

SENATE FINANCE COMMITTEE
January 25, 2012
9:02 a.m.

9:02:12 AM

CALL TO ORDER

Co-Chair Stedman called the Senate Finance Committee meeting to order at 9:02 a.m.

MEMBERS PRESENT

Senator Lyman Hoffman, Co-Chair
Senator Bert Stedman, Co-Chair
Senator Lesil McGuire, Vice-Chair
Senator Johnny Ellis
Senator Dennis Egan
Senator Donny Olson
Senator Joe Thomas

MEMBERS ABSENT

None

ALSO PRESENT

Lisa Weissler, Staff, Senator Hollis French; Laura Brod, Former State Representative, Minnesota; Representative Alan Austerman; Margo Waring, Juneau; Ruth Danner, Juneau; Barry Fadem, President, National Popular Vote; Susan K. Bell, Commissioner, Department of Commerce, Community and Economic Development; Cathy Jeans, Finance Operations Manager, Department of Commerce, Community and Economic Development; Rodger Painter, President, Alaskan Shellfish Growers Association; Russell Dick, President and CEO, Haa Aani, LLC; Paul Fuhs, Alaska Sea Farms.

PRESENT VIA TELECONFERENCE

Dr. Carolyn Brown, Juneau; Randy S. Griffin, Fairbanks; Judy Andree, League of Women Voters, Juneau.

SUMMARY

SB 39 U.S. PRESIDENTIAL ELECTION COMPACT

SB 39 was HEARD and HELD in committee for further consideration.

CSHB 121(RLS)

LOAN FUNDS: CHARTERS/MARICULTURE/MICROLOAN

CSHB 121(RLS) was HEARD and HELD in committee for further consideration.

#sb39

SENATE BILL NO. 39

"An Act ratifying an interstate compact to elect the President and Vice-President of the United States by national popular vote; and making related changes to statutes applicable to the selection by voters of electors for candidates for President and Vice-President of the United States and to the duties of those electors."

9:03:27 AM

LISA WEISSLER, STAFF, SENATOR HOLLIS FRENCH, explained SB 39. She referred to the Sponsor Statement (copy on file). She stated that the bedrock rule in elections was that the person with the most votes wins, but that was not always the case under the current election system. She stated that the United States Constitution directed each state to appoint a number of electors equal to the state's number of senators and representatives. In Alaska, that was three electors. She stated that the constitution allowed the states to determine how the electors would be appointed.

Co-Chair Hoffman remarked that there was a belief that the bill would eliminate the Electoral College. He wondered if that was true. Ms. Weissler replied that SB 39 would not eliminate the Electoral College.

Co-Chair Hoffman wondered how many people in Alaska support SB 39. Ms. Weissler agreed to provide that information.

Senator Olson queried the similarity between a bill that was introduced a few years prior and SB 39. Ms. Weissler replied that they were very similar.

9:09:46 AM

LAURA BROD, FORMER STATE REPRESENTATIVE, MINNESOTA, testified in support of SB 39. She communicated that she was involved in similar legislation as a state representative in Minnesota. She stated that SB 39 would guarantee the presidency of the United States to the candidate who received the most votes in the entire United States. The bill ensured that every vote, in every state, would matter in every presidential election. She explained that the bill had been enacted by nine jurisdictions that possessed 132 electoral votes - 49 percent of the 270 necessary to activate it (VT, MD, WA, IL, NJ, DC, MA, CA, and HI). She furthered that the bill had passed 31 legislative chambers in 21 jurisdictions (AR, CA, CO, DT, DC, DE, HI, IL, ME, MD, MA, MI, NV, NJ, DM, NY, NC, OR, RI, VT, and WA). In a recent 47 to 13 vote, in the republican-controlled New York Senate, republicans supported the bill 21 to 11, and democrats supported in 26 to 2. The bill had been endorsed by 2,124 state legislators.

