

ALASKA STATE LEGISLATURE
HOUSE STATE AFFAIRS STANDING COMMITTEE
February 16, 2006
8:08 a.m.

MEMBERS PRESENT

Representative Paul Seaton, Chair
Representative Carl Gatto, Vice Chair
Representative Jim Elkins
Representative Bob Lynn
Representative Jay Ramras
Representative Berta Gardner
Representative Max Gruenberg

MEMBERS ABSENT

All members present

COMMITTEE CALENDAR

HOUSE BILL NO. 238

"An Act relating to contribution rates for employers and members in the defined benefit plans of the teachers' retirement system and the public employees' retirement system and to the ad-hoc post-retirement pension adjustment in the teachers' retirement system; requiring insurance plans provided to members of the teachers' retirement system, the judicial retirement system, the public employees' retirement system, and the former elected public officials retirement system to provide a list of preferred drugs; relating to defined contribution plans for members of the teachers' retirement system and the public employees' retirement system; and providing for an effective date."

- MOVED CSHB 238(STA) OUT OF COMMITTEE

CS FOR SENATE BILL NO. 186(JUD)

"An Act relating to the Alaska Executive Branch Ethics Act; and providing for an effective date."

- MOVED HCS CSSB 186(STA) OUT OF COMMITTEE

HOUSE BILL NO. 347

"An Act relating to mandatory motor vehicle insurance, license suspensions, and notices relating to motor vehicles and driver's licenses."

- MOVED CSHB 347(STA) OUT OF COMMITTEE

HOUSE BILL NO. 344

"An Act relating to the commissioner of administration's appointing agents to perform for compensation certain transactions related to vehicles; and providing for an effective date."

- HEARD AND HELD

CS FOR SENATE BILL NO. 12(STA)

"An Act relating to financial relationships with persons conducting business in or having headquarters in countries that support or ignore slavery and trafficking in persons."

- HEARD AND HELD

PREVIOUS COMMITTEE ACTION

BILL: HB 238

SHORT TITLE: PUBLIC EMPLOYEE/TEACHER RETIREMENT

SPONSOR(s): STATE AFFAIRS

03/30/05	(H)	READ THE FIRST TIME - REFERRALS
03/30/05	(H)	STA, FIN
03/31/05	(H)	STA AT 8:00 AM CAPITOL 106
03/31/05	(H)	Heard & Held
03/31/05	(H)	MINUTE(STA)
04/02/05	(H)	STA AT 10:00 AM CAPITOL 106
04/02/05	(H)	Heard & Held
04/02/05	(H)	MINUTE(STA)
04/05/05	(H)	STA AT 8:00 AM CAPITOL 106
04/05/05	(H)	Heard & Held
04/05/05	(H)	MINUTE(STA)
04/07/05	(H)	STA AT 8:00 AM CAPITOL 106
04/07/05	(H)	Scheduled But Not Heard
04/09/05	(H)	STA AT 9:30 AM CAPITOL 106
04/09/05	(H)	Heard & Held
04/09/05	(H)	MINUTE(STA)
04/12/05	(H)	STA AT 8:00 AM CAPITOL 106
04/12/05	(H)	Heard & Held
04/12/05	(H)	MINUTE(STA)
04/14/05	(H)	STA AT 8:00 AM CAPITOL 106
04/14/05	(H)	Heard & Held
04/14/05	(H)	MINUTE(STA)
04/16/05	(H)	STA AT 9:30 AM CAPITOL 106

04/16/05	(H)	Heard & Held
04/16/05	(H)	MINUTE(STA)
04/19/05	(H)	STA AT 8:00 AM CAPITOL 106
04/19/05	(H)	Scheduled But Not Heard
04/20/05	(H)	STA AT 8:00 AM CAPITOL 106
04/20/05	(H)	Scheduled But Not Heard
04/21/05	(H)	STA AT 8:00 AM CAPITOL 106
04/21/05	(H)	<Bill Hearing Canceled>
02/02/06	(H)	STA AT 8:00 AM CAPITOL 106
02/02/06	(H)	Heard & Held
02/02/06	(H)	MINUTE(STA)
02/14/06	(H)	STA AT 8:00 AM CAPITOL 106
02/14/06	(H)	Scheduled But Not Heard
02/16/06	(H)	STA AT 8:00 AM CAPITOL 106

BILL: SB 186

SHORT TITLE: EXECUTIVE BRANCH ETHICS

SPONSOR(s): SENATOR(s) SEEKINS

04/22/05	(S)	READ THE FIRST TIME - REFERRALS			
04/22/05	(S)	STA, JUD			
04/26/05	(S)	STA AT 3:30 PM BELTZ 211			
04/26/05	(S)	Moved CSSB 186(STA) Out of Committee			
04/26/05	(S)	MINUTE(STA)			
04/27/05	(S)	JUD AT 8:30 AM BUTROVICH 205			
04/27/05	(S)	Scheduled But Not Heard			
04/28/05	(S)	STA RPT CS 3NR 1DNP			
		NEW TITLE			
04/28/05	(S)	NR: THERRIAULT, WAGONER, HUGGINS			
04/28/05	(S)	DNP: ELTON			
04/28/05	(S)	JUD AT 8:30 AM BUTROVICH 205			
04/28/05	(S)	Scheduled But Not Heard			
04/29/05	(S)	JUD AT 8:30 AM BUTROVICH 205			
04/29/05	(S)	LEGISLATIVE ETHICS/MEETINGS			
04/30/05	(S)	JUD AT 9:00 AM BUTROVICH 205			
04/30/05	(S)	Scheduled But Not Heard			
05/01/05	(S)	JUD AT 4:00 PM BUTROVICH 205			
05/01/05	(S)	Moved CSSB 186(JUD) Out of Committee			
05/01/05	(S)	MINUTE(JUD)			
05/02/05	(S)	JUD RPT CS FORTHCOMING 1DP 1DNP 2NR			
		1AM			
05/02/05	(S)	DP: SEEKINS			
05/02/05	(S)	DNP: FRENCH			
05/02/05	(S)	NR: THERRIAULT, HUGGINS			
05/02/05	(S)	AM: GUESS			
05/02/05	(S)	JUD AT 8:30 AM BUTROVICH 205			
05/02/05	(S)	Moved Out of Committee 5/1/05			

05/02/05	(S)	MINUTE (JUD)	
05/03/05	(S)	JUD	CS
		NEW TITLE	RECEIVED
05/04/05	(S)	RETURNED TO RLS COMMITTEE	
05/08/05	(S)	TRANSMITTED TO (H)	
05/08/05	(S)	VERSION: CSSB 186 (JUD)	
05/09/05	(H)	READ THE FIRST TIME - REFERRALS	
05/09/05	(H)	STA, JUD	
01/31/06	(H)	STA AT 8:00 AM CAPITOL 106	
01/31/06	(H)	Heard & Held	
01/31/06	(H)	MINUTE (STA)	
02/14/06	(H)	STA AT 8:00 AM CAPITOL 106	
02/14/06	(H)	Heard & Held	
02/14/06	(H)	MINUTE (STA)	
02/16/06	(H)	STA AT 8:00 AM CAPITOL 106	

