

HOUSE FINANCE COMMITTEE
May 9, 2017
1:32 p.m.

1:32:01 PM

CALL TO ORDER

Co-Chair Foster called the House Finance Committee meeting to order at 1:32 p.m.

MEMBERS PRESENT

Representative Neal Foster, Co-Chair
Representative Paul Seaton, Co-Chair
Representative Les Gara, Vice-Chair
Representative Jason Grenn
Representative Scott Kawasaki
Representative Dan Ortiz
Representative Lance Pruitt
Representative Louise Stutes (Alternate)
Representative Steve Thompson
Representative Cathy Tilton
Representative Tammie Wilson

MEMBERS ABSENT

Representative David Guttenberg

ALSO PRESENT

Leslie Ridle, Deputy Commissioner, Department of Administration; Cori Mills, Special Assistant, Office of the Attorney General, Department of Law; Jane Pierson, Staff, Representative Neal Foster; Janey Hovenden, Director, Division of Corporations, Business and Professional Licensing, Department of Commerce, Community and Economic Development; Kendra Kloster, Staff, Representative Chris Tuck; Representative Chris Tuck, Sponsor; Lennon Weller, Economist, Research and Analysis, Department of Labor and Workforce Development; Patsy Westcott, Assistant Director, Employment Security, Department of Labor and Workforce Development; Representative Gary Knopp; Representative Chris Birch.

PRESENT VIA TELECONFERENCE

Captain Daniel Lowden, Alaska State Troopers, Department of Public Safety; Marla Thompson, Director, Department of Motor Vehicles, Department of Administration;

SUMMARY

HB 74 DRIVER'S LICENSE & ID CARDS & REAL ID ACT

CSHB 74(FIN) was REPORTED out of committee with an "amend" recommendation and with a new fiscal impact note by the Department of Administration and with two previously published zero fiscal notes: FN1(MVA) and FN2(DPS).

HB 124 BENEFIT CORPORATIONS

CSHB 74(FIN) was REPORTED OUT of Committee with a "do pass" recommendation and with a previously published fiscal impact note: FN1(CED).

HB 142 UNEMPLOYMENT COMPENSATION BENEFITS

HB 142 was HEARD and HELD in committee for further consideration.

HB 150 PAY, ALLOWANCES, BENEFITS FOR MILITIA MEM

HB 150 was REPORTED out of committee with a "do pass" recommendation and with a previous published indeterminate fiscal note: FN1(MVA).

Co-Chair Foster reviewed the agenda for the day. He intended to move HB 74, HB 124, and HB 150 from committee. Also, the committee would have its first hearing on HB 142.

#hb74

HOUSE BILL NO. 74

"An Act relating to the implementation of the federal REAL ID Act of 2005; and relating to issuance of identification cards and driver's licenses; and providing for an effective date."

1:33:27 PM

Co-Chair Foster relayed that the bill had been heard in committee twice on April 20, 2018 and April 25, 2018. In the meeting the committee would be taking up amendments. He invited Ms. Ridle to the table and reviewed the list of testifiers available online.

Vice-Chair Gara MOVED to ADOPT Amendment 1 (copy on file):

Page 4, following line 20:

Insert new subsections to read:

"(d) The department

(1) may not share more than three digits of a person's social security number to determine whether a person has been issued a driver's license in another state;

(2) may share the number of digits of a person's social security number required by federal law.

(e) Notwithstanding (d)(1) of this section, the department may share up to five digits but as few digits as feasible of a person's social security number to determine whether a person has been issued a driver's license in another state if the department

(1) has taken all steps necessary to secure an agreement to use only three digits of a person's social security number; and

(2) has been unable to secure an agreement to use only three digits of a person's social security number."

Reletter the following subsection accordingly.

Page 4, line 22:

Delete "(b) and (c)"

Insert "(b) - (d)"

Page 9, line 3:

Delete "AS 28.05.068(d)"

Insert "AS 28.05.068(e)"

Representative Wilson OBJECTED for discussion.

Vice-Chair Gara recently learned that in order for the Department of Motor Vehicles (DMV) to determine that

someone did not have a driver's license from another state, it had been required by a conglomeration of agencies and non-profits to share 5 social security number digits. He continued that with so many Alaskans having a "574" Social Security number that shares 8 number digits the department had not figured out a way around having to share 5 numbers. The amendment stated that the department should share no more than 3 digits. If 3 digits were not enough, then no more than 4 should be shared. He relayed that federal law at times required them to share 5 digits - the state could not make the agencies violate federal law. The amendment advocated that the state should attempt to negotiate the number of Social Security digits down to 3 or 4. The purpose of the amendment was to protect an individual's privacy.

Co-Chair Foster indicated Representative Pruitt and Representative Tilton had joined the committee at the table. He also noted that Representative Stutes was presently an alternate for Representative Guttenberg.

Representative Wilson liked the intent of the amendment. She referred to lines 12 through 15 of the amendment where it talked about having taken all steps necessary to secure an agreement. She asked for clarification. Vice-Chair Gara responded that it was a directive to the department. The intent was for the department to work with the national non-profit currently requiring 5 digits to find an alternative to that requirement.

Representative Wilson reiterated that she liked the amendment. She was concerned with being brushed off by the non-profit. She was hoping the department could shed some light on the non-profit's position. She asked Ms. Ridle about her dealings with the non-profit around this issue.

