

HOUSE FINANCE COMMITTEE

April 3, 2015

1:31 p.m.

[1:31:59 PM](#)

CALL TO ORDER

Co-Chair Thompson called the House Finance Committee meeting to order at 1:31 p.m.

MEMBERS PRESENT

Representative Mark Neuman, Co-Chair  
Representative Steve Thompson, Co-Chair  
Representative Les Gara  
Representative Lynn Gattis  
Representative David Guttenberg  
Representative Scott Kawasaki  
Representative Cathy Munoz  
Representative Lance Pruitt  
Representative Tammie Wilson

MEMBERS ABSENT

Representative Dan Saddler, Vice-Chair  
Representative Bryce Edgmon

ALSO PRESENT

Representative Mike Chenault, Sponsor; Donald Bullock, council, Alaska Legislature House Majority; Steve Wendt, Manager, Kenai Agrium Plant; Adam Diamond, Manager, Government Relations, Agrium U.S.; Mr. Alan Tamaki, Vice President, Tax, Agrium; David Izett, Senior Legal Counsel, Agrium; Jane Pierson, Staff, Representative Steve Thompson; Representative Cathy Tilton, Sponsor; Heath Hilyard, Staff, Representative Cathy Tilton; Tom Brookover, Department of Fish and Game; Representative Paul Seaton, Sponsor; Taneeka Hansen, Staff, Representative Paul Seaton; Eric Trojian, Director of Policy, B-Labs.

PRESENT VIA TELECONFERENCE

Ryan Makinster, Director, Southeast Alaska Guides Organization; Andy Mezirow, Governor's Appointee, North Pacific Fishery Management Council.

SUMMARY

HB 41 SPORT FISHING SERVICES

CSHB 41(FIN) was REPORTED out of committee with a "no recommendation" recommendation and with a new fiscal impact note from the Department of Fish and Game.

HB 49 BENEFIT CORPORATIONS

CSHB 49(L&C) was REPORTED out of committee with a "do pass" recommendation and with a new fiscal impact note from the Department of Commerce, Community and Economic Development.

HB 100 UREA/AMMONIA FACILITY TAX CREDIT

HB 100 was HEARD and HELD in committee for further consideration.

#hb100

HOUSE BILL NO. 100

"An Act establishing a credit against the net income tax for an in-state processing facility that manufactures urea or ammonia; and providing for an effective date."

[1:31:59 PM](#)

Co-Chair Neuman MOVED to ADOPT the proposed committee substitute for HB 100, Work Draft 29-LS0423\N, Nauman, 3/31/15. There being NO OBJECTION, it was so ordered.

REPRESENTATIVE MIKE CHENAULT, SPONSOR, introduced himself.

DONALD BULLOCK, COUNCIL, ALASKA LEGISLATURE HOUSE MAJORITY, indicated there were changes between the original version of the bill and the work draft.

Co-Chair Thompson recommended and explanation of the differences between the two documents.

Mr. Bullock explained that there were three changes in the proposed committee substitute: it addressed multiple owners

of the urea and ammonia plant; it clarified that the gases delivered to the facility must be used by the facility; and it addressed an affiliation issue to determine the value of the gas for royalty purposes. He looked at page 2, lines 9 through 17, which was new language to state that the Commissioner of the Department of Natural Resources (DNR) would determine whether the lessee was affiliated with the processing plant, owner of the processing plant, or the purchaser of the gas produced by the plant. He explained that Section 1 provided the establishment of the value for royalty purposes, which was the contract between the lessee and the plant. The language was similar to existing law for sales to utilities and other fertilizer plants, and would enhance the support that it was an objectively established price.

[1:37:42 PM](#)

Co-Chair Neuman asked about the use of the manufacturing component of the facility. Mr. Bullock responded that the credit may be used for either the product or manufacturing process.

Co-Chair Neuman wondered if the credit could be used for heating of the plant. Mr. Bullock replied in the affirmative.

Co-Chair Neuman asked if the state had a definition of "manufacturing." Mr. Bullock was unsure whether there was a definition of "manufacturing."

