

**ALASKA STATE LEGISLATURE
HOUSE STATE AFFAIRS STANDING COMMITTEE**

March 19, 2004

8:01 a.m.

MEMBERS PRESENT

Representative Bruce Weyhrauch, Chair
Representative John Coghill
Representative Bob Lynn
Representative Paul Seaton
Representative Ethan Berkowitz
Representative Max Gruenberg

MEMBERS ABSENT

Representative Jim Holm, Vice Chair

COMMITTEE CALENDAR

HOUSE BILL NO. 439

"An Act relating to the authority to take oaths, affirmations, and acknowledgments in the state; relating to notaries public; relating to fees for issuing certificates with the seal of the state affixed; and providing for an effective date."

- MOVED CSHB 439(STA) OUT OF COMMITTEE

HOUSE JOINT RESOLUTION NO. 31

Proposing amendments to the Constitution of the State of Alaska relating to the Alaska permanent fund and to payments to certain state residents from the Alaska permanent fund; and providing for an effective date for the amendments.

- HEARD AND HELD

HOUSE BILL NO. 467

"An Act establishing an Alaska Commemorative Coin Commission to develop the design concepts and to make recommendations regarding the final design of the Alaska quarter under the 50 States Commemorative Coin Program Act; and providing for an effective date."

- MOVED CSHB 467(STA) OUT OF COMMITTEE

PREVIOUS COMMITTEE ACTION

BILL: HB 439

SHORT TITLE: OATHS; NOTARIES PUBLIC; STATE SEAL

SPONSOR(S): RULES BY REQUEST OF THE GOVERNOR

02/05/04 (H) READ THE FIRST TIME - REFERRALS
02/05/04 (H) STA, JUD, FIN
03/04/04 (H) STA AT 8:00 AM CAPITOL 102
03/04/04 (H) <Bill Hearing Postponed to Mon. 3/8/04>
03/08/04 (H) STA AT 8:00 AM CAPITOL 102
03/08/04 (H) Heard & Held
03/08/04 (H) MINUTE(STA)
03/18/04 (H) STA AT 8:00 AM CAPITOL 102
03/18/04 (H) Scheduled But Not Heard
03/19/04 (H) STA AT 8:00 AM CAPITOL 102

BILL: HJR 31

SHORT TITLE: CONST AM: PERMANENT FUND

SPONSOR(S): REPRESENTATIVE(S) HOLM

01/02/04 (H) PREFILE RELEASED 1/2/04
01/12/04 (H) READ THE FIRST TIME - REFERRALS
01/12/04 (H) W&M, STA, JUD, FIN
01/23/04 (H) W&M AT 8:00 AM HOUSE FINANCE 519
01/23/04 (H) Heard & Held
01/23/04 (H) MINUTE(W&M)
02/04/04 (H) W&M AT 8:00 AM HOUSE FINANCE 519
02/04/04 (H) Heard & Held
02/04/04 (H) MINUTE(W&M)
02/18/04 (H) W&M AT 7:00 AM HOUSE FINANCE 519
02/18/04 (H) Moved CSHJR 31(W&M) Out of Committee
02/18/04 (H) MINUTE(W&M)
02/19/04 (H) W&M RPT CS(W&M) NT 6NR
02/19/04 (H) NR: WEYHRAUCH, SAMUELS, WILSON, OGG,
02/19/04 (H) MOSES, HAWKER
03/04/04 (H) STA AT 8:00 AM CAPITOL 102
03/04/04 (H) Heard & Held
03/04/04 (H) MINUTE(STA)
03/09/04 (H) STA AT 8:00 AM CAPITOL 102
03/09/04 (H) Heard & Held
03/09/04 (H) MINUTE(STA)
03/19/04 (H) STA AT 8:00 AM CAPITOL 102

BILL: HB 467

SHORT TITLE: COMMEMORATIVE QUARTERS COMMISSION

SPONSOR(S): REPRESENTATIVE(S) ANDERSON

02/16/04 (H) READ THE FIRST TIME - REFERRALS

02/16/04 (H) STA L&C
03/19/04 (H) STA AT 8:00 AM CAPITOL 102

WITNESS REGISTER

ANNETTE KREITZER, Chief of Staff
Office of the Lieutenant Governor
Juneau, Alaska
POSITION STATEMENT: Presented HB 439 on behalf of the
administration.

JANET CLARKE, Director
Division of Administrative Services
Department of Health & Social Services (DHSS)
Juneau, Alaska
POSITION STATEMENT: Reviewed the fiscal notes on behalf of the
department, during the hearing on HJR 31.

ANGELA SALERNO, Program Coordinator
Director's Office
Division of Public Assistance
Department of Health & Social Services (DHSS)
Juneau, Alaska
POSITION STATEMENT: Answered questions during the hearing on
HJR 31.

JACK KREINHEDER, Chief Analyst
Office of the Director
Office of Management & Budget (OMB)
Office of the Governor
Juneau, Alaska
POSITION STATEMENT: On behalf of Representative Holm's staff,
provided comments regarding a broader perspective on the impact
of HJR 31 on state finances and state agency finances.

JERRY BURNETT, Director
Administrative Services
Department of Corrections (DOC)
Juneau, Alaska
POSITION STATEMENT: Spoke to the effects that HJR 31 would have
on DOC.

DENISE HENDERSON, Executive Director
Council on Domestic Violence and Sexual Assault (CDVSA)
Department of Public Safety
Juneau, Alaska

POSITION STATEMENT: Spoke to the impact that HJR 31 would have on CDVSA.

SHEILA KING, Finance Officer
Postsecondary Education Commission
Department of Education and Early Development
Juneau, Alaska

POSITION STATEMENT: Described the effects of HJR 31 on the student loan program.

GUY BELL, Director
Central Office
Division of Administrative Services
Department of Labor & Workforce Development
Juneau, Alaska

POSITION STATEMENT: Discussed the effects of HJR 31 on several programs within the department.

MICHAEL BARNHILL, Assistant Attorney General
Commercial/Fair Business Section
Civil Division (Juneau)
Department of Law
Juneau, Alaska

POSITION STATEMENT: Answered question from the committee during the hearing on HJR 31.

SHARON BARTON, Director
Central Office
Permanent Fund Dividend Division
Department of Revenue
Juneau, Alaska

POSITION STATEMENT: Discussed the effects of HJR 31 on the division.

REPRESENTATIVE TOM ANDERSON
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Testified as sponsor of HB 467.

MARIA WEYHRAUCH, Student Council Representative
Ms. Jones' Fifth Grade Class
Auke Bay Elementary School
Juneau, Alaska

POSITION STATEMENT: Testified on behalf of the class to recommend a conceptual amendment to HB 467.

ACTION NARRATIVE

TAPE 04-40, SIDE A

Number 0001

CHAIR BRUCE WEYHRAUCH called the House State Affairs Standing Committee meeting to order at 8:01 a.m. Representatives Seaton, Lynn, and Weyhrauch were present at the call to order. Representatives Coghill, Berkowitz, and Gruenberg arrived as the meeting was in progress.

HB 439-OATHS; NOTARIES PUBLIC; STATE SEAL

[Contains brief discussion of SB 203.]