[1:37:52 PM](#)

LESLIE RIDLE, DEPUTY COMMISSIONER, DEPARTMENT OF ADMINISTRATION, reported that the non-profit dealt with all of the DMVs across the United States. The State of Alaska was a member and had a representative from Alaska's DMV attending meetings who also served on the governance board. The department had already sent an official letter and would have representation and a physical presence at the meetings. She assumed that Alaska was not the only state

with concerns about the 5-digit requirement. She thought the state would have allies in the matter.

Representative Wilson WITHDREW her OBJECTION.

There being NO OBJECTION, Amendment 1 was ADOPTED.

Co-Chair Seaton MOVED to ADOPT Amendment 2 (copy on file):

Page 2, lines 13 - 15:

Delete "the minimum amount of time required by P.L. I 09-13, Division B (REAL ID Act of 2005), or other"

Insert "15 years after the date of application unless otherwise required by another"

Page 2, line 29:

Delete "one year"

Insert "15 years"

Page 5, lines 1 - 3:

Delete "the minimum amount of time required by P.L. 109-13, Division B (REAL ID Act of 2005), or other"

Insert "15 years after the date of application unless otherwise required by another"

Page 5, line 17:

Delete "one year"

Insert "15 years"

Representative Wilson OBJECTED for discussion.

Co-Chair Seaton explained that the purpose of the amendment was to keep Alaska's current practice of retaining documents for 15 years. He had heard from the Department of Administration and the Department of Public Safety in testimonies about the value of these documents being available. He had also heard that the documents were retained in an encrypted manner. He continued to explain that for Real ID compliant licenses it would change from the minimum required by REAL ID retention to the state's current 15 years. For non-compliant licenses the amendment would keep the same position as the current bill. The non-compliant licenses would not be scanned or retained except for the photos which would be retained for 15 years for the Department of Public Safety and for internal state use. It

would maintain the current status for driver's license and use of documents within the State of Alaska instead of modifying it based on federal law.

Co-Chair Foster clarified that Amendment 2 was being addressed.

Representative Wilson addressed her objection. She was not in favor of the amendment. She did not think the public was aware of their information being retained for 15 years. She was concerned with privacy issues. She had a problem with DPS using a picture of a person, who had not committed a crime, in a line-up. She did not believe it had been required. People had their picture taken for DMV purposes.

Vice-Chair Gara stated that the testimony had been very clear from a previous day that if the state did not retain photos it would make it more difficult for the Alaska State Troopers and other law enforcement agencies to solve murder cases and cold cases. It would also make it more difficult to find missing persons. He opined that everything was a policy call and very few policy calls were 100 percent black and white. He sided with trying to solve murder cases and finding missing persons. It had been reported by law enforcement officials that keeping photos helped them to do both.

[1:42:17 PM](#)

Representative Ortiz asked if there were other practical benefits for keeping these records on file for up to 15 years other than what had already been mentioned by Representative Gara. Ms. Ridle responded that it had mainly to do with public safety. She added that the 15-year period was in state statute. She reported that it also helped the DMV to issue a duplicate license.

Representative Wilson did not understand why an old picture would be kept for 15 years since she was going back every 8 years to renew her license. Ms. Ridle responded that, foremost, it was a matter of public safety. She mentioned the benefit of having previous addresses to help verify a person's identity.

Representative Wilson asked at what point within the 15-year period DPS had access to photos. Ms. Ridle responded,

"as needed." She elaborated that DPS would contact DMV with what they needed.

Representative Wilson wondered about the benefits of having an older license on file once a person renewed their license. Ms. Ridle suggested having Captain Lowden respond to Representative Wilson's question. The Department of Public Safety might want to verify what information a person provided about where they lived.

1:45:01 PM

CAPTAIN DANIEL LOWDEN, ALASKA STATE TROOPERS, DEPARTMENT OF PUBLIC SAFETY (via teleconference), answered that when the troopers were working cases that had any age to them, such as cold cases, they liked to get the picture of the person suspected as close to the time period as possible.

Representative Wilson asked if the troopers received all of the information rather than just the photo from a person's identification card. Captain Lowden was unsure of how much of the information was provided to the troopers. The Alaska State Troopers dealt mostly with photographs when trying to identify people and to find wanted persons. He thought the records bureau used more of the documents in trying to reconcile a person's records. Sometimes people use different names and it was necessary to merge records or split them out. The troopers might use them for fraud investigations or for identify theft investigations as well.

Representative Wilson asked if the groups he was referring to were part of DPS or another entity. Captain Lowden answered that it was through DPS in a different division where the employees compiled all records for every ticket and conviction.

Co-Chair Seaton asked if a person had to appear in person at the DMV for a driver's license renewal. Ms. Ridle relayed that the DMV could issue a one-time renewal online or in person. If a person lost a license, the DMV could provide a duplicate with their paperwork on file.

Co-Chair Seaton reminded the committee that he asked the American Civil Liberties Union (ACLU) about any breaches of information. He reported that the ACLU was not aware of any

breach or problem with the 15-year retention of documents for Alaska.

Representative Stutes asked if the records were currently kept for 15 years. Co-Chair Seaton responded in the affirmative.

Representative Wilson MAINTAINED her OBJECTION.

A roll call vote was taken on the motion.

IN FAVOR: Kawasaki, Ortiz, Gara, Grenn, Stutes, Seaton, Foster

OPPOSED: Pruitt, Thompson, Tilton, Wilson

The MOTION to ADOPT Amendment 2 PASSED (7/4).