Co-Chair Neuman responded that he believed that the intent of the word "manufacturing" indicated a molecular change in the gas used in the facility. He stressed that the credit must not be used for an LNG export facility. Mr. Bullock responded that the discussion had related to whether gas continued to be gas in the manufacturing process, or what the gas made into a different substance. The tax credit related to gas delivered to the plant which was combined with nitrogen to produce the Urea and Ammonia. He stressed that a liquefaction process would produce the same gas components, however it would be in a liquid state.

Co-Chair Neuman indicated that his staff had produced information from February 23, 2010. He read from a prepared definition of "manufacturing":

Manufacturing means chemically converting gas or components of gas or chemically combining components of gas with other substances to form valuable compound. Manufacturing does not include gas processing, gas treatment, dehydration, fracknation, compression, or liquefaction.

Representative Chenault read from a prepared statement:

House Bill 100 creates a new corporate income tax credit for owners of facilities using a manufacturer's sale of Urea or Ammonia. When the gas is produced from a state lease, the state receives a royalty, and if in instate processing facility that manufactures or sells urea or ammonia purchases the gas as feed stock from a state lease, the credit is established. The amount of the credit is the amount of the royalty paid to the state, the credit could be used to abate state income taxes under AS 43.20, but of the credit could not be used to reduce the tax payer's liability below zero. According to a McDowell study, a reopened Agrium facility using a single train, would consume approximately 28 BCF a year of gas, with 21 BCF coming from state leases. It was anticipated that the total royalty payments to the state would be approximately \$15 million annually. The benefits from a single train production would result in approximately 140 direct jobs with a payroll of approximately \$14 million, and approximately 340 total jobs to include direct, indirect, and induced within the state with a payroll of approximately \$30 million. It was anticipated that all of the employees would be Alaskan residents. The plant rehabilitation would cost about \$75 million, and would require a temporary workforce of about 440 workers, which translates into a payroll of about \$75 million over the two year estimate to rehabilitate the facility. It would place Agrium among the top local tax payers in the Kenai Peninsula Borough, with approximately \$42.2 million in tax revenue, not including the sales tax revenue and new jobs. In light of the Cook Inlet tax credits that are expiring in 2016, the new user Cook Inlet gas would continue to encourage additional exploration and developing of the gas fields in Cook Inlet.

[1:44:31 PM](#)

Representative Gara wanted to hear from the Department of Revenue (DOR) about the foregone tax liability. He remarked that the credits paid to Agrium would equal their tax liability.

Co-Chair Thompson stated that DOR would be available at the bill's next scheduled hearing.

Representative Gara understood that the Agrium plant was an important job producer on the Kenai Peninsula. He wondered why the Kenai Peninsula Borough did not waive the property taxes on Agrium, rather than the state providing approximately \$3 million in foregone state tax revenue. Representative Chenault responded that he was unsure. He indicated that the intent to bring jobs back and to do further exploration.

Representative Gara wanted to explore why the borough would not contribute, because they would be the main beneficiaries.

[1:47:05 PM](#)

Representative Wilson asked if the plant was currently open. Representative Chenault replied that the plant was not open.

Representative Wilson wondered if the state was currently losing money. Representative Chenault responded that the state was not losing money, and was not gaining any revenue.

Representative Wilson queried the benefit to the state related to the reopening of the plant. Representative Chenault replied that if Agrium used gas from state leases, the state would receive royalty.

Co-Chair Thompson asked that someone from Agrium come up to answer questions.

STEVE WENDT, MANAGER, KENAI AGRIMUM PLANT, placed himself on the record.

ADAM DIAMOND, MANAGER, GOVERNMENT RELATIONS, AGRIMUM U.S., placed himself on the record.

Representative Wilson wanted to understand what benefits were lost because of the plant closure. She specifically queried the plant's contribution to the state and community. Mr. Diamond responded that at the time the plant was open there were approximately 300 employees, and the state received royalty revenue from gas.

Mr. Wendt furthered that at the height of the plant operation, Agrium employed over 30 employees; used in excess of 15 billion cubic feet annually; paid royalties on the great majority of the gas on anything from state leases; and used nearly 400 in state vendors, and spent \$15 million annually.

