax header.

MR. LAWRENCE pointed out that AS 39.25.150 speaks to the penalty under: "(15) the establishment of disciplinary measures, which may include disciplinary suspension without pay".

CHAIR COGHILL made a motion to adopt the following as Amendment 1:

Page 1, lines 9-10, delete all material.

There being no objection, Amendment 1 was adopted.

Number 2665

NANCY SLAGLE, Director, Division of Administrative Services, Department of Transportation & Public Facilities, came forward to testify. She referred to Amendment 1 and recommended that the Department of Transportation & Public Facilities be taken out of the first paragraph of the bill because the remaining part doesn't relate to the state equipment fleet.

Number 2613

REPRESENTATIVE JAMES made a motion to adopt the following as Amendment 2:

Page 1, line 6, following "section", delete "or before the Department of Transportation and Public Facilities

disposes of equipment from the state equipment fleet under AS 36.30.005(b), the state agency or the Department of Transportation and Public Facilities".

There being no objection, Amendment 2 was adopted.

Number 2544

REPRESENTATIVE JAMES moved to report HB 517, as amended, out of committee with individual recommendations and the accompanying zero fiscal notes. There being no objection, CSHB 517(STA) was reported out of the House State Affairs Standing Committee.

HB 493 - O.K. TO ASSIGN PFD TO NONPROFIT CORP

Number 2494

CHAIR COGHILL announced that the next order of business would be HOUSE BILL NO. 493, "An Act relating to assignments of permanent fund dividends; and providing for an effective date."

Number 2480

ROBIN PHILLIPS, Staff to Representative Lisa Murkowski, Alaska State Legislature, presented HB 493 on behalf of Representative Murkowski, sponsor. She told the committee that at the request of a former constituent, Representative Murkowski introduced HB 493, the Good Neighbor Act, which allows for a permanent fund dividend (PFD) to be assigned to an organization that qualifies for nonprofit status, or is exempt from federal taxation. Currently, permanent fund dividends may be assigned to a federal, state, or municipal government agency, or to a court. These grassroots constituents have been updating the members of both bodies regularly requesting support and cosponsorship of HB 493. House Bill 493 promotes the spirit of charitable giving by Alaskans, and she urged the committee's support.

Number 2435

REPRESENTATIVE JAMES noted that people can and do donate their entire permanent fund dividends to charities, but this bill would require the Permanent Fund Dividend Division to handle that. She said she didn't know if paying \$18.5 million the first year, and \$37 million every year after that, for the division to handle that was a good idea. She commented that she didn't know if the state needs to get in the business of

handling people's charities for them. She said she didn't really support this bill.

Number 2209

REPRESENTATIVE CRAWFORD asked, if the PFD was assigned before it was received, whether it would be a true tax donation. It would seem that there would be a financial incentive to assign the dividend before it was received. He asked for clarification.

MS. PHILLIPS replied that she believes that the person would still be responsible for taxes.

REPRESENTATIVE JAMES explained that the PFD is income, and taxes would have to be paid. It wouldn't matter what someone did after that.

Number 2131

REPRESENTATIVE CRAWFORD asked if there is a way to assign the PFD before it is received as income.

REPRESENTATIVE JAMES answered that there isn't unless a piece of legislation is passed.

Number 2088

NANCI JONES, Director, Permanent Fund Dividend Division, Department of Revenue, came forward to testify. She referred to the fiscal note and added that the path of least resistance for the division would be if the donation was an assignment, meaning that the donor would have the responsibility to fill out the form. Presently, the assignment form is used by people to pay debts voluntarily, which is different from the garnishment system. She went over the numbers on the fiscal note. She also noted that the effective date would be pushed back from 2003 to 2004.

Number 1979

REPRESENTATIVE FATE asked what the motive was behind this piece of legislation.

MS. PHILLIPS answered that constituents Ted and Francoise Gianoutsos had wanted to assign their PFDs to the Seward SeaLife Center and were unable to give the check directly to the center; they had to give it to the City of Seward to be passed on to the

center. They asked for this legislation and requested that it be similar to the college savings plan whereby someone could "check off" the PFD check to a registered 26 U.S.C. 501(c)(3) [Internal Revenue Code] charity.