Number 0042

CHAIR WEYHRAUCH announced that the first order of business was HOUSE BILL NO. 439, "An Act relating to the authority to take oaths, affirmations, and acknowledgments in the state; relating to notaries public; relating to fees for issuing certificates with the seal of the state affixed; and providing for an effective date."

Number 0059

REPRESENTATIVE LYNN moved to adopt the committee substitute (CS) for HB 439, Version 23-GH2022\Q, Bannister, 3/18/04, as a work draft.

Number 0068

CHAIR WEYHRAUCH objected "for discussion purposes."

Number 0135

ANNETTE KREITZER, Chief of Staff, Office of the Lieutenant Governor, directed the committee's attention to a sectional analysis [in the committee packet] that is labeled as a companion to Version H, but, as Ms. Kreitzer explained, is actually "to Version I." She said, "These are the changes that are also incorporated in Representative Gruenberg's Version Q, but it's important to point out some of the additional changes after you first saw this bill."

MS. KREITZER noted that regarding "what was Section 8" - which lists the qualifications to be a commissioned notary public - there had been a question [during a previous hearing on the

bill] about a lifetime ban on felons being able to act as notaries. She indicated that her office worked with Representative Gruenberg and the Department of Corrections to formulate a compromise [regarding a former felon applying to be commissioned as a notary public], which she noted is found on page 8, lines 6-7, of Version Q, which read as follows:

(5) may not have been incarcerated in a correctional facility for a felony conviction within 10 years before the commission takes effect;

MS. KREITZER revealed that the Department of Correction's advice was that people who "stay clean" for 10 years generally don't reoffend - particularly with a felony. She indicated that the aforementioned language is also reflected again in Section 9, regarding the application requirements, and in "the applicability section about what happens to current commissions, which was Section 15."

MS. KREITZER noted that the second major change in setting out what a notary public cannot do occurs in Section 11. For example, she indicated that Section 11 clarifies that a notary cannot notarize documents which benefit the notary. She also mentioned [that Section 11] "picks up an amendment that we had requested that the \$5 name-change fee is not in addition to the cost of a new certificate, under [AS] 44.19.024." In response to a question from Chair Weyhrauch, she clarified that a notary cannot notarize his/her own signature. In response to a follow-up question from Chair Weyhrauch regarding benefits to notaries, she pointed to page 12, lines 19-25, which [is a continuation of the language on page 11, line 25, "A notary public may not"]. It read as follows:

(6) perform a notarial act if the notary public
(A) is a signer of or named in the document that is to be notarized; or
(B) will receive directly from a transaction connected with the notarial act a commission, fee, advantage, right, title, interest, cash, property, or other consideration exceeding in value the normal fee charged by the notary of the notarial act.

MS. KREITZER, in response to another question from Chair Weyhrauch, confirmed that that is a new provision, which was in Version I [never before the committee as a work draft].

Number 0399

REPRESENTATIVE SEATON suggested that saying the notary is not allowed to receive a "fee" - [page 12, line 23] - "almost means that a notary has to perform the service for free, otherwise they're going to receive a fee." He asked if he misread that language.

MS. KREITZER reemphasized that the language read, "will receive directly from a transaction connected with the notarial act". She said, "I think that it's an arms-length transaction; I don't believe it's speaking of the ... notarial fee itself." She deferred to Representative Gruenberg.

Number 0436

REPRESENTATIVE GRUENBERG noted that he had introduced a bill in 1990. He continued as follows:

We took some provisions from that bill, and this was one of them. And what the language means - and this [provision] was taken from a model Act ... - it prohibits a notary from notarizing a document if the notary will receive money from the transaction itself, not the notarial fee.

Number 0496

REPRESENTATIVE SEATON reported discovering that his previous question is answered [on line 24], which read: "exceeding in value the normal fee charged".

Number 00438

CHAIR WEYHRAUCH asked for clarification of an example as follows:

Say Representative Lynn and I are entering into a transaction, and I'm a notary. And I notarize Representative Lynn's signature and I don't charge a fee as a notary - I just have a notary stamp and I can do it. And Representative Lynn agrees to give me cash, because it's a contract, and I notarize Representative Lynn's signature. Is that a -- am I prohibited as a notary from notarizing Representative Lynn's [signature], because I'm going to receive cash from Representative Lynn? ... Is that the intent here, Ms. Kreitzer?

MS. KREITZER said she believes so.

REPRESENTATIVE GRUENBERG responded that the answer is definitely yes. He added:

Now, that doesn't apply to -- let's say you're a lawyer, and you've got two clients involved. Because you're not getting money from the transaction, you're getting money from representing the client. This means if you're [a] participant in the deal itself.

CHAIR WEYHRAUCH opined that that's tenuous, at best, because many times in that situation, the money goes into the lawyers trust account and the lawyer takes a percentage of that as a payment, or "it goes to their fee." He concluded that "they directly benefit from that."

REPRESENTATIVE GRUENBERG emphasized that that is not the intent. He clarified, "The intent is if you're a participant in the deal itself, because otherwise, no lawyer could ever notarize any documents for the client." He indicated the same would apply for a realtor.

Number 0692

CHAIR WEYHRAUCH asked what the public policy purpose is of having a notary prohibited from receiving money on a transaction such as his aforementioned example using himself and Representative Lynn. He asked, "What is wrong with a notary receiving money if they notarize Representative Lynn's signature on a contract?"

REPRESENTATIVE GRUENBERG responded that the issue is not receiving money "because of that." He clarified with an example as follows:

There's a business deal between the two of you. And there's a key document that is notarized. And that document could later be utilized as evidence of whether you "fenoaked" up Representative Lynn's signature or not. And you're a direct participant in the deal itself.

They want somebody who has no participation or stake in the deal - and no stake in the outcome of that deal - to be the neutral third witness. If that's not the

case - if you're a lawyer representing one of the clients, if you're a realtor who's a buyer's agent or a seller's agent (indisc. - coughing).

Number 0719

MS. KREITZER noted that the last major change would be to repeal AS 44.50.180 (c). She said, "We found out after the bill was introduced that our state law is inconsistent with our federal law, regarding post masters being able to charge fees for notarizing."

MS. KREITZER directed the committee's attention to a [two-page] document she prepared this morning [available in the committee packet] that shows amendments, their purpose, and the lieutenant governor's position on them. She stated her belief that this handout covers most of the changes that are in Version Q. She pointed out that [in the top-left] column, the number "13" should be changed to "12". She noted that most of the changes on the first page of the handout are drafting considerations. She explained that "Drafter decision" means that the lieutenant governor has accepted the [Legislative Legal and Research Services] drafter's opinion. The [first block on the] second page, she noted, deals with new sections of unauthorized practice. She said Representative Gruenberg would explain that amendment, but indicated that the lieutenant governor, although fine with the change, doesn't think the issue is a problem. The last amendment [on page two of the handout] has to do with a handbook and a new section dealing with regulations, and she explained that this simply codifies what is currently being done. In response to a question from Representative Gruenberg, she indicated that she doesn't know where in Version Q the amendment regarding unauthorized practice was inserted.

Number 0923

REPRESENTATIVE GRUENBERG thanked Ms. Kreitzer and her staff.