Vice-Chair Gara MOVED to ADOPT Amendment 3 (copy on file):

Page 1, line 10:
Delete "\$20"
Insert "\$10"

Page 8, line 27:
Delete "\$20"
Insert "\$10"

Representative Wilson OBJECTED for discussion.

1:50:25 PM

AT EASE

1:51:07 PM

RECONVENED

Co-Chair Foster indicated that Representative Chris Birch had joined the audience.

Vice-Chair Gara reported that the testimony he heard was that the current version of the bill added a \$20 fee to obtain a Real ID compliant driver's license. He thought the amount was excessive and would produce roughly \$1 million more revenue than needed in FY 19 and FY 20 and \$500,000 more revenue than needed in FY 21 and FY 22. The department had proposed a \$10 fee because it would make the Real ID license cost-neutral. However, a \$20 fee would generate additional revenue. He understood the need for revenue but

did not feel it was an appropriate place to get it. The fee would be a flat charge to people no matter their income.

Ms. Ridle responded that in the original version of the bill the fee was \$5, the cost of making the card. In the previous committee the amount was changed to \$20. If the fee was reduced to \$10, assuming that about half of people apply for a Real ID card (a guess based on other states), the state should be able to payoff about \$1.06 million in 2 years. It would take a little more to pay off the cost of \$1.4 million to implement it.

Vice-Chair Gara asked Ms. Ridle whether \$10 was an accurate amount to remain cost-neutral. Ms. Ridle responded in the affirmative. At a certain point \$1.5 would be paid off and the remainder would go back into the general fund. She estimated that it would take 2.3 to 3 years to pay of the implementation costs.

Vice-Chair Gara asked about the \$5 fee that the administration had originally introduced in the bill. Ms. Ridle responded that the \$5 fee would pay for the cost of the card. It did not include the costs of implementation. If the fee was \$10, \$5 would go towards paying the \$1.5 implementation cost.

Representative Kawasaki asked if there was a charge to become a member of American Association of Motor Vehicle Administrators (AAMVA). Ms. Ridle responded affirmatively.

Representative Kawasaki wondered if the charge was a variable charge rather than a fixed charge. He understood the charge increased every year. Ms. Ridle did not know what the state paid in charges. She thought Marla Thompson from DMV could answer the question.

[1:55:22 PM](#)

MARLA THOMPSON, DIRECTOR, DEPARTMENT OF MOTOR VEHICLES, DEPARTMENT OF ADMINISTRATION (via teleconference), asked Representative Kawasaki to repeat the question.

Representative Kawasaki repeated his question. Ms. Thompson would have to double check. The fees increased and decreased, but the state received notice of any changes 12 months in advance. She would look up the information.

Representative Kawasaki wanted the answer to his question. He believed the fees increased annually. He thought it was important because Alaska would have Real ID compliant identifications, and because the state was going through a national privately owned non-profit organization. He suggested that the fees would go up every year. He wanted to make sure the fiscal note reflected a downward trend. He thought the cost for implementing Real ID in Alaska would actually go up because of being part of AAMVA. He asked for the answer in writing.

Representative Pruitt asked if the amount was in addition to the already set fee that the public currently paid for cards. Ms. Ridle replied affirmatively. It would be an additional \$20.

Representative Pruitt asked when the last rate increase occurred. Ms. Ridle thought it was sometime in the 80s.

Representative Pruitt mentioned that 4 or 5 years prior Alaska changed how it produced its ID's. He asked if that particular program cost more than previously. Ms. Ridle deferred to Ms. Thompson. Ms. Thompson replied that the cost was similar because at the time managers really struggled with the printers and the quality of the products that the division used. In the end, her understanding was that the cost was similar between what the state was spending on printer costs, paper, and supplies versus what the division did with bids.

Representative Pruitt asked if there was an increase in cost from the time the fee was set at \$20. He suggested there was an increase in costs over the time frame. He asked if his statement was appropriate. Ms. Ridle responded that the cost most likely went up over time, particularly in personnel.

Representative Pruitt asked if he could expect the cost to remain for an extended period since \$5 was currently covering the cost. He wondered if the state should expect the amount to go up. Ms. Ridle thought it would increase incrementally.

Co-Chair Seaton asked about the length of the current driver's license and what it would be under Real ID. Ms. Ridle answered that it was currently a 5-year renewal and

the Real ID legislation would bump it up to an 8-year renewal.

Co-Chair Seaton mentioned the differences in cost and the time between renewals. At a fee of \$20, the cost of the card would be \$5 to make and an additional \$5 per year for the additional 3 years for a Real ID with an 8-year renewal instead of a 5-year renewal. He asked if he was approximately correct. Ms. Ridle responded affirmatively.

Vice-Chair Gara relayed that his understanding of the testimony was that if the state charged \$10, it would offset the cost for the first 2 years and there would be some money left over in the out years. He thought there would be less money if the costs went up. He thought it was possible that the license fee would have to be raised. Ms. Ridle answered that the DMV turned money back to the state every year in an amount between \$30 million and \$45 million. It would be the will of the legislature, at the time, if it wanted to increase the fee. Basically, it would be a fee to the public.

Representative Wilson MAINTAINED her OBJECTION.

A roll call vote was taken on the motion.

IN FAVOR: Ortiz, Gara, Stutes, Kawasaki, Foster
OPPOSED: Pruitt, Thompson, Tilton, Wilson, Grenn, Seaton

The MOTION to ADOPT Amendment 3 FAILED (5/6).

