

ALASKA STATE LEGISLATURE
SENATE COMMUNITY AND REGIONAL AFFAIRS STANDING COMMITTEE

March 29, 2012

3:35 p.m.

MEMBERS PRESENT

Senator Donald Olson, Chair
Senator Thomas Wagoner
Senator Albert Kookesh
Senator Linda Menard

MEMBERS ABSENT

Senator Johnny Ellis

COMMITTEE CALENDAR

SENATE BILL NO. 223

"An Act relating to a credit against the net income tax for a contribution made by a taxpayer to a nonprofit organization that provides an emergency shelter for the homeless or a facility for alcohol or drug detoxification."

- HEARD & HELD

SENATE BILL NO. 225

"An Act creating the endow Alaska grant program in the Department of Commerce, Community, and Economic Development to encourage community development."

- MOVED SB 225 OUT OF COMMITTEE

PREVIOUS COMMITTEE ACTION

BILL: SB 223

SHORT TITLE: TAX CRED: CONTR. TO HOMELESS SHELTER/DETOX

SPONSOR(S): COMMUNITY & REGIONAL AFFAIRS

03/02/12	(S)	READ THE FIRST TIME - REFERRALS
03/02/12	(S)	CRA, FIN
03/15/12	(S)	CRA AT 3:30 PM BELTZ 105 (TSBldg)
03/15/12	(S)	Heard & Held
03/15/12	(S)	MINUTE(CRA)
03/27/12	(S)	CRA AT 3:30 PM BELTZ 105 (TSBldg)
03/27/12	(S)	Heard & Held
03/27/12	(S)	MINUTE(CRA)

BILL: SB 225

SHORT TITLE: ESTABLISH ENDOW ALASKA GRANT PROGRAM

SPONSOR(S): COMMUNITY & REGIONAL AFFAIRS

03/14/12	(S)	READ THE FIRST TIME - REFERRALS
03/14/12	(S)	CRA, FIN
03/22/12	(S)	CRA AT 3:30 PM BELTZ 105 (TSBldg)
03/22/12	(S)	Heard & Held
03/22/12	(S)	MINUTE(CRA)

WITNESS REGISTER

DAVID SCOTT, Staff
Senator Donny Olson
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Reviewed the committee substitute (CS) for SB 223.

JOHANNA BALES
Acting Director
Tax Division
Department of Revenue (DOR)
Anchorage, Alaska

POSITION STATEMENT: Testified that neither the CS for SB 223 nor the amendment would significantly change the DOR fiscal note.

SYDNEY SEAY, Staff
Senator Donny Olson
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Introduced SB 225 and companion bill, HB 290.

ERIN HARRINGTON, Staff
Representative Alan Austerman
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Answered questions related to SB 225.

SCOTT RUBY, Director
Division of Community and Regional Affairs
Department of Commerce, Community and Economic Development
Anchorage, Alaska

POSITION STATEMENT: Testified that DCCED did not have a position on SB 225.

KEN CASTNER, Chair
Board of Trustees
Homer Foundation
Homer, Alaska

POSITION STATEMENT: Supports SB 225.

ACTION NARRATIVE

[3:35:39 PM](#)

CHAIR DONALD OLSON called the Senate Community and Regional Affairs Standing Committee meeting to order at 3:35 p.m. Present at the call to order were Senators Menard, Kookesh and Chair Olson. Senator Wagoner arrived during the course of the meeting.

SB 223-TAX CRED: CONTR. TO HOMELESS SHELTER/DETOX

[3:35:58 PM](#)

CHAIR OLSON announced the consideration of SB 223. He said the bill was heard twice before, and it was his intention to adopt an amendment and set the bill aside for further review.

DAVID SCOTT, Staff, Senator Donny Olson, noted that the committee needed to adopt version D committee substitute (CS) .

SENATOR MENARD moved to adopt the work draft CS for SB 223, labeled 27-LS1419\D, as the working document.

CHAIR OLSON announced that without objection version D was before the committee.

MR. SCOTT summarized the changes made in the CS. First, it adds a 5-year sunset to give the legislature time to evaluate the success of the tax credit. Second, it delineates that eligible organizations must be established before January 1, 2012. The intent is to help current nonprofit service providers, not stimulate new ones. Third, it removes the dollar match for tax credits and instead allows a tax credit of 50 percent of the donation. Finally, on page 2, line 3, departmental procedures for approvals were added.

[3:40:02 PM](#)

SENATOR MENARD moved to adopt Amendment 1, labeled 27-LS1419\D.1.

A M E N D M E N T 1

OFFERED IN THE SENATE

TO: CSSB 223(), Draft Version "D"

Page 2, lines 10-12:

Delete all material and insert:

"(d) The commissioner shall, by January 1 of each year, provide to the legislature a list of recipients of contributions, the total amount of contributions reported, and the total amount of credit claimed under this section during the previous calendar year."

[3:40:19 PM](#)

CHAIR OLSON found no objection and announced that Amendment 1 was adopted.

MR. SCOTT said the intent is for the legislature every year to see the effect of the tax credit. He noted that the tax division did not object to the amendment.