Number 0955

REPRESENTATIVE GRUENBERG noted SB 203, regarding "the administrative law judge," was reported out of the House Judiciary Standing Committee on March 18, 2004. He stated that Ms. Kreitzer had said she would like to have the procedure for the disciplining of the notary public be, essentially, subsumed under [SB 203], so that the judge would be the central panel of

administrative law judges. He suggested that if [SB 203] passes, then "we can ultimately remove part of these."

Number 1017

MS. KREITZER confirmed that it has been advised by [Legislative Legal and Research Services] and the Department of Law that it is premature to offer those amendments that deal with "that issue."

Number 1059

REPRESENTATIVE SEATON, regarding the bonding issue, asked what the purpose of the bond is.

MS. KREITZER answered that the purpose of the bond is to protect "the public who engages in notary." She revealed that there is some debate about whether \$1,000 is a sufficient amount for that purpose. She said Alaska has "self surety," which she explained means that a person can provide surety for someone and post a thousand-dollar bond. She suggested that if the bond amount is increased, it might mean that self-surety would "go away." She said this issue was discussed with Representative Gruenberg. She revealed that the notary administrator had reported that there have been no complaints over the last several years regarding the amount of the bond.

REPRESENTATIVE SEATON clarified that he is trying to figure out what protection a bond provides the public, and what that bond is to cover.

MS. KREITZER deferred to Representative Gruenberg.

Number 1159

REPRESENTATIVE GRUENBERG brought attention to page 9, line 26, which he said is the part of the bill regarding the bond. He mentioned a [handwritten, one-page] "chart" of the [bond amounts of the] 50 states [included in the committee packet].

CHAIR WEYHRAUCH suggested that Representative Gruenberg offer his amendment.

Number 1200

REPRESENTATIVE GRUENBERG [moved to adopt] Amendment 1, which read as follows [original punctuation provided, some formatting changed]:

Page 9, line 26: strike "1,000" and insert "\$5,000."

Comment: The \$1,000 bond has been in effect since 1961. The amount is so small now, 43 years later, that it provides virtually no protection at all against a notary's malpractice (forgeries, collusions, etc.). \$1,000 would not pay much towards the cost of a lawsuit today. The bond should be at least [sic] \$5,000. I would support a higher requirement if the members desire it. According to the All-State Notary Public Guide published by the American Society of Notaries, states require bonds as set forth on the attached sheet. Section 3-3 of the Model Notary Act recommends a \$25,000 bond. Bonds need not be corporate surety bonds, but can be personal surety bonds, which do not cost anything.

REPRESENTATIVE GRUENBERG explained that a corporate bond is backed up by a corporate surety, whereas a personal bond means that someone other than the notary has guaranteed that he/she is worth the amount of the bond and will pay that amount of money if the action against the bond is successful. He stated, "It's not just dealing with the seal, but it's anything that's illegal that the notary public does in connection with that notarization"

Number 1238

CHAIR WEYHRAUCH remarked that this would be a fee increase and asked Ms. Kreitzer what the lieutenant governor's position is on the issue.

MS. KREITZER replied, "We've advised Representative Gruenberg of the lieutenant governor's position and we just oppose the amendment."

Number 1260

REPRESENTATIVE COGHILL said he would like to know if there has ever been a point where the bond has been required through some misuse of "this seal."

Number 1300

REPRESENTATIVE GRUENBERG referred again to the aforementioned handwritten chart that shows bond amounts of the 50 states. He noted that there are [20] states in the left-hand column that don't require any bond, while Kentucky varies its bond by county. He pointed to the bond amounts shown for the other states; those amounts vary from \$500 to \$15,000. Representative Gruenberg opined that \$1,000 is too small to be meaningful - it won't even pay the cost of the court if an attorney is involved, for example.

Number 1377

REPRESENTATIVE COGHILL indicated that he would like to know if there has ever been a case in which a [notary public's] seal was "pulled."

CHAIR WEYHRAUCH observed that the person from the lieutenant governor's office who could testify to that question was not available.

MS. KREITZER noted that that person - [Scott Clark, Notary Commission Administrator] - had testified previously [during the March 8 hearing on HB 439] that in the four years he has held his job, he has not seen action on a bond.

Number 1377

REPRESENTATIVE GRUENBERG indicated that an increase in the amount of the bond would add some protection in the rare case that there is something fraudulent that a notary has done. He said, "I chose the \$5,000 because that is something that a personal surety would be able to afford, and it would provide some real protection."

Number 1400

CHAIR WEYHRAUCH maintained his objection [to Amendment 1]. He said he needs more evidence that this issue has been a problem. He also declared a conflict, because he has to buy notary bonds for his [law] office.

Number 1425

REPRESENTATIVE SEATON asked what the cost of notary bonds is.

REPRESENTATIVE GRUENBERG answered that it's usually nothing, because it just takes an individual to sign and say he/she is worth the amount of the bond and is willing to stand as a surety.

CHAIR WEYHRAUCH said he has paid \$50.

Number 1438

A roll call vote was taken. Representative Gruenberg voted in favor of Amendment 1. Representatives Coghill, Lynn, Seaton, and Weyhrauch voted against it. Therefore, Amendment 1 failed by a vote of 1-4.

Number 1500

REPRESENTATIVE GRUENBERG moved to adopt [Conceptual] Amendment 2, which read as follows [original punctuation provided]:

Insert in bill, where drafter determines appropriate, the proposed AS 44.50.078 from CSHB 394(L&C), Seventeenth Legislature. A copy of the proposed statute is attached. Renumber and reorder bill as appropriate.

Number 1519

CHAIR WEYHRAUCH objected for discussion purposes.

Number 1528

MS. KREITZER, in response to a question from Representative Gruenberg, told the committee that although the lieutenant governor's office does not see [Conceptual Amendment 2] as necessary, it takes a neutral stance regarding it.

REPRESENTATIVE GRUENBERG explained that [Conceptual Amendment 2] clarifies that a person who is a notary and not an attorney may help complete the notarial certificate, but may not select the certificate, which means they may not give legal advice.

Number 1585

REPRESENTATIVE SEATON asked if Representative Gruenberg was talking about a blank will form, for example.

REPRESENTATIVE GRUENBERG explained that he is talking about the form of the acknowledgment, not the forms themselves. He gave an example of a statute that requires that the document specifically be "acknowledged."

Number 1630

CHAIR WEYHRAUCH maintained his objection. He stated that this is a legal issue that he would rather have the House Judiciary Standing Committee address.

Number 1655

REPRESENTATIVE GRUENBERG withdrew [Conceptual] Amendment 2.

Number 1665

REPRESENTATIVE GRUENBERG [moved to adopt] Amendment 3, regarding mandatory journals, which read as follows [original punctuation provided]:

Add the following text from CSHB 394(L&C), 17th Legislature, to be inserted where the drafter determines is appropriate (See attached bill):

1. Page 1, lines 10-11
2. Page 2, lines 23-24 (underlined language only)
3. Page 3, lines 12-15
4. Page 4, lines 4 to 27 (Section 10 of that bill)

CHAIR WEYHRAUCH objected for discussion purposes.