[2:02:14 PM](#)

Representative Wilson MOVED to ADOPT Amendment 4 (copy on file):

Page 2, line 7:
Delete "department"
Insert "commissioner of administration"

Page 2, line 12:
Delete "or federal"

Page 2, line 15:
Delete "or federal"

Page 4, lines 2 - 10:

Delete all material and insert:

"Sec. 28.05.068. Prohibition on data sharing. (a) The department may not convey, distribute, or communicate data to be used in a database, index, pointer system, or any other system managed by an entity other than the department, including the American Association of Motor Vehicle Administrators."

Page 4, line 31:
Delete "or federal"

Page 5, line 3:
Delete "or federal"

Page 7, line 31:
Delete "state"
Insert "department"

Vice-Chair Gara OBJECTED for discussion.

Representative Wilson read the amendment (see above). She understood the attempt was to follow the Real ID Act. However, she thought the bill would require the state to get permission from the federal government. She believed the was the bill an overreach as currently written. She also expressed concerns about security within AAMVA. She was unfamiliar with what security measures the entity had in place and the potential for an information breach. She argued that there was a larger framework around the use of passport information. She did not think the framework was the same for AAMVA. She supported matching the list of requirements for the Real ID Act.

Vice-Chair Gara was interested in the department's view of whether the amendment would violate federal law. Ms. Ridle pointed to Page 4, line 2-10. The changes would make the state non-compliant because AAMVA was the only vehicle in which to check state-to-state to make sure there were no duplicate licenses. If Alaska was unable to use AAMVA, it would not be compliant, and Alaska IDs would not be accepted by Real ID.

Vice-Chair Gara asked Ms. Ridle to remind committee members of the importance of making sure a person did not have 2 licenses. He also asked her to review other reasons for

checking a person's license. Ms. Ridle responded that every state had a state law that indicated a person could not have 2 licenses. Also, the state checked to make sure that someone was not under restrictions for a DUI or other problem driver issues in other states. Mainly, it was due to every state having a law that only allowed for one license. She added that Federal Homeland Security had certified the state-to-state AAMVA system as meeting strict federal requirements of security. Homeland Security did not convey that Alaska had to use AAMVA, but it met their standards of security. She reemphasized that it was the only system the state could use to be compliant.

Co-Chair Seaton thought that lines 11-16 would make the state non-compliant. He wondered if the change on lines 5-6 would make the state non-compliant with other federal regulations such as commercial driver's licenses. He asked if he was accurate. Ms. Ridle reported that lines 11-16 of the amendment that would make the state non-compliant.

Co-Chair Seaton asked about the other lines being in conflict with the retention of document requirements for commercial driver's licenses. He believed it was 55 years. Ms. Ridle called for a lifeline.

[2:08:27 PM](#)

CORI MILLS, SPECIAL ASSISTANT, OFFICE OF THE ATTORNEY GENERAL, DEPARTMENT OF LAW, referred to lines 5 through 9. The issue the department was concerned with was that there were several different laws dealing with commercial driver's licenses (CDL), highways, and how to deal with identification. Eliminating the lines might not present too many issues. However, she was concerned it would become tangled as a person looked further into the laws. She could not report off the top of her head exactly what such a change might implicate. It could potentially create another tangle of issues.

Co-Chair Seaton thought that if the state got into the problem of issuing non-compliant CDL's it would lead to a greater problem of not being able to use Alaskan CDL's in other states. He would be opposing the amendment.

Representative Wilson reminded members that the legislature was only dealing with the Real ID Act. She did not want

other issues tied to the Real ID Act. She expressed concerns about identifying a specific entity in statute.

Co-Chair Foster recognized Representative Gary Knopp in the audience.

Vice-Chair Gara suggested that the bill had 2 competing interests. The first was the concern of the business community and labor community that their members would not be able to travel by plane, into Canada, and would have difficulty getting work if the legislature did not pass this bill. The flip side was that there were privacy issues people were concerned about. The Department of Law was concerned about travel restrictions on workers, businesses, unions, military bases, and across state lines if the committee adopted the amendment. Ms. Ridle was concerned about the items Vice-Chair Gara had brought up. If the state was not allowed to use the AAMVA system, it would result in some of the things he mentioned.

Vice-Chair Gara understood the privacy issues. He was not comfortable with people not being able to get to work. He would be opposing the amendment.

Representative Wilson thought people could get to work. They had the option of getting a passport. She thought the legislature needed to know how to protect people's privacy and to make sure the options were clearly defined. She wanted people to get to work but was concerned with the amount of information that would be provided to an entity that could change.

Vice-Chair Gara MAINTAINED his OBJECTION.

A roll call vote was taken on the motion.

IN FAVOR: Pruitt, Tilton, Wilson

OPPOSED: Grenn, Stutes, Kawasaki, Ortiz, Thompson, Gara, Seaton

The MOTION to ADOPT Amendment 4 FAILED (3/8).

Co-Chair Seaton MOVED to ADOPT Amendment 5 (copy on file):

Page 3, lines 1 - 2:

Delete all material and insert:

"(2) shall scan and retain the minimum documents necessary for issuance of the identification card; the department shall destroy any documents retained one year after the identification card expires."

Page 5, lines 19 - 20:

Delete all material and insert:

"(2) shall scan and retain the minimum documents necessary for issuance of the driver's license; the department shall destroy any documents retained One year after the driver's license expires."

