

SENATE FINANCE COMMITTEE

April 12, 2016

1:37 p.m.

[1:37:16 PM](#)

CALL TO ORDER

Co-Chair MacKinnon called the Senate Finance Committee meeting to order at 1:37 p.m.

MEMBERS PRESENT

Senator Anna MacKinnon, Co-Chair
Senator Peter Micciche, Vice-Chair
Senator Click Bishop
Senator Mike Dunleavy
Senator Lyman Hoffman
Senator Donny Olson

MEMBERS ABSENT

Senator Pete Kelly, Co-Chair

ALSO PRESENT

Laura Cramer, Staff, Senator Anna MacKinnon; David Teal, Director, Legislative Finance Division; Representative Dan Saddler, Sponsor; Kim Skipper, Staff, Representative Dan Saddler; Representative Gabrielle LeDoux, Sponsor; Amy Michel, Staff, Representative LeDoux; Esther Mielke, Staff, Representative Bob Lynn; Kris Curtis, Legislative Auditor, Alaska Division of Legislative Audit; Gene Therriault, Staff, Alaska Industrial Development and Export Authority.

PRESENT VIA TELECONFERENCE

Stuart Spielman, Autism Speaks, Washington DC; Margaret Brodie, Director, Division of Health Care Services, Department of Health and Social Services, Anchorage; Kristen Vandagriff, Alaska Governors Council on Disabilities and Special Education, Anchorage; Sarah Batton, Attorney, Groh Eggers, Anchorage; Ken Jacobus, Anchorage BAR Association, Anchorage; Glenda Ledford, Chair, Board of Barbers and Hairdressers, Wasilla; Jeannine Jabaay, Board of Barbers and Hairdressers, Hope; Jeff

Edwards, Director, Parole Board, Department of Corrections, Anchorage; Michael Lamb, Chief Financial Officer, AIDEA.

SUMMARY

SB 128 PERM. FUND:DEPOSITS;DIVIDEND;EARNINGS

SB 128 was HEARD and HELD in committee for further consideration.

CSHB 83(JUD)

REPEAL COLLECTION OF CIVIL LITIG. INFO

CSHB 83(JUD) was HEARD and HELD in committee for further consideration.

CSHB 188(FIN)

PERSON W/DISABILITY SAVINGS ACCOUNTS

CSHB 188(FIN) was HEARD and HELD in committee for further consideration.

CSHB 231(FIN)

EXTEND BOARD OF PAROLE

CSHB 231(FIN) was HEARD and HELD in committee for further consideration.

HB 268 AIDEA:DIVIDEND TO STATE;INCOME;VALUATION

HB 268 was HEARD and HELD in committee for further consideration.

HB 289 BOARD OF BARBERS AND HAIRDRESSERS

HB 289 was HEARD and HELD in committee for further consideration.

#sb128

SENATE BILL NO. 128

"An Act relating to the Alaska permanent fund; relating to appropriations to the dividend fund; relating to income of the Alaska permanent fund; relating to the earnings reserve account; relating to the Alaska permanent fund dividend; making conforming amendments; and providing for an effective date."

[1:37:58 PM](#)

Co-Chair MacKinnon explained the intent of the committee substitute for SB 128 was to address the state's fiscal crisis.

[1:38:44 PM](#)

Vice-Chair Micciche MOVED to ADOPT the committee substitute for SB 128, Work Draft 29-GS2859\N (Wallace/Martin, 4/12/16).

Co-Chair MacKinnon OBJECTED for DISCUSSION.

[1:39:00 PM](#)

AT EASE

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RECONVENED

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Co-Chair MacKinnon announced that the documents discussed at the table were available online under the bill.

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LAURA CRAMER, STAFF, SENATOR ANNA MACKINNON, explained the committee substitute. She read from the Sectional Analysis (copy on file):

Section 1: Legislative intent that the legislature reevaluate the use of the earnings of the Permanent Fund in three years

Section 2: Amerada Hess income no longer flows to the Capital Income Fund. Segregation of these funds is no longer legally required

Section 3: Dedicated deposits of royalties to the Permanent Fund are reduced from the current 25/50 split on old/new leases to the constitutional minimum of 25 percent

Section 4:

(a) Requires the Alaska Permanent Fund Corporation to determine the net income of the earnings reserve account as the income is realized and received

(b) Defines the Percent of Market Value (POMV) payout as 5.25 percent of the average year-end market value of the Permanent Fund and Earnings Reserve Account for the first five of the most recently completed six fiscal years. The payout may not exceed the year-end balance of the earnings reserve account for the fiscal year just ended

Section 5: AS 37.13.145 is the Disposition of Income of the Permanent Fund statute

(a) Unchanged - Establishes the ERA and identifies the ERA as holding earnings of the Permanent Fund and ERA

(b) Repealed in this bill - dividends based on statutory net income

(c) Repealed in this bill - inflation proofing

(d) Repealed in this bill - segregation of Amerada Hess

(e) Added in this section - each year the legislature may appropriate to the General Fund the amount available for distribution from the Earnings Reserve Account under the POMV in Sec. 4

(b)

Section 6: Dividends are comprised of 20 percent of the 5.25 percent POMV outlined in Sec. 4(b), and 20 percent of prior year royalties, excludes those dedicated to the Permanent Fund or School Fund (25.5 percent are dedicated)

Section 7: Mental Health Trust Fund may not be included in the computation of income available for distribution under the POMV

Section 8: Makes computation of Mental Health Trust Fund income consistent with computation of other Permanent Fund Income