Representative Wilson wondered if there was any other state revenue, besides the revenue from the gas, as a result of reopening the plant. Mr. Diamond responded that the over 300 contractors would provide between \$15 million and \$20 million to the state.

Co-Chair Thompson asked Agrium reps to discuss the fertilizer usage for farmers. He stated that the cost of fertilizer quadrupled after the plant's closure. Mr. Wendt responded that they had provided fertilizer for in state agricultural usage. He stated that it was important for the local fertilizer users, however was a small impact on Agrium itself.

[1:52:04 PM](#)

Representative Pruitt asked why Agrium shut down. Mr. Wendt responded that it was due to a lack of gas.

Representative Pruitt noted that there was currently a surplus of gas, but wondered if Agrium would be able to stay open if there was suddenly a lack of gas. Mr. Wendt responded that through previous legislation that successfully incentivized capital investment in Cook Inlet. He stated that there were continually new gas discoveries, and he believed that the discoveries were enough to reopen. He stated that Agrium would invest \$275 million to bring the plant back to near new condition for a 20 year run.

Representative Pruitt asked what would prevent Agrium from reopening, without the tax credit, if there was plenty of gas in the basin. Mr. Diamond replied that there would be a significant capital expenditure to reopen the plant. Agrium

had a limited capital budget, and there had been internal dialogue regarding which projects would bring the best rate of return. He stressed that the company was attempting to provide the most attractive offer, in order to make the project as attractive as possible for a reopening.

Representative Gara queried the estimated corporate tax under legislation; the corporate tax that was previously paid on an annual basis; and the corporate tax that would have been paid without the bill. Mr. Diamond deferred to Mr. Tamaki.

MR. ALAN TAMAKI, VICE PRESIDENT, TAX, AGRIUM, stated that the plant had been closed for so many years, that he did not have that information available. He estimated that the tax saved under the credits was approximately \$2 million to \$3 million, and he assumed that sum was similar to what was paid under previous operation. He stated that the current payment was approximately \$40,000 to \$50,000.

Representative Gara recalled that the estimated unpaid generated corporate tax was \$3 million to \$4 million. He wondered if that was incorrect. Mr. Tamaki deferred to Mr. Diamond. Mr. Diamond responded that the previous estimate was \$3 million to \$4 million annually, and the Alaska Division of Tax had agreed with that estimate.

[1:57:26 PM](#)

Representative Gara stated that there were a number of other ways that businesses finance projects, other than tax waivers. He wondered why Agrium did not request a property tax waiver from the borough. Mr. Diamond stated that Agrium was looking for a positive benefit to both the state and Agrium.

Co-Chair Neuman asked how much gas would be used. Mr. Wendt indicated 28 bcf would be used annually, and three-quarters of that gas would come from state leases. The state leased gas would generate \$12 million to \$15 million in new revenue from the state.

Co-Chair Neuman queried the daily rate. Mr. Wendt responded that it would be 80 million cubic feet (MCF) per day.

Co-Chair Neuman queried current royalty rate in Cook Inlet. Mr. Wendt responded that it was approximately 12.5 percent.

Representative Gara did not approve of lobbyists approaching the table to provide responses. Co-Chair Thompson announced that he would ensure that it did not occur.

Representative Wilson noted that there was currently no gas produced from the plant. She wondered if the state would simply not receive as much tax from the production. Mr. Diamond responded affirmatively. He reported that the bill did not require any expenditures from the state, and did not reduce any existing state revenue stream from Agrium. T

Representative Wilson noted that the state was currently receiving zero revenue from Agrium. Mr. Diamond agreed.

Representative Wilson queried the number of years the plant was hoping to remain open. Mr. Diamond responded that there was an estimate of a 20 year run.

[2:03:24 PM](#)

Representative Pruitt asked if Agrium's opening was dependent on the legislation. Mr. Diamond replied that the credit would not guarantee that the plant would reopen, and would inhibit the plant from reopening. The legislation would only provide an attractive factor in the decision making. He hoped that the legislation would provide an attractive investment for the company.