REPRESENTATIVE GRUENBERG explained that the language he is seeking [from CSHB 394(L&C)] is the language that is indicated on the attachment [stapled behind Amendment 3, in the committee packet]. He said about half of the states require a notary to maintain a journal.

CHAIR WEYHRAUCH maintained his objection for [three] reasons: First, he stated that he is not certain whether this would subject somebody who doesn't keep a journal to criminal penalties, and he said he would like Representative Gruenberg to bring up the issue to the House Judiciary Standing Committee.

Second, he said he doesn't want to encumber notaries to keep something that they don't think is mandatory. Third, he said he knows that the lieutenant governor's office always admonishes notaries to maintain a journal. He said every time he has had a signature notarized, there has always been a journal there. He explained that he doesn't want transactions to be encumbered by a mandatory journal requirement that otherwise "may flow" when there's not such a requirement.

Number 1729

REPRESENTATIVE GRUENBERG said, "Well, I see that's the committee's desire, so I won't press this." [Amendment 3 was treated as withdrawn.]

CHAIR WEYHRAUCH told Representative Gruenberg that he appreciates the work that he has done.

Number 1800

REPRESENTATIVE SEATON moved to report the committee substitute (CS), Version 23-GH2022\Q, Bannister, 3/18/04, out of committee with individual recommendations and the accompanying fiscal notes. There being no objection, CSHB 439(STA) was reported out of the House State Affairs Standing Committee.

HJR 31-CONST AM: PERMANENT FUND

Number 1825

CHAIR WEYHRAUCH announced that the next order of business was HOUSE JOINT RESOLUTION NO. 31, Proposing amendments to the Constitution of the State of Alaska relating to the Alaska permanent fund and to payments to certain state residents from the Alaska permanent fund; and providing for an effective date for the amendments.

Number 1860

REPRESENTATIVE SEATON moved to adopt CSHJR 31(W&M).

CHAIR WEYHRAUCH objected for discussion purposes.

Number 1880

JANET CLARKE, Director, Division of Administrative Services, Department of Health & Social Services (DHSS), noted that the

department has 11 fiscal notes associated with HJR 31. She pointed to a handout in the committee packet entitled, "General Fund Summary Impact of CSHJR 31 on DHSS Programs." In general, she stated, HJR 31 would change the complexion of "permanent fund dividend hold harmless in its use within DHSS." It also would, with the one-time payout of \$20,000, impact eligibility for a number of programs in the year that the payout is made. She noted that, in addition to the impacts on the department, there would also be impacts to federal funds "that we could describe in each individual fiscal note that we submitted."

REPRESENTATIVE SEATON, regarding the general fund impact handout, asked if the brackets indicated losses or gains to the general fund.

MS. CLARKE answered that the brackets indicate savings to the general fund. She indicated that the bottom row of numbers on that handout reflect the estimated impact to the department. In 2005, the state general fund would save \$47,765,300. After that, the handout shows a predicted cost of \$53,130,400 in 2006, \$1,020,000 in 2007, and \$1,019,900 in 2008. The total impact over that time period, she said, is estimated to be [a cost of] \$7,405,000. Ms. Clarke stated, "Now each one of these situations and programs, they're different complexities with the permanent fund, the ineligibility, and the impact to the federal and general fund. So, if we have time, because of the impact, we would like to go through each individual fiscal note."

Number 2030

MS. CLARKE directed the committee's attention to the fiscal note with the component labeled, "ATAP" [Alaska Temporary Assistance Program]. She described this program as the one people think of as DHSS's "welfare-to-work" program and assistance to needy families. She pointed out that the analysis shows that in fiscal year 2005 (FY 05), [DHSS] would see a savings of [approximately] \$26.4 million. The bulk of that, she noted, would be federal funds that DHSS would not spend. She explained, "The reason that we see that we would have such a significant reduction in that program, is that we have estimated that approximately 4,600 of the 5,000 individuals will receive a dividend and they will lose their eligibility for that month on the ATAP program, and because of the large supplemental payout, they will also lose eligibility for an additional 11 months."

MS. CLARKE noted that the interagency receipts, as noted in the fiscal note, show a savings in FY 05 of \$2,935,900. She continued as follows:

That fund source is the ... permanent fund dividend fund. Those are the hold harmless dollars that pay for, under current law, that one month in October where individuals are ineligible and we hold them harmless. And the legislature has appropriated permanent fund dividend funds for that month of ineligibility. Well, once there is not [a] permanent fund dividend fund anymore, in 2006, that \$2,935,900 becomes a general fund expenditure, because we're assuming that in 2005, most of the caseload will be ineligible. But based on our current experience with our clients, we believe most of them will come back on the caseload in 2006, and we will need to have those resources to pay benefits for the whole year. But it will become a general fund expenditure.

Number 2147

REPRESENTATIVE SEATON offered his understanding that if the recipients are no longer receiving permanent fund dividends (PFDs), then "we wouldn't need any hold harmless money."

MS. CLARKE answered that it's correct that those people would not be held harmless. However she explained that when people are held harmless, they get their benefits and their PFD. She said, "So, we're paying benefits right now for that one month that would be ineligibility. The funding source for that is the PFD fund, and when we don't have the PFD ... we need to have a funding source for that. So, there is a cost." In response to a question from Representative Coghill, she explained that the federal funds related to the ATAP are block grant funds, and it's not a 50-50-match program. She confirmed his understanding that regarding "folks who have been determined ineligible for food stamps - [Supplemental Security Income (SSI)] - those federal funds will come into play again [and] will go back to the way it was before the PFD." She continued, "But for this particular program, we have a maintenance of effort requirement, rather than a mat situation, so ... we have to keep that maintenance of effort."

Number 2236

ANGELA SALERNO, Program Coordinator, Director's Office, Division of Public Assistance, Department of Health & Social Services (DHSS), offered the following history:

As Janet said, it's a block grant, but it's based on what we were spending for AFDC in 1994, before welfare reform. In 1994, we based that estimate on 11 months of federal funds and one month of PFD hold harmless. That's what we were spending then; that's what the feds held us to. So, we simply do not have a block grant for that twelfth month. That's why ..., since 1982, we've relied on that one month of PFD hold harmless as a funding source for the temporary assistance program.

Number 2268

REPRESENTATIVE COGHILL offered his understanding that the maintenance of effort agreement is not amendable.

MS. SALERNO answered, "No, it is not. That is mandated by [the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA)] that brought us welfare reform and the [Temporary Assistance for Needy Families (TANF)] program."

Number 2286

MS. CLARKE added for the record:

We have been able to take advantage of changes in the maintenance of effort level. In the governor's budget, for example, we have a \$2.8-million general fund savings for 2005, because we've been able to reduce our maintenance of effort, because we've met our work participation requirements, and so, we get a break on our maintenance of effort calculation. So, we do take advantage where we can.

MS. CLARKE, in response to a question from Representative Coghill, noted that in the past, the maintenance of effort has been reduced, based on the tribal assistance program; however, "that varies, based on when those programs will come into account. It's a formula, basically."

Number 2333

REPRESENTATIVE GRUENBERG asked if the bottom line is that "we" are currently getting far less federal funds than "we" should.

MS. CLARKE responded, "The federal government took a look at what we were spending in 1994, as far as federal funds, and that's what every state was held to - ... that was our block grant."

