

SENATE FINANCE COMMITTEE

April 5, 2016

5:04 p.m.

5:04:20 PM

CALL TO ORDER

Co-Chair MacKinnon called the Senate Finance Committee meeting to order at 5:04 p.m.

MEMBERS PRESENT

Senator Anna MacKinnon, Co-Chair  
Senator Pete Kelly, Co-Chair  
Senator Click Bishop  
Senator Mike Dunleavy  
Senator Lyman Hoffman  
Senator Donny Olson

MEMBERS ABSENT

Senator Peter Micciche, Vice-Chair

ALSO PRESENT

Senator Mia Costello, Sponsor; Weston Eiler, Staff, Senator Mia Costello; Senator Bill Stoltze, Sponsor; Stuart Krueger, Staff, Representative Shelley Hughes; Erin Shine, Staff, Senator Anna MacKinnon; Janey Hovenden, Director, Division of Corporations, Business and Professional Licensing, Department of Commerce, Community and Economic Development.

PRESENT VIA TELECONFERENCE

Renee Wardlaw, Division of Banking and Securities, Assistant Attorney General, Anchorage; Thomas Daly, Owner, HiSpeed Gear, Kenai; Bob Scanlon, Blood Bank of Alaska, Anchorage; Tim Benintendi, Secretary, Blood Bank of Alaska, Anchorage; Michael Schechter, Attorney General's Office, Anchorage; Mike Coons, National Legislative Director, Citizen Initiatives, Palmer.

SUMMARY

SB 69      BD OF CHIROPRACTIC EXAMINERS; PRACTICE

CSSB 69 was REPORTED out of committee with "no recommendation" and with one new fiscal impact note from the Senate Finance Committee for Department of Commerce, Community and Economic Development.

SB 126 SMALL SECURITY OFFERINGS

SB 126 was HEARD and HELD in committee for further consideration.

SB 154 BLOOD BANK OF ALASKA LICENSE PLATES

SB 154 was HEARD and HELD in committee for further consideration.

SCR 4 US COUNTERMAND CONVENTION DELEGATES

SCR 4 was HEARD and HELD in committee for further consideration.

#sb126

SENATE BILL NO. 126

"An Act establishing an exemption for the offering and sale of certain securities."

[5:05:42 PM](#)

SENATOR MIA COSTELLO, SPONSOR, explained the legislation:

Senate Bill 126, the Innovating Alaska Act, helps Alaskans start and invest in local businesses by enacting a new finance mechanism in state law.

Crowdfunding (sometimes known as "equity crowdfunding") is a new concept with a simple premise. Instead of receiving large investments from a few traditional investors, Alaskans starting a business receive small investments from a potentially a large group of investors. The approach lets broad groups of people invest in small businesses in return for equity ownership. This makes it easier for business start-ups to get capital to grow, and allows average Alaskans to invest in businesses being started in their communities.

The federal Jumpstart Our Business Start-Ups (JOBS) Act of 2012 paved the way for this paradigm shift in business creation. It refines some of the more onerous regulations that have historically made it difficult for average Americans to directly invest in private companies. Since then over 12 states have enacted intra-state crowdfunding laws.

Crowdfunding usually works through young companies selling equity shares, often through an on line portal, to a wide group of investors. Senate Bill 126 would regulate the sale of these types of securities separately from the Alaska Securities Act (AS 45.55.010) and adds several safeguards to protect investors.

Under Senate Bill 126, businesses seeking to raise capital through crowdfunding would apply to the Alaska Division of Banking & Securities and hold investor funds in escrow in an Alaskan bank. Investments made through crowdfunding are limited to \$7,500 for investors and \$1,000,000 for businesses raising capital. Both the investor and business owner must be Alaska residents.

Business start-ups are key to growing our state's economy. Enacting crowdfunding through Senate Bill 126 is an innovative way to give entrepreneurs easier access to capital, and help Alaskans invest in local businesses.