Representative Pruitt surmised that the legislation was only a factor in considering reopening Agrium. Mr. Diamond agreed with that summation.

Representative Gara asked if the plant may open without the tax credit. Mr. Diamond responded affirmatively.

Representative Gara asked if there was investment monies available inside the company.

DAVID IZETT, SENIOR LEGAL COUNSEL, AGRIUM, responded that Agrium was currently looking at a number of alternatives for capital.

Co-Chair Thompson assumed that the credit would be a positive factor in determining the plant reopening. Mr. Izett replied in the affirmative.

2:07:03 PM

Representative Gara wondered if Agrium would respond positively to an only 50 percent tax discount. Mr. Diamond responded that he would put the most attractive position in front of Agrium. He could not indicate what would or would not enhance the decision. He reiterated that the credit would have a positive impact on the decision to reopen the plant.

Co-Chair Thompson wondered how long the plant would need to reopen, if the legislation passed in the current year. Mr. Wendt replied that there was a hope to begin production on July 1, 2017.

Representative Guttenberg asked how Agrium was assured that they were not repeating its previous mistake. Mr. Wendt responded that it was being very careful in examining the reopening. The evaluation team was looking at reserve reports.

Representative Guttenberg wondered if the company was still concerned whether there was enough gas to produce. Mr. Wendt replied in the affirmative.

Representative Guttenberg asked that if the bill was passed, he wanted to know the earliest start date of a reopening. Mr. Wendt responded July 1, 2015.

HB 100 was HEARD and HELD in committee for further consideration.

#hb41

HOUSE BILL NO. 41

"An Act relating to sport fishing services, sport fishing operators, and sport fishing guides; and providing for an effective date."

2:12:54 PM

Co-Chair Neuman MOVED to ADOPT the proposed committee substitute for HB 41, Work Draft 29-LS0238\, Bullard, 3/25/15. There being NO OBJECTION, it was so ordered.

JANE PIERSON, STAFF, REPRESENTATIVE STEVE THOMPSON, explained the changes in the committee substitute. She stated that Sections 1 and 2 were eliminated in the current version.

Co-Chair Neuman wondered if the elimination of the two sections resulted in a positive fiscal note. Ms. Pierson responded affirmatively.

REPRESENTATIVE CATHY TILTON, SPONSOR, explained that the bill was a sunset repealer of the sport fishing licensure. She spoke in support of the committee substitute, and appreciated the work to make a positive fiscal note.

Co-Chair Neuman queried the issue of federal log books and whether electronic monitoring would occur in the current year. Representative Tilton responded that the bill did not cover the issue of federal log books. .

HEATH HILYARD, STAFF, REPRESENTATIVE CATHY TILTON, referred to Mr. Johnson who had come in front of the committee regarding the federal issue as related to the log books. He agreed with Mr. Johnson's concerns, but stressed that the bill could not fix those concerns.

[2:17:37 PM](#)

Representative Munoz asked about the issue of the electronic submission of the data, and wondered if the system would work in concert with the federal programs. Mr. Hilyard responded that the log books were interrelated. The Department of Fish and Game (DFG) collected the halibut data and submitted the data to the National Marine Fishery Service. That data would then influence determinations on annual harvest measures.

Representative Munoz asked if the goal was to keep the data limited to one-time input. Mr. Hilyard deferred to DFG.

TOM BROOKOVER, DEPARTMENT OF FISH AND GAME, replied that the log book program was intended to cover both the federal and state requirements. The electronic log book program would expand its license modernization effort through a pilot electronic log book program on the Kenai River.

Representative Munoz asked about the issue of bear boats as an exemption from the charter requirements. She wondered

how that activity was in the charter regulations. Mr. Hilyard replied that the issue was about the point at what constitutes a "charter." He explained that there were some various business models that may or may not provide guides on those boats. He stated that the council had adopted a new regulation that only incentivized operators to be cleverer about how to structure their operation. The current regulation stipulated that an outfit could not provide further assistance, once the angler line was in the water.