REPRESENTATIVE GRUENBERG stated his concern is in regard to the hold harmless provision.

MS. CLARKE, in response to a question from Representative Gruenberg, confirmed, "Yes, if we had not had the permanent fund dividend hold harmless our federal expenditures would have been higher and our block grant would have been higher."

TAPE 04-40, SIDE B

Number 2371

MS. SALERNO clarified, "We get eleven-twelfths of what we should."

Number 2362

REPRESENTATIVE COGHILL said that [the absent] Representative Holm would assert that "people would be able to take the money and put themselves into employment, so there might be some challenge to the assertion." He asked if there is a way that the state could "prorate" the eleven-twelfths over a 12-month period.

MS. CLARKE addressed the issues as follows:

One, you could reduce benefit levels. That would take ... statutory change to reduce the benefit levels. We are hamstrung with the maintenance of effort requirement that the federal government has placed on states. They basically said, "We agree to pay you the 1994 level" until they change that rule again, "but you, state, have to maintain a certain level of state expenditure to receive that" - which is the maintenance of effort. So, we are locked in a bit.

Number 2284

MS. CLARKE brought attention to the next fiscal note with the component labeled, "Tribal Assistance." She stated that it has

all the same characteristics as the previously mentioned ATAP fiscal note, and the fiscal note analysis is basically the same. In response to a question from Representative Gruenberg, she explained that the reason the zero amounts show in FY '08 [in both the ATAP and Tribal Assistance fiscal notes] is because, by that time, [the department] assumes that after the savings in FY 05, the case load coming back on in FY 06, and the residual costs in FY 07, it would "get back to a net zero."

Number 2236

REPRESENTATIVE GRUENBERG asked what the underlying factual assumptions are that led to the department's thinking that the amount would "even out again."

MS. CLARKE replied, "We have assumed that the caseload would return to the levels prior to the permanent fund dividend payout of \$20,000. That's our main assumption. We have not taken any other economic analysis."

Number 2204

REPRESENTATIVE SEATON mentioned the fund source amount of [\$2,935,900, listed on the ATAP fiscal note]. He asked why it occurs in 2006, but not in following years.

MS. CLARKE explained as follows:

In preparing this fiscal note to show the one-time nature of the savings and the cost into the future, we debated how to demonstrate that for the committee. So, the approach we took doesn't -- those costs will continue to be shown throughout 2007, 2008, 2009, [and] 2010. We basically just showed them coming back into the base and then getting to equilibrium. Then we have a savings in 2005, below the line. We buy back the one-time nature of that. Typically, fiscal notes are not one-time, and we struggled with how to display that so that it made sense to everyone. And this was our approach to do that.

REPRESENTATIVE SEATON responded, "It seems like we're going to have that from general funds every following year to fund that eleventh month that we no longer have it coming out of the permanent fund dividend." He mentioned trying to get an approximation. He said, "We only have an expense in one year, and actually what we're doing is we're replacing permanent fund

expenditures with [general fund (GF)] for all years after that, and I think we really need to see that in the analysis."

Number 2138

MS. CLARKE replied that Representative Seaton is correct, and she said "we" will address that.

Number 2118

REPRESENTATIVE GRUENBERG asked why the amount for FY 05 on the Tribal Assistance fiscal note shows \$6,091.2, while the amount for Tribal assistance for the same year shows on Ms. Clarke's previously mentioned summary sheet as \$5,414.4.

MS. CLARKE explained that the amount on the summary sheet reflects only the impact to the state general fund, so it only includes those dollars associated with the general fund.

MS. CLARKE turned to the next fiscal note, with the component labeled, "PFD Hold Harmless." She explained that this component is the one that appropriates all of the PFD fund in one place in the department's budget, whereby the department allocates [those monies] to the different programs. [The fiscal note] shows that [the department] would eliminate the use of the PFD fund in FY 05. In response to a question from Representative Gruenberg, she explained that nothing from this fiscal note shows on the summary sheet, because none of the money is a general fund expenditure. In response to a question from Representative Gruenberg regarding why the summary sheet is being limited to general fund impact, rather than showing the total impact, Ms. Clarke said that it was a matter of running out of time and usually the legislature is interested in a general fund impact.

MS. CLARKE stated that there are some programs that are "100 percent federal," where the funds do not flow through the state budget. She said, "Food stamp benefits and SSI [supplemental security income] benefits that we've been holding people harmless, we presume in this analysis that there is no PFD payment and they're not ineligible, but those federal funds would be increased and federal government would make those funds available to pay those benefits directly."

Number 2000

MS. CLARKE directed attention to the next fiscal note with the component labeled, "Adult Public Assistance." She defined this

component as a program that pays benefits to poor elderly or disabled individuals. Of the 15,800 individuals receiving Adult Public Assistance currently, 14,600 would become ineligible in the month that they received the PFD and, because of a large payout, would lose an additional three months of eligibility, thus they would be ineligible for a total of four months in FY 05.

Number 1963

REPRESENTATIVE SEATON asked if the amount of [\$3,792,300] shown on the Adult Public Assistance fiscal note in the category of [general fund (GF)] for FY 06 would continue on each year as the general fund expenditure.

MS. CLARKE answered that's correct. She moved on to the next fiscal note with the component labeled, "Child Care Benefits." She explained that it's not a program that has been held harmless with the PFD hold harmless program. However, she stated, "We will see, in 2005, that we have a reduction in the general fund requirements, as well as our federal block-grant dollars, because of this program." She said [the department] believes that this caseload would also return to predividend payout status in 2006, and 2007, based on ineligibility. She said [the department] is predicting that 3,570 families currently receiving assistance would either lose benefits or have an increased copay that would produce savings in 2005, and "costs" in 2006.

Number 1910

MS. CLARKE referred to the fiscal note with the component labeled, "Work Services." She continued as follows:

Because of our maintenance of effort requirement with the federal government, we have shown some GF savings in our benefit components for Temporary Assistance and Tribal Assistance. But because we would not want to jeopardize our maintenance of effort with the federal government - there'll be considerable penalties - we show that we would spend that \$12,281,800 in general fund dollars in 2005 on Work Services activities, or other activities, to be determined, related to Temporary Assistance and "welfare to work." Those would have yet to be determined of how we would spend those (indisc. - coughing).

REPRESENTATIVE SEATON observed, "And then it shows as a savings over the next two years."

MS. CLARKE answered that's correct. She said there is a one-time increase and then a one-time savings until equilibrium is reached.

Number 1868

MS. CLARKE noted that the next three fiscal notes relate to different parts of the foster care program [with components labeled, "Foster Care Base Rate," "Foster Care Augmented Rate," and "Foster Care Special Need"]. She stated that a number of children who are in foster care, in the month that they receive the payout, will not be eligible for the federal Title IV-E program, thus a slight increase is shown in the general fund expenditures in 2005 and a decrease in 2006.

Number 1843

REPRESENTATIVE GRUENBERG observed that each of the children in foster care would receive the \$20,000 payout. He asked who would manage that and what the cost to the state would be.