BILL: HB 347

SHORT TITLE: MOTOR VEHICLE INSURANCE/LICENSE/ NOTICES
 SPONSOR(s): REPRESENTATIVE(s) GARA, LYNN

01/09/06	(H)	PFILE RELEASED 1/6/06
01/09/06	(H)	READ THE FIRST TIME - REFERRALS
01/09/06	(H)	STA, JUD
01/31/06	(H)	STA AT 8:00 AM CAPITOL 106
01/31/06	(H)	Heard & Held
01/31/06	(H)	MINUTE (STA)
02/14/06	(H)	STA AT 8:00 AM CAPITOL 106
02/14/06	(H)	Heard & Held
02/14/06	(H)	MINUTE (STA)
02/16/06	(H)	STA AT 8:00 AM CAPITOL 106

BILL: HB 344

SHORT TITLE: VEHICLE TRANSACTION AGENTS
 SPONSOR(s): REPRESENTATIVE(s) KOHRING, RAMRAS

01/09/06	(H)	PFILE RELEASED 1/6/06
01/09/06	(H)	READ THE FIRST TIME - REFERRALS
01/09/06	(H)	STA, FIN
02/16/06	(H)	STA AT 8:00 AM CAPITOL 106

BILL: SB 12

SHORT TITLE: HUMAN TRAFFICKING/SEXTOURISM/PROCUREMENTS
 SPONSOR(s): SENATOR(s) DYSON

01/11/05	(S)	PFILE RELEASED 12/30/04
01/11/05	(S)	READ THE FIRST TIME - REFERRALS
01/11/05	(S)	STA, JUD

02/08/05	(S)	STA AT 3:30 PM BELTZ 211
02/08/05	(S)	Heard & Held
02/08/05	(S)	MINUTE(STA)
04/14/05	(S)	STA AT 3:30 PM BELTZ 211
04/14/05	(S)	Moved CSSB 12(STA) Out of Committee
04/14/05	(S)	MINUTE(STA)
04/15/05	(S)	STA RPT CS FORTHCOMING 4DP
04/15/05	(S)	DP: THERRIAULT, HUGGINS, DAVIS, ELTON
04/18/05	(S)	STA CS RECEIVED
		NEW TITLE
04/26/05	(S)	JUD RPT CS(STA) 4DP 1NR
04/26/05	(S)	DP: SEEKINS, FRENCH, THERRIAULT, HUGGINS
04/26/05	(S)	NR: GUESS
04/26/05	(S)	JUD AT 8:30 AM BUTROVICH 205
04/26/05	(S)	Moved CSSB 12(STA) Out of Committee
04/26/05	(S)	MINUTE(JUD)
05/02/05	(S)	TRANSMITTED TO (H)
05/02/05	(S)	VERSION: CSSB 12(STA)
05/03/05	(H)	READ THE FIRST TIME - REFERRALS
05/03/05	(H)	STA, JUD
02/16/06	(H)	STA AT 8:00 AM CAPITOL 106

WITNESS REGISTER

TRACI CARPENTER, Project Manager
Central Office
Division of Retirement & Benefits
Department of Administration
Juneau, Alaska

POSITION STATEMENT: Answered a question pertaining to an amendment during the hearing on HB 238.

REPRESENTATIVE VIC KOHRING
Alaska State Legislature
Juneau, Alaska
POSITION STATEMENT: As one of the prime sponsors, presented HB 344.

DUANE BANNOCK, Director
Director's Office
Division of Motor Vehicles
Department of Administration
Anchorage, Alaska
POSITION STATEMENT: Answered questions on behalf of the division during the hearing on HB 344.

CARROL LYBERGER

Lyberger's Car & Truck Sales, LLC ("Lyberger's")
Anchorage, Alaska

POSITION STATEMENT: Testified in support of a surcharge for business partners of Alaska's Division of Motor Vehicles, during the hearing on HB 344.

JIM ARPINO

Affordable Used Cars, Fairbanks and Anchorage;

Board member

Alaska Automotive Dealers Association

Fairbanks, Alaska

POSITION STATEMENT: Testified in support of HB 344.

DEANNA SLACK, General Manager

Cal Worthington Ford

Anchorage, Alaska

POSITION STATEMENT: Talked about the customer service aspect of being a business partner with DMV and answered questions during the hearing on HB 344.

JOHN IMMEL, Past Co-Owner

Gene's Chrysler

Fairbanks, Alaska

POSITION STATEMENT: Emphasized the efficiency provided by business partners of DMV, during the hearing on HB 344.

SENATOR FRED DYSON

Alaska State Legislature

Juneau, Alaska

POSITION STATEMENT: Testified as sponsor of SB 12.

JASON HOOLEY, Staff

to Senator Fred Dyson

Alaska State Legislature

Juneau, Alaska

POSITION STATEMENT: Answered a question on behalf of Senator Dyson, sponsor of SB 12.

ACTION NARRATIVE

CHAIR PAUL SEATON called the House State Affairs Standing Committee meeting to order at 8:08:53 AM. Present at the call to order were Representatives Lynn, Ramras, Gardner, and Seaton. Representatives Gatto, Elkins, and Gruenberg arrived as the meeting was in progress.

HB 238-PUBLIC EMPLOYEE/TEACHER RETIREMENT

8:09:28 AM

CHAIR SEATON announced that the first order of business was HOUSE BILL NO. 238, "An Act relating to contribution rates for employers and members in the defined benefit plans of the teachers' retirement system and the public employees' retirement system and to the ad-hoc post-retirement pension adjustment in the teachers' retirement system; requiring insurance plans provided to members of the teachers' retirement system, the judicial retirement system, the public employees' retirement system, and the former elected public officials retirement system to provide a list of preferred drugs; relating to defined contribution plans for members of the teachers' retirement system and the public employees' retirement system; and providing for an effective date."

[Before the committee was CSHB 238, Version 24-LS0761\R, Wayne, 1/31/06.]

8:10:43 AM

CHAIR SEATON, after ascertaining that there was no one to testify, closed public testimony.

8:11:01 AM

CHAIR SEATON moved Amendment 1, labeled, 24-LS0761\R.1, Wayne, 2/7/06, which read as follows:

Page 2, line 5, following "to":

Insert "the average salary of all employees of the employer multiplied by"

8:12:15 AM

REPRESENTATIVE GARDNER objected for discussion purposes, and she asked Chair Seaton to clarify how the language of the bill would read with Amendment 1.

8:12:44 AM

CHAIR SEATON explained that the language, beginning on [page 2], line 3, would read as follows:

(1) applying the employer's past service cost rate, up to an amount equal to the blended employer past service cost rate, as calculated on the employer's entire wage base, to the average salary of all employees of the employer multiplied by the number of employees of that employer who are members of the public employees' defined contribution plan in AS 39.35.700-39.35.990;

CHAIR SEATON said the language currently on [page 2, lines 3-6] sets out a calculation formula, but it is missing the language of Amendment 1.

8:13:14 AM

REPRESENTATIVE GARDNER removed her objection.

CHAIR SEATON asked if there was any further objection to Amendment 1. There being none, it was so ordered.