SENATOR MENARD asked if it was his understanding that no one opposed the bill.

MR. SCOTT replied that is correct, but that public testimony should continue.

SENATOR MENARD expressed comfort with the bill.

CHAIR OLSON asked Ms. Bales if the amendment significantly changes the revenue stream for the state.

[3:41:58 PM](#)

JOHANNA BALES, Deputy Director, Tax Division, Department of Revenue, said that neither the CS nor the amendment would significantly change the DOR fiscal note.

CHAIR OLSON announced he would hold SB 223 in committee.

SB 225-ESTABLISH ENDOW ALASKA GRANT PROGRAM

[3:42:31 PM](#)

CHAIR OLSON announced the consideration of SB 225 and noted it was heard once before.

[3:43:00 PM](#)

SENATOR WAGONER joined the meeting.

[3:43:07 PM](#)

SYDNEY SEAY, Staff, Senator Olson, said SB 225 [creates the endow Alaska Grant program, which would establish a mechanism to allow local community foundations to leverage private donations from within a community by matching donor contributions with state funds.] The match applies to donations up to \$25,000. She noted that no one had voiced opposition to the bill, and the companion bill was HB 290.

SENATOR KOOKESH asked for the definition of "community foundation."

[3:45:42 PM](#)

ERIN HARRINGTON, Staff, Representative Alan Austerman, Alaska State Legislature, directed attention to the definition section on page 3 of the bill. She read the following definition:

"community foundation" means a tax-exempt, nonprofit, autonomous, publicly supported, philanthropic institution in the state composed primarily of permanent funds established by many separate donors for the long-term diverse, charitable benefit of the residents of a defined geographic area;

She said a defined geographic area could be a single community or region. The definition is for Internal Revenue Service (IRS) purposes; it was crafted to ensure it describes community foundations working in Alaska.

CHAIR OLSON asked if a community has to be incorporated in order to qualify.

MS. HERRINGTON answered no. The community foundation is a stand-alone entity that is strictly defined in IRS code, and can work toward the interests of any community or region that it is set up to serve.

[3:47:13 PM](#)

SENATOR KOOKESH asked if the definition was in the IRS code or a state license.

MS. HERRINGTON said the bill creates a definition for "community foundation" in Sec. 44.33.190. She deferred IRS questions to Ken Castner, chair of the Homer Foundation.

SENATOR KOOKESH worried that any entity could call itself a nonprofit community organization. He suggested establishing parameters.

MS. HERRINGTON assured him that the IRS strictly regulates what entities can be a community foundation.

SENATOR KOOKESH expressed satisfaction.

CHAIR OLSON asked a representative from the Department of Commerce, Community and Economic Development (DCCED) to supplement the answer.

[3:48:41 PM](#)

SCOTT RUBY, Director, Division of Community and Regional Affairs, Department of Commerce, Community and Economic Development (DCCED), explained that the foundation would first need to be formed as a nonprofit corporation within the state; then it would have to meet the requirements for a foundation under the IRS code for nonprofit corporations.

SENATOR MENARD asked if the community foundation acts as an affiliate or a pass-through.

MR. RUBY directed attention to the definitions on page 3 of the bill. A "community foundation" is a stand-alone entity that would manage its own funding. A "community foundation affiliate" would rely on a parent foundation.

SENATOR MENARD commented that philanthropy is a noble wave of the future. She asked if a 501(c)3 nonprofit operating within the state could endow the Alaska grant fund.

MR. RUBY answered that is correct. He clarified that the DCCED grant funds would not go to a project; they would go toward the endowment these entities would hold. The earnings from the endowment could then be used for projects.

SENATOR MENARD noted the \$25,000 cap.

MR. RUBY responded that the maximum annual matching grant would be \$25,000; that amount would go into the endowment. The intention is to stimulate community foundations and philanthropy within a community.

[3:52:14 PM](#)

KEN CASTNER, Chair, Board of Trustees, Homer Foundation, told the committee that the Homer Foundation was established over 20 years ago and was the first community foundation in the state. He noted that the endowment now contributes about \$200,000 a year to the various nonprofits and charitable purposes in the area. The defined geographic area is Ninilchik south and the small communities around Kachemak Bay. He stated support for SB 225 and relayed that much of the board's work is accounting and money management. He emphasized that the community foundation does not do projects; it funds the work of others.

CHAIR OLSON asked if the investments were risky.

MR. CASTNER answered that the board is fairly risk averse. Between one-third and one-half of the funds are in cash, and much of the rest is in the equity market. The portfolio holdings undergo monthly review in a public meeting. The process to get the returns is transparent and completely above board, he stated.

CHAIR OLSON found no further questions or discussion.

[3:55:12 PM](#)

SENATOR MENARD moved to report SB 225 from committee with individual recommendations and attached fiscal note(s).

[3:55:50 PM](#)

CHAIR OLSON announced that without objection, SB 225 moved from the Senate Community and Regional Affairs Standing Committee.

[3:55:59 PM](#)

There being no further business to come before the committee, Chair Olson adjourned the Senate Community and Regional Affairs Standing Committee meeting at 3:55 p.m.