Section 9: Transfer of money to the Dividend Fund requires an appropriation

Section 10: The amount of each Permanent Fund Dividend for fiscal years 2017, 2018, and 2019 shall be \$1,000

Section 11: Conforms to Sec. 9, which moves money to the Dividend Fund by appropriation

Section 12: Once the money is in the Dividend Fund, the Department of Revenue shall annually pay dividends without further appropriation

Section 13: Repeals language relating to the former dividend calculation, inflation proofing calculation, and Amerada Hess language

Section 14: Repeals Sec. 10 - \$1,000 dividend for three years

Section 15: The Commissioner of Revenue and the Alaska Permanent Fund Corporation may adopt regulations, policies and procedures to implement this Act

Section 16: Retroactivity clause

Section 17: Effective Date for sections 15 and 16, immediate

Section 18: Effective Date, July 1, 2016

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Senator Olson wondered how the dividend amount would fluctuate under Section 6, what the expected dividend payout would be after 2019.

[1:46:34 PM](#)

Co-Chair MacKinnon relayed that David Teal, Director, Legislative Finance Division would be available to answer questions.

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Ms. Cramer agreed that Mr. Teal would walk through the output from the model.

[1:46:55 PM](#)

Co-Chair MacKinnon WITHDREW the OBJECTION. There being NO OBJECTION, the proposed committee substitute was adopted. She relayed that Mr. Teal would walk through how the bill would address the budget shortfall and how it would affect the Permanent Fund.

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DAVID TEAL, DIRECTOR, LEGISLATIVE FINANCE DIVISION, looked at the "LFD Fiscal Model" (copy on file).

[1:48:00 PM](#)

AT EASE

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RECONVENED

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Co-Chair MacKinnon remarked that the Permanent Fund Corporation had requested a model using a 6.9 percent Permanent Fund investment return; the governor's original model had used 7.45 percent. She noted that the model before the committee used the 6.9 percent investment return.

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Mr. Teal looked to the price scenario at the center of the document. The scenario used the spring 2016 revenue forecast. He noted that the yellow highlighted fields reflected no growth in the operating budget, and in fact had a targeted cut of \$247 million, which was subject to change.

[1:50:07 PM](#)

Co-Chair MacKinnon understood that the estimated capital spend projected in the model was \$185 million.

Mr. Teal replied in the affirmative.

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Mr. Teal noted the factors of Community Assistance and Debt Service, as projected, and highlighted that the model contained no revenue variables: sales tax, income tax, motor fuel tax, indirect expenditure adjustments, the Governor's tax bills package, except for the Tax Credit Reform bill - the modeling output of which were the House Finance Committee numbers. He directed committee attention to the blue bars under "Custom Plan Specifications" which reflected a POMV payout of 5.25 percent, with 20 percent of the payout going to dividends, and an additional 20 percent going to dividends from royalties. He pointed to the upper right line graph on the slide, which showed that dividends would be steady at \$1000. He said that without the cap, dividends would drop to \$900 for 3 years and then would go back to \$1000 through 2025. He said that the model assumed that the CBR would earn more than the current 1 to 2 percent. He said that it was not in the bill, but there had been discussion of more aggressively investing the CBR so that the returns on it would be higher. He elaborated that there were a number of ways to do that, but it would not make a significant difference to the model. He noted that the lower left graph on the slide reflected that the CBR balance under the model would drop to \$2 billion. He furthered that those earnings did not make or break the model. He indicated the graph in the upper left corner, which showed the UGF revenue/budget, in millions. He stated that the expenditure line was the dark line on top, the bars represented oil revenue [blue], CBR/SBR draws [orange], and the POMV draw from the earnings reserve [green]. The graph indicated that the deficit would narrow, but that it would still exist through 2025. He said that the lower left graph showed that reserve balances were expected to stabilize at approximately \$12 billion. He noted that the table at the bottom of the graph showed reserves of approximately \$12 billion in 2025. The deficit would still exist, but because it would be lower than it was currently, the reserves would be exhausted after 28 years. He said that it was worth noting that although reserves in 2017 were approximately \$14 billion, the state was spending reserves at a more rapid rate, which would exhaust them in 8 years or less.

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Mr. Teal remarked that the reserve balance would be slightly lower, and the deficit would be so much lower that the glide path would be better under the legislation than under the status quo. He noted the table in the lower right of the slide that reflected in turquoise the real value of the Permanent Fund would fall slightly overtime and would not keep pace with inflation at the projected earnings rates. He noted that although there would be a nominal payout of 5.25 percent, there was a 6 year lag in the projection because the payout was based on the first 5 of the most recently completed 6 years. Because of the long look back, the effective payout as shown in the lower right hand corner of the slide was at roughly 4.9 percent.

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Co-Chair MacKinnon surmised that the slide reflected a spending increased from FY16 to FY17.

Mr. Teal replied that there was actually a reduction in FY 17, but remarked that in FY16 the dividends were not shown as general fund expenditures. The graph was showing only UGF expenditures. He clarified that if FY 17 dividends were shown, the line would increase from \$5 billion to \$6.4 billion.

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Co-Chair MacKinnon surmised that the way that the dividend was calculated and paid out would change under the legislation and the dividend payments would be reflected in the Operating Budget.

Mr. Teal responded that currently the dividends did not show as general fund expenditures. They were reflected in the fiscal summary, but in a different section; under the legislation dividends would appear as general fund expenditures.

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Co-Chair MacKinnon assured Alaskans that there would be zero growth in the operating budget.