8:13:24 AM

CHAIR SEATON moved Amendment 2, labeled, 24-LS0761\R.3, Wayne, 2/7/06, which read as follows:

Page 2, lines 20 - 21:

Delete all material:

Insert "contribution plan established in AS 39.35.700 - 39.35.990 and the defined benefit plan established in AS 39.35.095 - 39.35.680;"

8:13:34 AM

REPRESENTATIVE GARDNER objected for discussion purposes.

8:13:45 AM

CHAIR SEATON explained that the identifying statutes on page 2, lines 20-21, are in the wrong order, and Amendment 2 corrects that mistake.

8:14:04 AM

REPRESENTATIVE GARDNER removed her objection to Amendment 2.

CHAIR SEATON asked if there was any further objection. There being none, Amendment 2 was adopted.

8:14:21 AM

CHAIR SEATON moved Amendment 3, which read as follows [original punctuation provided]:

Page 2, lines 7-14

Delete all material

REPRESENTATIVE GARDNER objected for discussion purposes.

8:15:36 AM

CHAIR SEATON stated his assumption that regarding employer contribution rates in municipalities with low-compensated elected officials, "the entire normal [medical] cost associated with that person is spread among the rest of the individuals of that employer and is calculated in that employer's rate." He said he would like confirmation that that is true.

8:15:51 AM

TRACI CARPENTER, Project Manager, Central Office, Division of Retirement & Benefits, Department of Administration, confirmed that Chair Seaton's statement is true. She rephrased the concept as follows: "The way that calculation works by the actuary is they determine what the dollar cost amount is for medical benefits for all of the participating members for that year, and then, having arrived at the dollar amount, they divide that by the wage base to arrive at the contribution amount."

8:16:18 AM

CHAIR SEATON asked if that is also the case in Tiers I, II, and III of the defined benefits program.

8:16:32 AM

MS. CARPENTER answered yes.

8:16:38 AM

CHAIR SEATON explained that Amendment 3 would remove language that is not necessary.

8:17:07 AM

REPRESENTATIVE GARDNER removed her objection to Amendment 3.

CHAIR SEATON asked if there was any further objection to Amendment 3. There being none, it was so ordered.

8:17:23 AM

REPRESENTATIVE LYNN moved to report CSHB 238, Version 24-LS0761\R, Wayne, 1/31/06, as amended, out of committee with individual recommendations and the accompanying fiscal notes. There being no objection, CSHB 238(STA) was reported out of the House State Affairs Standing Committee.

The committee took an at-ease from 8:19:01 AM to 8:19:40 AM.

SB 186-EXECUTIVE BRANCH ETHICS

CHAIR SEATON announced that the next order of business was CS FOR SENATE BILL NO. 186(JUD), "An Act relating to the Alaska Executive Branch Ethics Act; and providing for an effective date."

[Before the committee was HCS CSSB 186, Version 24-LS0874\x, Wayne, 1/30/06, as amended.]

8:19:49 AM

REPRESENTATIVE GARDNER moved to adopt Amendment [9], as follows:

Page 1, line 11, following "i":
Insert "or"

Page 1, lines 12 - 14:
Delete "financial interest in a matter is held in a blind trust or the public officer does not have management control over the financial interest; or
(4)"

Page 3, line 18, through page 4, line 1:
Delete all material.

Renumber the following bill sections accordingly.

Page 9, line 31, through page 10, line 3:
Delete "establishment of a blind trust for a period of time or under conditions determined

appropriate, placement of the financial interest into an investment where the employee does not have management control over the financial interest,"

Insert " [ESTABLISHMENT OF A BLIND TRUST,]"

REPRESENTATIVE GARDNER directed attention to an article [included in the committee packet], entitled, "Frist Was Updated On Blind Trust," from CBS News, [dated 9/26/05]. She indicated that the article speaks to the heart of her concern about blind trusts that "they are not necessarily blind." She explained, "I think that people understand that if somebody puts their assets in a blind trust, they might have reason to believe that they will still benefit from decisions made while those assets are in a blind trust." She continued:

I think, for example, ... [Vice President Dick] Cheney has assets related to his service with Halliburton [Company] and stock. And they're in a blind trust, but I think that everybody understands that when he's out of office, he'll probably be a very much wealthier man than when he entered, in part because of his relationship with Halliburton. And there's nothing illegal about that, but it does raise - rightly - a public concern. I personally believe that if you want to serve in government office and you have personal interest in particular companies or businesses, putting them in a blind trust does not remove that interest, even though you may not, on a day-to-day basis know what is in the trust. You know what you put in [and] there's an expectation of what comes out. And I think that even if the decisions you make as a public official are not considering your personal benefit, the perception that it does is there. And in this life, perception is sometimes even more important than reality. If we want public trust in government, we must remove any perception of conflict of interest in every way we can.

REPRESENTATIVE GARDNER revealed that she had tried to get an attorney, accountant, or someone who deals with blind trusts to address this issue on the record. She related that one man laughed and said, "Oh, you mean leaky, peaky trusts." She said she thinks that's very telling. She explained that, given the importance of the issue of confidence in government, she is offering Amendment [9].

8:23:07 AM

REPRESENTATIVE RAMRAS objected to Amendment [9].

8:23:22 AM

CHAIR SEATON noted that also included in the committee packet is an article from the New Jersey Department of Law & Public Safety, entitled, "Executive Commission on Ethical Standards." He said, "... You'll notice that at least in this case, nothing that's required to be recorded in a public office can be put in a blind trust. That's because anything that's recorded in a public office is then, of course, known." He noted that Alaska uses the Alaska Public Offices Commission's (APOC's) rule for financial disclosures for elected officials. He said, "For this case it doesn't seem like we have the ability on elected officials." He referred to a portion of the handout showing the New Jersey department's standards, which read:

The trust shall not contain investments or assets in which the holder's ownership right or interest is required to be [sic] recorded in a public office or those assets whose permanency makes transfer by the trustee improbable or impractical; these investments or assets would include, but not be limited to, businesses, real estate, security interests in personal property and mortgages;

CHAIR SEATON remarked, "The probability that those will remain in the trust is extremely high, and therefore a person that puts something in that trust would have the knowledge that those basically nonliquid assets would remain in the trusts." He reminded the committee, "This does not remove blind trusts from the government. All this does is remove blind trusts as an absolute, nonconflict of interest; so, if you put something into a blind trust under this bill, you absolutely don't have any conflict of interest - even if you just put it in and you know it's there." He said he believes that's the thrust of the two articles.

8:26:10 AM

A roll call vote was taken. Representatives Gardner, Gruenberg, Gatto, and Seaton voted in favor of Amendment 9. Representatives Elkins and Ramras voted against it. Therefore, Amendment 9 passed by a vote of 4-2.

8:26:56 AM

REPRESENTATIVE GRUENBERG moved to adopt Amendment 10, which read as follows [original punctuation provided]:

Page 2, lines 3-4:

Delete all material and insert:

"(B) does not own stock or options to buy stock that, when combined,
(i) equal more than one percent of the stock in the business; or
(ii) have a total value of more than \$10,000;"

8:27:04 AM

CHAIR SEATON objected for discussion purposes.