Representative Wilson MOVED to ADOPT for discussion.

Co-Chair Seaton asked for a brief at ease.

[2:15:29 PM](#)

AT EASE

[2:16:07 PM](#)

RECONVENED

Co-Chair Seaton explained that the amendment addressed non-compliant ID's and licenses. It would allow the department to scan and retain the minimum documents needed for a non-compliant license and would require the documents to be destroyed within one year after the expiration of the identification card or the non-compliant driver's license. It would make the non-compliant ID's essentially the same as the status of the current licenses. The intention of the bill was to offer an alternative for people - they could get a Real ID compliant license or continue to use the current Alaska Driver's License. However, with the changes that had been made, the non-compliant license would not be applicable or identical and would not serve the same purposes as the current driver's license. A person would no longer be able to get a duplicate license. Also, without having the security of retaining the applicable documents, the DMV testified that it would be easier to falsify a license, as there would not be an audit available to track.

Representative Wilson MAINTAINED her OBJECTION.

A roll call vote was taken on the motion.

IN FAVOR: Gara, Grenn, Stutes, Ortiz, Seaton, Foster
OPPOSED: Pruitt, Thompson, Tilton, Wilson

Representative Kawasaki was absent from the vote.

The MOTION to ADOPT Amendment 5 PASSED (6/4).

[2:20:37 PM](#)

Vice-Chair Gara MOVED to ADOPT Amendment 6 (copy on file):

Page 1, following line 4:
Insert a new bill section to read:

"* Section 1. The uncodified law of the State of Alaska is amended by adding a new section to read:

LEGISLATIVE INTENT. It is the intent of the legislature that the state will continue to work with the Alaska delegation in Congress to amend provisions of P.L. 109-13, Division B (REAL ID Act of 2005) that compromise the rights of Alaskans to the privacy of their personal information, while protecting the nation's efforts to combat terrorism."

Page 1, line 5:
Delete "Section 1"
Insert "Sec. 2"

Renumber the following bill sections accordingly.

Page 9, line 10:
Delete "Sections 13 and 15"
Insert "Sections 14 and 16"

Page 9, line 11:
Delete "sec. 16"
Insert "sec. 17"

Representative Pruitt OBJECTED for discussion.

Vice-Chair Gara acknowledged that privacy concerns had been raised with Real ID. Amendment 6 conveyed that the state took privacy concerns seriously. He thought that Amendment 6 in conjunction with Amendment 1 tried to limit the use of social security numbers. The amendment advocated for

Alaska's congressional delegation to continue working to limit and reverse the provisions of the Real ID Act that compromised the privacy of Alaskans in a way consistent with the ability to combat terrorism. There were concerns about the privacy provisions of the federal Real ID Act. He was comfortable that Alaska had to follow it. Otherwise, he thought it would compromise the ability of people being able to travel. He wanted Alaska's delegation to work to reverse any of the provisions of Real ID that were not necessary and compromised people's privacy.

Representative Pruitt asked that he be added as a co-sponsor to the amendment.

Representative Pruitt WITHDREW his OBJECTION.

There being NO OBJECTION, Amendment 6 was ADOPTED.

Co-Chair Foster asked Vice-Chair Gara to walk the committee through the fiscal notes.

Vice-Chair Gara reviewed the fiscal notes:

[New Fiscal Impact Note]
Department: Department of Administration
Appropriation: Motor Vehicles
Allocation: Motor Vehicles
OMB Component Number: 2348

Representative Pruitt requested an at ease.

[2:23:44 PM](#)

AT EASE

[2:23:58 PM](#)

RECONVENED

Vice-Chair Gara continued to review the fiscal notes for HB 74:

[FN2 - Zero Fiscal Impact]
Department: Department of Public Safety
Appropriation: Statewide Support
Allocation: Commissioner's Office
OMB Component Number: 523

[FN1 - Zero Fiscal Impact]

Department: Department of Military and Veterans Affairs
Appropriation: Military and Veterans' Affairs
Allocation: Homeland Security and Emergency Management
OMB Component Number: 2657

Vice-Chair Gara referred to the first fiscal note (OMB Component Number 2348) and explained that the note assumed a capital appropriation cost of \$1.5 million.

Co-Chair Seaton MOVED to report CSHB 74(FIN) out of Committee with individual recommendations and the accompanying fiscal notes.

Representative Wilson OBJECTED.

Representative Wilson spoke to her objection. She believed the bill was important. She thought the legislation allowed the state to continue to scan and retain private information for 15 years. She disagreed with the 15-year period and with sharing the information provided to the DMV. She was also concerned with giving the information to a private entity and with the federal government changing the rules no longer requiring a Real ID. She could have supported the bill prior to adopting the amendments but could not support it in its current form. She stressed the importance of protecting individuals' privacy. She disagreed with the argument that people could not go to work without an ID. She felt that people could alternatively obtain a passport. She understood that the bill would make it more convenient. The bill had essentially removed driver's licenses and replaced them with federal IDs. She would not be supporting the bill.

[2:27:51 PM](#)

Vice-Chair Gara understood Representative Wilson's concerns. The concerns were really with the state's congressional delegation and the actions of congress. The state's choice was to make it more difficult for people to travel and work, to have to carry around multiple documents, pay extra for a passport card and a driver's license, or have to carry around a passport. He thought the question was whether the state was going to make it more difficult for people to work. The bill contained provisions to encourage congress to make changes to the law. He would be siding in favor of getting people to work.