[1:58:04 PM](#)

Co-Chair MacKinnon asked whether the green bars on the graph in the upper left of the slide reflected a \$2.4 billion draw in FY17.

Mr. Teal responded that \$2.4 billion was an accurate approximation.

[1:58:26 PM](#)

Co-Chair MacKinnon referred to FY 25 on the same chart, and surmised that the draw would increase to \$3 billion.

Mr. Teal replied that the draw would increase as the Permanent Fund and the Earnings Reserve increased.

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Co-Chair MacKinnon noted that the dividend check would remain steady at about \$1000, in perpetuity. She said that the Governor's original plan, SB 114, as well as offerings in the house had all been incorporated into the cs in an effort to stabilize the dividend, while using the bulk of the assets in the form of earnings to diversify Alaska's revenue stream. She indicated the lower left hand corner of the slide which showed the stabilizing of the draw on reserves. She said that currently the legislature was looking at removing \$7 billion, over two years, to pay for expenses. She furthered that more work needed to be done to ensure that the state did not lose any stability in growing the corpus of the fund.

[2:00:19 PM](#)

Senator Dunleavy surmised that if spending could be driven down from \$5.2 billion, to \$4 billion, reserves could be extended and less of a draw would be necessary.

Mr. Teal replied in the affirmative.

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Senator Dunleavy remarked that people should understand that as spending was pushed down, the life of the savings and the Permanent Fund would be extended.

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Co-Chair MacKinnon agreed. She understood that for the first time in Alaska's history, \$700 million for dividend payouts was listed as new money spending in the Operating Budget. She furthered that there was no increase to the Operating Budget, but dividends going out to the people of Alaska were reflected.

Mr. Teal responded yes. He added that the \$5.3 billion in spending included the payout of dividends, which meant that the graph reflected a \$4.5 billion budget, in conventional terms.

[2:02:26 PM](#)

Co-Chair MacKinnon asserted that the downward pressure on the budget would continue; the bill would not solve all of the state's fiscal problems, but would go a long way toward future fiscal stabilization.

[2:02:45 PM](#)

Senator Hoffman looked at the bottom left graph, which showed budget reserves without growth, out to 2053. [He added the Years to Exhaust, 28, to the last date on the graph 2025: 2053]

Mr. Teal replied that the Years to Exhaust used simple math. He explained that in FY 25, reserves would be lower at \$11.9 billion, but the deficit would also be lower at minus \$432 million. He said that although there would be lower reserves, they would last much longer.

[2:04:09 PM](#)

Senator Hoffman understood that with no growth, the reserves would be exhausted by 2053.

Mr. Teal warned that it was risky to get too accurate with projections of this kind.

[2:04:30 PM](#)

Vice-Chair Micciche queried the factors that made the corpus of the fund grow faster under the scenario on the slide, versus the status quo.

Mr. Teal replied that the balance included both the Earnings Reserve and the Corpus. He said that they continued to increase because 25 percent of royalties, leases, etc., were being deposited into the Corpus every year. He stated that 6.9 percent was being earned, but 5.25 percent was being paid out, any earnings above the payout remained in the fund. He furthered that although the inflation proofing provision had been repealed, inflation proofing would still exist.

[2:05:49 PM](#)

Vice-Chair Micciche noted that the cuts in state government that were reflected on the slide were less than what the committee hoped to accomplish. He pointed out that the model also did not include changes to oil and gas credits.

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Co-Chair MacKinnon interjected that the model did take oil and gas tax credit changes into account, she referred to the Tax Credit Reform line in yellow at the center of the page.

[2:06:21 PM](#)

Vice-Chair Micciche asserted that it would be more favorable to the fiscal outlook if the actual reductions were higher.

Mr. Teal agreed. He said that the Governor's oil and gas credit reform bill would have the most impact, the House Resource Committee version would have had the least impact, and the House Finance Committee version would split the difference.

[2:06:45 PM](#)

AT EASE

[2:06:59 PM](#)

RECONVENED

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Vice-Chair Micciche thought that it would be helpful to include a separate box on the slide that reflected the

expected \$700 million payout for the dividend, with a spend line below it.

2:07:28 PM

Co-Chair MacKinnon wondered whether there could be an asterisk on the FY 17 line to reflect the addition of the \$700 million payout for the dividend. Something to highlight that the Operating Budget was not growing.

Mr. Teal replied that he could include the dividend payments in the FY 16 line.

Senator Dunleavy reiterated that highlighting the figure for the public as a "different spend" could be helpful.

2:08:15 PM

Co-Chair MacKinnon repeated that clearly highlighting that the \$700 million was for dividends, and not government spending, would be helpful.

Mr. Teal agreed to highlight the difference on a future slide.

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Co-Chair MacKinnon mentioned the document titled "Status Quo" (copy on file) and related that the public could find it online under the bill.

2:09:15 PM

Senator Olson understood that the bill did not eliminate the need for a three-quarter vote to access the CBR.

Mr. Teal replied that as long as the legislature had a CBR draw and a large earnings reserve balance it faced supermajority votes.

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Co-Chair MacKinnon hoped that the other body would do the three-quarter draw because the money currently in the CBR had a rate of return for interest of 2 percent, the borrowing interest would be higher if the legislature was forced to go into the earnings reserve account.

[2:11:05 PM](#)

Vice-Chair Micciche remarked that the governor preferred a fixed draw, and supported the intent for stability. He asked how the budget could be kept small, even as earnings increased and the POMV draw grew.