[2:23:22 PM](#)

Representative Munoz was concerned with anglers in small boats that belong to lodges. She wondered how to get a handle on the out of state fish shipments. Mr. Hilyard pointed out that salmon was a state-managed fish, so the state could put a limitation based on residency. He furthered that halibut was a federally regulated fish, so there was no limitation based on residency. He stated that the federal government put limitations on guided versus unguided fish.

Representative Wilson asked what would happen if the bill does not pass. Mr. Hilyard responded that DPS was offering stopgap permits, but did not receive any revenue. He deferred to Mr. Brookover.

Mr. Brookover said that without the bill, a fee could not be required.

Representative Wilson wanted to understand all of the requirements of the permit. She wondered if the bill disadvantaged those people who were only trying to fish for personal reasons.

Co-Chair Thompson commented about the definition of a friend. He stressed there should be safety measures in place.

[2:28:49 PM](#)

Representative Wilson wanted to hear the difference between someone who wanted to fish for food, but could not afford their own boat; versus a visitor who wanted an Alaskan experience.

Representative Kawasaki asked about the original intent of the bill. He surmised that there was a growth in sport fish charter operators. Mr. Hilyard responded that regardless of the significant restrictions on harvest levels for charter fishing, the charter fishery did exceed its allocation of halibut by a very significant margin. He stressed that there was still a concern about the fishery continuing to exceed its harvest.

Representative Kawasaki queried the original intent of the original 2004 legislation. Mr. Brookover responded that the information on guide numbers and their fishing activities was very limited or not available in many parts of the state. There was a registration requirement at the time, but anyone could come in and register. It was discovered that a licensing requirement providing information about who was actively participating in the fishery.

[2:33:02 PM](#)

Representative Kawasaki asked why there was a five-year sunset placed on the original legislation, and another five years in 2009. Mr. Brookover replied that he did not know the reason for the five-year sunset.

Representative Kawasaki recalled a discussion about the need for some receipts to enact the log book program. He explained that there was a discussion in 2009 about DFG needing a revenue stream to continue the log book. Mr. Hilyard replied that he was not aware of that conversation.

Co-Chair Neuman said that he had spent some time on the legislation, so he offered some responses to some committee members' inquiries. In response to a question from Representative Kawasaki, he said that DFG did not need additional funds to fully implement and expand the log book program. The department had completed the electronic licensing program, so no further funds were necessary. He stated that the program was initially formulated to ensure safety.

Representative Gattis looked at it from the standpoint of how it affected her district. She did not feel it affected the Mat-Su. She stressed that it was truly about the electronic log book.

[2:39:26 PM](#)

Representative Pruitt wanted to return to the bare boat situation. He wanted to know if those were exempt. Mr. Hilyard replied that they may or may not be exempt.

Representative Pruitt wondered if there were individuals who were taking money from other Alaskans by not participating in the program. Mr. Hilyard replied that the ethical businesses were paying their taxes, but may not be licensed to guide.

Co-Chair Neuman shared that there were skiff rentals in Southeast Alaska that did not require guides.

[2:42:51 PM](#)

RYAN MAKINSTER, DIRECTOR, SOUTHEAST ALASKA GUIDES ORGANIZATION (via teleconference), spoke in favor of the bill. He stated that the program had worked well in the past, and was beneficial to his organization's members and the industry. He stated that the industry standards, safety requirements, insurance, and ability to track data in the log book were all beneficial to the industry.

[2:45:00 PM](#)

ANDY MEZIROU, GOVERNOR'S APPOINTEE, NORTH PACIFIC FISHERY MANAGEMENT COUNCIL (via teleconference), spoke in favor of the bill. He understood that there was some resistance to doubling the fee, but felt that the fee increase would stabilize the program to 2026. He felt that the industry would help the current budget crisis. He remarked that the log books were used to determine the guided angler participation, catch levels, and release mortality. Each guide must be identified in order to properly regulate the industry.

Co-Chair Thompson CLOSED public testimony.