Representative Wilson MAINTAINED her OBJECTION.

A roll call vote was taken on the motion.

IN FAVOR: Thompson, Gara, Grenn, Stutes, Kawasaki, Ortiz,
Pruitt, Foster, Seaton
OPPOSED: Tilton, Wilson

The MOTION to REPORT OUT CSHB 74 (FIN) PASSED (9/2).

CSHB 74(FIN) was REPORTED out of committee with an "amend"
recommendation and with a new fiscal impact note by the
Department of Administration and with two previously
published zero fiscal notes: FN1(MVA) and FN2(DPS).

#hb124

HOUSE BILL NO. 124

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

[2:29:39 PM](#)

Co-Chair Foster MOVED to ADOPT Amendment 2 (copy on file):

Page 15, following line 2:

Insert a new section to read:

"Sec. 10.60.725. Reliance by third parties.
(a) A person who, in good faith, enters into
a transaction with a benefit corporation may
assume without inquiry that the transaction,
and each action or inaction by any director
or officer of the benefit corporation giving
effect to the transaction, does not conflict
with the benefit corporation's general
public benefit purpose or specific public
benefit purpose.

(b) Nothing in this section exempts a
covered financial institution from
identifying and verifying the beneficial
owner of a legal entity that is a customer
as required under a federal or state law or
regulation. In this subsection, "covered

financial institution" has the meaning given in 31C.F.R.1010.605."

Representative Wilson OBJECTED for discussion.

Co-Chair Foster invited his staff to the table to explain the amendment.

JANE PIERSON, STAFF, REPRESENTATIVE NEAL FOSTER, explained that Amendment 2 was the safe harbor amendment which had been offered before. The language had been corrected. The amendment operated as a safe harbor for parties that entered into contractual relationships with benefit corporations. It prevented third parties from being able to assume a contract, made sure the contract did not conflict with any public benefit goals, and provided assurances that the contract would be enforced. The amendment was offered to provide contractual certainty to third parties dealing with benefit corporations.

Ms. Pierson continued that absent the proposed language, third parties might feel compelled to make an independent assessment of whether the transaction satisfied the public benefit requirement. The analysis might increase the cost of completing transactions and make some transactions more difficult to complete. The safe harbor amendment would make it easier for benefit corporations to include third parties to transact business with them.

Co-Chair Foster relayed the list of available testifiers.

Representative Wilson WITHDREW her OBJECTION.

There being NO OBJECTION, Amendment 2 was ADOPTED.

Vice-Chair Gara reviewed the fiscal note:

[FN1 - Fiscal Impact Note]
Department: Department of Commerce, Community and
Economic Development
Appropriation: Corporations, Business and Professional
Licensing
Allocation: Corporations, Business and Professional
Licensing
OMB Component Number: 2360

Vice-Chair Gara reported that the cost reflected in the fiscal note was \$27,400 in the first year with no other costs estimated in the future. The costs had to do with database changes to accommodate the new from of business.

Representative Wilson noted that the costs were paid for through program receipts but wanted further detail. Vice-Chair Gara thought the committee should defer to someone from DCCED.

JANEY HOVENDEN, DIRECTOR, DIVISION OF CORPORATIONS, BUSINESS AND PROFESSIONAL LICENSING, DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT, responded that fees would be spread across corporations' business licensing revenues.

Representative Wilson asked how much money was in the fund that was not being utilized. Ms. Hovenden did not have the exact dollar amount but relayed that any of the excess revenues went back into the general fund. She estimated the dollar amount to be about \$6 million.

Co-Chair Seaton MOVED to report CSHB 124 (FIN) out of Committee with individual recommendations and the accompanying fiscal note.

Representative Wilson OBJECTED.

A roll call vote was taken on the motion.

IN FAVOR: Gara, Grenn, Stutes, Kawasaki, Ortiz, Thompson, Seaton, Foster
OPPOSED: Tilton, Wilson, Pruitt

The MOTION to REPORT OUT CSHB 74(FIN) PASSED (8/3).

CSHB 74(FIN) was REPORTED OUT of Committee with a "do pass" recommendation and with a previously published fiscal impact note: FN1(CED).

#hb150

HOUSE BILL NO. 150

"An Act relating to pay, allowances, and benefits for members of the organized militia."

[2:36:06 PM](#)

Co-Chair Foster conveyed that the last time the committee had heard the bill was on April 19, 2017. There were no amendments offered by members. He invited Kendra Kloster to the table to refresh the committee about HB 150.

KENDRA KLOSTER, STAFF, REPRESENTATIVE CHRIS TUCK, relayed that HB 150 was a committee bill from the Military and Veterans Affairs committee. It was part of the Title 26 reforms, the state's military code, which had been outdated since 1955. The committee had been working on doing some clean up. House Bill 150 would streamline the accounting system for the organized militia and the pay structure. Currently, the state had an outdated system. For example, if a militia member was doing multiple duties in one day, they had to arrange their pay based on the duty they were performing. The accounting system was long and cumbersome. The bill would streamline the system on what the state did for the federal system (based on grade and rank for the pay structure).

Co-Chair Foster relayed the list of available testifiers online.

Vice-Chair Gara reviewed the fiscal notes:

[FN1 - Indeterminant Fiscal Note]
Department: Department of Military and Veterans Affairs
Appropriation: Military and Veterans Affairs
Allocation: Office of the Commissioner
OMB Component Number: 414

Vice-Chair Gara explained that the fiscal note was indeterminant because it was not known under the formula used in the new bill what the changes in pay would be for state militia members.