Number 1890

TED GIANOUTSOS testified via teleconference. He explained that his and his wife's motivation was initially to assign their PFDs to the Alaska SeaLife Center in Seward. When they found that they could not do that directly, some of the board of the Alaska SeaLife Center recommended that they give it to the City of Seward. Once they realized they could be a benefit to the state, they asked their representatives to introduce legislation that would allow Alaskans to assign their PFD rights to any Alaskan nonprofit for the common good. They feel strongly that it is in the interest of Alaska to encourage and facilitate gift-assignment philanthropy to any Alaskan 501(c)(3) charity.

MR. GIANOUTSOS noted that they had been aware of the cost to the state of this legislation. He said they suggested a fee, such as the \$2 assignment fee, so there is no cost to the state. The cost of the administration is borne by the donor.

Number 1600

REPRESENTATIVE JAMES commented that Mr. Gianoutsos could achieve the same thing by just writing a check without asking the state and the City of Seward to implement the donation.

MR. GIANOUTSOS answered that there isn't any facilitating or encouraging of permanent fund gift philanthropy for others in the state if they don't know about it. On the PFD application there are four pages encouraging people to give to the College Savings Plan, and he wondered why there couldn't be something there to facilitate and encourage gift-assignment philanthropy and deduct the cost of the program from the donor.

CHAIR COGHILL noted that this bill includes any nonprofit, not just those in Alaska, and that is an issue for him.

Number 1483

REPRESENTATIVE WILSON commented that this might have some merit somewhere along the line, but right now when there isn't enough money in the budget to pay for the services of the state, she

said she wouldn't like to see some of the money spent to do this, when a person could just write a check.

CHAIR COGHILL announced that HB 493 would be held over, and that he would ask the sponsor some more questions.

HB 371 - ALASKA VETERANS' MEM.ENDOWMENT FUND

CHAIR COGHILL announced that the final order of business would be HOUSE BILL NO. 371, "An Act establishing the Alaska veterans' memorial endowment fund and providing for credits against certain taxes for contributions to that fund; relating to other tax credits for certain contributions; and providing for an effective date."

Number 1355

CAROL CARROLL, Director, Central Office, Administrative Services Division, Department of Military & Veterans Affairs, came forward to present HB 371. She explained that HB 371 creates the Veterans' Memorial Endowment Fund by setting up a tax credit similar to tax credits already in statute. A taxpayer may take advantage of donating to an endowment fund for veterans' memorials up to \$150,000 the first year. The fund would be used to maintain existing veterans' memorials or construct new ones. The Department of Revenue would determine how much money was available for appropriation by the legislature each year. That money would come to the Department of Military & Veterans Affairs, which in turn would grant it to appropriate organizations to maintain the monuments around the state.

REPRESENTATIVE JAMES wanted to know who is getting the tax credit.

MS. CARROLL answered that it's for corporate taxpayers. There are several taxes that would be available for the credit: insurance premium tax, title insurance premium tax, Alaska net income tax, oil and gas production tax, oil and gas exploration tax, fisheries business tax, or mining license.

REPRESENTATIVE JAMES commented that she liked the idea of a veterans' memorial but said she hoped the money could come from other sources, perhaps through private donations, rather than through tax credits.

Number 1109

MS. CARROLL pointed out that individuals could donate to this, but there wouldn't be a tax credit. She said with the addition of this tax credit, the limitations that are set in statute for those other tax credits are aggregated and the tax credit in those is limited to a certain amount.

Number 0969

REPRESENTATIVE STEVENS commented that it is a great idea. He asked Ms. Carroll if people could donate to a particular community or specific site.

MS. CARROLL answered that she didn't know. She said she thought that if money was stipulated, the granting process would attempt to honor those requests. However, there is nothing in statute to bind that.

Number 0827

REPRESENTATIVE FATE expressed concern about the cost to the state.

MS. CARROLL said she believes that the education foundation tax credit is built in the same manner as this, but she deferred to the Department of Revenue.

Number 0732

BRETT FRIED, Economist, Tax Division, Department of Revenue, explained that this credit mirrors the structure of the education credit exactly.

REPRESENTATIVE JAMES asked how much the education endowment fund gets every year and if it is spent as part of the budget process or is not touchable because it's an endowment.