Ms. Brod stated that the shortcomings of the current system stemmed from the state winner-take-all statutes, which award all of a state's electoral votes to the candidate who received the most popular votes in each state. The winner-take-all rule had permitted candidates to win the presidency without winning the most popular votes nationwide in 4 of our 56 elections. A shift of 60,000 votes in Ohio in 2004 would have elected Kerry despite Bush's nationwide lead of 3 million. She explained that another shortcoming of the winner-take-all rule was that presidential candidates had no reason to pay attention to the concerns of voters in states where they are comfortably ahead or hopelessly behind. In 2004 and 2008, candidates concentrated two-thirds of their visits and ad money in the post-convention campaign in just six closely divided battleground states, with 98 percent going to just 15 states. She stressed that two thirds of the states were ignored.

Ms. Brod declared that Article II, Section 1 of the United States Constitution gave the states exclusive control over the manner of awarding their electoral votes: "Each state shall appoint, in such manner as the legislature thereof may direct, a number of electors..." The winner-take-all rule was not in the constitution. It was used by only three states in the nation's first election in 1789. She stressed that Maine and Nebraska's awarding of electoral votes by district was a reminder that states control the process.

Ms. Brod noted that under SB 39, all the electoral votes from the enacting states would be awarded to the presidential candidate who received the most popular votes in all fifty states and DC. The bill would take effect only when enacted by states possessing a majority of the electoral votes. She explained that SB 39 would preserve the Electoral College and state control of elections.

[9:14:34 AM](#)

Ms. Brod noted that there was not much campaign money spent in the state, but Alaskans contributed money to campaigns that was never spent in the state by the candidates. She continued to express that a national popular vote would require the candidates to wait for the polls to return, before a president is determined.

Co-Chair Hoffman queried the views of the citizens of Alaskans pertaining to SB 39. Ms. Brod stated that about 70 percent believed that a National Popular Vote was in the best interest of them and Alaska.

Co-Chair Hoffman wondered why Alaskans supported the bill. Ms. Brod replied that individuals did not want to vote, because they felt that their votes did not matter. She also stated that some Alaskans felt that the candidates were not focusing on the issues that Alaskans cared about.

Co-Chair Hoffman noted that the 2004 election would have allowed John Kerry to win the popular vote. He wondered if the bill would favor one party more than the other. Ms. Brod replied that SB 39 would not favor one party more than the other.

[9:24:09 AM](#)

Senator McGuire wondered how the compact would be enforced and executed. She also queried the possibility of a constitutional challenge. Ms. Brod replied that she did expect litigation regarding this legislation. She explained a case from 1893, which determined that the awarding of electors was specifically a state's right. She noted that interstate compacts were tools used by legislators, but SB 39 was a non-typical way to develop a compact. She stated that the compact would allow the states to retain the

authority for elections. The states would certify the total votes, as designed and determined by Alaska.

Senator Thomas wondered how the electoral votes in Alaska would be determined. Ms. Brod replied that the compact would allow for Alaska to take all of the votes in Alaska, and determine which candidate won Alaska for each candidate. She furthered that the totals for each candidate would be based on the total national vote from each state, and the electors would base their vote on the national popular vote.

[9:32:35 AM](#)

Senator Olson wondered how voter fraud would be dealt with, and incomplete numbers of votes. He added the computers were a dominant part of elections in rural Alaska, and might not work as well in those areas. Ms. Brod replied that the rural voters would be heard under this legislature. She stressed that each state could determine voter fraud laws. She felt that voter fraud would decrease under SB 39.

Senator Egan noted some occurrences when the members of the Electoral College did not vote for the candidate that was expected. Ms. Brod replied that there were eleven cases in history when an elector did not vote in the direction that was expected. She stressed that it was the state's right to determine how to deal with "faithless" electors.

Senator Egan queried how much of the United States population lived in the top 50 largest cities in the US. Ms. Brod agreed to provide that information.

[9:40:28 AM](#)

Co-Chair Hoffman noted the positive reasons for SB 39: campaign dollars spent in the state, the presidential win would not be declared until the polls in the western United States were closed, and Alaskan issues would be addressed during the presidential campaign. He queried some potential drawbacks to changing the current system. Ms. Brod replied that she could not think of any drawbacks to changing the system. She stressed that a national popular vote was in the best interest of the country.