[2:47:41 PM](#)

Representative Munoz queried the difference between the nonresident and resident fishing limits on salmon. She wondered if a person on a bare boat would have different fishing limits than a guided operation. Mr. Hilyard responded the salmon limit was based on residency, not

whether the angler was with a guide or no guide. He believed that the limit for king salmon in Southeast was 3 per day for a resident, and 2 per day - with a maximum of 6 annually - for a nonresident.

Co-Chair Neuman remarked that it was anticipated that the regulations be implemented March 31, 2016. He remarked that staff must be in place to work on the log books. Mr. Brookover agreed. He stated that the department was issuing log books in 2015, and proceeding accordingly. He was confident that the regulations could be in place by the deadline.

[2:51:34 PM](#)

Co-Chair Neuman asked Representative Tilton about making sure there was not a gap with funding and the effective date.

Co-Chair Neuman discussed the fiscal note.

Co-Chair Neuman MOVED to report CSHB 41(FIN) out of Committee with individual recommendations and the accompanying fiscal note.

There being NO OBJECTION, CSHB 41(FIN) was REPORTED out of committee with a "no recommendation" recommendation and with a new fiscal impact note from the Department of Fish and Game.

[2:55:14 PM](#)

AT EASE

[2:57:05 PM](#)

RECONVENED

#hb49

HOUSE BILL NO. 49

"An Act relating to corporations, including benefit corporations, and other entities; and providing for an effective date."

[2:57:41 PM](#)

REPRESENTATIVE PAUL SEATON, SPONSOR, explained the bill. He stated that HB 49 expands the options for Alaskan

entrepreneurs and investors by placing a new type of corporate entity, the benefit corporation, in Alaskan statute. A benefit corporation is a for-profit corporation which incorporates public benefits and community improvement into its business practices, no matter the principal service or product provided. Allowing the creation of benefit corporations will give business owners more choice in how to run their business and will bring to Alaska a slice of the \$6.6 trillion that is invested nationally in similar corporations. Corporate law generally requires a corporation to consider the financial impact to their shareholders as the top priority when making decisions. Under the benefit corporate structure, owners and boards have the freedom to take actions which positively impact their communities without fear of violating a fiduciary duty. Benefit corporations are formed voluntarily and have the same tax status of any other for-profit corporation. By electing in their articles of incorporation to become a benefit corporation, a business simply gains the flexibility to include mission and social impact in their business practices. Twenty-seven other states have passed benefit corporation legislation and many more have benefit bills in process. Over 1400 benefit corporations have incorporated in those states, including Ben & Jerry's, Patagonia, Rasmussen College, Epic Coffee, and King Arthur Flour Company (America's oldest flour company). Each of these companies works to benefit the public and their communities in the way that matters most to them. HB 49 also includes measures to ensure accountability and transparency. Just as a traditional corporation provides their shareholders with financial reports, a benefit corporation will additionally create and publish a biennial benefit report describing how the company has pursued the general public benefit. This report, which is held against a third party standard, allows shareholders, investors, and the public to confidently invest in benefit corporations that share their values.

[3:00:36 PM](#)

Representative Wilson wondered why the legislation was needed. Co-Chair Thompson provided his understanding of the current system related to corporations. He stated that the shareholders currently had a sizeable profit in the corporation, but the corporation gave 80 percent of its

earning to charity. The bill would protect the corporation from being sued by a shareholder.

Representative Seaton agreed, but felt it was an extreme example. The legislation was intended to benefit the community.

Co-Chair Neuman asked if corporations could currently give a percentage of their profits to other entities, even though there was a risk of being sued by the shareholders. Representative Seaton replied in the affirmative.

Co-Chair Neuman pointed out how this legislation could be a "two-edged sword." He felt that there could be a conflict of interest. He furthered that the bill made the corporation identify who receives the benefit, and how much was given. Representative Seaton replied in the affirmative. He stated that the corporation must file a benefit report.

Co-Chair Neuman asked if they had to pay any taxes, before the benefits were paid. Representative Seaton replied that it was like a C corporation.

[3:06:28 PM](#)

Representative Pruitt queried the rights of the shareholders. Representative Seaton looked at page 14, and noted the stockholders dissent language.