Mr. Teal replied that there were things that could be done that would limit spending, but that if money was available it could be spent; future spending was up to the legislature. He thought that the governor assumed that extra revenue would always be spent, which was the primary difference between the DOR analysis of the model and the LFD analysis. He believed that the truth fell somewhere in-between always spending or always saving, but it would be up to each legislature to decide. He said that rules could be established to limit spending when the price of oil rebounded, and could be easily added to legislation of this nature.

Vice-Chair Micciche understood that the stability of the POMV was similar to a fixed draw because it was based on earnings that would not fluctuate dramatically. What would create the change would be a fluctuation in oil related revenue, which was where rules should be applied.

Mr. Teal responded that the combination of oil revenue and the POMV payout would be the issue. He agreed that the POMV payout was fairly stable, but the other oil revenue was not. He said that exercising spending restraint when surpluses were available would eliminate volatility. He said that the hypothetical could not be modeled because spending would always be at the per-view of the legislature.

[2:15:05 PM](#)

Senator Dunleavy believed that there should be less government spending.

[2:16:19 PM](#)

Co-Chair MacKinnon recalled a conversation with Mr. Teal about the consideration of a draw that could not exceed the \$3.3 billion as suggested by the governor. She relayed that in her duration at the legislature, money had been returned to the CBR over the top of what had been borrowed by past

legislatures, and spending had been done in the Capital Budget. She recognized that dividend reductions and taxes made the public uncomfortable unless there was also conversation about controlled government spending.

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Senator Dunleavy remarked that there should be less government spending. He added that deferred maintenance in the state needed to be addressed.

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Co-Chair MacKinnon remarked that there was also an unfunded pension liability issue that needed to be considered. She asserted that there needed to be less spending, but that the state needed to pay the debts that it owed - one of which was deferred maintenance.

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Vice-Chair Micciche pointed out the Alaska State Constitution specified that one legislature could not "tie the hands" of future legislatures, which he believed was a blessing and a curse.

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Co-Chair MacKinnon explained that the senate had proposed \$1 billion in cuts to the Operating Budget and was hopeful that the two bodies to craft a plan that would work for Alaska. She noted that the committee was tackling the issue from all angles.

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Senator Bishop asked how the real value effective payout could be kept at 100 percent in the out years.

Mr. Teal responded that one way would be to earn more money, and the other would be to reduce the payout rate from 5.25, which some considered aggressive. He said that those were the two levers that would help maintain the real value of the Permanent Fund.

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Co-Chair MacKinnon interpreted that to mean to cut the budget and draw less from reserves - or increase revenue through other sources.

Mr. Teal agreed.

SB 128 was HEARD and HELD in committee for further consideration.

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AT EASE

[2:31:57 PM](#)

RECONVENED

#hb188

CS FOR HOUSE BILL NO. 188(FIN)

"An Act establishing a program for financial accounts for individuals with disabilities; exempting the procurement of contracts for the program from the State Procurement Code; exempting certain information on participants in the program from being subject to inspection as a public record; providing that an account under the program for an individual with a disability is not a security; allowing a state to file a claim against an individual's financial account under the program to recover Medicaid payments after the individual's death; and providing for an effective date."

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REPRESENTATIVE DAN SADDLER, SPONSOR, introduced the legislation and read from the Sponsor Statement:

HB 188 seeks to help Alaskans cope with the challenges of living with a disability by allowing individuals and families to set up tax-free savings accounts, called "ABLE accounts," to pay for education, housing, transportation or other disability-related expenses.

The U.S. Congress passed the "Achieving a Better Life Experience (ABLE) Act" in 2014, authorizing states to create special savings accounts for disability-related expenses modeled after the successful "529 college

savings programs," named after the relevant section of IRS code.

ABLE accounts, also known as "529A" accounts, allow individuals with disabilities to improve their financial security by using private investments to supplement their benefits from insurance, employment, Supplemental Security Income (SSI), Medicaid, and other sources. Assets held in an ABLE account would not be counted under means tests required for Medicaid or SSI, although SSI cash benefits would be suspended if the ABLE balance exceeded \$100,000.

ABLE accounts could be spent for education, transportation, job training and support, assistive technology, health and wellness, legal and other qualified services. Contributions would be limited to \$14,000 per year, and capped at \$400,000. A person could have only one account.

To be eligible for an ABLE account, a person must have become blind or disabled before the age of 26. The Governor's Council on Disabilities and Special Education estimates that about 13,770 Alaskans - 10 percent of those with a disability - might qualify for ABLE accounts.

By empowering Alaskans with disabilities and their families to build their financial independence, HB 188 will help them meet more of their life challenges by relying on private resources, without eroding the value of public benefits to which they are entitled. ABLE accounts will be important tools for helping them live full, productive lives in their communities.

Representative Saddler divulged that the bill had evolved during the legislative process to make sure that money in ABLE account was not unavailable to creditors should the account holder go bankrupt or fail to pay their debts. He noted that there were specific benefits to having a state authorized ABLE account; first, by passing the bill Alaska could join a consortium of other states in obtaining the economies of scale and lower account fees for account holders. Secondly, Alaskans could go to DOR directly if there were problems with their accounts. He said that the contribution limits would be matched to the college savings plan; \$400,000, the highest in the nation. He concluded

that passage of the bill would demonstrate concern for disabled Alaskans by providing them a way to improve their lives, without increasing any state costs.

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Senator Olson wondered how many people were expected to take advantage of the program.

Representative Saddler replied that it was estimated that there were 130,000 disabled Alaskan residents, 10 percent of which would qualify for the program.