MS. CLARKE replied that, currently, the PFDs that children in foster care receive are placed in a trust account that the state of Alaska manages on behalf of those children, because they are in state custody. In response to follow-up questions from Representative Gruenberg, she confirmed that [the money] is not used for the care of the foster children, but it is retained in trust for them, and the department is the trust fund manager.

Number 1799

REPRESENTATIVE GRUENBERG asked what oversight the legislature "or anybody" has regarding the management policies, the rate of return, and how well the state's been meeting its fiduciary duty.

MS. CLARKE answered that [the legislature] has full authority to review the policies and practice related to the management of those funds. In response to a follow-up question from Representative Gruenberg, she said she is not aware of any audit or oversight conducted in this matter.

Number 1770

REPRESENTATIVE BERKOWITZ said he was wondering if the department has any idea how much Alaskans spend on health care and health insurance.

MS. CLARKE responded that she doesn't know.

REPRESENTATIVE BERKOWITZ requested that she find out and let him know.

Number 1743

MS. CLARKE directed attention to the fiscal note with the component labeled, "Commissioner's Office" [designating the department affected to be DHSS]. She explained that, despite the name, it is an overall fiscal note related to the Medicaid program, which is comprised of many programs within the department. She said the department decided to prepare one fiscal note associated with Medicaid and the commissioner's office, rather than "spread it out among its different pieces." She stated that the changes and savings in the Medicaid program would be phenomenal, totaling \$80.691.500 in FY 05, and \$31.2 million in general fund savings in 2005. She said, "We again show the same thing where those dollars would add back. We presume that the clientele would return ... to eligibility in 2006, and there are different timelines, depending on services, that would have residual costs in 2007-2008."

MS. CLARKE noted that on the second and third pages of the fiscal note, the department has outlined its different assumptions related to the caseload, which has many different service levels and eligibility groups. She commented that it's a complex analysis.

Number 1697

CHAIR WEYHRAUCH asked if there would be any way for [the department] to provide a qualitative analysis.

MS. CLARKE replied that the department has been looking at the numbers and the impacts on eligibility groups. She predicted that "the changes would be profound in the short term on a number of our programs and clients."

Number 1675

REPRESENTATIVE COGHILL, speaking once again on behalf of Representative Holm, said he thinks that that representative

would assert that people would take the one-time payout to improve their lot in life. He observed that there are huge assumptions that cannot be empirically tested. He said, "To look to the more noble side of human nature, I would say that we would try to reduce the rolls, rather than level them out."

Number 1615

MS. SALERNO responded as follows:

We agree with you. We do believe that there will be a portion of our temporary assistance caseload that [does] take the opportunity to improve [its] lot. Unfortunately, our largest caseload, ... over 15,000 people, are those on adult public assistance. These are elderly and disabled folks who are on the program because they cannot work. Those are the folks we're most concerned about, specifically around the loss of Medicaid. These are folks who have no other form of support or medical assistance, and I think they can't go without their medical assistance. So, that's a huge impact on the community as a whole.

Our temporary assistance caseload is dropping, as you know. We're very happy with the results we've had and are happy to see folks leaving us. The adult public assistance caseload, by and large, never leaves us, and that caseload grows at about 2 percent every year. We have introduced some cost-containment measures that are paying off - mostly around better filtering for people getting on. But once people are on, they go through a very rigorous process of disability determination, and they tend not to leave us. So, that's really the impact we're concerned about.

Number 1558

REPRESENTATIVE SEATON indicated that he wants an alternate fiscal note [produced]. He said he is concerned about the idea of saying, "Okay, here's cost," and then, as soon as that amount is staying stable for several years, "we don't show it." He explained that gives a false impression of "what this is." He offered an example. He encouraged the department to prepare an alternative fiscal note that shows what is ongoing.

Number 1509

REPRESENTATIVE GRUENBERG said the question has not been asked regarding what the proposed legislation would do to the population of Alaska. He predicted some people would take the money and run. Second, he suggested that if people have been motivated to move to Alaska because of the PFD, then perhaps the numbers of people immigrating to Alaska would decrease. He asked if the department has considered either issue.

MS. CLARKE answered no.

Number 1429

JACK KREINHEDER, Chief Analyst, Office of the Director, Office of Management & Budget (OMB), Office of the Governor, provided comments on behalf of Representative Holm's staff regarding a broader perspective on the impact of the proposed legislation on state finances and state agency finances. He noted that the governor does support the POMV aspect contained in the resolution, but that the administration has not taken a position on the \$20,000 payout element. Regarding fiscal impacts on state agencies, he said the one thing to keep in mind is that a POMV would provide a stable, large stream of income to the state. He added, "In this case it would be about \$800 million a year." Any negative impacts to state agencies could certainly be offset through that stable earning stream, he said.

MR. KREINHEDER noted that another point to keep in mind is that some of the negative impacts that might be discussed, in terms of loss of permanent fund payments to state agencies, would also happen with a POMV without the \$20,000 payout. He offered an example. Under that approach, he said, the long-term dividends would be somewhat smaller than the status quo and, therefore, there would be similar types of impacts or fiscal notes, but smaller. He suggested, "Maybe 20 percent of what you're seeing here, if dividends might be a couple hundred dollars less than otherwise."

MR. KREINHEDER said he thinks some of the previous discussions regarding the impacts on DHSS caseloads are certainly relevant. In terms of financial impacts on state agencies, "those would certainly be compensated through the income stream that would be provided through this POMV approach or some other [approach]." He offered to answer questions.

Number 1262

JERRY BURNETT, Director, Administrative Services, Department of Corrections (DOC), revealed that, in the current year, DOC received approximately \$6.8 million in PFD criminal funds, and he mentioned a budget in FY 05 of approximately \$5.3 million. He stated that the effect of [HJR 31] would be a one-time availability of PFD criminal funds in an amount of approximately \$180 million, with no PFD criminal funds in the future. He said, "How those would be distributed to agencies, again, is entirely up to the legislature [and] OMB." Mr. Burnett explained that PFD criminal funds in DOC are used to offset general fund expenditures. He said [DOC] is not concerned with funding source, but rather with the total of funding. He said it would be a policy call for the legislature.

Number 1205

REPRESENTATIVE BERKOWITZ stated that he is not in favor of "this concept" at all. Notwithstanding that, he suggested, "You could take that \$180 million [and] set up an endowment with it, and it would generate \$9 million a year, which would, I think, exceed the annual appropriations ... from felon funds now."

Number 1187

REPRESENTATIVE GRUENBERG asked if victims' rights would get a similar one-time only shot.

MR. BURNETT clarified that the one-time only shot that he was speaking to was in regard to the entire range for victims' rights [and] DOC. He said, "If it's shared as currently, where the Department of Corrections is getting close to 60 percent of each annual appropriation, we could offset in one year the entire ... \$102 million that we might receive." But theoretically, under this plan, in one year, (indisc.) the victims' rights, it would have to be a multi-year appropriation percentage that they receive."

Number 1157

REPRESENTATIVE GRUENBERG asked if anybody has considered the effect that giving a family of four \$80,000 might have on the level of criminal activity.

MR. BURNETT replied that he is certain that people have had discussions about that, but it would take some research to quantify that. He said, "Almost certainly, any boom that we've

had in the past has changed the level of criminal activity one way or the other."