[5:09:12 PM](#)

WESTON EILER, STAFF, SENATOR MIA COSTELLO, presented the Sectional Analysis (copy on file):

Section 1. Amends the Alaska Securities Act (AS 45.55) by adding a new section. Sec. 45.55.175(a) exempts the sale of securities through crowdfunding between Alaska businesses and residents from the requirements of AS 45.55.070 - 45.55.120 (registration of securities) and AS 45.55.150 (sales and advertising literature). Sets new limitations and requirements on the offer and sale of this type of securities including:

(1) issuer's organizational entity must be for-profit, and located and licensed in Alaska,

(2) securities under this section may only be sold to Alaska residents and must be in compliance with federal law's (Securities Act of 1933) residency requirements for interstate sale of securities,

(3) sale of securities under this section by a for-profit entity are capped at \$1,000,000,

(4) investments by an individual in a business under this exemption are capped at \$7,500 during a 12-month period, (5) issuer of securities under this section must have a reasonable belief that the purchase of securities is for investment not resale,

(6) commissions for persons participating in the offer or sale for the issuer are prohibited,

(7) requires escrow account deposit of investor funds until the minimum target for the issuer is met,

(8) notice to the department about solicitation of sale of securities under this section,

(9) restrictions on who may issue securities under this section,

(10) disclosures to investors about this type of securities exemption in statute and restriction on resale,

(11) requires signed investor acknowledgement of investment risk,

(12) exemption for sale of this type of securities may not be used along with other exemptions to the Alaska Securities Act,

(13) sale of this type of securities are covered by anti-fraud statutes and other provisions under AS 45.55.010 - 45.55.028.

Sec. 45.55.175(b). Allows the department to deny or revoke an exemption under this section if the sale would lead to a fraud on purchasers.

Sec. 45.55.175(c). Requires the Department of Commerce, Community, & Economic Development to charge an applicant a filing fee for an exemption under this section.

Sec. 45.55.175(d). Prohibits an issuer from using the exemption under this section if the entity or its officers are subject to a disqualifier under the Dodd-Frank Wall Street Reform and Consumer Protection Act - U.S.C. 78c(a)(39).

Sec. 45.55.175(e). Defines terms for the section.

Section 2. Adds a sec. 45.55.175 exempting transactions under this bill to the list of transactions that are exempt from basic security registration requirements under AS 45.55.070 and AS 45.55.075 (the section addressing federal covered securities).

[5:13:47 PM](#)

Senator Dunleavy wondered if one could currently micro invest under different rules. Mr. Eiler replied in the affirmative.

Senator Dunleavy surmised that the bill was related to a business that wanted to go public. Mr. Eiler explained that the legislation targeted startup companies. He remarked that it was a mechanism for large groups of Alaskans with a small amount of money could invest in private companies.

Senator Dunleavy stated that current law already allowed for the partnership. Mr. Eiler replied that the bill offered another tool for a general solicitation without a broker dealer.

Senator Bishop looked at Section 13, and queried the recourse. Mr. Eiler responded that the language reflected that nothing was exempt from fraud statutes.

Senator Bishop surmised that the investor had a vehicle to recover some funds. Mr. Eiler replied in the affirmative.

5:18:07 PM

Senator Olson queried the type of people the legislation was intending to invest. Mr. Eiler responded that there were many opportunities, especially in rural areas. The bill would remove some hurdles, to make it easy for Alaskans to invest in small companies such as microbreweries and arts businesses.

Senator Olson queried any protections for the elderly. Mr. Eiler replied that he had conversations with the Division of Banking and Security. He stated that the division had worked to monitor that problem.

Senator Bishop spoke in support of the legislation.

5:22:25 PM

RENEE WARDLAW, DIVISION OF BANKING AND SECURITIES, ASSISTANT ATTORNEY GENERAL, ANCHORAGE (via teleconference), introduced herself.

Co-Chair MacKinnon queried feedback on the legislation. Mr. Wardlaw replied that the division was neutral on the bill.

Co-Chair MacKinnon wondered whether the public was protected under the legislation. Ms. Wardlaw replied in the affirmative.