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Senator Olson wondered whether the program would negatively impact the resources for those who did not qualify for the program and relied on support from the Department of Health and Social Services (DHSS).

Representative Saddler stated that the program would have no effect on the DHSS budget or the resources for others. He asserted that this would be an opportunity for people who would create the accounts to deposit private funds. He thought that the program could benefit DHSS.

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Vice-Chair Micciche noted that the costs associated with the bill would be covered by the Alaska Mental Health Trust Authority (AMHTA).

Representative Saddler replied in the affirmative. He furthered that many of the beneficiaries of AMHTA were disabled and would benefit from the legislation. He said that after initial implementation, fees would support the program at no cost to the state.

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Co-Chair MacKinnon requested a Sectional Analysis.

[2:38:43 PM](#)

AT EASE

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RECONVENED

[2:39:40 PM](#)

KIM SKIPPER, STAFF, REPRESENTATIVE DAN SADDLER, discussed the Sectional Analysis (copy on file):

Sec. 1: Cites this as the **Alaska ABLE Act Savings Program Act**

Sec. 2: Creates a new chapter 65. **Alaska Savings Program for Eligible Individuals**

Sec. 06.65.010: Program authorized. Authorizes Alaska ABLE savings program in the Department - which is the Alaska Department of Revenue. Allows it to implement and administer the program under the Federal ABLE Act.

Sec. 06.65.020: General department duties. Outlines the duties of the department in implementing and administering the program.

Sec. 06.65.030: Modification of program. Gives the Department authority to modify the program in accordance to any federal law changes

Sec. 06.65.040: Additional department powers. Allows department to set fees for program transactions and services and also develop marketing plan to promote the ABLE program

Sec. 06.65.050: Contracting authority; procurement exemption. Allows department to contract with a person to assist in implementing the program, provide services, join other states to obtain or provide services for implementation, join a cooperative effort with other states to provide services for the program that could include investment and record-keeping services. Allows state to join with other states to allow an Alaska resident to participate in a program in another state under federal authorizing law and for an outside state to participate in a program in this state. If contracting with another state, AS 36.30 (Procurement Code) will not apply.

Sec. 06.65.060: Investment oversight: Allows the department to oversee and approve selection of

investment managers and advisors for the program, and to oversee all investment disclosures and regulatory filings related to program investments

Sec. 06.65.070: Financial contractor obligations: outlines duties/obligations of the selected financial contractor(s)

Sec. 06.65.080: Additional audits: Allows the department to order an audit of the contractor's financial operation and position in addition to annual audit if the department has reason to be concerned

Sec. 06.65.090: Contract termination; non-renewal. Gives department authority to not renew a financial contract. If so it would take custody of the program accounts and transfer them to another financial contractor that offers similar program accounts

Sec. 06.65.100: Eligible individuals. Describes who is eligible to participate in the program.

Sec. 06.65.110: Representative of eligible individuals. Describes who may act as a representative of the eligible individual who is a minor or lacks decision-making capacity

Sec. 06.65.120: Program account ownership. States that the owner of the program account is the designated beneficiary.

Sec. 06.65.130: Number of program accounts. Allows only one program account per designated beneficiary under federal authorizing law.

Sec. 06.65.140: Program account application: Outlines department procedures for program account applications and information to be collected in that process

Sec. 06.65.150: Program account establishment fee. Allows financial contractor to charge a non-refundable to establish program account. That fee to be determined in the contract with the financial contractor.

Sec. 06.65.160: Program account contributions.

Outlines how a person can make a contribution, the limit authorized by federal law, allows department to reject or withdraw a contribution that exceeds that annual limit or maximum limit established by authorizing law or if designated beneficiary is not eligible, and that financial contractor must report contributions to the IRS.

Sec. 06.65.170: Limited investment direction.

Limits to two the number of times a program account investment can be changed.

Sec. 06.65.180: Change of designated beneficiary.

Allows a designated beneficiary or representative to change beneficiary of an account to another eligible individual in the family.

Sec. 06.65.190: Distribution for qualified expenses. States that withdrawals from the program accounts may only be used for qualified expenses for the designated beneficiary.

Sec. 06.65.200: Rollover distribution. Subject to federal law governing rollovers, a distribution from a program account can be made to the same designated beneficiary or another eligible individual in the family, and the timeframe for that to be done.

Sec. 06.65.210: Statements. Requires that statements re: program accounts be issued 4 times a year at times established by the department and that the program contractor provide related information at the department's request.

Sec. 06.65.220: Preparation and filing. In addition to other reports a financial contractor shall prepare and file statements required under state and federal law and other agencies.

Sec. 06.65.230: Separate accounting. Requires a financial contractor to provide separate accounting for each program account.

Sec. 06.65.240: Annual fee. Allows a financial contractor may charge an annual fee for maintenance of a program account.

Sec. 06.65.250: Use as security. Prohibits a program account from being used as security for a loan

Sec. 06.65.260: No state obligation. Declares that the program does not create an obligation of the state, department, or any agency to guarantee the return of principal or pay interest on the principal in a program account

Sec. 06.65.270: Confidentiality. Specifies that program account information is confidential

Sec. 06.65.280: Exchange of information. Allows the Department to exchange information with the Department of Health and Social Services and other state agencies to determine whether an individual is eligible

Sec. 06.65.290: Treatment under means test programs. Specifies the program account amounts must be disregarded in determining eligibility for means-tested programs

Sec. 06.65.300: Deposit from permanent fund dividend. Allows deposits to program accounts from the permanent fund dividend

Sec. 06.65.310: Program expense fund. Establishes program expense fund and describes its purpose and operation

Sec. 06.65.320: Medicaid claims: Allows that the state may file a claim against the program account of a beneficiary who dies.