JUDY ANDREE, LEAGUE OF WOMEN VOTERS, JUNEAU (via teleconference), testified in support of SB 39. She felt that the legislation was a bi-partisan effort. She stressed the importance of the Electoral College, but pointed out that the Electoral College had evolved to support a partisan system. She felt that individuals must be counted at the national level.

[9:46:53 AM](#)

DR. CAROLYN BROWN, JUNEAU (via teleconference), spoke in strong support of SB 39. She shared that the states had the right under the US Constitution, to determine how the electors would consider the vote.

RANDY S. GRIFFIN, FAIRBANKS (via teleconference), testified against SB 39. He felt that Alaska had more representation than Alaskans deserved. He felt that Alaska was given more power per person. He stressed that Alaskans would lose that power. He liked the electoral system, because it would accentuate the state's boundaries. He felt that the states would be considered "little nations."

[9:52:25 AM](#)

MARGO WARING, JUNEAU, testified in support of SB 39. She expressed that the history of voting in the country was not positive.

RUTH DANNER, JUNEAU, spoke in support of SB 39. She stated that Alaskans raise \$1.6 million for presidential elections, and the money was spent elsewhere in the country.

BARRY FADEM, PRESIDENT, NATIONAL POPULAR VOTE, testified in support of SB 39. He pointed out that Alaska had no clout under the current system.

Co-Chair Stedman noted the one zero fiscal not form the Division of Elections.

SB 39 was HEARD and HELD in committee for further consideration.

#hb121

CS FOR HOUSE BILL NO. 121(RLS)

"An Act establishing the commercial charter fisheries revolving loan fund, the Mariculture revolving loan fund, and the Alaska microloan revolving loan fund and relating to those funds and loans from those funds; and providing for an effective date."

10:02:26 AM

SUSAN K. BELL, COMMISSIONER, DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT, referred the CSHB 121 Revolving Loan Funds Summary (copy on file). She stated that there were three proposed revolving loan funds: Commercial Charter Fisheries, Mariculture, and Microloans. She referred to page 2, which displayed the capitalization amounts: Commercial Charter Fisheries, \$9 million; Mariculture, \$2.5 million; and Microloans, \$3 million. She looked at the loan limits for each fund: Commercial Charter Fisheries, \$100,000; Mariculture, \$100,000; and Microloans, \$35,000 for a single individual and \$70,000 for a two or more. She noted that the loan terms, interest rates, and floor/ceiling were also displayed.

Commissioner Bell pointed out that many were interested in pursuing revolving loan avenues for economic development. She stated that there were discussions with local financial institutions that expressed support. She stressed that the Charter Culture Fisheries and Mariculture funds had important implications for coastal and rural Alaska.

Commissioner Bell looked at page 3: "Commercial Charter Fisheries Revolving Loan Fund." This fund would-

- Provide access to capital for Alaskan-Owned Charters.
- Repatriate permits to Alaska.
- Increase economic benefits from this sector.

Commissioner Bell pointed out the fund's current activity: NOAA took 1,088 applications, issuing 90 percent permanent and only 10 percent as interim (Alaska residents received 92 out of 111). She explained that for the first four months of 2011, average permit prices for Area 2C permits were nearly \$35,000 and Area 3A permits were nearly \$59,000.

Commissioner Bell looked at page 4, "Mariculture Revolving Loan Fund":

- Mariculture industry has significant potential for year-round job creation in rural and coastal areas of the state.
- Relatively new industry and require 5-7 years to see return on investment.
- Wild harvest exceeds cultivated harvest. Based on current levels, with greater investment, farmed shellfish will exceed the market value of wild caught shellfish (excluding crab) within 10-15 years.
- Industry could generate \$20-\$30 million in annual product sales.

Commissioner Bell discussed page 5, "Alaska Microloan Revolving Loan Fund":

- Improves economic development to seed start-up businesses.
- Provides access to working capital, inventory expansion, etc.
- Provides financing for expansion.
- Modeled after SBA program.
- Alaska one of few remaining states without a microloan program.