Number 1088

DENISE HENDERSON, Executive Director, Council on Domestic Violence and Sexual Assault (CDVSA), Department of Public Safety, told the committee that she would speak briefly to the impact that [HJR 31] would have on CDVSA. Currently, CDVSA receives a large portion of PFD "crim" money [PFD monies withheld from criminals] and a portion of this money goes out to support the shelters. She said \$200,000 of that is automatically appropriated to the batterer-intervention programs, so the one-time payout would have a substantial impact on the money that [CDVSA] receives and is able to provide to shelters and programs for batterers.

Number 1018

SHEILA KING, Finance Officer, Postsecondary Education Commission, Department of Education and Early Development, stated that [HJR 31] would provide a one-time influx of PFD garnishment cash for the student loan program. She brought attention to the fiscal note [with the component labeled, "Student Loan Program" and affecting the Department of Education and Early Development], which shows that receipt of funds to be an estimated \$50 million in FY 05, with a minimal decline after that.

CHAIR WEYHRAUCH asked if that money would go into a revolving loan made available to other students for educational opportunities.

MS. KING answered yes. She explained that it would become a pledge receipt recycled into one of the trusts and would be used to take out some bonds or provide "recycling receipts for programs." In response to a question from Chair Weyhrauch, she said the current amount received is about \$5 million; therefore, it would be approximately \$45 million more than was received last year.

Number 0961

REPRESENTATIVE SEATON, regarding the student loan fund, offered his understanding that it's about bonding and transferring that money to the general fund, so it's not as if the one-time money

would be money that would enable [the department] to do something that it couldn't do already.

MS. KING responded as follows:

Our funds do not go to the general fund; they're corporate receipts. The corporation and the commissioner are self-sustaining entities. The receipts that come in for the loans are pledged as bonds, because we've used bonds to finance the program to make ourselves a self-sustaining entity. Any money that we've paid to the state has been as a dividend. We did just do a bond issue to return \$75 million to the state, as you're probably aware, and that is separate and outside of the trusts that fund our programs.

Number 0892

GUY BELL, Director, Central Office, Division of Administrative Services, Department of Labor & Workforce Development, said that department offers a number of federally funded job training programs. He mentioned the Division of Vocational Rehabilitation and the Division of Employment Security. He said, "We're estimating a one-time impact on federal funding of about \$6.1 million in job training funds." He clarified that [that impact] would be a reduction in funds. He said it is estimated that 76 clients with the Division of Vocational Rehabilitation will exceed the income threshold by virtue of [the \$20,000] payment, which will have a \$175,000 impact. In the senior community service employment program, which has a 125 percent poverty threshold, it is estimated that 215 people will be affected, with a reduction in federal funding of \$1.7 million. In the adult training program it is estimated that 228 people would not be eligible for one year, with an impact of about \$1 million. In the youth training program, 784 people [would not be eligible], with an impact of approximately \$3.2 million.

CHAIR WEYHRAUCH asked if [HJR 31] would have an impact of allowing people to enter into a business that they otherwise would not be able to start without the money. He asked if there might be the potential for growth and employment opportunities in the state.

MR. BELL replied that [the department] has not done that analysis; however, he said that link could be surmised. With

the one-time payment, people could seek, through their own means, the job training that [the department] would otherwise provide.

CHAIR WEYHRAUCH noted that there has been a lot of discussion regarding the multiplier effect on the economy. He asked about the impact on the state.

MR. BELL responded that he would have to get back to Chair Weyhrauch on that query. He said that certainly there would be a one-time "heating" effect that would have an immediate impact on the economy, but would diminish quite rapidly.

Number 0752

MICHAEL BARNHILL, Assistant Attorney General, Commercial/Fair Business Section, Civil Division (Juneau), Department of Law, in response to a question from Chair Weyhrauch, said he doesn't think there would be any commercial impact [from HJR 31] to Alaska, beside what has already been voiced regarding fiscal impacts. In regard to individual financial impact, he noted that there would certainly be an individual income tax impact for all residents for receiving \$20,000 more income; it would put them into higher tax brackets, as well as potentially putting them into "alternative minimum tax scenarios."

Number 0692

REPRESENTATIVE GRUENBERG asked what the impact would be on the Department of Law.

MR. BARNHILL indicated that he would not attempt to estimate what the impact would be for each section of the department. As to his own section, he reported that litigation would probably have to be handled up front, regarding the constitutionality of the provision. In response to remarks by Representative Gruenberg, he said, "This would increase the likelihood of eligibility litigation, whether the current eligibility for PFD's is constitutional, both for state and federal purposes." Regarding whether a one-time large payout would increase crime, he said, "Your guess is as good as mine."

REPRESENTATIVE GRUENBERG asked about potential constitutional problems, either in the legislation or the application.

MR. BARNHILL replied that the constitutional issues that could be raised with respect to eligibility for the dividend would

relate to the privileges and immunities clause of the federal constitution and the equal protection clause of both the state and the federal constitutions. In response to follow-up questions from Representative Gruenberg, he suggested that people who are not currently eligible for the permanent fund dividend could raise an argument that that violates the right to equal protection and the rights under the privileges and immunities clause to equal treatment as nonresidents. He pointed out that those arguments have been raised in the past, and the one-year durational residency requirement has generally withstood challenge. He noted that there have been recent cases in the U.S. Supreme Court questioning the validity of the 12-month durational residency requirement in certain circumstances. He added, "Whether this is one of those circumstances is anybody's guess."

REPRESENTATIVE GRUENBERG said he sits on the House Judiciary Standing Committee, which is next in line to hear HJR 31. He asked Mr. Barnhill to provide that committee with a legal memorandum from [the Department of Law] regarding "those recent developments in this area and how this might effect the issue of challenges to that, and the chance of success on that."

MR. BARNHILL said he would work with Representative Gruenberg's office on that matter.

Number 0453

SHARON BARTON, Director, Central Office, Permanent Fund Dividend Division, Department of Revenue, focused attention on a fiscal note with the component labeled, "Permanent Fund Dividend" [affecting the Department of Revenue], which she described as straight forward. She indicated that the fiscal note addresses elimination of the division and the cost reduction to the budget. She noted that some functions would go on beyond the end of the program: Fraud investigations would need to be cleaned up; collections would go on for some years; and 18-year-old filers would have until the eighteenth year out to file. She said there is not cost for that shown on the fiscal note, because the commissioner's office would have to cover those functions, such as appeals that are expected to come for some time. She stated, "With the increase in the amount of the dividend, we would have a lot more appeals, and it will be worthwhile for more of those individuals to take them on to court."

Number 0322

REPRESENTATIVE GRUENBERG suggested that the ultimate cost of defending these cases would fall back to the [Department of Revenue]. Additionally, he suggested that with a family of five getting \$100,000, much more stringent measures would be needed to ensure against fraudulent applications.

MS. BARTON answered, "Yes to all of that." She noted that there would be additional formal appeals officers to handle the increase in appeals. She stated that they would apply all the same rules they always have; however, the quantity would be greater. She stated the intent to add an additional fraud investigator. She noted that since other parts of the division would be phased out, the fraud unit could be given more help. She said it would not be known whether more resources are necessary to keep on the fraud investigator into 2006, until that year approaches.