8:27:52 AM

REPRESENTATIVE GRUENBERG noted that there is a typographical error in the amendment: "boy" should read, "buy". [The committee treated Representative Gruenberg's notice of the error as sufficient to change the error - no amendment necessary.] Representative Gruenberg reminded the committee of its discussion [during the 2/14/06 hearing on SB 186] regarding whether stock options should be included in addition to the actual shares of stock, at which time the sponsor, Senator Ralph Seekins, said he did not object.

8:28:25 AM

CHAIR SEATON removed his objection. He asked if there was any further objection to Amendment 10. There being none, Amendment 10 was adopted.

8:28:40 AM

REPRESENTATIVE GRUENBERG noted that there were [three other amendments] stapled to the back of the adopted Amendment 10.

8:29:11 AM

REPRESENTATIVE GRUENBERG moved to [rescind the committee's action in adopting] Amendment 10. There being no objection, it was so ordered.

8:29:40 AM

REPRESENTATIVE GRUENBERG moved to adopt Conceptual Amendment 11, which includes the rescinded Amendment 10 [text provided previously], plus the following amendments combined, which read as follows [original punctuation provided with some formatting changed]:

Page 2, lines 5-6:

Delete all material and insert:

"(C) owns
(i) less than one percent of the equity
interest in the business; or

(ii) an equity interest in the business
worth less than \$10,000;"

Page 2, line 10:

Insert:

after "provide" insert "or have an option to
provide"

Page 2, line 12:

Insert:

after "contract" insert "or have an option
for a contract"

8:31:14 AM

CHAIR SEATON, regarding the part of the amendment addressing page 2, lines 5-6, explained that "equity interest" means a partnership without a stock.

8:32:04 AM

REPRESENTATIVE GRUENBERG moved Conceptual Amendment 1 to [the portion of] Conceptual Amendment 11 [which addresses page 2, lines 5-6], to insert "or has an option to buy" after "(C) owns".

CHAIR SEATON asked if there was any objection to Conceptual Amendment 1 to Conceptual Amendment 11. There being none, it was so ordered.

8:32:45 AM

REPRESENTATIVE GATTO [referred to the portion of Amendment 11 that read: "(i) less than one percent of the equity interest in the business; or"], and questioned the use of the word "or". In response to Chair Seaton and Representative Gruenberg, he explained that he thinks the intent of the amendment is to have a person to satisfy both of these requirements, not one or the other.

8:33:45 AM

REPRESENTATIVE GRUENBERG said he thinks Representative Gatto may be right. He said he thinks there should be an "and" there. He said he would accept Representative Gatto's suggestion as a "friendly amendment."

[The committee treated Representative Gatto's suggestion as an adopted Conceptual Amendment 2 to Amendment 11.]

8:35:59 AM

REPRESENTATIVE GRUENBERG spoke to the remainder of Conceptual Amendment 11 - the portions of which address page 2, line 10, and page 2, line 12. Regarding the former, Representative Gruenberg said, "We do not want somebody to have an arrangement where they have a sweetheart deal that they're going to be providing personal services, and this just says, 'or have an option to provide'." Regarding the latter, he said the same goes for contracts; "we don't want them to either have a contract or an option for a contract."

8:36:08 AM

CHAIR SEATON removed his objection to Conceptual Amendment 11, [as amended]. He asked if there was any further objection to Amendment 11, as amended. There being none, it was so ordered.

8:36:41 AM

REPRESENTATIVE RAMRAS expressed concern with the recent series of conceptual amendments. He stated, "It just seems like that's the whole nature of everything we're doing here is just suggesting that somebody [who] applies for a job in the executive branch must be dishonest to even make [an] application" He offered language to that effect.

8:37:25 AM

CHAIR SEATON responded that laying out a good groundwork for saying what a member of the executive branch should not do is not an accusation; it gives clarity to what is not acceptable.

8:38:57 AM

REPRESENTATIVE GRUENBERG moved to report HCS CSSB 186, Version 24-LS0874\X, Wayne, 1/30/06, as amended, out of committee with individual recommendations and the accompanying fiscal notes. There being no objection, HCS CSSB 186(STA) was reported out of the House State Affairs Standing Committee.

hb383

HB 347-MOTOR VEHICLE INSURANCE & NOTICE

[Contains discussion of HB 383.]

8:39:50 AM

CHAIR SEATON announced that the next order of business was HOUSE BILL NO. 347, "An Act relating to mandatory motor vehicle insurance, license suspensions, and notices relating to motor vehicles and driver's licenses."

CHAIR SEATON offered his recollection of the end of the last committee meeting as follows:

When we last concluded we had rescinded action in adopting 7a So, Amendment 7 is before us and I am not offering 7a. And I want to give everybody an explanation of why not. For forfeiture of vehicle that is available to the court, there is a "may" in the current statute. This amendment would have made it mandatory on the second offense; however, a vehicle could have been wrecked, the state would have been required to forfeit, take the forfeiture of the vehicle, and would have been then required to pay off the lien on the vehicle. And so, unintended consequences we try to catch. So, 7a will not be offered.

CHAIR SEATON announced that Amendment 7b has been offered.

* **Sec. 6.** AS 28.40 is amended by adding a new section to read:

Sec. 28.40.080. Impoundment of motor vehicle when arrested for certain offenses. On the arrest of a person for a violation of AS 28.15.291, AS 28.33.030, 28.33.031, AS 28.35.030, or 28.35.032, the motor vehicle used in the commission of the offense shall be impounded. If the motor vehicle is not forfeited, the motor vehicle shall be held for six months, unless the person is acquitted of the offense. The cost of towing and storage of the vehicle is a lien on the vehicle. If another person claims an ownership or security interest in the motor vehicle and establishes that the interest predated the offense and was acquired by the other person in good faith, the vehicle may be released to that other person if the person pays the accrued cost of towing and storage of the vehicle."

8:41:37 AM

REPRESENTATIVE GRUENBERG moved Amendment 1 to Amendment 7b, to delete the sentence beginning on page 3, line 15 [as numbered on the amendment], which read as follows:

"If the motor vehicle is not forfeited, the motor vehicle shall be held for six months, unless the person is acquitted of the offense."

CHAIR SEATON asked if there was any objection to Amendment 1 to Amendment 7b. There being none, it was so ordered.

8:42:25 AM

REPRESENTATIVE GRUENBERG stated his understanding that he had objected to Amendment 7b and, thus, removed his objection.

8:42:46 AM

CHAIR SEATON asked if there was further objection to Amendment 7b [as amended]. There being none, Amendment 7b, [as amended] was adopted.

8:43:29 AM

CHAIR SEATON, in response to a request from Representative Gardner to review the outcome of the committee's actions regarding impoundment, indicated that the amendment language regarding forfeiture had not been adopted, but the amendment language regarding impoundment had. He offered further details.

8:45:39 AM

REPRESENTATIVE GARDNER asked what happens if a vehicle is impounded and never claimed.

8:45:55 AM

REPRESENTATIVE GRUENBERG related that Representative Gardner could find the answer to her question in AS 28.10.502.

8:47:26 AM

REPRESENTATIVE GARDNER moved to report HB 347, as amended, out of committee with individual recommendations and the accompanying fiscal notes. There being no objection, CSHB 347(STA) was reported out of the House State Affairs Standing Committee.