Sec. 06.65.330: Governing law. Establishes federal law as governing to the extent of any conflict with state law

Sec. 06.65.340: Regulations. Requires the department to adopt implementing regulations

Sec. 06.65.350: Annual report. Requires the department to evaluate the program each year and file an annual report on or before the start of each legislative session beginning in 2018

Sec. 06.65.390: Definitions.

Sec. 3: AS 36.30.850(b): Adds ABLE program account oversight as a responsibility of the Commissioner of Revenue

Sec 4: AS 40.25.120(a) is amended to create an exception to public inspection for names, addresses, and other program account identifying information

Co-Chair MacKinnon queried the location of the Section 4 within the bill.

[Section 4 was located on Page 11.]

[2:45:39 PM](#)

AT EASE

[2:46:29 PM](#)

RECONVENED

[2:46:58 PM](#)

Ms. Skipper continued to discuss the Sectional Analysis:

Sec. 5: AS 45.55.990(32): Excludes program accounts from the definition of "security"

Sec. 6: AS 47.07.055: Allows the state to file a claim against the designated beneficiary's program account after the individual dies

Sec. 7: Transition

Requires the Department to file its first report on the program on or before the first day of the Second Regular Session of Thirtieth Alaska State Legislature (2018)

Sec. 8: Transition

Allows the Department to adopt regulations, but not before the effective date of the provisions authorizing the Alaska ABLE savings program

Sec. 9: Effective Date

Section 8 takes effect immediately

[2:48:02 PM](#)

Co-Chair MacKinnon CLOSED public testimony.

[2:48:24 PM](#)

STUART SPIELMAN, AUTISM SPEAKS, WASHINGTON DC (via teleconference), testified in support of the legislation. He stated that 40 states had enacted similar legislation.

Co-Chair MacKinnon wondered whether DHSS had any comments or concerns pertaining to the bill.

[2:49:20 PM](#)

MARGARET BRODIE, DIRECTOR, DIVISION OF HEALTH CARE SERVICES, DEPARTMENT OF HEALTH AND SOCIAL SERVICES, ANCHORAGE (via teleconference), testified that there was a potential benefit to the department because over time the amount that the department would spend for disabled individuals could decrease.

[2:50:08 PM](#)

Co-Chair MacKinnon asked whether the administration supported the bill.

Ms. Brodie replied that the administration supported the legislation.

[2:50:26 PM](#)

KRISTEN VANDAGRIFF, ALASKA GOVERNORS COUNCIL ON DISABILITIES AND SPECIAL EDUCATION, ANCHORAGE (via teleconference), spoke in support of the bill. She said that the bill would be a great tool for individuals and their families to be more independent and self-sufficient, and to be able to join the workforce.

CSHB 188(FIN) was HEARD and HELD in committee for further consideration.

[2:51:12 PM](#)

AT EASE

[2:53:10 PM](#)

RECONVENED

#hb83

CS FOR HOUSE BILL NO. 83(JUD)

"An Act relating to collecting information about civil litigation by the Alaska Judicial Council; repealing Rule 41(a)(3), Alaska Rules of Civil Procedure, and Rules 511(c) and (e), Alaska Rules of Appellate Procedure; and providing for an effective date."

[2:54:21 PM](#)

Representative LeDoux presented the sponsor statement:

HB 83 eliminates the automatic reporting of information about civil case settlements currently required by law. This bill follows the advice of the Judicial Council, which has recommended that the legislature do away with this requirement. Passing this bill would save money and time by freeing attorneys and litigants from an unnecessary and functionally useless submission of data which the Judicial Council sees no point in collecting.

It is part of the job of the legislature to eliminate waste and to make government more effective. Discarding needless data collection requirements is an easy way to achieve cost-savings and streamline government. HB 83 does exactly this.

I urge your support for the swift passage of HB 83.

[2:55:28 PM](#)

AMY MICHEL, STAFF, REPRESENTATIVE LEDOUX, discussed the Sectional Analysis (copy on file):

Section One: Repeals Alaska Rules of Civil Procedure Rule 41(a) (3) and Alaska Rules of Appellate Procedure Rules 511(c) and (e).

Section Two: Repeals AS 09.68.130 which requires reporting of civil litigation information to the Alaska Judicial Council.

Section Three: Per the Alaska Constitution, repealing court rules requires a 2/3 majority of both bodies.

Section Four: Provides for an effective date

Co-Chair MacKinnon OPENED public testimony.

[2:56:51 PM](#)

SARAH BATTON, ATTORNEY, GROH EGGERS, ANCHORAGE (via teleconference), testified in support of the bill. She stated that the bill would save money and time for all parties involved.

[2:58:01 PM](#)

KEN JACOBUS, ANCHORAGE BAR ASSOCIATION, ANCHORAGE (via teleconference), spoke in support of the bill. He said that the bill was supported by many of the state's bar associations and was seemingly unopposed.

[2:59:45 PM](#)

Co-Chair MacKinnon CLOSED public testimony.

[3:00:04 PM](#)

Co-Chair MacKinnon solicited closing comments from the sponsor.

Representative LeDoux urged passage of the legislation.

CSHB 83(JUD) was HEARD and HELD in committee for further consideration.

[3:00:19 PM](#)

AT EASE

[3:01:09 PM](#)

RECONVENED

#hb289

HOUSE BILL NO. 289

"An Act relating to the membership of the Board of Barbers and Hairdressers."