Co-Chair MacKinnon queried any exemption from the Alaska Security Act. Ms. Wardlaw replied in the negative.

5:24:50 PM

THOMAS DALY, OWNER, HISPEED GEAR, KENAI (via teleconference), testified in support of the legislation. He felt that the bill helped to diversify the state's economy. He wanted to empower small businesses. He did not feel that the legislature was properly diversifying the state. He remarked that the bill would engage Alaskans in businesses. He shared his phone number: 907-283-9136.

Co-Chair MacKinnon CLOSED public testimony.

SB 126 was HEARD and HELD in committee for further consideration.

[5:27:33 PM](#)

AT EASE

[5:28:18 PM](#)

RECONVENED

#sb154

SENATE BILL NO. 154

"An Act relating to special registration plates commemorating the Blood Bank of Alaska."

[5:28:41 PM](#)

SENATOR BILL STOLTZE, SPONSOR, explained the legislation. He stated that this was the first license plate bill he had offered. He felt that the bill was straight forward, and provided a commemorative license plate for the state. He stated that there was one change in the bill, which made the mechanism to provide the proceeds to the nonprofit.

Senator Hoffman wondered if the bill was a "bloody good bill." Senator Stoltze replied that it was a "darn good bill."

[5:31:18 PM](#)

BOB SCANLON, BLOOD BANK OF ALASKA, ANCHORAGE (via teleconference), introduced himself.

Co-Chair MacKinnon wondered if Mr. Scanlan was in support of the bill. Mr. Scanlan replied in the affirmative.

[5:32:29 PM](#)

TIM BENINTENDI, SECRETARY, BLOOD BANK OF ALASKA, ANCHORAGE (via teleconference), spoke in support of the legislation.

Co-Chair MacKinnon CLOSED public testimony

SB 154 was HEARD and HELD in committee for further consideration.

#scr4

SENATE CONCURRENT RESOLUTION NO. 4

Relating to the duties of delegates selected by the legislature to attend a convention of the states called under art. V, Constitution of the United States, to consider a countermand amendment to the Constitution of the United States; establishing as a joint committee of the legislature the Delegate Credential Committee and relating to the duties of the committee; providing for an oath for delegates and alternates to a countermand amendment convention; providing for a chair and assistant chair of the state's countermand amendment delegation; providing for the duties of the chair and assistant chair; providing instructions for the selection of a convention president; and providing specific language for the countermand amendment on which the state's convention delegates are authorized by the legislature to vote to approve.

[5:34:19 PM](#)

SENATOR BILL STOLTZE, SPONSOR, explained the resolution:

SJR 15 and SCR 4 seek to restore the balance of power between the states and federal government. The pair of resolutions would strengthen state sovereignty by providing states with veto (countermand) power over federal decisions deemed not in their best interest by establishing an amendment to the U.S. Constitution. These two resolutions in tandem are intended to start the process of amending the US Constitution via the powers granted in Article V.

SJR 15 (The Application) provides Alaska's call to Congress for a clearly defined, single-issue Countermand Amendment Convention. The Countermand Amendment to the United States Constitution, when ratified, will allow states to propose Countermand Initiatives, which upon approval by three-fifths of the state legislatures, will repeal any federal statute, executive order, judicial decision, or regulatory decision listed in the Initiative.

SCR 4 (The Delegate Resolution) enables the state legislature to institute parameters for the convention, ensuring that a "runaway convention" is not possible, and provides for a productive, safe and timely process. The Delegate Resolution establishes a

Credential Committee for selection of delegates to the convention, and outlines the duties of the delegates. SCR 4 also includes the language of the proposed Countermand Amendment to the U.S. Constitution.

These two resolutions do not pertain to a conservative versus liberal agenda; this is a state versus federal issue. Passage of these resolutions is an actionable step the Legislature can take toward restoration of the proper balance of state and federal powers.

[5:36:07 PM](#)

STUART KRUEGER, STAFF, REPRESENTATIVE SHELLEY HUGHES, explained the Sectional Analysis (copy on file):

Resolve 1

Pg 2 ln 26: Authorizes the legislature to appoint and summon delegates for the amendment convention.