HB 344-VEHICLE TRANSACTION AGENTS

8:48:05 AM

CHAIR SEATON announced that the next order of business was HOUSE BILL NO. 344, "An Act relating to the commissioner of administration's appointing agents to perform for compensation certain transactions related to vehicles; and providing for an effective date."

8:48:15 AM

REPRESENTATIVE VIC KOHRING, Alaska State Legislature, as one of the prime sponsors of HB 344, said the bill would improve the service the Division of Motor Vehicles (DMV) provides to the public by allowing the [advanced business partnerships (ABPs)] already doing contract work for DMV to keep a portion of the revenue generated from the transactions they conduct. The point of using ABPs is to lessen the workload of DMV, thereby improving customer service. He related that the Alaska Department of Fish & Game (ADF&G) contracted with private entities to issue its fishing licenses. He said currently the bill provides that the ABPs be paid 15 percent; however, he suggested that amount could be lowered to 7.5 percent. Representative Kohring described the bill concept as a win-win situation, because it would benefit DMV, the ABPs, and the public.

8:51:42 AM

REPRESENTATIVE KOHRING directed attention to the fiscal note, which shows a \$491,000 [change in revenues], and he noted that no general fund monies would be involved. He brought attention to letters of support from Capital Chevrolet - an ABP - and the Alaska Auto Dealers Association (AADA). He said AADA noted it would support the change from 15 to 7.5 percent.

8:53:03 AM

REPRESENTATIVE GATTO moved to adopt the proposed committee substitute, Version 24-LS1082\Y, Bannister, 1/30/06, as a work draft. There being no objection, Version Y was before the committee.

8:53:36 AM

REPRESENTATIVE GATTO noted that there is a letter in the committee packet from an individual concerned that "the money will simply be reflected in additional markup." He asked, "Is there anything in the legislation that ... keeps this separate from the markup?"

8:53:56 AM

REPRESENTATIVE KOHRING answered no. He said the amount of a surcharge would be left to the ABP's discretion. He surmised that if the customer decides that the amount charged is too high, then he/she would simply go elsewhere, for example, to the DMV office or to another ABP.

8:54:30 AM

CHAIR SEATON asked Representative Kohring to confirm that there is no requirement that a person must use an ABP; he/she could choose to go the DMV.

8:55:00 AM

REPRESENTATIVE KOHRING answered that's right.

8:55:08 AM

REPRESENTATIVE GATTO asked, "[Excluding] taxes and fees, what's left in a DMV registration?"

8:55:15 AM

REPRESENTATIVE KOHRING said that would be a question for the director of DMV, Duane Bannock.

8:55:32 AM

REPRESENTATIVE GARDNER said she has bought only one new car, and she said it was convenient to have the dealer do the paperwork. She said she cannot remember whether or not she paid a fee at the time. She stated her understanding that there is paperwork related to the title, perhaps, that runs approximately \$199. She asked Representative Kohring, "Do you know ... what that fee would ... [cover] besides title processing? Are there other documents that are covered by a fee like that?"

REPRESENTATIVE KOHRING responded, "Not that I'm aware of." In response to a request for clarification from Chair Seaton, he confirmed that he is not aware of any restriction that charges made for paperwork processing can be made only for DMV paperwork.

8:56:57 AM

REPRESENTATIVE RAMRAS said he bought a used car recently and paid a document fee of \$199, which he was told was "an arbitrary charge that dealerships just tend to include." He indicated that that is a separate issue that the legislature may want to address in the future. He revealed that he paid a registration fee of \$15, and he figured that 7.5 percent of that fee would be about "one dollar and some cents," which would go to [the ABP] instead of to the DMV. He stated, "Although it's a negative fiscal note, I think we will learn from the director of DMV that the [Division] of Motor Vehicles generates about \$63 million to the State of Alaska in fees, and this will certainly maintain some of the efficiency at the DMV."

8:58:42 AM

REPRESENTATIVE KOHRING, in response to a series of questions from Representative Ramras, said he thinks people despise going to the DMV because of the long lines involved, they don't like going more than necessary, and they probably don't like going during their lunch or dinner hour. He shared that his experience at an ABP was a pleasant one. He emphasized that he is not criticizing the fine DMV staff, only the laborious process.

9:00:25 AM

CHAIR SEATON asked if the advanced business partners will be able to do everything that the DMV does, other than issuing a driver's test and a driver's license.

9:01:59 AM

REPRESENTATIVE KOHRING said he thinks the answer to that is yes, but he would like the director of DMV to verify that is true.

9:02:22 AM

CHAIR SEATON directed attention to [the second paragraph of] the third page of [a three-page document attached to the sponsor statement, entitled "History of the DMV Business Partnership Program"], which read as follows [original punctuation provided]:

We propose that after completion of one year of good standing in the departments [sic] discretion, the ABP's [sic] be allowed to retain seven and one half percent (7.5%) of all state revenue collected, excluding MVRT and, of course, any surcharge of their own.

CHAIR SEATON asked if that means someone would have to be a business partner for a year before he/she could become an ABP.

9:02:52 AM

REPRESENTATIVE KOHRING said that is old information in the committee packet and is not part of current proposed legislation.

9:03:24 AM

REPRESENTATIVE GARDNER, regarding the aforementioned comparison between this proposed legislation and ADF&G's contracting out of fishing license services, pointed out that contractors that issue fishing licenses are not allowed to charge any fee above and beyond the percentage made on the sale, while the ABP could practice "double dipping." She asked if that is correct.

9:04:30 AM

REPRESENTATIVE KOHRING answered yes. In response to a follow-up question from Representative Gardner, he explained that the idea for HB 344 was brought to his attention by the director of DMV.

9:05:09 AM

CHAIR SEATON said it seems like an ABP is similar to a contract agent. He asked if that is true, and if ABPs will be able to offer road permits, as well.

9:05:50 AM

REPRESENTATIVE KOHRING said he doesn't think the answer is yes to that question, because the service that ABPs provide is restrictive.

9:06:46 AM

REPRESENTATIVE KOHRING, in response to a question from Representative Gatto, said he is not aware of any restriction in state statute regarding the amount of surcharge that a dealer can exact.

9:06:56 AM

REPRESENTATIVE GATTO opined, "They don't need to be asking for any other money if they can simply adjust the surcharge to make it comfortable for themselves."

9:07:35 AM

REPRESENTATIVE KOHRING said, "I think this legislation would enable the consumer to continue to pay essentially the same rates, without those rates having to go up."

9:08:26 AM

REPRESENTATIVE GRUENBERG asked Representative Kohring if when Mr. Bannock suggested the need for this legislation, he indicated that the car dealers in Alaska are in trouble and need the extra help from the state.

9:08:38 AM

REPRESENTATIVE KOHRING answered no.

9:08:42 AM

DUANE BANNOCK, Director, Director's Office, Division of Motor Vehicles, Department of Administration, relayed that his boss, Commissioner Nordstrand, has described him as entrepreneur. Mr. Bannock said his single goal in coming to the division was and is to shorten the wait line at DMV. He stated that HB 344 would create "a better free-market ability as it pertains to the services of the DMV."