3:01:27 PM

REPRESENTATIVE GABRIELLE LEDOUX, SPONSOR, explained that the legislation:

House Bill 289 creates equal board representation for all licensees governed by the Board of Barbers and Hairdressers. The board oversees the licensing of 2,271 hairdressers; 962 manicurists and nail technicians; 542 estheticians; 151 barbers; and 146 tattoo and piercing artists. The existing board structure has 1 hairdresser, 1 hairdresser with an esthetician certification, 1 tattoo or piercing artist, 1 public member and 2 barbers.

In 2015, the legislature passed HB 131, which required manicurists and nail technicians to become licensed through the board; however the existing statute does not provide for representation from that sector of the industry. HB 289 fixes this by increasing the board from 6 to 7 members, so that the second largest body of licensees the board oversees has a seat at the table to represent their trade.

HB 289 reallocates one designated barber seat to a licensee at-large. This alteration reflects the changes in the industry. When the board seats were originally allocated, over 1,200 barbers were licensed in Alaska. That number has fallen to 151 licensed barbers today. The reallocation of one member alters the board composition to better reflect the current industry membership levels.

I ask for your consideration and support of HB 289.

Co-Chair MacKinnon OPENED public testimony.

3:04:11 PM

GLENDAL LEDFORD, CHAIR, BOARD OF BARBERS AND HAIRDRESSERS, WASILLA (via teleconference), spoke in support of the legislation. She particularly supported the addition of manicurists and nail technicians to the board. She added that the board voted unanimously to support the legislation.

[3:05:59 PM](#)

JEANNINE JABAAY, BOARD OF BARBERS AND HAIRDRESSERS, HOPE (via teleconference), spoke in strong support of the legislation. She noted that there was an overrepresentation of barbers on the board, given the number of barbers in the state. She believed that that manicurists and nail technicians should have a seat on the board and that the odd number of board members illustrated best practices for the small board that governed a large number of licensees. She furthered that adding a seventh member made it easier to attain a quorum. She said that when the statute was created the state had over 1200 barbers, as of January 2016 the number was 152, which had led to the current overrepresentation of barbers on the board.

[3:09:30 PM](#)

Senator Bishop queried the decline of barbers in the state.

Ms. Jabaay replied that she did not know.

[3:10:09 PM](#)

Co-Chair MacKinnon CLOSED public testimony

HB 289 was HEARD and HELD in committee for further consideration.

[3:10:51 PM](#)

AT EASE

[3:11:49 PM](#)

RECONVENED

#hb231

CS FOR HOUSE BILL NO. 231(FIN)

"An Act extending the termination date of the Board of Parole; and providing for an effective date."

[3:12:07 PM](#)

ESTHER MIELKE, STAFF, REPRESENTATIVE BOB LYNN, testified that the Board of Parole currently served in Alaska as the authority over parole setting. She said that it was currently set in statute to be terminated on June 30, 2016; HB 231 originally extended that date to June 30, 2022, but the most current version of the bill extends it to June 30, 2020. She relayed that the board was audited in 2015. The audit included and examination of the board's performance, in light of the 11 sunset criteria points provided within Alaska statute. She continued that the Division of Legislative Audit had found the board to be in good standing, but provided 4 recommendations to improve operations:

1. The executive director should improve procedures to ensure required documentation for parole hearings is accurate and consistently included in parole files.
2. The executive director in coordination with DOC management should implement documentation standards to ensure all offender and victim notifications are made in accordance with statutory requirements.
3. The board should ensure proposed regulations address all statutory requirements related to its duties.
4. DOC's Administrative Services Division director should take steps to ensure ACOMS complies with state information technology security standards and national best practices.

Ms. Mielke shared that the board agreed with the recommendations. She related that HB 231 would fulfill the constitutional requirement that the state establish a parole system that kept Alaskans safe. She noted that the fiscal note would cover the boards operating costs and had already been included in the Operating Budget.

[3:14:28 PM](#)

KRIS CURTIS, LEGISLATIVE AUDITOR, ALASKA DIVISION OF LEGISLATIVE AUDIT, explained that the division had concluded the board conducted its business in a professional and efficient manner, and recommended a 6 year extension. She said that an 8 year extension had not been recommended because of the current uncertainties in the

field of corrections. She furthered that the division felt that that the new risk assessment tool that the department had just implemented required legislative oversight earlier than in 8 years. She mentioned the 4 recommendations made by the division, and noted that they were administrative and had not impacted the recommendation for extension. She noted that the recommendations could be found on Page 9 of the audit (copy on file). She reiterated the recommendations. She echoed that the board and the DOC concurred with all of the division's recommendations.

Co-Chair MacKinnon OPENED public testimony.

Co-Chair MacKinnon CLOSED public testimony.

[3:18:46 PM](#)

JEFF EDWARDS, DIRECTOR, PAROLE BOARD, DEPARTMENT OF CORRECTIONS, ANCHORAGE (via teleconference), introduced himself.

[3:18:59 PM](#)

Co-Chair MacKinnon opined that the board was costing the state \$1 million in General Fund dollars. She queried the number of employees on the Parole Board.

Mr. Edwards replied that there were 6 full-time employees of the board, as well as 5 governor appointed sitting members who were considered part-time employees.

[3:19:59 PM](#)

Co-Chair MacKinnon asserted that the board would need to defend its \$1 million dollars.