Number 0201

REPRESENTATIVE GRUENBERG asked Ms. Barton to consider what additional indices of residency and eligibility should be required, because there will be a lot more people with more money than they've ever seen in their lives and, therefore, with more motives for fraud.

MS. BARTON said that the rules are in place now. She explained that the filing closes in two weeks, on March 31, for the 2004 dividend, so the regulations can't be changed at this point. She proffered that [the division] can certainly scrutinize the applications with more diligence.

Number 0101

The committee took an at-ease from 9:36 a.m. to 9:37 a.m.

Number 0088

CHAIR WEYHRAUCH announced that HJR 31 was heard and held.

HB 467-COMMEMORATIVE QUARTERS COMMISSION

Number 0025

CHAIR WEYHRAUCH announced that the last order of business was HOUSE BILL NO. 467, "An Act establishing an Alaska Commemorative Coin Commission to develop the design concepts and to make

recommendations regarding the final design of the Alaska quarter under the 50 States Commemorative Coin Program Act; and providing for an effective date."

TAPE 04-41, SIDE A

Number 0029

CHAIR WEYHRAUCH welcomed Jo Ann Jones, a fifth-grade teacher from Auke Bay Elementary School, and her students. He asked the committee members to introduce themselves to the students. He noted that the students have studied the bill and want to offer testimony regarding it.

Number 0100

REPRESENTATIVE GRUENBERG, at the request of Chair Weyhrauch, moved to adopt HB 467 "for discussion purposes."

REPRESENTATIVE SEATON, at the request of Chair Weyhrauch, objected for discussion purposes.

CHAIR WEYHRAUCH offered a brief explanation of parliamentary procedure.

Number 0165

REPRESENTATIVE TOM ANDERSON, Alaska State Legislature, as sponsor of HB 467, explained that the proposed legislation would give the Alaskan public the opportunity to design a commemorative quarter. He noted that in 1997, the federal government passed a law that said every state will have a commemorative quarter with a design on it that represents that state. He noted that many people have suggested designs for the Alaska commemorative quarter already. He stated that the federal government and the U.S. Mint have recommended that [each state] assign a commemorative coin committee.

REPRESENTATIVE ANDERSON said HB 467 provides for 11 members [on the committee]. He indicated that six of the members would be public members. For example, one member would be selected from a list submitted by the Alaska State Council on the Arts, one member would be a student from a public, private, or secondary school in the state, and the remaining four public members would be appointed from each of the four judicial districts in the state. He noted that there would also be a member selected from the majority caucus and minority caucus in both the House and the Senate. Finally, the eleventh member would be a designee of

the governor. He explained that, by default, if there were no commission, the governor would pick the design. He expressed that he would rather have the public select the design, rather than one person.

Number 0370

REPRESENTATIVE ANDERSON directed attention to the fiscal note. He explained to the students that the fiscal note shows that the cost in 2006 would be \$30,000. That amount would be for travel and per diem for the people on the commission to meet four times to analyze what would be the best design for the commemorative quarter. He offered his understanding that there would be "an additional expense" in 2007. In 2008, the [design] would be presented and the coin minted. He noted that the bill would take effect on January 1, 2005, which would give the governor enough time to prepare for the two-year cycle recommended by the U.S. Mint.

Number 0522

REPRESENTATIVE LYNN offered his understanding that the term "two bits" means 25 cents.

Number 0551

REPRESENTATIVE GRUENBERG revealed that his stepfather, Jacques Schnier, designed the commemorative half-dollar for the opening of the [San Francisco-Oakland Bay Bridge] in [1936]. He explained that a sculptor made a plastic model for the coin, which he possesses.

Number 0600

REPRESENTATIVE SEATON asked if the fiscal note also includes time in meetings for the actual recommendation of the selection.

REPRESENTATIVE ANDERSON offered his understanding that it does. He deferred to a representative from the Department of Revenue. He added that he wants to make [HB 467] coincide with another bill he sponsored, which is in regard to a planning committee for the fiftieth anniversary of statehood.

Number 0694

MARIA WEYHRAUCH, Student Council Representative, Ms. Jones' fifth grade class, Auke Bay Elementary School, testified that

the class feels that "students ages 5-18 should be on the commission." She suggested an amendment on page 2, line 23, to read: "public, private, or home school". She stated that the students feel the change will add to the creativity of the commission.

MS. WEYHRAUCH asked if there would be a design contest open to school-aged students throughout the state for the design of the Alaska [commemorative] quarter. In response to a question from Representative Lynn, she confirmed that she is related to Chair Weyhrauch. In response to a request for clarification from Representative Seaton, she restated the idea for the amendment. In response to a question from Representative Gruenberg, she confirmed that the students want to [open the requirement for one of the seats on the commission] to allow [elementary students], rather than just secondary students.

Number 0803

CHAIR WEYHRAUCH suggested the amendment would be conceptual.

Number 0820

REPRESENTATIVE ANDERSON said he likes the idea for the amendment.

CHAIR WEYHRAUCH specified that the intent of the amendment would be to add home school students as well as students in elementary school.

REPRESENTATIVE ANDERSON reminded the committee that Benny Benson [was the age of an elementary student] when he entered and won the design contest for the Alaska State Flag.

Number 0876

REPRESENTATIVE SEATON moved to adopt [Conceptual Amendment 1] as follows:

On page 2, line 23:

Between "public" and "private"
Insert ", "

Delete "secondary"
Insert "or home"

Number 0880

CHAIR WEYHRAUCH objected "for purposes of demonstration" [to illustrate for the students what happens when someone objects to a motion].

A roll call vote was taken. Representatives Lynn, Berkowitz, Gruenberg, Seaton, Coghill, and Weyhrauch voted in favor of Conceptual Amendment 1. Therefore, Conceptual Amendment 1 was adopted by a vote of 6-0.

CHAIR WEYHRAUCH asked if there was further discussion regarding the bill. He noted that there had been "discussion about the contest," and he said, "I'm not sure how to deal with that."

Number 0933

REPRESENTATIVE BERKOWITZ suggested that the committee include a letter of intent with the bill, "suggesting (indisc. - coughing) that that would be something that the legislature would look upon favorably." He said he thinks it would not be good for the legislature to tell the commission how to perform its duties.

Number 0971

REPRESENTATIVE GRUENBERG echoed that he hopes the letter would simply state that "this is one thing they might consider."

Number 1013

CHAIR WEYHRAUCH clarified for the students' benefit that the letter of intent would let the commission know that the legislature recommends the idea of having a contest among school children [to come up with the design for the Alaska commemorative quarter].

Number 1044

REPRESENTATIVE SEATON withdrew his objection to HB 467.

Number 1055

REPRESENTATIVE GRUENBERG explained the process of moving the bill out of committee for the benefit of the students.

Number 1073

REPRESENTATIVE GRUENBERG moved to report HB 467, as amended, out of committee with individual recommendations and the accompanying fiscal note. There being no objection, CSHB 467(STA) was reported out of the House State Affairs Standing Committee.

ADJOURNMENT

Number 1119

There being no further business before the committee, the House State Affairs Standing Committee meeting was adjourned at 9:56 a.m.