Resolve 2

Pg 2, ln 29: Gives the legislature authority to decide the qualifications and total number of delegates to send to the convention.

Resolve 3

Pg 3, ln 1: Gives the legislature the ability to add or remove delegates and

Resolve 4

Pg. 3, Ln 6: Provides parameters and instructions for state's delegates at the convention.

Prohibits delegates from voting for any other amendments, outside of the countermand amendment, at the convention.

Resolve 5

Pg 3, ln 13: Reserves the countermand amendment as the only amendment for consideration for ratification by the legislatures.

Resolve 6

Pg 3, ln 15

Upon a call for convention by 34 states, this resolve allows for establishing of the Delegate Credential

Committee within the Alaska Legislature, with duties listed in section A.

Speaker of the House shall appoint three members from the House, one being a minority caucus member. The President of the Senate shall appoint three members of the Senate, one being a minority caucus member.

Resolve 7

Pg 3, ln 24

Provides for replacement procedure for members of the Delegate Credential Committee.

Resolve 8

Allows for selection of co-chairs of the Delegate

One co-chair from the House, one from

Pg 3, ln 26

Credential Committee

the Senate. Along with staff

assignments for committee support.

Resolve 9

Pg 3, ln 30

Establishes when Delegate Credential Committee can meet.

Resolve 10

Pg 4, ln 1

Acknowledges that the Delegate Credential Committee will continue until the first day of the Thirtieth Alaska State Legislature.

Resolve 11

Pg 4, ln 3

Requests that the Delegate Credential Committee be considered for reestablishment during the Thirtieth Alaska Legislature.

Resolve 12

Pg 4, ln 6

Provides for removal and replacement procedure for members of the Delegate Credential Committee

Members are removed or replaced by the presiding officer that appointed them.

Resolve 13

Section A.

Pg 4, ln 17

Provides the duties of the Delegate Credential Committee.

Majority vote on decisions, official facilitator for the legislature, appointment of delegates, provide a committee report on selected delegates, appointing chair and assistant chair of delegation, properly vet and confirm delegates, issue convention passes to

delegates, notify legislature of financial needs at the convention, administer oaths to the delegates, alternates, chair and assistant chair, monitor activities of Alaska's delegation, submit quarterly reports to the legislature on events, progress, and recommendations for the convention, authority to recommend removal of a delegate or alternate for approval by the legislature.

Resolve 13

Section B

Pg 6, ln 11

Provides for the duties of the chair of Alaska's state delegation and the president of the convention, Chair is responsible for communicating with other state delegations to open convention for business; identifying other legislatures that have approved a delegate resolution; build consensus with at least 26 state delegations to require that each state delegation at the convention has only one vote; require a simple majority vote at all roll calls; nominate convention officials; require a quorum of 26 state to conduct business; build a consensus of at least 26 states to support sending the countermand amendment for ratification; work to conclude convention in 21 days, or no longer than 180 days; nominate a candidate for convention president from Alaska's delegation, or work to elect a president

Resolve 13

Section B, J

Pg 7, ln 31

Under duties of the Alaska delegation chair, includes supporting the following duties of the convention president.

Convention president duties include: securing a vote for this delegate resolution to be the rules of order at the convention; focus on the purpose of sending the countermand amendment for ratification by the states; request security measures as needed; oversee installment of officers at the convention; establish convention agenda; provide equal time for floor discussion for all states; to prohibit introduction of any subject other than the countermand amendment; call for a vote for sending countermand amendment to the states; report to 50 state legislatures, and the media on convention progress; provide formal requests, when needed, to states for money that will be needed to carry on business; oppose any effort to delay or

modify the countermand amendment vote; oppose any effort by states to offer amendments other than the countermand amendment

Resolve 13

Section C

Pg 10, ln 3

Addresses duties and responsibilities of convention delegates.