9:11:12 AM

MR. BANNOCK said the bill is design with two main functions: one, to reinforce the ABP program as a strategy to shorten wait times at the DMV; and two, to provide fundamental fairness to those agents who are performing the statutory obligations of the DMV. He stated, "It's important to remember that today there is no alternative for the recovery of any of these fees, other than that process." Mr. Bannock said another bill, HB 383, has been filed, which addresses the subject of document "doc" fees, and he asked that the committee keep the issue of doc fees separate from the issue addressed through HB 344.

MR. BANNOCK, regarding Representative Gardner's previous mention of buying a new car, explained that it is important to remember that the rules for someone who buys a car are different, depending on whether the car is bought from a neighbor or a dealer. He noted that AS 28.10.291 requires the dealer to process paperwork, a law that Mr. Bannock said is a good one. If it did not exist, then customers could say they will do the work and then forget to do it.

9:14:36 AM

MR. BANNOCK said one of his goals has been to "expand the ability of what the business partners can do." In 2003, ABPs could only carry out a transaction for a title on a new car sale. He said the division has since trained the ABPs to execute used car titles and out-of-state titles. He said the number of ABPs has expanded. He directed attention to a chart in the committee packet showing the expansion in responsibilities and participation, and he said it correlates with a decreasing wait time for the public at the DMV offices.

MR. BANNOCK, regarding the issue of the surcharge, confirmed that there is nothing in HB 344 that prevents, attempts to limit, or even addresses a surcharge. Notwithstanding that, he stated that, based on his opinion of the free market, if an

[ABP] continues to raise its surcharge to the point that it is no longer generating any revenue, [the program] "will implode"

9:17:10 AM

MR. BANNOCK stated that a large portion of the DMV's revenue is called, "Motor Vehicle Registration Tax (MVRT)." He described MVRT as "local government's best friend." Some municipalities in Alaska have adopted an MVRT, while others have not. Mr. Bannock said HB 344 "does not pay the 7.5 percent on local government fees." He said the typical customer in Alaska pays \$100 every two years for vehicle registration. He continued:

Sounds to me like the vehicle that Representative Ramras purchased still had valid registration on it, thus, the only fee that the dealership collected was \$15. It's important to note, however, that the work that the dealership does in processing that \$15 transaction is the same amount of work that they would [do] if he was paying full fees of \$115.

9:19:23 AM

CHAIR SEATON noted for the record that Representative Ramras is the other prime sponsor of the bill.

9:20:14 AM

REPRESENTATIVE RAMRAS told Representative Gardner that for her benefit he asked his staff to include a copy of the aforementioned HB 383, sponsored by Representative Les Gara. He said HB 383 addresses the issues of doc fees, and he reiterated that that issue, although valid, is totally separate from the issue of HB 344.

9:21:08 AM

REPRESENTATIVE GARDNER said after hearing Mr. Bannock speak, she looked up AS 28.10.291 and now understands the issue of vehicle dealers being required to process title and registration documents. She asked if there is any reason to think that the amount those dealers are currently charging doesn't cover their costs.

9:21:58 AM

MR. BANNOCK responded that he is not qualified to answer that question. Notwithstanding that, he offered a philosophical view that there surely is a limit to what they charge, and that limit is a direct correlation to how much a customer is willing to pay. He said the aforementioned statute "is probably the genesis of the business partnership program." He said dealers are not only under statutory obligation to get the paperwork done, they are also under a statutory timeline to do so.

9:23:53 AM

REPRESENTATIVE GARDNER asked if it would be reasonable to say that the DMV is much more efficient and those who are submitting the paperwork are no longer in any danger of being in default because of slowness.

9:24:04 AM

MR. BANNOCK replied that there are still issues on the horizon that will create work for the DMV and, thus, could slow its process down. For that reason, he said, the division cannot afford a preemptive strike of the ABPs, which would result in the work now being done by them to be sent back to the DMV. Mr. Bannock emphasized the value he places on the ABPs.

9:25:19 AM

MR. BANNOCK, in response to a question from Representative Gardner, said almost 100 percent of the vehicle registrations and titles are conducted through a computer, with the exception that the DMV provides support and the necessary documents to the ABPs.

9:26:29 AM

MR. BANNOCK, in response to a question from Representative Lynn, reiterated that the surcharge limit is a market-based one, not one set in statute.

9:27:05 AM

REPRESENTATIVE LYNN mentioned fees added on at the end of a vehicle transaction.

9:27:52 AM

CHAIR SEATON asked that the discussion focus on the fees for title and registration, not the doc fees that are addressed in HB 383.

9:28:47 AM

MR. BANNOCK confirmed [the issue of doc fees] is not addressed in HB 344, and he said it should not be.

9:29:18 AM

REPRESENTATIVE GATTO questioned why there would be any reason for HB 344, if the dealer should have already included all documentation costs in the doc fee.

9:30:21 AM

MR. BANNOCK said the committee will hear from at least one dealer that does not charge a doc fee. He told Representative Gatto that 7.5 percent of the average \$100 registration is \$7.50, which is "a long ways away from whatever the dealers may decide that they need to charge for a documentation fee." He opined that attempting to compare [the money made on a registration fee] with [the documentation fee] is like comparing apples and oranges.

9:31:16 AM

CHAIR SEATON asked for clarification of the following terms: [commission] agents, business partners, and advanced business partners.

9:31:49 AM

MR. BANNOCK said commission agents have the same authority as state-operated DMVs, but where they differ is in funding; they are based on contracts. Generally, he noted, the majority of Alaska's 17 commission agents are with local governments. They receive compensation at a minimum of 30 percent of the transaction up to 100 percent. In addition to the aforementioned supplies provided to the ABPs, the DMV also provides commission agents with the hardware.

MR. BANNOCK said the next step down is the advanced business partners. They are designed to perform every motor vehicle transaction that the DMV can do, and are doing more now than they were three years ago. A business partner that is not

advanced is not involved in ownership changes, title transactions, or anything that is a "liability greater than only the vehicle registration." Of the millions of transactions that the DMV performs each year, the vehicle renewal is the simplest.

9:35:19 AM

CHAIR SEATON returned to his previous question related to the history provided in the committee packet, regarding completing one year in good standing, and he asked Mr. Bannock if that is a policy for ABPs.

9:35:38 AM

MR. BANNOCK pointed to a sentence in Version I, on page 1, [beginning on line 10], which read as follows:

The regulations must require, at a minimum, that the agent be bonded, have an Alaska business license under AS 43.70, and have been in existence for a minimum of one year before entering into the agreement with the commissioner.

MR. BANNOCK said that one-year requirement would not be retroactive. In response to a follow-up question from Chair Seaton, he stated his intent is that the agent be a business partner for one year, not just be in any business for one year. He said he thinks that should be clarified in regulations.

9:37:26 AM

CHAIR SEATON asked Mr. Bannock if, over time, the same number of commission agents would be used, or if ABPs would take over.

9:37:59 AM

MR. BANNOCK said he thinks the same commission agents will be exactly the same five years from now as they are today. He said he bases that prediction on the fact that the commission agents today are in far-flung areas not conducive to private, stand-alone business partnership operations or large car dealerships.