MR. FRIED answered that the education credit is not set up as an endowment. He explained that if corporations contribute \$200,000, they would get \$150,000 credit off their corporate income tax. The corporation specifies what accredited institution receives the credit.

REPRESENTATIVE JAMES said she was conflicted about giving the Department of Revenue an accounting function for these various charities and special interests. There is a cost to that. She asked Mr. Fried if he thought this was the function of the

Department of Revenue and if it was a basic responsibility of the department to handle these kinds of things.

MR. FRIED replied that the Department of Revenue does manage a lot of different funds. He doesn't work on that; he's in the tax division.

Number 0445

JOHN JENKS, Chief Investment Officer, Treasury Division, Department of Revenue, explained that the department has organized itself so it can manage these types of endowments fairly efficiently through the investment and accounting process. It would be more difficult if the funds were dedicated to specific places.

REPRESENTATIVE JAMES asked if Mr. Jenks thought that was the government's responsibility.

MR. JENKS said that when the department can help people accomplish laudable goals efficiently - and this legislation does have that - it makes a lot of sense. The department wouldn't support something if it couldn't do it efficiently.

REPRESENTATIVE JAMES said that Alaska is in a position now such that there aren't enough taxes to cover the basic government, and she wondered why some of those taxes should be given away so that more people pay.

MR. JENKS said he had misunderstood her question before, but he is not in a position to make the value judgment about whether the tax credit is a good idea or not. He spoke only to the efficiency of the program.

Number 0140

REPRESENTATIVE STEVENS asked why there isn't a dedicated fund. It seems like a good idea for this. He asked Mr. Jenks what the problems would be of a dedicated fund for the department.

MR. JENKS said that the dedicated fund is a constitutional issue. There could be a problem for the department in managing the records if funds were specified for certain monuments or places.

TAPE 02-45, SIDE A
Number 0015

REPRESENTATIVE STEVENS commented that he understood the problem for the department but thought there would be some substantial donations given if people knew it would be going to a particular monument.

MS. CARROLL told Representative Stevens that she believes that could be done through the grant process. If a letter accompanied a specific request, the letter could certainly be forwarded to the department, and it would be considered during the granting process.

REPRESENTATIVE JAMES said she is excited about having a veterans' memorial endowment fund in the state, but she just isn't convinced that this is the way she'd like to do it.

Number 0369

CHAIR COGHILL agreed with Representative James. He asked Ms. Carroll how many memorial sites are in the state now, and how they are funded.

MS. CARROLL answered that there are 78 across the state. She said some of the projects are funded by state appropriations. The upkeep now is from donations, which haven't been very much money in the past. She estimated that about \$250,000 in the fund would result in about \$12,000 a year, and that would be enough to maintain the monuments and maybe have some left over to go toward a new memorial.

CHAIR COGHILL asked about the involvement of some of the veterans' groups.

MS. CARROLL explained that they would be part of the group to help determine where the money would be granted.

REPRESENTATIVE JAMES said she could support it if just the endowment were created without the tax money going in it.

Number 0600

CHAIR COGHILL wondered if there was a way to facilitate through the service organizations rather than to create something that would draw away from the service organization.

MS. CARROLL indicated that that has not been part of the conversations on this bill. She commented that the Department

of Revenue has the ability to invest in a much larger amount than a small service organization, and it has the staff and professionalism to do that. She said as long as it doesn't cost the department in lost efficiency, then that is the best bet for getting the most earnings out of whatever it gets. She hasn't talked with the service organizations. She doesn't know if they have an investments person.

MS. CARROLL told the committee that there already have been donations of \$125,000 from private individuals toward this. That money is being held. She mentioned that this idea of this bill came forward from some veterans' groups.

Number 0952

REPRESENTATIVE JAMES commented that government is growing because the people are asking it to. She is here to protect those who don't want the government to be so big. Whether something is government's responsibility is something that needs to be looked at carefully.

CHAIR COGHILL expressed concern about the plethora of funds with dedicated titles and reiterated his concern to make sure that the service organizations are not diminished.

Number 1161

CHAIR COGHILL announced that HB 371 would be held over.

ADJOURNMENT

There being no further business before the committee, the House State Affairs Standing Committee meeting was adjourned at 9:55 a.m.