Co-Chair Hoffman wondered how the split was determined on the capitalization of each of the programs. Commissioner Bell replied that the demand for Commercial Charter Fisheries was increased, and was supported in the House. She stated that there was an estimated of anticipated loan limits, market demand, and history to determine the capitalization.

Co-Chair Stedman queried the initial capitalization submission. Commissioner Bell responded that the initial proposed capitalizations were \$5 million for Charter Fisheries, \$2.5 for Mariculture, and \$3 million for Microloan.

Co-Chair Hoffman stressed that he supported commercial fishing. He added that his district was probably the largest fishing district in the state. He wondered if his district's programs were too healthy to assist. Commissioner Bell replied that the vast majority of the processed loans were for commercial fishing.

[10:13:27 AM](#)

Co-Chair Hoffman noted that many of his constituents were interested in marketing their product, and felt that there was not enough emphasis on that aspect of assistance. Commissioner Bell replied there were too core areas of economic development activity: financing and marketing. She agreed to participate in discussions to improve individual regional marketing entities.

Co-Chair Hoffman stressed that individuals wanted to process their own fish, and send the fish to market. He wondered if there was assistance in a revolving loan program that could assist them. Commissioner Bell replied that there was potential within the Microloan program or the Rural Development Investment Fund (RDIF).

Senator Thomas queried how the determination of interest rates and whether there would be an annual report of the program. Commissioner Bell responded that the microloan program would be available on a statewide basis, and the RDIF program was specific to community populations that were 5,000 or less if not connected by road or rail to Anchorage or Fairbanks and 2,000 or less if connected. She stressed that there was growth in the utilization of the RDIF in the year prior.

CATHY JEANS, FINANCE OPERATIONS MANAGER, DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT, stated that there were mandated reports that were supposed to be filed by the end of January of each year for commercial fisheries and fisheries enhancement. She agreed to add the Mariculture and Microloan funds to the report.

[10:18:37 AM](#)

Senator McGuire requested data that determined the principal amount. She stressed the loans should develop revenue. She wondered if there was an anticipation of profits coming back to the state. Commissioner Bell replied that there was some anticipation that prices could be as high as \$100,000, and also as many as 100 Alaskans that needed to purchase a permit. She stressed that there was basis in determining the principal amount. She agreed to provide further information.

Senator Egan would why the interest would be different on a three-year area and Co-Chair Stedman also queried who would

authorize the loans. Commissioner Bell stated that DCCED had worked with the Commercial Finance Industry to determine the rates.

Co-Chair Stedman requested the default issues regarding cross-correlation for the borrowers.

Co-Chair Stedman noted the four new fiscal notes from the Department of Education and Early Development.

10:25:38 AM

RODGER PAINTER, PRESIDENT, ALASKAN SHELLFISH GROWERS ASSOCIATION, testified in favor of HB 121. He pointed out that there was a tremendous demand for financing. He stressed that the loans were meant for operating capital. He felt that there were many applicants who would utilize the \$25 million capitalization.

Senator McGuire queried the proper amount to capitalize the fund. She wondered if Mr. Painter supported advocacy of the committee to raise the \$2.5 million principal in the Mariculture Fund. Mr. Painter replied that he was going to embark on a training program to apprentice farmers, and in two years those people would be looking for financing. He stressed that currently there were enough people who would use up the entire fund.

RUSSELL DICK, PRESIDENT AND CEO, HAA AANI, LLC, testified in support of HB 121. He stressed that there were financial challenges and moving impediments on economic development in rural communities. He felt that HB 121 would encourage economic expansion in rural communities.

10:35:43 AM

PAUL FUHS, ALASKA SEA FARMS, spoke in support of HB 121.

Commissioner Bell thanked the committee, and stated that she would follow-up with the default rate questions.

Co-Chair Stedman requested a classical calculation, and queried how many loans had been restructured and defined as default.

Senator McGuire requested information regarding the budget for BSC funding.

CSHB 121(RLS) was HEARD and HELD in committee for further consideration.

Co-Chair Stedman cancelled the following day's meeting.

ADJOURNMENT

[10:41:01 AM](#)

The meeting was adjourned at 10:41 AM.