9:38:42 AM

CARROL LYBERGER, Lyberger's Car & Truck Sales, LLC ("Lyberger's"), testified that she is "a partnership" with DMV. She listed the qualities and benefits of the program as follows:

one, it is voluntary; two, the partners are well trained; three, the transactions are processed faster; and four, service to customers is expedited and, thus, improved. Ms. Lyberger reviewed how the process used to be done before the business partner program began, emphasizing the extended time that was taken for documentation. She related that there is a cost to the dealer who is in partnership with DMV, and she stated that any compensation for that cost would be appreciated. She articulated that any fees charged as doc fees are not payment for any work done in the business partnership program; the fees collected on behalf of the DMV are paid to the state. Ms. Lyberger revealed that Lyberger's does not charge doc fees, but if it did it would show up on a separate line [on the sales contract], and would be clearly labeled as a doc fee, while the DMV fees would be clearly marked on a separate line. She offered further details and mentioned disclosure laws.

9:42:34 AM

CHAIR SEATON said the committee is trying to figure out how significant the 7.5 percent would be, and whether or not Lyberger's would discontinue the service it provides as a business partner with DMV if the 7.5 percent fee were not adopted.

9:43:13 AM

MS. LYBERGER replied by illustrating the commitment she has made to the program, both in staff paid and special equipment bought and maintained, such as a printer that takes special, expensive ink. In response to the second half of Chair Seaton's question, she said she would not drop the partnership if the legislature does not pass the bill providing the 7.5 percent payback on state fees collected, because the service Lyberger's offers as a partner is a value to its customers. She indicated, however, that she would appreciate whatever percentage the legislature decides upon in order to offset her costs.

9:44:12 AM

JIM ARPINO, Affordable Used Cars, Fairbanks and Anchorage; Board member, Alaska Automotive Dealers Association, characterized Ms. Lyberger's testimony as "very accurate." He stated that the fees that a customer would be charged [for registration and title] at DMV are the same fees that are charged by [dealers who are ABPs]. He said the proposed 7.5 percent would help to cover the costs of data entry. In response to a question from Chair

Seaton, he said he currently is an ABP, but he may no longer offer that service if the bill does not pass. He said being involved in the program is time-consuming. In response to a follow-up question from Chair Seaton, he said Affordable Used Cars does charge a documentation fee.

9:47:21 AM

CHAIR SEATON asked Mr. Arpino for an estimate of the total that Affordable Used Cars would make after a year of charging 7.5 percent on the state fee for titles and registrations.

9:47:37 AM

MR. ARPINO responded, "The transactions are all over the map," thus, the exact amount would be hard to pinpoint. He estimated that the 7.5 percent would cover about 50 percent of his time involved in the program. The amount originally proposed was 15 percent, which Mr. Arpino said would more closely cover his costs.

9:48:24 AM

CHAIR SEATON asked if being a dealership that is also an ABP gives that dealership a competitive edge over a dealership that is not an ABP.

9:49:02 AM

MR. ARPINO replied that he would not describe it as a competitive edge, but he said he can see a slight advantage to having a business partnership, "more after the sale than before the sale."

9:49:26 AM

DEANNA SLACK, General Manager, Cal Worthington Ford, said she agrees with all comments made thus far. She indicated that Cal Worthington Ford has been a business partner for approximately four years, having taken on the cost of providing this service to its customers "automatically." She said customers are happy to get their license plates and registration earlier than they often received them through DMV. She stated, "We feel that our cost [in providing this service], ... based on the selling volume, is in excess of approximately \$50-55,000 a year." She said Cal Worthington Ford hires two full-time and one part-time employees to handle the partnership duties, and it covers the

costs of a computer, special printer, software, and telephone line. She said the proposed 7.5 percent would not begin to cover that cost. In response to Chair Seaton, she said Cal Worthington Ford charges a documentation fee, but she emphasized that the doc fee is for other services, not for DMV-related services.

9:52:07 AM

REPRESENTATIVE GARDNER asked what doc fees cover.

9:52:16 AM

MS. SLACK answered that the doc fee covers "several other services" relating to a car deal and is disclosed on its own line.

9:52:42 AM

REPRESENTATIVE GARDNER asked Ms. Slack what a typical explanation to a customer would be regarding the doc fee.

9:52:56 AM

MS. SLACK indicated that the customer would be told that the doc fee covers other services provided, including paperwork and delivering the documentation to the lien holder.

9:53:15 AM

REPRESENTATIVE GARDNER said when she bought her car, there was no lien, and she paid cash. She said she would like to know the purpose of the \$199 fee she paid.

9:53:27 AM

MS. SLACK said there is paperwork and documentation to be done. In response to a follow-up question from Representative Gardner, she said doc fees cover "a numerous amount of things," each one is different. It is one charge that shows on one line of an application, "separate [from] everything else." She said if she were to look at Representative Gardner's transaction, she could explain her doc fee to her. In response to a request by Chair Seaton, she agreed to send examples of a transaction showing a doc fee to the committee.

9:55:24 AM

MS. SLACK, in response to a question from Representative Gatto, reiterated that Cal Worthington Ford does not exact a surcharge and, thus, does not make money "as far as collecting for the DMV section."

9:56:14 AM

CHAIR SEATON asked Representative Kohring to get back to the committee regarding the use of the word "surcharge," and whether or not it means the same thing as doc fee.

9:56:19 AM

REPRESENTATIVE KOHRING said he would wait to answer the question regarding surcharge. He stated his desire that the committee "stay on course with the main thrust of this legislation," which is to provide compensation for services currently being provided at no charge by authorized auto dealers. He said statute requires that auto dealers that sell new or used cars provide title and registration service. He opined, "If we're going to require that statute, in my mind it seems fair that we provide them with a limited compensation to cover those costs."

9:57:15 AM

REPRESENTATIVE ELKINS said he thinks the committee is way off [course] and could have moved the bill 30 minutes ago if it had stayed on track.

9:57:41 AM

JOHN IMMEL, Past Co-Owner, Gene's Chrysler, testified that Gene's Chrysler was one of two dealerships to become ABPs in Alaska. He stated that 8-10 years ago, there used to be long wait times for titles and registrations, and he pointed out that temporary licenses are only good for two months. Banks were upset with the slowness of the system before the ABP program was started. He stated that if the legislature does not grant the 7.5 percent, the new owners of Gene's Chrysler would never end the program, because it is one of the best customer services available from the car dealership. He concluded, "It's a great benefit, and I just want to see it continue."

9:59:53 AM

REPRESENTATIVE RAMRAS reiterated that two issues have been discussed: the doc fee and [the ABP program]. The latter, he said is a good example of entrepreneurial spirit, and helps cut down the wait times at the DMV, which in turn helps alleviate the dislike consumers have towards government.

10:00:32 AM

MR. EMIL reemphasized how bad the wait time was before the program began. He said he was responsible for convincing Mr. Arpino to get involved in the program. He acknowledged that Mr. Arpino is unhappy regarding the high costs of running the program, but he reiterated the benefits of the program to customers.

10:01:18 AM

CHAIR SEATON announced that HB 344 was heard and held.

SB 12-LIMIT RELATIONS WITH CERTAIN NATIONS

10:01:57 AM

CHAIR SEATON announced that the last order of business was CS FOR SENATE BILL NO. 12(STA), "An Act relating to financial relationships with persons conducting business in or having headquarters in countries that support or ignore slavery and trafficking in persons."