Mr. Edwards believed that the services that the board provided would be vastly expanded through the possibility of SB 91 because criminal justice commissions, on a global level, had been expanded and their duties increased. He noted that prison populations were continuing to grow. He contended that his was the only agency that could release individuals, who posed low risk, early. He felt that the paroling authority provided a pathway to reintegration and re-entry for low-risk prisoners into society, which was an efficient use of state dollars. He relayed that housing low-risk prisoners in jails was expensive and ineffective.

He believed that the board would be at the forefront of saving hard-bed costs for the DOC.

[3:22:37 PM](#)

Vice-Chair Micciche queried a breakdown of the \$852,000 in personal services reflected on the fiscal note.

[3:22:55 PM](#)

Co-Chair MacKinnon referred to Page 1 of the audit:

The board is funded by the general fund. Expenditures are primarily for personal services, travel, and office rental costs. Budgeted expenditures for FY 15 were \$896,700.

Co-Chair MacKinnon noted that there had been a staff vacancy and wondered how long the position remained vacant.

Mr. Edwards replied that the position was vacant for a period of time. He added that during the position's vacancy there had been an expansion of the Probation Accountability and Certain Enforcement (PACE) program, which had provided the board with an additional staff position. He said that the vacant position was filled once the board completed the institution of the new program, which had been legislatively mandated through SB 64 [SB 64 was passed during 2013-2014]

[3:23:57 PM](#)

Co-Chair MacKinnon wondered whether the position had remained vacant for all of FY 15.

Mr. Edwards agreed to provide that information.

Co-Chair MacKinnon understood that the board was dovetailing in with the PACE program, which had resulted in an additional position.

Mr. Edwards relied that one position control number (PCN) had been designated to the parole board to support the PACE program.

[3:24:42 PM](#)

Co-Chair MacKinnon asked whether Mr. Edwards managed 6 individuals, while someone else managed the PACE program.

Mr. Edwards replied that the DOC supervised the individuals on the actual program, the board's role was to identify who was acceptable for the program and to track violations. He added that the PACE position was responsible for analyzing data and providing data on behalf of the departments to the effectiveness of the program.

[3:25:25 PM](#)

Co-Chair MacKinnon requested a written document detailing the personal services and travel lines of the fiscal note.

CSHB 231(FIN) was HEARD and HELD in committee for further consideration.

#hb268

HOUSE BILL NO. 268

"An Act relating to the dividends from the Alaska Industrial Development and Export Authority; relating to the meaning of 'mark-to-market fair value,' 'net income,' 'project or development,' and 'unrestricted net income' for purposes of the Alaska Industrial Development and Export Authority; and providing for an effective date."

Co-Chair MacKinnon OPENED public testimony.

[3:26:47 PM](#)

Co-Chair MacKinnon CLOSED public testimony.

[3:27:07 PM](#)

GENE THERRIAULT, STAFF, ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY, (AIDEA) testified that the first problem that the legislation aimed to address was the "market value" adjustment entries. He said that in order for AIDEA to get its audited financial statement, new accounting rules required that different assets that were held by the authority be evaluated and mark-to-market adjustments be made during the fiscal year. Generally Accepted Accounting Principles (G.A.A.P) kept evolving, which required recording of market value adjusting entries; essentially,

act like something happened that did not happen, and book it as though it did. He relayed that this would be considered a "non-cash" adjustment to the accounts that was bringing an unnecessary amount of volatility to the calculation of the dividend to the state treasury. He pointed to Page 1 of the bill, which offered a definition of mark-to-market fair value":

(2) "mark-to-market fair value" means fixing the value of an investment as its market value as of the financial reporting date;

Mr. Therriault directed committee attention to Page 2, which showed that the legislature had previously included and exclusion mechanism in the calculation of the net income for the purposes of AIDEA paying out a dividend. He stated that the bill proposed adding the mark-to-market evaluations to the exclusion so that the non-cash adjustments would be backed out and the true-net income of the authority would serve for calculating the dividend. He continued that the second problem the bill would address was the "dividend penalty". When the value of a project had been determined to have been permanently reduced, for some reason, G.A.A.P required booking/recording an adjusting entry between the balance sheet and the income statement to reduce or remove some or all of the value of an asset or a project from AIDEA's balance. The resulting entry reduced net income. The consequence (depending on the facts), could possibly either reduce the state's dividend from a project it had funded due to an adjusting entry reducing value, or have AIDEA paying a dividend on top of a project it had funded due to an adjusting entry reducing value. The result could be up to a 25 percent to 50 percent dividend penalty from an adjusting entry. He noted that on Page 2 of the bill noncash adjustments and the write-off of assets that were purchased with outside sources of money had been added to the exclusion clause that had already been established by the legislature. This would base the yearly dividend to the state treasury on true net income and would remove unnecessary volatility in the calculation of those dividends.

[3:31:49 PM](#)

Co-Chair MacKinnon requested a Sectional Analysis for the legislation.

Mr. Therriault noted that the Sectional Analysis reiterated the 2 problems that the bill would correct.

[3:32:31 PM](#)

Mr. Therriault warned that swings in the volatility of the dividend would become more pronounced without the passage of the legislation.

[3:33:10 PM](#)

MICHAEL LAMB, CHIEF FINANCIAL OFFICER, AIDEA (via teleconference), echoed Mr. Therriault's remarks.

[3:33:40 PM](#)

Co-Chair MacKinnon asked whether the legislation was in any way related to the purchase of a gas utility.

Mr. Lamb replied in the negative.

HB 268 was HEARD and HELD in committee for further consideration.

#

ADJOURNMENT

[3:34:56 PM](#)

The meeting was adjourned at 3:34 p.m.