TANEEKA HANSEN, STAFF, REPRESENTATIVE PAUL SEATON, responded that the shareholders had the ability to dissent, at the time a corporation may decide to become a benefit corporation. Establishing a benefit corporation requires a two-thirds vote of the board of directors to become established. She looked at a section that allowed the shareholders the right to bring action, as related to the specific benefit purpose. If that shareholder felt that the benefit corporation was not perusing its public benefit purpose, they could bring corrective action.

[3:09:16 PM](#)

Representative Pruitt surmised that the shareholder could sue, if they felt that the corporation had not provided enough benefit. Mr. Hansen replied that the shareholder

could bring action, but not for monetary damages. They could only bring corrective action.

[3:10:26 PM](#)

ERIC TROJIAN, DIRECTOR OF POLICY, B-LABS, explained that B-Labs worked to bring investors and social entrepreneurs. He stated that there was an impediment in corporate law that inhibited the stakeholders from receiving the full revenue. He stressed that the purpose of the legislation would protect the legislature, by allowing the shareholder to sue, if the company was not considering the social mission. He stated that Idaho had recently enacted an almost identical bill. He shared that there were currently 2200 benefit corporations nationwide, and there were several million dollar deals within those companies. He felt that the bill was a deregulation of a purpose of a corporation from a sole requirement to maximize profits to deregulating by allowing the market direct the company's action. The shareholder will then understand the direction of the company, via the specific style of the corporation as outlined in the corporation certificate. He stressed that there were some benefit corporations that were thriving.

[3:17:22 PM](#)

Co-Chair Thompson asked if the federal government treated a B corporation any differently than the C corporations. Mr. Trojian responded in the negative, because the bill did not address any tax issues.

Representative Wilson wondered what would occur if only 60 percent of the shareholders wanted to contribute to a local nonprofit. She asked if the other 40 percent had a right to sue. Mr. Trojian responded that the board of directors made those decisions. The shareholders had a right to vote out the board of directors. He explained that the benefit corporations did not give large amounts of money to nonprofits. The benefit corporations wanted to instill a certain moral or mission within the company. He used the example of Patagonia and King Arthur Flour using organic materials. He stated that the benefit corporations made decisions with the community and shareholders in mind.

Representative Wilson wondered if the same concept could occur within the shareholders, versus creating an entirely new corporation. Mr. Trojian indicated no. He reported that

no because the purpose of that corporation was to maximize profits.

Representative Pruitt queried the goal of B-Labs. Mr. Trojian responded that his entity's mission was to use the power of business to solve social and environmental problems. His organization felt that there were too many problems in the world for only government to solve.

Representative Pruitt asked for examples of companies where shareholders may have sued, because they did not believe that the company went far enough to contribute to society. Mr. Trojian responded that there was not any case law at present related to the legislation.

[3:24:13 PM](#)

Representative Gara stressed that the law did not require a specific social cause. Mr. Trojian responded in the affirmative.

Representative Gattis surmised that the bill allowed for a greater participation by the consumer to contribute to a greater cause. Representative Seaton agreed, but stressed that the corporations would pay taxes and benefit the community.

Co-Chair Thompson CLOSED public testimony.

Co-Chair Neuman MOVED to report CSHB 49(L&C) out of Committee with individual recommendations and the accompanying fiscal note.

Representative Pruitt OBJECTED. He felt as if the state would be opening up the doors to a problem to greater environmental attacks on Alaska. He focused his concerns on environmental taxes.

A roll call vote was taken on the motion.

IN FAVOR: Gara, Guttenberg, Kawasaki, Munoz, Neuman, Thompson

OPPOSED: Gattis, Pruitt, Wilson

The MOTION PASSED (6/3).

CSHB 49(L&C) was REPORTED out of committee with a "do pass" recommendation and with a new fiscal impact note from the Department of Commerce, Community and Economic Development.

Co-Chair Thompson discussed the agenda for the following meeting.

#

ADJOURNMENT

3:31:29 PM

The meeting was adjourned at 3:31 p.m.