Delegate duties include: comply with directives in this resolution; follow instructions of the chair and assistant chair of Alaska's delegation; be present to vote at all roll calls; attend all assigned sessions at the convention; report to the delegation chair the number of states in favor of the countermand amendment; recommend strategies to help join 26 states in favor of the countermand amendment

Resolve 13

Section D

Pg 11, Ln 1

Addresses duties and responsibilities of convention delegate alternates.

Resolve 13

Section E

Pg 11, Ln 8

Provides the text for the countermand amendment to the United States Constitution.

[5:40:41 PM](#)

MICHAEL SCHECHTER, ATTORNEY GENERAL'S OFFICE, ANCHORAGE (via teleconference), stated that he was available for questions.

Co-Chair MacKinnon queried any technical errors in the resolution. Mr. Schechter replied that there was an issue related to how the constitutional convention process would work. The process had never been used in the United States.

Senator Stoltze stated that he hoped that there would be a point when the questions would be addressed.

[5:44:18 PM](#)

MIKE COONS, NATIONAL LEGISLATIVE DIRECTOR, CITIZEN INITIATIVES, PALMER (via teleconference), testified in support of the legislation.

Co-Chair MacKinnon CLOSED public testimony.

SCR 4 was HEARD and HELD in committee for further consideration.

[5:49:23 PM](#)

AT EASE

[5:49:57 PM](#)

RECONVENED

#sb69

SENATE BILL NO. 69

"An Act relating to the Board of Chiropractic Examiners and the practice of chiropractic."

[5:50:02 PM](#)

Co-Chair Kelly MOVED to ADOPT the committee substitute for SB 69, 29-LS0704\S (Bruce, 4/4/16).

Co-Chair MacKinnon OBJECTED for DISCUSSION.

ERIN SHINE, STAFF, SENATOR ANNA MACKINNON, explained the committee substitute.

Co-Chair MacKinnon WITHDREW the OBJECTION. There being NO OBJECTION, the proposed committee substitute was adopted.

[5:51:59 PM](#)

AT EASE

[5:52:39 PM](#)

RECONVENED

[5:52:50 PM](#)

SENATOR BILL STOLTZE, SPONSOR, expressed gratitude for fixing some issues in the bill.

[5:53:44 PM](#)

JANEY HOVENDEN, DIRECTOR, DIVISION OF CORPORATIONS, BUSINESS AND PROFESSIONAL LICENSING, DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT, introduced

herself. She stated that there was a previous higher fiscal note, so the current version would reduce the fiscal note to \$2,500 for a regulation project.

Co-Chair MacKinnon queried the location of the new fiscal note. Ms. Hovenden replied that her staff did not draft a fiscal note until the committee substitute was complete.

5:54:55 PM

AT EASE

5:55:23 PM

RECONVENED

5:55:26 PM

Co-Chair MacKinnon wanted to ensure that there would only be an FY 17 one-time expenditure for regulation adoption, with the out years at zero. Ms. Hovenden agreed.

Senator Olson wondered if the Alaska Board of Medicine was in support of the bill.

Co-Chair MacKinnon wondered if the Alaska Board of Medicine was in support of the bill. Senator Stoltze replied that there were discussions with the medical community, and they did not have a position on the bill.

Co-Chair MacKinnon queried a companion bill. Senator Stoltze replied in the negative.

Co-Chair MacKinnon stated that the bill would go to the other body for consideration.

Senator Olson wondered if conversations were with the Medical Association or the Medical Board. Senator Stoltze replied that there was only a conversation with a representative from the Medical Association.

Co-Chair Kelly MOVED to REPORT CSSB 69(FIN) out of committee with individual recommendations and attached fiscal note. There being NO OBJECTION, it was so ordered.

Senator Dunleavy declared his conflict of interest.

CSSB 69 was REPORTED out of committee with "no recommendation" and with one new fiscal impact note from

the Senate Finance Committee for Department of Commerce,  
Community and Economic Development.

5:59:40 PM

AT EASE

6:01:31 PM

RECONVENED

Co-Chair MacKinnon discussed the following day's agenda.

#

ADJOURNMENT

6:01:45 PM

The meeting was adjourned at 6:01 p.m.