Representative Wilson relayed that the fiscal note indicated an indeterminate amount for FY 18. There was nothing included in the governor's budget.

Co-Chair Seaton MOVED to report HB 150 out of Committee with individual recommendations and the accompanying fiscal note.

There being NO OBJECTION, it was so ordered.

HB 150 was REPORTED out of committee with a "do pass" recommendation and with a previous published indeterminate fiscal note: FN1(MVA).

Co-Chair Foster recognized that Representative Chris Tuck had joined the meeting.

REPRESENTATIVE CHRIS TUCK, SPONSOR, thanked the members for their consideration of the legislation. He relayed that the bill had come from the Department of Military and Veterans Affairs as a fix to make things more efficient and to run smoother within their administration. It would make pay more certain.

Representative Wilson asked if the representative was aware that his bill had been reported out of committee. Representative Tuck received a whisper in the ear that the bill had passed. He thanked members for allowing him to make some final comments.

#hb142

HOUSE BILL NO. 142

"An Act relating to unemployment insurance benefits; increasing the maximum weekly unemployment insurance benefit rate; and providing for an effective date."

2:40:57 PM

REPRESENTATIVE CHRIS TUCK, SPONSOR, read the sponsor statement:

The Alaska Department of Labor's Unemployment Insurance (UI) program provides unemployment benefits to eligible workers who become unemployed through no fault of their own, working less than full-time, and meet certain other eligibility requirements. With the seasonal nature of much of the state's workforce and Alaska's vast remoteness, UI benefits serve not only to bridge the economic gap for the individual worker, but also as a stabilizing influence on local economies.

The current Maximum Weekly Benefit Amount (MWBA) of \$370 only replaces 36% of the state's average weekly wage of \$1,020. An MWBA of \$510 would provide 50% wage

replacement of the average weekly wage, a nationally recognized norm.

To compare to other western states, the MWBA rate in Washington is \$681, Oregon is \$590, and California is \$450. In addition, Alaska is one of only three states where the cost of providing UI benefits is shared by employers and employees.

House Bill 142 would increase the maximum weekly benefit amount under the UI Program in two steps from the current \$370 to \$458 in 2018 and to \$510 in 2019.

Among 50 states, the District of Columbia, and Puerto Rico, Alaska is:

- 39th in Maximum Weekly Benefit Amount
- 44th in Average Weekly Benefit Amount (\$252)
- 52nd in Wage Replacement Ratio (.288)
- 9th in Reciprocity Rate (unemployed workers receiving benefits - .37)

As a claimant filing for UI benefits, individuals are responsible for actively seeking suitable fulltime employment and reporting activity for seeking employment each week to remain eligible.

The federal poverty level for a family of three in Alaska for 2016 is \$25,200, or \$2100 a month.

An unemployed single parent with two dependent children receiving the MWBA of \$370 plus the dependent child allowance of \$24 per child under 18 (up to a maximum of three) receives approximately \$1800 per month in UI benefits.

By passing House Bill 142, Alaska will be more in-line with the average weekly benefits and provide the necessary financial support families need to survive while seeking employment.

Representative Tuck relayed that there were representatives from the Department of Labor and Workforce Development who worked with the Unemployment Insurance (UI) Program available for questions.

Co-Chair Foster reviewed the list of available testifiers.

Representative Wilson commented that it looked like the amount a person made was going up rather than having a cap. She wondered if the legislation would require employers or employees to pay a higher percentage into unemployment.

2:45:30 PM

LENNON WELLER, ECONOMIST, RESEARCH AND ANALYSIS, DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT, responded that as the state increased benefit costs beyond the current schedule there would be a bit of an increase in costs going out into the future, as tax rates would need to respond to some larger benefit costs.

Representative Wilson wanted to know if it would cost employers or employees more of a percentage than what they currently contributed to the program. Mr. Weller responded that there were essentially two steps to the financing of the UI system. The first main part was a cost recapture portion which divvied out benefit costs recaptured as a share. It was a 73/27 split in statute. He relayed that the share would remain the same. However, as costs increased, rates would reflect a larger benefit cost. As more benefits were paid out and the trust fund moved, it would potentially increase tax rates.

Representative Wilson wondered if the department would have to come back to the legislature for a statute change if the rates increased. Mr. Weller relayed that the financing system was set in statute. The department would not be required to come back to make a statute change. Essentially, it was an automatically adjusting system trying to both maintain rates that were reflective of costs and a target for the reserve ratio in the fund. All the financing was directed through current statute.

Representative Wilson wanted to see a chart showing what the change would look like. She agreed that the rates were low, especially with a cap in place. She also wanted to know about the training funds such as the Alaska Technical Vocational Education Program (TVEP) funds tied to the state's unemployment. She wondered, that as the state dwindled some of the funds by increasing funding in another place, how someone would have access to those funds for additional training. She was concerned because there had been an issue in the prior year with unemployment funding.

Representative Tuck wondered if her question was about what would happen with the TVEP funds if the rates increased. He thought the TVEP funding rate was 1 percent.

Representative Wilson commented that as more people were unemployed there would be less money available in the unemployment fund, the fund that funded TVEP. She indicated there was also other training programs, paid through the unemployment fund, available for people needing to find a new vocation. She wanted to ensure there was enough money for the programs already using the fund.