10:02:13 AM

SENATOR FRED DYSON, Alaska State Legislature, as sponsor of SB 12, told the committee that late in the Clinton Administration, in response to the international problem of human slavery and trafficking, the [Trafficking Victims Protection Act (TVPA)] was passed, with support from virtually every member of U.S. Congress. He stated, "The present administration has put a lot of teeth in it." He explained that the Department of State produces a report ranking how all the countries in the world are doing in regard to human trafficking and slavery. It is estimated that approximately 4 million people are in involuntary slavery worldwide.

SENATOR DYSON spoke of tiers that the Department of State has named to rank each country's efforts in regard to human trafficking. [This information is shown in a handout in the

committee packet entitled, "Facts About Human Trafficking," and read as follows, original punctuation provided:]

Tier 1: Countries that fully comply with the act's minimum standards for the elimination of trafficking.

Tier 2: Countries that do not fully comply with the minimum standards but are making significant efforts to bring themselves into compliance.

Tier 2 Watch List: Countries on Tier 2 requiring special scrutiny because of a high or significantly increasing number of victims; failure to provide evidence of increasing efforts to combat trafficking in persons; or an assessment as Tier 2 based on commitments to take action over the next year.

Tier 3: Countries that neither satisfy the minimum standards nor demonstrate a significant effort to come into compliance. Countries in this tier are subject to potential non-humanitarian and non-trade sanctions.

SENATOR DYSON said he has engaged in extensive conversation with the [Department of State] and has been told that being on "the good guy list" is important in many countries, because there is tremendous pressure to restrict money from international and United Nations funds being sent to those on the Tier 3 list.

SENATOR DYSON reported that Alaska is the first state to consider such legislation on a state level. He noted that the [Department of State] is hoping that many other states will follow. The State of Alaska is in a unique position, he said, because of the \$32 billion dollars it has in investments [from oil revenue monies]. Furthermore, he said the international petroleum industry is looking for places to invest and often conducts business in Tier 3 countries, and he stated his belief that Alaska's ability to leverage the petroleum companies to "be good citizens" will have a salutary effect.

SENATOR DYSON said SB 12 "sailed" through the Senate committees in which it was heard, and has almost every Senator as co-sponsor. The administration issued [Administrative Order No. 227 on December 13, 2005], "to do exactly what this bill requires," which he said he appreciates. He explained that the reason he wants to pass this legislation is so that subsequent legislations do not, because of financial pressure, back off in helping "to solve this."

10:05:16 AM

CHAIR SEATON noted that the language regarding procedures is the same for the legislature, the court system, and the administration, but on page 3, line 15, of CSSB 12(STA), the requirement for ["the fiduciary of a state"] adds, "or other list of countries prepared by the United State Secretary of State under 22 U.S.C. 7107(b)(1)(C)."

10:07:29 AM

SENATOR DYSON explained:

First of all, we included exact language for the permanent fund and the other investment funds, and those guys got pretty concerned, and what you have before us is ... compromise language. Because they are bound by what's called the prudent investor rule, and we have by and large said that the permanent fund investments will not be used for anything except enhancing the investment. So, using - as many of us have thought - the permanent fund for projects in Alaska, for instance, they are encouraged to not do that. So, ... this language you have before you here is trying to take advantage of the prudent investor rule.

SENATOR DYSON indicated that the reference to the "other list" is in regard to the Tier 2 Watch List.

10:08:28 AM

JASON HOOLEY, Staff to Senator Fred Dyson, Alaska State Legislature, testifying on behalf of Senator Dyson, sponsor of SB 12, stated, "I don't think it was intentional that the language does not match. ... I think that when we drafted this, the reference to the federal code, [22 U.S.C. 7107(b)(1)(C)], ... specifically mentions this trafficking persons report, and the drafter felt that we need to be a little broader just in case they change the name of the list, but it would be the same type of list."

10:09:15 AM

CHAIR SEATON asked the sponsor to consider making the language in the bill consistent by removing the additional citation to

the "other list". He stated that it could be problematic for there to be more than one list noted.

10:10:08 AM

REPRESENTATIVE RAMRAS highlighted the fact that the bill has 17 cosponsors in the other body, and he said he would like to expedite its passage out of committee.

10:10:25 AM

REPRESENTATIVE GRUENBERG directed attention to page 3, line 13: "restrict direct financial investments with countries listed in Tier 3". He stated that he doesn't think Alaska has an investment with a country. He said Alaska's investments would normally be with a company or in an asset somewhere, and he recommended looking at that phrase. He added that the bill looks like a good one.

10:11:18 AM

CHAIR SEATON stated his appreciation for the handout in the committee packet entitled, "Tier Placements," and he read a selection of countries listed on the page: United Arab Emirates, Venezuela, Saudi Arabia, Qatar, Kuwait from the Tier 3 list; and Russia, People's Republic of China, India, and Mexico from the Tier 2 Watch List. He queried whether the sponsor has asked the Permanent Fund Corporation what the implications would be of having to divest from its dealings with any of those countries listed. He said, "It seems to be that we have half of the world's oil-producing countries there, and ... Mexico, China, India, [and] Russia are huge trading partners. I'm just trying to figure out what the implication of the [bill] is."

10:12:19 AM

SENATOR DYSON said SB 12 would only require that Alaska not do business with firms that are headquartered in Tier 3 countries. He stated, "If a country moves from Tier 2 to Tier 3, and that costs us money, I think that that's fine. I am not willing to deal [with], nor am I willing to make money from countries that are trafficking in children, and if that hurts our investment and saves some children the horrendous impact of being prostituted with largely government assent - which is all the Tier 3 countries - I'm glad for us to lose that investment and whatever bit of marginal income that we get from it." He added

that he has had pointed discussions with the permanent fund board and its members are in agreement.

10:13:30 AM

CHAIR SEATON said the bill, under Section 4, would require restriction of direct financial investments. He echoed Representative Gruenberg's question as to whether that means with the countries, or with companies that have headquarters in those countries. He said, "That's listed out under the administration, under the court, and under the legislature, but that's not listed under the permanent fund, and I'm not sure, as I see it here, that it restricts it that way."

10:14:34 AM

MR. HOOLEY told Chair Seaton that he would supply the committee with information from the Permanent Fund Corporation that would answer that question.

10:14:43 AM

SENATOR DYSON offered his understanding that in "most of those countries" the petroleum industry has been nationalized.

10:14:48 AM

REPRESENTATIVE ELKINS, in response to a question from Representative Gruenberg, said Great Britain is listed [under Tier 1] as "United Kingdom."

10:15:11 AM

REPRESENTATIVE GARDNER applauded Senator Dyson for bringing this legislation forward. She stated, "I just want to clarify my understanding that this is not optional; ... it's definitive."

[SENATOR DYSON nodded yes.]

CHAIR SEATON thanked Senator Dyson for his work on the issue and said the committee would take up SB 12 again as soon as the information that it had requested is received.

10:15:50 AM

REPRESENTATIVE GRUENBERG commended Senator Dyson for "coming up with something here that can unite us all."

[SB 12 was heard and held.]

ADJOURNMENT

There being no further business before the committee, the House State Affairs Standing Committee meeting was adjourned at 10:16:03 AM.