Mr. Weller conveyed that an increase in the maximum weekly benefit amount would not impact either the State Training and Employment Program (STEP) or TVEP funding to any extent; they were dedicated taxes paid for out of a portion of employees' tax rates. It never actually went into the UI trust fund. It was diverted, pre-deposit, and the rates were set in statute. It was sixteen hundredths of a percentage point for TVEP and one tenth of a percentage point for the STEP training programs of which were offset against an employee's portion of their initial UI tax liability.

Representative Tuck responded that unemployment would not go up because of the bill. Larger benefits would help to maintain families. If the representative was concerned that more Alaskans would remain in Alaska and would have to take advantage of the programs, it was a possibility.

[2:51:06 PM](#)

Representative Wilson wanted Alaskans to stay in Alaska. Her concern was that the excess money that was not utilized currently would be utilized for other things aside from benefits. She wanted to ensure that the fund was healthy enough and those who needed to be retrained could get the training. She commented that UI was used for other things besides benefits. She wondered how the state would do more with less. She thought the cost would fall on the shoulders of the employer and the employee. Representative Tuck answered that he did not know what kind of benefits unemployed Alaskans received if there was left over money. He thought most of the programs were paid off the top, when the money went into the fund. He deferred to the department.

PATSY WESTCOTT, ASSISTANT DIRECTOR, EMPLOYMENT SECURITY, DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT, responded that the funding mechanisms for STEP and TVEP did not change with the bill. If the department had seen variations in the amount available for STEP and TVEP, it was because UI tax rates went up or down. As UI tax rates went up, more money was collected creating a larger diversion for STEP and TVEP. As tax rates went down, there was less of a diversion for STEP and TVEP.

Representative Wilson asked how the rates went up and down. Mr. Weller answered that the amounts the state would take in for both the STEP and TVEP programs were based on taxable wages. Specifically, as taxable wages grew, the nominal amount of dollars being pulled into either of those funds would reflect that growth. The rates for the two programs were fixed. However, the amount of money would change based on the taxable wage base.

Representative Kawasaki mentioned that in Section 2 of the bill there were some automatic adjustments in the bill. He wondered if most states had automatic adjustments. Ms. Westcott replied that about 26 states had an automatic adjustment in their statutes to provide for an auto adjusting maximum weekly benefit amount.

Representative Kawasaki asked if the automatic adjustment typically pegged to a specific dollar amount or something else. Ms. Westcott answered that it was typically tied to the state's average weekly wage or a percentage of the state's average weekly wage.

Representative Kawasaki reported that in Section 2 it stated that the department would increase weekly benefits \$2 for each \$250. He wondered why the amount was set in place. Representative Tuck responded that it was already in statute. The bill was lifting the amount to about the national average for those individuals making more than the average per week. He referred to Page 2 which reflected the same formula, only it extended the higher maximum amount paid out.

[2:55:59 PM](#)

Co-Chair Seaton referred to Page 5 of the handout that reviewed the weekly benefit amounts. The page was titled, "Reciprocity Rates." He noted that Alaska was the ninth

state on the list. He asked about the meaning of reciprocity rate and whether Alaska's rate was good or bad. He wanted to better understand the term.

Mr. Weller answered that reciprocity rates reflected the percentage of those who were unemployed, eligible for UI, and those that were actually collecting UI. He suggested that the state would want to see as many of the people that were eligible for the program file for and collect benefits if possible. Research showed that it helped to stimulate the economy and provide short-term income, keeping individuals in a geographical area and allowing them to reattach to work more quickly.

Co-Chair Seaton asked Mr. Weller to review the percentage rates. Alaska was at 37 percent. He wondered what factors lead to Alaska's percentage being so high. Ms. Westcott responded that each state had its own unique set of eligibility requirements. In addition to being monetarily eligible for UI, there were non-monetary disqualifications such as why someone was not working or their availability for fulltime work. Fluctuations in reciprocity rates could be seen from state-to-state depending on what other disqualifications states might have in their laws.

Vice-Chair Gara stated that UI was available to people who were laid off. He asked if there was a distinction that if someone was terminated for cause, they would not be eligible for UI. Ms. Westcott confirmed that Alaska had disqualifications. For instance, if someone was terminated for cause, or if someone voluntarily quit their job without good cause, there was a 6-week disqualification of benefits under those circumstances.

Vice-Chair Gara asked if Ms. Westcott meant that there were 6 weeks of benefits. Ms. Westcott responded in the negative. They would be disqualified from receiving benefits for the first week of unemployment and the following 5 weeks. There was also a 3-week deduction from the maximum amount that a person was eligible for over the term of their benefit year.

[2:59:57 PM](#)

Representative Wilson asked for a response about how it would impact small business in a negative way.

Representative Pruitt asked about the numbers listed at the bottom of one of the handouts provided by the bill sponsor [Weekly Benefit Amount Proposal - Page 1] (copy on file). He asked if the increases listed would take place if the bill was enacted. Mr. Weller responded that he was correct.

HB 142 was HEARD and HELD in committee for further consideration.

Co-Chair Foster reviewed the agenda for the following meeting.

Representative Wilson made the comment that she had just received a new iPad. She thought iPads should be used in lieu of paper.

Co-Chair Foster stated the Co-Chairs would think about the idea.

#

ADJOURNMENT

[3:03:26 PM](#)

The meeting was adjourned at 3:03 p.m.